

# The Power of Investment

Annual report and accounts 2021

When our clients invest with abrdn, they invest in more than you think.

Our focus on the future helps to create more progress, insights and opportunities to change things for the better.

This is the power of investing with abrdn.

This annual report and accounts 2021 for abrdn plc, and the strategic report and financial highlights 2021 are published on our website at www.abrdn.com/annualreport

Access to the website is available outside the UK, where comparable information may be different. Standard Life Aberdeen plc was renamed abrdn plc on 2 July 2021.



Certain measures such as fee based revenue, cost/income ratio, adjusted operating profit, adjusted profit before tax and adjusted capital generation are not defined under International Financial Reporting Standards (IFRS) and are therefore termed alternative performance measures (APMs).

APMs should be read together with the Group's IFRS consolidated income statement, IFRS consolidated statement of financial position and IFRS consolidated statement of cash flows, which are presented in the Group financial statements section of this report. Further details on APMs are included in Supplementary information.

See Supplementary information for details on AUMA, net flows and the investment performance calculation. Net flows in the Highlights page excludes liquidity flows as they are volatile and lower margin. It also excludes Lloyds Banking Group (LBG) tranche withdrawals relating to the settlement of arbitration with LBG.

All figures are shown on a continuing operations basis unless otherwise stated.

## **Highlights**

#### Adjusted operating profit



IFRS profit before tax

Full year dividend per share

£323m

£1,115m

14.6p

2020: £219m

2020: £838m

2020:14.6p

#### Investment performance

(% of AUM above benchmark over three years)

**Net flows** (Excl. liquidity and LBG) **Dow Jones Sustainability** Indices (DJSI) ranking

67%

£3.2bn outflow

**Top 3%** 

2020:66%

2020: £12.3bn outflow

2

of companies in our sector

2020: Top 2%

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#### Governance

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## Our purpose

## Enabling our clients to be better investors



Technology and insight help empower clients to make better decisions



Powerful partnerships help to enhance the expertise that we offer



Enabling clients to invest responsibly helps us to build a better world

## Our connected global team

Clients worldwide trust us to find future-fit investment opportunities globally to deliver the outcomes they want.



We manage and administer £542 billion of assets for clients



We have around 5,000 employees globally



We have 800 investment professionals in over 30 locations

## Our business

Our business is structured around three vectors, focused on the constantly changing needs of our clients.







#### Investments

Across markets globally, we build investment solutions to enable clients to create more opportunities for their futures.

Our investments solutions are built on the strength of our insight, generated from wide-ranging research, worldwide investment expertise and local market knowledge. Our teams collaborate across regions, asset classes and specialisms, connecting diverse perspectives, working with clients to identify investment opportunities that suit their needs.

Fee based revenue £1,231m £464bn AUM

Read more on page 20

## Adviser

Our platform technology and tools help UK wealth managers and financial advisers create more opportunities for their clients and their businesses.

We provide technology, expertise and support to make it easy for our clients to run their business and deliver the outcomes their clients want. We offer content and experiences that can be personalised to suit every type of business and client, giving advisers powerful data and insight to make better decisions.

£178m £76bn AUA

Read more on page 25

#### Personal

Our personal wealth business offers tailored services to help individuals in the UK create financially secure futures in a way that works for them.

We integrate a full range of services from high-quality financial planning and discretionary investment management capabilities, through to hybrid advice and digital investing tools. Our proposed acquisition of interactive investor transforms and broadens these capabilities.

Fee based revenue

£92m

£14bn AUMA

Read more on page 27



Across our business we connect our clients with wide-ranging investment solutions, giving clients more confidence to achieve their goals.



### Investments

52

investment strategies are positively rated by investment consultants, who are used by 93% of institutional investors in the UK and 88% in the US to advise on their diverse investment needs (2020: 52 strategies).

131

funds independently rated 4/5 stars by Morningstar, based on the investment performance of the funds we offer our wholesale clients (2020: 117 funds).





### **Adviser**

## **'A'** ratings

The first and only UK adviser platform to receive the highest rating for financial strength from AKG, one of the top factors advisers consider when selecting their primary platform.

### Gold award

from Defaqto for platform service, based on survey findings from across the financial adviser community.



### **Personal**

4.9 out of 5

average rating from clients for our hybrid retirement advice service. 94%

of AUM for discretionary investment management business aligned to strategies which outperformed the benchmark over three years (2020: 72%).



The insight, expertise and innovation of our team help clients create more ways for their investments to make an impact.

### Connecting expertise and perspectives

## Wide-ranging research

**Insight through tools**, such as climate scenario analysis, helps our clients to better identify investment risks and opportunities.

## Our transformed investment platform

By integrating our portfolios on a single global investment platform, we are consolidating our data, applications and reporting process to improve the experience for clients.

## Global expertise with local knowledge

**Our investment specialists** collaborate across regions and specialisms to create investment solutions.

## Empowering better investment decisions

Finimize helps us bring further insights and information to a highly engaged community of digital investors.



## Strength in our real estate capabilities

Our acquisition of a majority interest in Tritax supports our ambitions in the high-growth logistics and e-commerce real estate market.

#### Improving the adviser experience

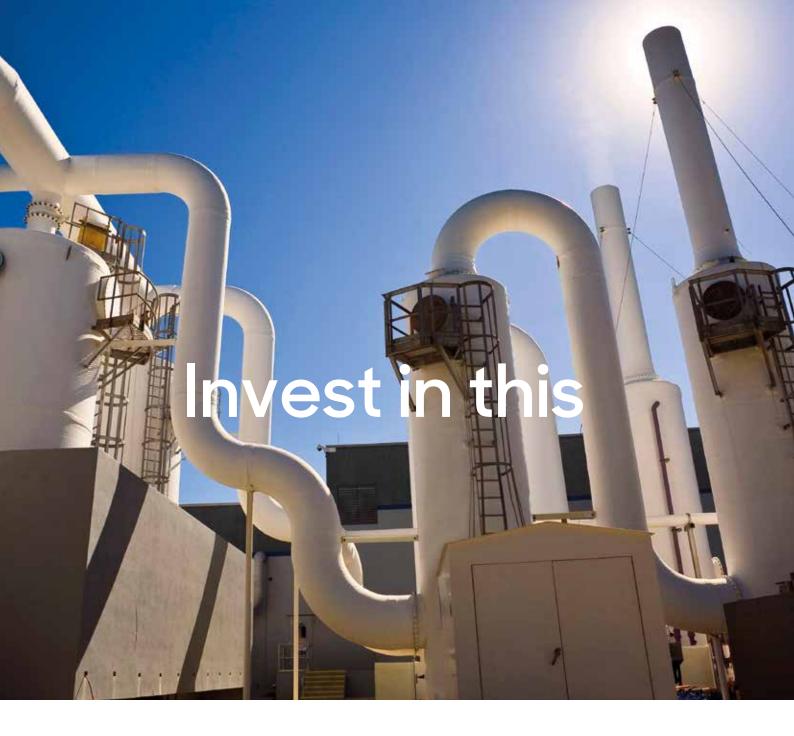
**Continuously striving for excellence**, our vision is to enhance our capabilities and technology to create an effortless experience for advisers and their clients.

#### Harnessing technology

Our digital capabilities enhance the flexibility and choice we offer individuals to create portfolios around their individual goals, risk profiles and preferences, as well as making our services easier to access.

#### Making individual savings easy

**Our Stocks & Shares ISA** takes minutes to set up, can be managed online at any time, and can be tailored to individual needs.



Creating solutions that can be measured beyond money alone. With our clients, we are helping to build a better future for all of our stakeholders.

## Responsible business

Net zero<sup>1</sup> target in our operations by 2040 with an interim target of a 50% reduction by 2025.

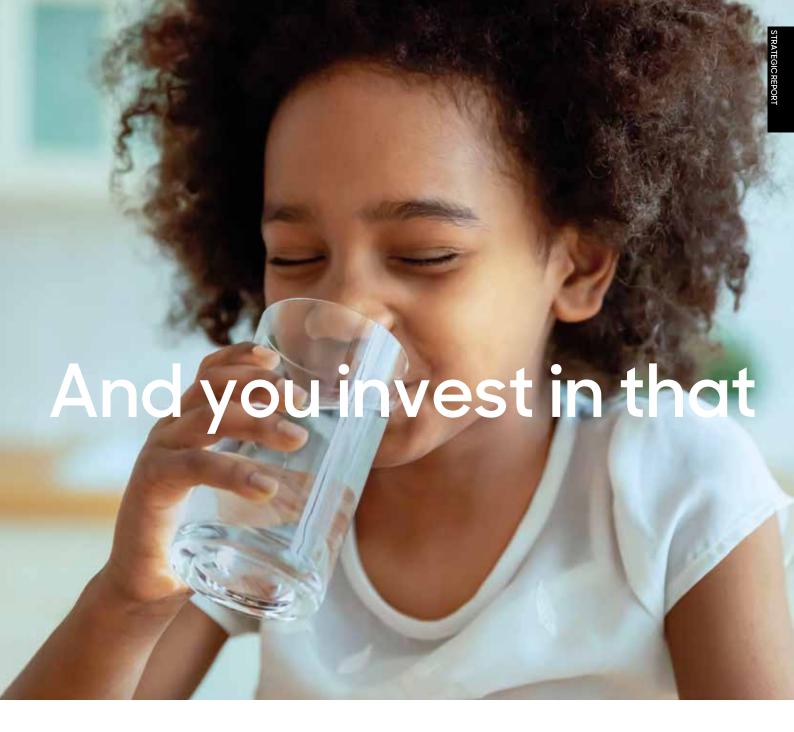
Reduced our operational emissions by 62% since 2018 including pandemic related reductions. Board and senior leadership level targets of 40% women, 40% men, 20% any gender by 2025.

Supporting the bridging of the digital divide through our £1m Hello World partnership.

AA score in MSCI ESG Ratings Index achieved, demonstrating our resilience to longterm ESG risks.

Top 3% in the Dow Jones Sustainability Index for our sector.

<sup>1.</sup> See the Glossary for definitions of key climate related terms including net zero.



## Responsible investing

ESG embedded across all of our actively managed portfolios.

Driving opportunities in Asian markets through our APAC Sustainability Institute. Joined the Net Zero Asset Managers initiative to work collaboratively in support of decarbonisation towards net zero.

Majority of our SICAV funds will be converted to promote increased 'E' or 'S' characteristics or have specific goals (Article 8 & 9 funds) in next 12 months. Target to reduce the carbon intensity<sup>1</sup> of the assets we invest in by 50% by 2030 vs a 2019 baseline.

Supporting client transparency and understanding via improved sustainability reporting.

## Creating a better future



As we close out another year, our first as abrdn, resilience and agility have once again been important aspects of our company's development. In what has been another challenging year, it is worth reflecting positively on how much has been achieved to reshape our business to meet both society's expectations of us and our own statement of purpose. That statement of purpose - to enable our clients to become better investors - is a constant in all that we do, and is far reaching in its influence. Investing effectively, recognising the powerful impact that the allocation of capital can have on facilitating positive outcomes, not only for people and their families, but also for the communities around us, the environment in which we live and the industries that play an important role in shaping our futures, is what we stand for.

#### Our global brand

Symbolic of the renewed sense of purpose within our business was the launch of the abrdn brand. Like all brand changes, particularly one involving a change from such well-established names, we attracted considerable media attention and comment, and feedback from individual shareholders covered the entire range from dismay to scepticism to excitement.

While not without its challenges, developing a single brand represented an important milestone in positioning ourselves for the future. We needed to have a brand name that was unique to us, one that

we could protect and that worked well in the increasingly important digital world.

Having licensed the Standard Life brand when we sold the UK and European insurance business to Phoenix, continuing to use that brand was not an option, and the name Aberdeen could never be unique to us. The sale of the Standard Life brand, which we announced as part of a simplification and extension of our strategic partnership with Phoenix early last year, brought urgency to this rebranding opportunity.

What is important is that, as we have rolled out the brand formally during the second half of 2021 and tied it to our purpose, both internal and external reaction has grown positively. Stephen Bird covers our brand in more detail in his report, as well as highlighting how his organisational redesign into three distinct client-focused areas, our 'vectors' of growth, is driving performance.

Positivity towards our brand is growing at the same time as our colleagues are returning to the office in ever greater numbers, a trend we are encouraging. As we transition to a blended model of working, both colleagues and clients are seeing the value of combining more flexible working arrangements with face-to-face collaboration and team building.

#### Strategic steps for building growth

The commitment our colleagues have evidenced, delivering for our clients, while adapting to an operating environment that continues to evolve, has been impressive, and is reflected in our results. We have seen a marked improvement in investment flows (excluding liquidity) in our Investments vector during 2021, augmenting continuing positive flows in our Adviser and Personal vectors. Combined with improved operational leverage and higher markets, this drove an increase in adjusted operating profit to £323m (2020: £219m), an increase of 47% over the prior year. Our IFRS pre-tax profit amounted to £1.1bn (2020: £0.8bn), boosted by further disposal gains from our listed Indian stakes and an accounting gain from reclassifying our investment in HDFC Asset Management from associate to investment status, consequent upon selling a portion of our stake in September 2021.

In line with the guidance we gave with our 2020 results the Board is recommending a final dividend of 7.3p per share, making a total of 14.6p for the full year, both amounts the same as delivered last year.

Our capital and liquidity positions are strong, with the proceeds of sale from our Indian stakes during the year creating capacity to invest in reshaping the company. This has enabled us to take the strategic steps needed to build further growth.

In late October, we announced the acquisition of Finimize, a global leader in providing digital content designed to equip investors with the information and insights they need to make their own informed investment decisions. The unique technology and content capabilities that Finimize offers means we are also able to extend the reach of our own insight and expertise, further supporting our transformation into a truly client-led organisation and driving a step change in our capabilities.

We have also expanded the reach we have across the Personal vector, supporting our ambition to enable our clients to be better investors. In early December we announced our plans to acquire the UK's leading subscription-based investment platform, interactive investor, for £1.49bn in cash, subject to certain adjustments. This acquisition constitutes a major step forward in realising our ambitions for our Personal business, and provides us with a leading position in the fast-growing direct investing segment of the consumer market. Subject to shareholder and regulatory approvals we expect to bring interactive investor formally into abrdn by the mid-year.

This redeployment of capital, from third party stakes to our own business, offers additional growth opportunities, adds diversification to our revenue streams and is accretive to earnings based on adjusted diluted earnings per share. We recognise the responsibility we have as a Board to manage our capital resources in the best interests of all stakeholders and, looking to the disruptive transition taking place within our industry, we believe these acquisitions are vital to reposition abrdn for a future where individuals will have greater responsibility for building their own savings resources. These acquisitions will also generate additional insights to help us better understand different customer needs and preferences.

Alongside the disposals of non-core assets, we acquired a 60% interest in one of Europe's leading logistics real estate fund managers, Tritax. In his report, Stephen Bird illustrates in more detail the opportunities these businesses will bring.

#### Harnessing the power of investment

The insights we gather from our customer-facing activities and research are increasingly important as these make clear that individual investors, both direct and intermediated, increasingly want to feel that their investments are having a positive impact on the world around them, and the society they will leave for future generations. At abrdn, we believe our clients are right to expect more from their investment activity, no matter how modest, than simply financial returns. Together with our clients we can make a difference – we call this the 'power of investment'.

Nowhere was this more evident during 2021 than at COP26 in Glasgow. The landmark conference saw political leaders, policy makers, non-governmental organisations (NGOs), scientists, corporate leaders and individual citizens from all corners of the world, with a vast range of economic circumstances and climate vulnerabilities, come together with the goal of

keeping alive the Paris Agreement's objective to keep warming below 2°C, and ideally 1.5°C.

Even as a leading global asset manager, we should not exaggerate the contribution we can make on our own to meeting the commitments needed to put our planet more firmly on a course to achieving net zero. However, neither should we underestimate the aggregate impact our industry can make. The announcement in January this year, for instance, of the partnership that abrdn and Tritax will form with electric-vehicle battery pioneer Britishvolt, to fund and deliver the UK's first full-scale Gigaplant in Northumberland, will help support the UK's energy transition to a greener future.

We must use all of our combined efforts to advocate for the policy and legal frameworks needed to deliver the desired outcomes. Additionally, we must hold companies in which we invest to account for the rigour and timely delivery of their transition plans and be held to account ourselves for the effectiveness of that engagement. Finally, we need to help our clients understand, simply and transparently, how they can invest responsibly to meet both their financial and societal objectives.

#### Maintaining the strength of our Board

The long-term success of our business relies heavily on the way the Board fulfils its responsibilities to its stakeholders. This means operating in the interests not only of clients and shareholders, but also in a way that acknowledges the role we must play in wider society. This includes matters concerning those in our employment and many groups and individuals more widely, from the need to foster the company's business relationships with suppliers, to the impact of our operations on our local communities. The Board discusses these obligations throughout the year, and you can read more about how stakeholder engagement is incorporated into our long-term decision-making on pages 74 to 75.

In September we were pleased to welcome Hannah Grove to the Board. Hannah brings more than 20 years of experience in leadership positions in marketing and communications within the global financial services industry, in particular from her time at State Street. Hannah has also succeeded Melanie Gee as the Board's Non-Executive Director with specific responsibility for employee engagement. We bade farewell to Melanie at the end of October as she completed her second three-year term. She has been an outstanding colleague, serving at various times on all of our committees and taking the lead as our first designated Board member responsible for employee engagement, a role she accomplished with great success, leaving a very sound framework for her successor. On behalf of her colleagues and shareholders I want to express our sincere thanks for her dedication and commitment throughout a transformational period in the company's history.

#### Chairman's statement continued

At the start of 2022 I was pleased also to welcome Catherine Bradley, CBE as a Non-Executive Director. Catherine has more than 30 years of executive experience advising global financial institutions and industrial companies on their most complex transactions and strategic opportunities. Her knowledge and experience gained from working across Europe and Asia, in serving on the Boards of leading consumer facing companies and her experience gained working with regulators and standard setters will bring considerable and incremental value to our discussions.

As we have now announced, Jutta af Rosenborg and Martin Pike will be retiring at the end of the AGM in May. I would like to thank Jutta and Martin for their dedicated service to abrdn during a period of great change and transformation. As our two longestserving directors, they were instrumental in the vision that brought Standard Life and Aberdeen Asset Management together and the transformation of the Company to a capital-light business. They both brought technical skills and expertise to the Committees they served on and Martin has chaired our Risk and Capital Committee very effectively during a period when the workload of the Committee has been demanding. The Board has greatly benefited from their experience and knowledge of abrdn's business and we wish them well in the next chapters of their careers.

We have also announced that, subject to shareholder approval at the upcoming AGM, Mike O'Brien and Pam Kaur will join the Board on 1 June 2022. Together they bring extensive asset management and audit, risk and compliance knowledge which complements the Board's current skills in these areas. I, and the rest of the Board, are looking forward to working with them.

#### Looking ahead

As I write this the world is once again facing the horror of brutal military aggression in Europe with no current line of sight as to the objectives of or the limits to that aggression; we are facing circumstances beyond our control or understanding which make it infeasible to predict how the coming year will play out.

This aggression represents a major setback for the world as there had been growing optimism across a number of major economies in early 2022 that restrictive measures to protect citizens and national health systems from the pandemic's threat could be relaxed. The resulting boost to economic recovery could be seen primarily within the developed world which continues to benefit from the success of mass vaccination and booster programmes. However, the very low vaccination rates in low-income countries continue to pose risks of new variants emerging while at the same time undermining global economic activity and widening economic imbalances. Many of these economic imbalances have been exacerbated during the pandemic, contributing to a complex investment environment.

Supply chains remain under strain as they are restructured for security of supply and as recovering demand exposes shortages of critical components, such as microchips. Inflationary pressures abound in freight, logistics, energy and food processing to name but a few industries.

Confidence that such inflationary pressures are transitory has receded in most countries, with expectations around the timing and number of interest rate rises brought forward. Following COP26, the urgency of climate change mitigation policies is ever more apparent, but a clear line of sight as to how the cost of these policies can be made politically acceptable, including justifying transfers to support lower-income countries in their transition planning, has yet to emerge.

The outlook is not universally bleak. Until the recent escalation in geopolitical turmoil, there were many encouraging signs. Much was learned during the pandemic around working practices, both for companies and individuals, that can drive the productivity needed to build the higher-wage economies that we desire. The transition to the lowercarbon future needed to mitigate the impact of climate change and to protect global biodiversity will involve huge investment in skills, training, technology and in fundamental science and its application. The trillions of dollars of investment needed will create a multitude of attractive investment opportunities globally for those prepared to undertake the thorough sector-specific and company-specific research needed to identify long-term winners. Success will come through multilateral international co-operation and public-private collaboration. We should be emboldened by the incredible success of the vaccine development programmes that illustrated public-private co-operation at its best.

But difficult times certainly lie ahead and it is undoubtedly a time to be grateful for our capital strength. We enter this period with a refreshed leadership team aligned to our revitalised strategic focus and considerable human talent committed to supporting our clients, as they navigate through a new and unwelcome geopolitical landscape.

At Board level we remain committed to supporting the investment in the insight, innovation and talent needed to protect stakeholder interests and underpin the future growth that will deliver sustainable value over the long term. I look forward to updating you on progress in due course.

**Sir Douglas Flint** Chairman

# Delivering on our strategy for growth



2021 was a significant year for abrdn. We set out our clear strategic vision and the financial benefits that we expect the strategy to deliver; firstly, by arresting the decline in revenue in the near term and then by establishing a healthy pattern of growing revenue and improving efficiency and returns thereafter. We have made good progress towards achieving these objectives in the first year of our plan.

We have delivered fee based revenue growth of 6%, reduced adjusted operating expenses by 1%, increased adjusted operating profit by 47% and delivered an improvement in our cost/income ratio to 79%. IFRS profit before tax was £1,115m (2020: £838m) benefiting from an accounting gain resulting from the HDFC Asset Management stake sale in 2021. The second half of 2021 saw greater momentum in the financials as the new strategy built traction in delivery. I am pleased to announce that our dividend will be 14.6p. Stephanie Bruce talks more about our performance in her Chief Financial Officer's review.

In our new strategy, launched in March, we outlined how we will deliver value for our shareholders based on our purpose of enabling our clients to be better investors. Our business exists to meet and exceed our clients' expectations and that is why we have reorganised around our clients. Each vector is built to understand clients' needs, wants and aspirations and

has the accountability and the tools to deliver on them. Our Investments vector is a leading active asset manager in over 30 locations globally with deep expertise across asset classes and a successful track record of investing in emerging markets. The Adviser vector is the UK's leading platform for financial advisers offering solutions that enable advisers to serve their clients efficiently and to run their businesses at scale. Our Personal vector is focused on digital investing, financial advice and discretionary investment management.

By building these three businesses we are diversifying our revenue streams, accessing new growth opportunities and serving new clients.

For the first time since the merger we have reported increased revenue and reduced costs for the full year. We are diversifying our revenue streams and broadening our growth opportunities.

#### Our execution priorities

Effective delivery of strategy must be backed up by the right structure, clear priorities, and empowered decision makers. During 2021 we took several immediate actions to reduce complexity and connect our businesses more closely to our clients. In the first half we simplified our business through the sale of Parmenion and also the Nordic real estate operation. We made significant progress on our technology transformation enabling us to further simplify operations and free up resources for the growth agenda. We simplified our management operating model by localising decision-making closer to client needs, removing unnecessary layers and costs and improving efficiency and our speed of action. We moved the business from five brands to one, uniting our entire operations and culture under the exciting and differentiated abrdn brand. Our new brand is unique, builds upon our global name recognition and is distinctive and attractive across all digital and physical domains.

Phoenix Group Holdings is both our largest client and a strategic shareholding because together we can develop better client offerings and drive more sustainable growth. It was particularly exciting to announce a simplification and extension of this relationship in early 2021. The strategic asset management partnership where abrdn manages c£176bn of assets has been extended to at least 2031 to the mutual benefit of both companies.

In January 2022, we announced the sale of approximately 4% of Phoenix's share capital. Our strategic partnership remains important to us and following completion of the sale, abrdn's holding will represent approximately 10.4% of Phoenix's issued

#### Chief Executive Officer's review continued

share capital and abrdn will continue to appoint a director to Phoenix's Board. I'm pleased that through our disciplined management of capital, we are well positioned to return the proceeds of this sale to shareholders.

Our Investments business accounts for over 80% of our revenue and has been the subject of high historical outflows caused principally by the cyclical decline in the 'super funds' GARS and GEMS and the decision by LBG to withdraw assets from abrdn. Our objectives here have been clear: stabilise, focus and position for growth across our geographies with a particular focus on emerging markets. I am pleased to say that in 2021, and under new leadership, we significantly improved net outflows (excluding LBG and liquidity), and achieved positive overall Group net flows (excluding LBG and liquidity) for the first time in the year during the fourth quarter. Of course, performance drives flows and across a number of our funds we have seen strong performance and standout ratings in small cap, emerging markets and real estate assets. Investment performance improved slightly over the key three-year period to 67% (2020:66%).

#### Leadership, accountability and a winning culture

Sustained improvements in operating performance requires focused, accountable and effective leadership. Alongside simplifying our operating model we made several new senior leader appointments, drawing on existing and external talent. These included René Buehlmann as our new CEO of the Investments business in Asia Pacific, Caroline Connellan as our new CEO, Personal Wealth, Tracey Hahn as our new Chief People Officer and a range of new hires across the businesses. In addition the acquisition of Finimize brings its CEO Max Rofagha to the Executive team and, subject to completion of our proposed acquisition of interactive investor, I am delighted that its CEO Richard Wilson will also join the team.

I want abrdn to be a magnet for talent and we have introduced a performance-based reward model to better connect individual reward with client-based returns and group success. I have been impressed by the way colleagues have responded and continued to deliver performance.

Enabling our clients to become better investors has to start with enabling our people. I have communicated a very clear strategy, aligned with our purpose and underpinned by strong behaviours, and we have reshaped the business around our three vectors. All of this has been done at pace, in the context of a global pandemic. I want to say thank you to our people for all they have done through 2021. We took a temperature check last May on employee engagement, and our most recent employee survey shows an increase in engagement of 8% to 51%. Whilst more to do, this is encouraging a year into our transformation. We have a huge opportunity here

and clear actions in place that will ensure we are building an environment at abrdn where colleagues can thrive.

We are breaking down legacy cultural silos across the business and building a client and results-focused, accountable and digitally enabled culture under one brand. We demonstrated our cultural and operational resilience throughout the COVID pandemic and have now moved to a hybrid working model based around redesigned offices with creative collaboration spaces. Without doubt during the pandemic abrdn colleagues missed real-time connections and are embracing the flexible return to the office. Within the same context we have been able to reduce our estate footprint, reduce costs, improve office space and in London we have announced our planned move to modern new offices in the City.

abrdn must fully reflect the vibrant societies in which we operate across the world. We are a recognised leader in diversity and inclusion. This is also reflected in how colleagues feel about our inclusive culture as well as in our actions to achieve increasingly diverse representation and in our investment approach.

We are now a focused team, united under a powerful brand – abrdn. Great brands start a conversation, abrdn is doing exactly that.

#### Capital strength and strategic optionality

Our strong capital position provides both resilience in uncertain times and enables selective investment to accelerate the growth of the group. As at 31 December 2021, our surplus regulatory capital was £1.8bn on an IFPR basis. We will take a disciplined approach to capital allocation as we drive sustainable growth, relevance and scale for our business, in a way that also generates value for our shareholders.

The acquisition of a 60% interest in Tritax gives the Investments vector exposure to the rapidly growing warehouse distribution sector. Tritax is the specialist logistics real estate fund manager that manages two of Europe's leading industrial logistics funds.

Data and digitalisation are driving rapid change in our sector. Towards the end of 2021 we announced our acquisition of the insights platform, Finimize. Our ambition here is to build the number one information platform for investors and to utilise this content and digital community-building capability for our clients.

Information and informed opinion is at the heart of client decision-making and our intent here is clear; we are part of the data revolution that is driving industry change and enabling clients to be better investors.

We announced our agreement to purchase interactive investor, the UK's leading subscription-based investment platform, at the end of 2021. This is fully aligned with our purpose and client-led diversification strategy and an important step for abrdn. The acquisition of interactive investor will significantly increase our growth and revenue opportunities for our Personal vector and extend our digital capabilities. This is a growth-driven acquisition. Interactive investor will remain under Richard Wilson's leadership and the certainty of abrdn's ownership and further investment will provide stability and underpin growth ambitions. This acquisition goes to shareholder vote in March 2022 and remains subject to regulatory approval.

Given our focus on digital capability and opportunities through acquisition, we have streamlined and strategically stepped back from our piloted in-house open banking application, Choices. Our team is now focused on harnessing the capabilities our new acquisitions bring to grow our Personal Wealth offering. We have the right strategy and leadership in place to address the challenges head on and continue to make the decisions that provide clients with trust, confidence and compelling value at various stages of their financial journeys.

#### There is no Planet B

Climate change is the biggest challenge confronting us all. There is no Planet B. At abrdn we view this in two ways: firstly by demonstrating leadership in our operations; and secondly by reducing the carbon intensity in our own portfolios through active ESG stewardship.

In our own operations we are targeting net zero by 2040, with an interim target of reducing carbon emissions by 50% by 2025 against a 2018 baseline. We have adopted app-based technology to enable our colleagues to keep track of their own carbon footprint which is more important than ever in the context of home working. We are also driving efficiency measures in our estate, focusing on reducing emissions from our sites with the highest natural gas usage.

The biggest positive climate impact that we can have is, of course, through the portfolios that we manage on behalf of our clients. We expect that our AUM supporting client goals in ESG will double in 2022, based on our net zero commitment, funds conversions and expected new flows from existing clients and product launches, and in line with the climate commitments we shared in 2021 we anticipate that this will increase further. In 2021 we also launched the abran Sustainability Institute out of Singapore to further our leadership position in emerging markets. At abran we want to be measured by our actions and not just our words. You

can read more about our activities in this important area on pages 30 to 37.

Our new brand is based around optimism for the future and the power of investment to unlock a better world for us all including the communities in which we operate. This ethos is driving our refreshed approach to our community partnerships. It was incredibly exciting to announce our £1m partnership with Hello World that will bring digital connectivity to remote communities.

#### Focusing on the future

Over the course of 2021 we have spent considerable time with investors, media and policy makers as we seek to communicate the changes underway at abrdn and our ambitions for the future. Sentiment is starting to shift in a positive direction and we are all committed to taking our stakeholders with us on this exciting journey.

As Douglas has highlighted, the unfolding conflict in Europe is extremely concerning and our thoughts are with those directly affected. Given the heightened levels of market uncertainty that now seem likely to exist during 2022, our team is taking the appropriate steps to ensure we remain on track to deliver our plan.

While events continue to move at speed, our procedures ensure that the interests of our clients are protected. We will continue to follow developments very closely and take any necessary steps in the interests of our clients, shareholders and other stakeholders in the business.

2021 has been a year of great change at abrdn. We have outlined our new strategy and we are delivering on it. While the economic and political environment outlooks remain uncertain we are both resiliently positioned and primed for further growth.



Stephen Bird
Chief Executive Officer

## Global opportunities

Enabling our clients to be better investors drives everything we do. By focusing our resources on our strategic priorities, we are building a long-term, sustainable global investments business. The clarity of focus within our three vectors enables us to identify and move forward on significant opportunities for growth within key markets globally.

#### Growth in Asia



The economic centre of gravity continues to move towards Asia and, building on our long and successful experience in the region, we are reinvigorating our Asia business for faster growth. With our deep

knowledge of the Asia Pacific markets and with sustainable investing long-embedded in our investment practices, abrdn is well positioned to drive growth across the region. We aim to be a leading provider of sustainable investment solutions in a region which is facing both challenges from the impact of climate change but also significant opportunities for wealth creation through financing the transition to more sustainable economic infrastructure.

#### Progress in 2021

- Appointment of René Buehlmann as CEO Asia Pacific in March 2021.
- Launched abrdn Sustainability Institute in Singapore.
- Strengthened the leadership team focused on wholesale markets.
- Wealth Tech Hub launched to export our award winning UK digital platform technology to the region.
- 14% increase in client domiciled AUM to £19bn.

#### **UK adviser and consumer markets**



The world population is ageing.
Providing for longer retirements is
essential as people are living longer,
healthier lives. The pandemic has
also reinforced the importance of
personal financial resilience to provide a

buffer against unexpected events. Individuals need to save more and start earlier whenever possible. We want to be the easiest firm to do business with across our Adviser and Personal vectors, helping individuals to invest their savings to deliver the future they desire in both financial and lifestyle terms.

#### Progress in 2021

- Appointment of Caroline Connellan as CEO Personal Wealth in October 2021.
- Maintained no.1 position for AUA and gross flows in UK adviser market.
- Achieved record level of discretionary investment management AUM at £8.9bn.
- Proposed acquisition of interactive investor, the leading UK subscription-based investing platform, announced in December 2021.

#### **Technology**



We have completed the integration of our investment platforms which will deliver the operational and cost benefits of a simplified technology infrastructure. We are committed to continuous improvement as agile

technology development, advanced data analytics, machine learning and cloud computing provide essential capabilities for a modern, cost-efficient, client-driven investment and wealth company.

#### Progress in 2021

- Completed migration of over £460bn of AUM onto single global investment trading platform.
- Launched Adviser Experience Programme, a series of technology-based improvements to client experience and engagement.
- Extended our strategic partnership with FNZ to provide platform custody and administration services.

#### Solutions



We understand that clients increasingly have needs that go beyond just financial returns. From pension funds needing to match income streams to liabilities, to insurance companies navigating

regulatory capital constraints, to wealth managers wanting to digitise their client offerings, many organisations seek our expertise to deliver robust and multi-faceted outcomes. The abrdn Solutions group seeks to deliver tailored outcomes by drawing on the full range of capabilities across our business.

#### Progress in 2021

- New Head of Solutions group appointed.
- Developed a pipeline of Wealth Tech opportunities in APAC centred on the provision of model portfolios, engaging digital journeys and the underlying technology.
- Won over £1bn in assets across 13 pensions and insurance mandates.

#### **Ecosystems**



Our technology ecosystem consists of strong, trusted partners, operates as a seamless extension of our own capabilities and is a key source of competitive advantage and customer trust. In today's well-designed

ecosystems, it is no longer necessary to own all parts of the value chain and our strong partnerships provide increased capabilities and controls cost effectively. Building connections within our ecosystems allows us to access new and growing client segments efficiently.

#### Progress in 2021

- Acquisition of Finimize, bringing innovation, digital and content skills.
- Partnered with Citibank to provide funds on their Citi Plus digital wealth platform in Hong Kong.
- Launched abrdn connect, enabling shorter client response times and more targeted information.
- Built on relationships with technology providers
   TCS and Cognizant to leverage global expertise.

#### Investing responsibly



In a rapidly changing world on a path to net zero, we believe that the consideration of ESG factors is essential to more constructive engagement and better informed investment decisions which help our

clients to achieve their financial objectives. Thinking about the future desired by our customers is a priority and we are relentlessly curious, seeking to identify those technologies, companies and sectors that will thrive in the economy, environment and society of tomorrow. Our investment decision-making incorporates ESG factors to improve client outcomes and drive positive change.

Our products and solutions integrate sustainability factors to improve long-term returns and through clear communication of our processes we empower our clients to make better informed investment decisions to help them navigate this era of rapid change.

#### Progress in 2021

- Climate change fund range launched.
- Converted 23 SICAV funds to Article 8 & 9.
- New Head of Sustainability position created, with the appointment announced in January 2022.

#### **Private markets**



Opportunities in private markets are playing an increasingly important part in making our clients better investors as access to public markets is no longer required in many important sectors. We focus on

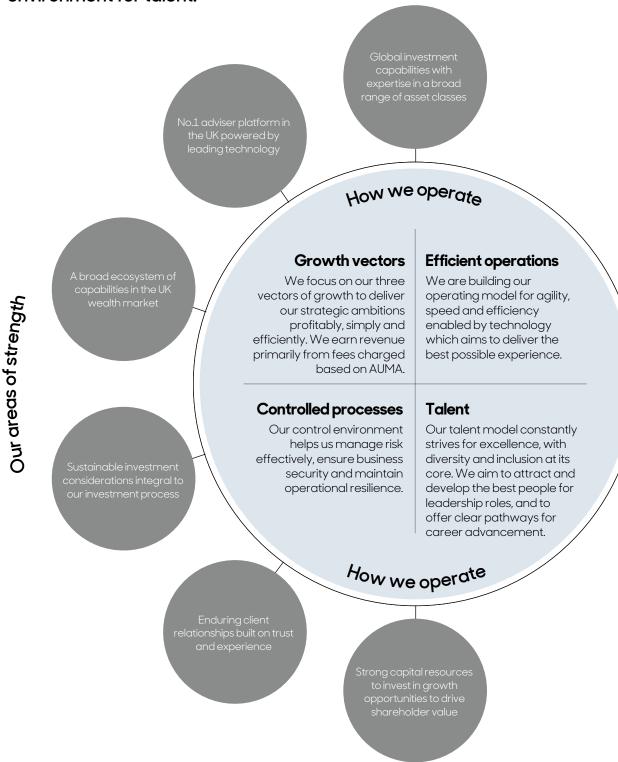
the growth themes, such as real assets, logistics and infrastructure, which are better accessed by our clients via private market investments and we are strengthening and leveraging our business in this strategically important area.

#### Progress in 2021

- Acquisition of majority interest in leading European logistics real estate investor, Tritax.
- Divestment of non-core assets Hark and Bonaccord generated funds for reinvestment.

## How we run our business to deliver value for our stakeholders

Our business model is designed to support the successful delivery of our growth strategy harnessing the combination of strengths in our business. We structure our business model to deliver growth in our vectors, efficient operations, control in our processes, and a positive environment for talent.



#### Read more

Our strategic priorities and what we have achieved in 2021 are explained on pages 16 to 17.

Our Investments, Adviser and Personal growth vectors are explained on pages 20 to 28. Information on our listed investments are included on page 29.

How we have engaged with our stakeholders in 2021 is explained on pages 42 to 43.



#### For clients

- Broad range of solutions designed to meet clients' current and future needs

- Long-term investment performance

- Sustainable investment considerations integral to our investment processes

Three-year investment performance 67%



#### For our people

- Performance-driven culture where we listen to, and act on, our people's views
- Technology to develop talent and improve collaboration
- A framework to guide our diversity and inclusion priorities

Overall employee engagement score 51%





#### For society

- Fair and inclusive employment, removing barriers to realising potential

- A response to the interlinked crises of climate change and biodiversity loss
- Sustainability/ESG focus running through our operations and our investments

DJSI World index top 3% for our sector



#### For shareholders

- Sustainable long-term shareholder value
  - Financial resilience in uncertain and challenging market conditions
- Continued investment in our business to further diversify our sources of revenue

Full year dividend of 14.6p

## Investments

Collaborating across multiple capabilities creates forwardthinking investment solutions to meet our clients' needs and deliver the outcomes they expect.

Our investment solutions are generated from wide-ranging research, worldwide investment expertise and local market knowledge. We offer expertise across products, regions and markets so that our clients can capture the investment opportunities that suit their needs.

#### Our clients include:

- Pension funds
- Governments
- Banks
- Insurers
- Companies
- Charities
- IFAs/DFMs

#### Institutional

c2,000 clients, with average tenure of 10 years

#### Wholesale

Broad offering of mutual/pooled funds sold through direct sales and distribution partnerships

#### Insurance

Providing insurance clients, largely our strategic partner Phoenix, with solutions to meet their complex needs 52 Strategies positively rated by consultants

131

Morningstar
4/5 star
rated wholesale
funds

£176bn
AUM of largest insurance client

1 year performance impacted by headwinds for quality/income funds (2020:71%)

Key 3 year investment performance metric broadly stable (2020: 66%)

Broadly stable 5 year performance (2020: 68%)

or 1 year 57%

3 years 67%

5 years 67%



Read more about investment performance on page 52

"2021 was about defining the five core investment strengths of our business. With a new management structure, we are delivering a more focused organisation around these core strengths. While the Americas and EMEA delivered encouraging performances in 2021, we have more work to do in our largest region, the UK, where we have strong existing franchises. We will drive our client-led growth by investing in what we do well, extending our offering, and continuing to rationalise the business by exiting non-core activities."

Chris Demetriou - CEO, UK, EMEA and Americas

"In 2021 we have reset our APAC strategy, building on our already strong expertise and heritage in the region. We have strengthened our local teams to ensure we deliver sustainable client outcomes in some of the fastest growing markets globally. We are uniquely positioned to guide both global and local investors to navigate these markets."

René Buehlmann - CEO, Asia Pacific

## How we enable our clients to be better investors

#### Institutional

Our institutional clients are typically professional investors who are responsible for large pools of assets. Many have long-term financial promises to keep, such as paying pensioners in retirement. They invest their assets in a way that allows them to keep those future promises and are often advised by actuaries and investment consultants. We can manage a specific part of their investment portfolio or provide them with a solution that matches all their investments against their liabilities.

#### Wholesale

Our wholesale clients use our investment funds to help their end retail investors. They can be small advisers helping individuals meet their financial goals directly, or parts of larger banks or wealth managers who may be creating their own solutions for their customers. It is critical that we offer products that are attractive to end retail investors and that our wholesale clients are confident to use. Our strategic relationships help us to bring our products closer to wholesale clients across the world.

#### Insurance

Our insurance clients have unique investment needs. They have to generate sufficient returns to meet future liabilities while meeting regulatory requirements to stay financially strong. We help our insurance clients by providing solutions and a range of strategies and asset classes that help meet these commitments.

## Delivering forward-thinking investment outcomes for institutional and wealth clients

Under the new vector leadership team appointed at the start of 2021, we have sharpened our focus on our core areas of strength where we have established strong credentials and which are closely aligned with the major market trends. These are:

- Asia and emerging markets.
- Real assets.
- Sustainable investing.
- Solutions and customised outcomes.
- UK wealth.

#### Accelerating growth in Asia

With René Buehlmann's arrival, our Asia strategy is focused on three broad themes:

- Accelerating distribution in the region with a strong wholesale focus.
- Strengthening our leading Asian investment expertise, in particular around sustainability.
- Focusing on improving distribution of global products to regional clients.

#### Market trends

1 Democratising financial services through technology

The transfer of financial responsibility toward the individual, changing which products are needed and how they are sold, increasingly through the deployment of technology.

2 Shifting economic power towards Asia and emerging markets

The higher rate of economic growth will continue to attract investment from the rest of the world. Likewise, the region will experience increasing demand for global investment capabilities as local investors and institutions expand their investment horizons.

3 Sustainable investing

Clients increasingly look to align their investments with the social and environmental issues that matter to them, and to protect their investments from the risks associated with these issues.

4 Urbanisation and infrastructure development

'Build Back Better' economic recovery and renewable energy policies will drive investment into sustainable real asset and infrastructure projects globally.

We have a strong global reputation for our Asian asset management capabilities with £44bn under management in long-standing strategies such as China A shares and Asia Pacific Equity.

Our focus on developing wholesale activity is yielding results. We have taken a big step forward through a new partnership with Citibank where our products are now available on Citibank's digital banking and investment platform in Hong Kong and will shortly become available in Singapore and the US.

We are one of the first asset managers in Asia Pacific to fully integrate ESG considerations into investments across all asset classes. In July, we launched our Sustainability Institute in the region which brings together expertise and insight from ESG experts across our business in Asia Pacific, including in regulation, product development, distribution and corporate sustainability.

#### Our growth vectors continued

#### Real assets

Following a strategic review of our capabilities in private markets and alternatives, we modernised our focus in this high-growth asset class.

We have brought together our real estate and infrastructure capabilities under a real assets franchise, with £48bn of assets under management. 2021 has seen the highest level of capital deployment since the merger with £3.2bn of direct real estate investments completed or confirmed. The acquisition of a majority interest in Tritax supports our ambitions in the fast-growing logistics and ecommerce real estate market. Its AUM has grown strongly by 12% since acquisition to £6.5bn. In a landmark deal announced in January 2022, Tritax and abrdn are partnering on the £1.7bn Britishvolt project to build the UK's first Gigaplant for the manufacture of electric vehicle batteries using sustainable processes.

Within alternatives, our US commodities ETF franchise continues to see strong growth, with AUM reaching c\$7bn in 2021. We are expanding our suite of products in the US and recently launched a new industrial metals fund aligned to the global 'electrification' theme.

#### Sustainable investing

Our primary goal is to generate better long-term outcomes for our clients and we have a long heritage of managing sustainable funds. We continue to develop new funds to support clients' ESG goals, including four climate funds across credit, equities and multi-asset. Following our compliance with level one of the EU's Sustainable Finance Disclosures Regulation (SFDR), we have been converting our range of SICAV funds to comply with SFDR Article 8 & 9 as this meets our clients' demands for ESG investing. In 2021 we converted 23 of our funds to Article 8 & 9 and plan to convert a further 27 funds in 2022.

We are a member of the Net Zero Asset Managers initiative group supporting the goal of net zero greenhouse gas emissions by 2050 or sooner, and we have ambitious targets to reduce the carbon intensity of the assets we invest in. In support we have developed a climate change strategy focused on Net Zero Directed Investing to achieve this. We are also working with our largest client Phoenix on transitioning their investments to net zero by 2050.

#### Solutions to clients' complex needs

Our solutions business combines investment, technological, operational and client expertise to deliver bespoke solutions for clients in pensions, insurance and wealth. We are committed to building a deep understanding of client-specific regulatory, industry and sustainability challenges. We partner with clients to deliver tailored solutions, providing the responsive, proactive partnership needed to ensure their evolving needs are met. Across pensions and insurance solutions, in 2021 we won over £1bn in assets across 13 mandate wins with end clients ranging from UK defined pension schemes to mid-sized life insurers.

#### **UK** wealth

We are a leading UK domestic asset manager with Institutional and Wholesale AUM of £120bn and a broad offering of mutual/pooled funds.

We have good insight into the retail market through our connectivity to our Adviser and Personal vectors and partnerships with Skipton and Virgin Money. Our MyFolio solutions, with AUM of £17.7bn, offer advisers and clients packaged, cost-effective, risk-targeted solutions to help meet long-term investment needs.

Through the wholesale channel, we have over 100 highly rated funds across five themes:

- Asia, Emerging Markets and China.
- Small & Mid cap.
- Sustainability.
- Europe & UK.
- Outcome oriented.

#### Driving efficiency by optimising our investment platform

The integration of our global investment platform is now complete, with the successful migration of over 1,300 portfolios representing over £460bn of AUM onto a single global investment platform. The integration included migrating middle office, performance and client reporting services to a single supplier and consolidating our business applications. These actions will bring substantial benefits for our investment teams and their clients, as well as optimising our cost base.

#### Our strategic focus for 2022

By investing in our core strengths, and building on what we do well, as well as streamlining our client offering and cost base, we will be able to sharpen our focus on driving growth.

Our business depends on market levels and we have plans in place to be able to address counter-cyclical trends and efficiencies if market levels reduce significantly.

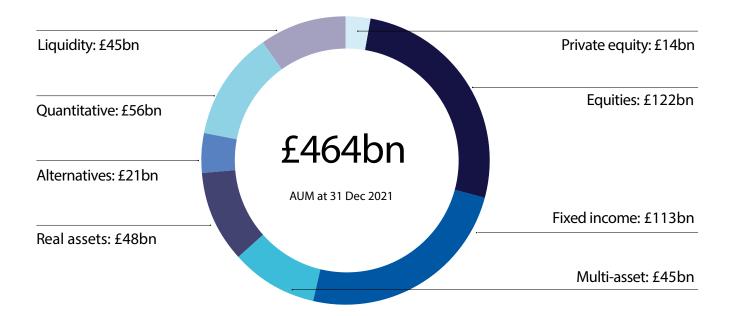
In 2022 we will:

- Continue to deliver our growth strategy for Asia.
- Further strengthen our real asset franchise by broadening, building out and evolving our capabilities.
- Build on our strong global sustainable investment capabilities by expanding our fund offering and innovating in the thematics space.
- Build on our established expertise in providing innovative solutions to clients' complex needs, including pensions and insurance, in particular supporting Phoenix to enhance its open book proposition.
- Reposition our product offering and capability mix to better align with the wholesale market demands.
- Seek to invest in areas of the market with attractive growth characteristics and modern asset classes.
- Continue to simplify the business through product rationalisation and exiting non-core activities.

#### Broad and growing range of investment capabilities

We offer investment expertise across all key asset classes, regions and markets so that our clients can capture investment potential wherever it arises.

#### Assets under management by asset class



#### Our broad global reach and expertise

With 800 investment professionals in over 30 locations worldwide, we provide clients with local expertise combined with the power of a global perspective.



AUM in the diagram above is based on client domicile and revenue is allocated based on where the revenue is earned. Revenue for our overseas businesses were impacted by adverse foreign exchange movements. See Note 2(c) of the Group financial statements for a breakdown of revenue by geographical location.

## Introducing **Finimize**

In October 2021, we announced our acquisition of investing insights platform Finimize. Finimize empowers retail investors by equipping them with information to make their own informed investment decisions. The acquisition of Finimize is aligned with abrdn's strategy to invest in technology to accelerate the pace and focus on innovation to meet changing investor needs.

Finimize has over 1 million subscribers to its daily newsletter and the business has built a global community of modern investors, passionate about making investing accessible. In 2021 more than 70,000 people signed up for Finimize's member-organised events. By the end of the year over 45,000 were paying for the premium subscription. The Finimize app was listed as a top 10 finance app by the Apple App Store.

Finimize now benefits from access to abrdn's global network of partners, our established research team and our operational infrastructure. The team at Finimize will collaborate with abrdn's Research Institute and investment teams to provide an enhanced experience for Finimize users and new editorial content for abrdn clients. Finimize will bring new talent into the business, as abrdn is able to utilise Finimize's unique content delivery technology, editorial and content skills. Insights into its highly engaged retail investor community will support abrdn's product and service development. In this way, Finimize represents both enhanced capabilities for abrdn, as well as a potential high growth business in its own right.

Finimize continues to operate as an independent brand and Finimize CEO, Max Rofagha, sits on abrdn's leadership team.



Finimize offers:

- A free daily newsletter.
- A more in-depth subscription service, at a flat fee.
- The opportunity to connect and interact with fellow investors through online chat forums and in-person events

"There is a huge demand for accessible high-quality investing information for retail investors. To meet this need, we need to be bite-size, mobile and social to fit modern investors' busy lives. We envisage Finimize will become the most convenient way for people to discover, research and discuss investing and we're excited to be doing this with the backing of a major financial institution that shares our vision."

Max Rofagha CEO of Finimize



## Adviser

Through a relentless focus on the quality of our content and experience, we aim to be the easiest business for advisers to partner with, for every firm and for every type of client. We are the leading platform for advisers in the UK, continuously improving solutions to create an effortless experience that empowers them to work efficiently and at scale.

#### **Our clients**

- Regional and national financial advisers
- Discretionary fund managers

## A primary partner for advisers

3 percentage-point increase in the number of adviser firms using us as their primary partner

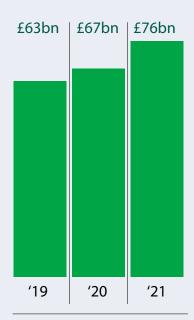
#### Adviser Experience Programme

Brings a series of new features, advice solutions and technology developments No. 1 for AUA and gross flows

50% of UK advice businesses use our platforms

96% client retention for our primary partners

#### **AUA**



426,000 customers served by IFA firms who are on our platforms (2020: 419,000)



"Advisers build their business on the goals of their clients. Our business is built on their ambition. Our vision for the partnerships we develop with advisers is about helping them to become the business they want to be and to deliver more to the clients they want to serve. This vision is based on three things: doing business their way, making things easy and putting our strength to work for them."

Noel Butwell CEO Adviser

#### How we enable our clients to be better investors

We provide support, expertise and technology for UK wealth managers and financial advisers to create value for their businesses and their clients. We offer a combination of tools and features personalised to their needs, including access to the full range of investment solutions that abran offers.

We partner with over 2.600 UK adviser firms and 11.000 individual advisers with 426,000 customers in total. We deliver the outcomes their clients need by:

#### Doing business their way

By building technology and investment solutions around advisers' and their clients' needs, we deliver a personalised service to suit every type of business and client.

#### Making things easy

We offer fast, self-serve solutions, along with live support that enables advisers to simplify the way they operate, giving them more time to focus on their clients.

#### Putting our strength to work for advisers

We enable advisers to look after their clients' data securely, while providing insight to make better decisions in areas ranging from regulation to taxation.

#### Progress in 2021

In March 2021 we launched our Adviser Experience Programme, a series of improved technology solutions for advisers to offer an increasingly personalised and efficient service to clients. We have already implemented a number of developments in the first phase of the programme, including enhancing our capabilities to become a true engagement hub for clients, combining service excellence with world-class technology:

- Through our new client service technology platforms, Amazon Connect and Salesforce Service Cloud, advisers connect to our experts faster and our team delivers an even more responsive service.
- We are one of the only UK platform businesses to have a fully integrated online e-signature solution. Advisers capture their clients' signatures electronically on documents, quickly and securely, which are then sent to the client document library on the platform automatically.
- With COVID-19 restrictions forcing people to become more digital, cybercriminals are increasingly targeting vulnerabilities in email communication. We reacted quickly by implementing Unipass Mailock encryption technology, enabling advisers to communicate sensitive information securely and efficiently.

We have simplified our relationship with Phoenix, announcing in early 2021 that we will acquire the Wrap SIPP and Onshore Bond tax wrappers. Alongside further technical separation activity in 2021, this simplification has driven substantial benefits to profit in the year.

We also announced further extensions to our strategic partnership with FNZ. In addition to our new long-term arrangement for platform custody services, around 300 of our back office administration colleagues will transfer to FNZ. Around 100 colleagues transferred in 2021. As we strengthen our investment knowledge and insight, we are backed up by access to the broader scale, capabilities and technology expertise that FNZ offers.

Industry measurement can make an important difference when advisers choose who to partner with. We are 'platinum' rated by AdviserAsset, 'gold' rated by Defaqto and the only platform business 'A' rated by AKG for financial strength, which is one of the top reasons for advisers selecting their primary platform.

When advisers use our solutions as their primary platform we see substantial increases in new business. Our research tells us that more than 70% of all new business from a firm goes on the primary platform, as our processes and capabilities become more embedded in their business. As a result, client retention also improves.

#### Market trends

- 1 Advice business consolidation Over the next 5-10 years the number of advice firms could reduce by up to 50%.
- 2 Democratisation of wealth Around 70% of people choose to change their financial adviser when they inherit
- 3 Advisers and platforms remain key 84% of individual assets expected to be advised by 2023. Complexity of needs drives demand for advice.
- 4 Platform M&A activity is forecast to continue

20+ adviser platforms in the UK, with the top 10 accounting for c75% of the inflows received by all of these platforms.

#### Our strategic focus for 2022

- We will deliver the next phase of our Adviser Experience Programme, with a range of enhancements to make our operating system more flexible and faster to use, including improved client reporting and better design.
- We will develop enhanced and more efficient digital journeys for income drawdown, as well as new tax wrappers for our Junior ISA and Junior SIPP products.
- We will transfer the Wrap SIPP product from Phoenix into abrdn.

## Personal

Connecting capabilities from across abrdn, we aim to deliver a seamless experience to provide trust, confidence and compelling value for our clients. Through our existing financial planning and discretionary offerings, we help clients with larger, more complex financial needs. With the proposed acquisition of interactive investor, this broadens our range of services to support clients at all stages of their financial journey.

#### **Our clients**

- Individual clients
- Charities and trustees
- Intermediaries

#### **Building scale**

The proposed acquisition of interactive investor builds scale, accelerates growth and enables us to access new customer segments

## Award-winning offering

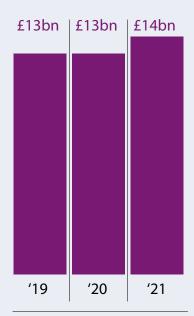
Winner of the Sustainable Investment Solution category at the PAM Awards 2021, the most prestigious awards in the UK wealth management sector 94% of discretionary AUM outperformed benchmark over three years<sup>1</sup>

95%
client retention for our financial planning clients

\$350m of flows from our financial planning business to abrdn Wrap

- Relates to AUM for discretionary investment management business aligned to strategies which outperformed the benchmark over three years.
- Client numbers may include some double count between discretionary investment management and financial planning businesses.





28,000 clients<sup>2</sup> (2020: 24,500)



"We have real strength in our higher-touch offerings, particularly our financial planning and discretionary investment management businesses. We know many clients are also seeking to invest directly and the proposed acquisition of interactive investor offers our clients the flexibility to manage their own investments. We want our clients to have the best possible experience, while showing them the full value that abrdn can offer throughout their life."

Caroline Connellan CEO Personal Wealth

#### How we enable our clients to be better investors

For individuals in the UK, we offer products and services that can be tailored to match different needs, budgets and complexities, along with easily digestible advice and support. Bringing our capabilities together seamlessly under the abran brand we integrate the full range of services, from high-quality financial planning and discretionary investment management through to digitally-enabled direct investing.

#### Financial planning

Our financial planning offering ranges from retirement advice and support with investing, to wealth management for private clients. Our experts provide tailored financial plans to make the right savings and investment choices.

We offer tax, trust and estate planning to help clients protect and manage their wealth. Through our specialist advice services, clients benefit from ongoing support from a dedicated adviser.

#### **Discretionary**

To make investing as straightforward as possible for clients, we align solutions to their time horizon and attitude to risk. Clients can choose from model portfolio solutions, or work with a dedicated client portfolio manager.

#### Digital capabilities to enhance our offering

Our Stocks & Shares Individual Savings Account (ISA) provides a simple and tax-efficient way to invest, with a range of investment options. It takes minutes to set up and can be managed online at any time. Our hybrid retirement advice solution helps customers manage their retirement income in a way that works for them.

Through our easy range of MyFolio Index funds, our investment experts work to achieve the best returns for the level of risk clients choose. For clients more comfortable choosing their own investments, we offer an open-architecture range covering different asset classes, regions and investment styles. By connecting capabilities across our business, individuals also have access to the technology solutions operated by our Adviser vector.

#### Progress in 2021

The proposed acquisition of interactive investor is another important step in driving our strategy in the UK. Its hightech approach sits alongside the personalised financial advice we offer, bringing access to new customer segments and capabilities in the high-growth direct investing market. It also drives strong customer engagement through data analytics, customer personalisation and easy-to-use technology, giving clients the flexibility to manage their own investments.

Our combined offering will aim to provide trust, confidence and compelling value for clients at all stages of their financial journeys. We will run interactive investor as a discrete business, with its own management team and

#### Market trends

Changing client behaviours and needs

> Accumulation vs decumulation. Confidence to make own decisions vs need for expert advice.

2 Democratisation of wealth

Increased personal responsibility for financial futures.

3 Digitalisation

Increased adoption of digital channels by retail investors.

Better technology and services improving accessibility.

Around half of all investments are managed by advisers, with digital acting as a complementary service and an enabler for strong face-to-face relationships.

Value for money

Increased price sensitivity among retail

Newer pricing models gaining share in direct investing.

5 Wealth transfers

Shifts of capital from DB to DC retirement schemes.

Intergenerational wealth transfers.

operational platform, to ensure continued high-quality service for both existing and future customers.

#### Our strategic focus for 2022

We are targeting growth in the UK wealth market, seeking to help individuals create financially secure futures in a way that works for them:

- Leveraging our strengths including our heritage, unified brand and investment expertise
- Building momentum in financial planning and discretionary offerings, and growing the reach of digital solutions such as our hybrid retirement advice solution
- Developing cohesive client journeys and experiences, embracing digital as an enabler for this.

We expect to complete our acquisition of interactive investor in the second quarter of 2022 (subject to regulatory approvals), bringing the opportunity to enable clients to self-select their preferred journey and then engage with us on more complex financial decisions.

## Valuable financial investments

We also have significant and valuable financial investments in leading companies in the UK, India and China. As well as representing substantial potential capital to support future growth and giving insight into important markets, these investments are a source of dividends and further strengthen our balance sheet.

#### **Phoenix**



- We are asset manager of choice for Phoenix with a 10 year contract from 2021 (£176bn of AUM as at 31 Dec 2021).
- Potential for new asset management mandates from Phoenix growth profile.
- Sold 4% for net proceeds of £0.3bn in January 2022.

#### **HDFC Life**



- Consistently ranked in top two private life insurers in India.
- Sold 4.99% for net proceeds of £0.7bn in 2021.
- Intention to monetise holding over time.
- 1. As at 25 February 2022.

#### **HDFC Asset Management**



- A leading asset manager in India, one of the world's fastest growing markets.
- Sold 5% for net proceeds of £0.3bn in 2021.
- Intention to monetise holding over time.

#### **HASL**



- Long-term strategic opportunity through exposure to the pensions market in China which is expected to grow significantly.
- Potential collaboration opportunity to use our investment expertise with HASL.

#### Realising the value of our listed investments

Over the last three years we have generated total cash proceeds of £3.5bn through disposals of non-core listed investments which we have used to invest in our business to support future growth and to deliver returns to shareholders.

| ′19 |       | £1,503m | £195m | £1,698m |
|-----|-------|---------|-------|---------|
| ′20 | £616m | £265m   |       | £881m   |
| ′21 | £653m | £271m   |       | £924m   |

- HDFC Life net sale proceeds
- HDFC Asset Management net sale proceeds

# Creating sustainable impact across our operations and investments

We want to create impact, building a future that is more sustainable, just, inclusive, and diverse.

In 2021 we continued to focus our resource and activity on the ESG areas where we add the most value and make positive change. These are:

- Tackling the interlinked climate and biodiversity crises.
- Championing a fair and inclusive society.
- Integrity and transparency in how we, and our investee companies, operate.

The biggest impact we have is through our investments. Working with our clients, we expect that our AUM which supports client goals in ESG will double in 2022 (based on net zero commitment, funds conversions and expected new flows from existing clients and product launches). In line with the climate commitments we shared in 2021, we anticipate that this will increase further as we enable our clients to achieve their objectives in this space.

Our people are passionate about driving ESG activity and engaged in developing the tools and driving the activity needed to achieve our ambitions. We also recognise that we need collective solutions and work with peers, clients, policymakers and charities to develop approaches and call for a drive towards more consistent global reporting.

**Environment** 

## Tackling the interlinked climate and biodiversity crises

#### Our focus

- Reducing the carbon intensity of our portfolios.
- Improving biodiversity in our local greenspaces and investment real estate.

#### Our targets

- Reduction of the carbon intensity of the assets we invest in by 50% by 2030 from the 2019 baseline.
- Net zero in our operations by 2040, with an interim target to reduce our emissions by 50% by 2025 from the 2018 baseline.
- We are working with our top 50% of suppliers by spend, requesting they put net zero targets in place by 2025.

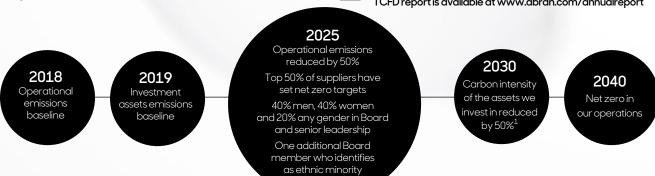
#### Our progress -

Reduced our operational emissions by 62% since 2018. This includes material reductions, influenced by the pandemic, to business travel and energy use in our offices, which helped us to exceed our 50% reduction target by 2025. We expect emission from these sources to increase again in 2022 as travel restrictions ease.

Definitions of key climate related terms including net zero and carbon intensity are included in the Glossary.

#### **Key milestones**

Our TCFD summary report is on pages 32 to 37 and our full TCFD report is available at www.abrdn.com/annualreport



#### Social

## Championing a fair and inclusive society



#### Governance

## Building trust and enhanced transparency



#### Our focus

- Championing, supporting and driving inclusion.
- Commitment to, and raising awareness of, a fair wage and stable working hours.

#### Our targets

- Board and senior leadership targets of 40% women, 40% men and 20% any gender by 2025.
- One additional board member who identifies as ethnic minority by 2025.

#### Our progress -

- Board comprised of 45% women, 55% men at 31 December 2021.
- Senior leadership comprised of 36% women, 64% men.
- Top 75 UK Social Mobility Employer 2021
- Winner of the European Thought Leadership of the Year Award - A Woman's Place: equality in the 21st Century.
- Diversity and inclusion is a standing governance agenda item and we use our clients' votes (as an escalation measure) to push for greater diversity by taking action on resolutions, aligned to our established regional expectations.
- New charity partnerships established with Hello World and the Sarabande Foundation.



You can find out more about our people strategy, including more detail on our targets, on pages 38 to 39.



You can find out more about our society and community impact, on pages 40 to 41.

Our focus – Integrity and transparency in how we, and our investee companies, operate.

#### Our progress -

- Top 3% in our sector for DJSI World and Europe.
- AA score from MSCI.
- Low risk' rating by Sustainalytics.
- A+ for strategy and governance by PRI.
- We voted on resolutions relevant to our clients' shares at 7,304 shareholder meetings, and voted on 75,398 resolutions.
- £447m total tax contribution.
- 98% of colleagues completed global code of conduct.



Read about our stakeholder engagement and Section 172 statement on pages 42 to 43.



Our non-financial information statement is presented on page 44.



## TCFD report overview

We are committed to tackling climate change in two ways, firstly by demonstrating leadership in our operations and secondly by reducing the carbon intensity in our own portfolios with a focus on real world decarbonisation towards net zero.

In our own operations we have set a target to be net zero by 2040 with an interim target of reducing carbon emissions by 50% by 2025. We have adopted app-based technology to enable our colleagues to keep track of their own carbon footprint, which is more important than ever in the context of home working.

The biggest positive climate impact that we can have is through the portfolios that we manage on behalf of our clients. As members of the Net Zero Asset Managers (NZAM) initiative, we are committed to partnering with clients to help them achieve their climate goals and, together, play our part in tackling climate change.

In 2021, we set an ambitious target to reduce the carbon intensity of the assets we invest in by 50% by 2030. We will achieve our target through three pillars of action - asset decarbonisation, providing net zero investment solutions, and active ownership.

Our climate strategy is focused on Net Zero Directed Investing (NZDI). This means moving towards the goal of net zero in the real world - not just in portfolios. We are active investors and believe that sustainable change will be driven by transition leaders and innovative climate solutions, alongside bolder collective action by government and effective incentives in the form of appropriate carbon pricing.

We are currently engaging with our highest financed emitters across equity and credit holdings to seek transparency on their decarbonisation plans and track progress assessed against relevant standards such as the Climate Action 100+ (CA100+) net zero benchmark. The change we need will come from backing credible transition firms on their path from high to low carbon intensity. However, if company progress against milestones is insufficient despite active engagement then we will look to divest.

Aligning our operations and investments to a net zero future, and being transparent on our progress, is essential for long-term performance. We are fully supportive of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) - both as an investor and as a discloser - and welcome the updated 2021 recommendations particularly the increased focus on transition plans. We have made disclosures we believe are consistent with the TCFD Recommended Disclosures and these are summarised within the following section. We have set out our full disclosure in our separate TCFD report and have adopted this approach to ensure we publish a sufficient level of detail for investors. We will continue to evolve and enhance our TCFD reporting, in line with data and industry developments. For example, in our next report we aim to incorporate further information on portfolio alignment and follow the PCAF guidelines on calculating financed emissions. Our full 2021 TCFD report is available at www.abrdn.com/annualreport



See the Glossary for definitions of key climate related terms.

We are committed to being a positive catalyst for net zero and enabling our clients to achieve their climate goals with a focus on real world impacts.

Stephen Bird Chief Executive Officer

#### Some of our 2021 highlights

70% of our Equity funds have a carbon intensity below their benchmarks

We committed to reduce the carbon intensity of the assets we invest in by 50% by 2030 vs a 2019 baseline

We targeted net zero in our operations by 2040, with an interim target to reduce our emissions by 50% by 2025 vs a 2018 baseline

#### Governance

We have an established governance and risk framework enabling us to identify and review climate related risks and opportunities, with clear accountabilities. Our governance structure and diagrams showing how accountability is delegated to various individuals and groups is outlined in our full TCFD report.

#### The Board's role in oversight

The Board and Board committees oversee a number of climate related issues and reports to provide challenge and ensure we are ambitious in our plans. Our Chief Executive Officer has overall responsibility of how we ensure that climate related issues are integrated into our strategy.

During 2021 Board agenda items on climate included setting and approving our operational net zero targets, and our strategy and targets to reduce the carbon intensity of our investments.

#### Management's role in assessment

Our two Climate Change Working Groups - covering our operations and investments consist of senior management members across asset classes and business teams. They are key to escalating to the Board material risks and opportunities and ensuring that the implications of these are considered within abrdn's strategy and risk management policies and that the budgets and business plans are in place to achieve this. These groups feed into our executive leadership team and from there to our Board. Our Head of Climate Change Strategy also updates the Board directly on climate related matters.

#### Strategy

#### Climate related risks and opportunities

We identify and manage our most material transition and physical risks and opportunities through our climate risk assessment. One of the most material transition risks for abrdn relates to the enhanced reporting regulations and the cost of analysing and gathering climate related data across all our asset classes which is complex and resource intensive. Climate related market impacts on asset values is another important risk which we carefully analyse through our climate scenario analysis. Thirdly, there is a risk related to changes in client preferences and demand for climate related products and reduced revenue if we are not prepared for this shift - this also provides the greatest opportunity for us and is a key driver for the development of our net zero directed solutions. Our material risks and opportunities are linked to our growth strategy, such as the opportunity for increased revenue through increased demand for lower emissions products and services.

You can see our key climate risks and opportunities and mitigation strategies in our full TCFD report.

#### Impact of climate related risks and opportunities

We assess the likelihood of climate risks and opportunities as well as their financial impacts on a scale of 1 to 4. All material risks have a 61–100% chance of occurrence in next 12 months (i.e. are a 1 in 1 year event). Then we consider the impact on our business after any mitigating actions to manage climate risks are taken. We also quantify the impact of different climate scenarios and related risks and opportunities on the assets we invest in. The financial impact of the energy transition is most material for certain sectors and dispersion of impacts on assets within sectors can be considerable. This is critical insight for identifying risks and opportunities.

## Resilience of our strategy against climate scenarios

We conducted our unique, industry leading climate related scenario analysis exercise in 2020 and updated this in 2021 to assess the financial impact of climate change on asset values. This deepened our understanding of the potential implications of climate related transition and physical risks and opportunities for investments and the resilience of our portfolios and investment strategies.

We use scenario analysis to understand how resilient our portfolios are to different, uncertain future pathways and how this compares to the benchmark. Around three quarters of our Equity funds outcompete the benchmark in our mean scenario, but the outcome differs by fund. Our Multi-Asset Climate Solutions fund, for example, comprises of companies that derive over 40% of their revenues from climate solutions. For this fund we saw that for most scenarios and in our scenario mean, the valuation implication was strongly positive.



#### Our approach in our investments - Net Zero Directed Investing

We are members of the Net Zero Asset Managers initiative and we have developed a climate change strategy focused on NZDI. That means moving towards the goal of net zero in the real world. We seek to achieve this goal through a holistic set of actions, including rigorous research into net zero trajectories, developing NZDI solutions and active ownership to influence corporates and policy makers.

#### Net Zero Directed Investing - Our six areas of focus



#### Investment integration

We develop tools and processes to integrate climate change into every investment decision.



#### Research and data

We undertake rigorous, forward-looking research related to climate change impacts, including net zero 2050.



#### Investment solutions

We develop climate solutions across all asset classes to enable our clients to achieve their goals, including net zero 2050.



#### Transparency

We are committed to providing transparency via regular TCFD reporting and enhanced ESG client reports.



#### Active ownership

We actively engage with corporates on their climate goals and actions and reflect our views in voting decisions.



#### Collaboration and advocacy

We collaborate with industry initiatives to drive best practice related to net zero and advocate for ambitious climate policy.

## Climate Scenario Analysis - taking a forward looking view

The transition and physical risks of climate change are wide reaching and impact every country, sector and company. Through climate scenario analysis, we have developed a robust, forward-looking, quantitative assessment of the possible implications of these risks and opportunities on our investments. We have developed a bespoke approach to climate scenario analysis, that integrates and quantifies the macro and micro drivers of climate impacts on asset prices within a probabilistic framework.

Our latest analysis includes 17 scenarios in total with projected 2100 temperature rises ranging from 1.4 to 3.1°C. Our approach brings together eight industry standard off-the-shelf scenarios built by the Network for the Greening of the Financial System (NGFS) alongside seven more nuanced and plausible bespoke scenarios. We also include two probability-weighted scenarios, one of which captures the mean across the full range and another that captures the mean across only the Parisaligned scenarios.

Our mean scenario now sees greater emissions reductions than in our 2020 exercise. And though we do not yet think that the outlook for global climate policies and technology pathways is consistent with the objectives of the Paris Agreement, we have increased the probability attached to stronger action and Paris-aligned scenarios.

Our 2021 exercise affirms one of our key findings from 2020 that climate risk and opportunity is mostly a micro, or security-level phenomenon. That is because there is much greater dispersion across securities within a sector or region, than there is across the sectors or aggregate regional indices themselves. Many companies have seen increased impacts in our Year 2 analysis with securities in the energy, utilities and auto sectors showing the greatest changes.



Read more about our climate scenario analysis in the fullTCFD report at www.abrdn.com/annualreport.

#### Climate change is impacting how investors allocate capital

We are developing frameworks and solution for clients with net zero ambitions. For example, Phoenix Group, our largest client, has set a net zero 2050 goal and we are developing solutions across different asset classes to help them achieve these goals, including an Equities Active Climate Transition (ACT) fund. In 2021, we launched four climate focused funds across Equities, Credit and Multi-asset to enable our clients to achieve their climate goals and are committed to supporting client goals in this space. To support the transition to net zero and climate resilience, we invest in assets across the following pillars:

#### Journey to net zero

#### Driving the carbon transition

#### Building climate resilience

#### Accelerating change

#### Focusing on 'Leaders'

Investing in companies that are either driving operational change or those transitioning and can demonstrate ambitious and credible plans

#### 'Adapting' to physical effects

Helping society to adapt to the physical effects of climate change by investing in climate resilience projects

# Identifying 'solution' opportunities

Investing capital in companies that are innovating to accelerate change and adopting green solutions



#### Investing in nature-based solutions

On behalf of one of our abrdn strategies, our Natural Capital team has acquired a substantial nature-based project situated in the Cairngorms National Park. The land acquired extends to an area of over 1,400 ha and represents one of the largest reforestation and peatland restoration projects in the UK.

- The aim is to restore over 900 ha of woodland, planting over 1.5 million trees and to restore over 150 ha of degraded peatland.
- It is estimated the project will deliver up to 195,000 tonnes of claimable carbon to 2060 at a cost of £22 per tonne on a discounted cash flow basis.
   The fund will have valuable flexibility to hold the asset beyond 2060, with further carbon offsetting benefit if required.
- Biodiversity net gain will be monitored and independently reported to investors over time.
   This will be done using a leading science-based approach, carried out by a team of ecologists.

- Focusing on native broadleaf and Scots pine, the woodland creation element of the project will improve amenity, enhance biodiversity, mitigate flooding and improve air quality, while restoring the drained peatlands. This wider environmental net gain will also be measured.
- Local contractors and forestry consultants will be employed to deliver the project. Benefits for the local community will be promoted where possible, such as bird-watching huts and the restoration of bothies for hillwalkers.
- On areas of open land and unplanted land, nature will be left where possible to recover in a natural way with minimal intervention management practices to promote further biodiversity net gain benefit.

Far Ralia Estate represents one of the largest native woodland and peatland restoration projects in the UK. We are committed to providing innovative solutions on the pathway to net zero and helping to address biodiversity decline. It is crucial to note that investing in nature-based solutions plays an important role in achieving net zero but this has to be alongside emission reduction targets.

#### Our approach in our operations

In 2021 we set an ambitious interim target to achieve a 50% reduction in operational emissions by 2025, against our 2018 baseline and to be net zero by 2040. We have outlined a strategy to reduce our Scope 1 emissions by 50% by 2025. We will achieve this by efficiency measures in our estate (focusing on sites with the highest natural gas use), changes to our fleet, and improvements in refrigerant gas usage. Our strategy to reduce our Scope 2 emissions by 60% by 2025 is through efficiency measures in our estate (focusing on sites with the highest use of energy).

For Scope 3 emissions reductions we are focused on reducing our business travel by 72% by 2025 and influencing a reduction in emissions associated with colleagues working from home. We first reduce as much as we can and then we offset 110% of our residual emissions with accredited projects. This includes our working from home emissions. We are further looking at our supply chain and will expect our top tier suppliers to have net zero targets in place for 2025.



#### Risk management

# Process for identifying, managing and integrating climate risks and opportunities

For over ten years we have identified operational climate-related risks through our climate risk and opportunity radar. In the last three years we have added investment risks to this as well. In 2018 we aligned our radar to the TCFD recommendations. The radar is based on our risk and control self-assessment process which assesses the inherent risk (that is the risk before the consideration of controls) against:

- Likelihood the % chance of an occurrence in the next 12 months
- Impacts financial, customer, regulatory, reputational and process.

The inherent risk is then scored after the consideration of the effectiveness of controls (both in terms of design and performance) currently in place. We have a climate risk oversight group that evaluates material climate risks within our radar of climate related risks and opportunities. Where we identify material risks to the business within the radar we escalate this through our governance structure. The management process determines whether we mitigate, transfer, accept or control risks.

#### Our approach in our investments

Climate change risks and opportunities are managed by incorporating them into our investment process via tools and corporate engagements.

Research is the foundation of our approach to understanding climate change impacts. Our climate related research and scenario analysis provides insights on regulatory and industry trends across regions. It also helps us understand the physical and transition risks and opportunities, enabling us to take informed decisions about how and where to invest. Climate related research is carried out by our Research Institute and ESG Investment Team as well as investment desks across all asset classes. The ESG Research Forum meets monthly to discuss research priorities and review content.

We have developed a range of tools to help integrate climate change into our decision-making including carbon footprinting, transition assessment and an ESG House Score. These tools enable teams right across the business to access and analyse the climate change-related data at asset, sector, region and portfolio level.

#### Active ownership

We engage with companies about aligning their strategies with the Paris Agreement and setting appropriate greenhouse gas (GHG) emissions targets. Our net zero engagement strategy is focused on the largest financed emitters and their commitment to decarbonisation towards net zero with credible actions supporting this. We use the Climate Action 100+ net zero benchmark as a useful guide for measuring progress as well as our own climate scenario analysis results. We do this independently and collaborate with other investors as an active member of Climate Action 100+ (CA100+), Microfiber pollution and Farm Animal Investment Risk and Return (FAIRR). Independently we carried out engagement across the auto sector engaging with different companies across geographies to discuss preparedness for the low carbon transition.

We believe that voting at company meetings is an important part of our role as active owners when investing on behalf of our clients. We have a strong record of using our proxy voting to influence investee companies towards the transition to a low-carbon world. In 2021, we voted on a total of 99 climate resolutions (2020: 60) and in favour of the majority of resolutions related to climate change (55%). We also implemented a policy to vote against the annual reports of transition laggards with a Transition Pathway Initiative (TPI) Management Quality Score of 0 or 1.

#### Collaboration and influence

We work with industry associations, regulators and policymakers globally to drive change, including through improving standards, driving best practice, influencing regulation and developing capital allocation strategies. We share our time, expertise and research to do this. For example, we actively participated in the Institutional Investors Group on Climate Change (IIGCC) working groups and the PRA Climate Financial Risk Forum. We also signed the 2021 Global Investor Statement to Governments on the climate crisis to highlight the need for more stringent climate policies.

#### Metrics and targets

#### In our operations

In our operations we use a number of metrics to assess our strategy. We report Scope 1, Scope 2, and Scope 3 GHG emissions, where possible. We obtain third-party verification for our Scope 1 and 2 emissions, as well as for some Scope 3 categories - business travel, transmission and distribution, and working from home (we detail our methodology in our KPI document at

#### www.abrdn.com/annualreport).

We have reduced our total greenhouse gas emissions by 62% compared to our 2018 baseline. Our emissions per full-time equivalent (FTE) employee have fallen by 55% from 1.57 to 0.70 tonnes of CO2e per FTE (Scopes 1 and 2). We have also reduced our energy use globally by 58% from 35,109 MWh to 14,910 MWh, and in the UK by 53%, from 26,658 MWh to 12,410 MWh.

Our emissions reductions are primarily due to a pandemic related reduction in business travel as well as a reduction in electricity and gas emissions due to our office consolidation process and focus on efficiency.

We have targeted net zero in our operations by 2040, with an interim target to achieve a 50% reduction in our operational emissions by 2025.

Our targets directly relate to our identified climate-risks and opportunities as we aim to exceed stakeholder expectations on reporting, transparency, and action. We are also targeting opportunities, such as reduced operational costs, through increased energy efficiency measures and long-term travel reduction strategies, which represent the most material aspects of our global operational footprint.

#### Total CO<sub>2</sub> emissions (tonnes)<sup>1</sup>

# 12,295

| '18<br>Baseline | UK 2,629<br>Offshore 38   |                              | 22,482 | 32,218 |  |  |
|-----------------|---|------------------------------|--------|--------|--|--|
| ′20             | UK 1,118<br>Offshore 94   |                              |        | 14,433 |  |  |
| ′21             | UK 1,008<br>Offshore 53   |                              |        | 12,295 |  |  |
| Sc              | Scope 1: Refrigerant gases, natural gas, oil and company-owned vehicles  Scope 2: Electricity and district heating  Scope 3: Working from home, business travel and |                              |        |        |  |  |
| 30              |   | ransmission and distribution |        |        |  |  |

#### Total energy consumption (kWh '000s)1

# 14,910

| '18<br>Baseline | 26,658   |       | 8,451 | 35,109 |
|-----------------|----------|-------|-------|--------|
| ′20             | 14,238   | 3,495 |       | 17,733 |
| ′21             | 12,410   | 2,500 |       | 14,910 |
|                 | UK       |       |       |        |
|                 | Offshore |       |       |        |

#### In our investments

We provide a carbon footprint for our portfolios across different asset classes including equities, fixed income, quantitative investments, real estate and sovereign bonds. We use the Weighted Average Carbon Intensity (WACI) as a core metric to show a portfolio's exposure to carbonintensive companies.

To complement the backward looking carbon emission analysis, it is important to take a forward looking view when constructing our portfolios and assess where we believe company or asset carbon emissions will be in the future—and whether this matches the desired decarbonisation trajectory.

We consider a range of climate change metrics in our investment processes including greenhouse gas emissions and forward looking emission trajectories.

In 2021, we set a target to reduce the carbon intensity of the assets we invest in by 50% by 2030 vs a 2019 baseline to support our net zero ambitions. We set out what this means and how we will achieve it in our full TCFD report.

<sup>1. 2021</sup> data has been independently assured by Bureau Veritas. Bureau Veritas assurance can be found at www.abrdn.com/annualreport

#### Sustainability - Social



# Our people

We create opportunities for our people to thrive, giving them the environment, tools and support to feed their curiosity, achieve their ambitions and take ownership of their ideas.

#### New ways of working

Like many other businesses in 2021, we embraced 'blended working' as the default way in which our colleagues will now work globally. This combines the benefits of face-to-face collaboration, coaching and connecting in our offices with the flexibility of working from home. This improves productivity, innovation and engagement among our colleagues.

We have listened to feedback from colleagues and developed a programme of improvements. We have stronger wi-fi and other technologies that make it easier to work in the office. We continue to adapt our buildings, with a larger proportion of our space dedicated to teamworking and collaboration.

Through our networks, we have developed ways to help our colleagues, managers and leaders understand how to work effectively in a blended way. This includes learning solutions, team workshops, and guidance on how to watch for unintended bias.

Colleagues have also highlighted the challenges that combining home working and busy workloads can create. We have supported colleagues and leaders with guidance on managing outcomes, how teams can successfully work in a blended way and how to thrive in a high-performance environment.

# **Helping colleagues to grow and develop**Developing our leadership

Effective leadership is critical to unlock the full potential of our talent. Our People Leadership Academy is our online learning framework, available for people leaders at all levels, to develop and enhance the behaviours and skills we expect.

Our Future Leaders programme is our individualised development resource, to support colleagues to identify and achieve their future leadership potential. We encourage as many colleagues as possible to consider future leadership roles and we help bridge gaps in their knowledge and expertise. Following a successful pilot last summer, we expanded the programme in the fourth

quarter of 2021 to mid-career colleagues across the business. By the end of 2021, 900 had completed the diagnostic questionnaire, receiving access to their individual results and personalised development resources.

#### Tools for self-development

We provide our colleagues with the tools and resources they need to take control of their development and to make the right contribution to our strategy. In 2021, we expanded our digital learning resources with the launch of our Data Academy and Digital Academy. These are designed to help colleagues develop the skills and mindset to harness data to make better decisions, helping ensure that we are equipped to support our clients in a digital world.

We presented live learning sessions to over 3,000 people in abrdn in 2021. As a result, over 4,000 colleagues have engaged in some form of personal or professional development, either through our virtual classrooms, digital content or external learning opportunities.



#### Mentoring

Our global mentoring programme offers all colleagues an opportunity to find a mentor inside the business, or to share their skills and experience as a mentor themselves. We use algorithms based on development interests and preferences to match mentees with appropriate mentors. At the end of 2021 we had established over 300 internal mentoring relationships, which represents a 96% increase since 2020.

# **Identifying, attracting and retaining talent**A diverse and inclusive workplace

We are focused on creating inclusive environments in which all types of diversity can thrive. Our leaders, our Global Inclusion Committee, our colleague-led networks and regional groups work collaboratively to turn discussion into action, and to influence others to do the same.

To bring diverse perspectives to selection and minimise potential bias, we have increased our pool of interviewers for our roles. Nearly 80 colleagues are being trained as interviewers, representing all of our regions and business areas. All of our executive search partners also have a contractual obligation to provide gender-diverse shortlists.



Read more in our diversity and inclusion report available at www.abrdn.com/annualreport

#### Young talent

Our traineeship programme has gone from strength to strength in recent years. In 2021 we welcomed 36 new university graduates into our global graduate programmes and 22 new trainees. We were also rated the number one Apprenticeship employer in Scotland by Rate My Placement and top 15 in the UK, based solely on reviews by young people.

We now work with more early careers partners to increase the diversity of our participants. In 2021 we welcomed a colleague from the Kickstart scheme, which aims to create new jobs for young people aged 16-24 on Universal Credit who are at risk of long-term unemployment.

#### **Our targets**

We refreshed our corporate diversity targets in 2020, after reaching earlier targets for women in roles at Board and senior leadership ahead of schedule. These took effect from 1 January 2021.

Our approach aligns with best practice as an active member of 40:40 Vision, an investor-led initiative to achieve gender balance in executive leadership. In 2019, we met the recommendation from the Sir John Parker Review for FTSE 100 companies to have at least one Board member who identifies as ethnic minority, and we set our target to have an additional qualifying Board member by 2025. This reflects our ongoing commitment to improving ethnic diversity and we are building our data to enable us to increase our progress.

#### Our pay philosophy

Following colleague feedback, we have created a clear approach to pay that supports and rewards performance at a company, team and individual level. Individual performance is assessed against agreed goals and behaviours.

Our global pay philosophy will reflect our performance compared to peers with the following core principles:

- Our aim is to pay fair and competitive base salary and benefits.
- The individual base salary range will vary based on skills and experience.
- Company profitability will determine the affordability of the bonus compensation pool.

Improving and sustaining financial performance will drive our ability to pay both market level salary and bonus, and reward will reflect the success created for our clients.

Targets are reviewed regularly by our Board and executive leadership team and are included in the Executive Director scorecard. All colleagues have diversity and inclusion as part of their performance management goals.

|   | Current position at 31 December 2021 | Target by 31 December 2025         |
|---|--------------------------------------|------------------------------------|
| Gender diversity <sup>1</sup>                   |                                      |                                    |
| Women at plc Board                              | 45% (5 of 11)                        | 40% women; 40% men; 20% any gender |
| Women in senior leadership <sup>2</sup>         | 36% (62 of 171)                      | 40% women; 40% men; 20% any gender |
| Women in subsidiary director roles <sup>3</sup> | 35% (7 of 20)                        | N/A                                |
| Women in global workforce                       | 46% (2,297 of 5,033)                 | 50% (+/-3% tolerance)              |
| Ethnic diversity <sup>4</sup>                   |                                      |                                    |
| Ethnic minority representation at plc Board     | 9% (1 of 11)                         | 18% (or +1 director)               |

- $1. \ \ {\sf Relates} \ {\sf to} \ {\sf percentage} \ {\sf of} \ {\sf women} \ {\sf in} \ {\sf roles} \ {\sf within} \ {\sf the} \ {\sf different} \ {\sf groups}.$
- 2. Relates to leaders one and two levels below CEO, minus administration roles.
- 3. Relates to Directors of the Company's direct subsidiaries as listed in Note 47 (a) of the Group financial statements and not classified above as Board Directors or senior leadership.
- 4. Relates to percentage of Board members who identify as ethnic minority.

Data measuring progress against gender targets for 31 December 2021 has been independently assured by Bureau Veritas. Bureau Veritas assurance can be found at **www.abrdn.com/annualreport** 



# Society and communities

We can make a positive impact through how we operate, making a difference for our clients, society and the wider world.

#### **Building connection to support inclusion**

An important focus of our social impact strategy is helping people around the world to feel more connected to society. We aim to help them overcome social barriers so they can realise their potential and build a better future for themselves and their families. We build partnerships with projects and organisations that are intent on creating more for communities, with a focus on financial or digital education and inclusion.

When we became abrdn in July 2021, we announced a new partnership with Hello World, whose mission is to bridge the digital divide and improve connectivity and inclusion among disconnected communities. The partnership is aligned to the attributes of our brand and is a tangible example of how investing in a charity like Hello World, also means investing in people.

Over the course of our two-year partnership, we are funding the build of 64 new 'Hello Hubs' across Uganda, which will provide access to internet and education for up to 80,000 children and adults. Hello Hubs are solar-powered internet kiosks, fitted with eight screens loaded with leading educational software so that people can learn, access digital educational resources and improve their future by connecting globally.



In November we announced a one-year partnership with the Sarabande Foundation. Sarabande was established to support people with great talent and artistic ability, through scholarships for those in financial need and subsidised studio space. Our support will extend Sarabande's ability to make education accessible for the arts industry globally. abrdn will be Sarabande's financial advice partner for its programme of educational talks, helping creative talent to prepare and build financial security.

#### **Building connection through volunteering**

All of our colleagues have the opportunity to take three paid volunteering days annually. During the pandemic, the nature of the volunteering that our colleagues provided to charities and beneficiaries shifted. For example, mentoring programmes were run online. Now we are creating more opportunities for our people to engage with their local greenspaces and give back to the areas that have supported everyone during lockdown.

We support projects to enable people to engage with and protect nature, as well as projects that support habitat and wildlife restoration. This supports wellbeing, builds community cohesion, and helps biodiversity and ecosystems to thrive for generations to come.

The community greenspaces project is an example. Following a pilot programme delivered in partnership with the City of Edinburgh Council, we are now providing further funding to support greenspaces outside of Edinburgh. This has contributed to a wide range of improvements, from restoring outdoor play structures, orchards, ponds and wild flower meadows, to creating habitats for bees, bats and birds.

#### Fair work

We have a responsibility to drive action on fair work issues across society. We have been a UK Living Wage employer since 2014 and we are one of the first employers accredited as a Living Hours employer. We commit to fair notice periods for hours worked, as well as the right to a guaranteed minimum number of hours each week. This commitment covers our employees, interns and suppliers on our premises.

We are also a member of the Living Wage Scotland and Living Hours leadership groups, through which we offer expert advice and help shape a wider landscape of fair pay across the UK. As a member of the Living Wage Places Edinburgh group, we collaborate to achieve and maintain accreditation for Edinburgh as a Living Wage City.

As active investors that fully integrate sustainability into our investment process, employment and labour practices form part of our assessment of any company we invest in. We draw on political and social research to understand the environment in a given country or region, and how that affects our investments. Different companies also face different human rights issues, depending on their activities. For instance, land rights and community consent are more relevant for a mining firm, while the right to privacy would be more relevant for a technology software company.

We engage with businesses we invest in to encourage them to be proactive in disclosing information on areas such as pay transparency, pay parity, and whether collective bargaining agreements have been put in place. In 2021 we engaged with supermarket businesses to understand more about their latest sustainability strategies, including how they look after their employees. This followed the ruling of the Supreme Court in March 2021 that the jobs worked by the shop-floor workforce at Asda, who are mostly women, are comparable to those done by higher-paid warehouse workers, most of whom are men. The ruling could leave other companies in the sector liable to pay back hundreds of millions of pounds if work is determined to be of equal value, as well as potential financial impacts for wider stakeholders. We will continue to engage with labour-intensive businesses on proactively disclosing workforce issues as this area of focus develops.

Through our support for ShareAction's Workforce Disclosure Initiative, we aim to help improve corporate transparency and accountability on workforce issues, and help increase the provision of good jobs worldwide. The initiative generates new data on workforce practices to integrate into investment analysis. We responded for the first time in 2021 and will continue to engage with the initiative over the years ahead.

#### **Promoting social mobility**

We believe that different social issues are often interlinked. We focus on creating positive outcomes within abrdn, our industry and our communities, for people whose career progress has been limited by their gender, ethnicity or social background.



We are a signatory to the Social Mobility Pledge, and in 2021 we were recognised as a Top 75 company for social mobility in the Social Mobility Employer Index. This reflects the actions of colleagues across abrdn which are underpinned by our social inclusion action plan. The action plan outlines our priorities for helping groups and individuals who face barriers within society. The actions are shaped by input from our colleague-led networks and best practice recommendations from the Social Mobility Employer Index and the Social Mobility Commission.

Our research series 'A Woman's Place; equality in the 21st Century' explored factors that affect women's opportunities to progress in the world of work. The series provides recommendations for businesses, policymakers and society to help address barriers to progress and economic participation, as well as highlighting why companies' equality policies are important considerations for investors. In 2021 this research series won the award for European Thought Leadership at the Funds Europe Awards.

Read the research series at www.abrdn.com/annualreport

We are a supporter of collaborative initiatives that enable further progress. We have joined the Social Mobility Taskforce - commissioned by HM Treasury and BEIS, and led by the City of London Corporation - to improve socioeconomic diversity at senior levels in UK financial and professional services. The group's mission is to challenge the lack of career progression for those coming from non-professional backgrounds and to explore the intersections with other protected characteristics, including gender and race. Noel Butwell, CEO of our Adviser business, is a member of the Taskforce.

In 2021 we donated around £800,000 to charitable programmes that drive social mobility globally, benefiting young people, veterans, refugees and ex-offenders. A number of collaborations with external initiatives also help us to measure the impact we are having on social inclusion in the communities in which we operate, helping people develop skills and opportunities for employment. We have partnered with external organisations who help us access diverse talent and who share our view of gender, race and social inclusion being interconnected, including Girls are INvestors (GAIN), Diversity Project, upReach and Investment 20/20.



# Stakeholder engagement

We want to help build a better future for our clients and our people, the communities around us and the environment we live in. Our responsibility to engage with all of our stakeholders plays a crucial role in the longterm decisions we make.



#### (A) Clients

Our strategy is rooted in understanding how we can deliver the outcomes that clients expect, driven by their needs, wants and aspirations. We organise our business to reflect the diverse needs of our clients in different markets and the different ways in which our clients interact with us. The launch of our single global brand also helps to remove confusion from previously having five client-facing brands.

#### How we engage

In our Investments business, local investment teams, aided by global ESG expertise, help clients anticipate, and plan and invest for future scenarios. In our Adviser business, we provide support, expertise and technology for UK wealth managers and financial advisers to create value for their businesses and their clients. In our Personal business, we integrate financial planning and discretionary investment management with digitally-enabled direct investing to enhance our offering.

We collaborate across our Investments, Adviser and Personal businesses to connect our clients with wideranging expertise and diverse perspectives.

As individuals take greater responsibility for their own savings needs, interactive investor and Finimize will help us respond to this trend. These acquisitions will generate additional insights to help us better understand customers' diverse requirements.

In 2021 we launched abrdn's first advertising campaign in the UK across TV, radio, press and digital channels. It is part of our programme to build up awareness of our single brand, as well as highlight the positive impact that investment can have on society.



#### Our people

To deliver on our strategy, we need to nurture talent, giving our colleagues every opportunity to grow, be heard and perform. We need to enable collaboration, encourage innovation, and help our people feel engaged and empowered to be at their best.

#### How we engage

Our Board has a designated non-executive director to support workforce engagement, responsible for leading the Board Employee Engagement plan designed to access views from all colleagues across the business. Hannah Grove succeeded Melanie Gee in this role during 2021. See page 73 for more details.

Since our 2020 employee engagement survey, we have continued to run mood surveys among our colleagues to track how they have been dealing with the demands of the pandemic.

Employee engagement was at 72% in 2020 as we worked through the challenges of the pandemic and supported our people. Through the first year of our new strategy we reset performance management and restructured the business. A snapshot of employee engagement, taken in May 2021 showed this figure had declined to 43%. Our full employee engagement survey, completed in January 2022 shows an increase of 8% to 51% which is a marked improvement, and gives us clear areas of focus.

75% of colleagues took the time to share their feedback which has enabled us to identify clear themes. Our executive leadership team has explored these collectively to better understand and address a number of areas. These will be shared with colleagues and tracked throughout the year to demonstrate both action and progress.



#### Society and communities

We all have a responsibility to work to make a positive impact on society, so that we can pass something worthwhile to the next generation. We do this by combining the power of responsible investment with the positive impact we have through our operations. We believe that engagement across the assets we manage is critical to lasting positive change.

#### How we engage

We partner with organisations that aim to create more opportunities for communities around the world, through which we also offer volunteering opportunities for our colleagues.

We constructively use our influence as an investor to engage with companies and use our voting rights. We work to ensure that they have credible strategies to deal with material ESG issues and retain the standards of corporate behaviour we expect.

In 2021 we discussed ESG at 2,593 meetings, which included 298 engagements with shareholders focused specifically on ESG. We voted on resolutions relevant to our clients' shares at 7,304 shareholder meetings, and voted on 75.398 resolutions.

In 2021 we also took part in a programme of events during COP26. Our aim was to highlight actions investors can take to help achieve real-world decarbonisation and to underline the urgent need for stronger climate policies.



#### Shareholders

The support of our shareholders is crucial to growing our business, and we engage with shareholders to ensure that we have the support to pursue our strategic objectives. As we deliver on our growth strategy, we also know that generating value for our shareholders remains hugely important.

#### How we engage

Our annual general meetings give shareholders the opportunity to share their views and to hear directly from our Chairman and Board. Through regular mailings we keep shareholders informed about dividend payments, financial results and shareholder meetings. We also have a regular programme of meetings with institutional investors and analysts.

We held our AGM in 2021 by way of an enhanced webcast, enabling shareholders to join online and submit their questions during the event or beforehand. Through our mailings we updated shareholders on the change to our company name and our change of share registrar.

#### Section 172 statement

The Board recognises that the long-term success of our business is dependent on the way it works with a large number of important stakeholders.

Our Board has responsibility to consider matters that include the:

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

The Board has discussed these obligations throughout the year, including how stakeholder engagement is incorporated into our long-term decision-making. You can read further details on pages 74 to 75.

The Board's decision-making considers both risk and reward as our business aims to deliver longterm value for all of our stakeholders, and protect their interests. Awareness and understanding of current and the potential risks, including both financial and non-financial risks, are fundamental to how we manage the business.

Further information on how risks are appropriately assessed, monitored, controlled and governed is provided in the Risk management section.

During 2021, some of the Board's stakeholder engagement plans had to be altered to comply with COVID-19 restrictions. The Board Employee Engagement programme, for example, continued to engage with employees through online channels - both directly and as part of regular meetings with employee representative groups.



You can read more about how the Board engages with and considers the interests of stakeholders on pages 74 to 75.



# Non-financial information

#### Our vision for a better future starts with asking more of ourselves, and we set high standards to hold ourselves to.

Our global code of conduct describes the standards of behaviour we expect in our business. We review it annually, and all our colleagues are expected to read, agree and adhere to its principles. The code focuses on doing the right thing and putting our clients at the heart of our business. This includes what colleagues should do if they have concerns about issues such as bribery and corruption, environmental or human rights.

The code details a number of our policies that we expect them to read and adhere to, including our modern slavery statement and our human rights policy. We also have a legal and regulatory duty to prevent, detect and deter financial crime, including bribery and corruption, to protect our business and our clients' information and assets.

We strive to build effective and supportive relationships with our third parties, and we expect them to follow the same standards and principles that our teams and colleagues do. Our global third party code of conduct sets out these expectations, and we expect them to demand the same from their own supply chains. It also details the whistleblowing procedures that we make available to them as well as to our colleagues. On a regular and riskproportionate basis, we carry out due diligence of our third parties, covering key social issues.

#### Measuring our progress Global code of conduct

As at the end of January this year, 98% of colleagues had completed the 2021 online training module to confirm they had understood and would comply with our global code of conduct. This module also included training on modern slavery issues. Where employees fail to complete mandatory training, we have taken steps to ensure that managers and HR are made aware.

#### Modern slavery

Our modern slavery statement sets out our approach to tackling all forms of modern slavery. This ranges from human trafficking and forced labour, to bonded labour and child slavery. We found no instances of modern slavery in our supply chain during 2021 and we have robust processes which would allow any future issues to be escalated and remedied.

#### Human rights policy

Our policy summarises our approach to identifying and upholding the human rights of our people, clients, communities and everyone impacted by our suppliers, partners and the companies we invest in. As an investor, we use our internally developed Human Rights Index to help identify high-risk geographies, and we have published position statements on integrating human rights into our investment approach. We also publish the outcomes of our ESG engagements with investee companies, including engagements on human rights matters, in a quarterly summary available on our website.

#### Financial crime prevention

We have an effective approach to managing financial crime risks, both within our business and among suppliers and partners. Following an independent assessment of our anti-money laundering framework, we launched a transformation programme in 2021 focused on continuing to improve the framework, and carried out extensive work to define and implement consistent anti-money laundering standards across the company.

#### Non-financial information statement

We aim to comply with the Non-Financial Reporting requirements contained in sections 414CA and 414CB of the Companies Act 2006. This information is intended to help stakeholders better understand how we address key non-financial matters. Details of our principal risks and how we manage those risks are included in the Risk management section.

| Reporting requirement | Relevant policies and publications              | Where to find more information                |  |
|-----------------------|---|---|--|
| Environment           | Our sustainability overview and TCFD report     | Sustainability overview (pages 30 to 31)      |  |
|                       | overview  | Sustainability - Environment (pages 32 to 37) |  |
| Employees             | Global code of conduct <sup>1</sup>             | Sustainability - Governance (page 44)         |  |
|                       | Employee policies                               | Sustainability – Social (pages 38 to 39)      |  |
| Human rights          | Human rights policy <sup>1</sup>                | Sustainability - Governance (page 44)         |  |
|                       | Modern slavery statement <sup>1</sup>           | Sustainability - Governance (page 44)         |  |
| Social matters        | Social policies                                 | Sustainability – Social (pages 40 to 41)      |  |
|                       | Global third party code of conduct <sup>1</sup> | Sustainability - Governance (page 44)         |  |
| Other matters         | Anti-bribery and corruption                     | Sustainability - Governance (page 44)         |  |
|                       | Business model                                  | Our business model (pages 18 to 19)           |  |
|                       | Non-financial KPIs                              | Our key performance indicators (page 47)      |  |
|                       |   | Sustainability - Environment (pages 32 to 37) |  |

<sup>1.</sup> Group policy published on our website at www.abrdn.com/annualreport

# Sustainability Accounting Standards Board (SASB) – disclosure topics and accounting metrics

To enhance our sustainability reporting, we choose to provide information that aligns to the Sustainability Accounting Standards Board (SASB) framework. SASB sets out standards for companies to report on their material ESG risks and encourages better transparency in company reporting.

| Topic   | Accounting metric  | Disclosure against the framework  |  |  |  |
|---|--|---|--|--|--|
| Transparent<br>Information & Fair<br>Advice for<br>Customers    | (1) Number and (2) percentage of covered employees with a record of investment-related investigations, consumer-initiated complaints, private civil litigations, or other regulatory proceedings <sup>1</sup> .  | abrdn is aware of no employees subject to the proceedings described.  |  |  |  |
|   | Total amount of monetary losses as a result of legal proceedings associated with marketing and communication of financial product related information to new and returning customers <sup>2</sup> .  | abrdn sustained no monetary losses of this nature in the reporting period (based on the population of covered employees, as defined by SASB, on 31 December 2021).  |  |  |  |
|   | Description of approach to informing customers about products and services.  | For all products we provide comprehensive product literature including the fund offering documents (Prospectus and Key Investor Information Document) as well as marketing materials such as fund factsheets.   |  |  |  |
| Employee Diversity<br>& Inclusion                               | Percentage of gender and racial/ethnic group representation for (1) executive management, (2) non-executive management, (3) professionals, and (4) all other employees <sup>3</sup> .  | The percentage of gender/ethnic representation at Board and Executive level is disclosed on page 39. We publish diversity data in our Diversity & Inclusion, and Sustainability reports, which also detail what we do to ensure diverse perspectives are represented among all employees. |  |  |  |
| Incorporation of<br>Environmental,<br>Social, and               | Amount of assets under management, by asset clo (2) sustainability themed investing, and (3) screening   |   |  |  |  |
| Governance Factors<br>in Investment<br>Management &<br>Advisory | Description of approach to incorporation of ESG factors in investment and/or wealth management processes and strategies.   | We integrate ESG factors across all asset classes (apart from our Quantitative funds that track a market index).  |  |  |  |
|   | In addition, we run a number of sustainability funds,<br>themes and screens to meet client sustainability de<br>Find out more at www.abrdn.com/annualreport  |   |  |  |  |
|   | AUM in sustainability funds (including thematics and s   |   |  |  |  |
|   | Measure  | <b>2021</b> 2020<br><b>(£bn)</b> (£bn) <sup>4</sup>   |  |  |  |
|   | Equity   | <b>8.7</b> 8.1  |  |  |  |
|   | Fixed income   | <b>16.6</b> 20.1  |  |  |  |
|   | Multi-asset  | <b>0.3</b> 0.1  |  |  |  |
|   | Quantitative equity  | - 0.1   |  |  |  |
|   | Alternatives   | <b>4.4</b> 3.3  |  |  |  |
|   | Total AUM  Description of proxy voting and investee engagement policies and procedures.  | A detailed description of these policies and procedures, and definition of our approach to materiality is in our Stewardship report available at www.abrdn.com/annualreport   |  |  |  |
| Business Ethics   | Total amount of monetary losses as a result of legal proceedings associated with fraud, insider trading, anti-trust, anti-competitive behaviour, market manipulation, malpractice, or other related financial industry laws or regulations. <sup>5</sup> | abrdn sustained no monetary losses in the reporting period as a result of legal proceedings associated with financial industry laws or regulations.   |  |  |  |
|   | Description of whistleblower policies and procedures.  | We offer colleagues an independently managed reporting process, including our Speak Up hotline, if they want to raise any concerns anonymously. Our suppliers can also use the service.   |  |  |  |

- 1. Note to FN-AC-270a.1- The entity shall describe how it ensures that covered employees file and update FINRA and SEC forms in a timely manner.
- 2. Note to FN-AC-270a.2- The entity shall briefly describe the nature, context, and any corrective actions taken as a result of the monetary losses.
- 3. Note to FN-AC-330a.1- The entity shall describe its policies and programmes for fostering equitable employee representation across its global operations.
- 4. 2020 figures restated due to a revised methodology primarily related to SFDR classification of funds.
- 5. Note to FN-AC-510a.1- The entity shall briefly describe the nature, context, and any corrective actions taken as a result of the monetary losses.

# Our key performance indicators

#### Fee based revenue



# £1,515m



We generate revenue mainly from asset management, platform and advice fees.

# Adjusted operating profit







Adjusted operating profit has replaced adjusted profit before tax as our key alternative performance measure and is how our results are measured and reported internally.

# IFRS profit before tax



# £1,115m



IFRS profit before tax is the measure of profitability set out in our financial statements. As well as adjusted profit, it includes items such as restructuring costs, profit on disposal of interests in associates and goodwill impairment.

#### Adjusted capital generation (RP)



# £366m



This measure aims to show how adjusted profit contributes to regulatory capital. Our dividend policy is set with reference to adjusted capital generation.

#### Cost/income ratio (KPI) (APM)





# 79%



This ratio measures our efficiency and we are focused on improving our cost/income ratio by increasing revenue and continued cost discipline.

### Adjusted diluted earnings per share





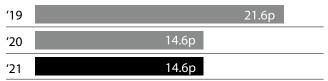


This measure highlights on a per share basis our profitability and capital efficiency, calculated using adjusted profit after tax.

# Full year dividend per share



# 14.6p



The total annual dividend (interim and final) is an important part of the returns that we deliver to shareholders.

#### Investment performance



(Percentage of AUM above benchmark over three years)

67%



This measures our performance in generating investment return against benchmark. Calculations for investment performance are made gross of fees except where the stated comparator is net of fees

#### **Employee engagement survey**



51%

| '19 | N/A |
|-----|-----|
| '20 | 72% |
| '21 | 51% |

This measure is important in gauging the company-wide satisfaction and motivation of our people in their roles.

#### Other indicators

#### **AUMA**

# £542bn



#### **Gross inflows**

# £72.3bn

| '19 | £86.2bn |
|-----|---------|
| '20 | £74.3bn |
| '21 | £72.3bn |

#### Net flows - Total

# (£6.2bn)



# Net flows – Excl liquidity and LBG tranche withdrawals

# (£3.2bn)

| '19 | (£19.8bn) |
|-----|-----------|
| '20 | (£12.3bn) |
| ′21 | (£3.2bn)  |

#### IFRS diluted earnings per share

# 46.0p



# APM

#### Alternative performance measures

We assess our performance using a variety of performance measures including APMs such as fee based revenue, cost/income ratio, adjusted operating profit, adjusted profit before tax and adjusted capital generation. APMs should be read together with the Group's IFRS financial statements. Further details of all our APMs are included in Supplementary information.

# Financial progress and capital discipline



Stephanie Bruce, Chief Financial Officer

# Financial strength underpins delivery of our strategy

Our financial strength, strategic focus and operational resilience have enabled us to successfully navigate the impacts and uncertainties caused by the global pandemic. I am pleased to report the strong progress towards our financial aims, while recognising that we have more to do.

By arresting the decline in revenue, and improving our operating leverage and cost/income ratio, adjusted operating profit increased by 47% to £323m (2020: £219m) and adjusted capital generation by 40% to £366m (2020: £262m). As a result dividend cover, on an adjusted capital generation basis, improved to 1.18 times (2020: 0.84 times) and adjusted diluted earnings per share increased by 56% to 13.7p (2020: 8.8p).

Our IFRS profit before tax was £1,115m (2020: £838m) benefiting primarily from the gain on sale of part of our investment in HDFC Asset Management and the recognition of the full market value of our residual stake following its reclassification as an investment during the second half of the year.

Our disciplined approach to capital management generated £1.6bn of capital during the year and we deployed £0.8bn, including returning £0.3bn to shareholders through dividends and investing £0.3bn in

market opportunities that will help build long term sustainable growth.

#### Arresting the decline in revenue

With stronger markets than those experienced in 2020 persisting for the majority of 2021, fee based revenue was 6% higher. Encouragingly, strong growth in fee based revenue was delivered in all vectors - Investments (+5%), Adviser (+30%) and Personal (+15%). Revenue from acquisitions, primarily through Tritax was broadly offset by revenue foregone through disposals, of which the largest were Parmenion and our Nordics real assets business. Asia and the Americas grew strongly, despite adverse foreign exchange movements, with revenue growth of over 10% following the restructuring of these businesses. EMEA was impacted by the Nordics sale and the UK remained constrained due to the decline in insurance revenue.

An important factor for our future revenue growth is the diminishing drag on revenue arising from outflows in prior years. In addition, the revenue impact of current year net outflows reduced to less than 0.5% (2020: c2%). Also importantly, current year gross inflows are into higher margin assets, with gross inflows into equities and real assets increasing by 7% and 43%, respectively.

Continuing higher levels of revenue growth in the Adviser and Personal vectors are delivering the diversification benefits we are seeking in our business; together these vectors represent 18% of total revenue compared with 15% in 2020. In Adviser, growth benefited from restructuring of the Phoenix arrangements and, albeit from a lower base during the pandemic, we delivered strong growth of 12% (excluding the £25m Phoenix benefit). Within Personal, our discretionary investment management business reported its best ever year.

Total fee revenue yield improved slightly to 27.3bps (2020: 26.9bps).

#### Improving momentum in flows

The positive trend of H1 2021 in net outflows (excluding liquidity flows which are lower margin and volatile and LBG tranche withdrawals) continued in H2 2021

On a full year basis, net outflows (excluding LBG tranche withdrawals and liquidity) of (£3.2bn) improved compared with (£12.3bn) in 2020. Adviser and Personal vectors more than doubled net inflows. While the Investments vector remained in net outflows, the improvement in 2021 has created a stronger position entering 2022.

#### Reshaping the cost base to improve margins

Our cost/income ratio improved in 2021 but we have more work to do as we progress to our 2023 exit target of around 70%. We achieved the £400m synergy targets set in the context of the two historic transactions at a cost of £550m. With our large integration migration programme complete in Investments and the separation programme from Phoenix completing in 2022, the reshaping of our cost base can move further and faster. In 2021, overall operating costs reduced by 1%. Lower Phoenix outsourcing costs and a 14% reduction in overall staff

numbers generated the capacity to reward performance through variable compensation for colleagues contributing most to our improved performance and delivering on our strategic non-financial priorities.

All vectors became more efficient in 2021, notably Adviser with a cost/income ratio of 58%. Personal succeeded in delivering its planned turnaround, achieving an £8m profit versus a £5m loss in 2020, largely due to a strong performance in our discretionary investment management business. Investments, our largest vector, improved its cost/income ratio to 79%, not yet where it needs to be, but showing progress in Asia, the Americas and EMEA.

The new vector leadership team in Investments are now in place, focused on delivering revenue growth combined with rationalisation, simplification and increased automation, where possible, to accelerate efficiency gains and create the operational leverage needed to mitigate against the risk of lower markets.

Restructuring and corporate transaction costs of £259m were lower than planned for 2021 due to timing of severance and platform transformation costs. We expect these severance, platform transformation, and specific costs to effect savings in Investments, to be c£150m in 2022 (excluding corporate transaction costs), before reducing considerably in 2023.

# Deploying our capital to deliver shareholder value

We continued to strengthen our balance sheet in terms of capital and liquidity, with surplus regulatory capital on an IFPR basis of £1.8bn and cash and liquid resources of £3.1bn<sup>1</sup> at 31 December 2021.

We generated £0.9bn in proceeds from the sale of stakes in HDFC Life and HDFC Asset Management and £0.1bn from disposals of non-core assets. We issued Additional Tier 1 debt of £0.2bn, making us the first asset manager to offer this capital efficient instrument. Capital was deployed to support key growth priorities within private markets and digital content, through the acquisitions of Tritax and Finimize. In December, we were delighted to announce the proposed acquisition of interactive investor for £1.49bn in cash, subject to certain adjustments, which we will fund from our existing strong capital resources.

Supplementing our regulatory capital resources, we have significant further capital resources through our stakes in our listed financial investments. In January 2022, we successfully monetised a 4% holding in Phoenix, raising £0.3bn and intend to return this capital to shareholders. We have no plans to dispose of the remaining 10.4% holding in Phoenix, which remains our strategic partner. Over time, we plan, subject to market conditions, to monetise our Indian stakes which have a current value of approximately c£1.1bn². Our capital allocation framework will continue to prioritise deployment of capital generated into business areas offering the best long-term sustainable value, with each opportunity being benchmarked against return of capital to shareholders. This will include strengthening our

wholesale offering, ESG product suite and digital skills and capabilities. Over the period to 2023, we plan, subject to regulatory changes, to maintain a surplus of at least £0.5bn over our regulatory capital requirement.

Our dividend policy remains, as previously communicated, set at the level of 14.6p per annum until it is covered at least 1.5 times by adjusted capital generation, with the objective of growing the dividend in line with our assessment of the medium term growth in profitability.

#### Shaping the business for the future

Our strategic priorities, including expanding distribution in Asia and building direct to consumer services, are designed to diversify our revenue streams by geography and client segment and lower the impact of market volatility on revenue.

Based on our economists' forecasts at the end of 2021 of positive market improvements in a post COVID-19 environment over the next 24 months across all key indices, combined with our targeted improvement in net flows, we maintain our outlook for high single digit three year revenue CAGR 2020-2023 and exiting 2023 at a cost/income ratio of around 70%. The cost base will be further reshaped as a proportion of revenue by efficient use of outsourcing, greater use of technology, lower staff numbers and incentivisation highly geared to performance.

The proposed acquisition of interactive investor, if approved by shareholders and regulators, will provide incremental support to our targets, immediately improving the growth in revenue and adjusted operating profit. The acquisition further diversifies our business from ad valorem revenue streams and transforms the cost/income ratio of the Personal vector. We will report interactive investor's results within our Personal vector and provide separate disclosures to give transparency on the benefits of the acquisition and its performance. We intend to provide an update on our forward looking targets at the half year.

<sup>1.</sup> Cash and liquid resources is an APM. See Supplementary information for details.

<sup>2.</sup> As at 25 February 2022.

#### Chief Financial Officer's overview

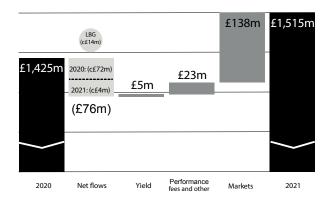
| Analysis of profit  | 2021<br>£m | 2020<br>£m |
|---|------------|------------|
| Fee based revenue   | 1,515      | 1,425      |
| Adjusted operating expenses   | (1,192)    | (1,206)    |
| Adjusted operating profit   | 323        | 219        |
| Adjusted net financing costs and investment return <sup>1</sup>                 | -          | 21         |
| Adjusted profit before tax <sup>2</sup>   | 323        | 240        |
| Adjusting items including results of associates and joint ventures <sup>2</sup> | 792        | 598        |
| IFRS profit before tax  | 1,115      | 838        |
| Tax (expense)/credit  | (120)      | 15         |
| IFRS profit for the year  | 995        | 853        |
| Adjusted diluted earnings per share   | 13.7p      | 8.8p       |
| Diluted earnings per share  | 46.0p      | 37.9p      |

Our IFRS profit before tax increased by 33% to £1,115m. This improvement included the benefit of 47% higher adjusted operating profit and the impact in the prior year of impairments of goodwill and intangibles.

Adjusting items of £792m includes £1,236m profit on disposal of interests in associates (2020: £1,858m), £298m loss from change in the fair value of significant listed investments (2020: profit £65m) and restructuring and corporate transaction expenses of £259m (2020: £316m). 2020 also included impairments of goodwill and intangibles of £1,049m. See page 56 for more information.

#### Improved operating leverage from revenue growth and management of costs

#### Fee based revenue



Fee based revenue increased by 6% reflecting:

- Positive impact from favourable markets.
- Performance fees 53% higher at £46m (2020: £30m).
- Diminishing impact from net outflows excluding LBG to 4% compared to 11% in 2020<sup>3</sup>. The revenue impact of current year net outflows reduced to less than 0.5% (2020: c2%).

Our continued focus on managing our costs is reflected in the £14m reduction in adjusted operating expenses:

- Overall staff and other related costs are flat at £643m, reflecting lower staff numbers, offset by increased accruals for variable compensation and pay inflation.
- Reductions in non-staff costs of £14m to £549m includes benefit from lower Phoenix outsourcing costs as we near completion of separation activity and savings following the rationalisation of premises.

#### Adjusted operating expenses

|  | 2021<br>£m | 2020<br>£m |
|--|------------|------------|
| Staff costs excluding variable             |            |            |
| compensation                               | 517        | 531        |
| Variable compensation                      | 126        | 112        |
| Staff and other related costs <sup>4</sup> | 643        | 643        |
| Non-staff costs                            | 549        | 563        |
| Adjusted operating expenses                | 1,192      | 1,206      |

Acquisitions/disposals had a net neutral impact in 2021 with higher costs following the acquisitions of Tritax and Finimize broadly offset by reductions following disposals including Parmenion and our Nordic real estate operation.

The cost/income ratio improved to 79% (2020: 85%).

Actions have now been taken which fully deliver against the commitment of achieving £400m of annualised synergies by the end of 2021:

- Synergies benefited 2021 operating expenses by £320m (2020: £287m) with further benefits expected in 2022. Additionally there are cost synergies which avoid cost increases not included in the £320m above.
- In line with our commitment, total costs incurred to deliver these annualised synergies were £550m, of which £35m were incurred in 2021 (2020: £79m) and are included within restructuring expenses.

<sup>1.</sup> Capital management has been renamed Adjusted net financing costs and investment return.

<sup>2.</sup> Adjusted profit before tax now excludes the share of profit from associates and joint ventures. Comparatives have been restated. See Supplementary information for more information.

<sup>3.</sup> Reflects the estimated impact on fee based revenue as a result of net outflows in both the current and prior year, as a percentage of prior year revenue.

<sup>4.</sup> See Supplementary information for a reconciliation to IFRS staff and other employee related costs.

#### Investments

Adjusted operating profit £253m

Fee based revenue £1,231m

Fee revenue yield 25.9bps

Net flows (£10.6bn)

|  | Total     | Total     |           | Institutional and Wholesale |           | ce        |
|--|-----------|-----------|-----------|-----------------------------|-----------|-----------|
|  | 2021      | 2020      | 2021      | 2020                        | 2021      | 2020      |
| Fee based revenue <sup>1</sup>                       | £1,231m   | £1,176m   |           |                             |           |           |
| Adjusted operating expenses                          | (£978m)   | (£990m)   |           |                             |           |           |
| Adjusted operating profit                            | £253m     | £186m     |           |                             |           |           |
| Cost/income ratio                                    | 79%       | 84%       |           |                             |           |           |
| Fee revenue yield                                    | 25.9bps   | 25.8bps   | 38.8bps   | 38.8bps                     | 10.0bps   | 10.9bps   |
| AUM  | £464bn    | £457bn    | £253bn    | £252bn                      | £211bn    | £205bn    |
| Gross flows  | £63.4bn   | £67.4bn   | £41.9bn   | £49.8bn                     | £21.5bn   | £17.6bn   |
| Redemptions  | (£74.0bn) | (£99.9bn) | (£47.0bn) | (£49.5bn)                   | (£27.0bn) | (£50.4bn) |
| Netflows   | (£10.6bn) | (£32.5bn) | (£5.1bn)  | £0.3bn                      | (£5.5bn)  | (£32.8bn) |
| Net flows excluding liquidity <sup>2</sup>           | (£7.6bn)  | (£41.7bn) | (£2.1bn)  | (£8.9bn)                    | (£5.5bn)  | (£32.8bn) |
| Net flows excluding liquidity and LBG <sup>2,3</sup> | (£7.6bn)  | (£15.8bn) | (£2.1bn)  | (£8.9bn)                    | (£5.5bn)  | (£6.9bn)  |

#### Investments highlights - Achieved our commitment to arrest revenue decline with growth of 5%

#### Adjusted operating profit

- £67m (36%) higher than 2020, reflecting 5% higher revenue and 1% lower costs.

#### Fee based revenue

5% higher than 2020 due to favourable market levels, a diminishing impact on revenue from net outflows, and a £16m increase in performance fees. The performance fees of £46m were primarily generated from key funds in Asia, real assets and insurance.

#### Institutional and Wholesale highlights

#### Fee based revenue

- 8% higher (2021: £1,012m, 2020: £941m) reflecting growth in Wholesale including the benefit from net inflows into higher margin funds, and favourable market levels.
- Diminishing revenue impact from net outflows in 2021.

#### Revenue yield

 Remained stable at 38.8bps, supported by favourable market movements in equities.

#### Gross flows

- Increased by 2% excluding liquidity (2021: £35.3bn, 2020: £34.6bn) due to higher equities and real assets gross flows.
- Liquidity reduced from £15.2bn to £6.6bn after the exceptional inflows in 2020.
- Our pipeline of mandates awarded not yet funded is £3.7bn (2020: £4.6bn).

#### **Net flows**

- Improved by £6.8bn to (£2.1bn) excluding liquidity. In particular there was £3.7bn lower net outflows in equities, and £3.1bn (2020: £2.1bn) of net inflows into private markets.
- The volatility in liquidity reflects Institutional clients using their cash balances through the pandemic period.

<sup>1.</sup> Includes performance fees of £46m (2020: £30m).

<sup>2.</sup> Institutional and Wholesale liquidity net flows excluded.

<sup>3.</sup> Flows excluding Lloyds Banking Group (LBG) do not include the tranche withdrawals of £nil (2020: £25.9bn) relating to the settlement of arbitration with LBG.

#### Insurance highlights

#### Fee based revenue

- 7% lower than prior year at £219m (2020: £235m), mainly reflecting the impact of the LBG exits in 2020.
- Remaining withdrawals of c£34bn of LBG assets are expected to complete in H1 2022. These assets contributed c£14m to revenue in 2021.

#### Revenue yield

 Reduced this year reflecting the LBG exits from fixed income and multi-asset.

#### AUM

The primary client, Phoenix, represents 83% (2021: £176bn, 2020: £172bn) of the Insurance AUM.

#### Gross flows

- Higher than 2020 reflecting improved bulk purchase annuity inflows of £5.2bn (2020: £2.0bn).
- Our pipeline of mandates awarded not yet funded is £7.6bn (2020: £4.8bn).

#### **Net flows**

 Net outflows of £5.5bn mainly reflect redemptions from the closed book of business which is in long term run-off, including £1.9bn relating to LBG.

#### Investment performance (% of AUM ahead of benchmark)



Investment performance over the key three-year time period is stable, with 67% of AUM covered by this metric ahead of benchmark (2020: 66%). This reflects ongoing strength in fixed income, alternatives, and liquidity. Benchmarks differ by fund and are defined in the investment management agreement or prospectus, as appropriate. These benchmarks are primarily based on indices or peer groups.

#### Three-year performance

- Our key franchises in Asia and Emerging Markets continue to outperform with overall equity performance broadly in line with 2020.
- Fixed income performance was in line with 2020 reflecting outperformance in credit and government rates.
- Multi-asset performance has been disappointing and includes the impact of restrictive traditional balanced mandates which, despite positive returns from asset allocation, have underperformed peer group benchmarks. Unrestricted funds have generally outperformed.
- Real assets performance has improved, with real estate in particular demonstrating strong outcomes based on active fund positioning away from retail and further into logistics and accommodation sectors.

#### One-year performance

- Performance weakened reflecting the headwinds for quality and income orientated funds in equities, as well as the underperformance in multi-asset mentioned above.
- 2021 was a volatile year for bond markets and this backdrop proved challenging for the relative performance of our government rates funds, resulting in overall fixed income results weakening.

| % of AUM ahead of benchmark <sup>1</sup> | 1 yea | 1 year |      | 3 years |      | 5 years |  |
|--|-------|--------|------|---------|------|---------|--|
|  | 2021  | 2020   | 2021 | 2020    | 2021 | 2020    |  |
| Equities                                 | 36    | 73     | 72   | 74      | 61   | 62      |  |
| Fixed income                             | 59    | 78     | 82   | 81      | 87   | 85      |  |
| Multi-asset                              | 41    | 61     | 39   | 33      | 44   | 36      |  |
| Real assets                              | 83    | 41     | 52   | 37      | 50   | 44      |  |
| Alternatives                             | 87    | 95     | 98   | 95      | 98   | 93      |  |
| Quantitative                             | 98    | 32     | 44   | 17      | 68   | 24      |  |
| Liquidity                                | 88    | 94     | 87   | 89      | 84   | 87      |  |
| Total                                    | 57    | 71     | 67   | 66      | 67   | 68      |  |

<sup>1.</sup> Calculations for investment performance are made gross of fees except where the stated comparator is net of fees. Further details about the calculation of investment performance are included in the Supplementary information section.

# **Adviser**

Adjusted operating profit £74m

Fee based revenue £178m

Fee revenue yield 24.9bps

Net flows £3.9bn

|                             | 2021     | 2020     |
|-----------------------------|----------|----------|
| Fee based revenue           | £178m    | £137m    |
| Adjusted operating expenses | (£104m)  | (£89m)   |
| Adjusted operating profit   | £74m     | £48m     |
| Cost/income ratio           | 58%      | 65%      |
| Fee revenue yield           | 24.9bps  | 22.3bps  |
| AUA                         | £76bn    | £67bn    |
| Gross flows                 | £9.1bn   | £6.3bn   |
| Redemptions                 | (£5.2bn) | (£4.4bn) |
| Net flows                   | £3.9bn   | £1.9bn   |

#### Adviser highlights - Strong growth in earnings, AUA and net flows which increased by 105%

#### Adjusted operating profit

- 54% increase driven by positive growth in revenue and management of costs. The simplification of the arrangements with Phoenix with effect from 1 January 2021 resulted in a benefit to fee based revenue and adjusted operating profit of £25m and £19m respectively.
- Cost/income ratio improved to 58% (7ppts).

#### Fee based revenue

 30% increase on 2020 reflecting higher net flows and AUA, together with the £25m Phoenix benefit.

#### Revenue yield

- 2.6bps increase reflects the Phoenix benefit, partly offset by repricing in prior years.
- Average assets are £72bn, 16% higher than prior year.

#### AUA

- 14% increase in the year due to positive flows and higher markets, benefiting both the Wrap and Elevate platforms.
- Our platforms are used by over 2,600 adviser firms (c1% higher than 2020), with a total of 426,000 customers (c2% higher than 2020).

#### Gross flows

 Retained our number one position on gross flows<sup>1</sup> as sales activity increased by 44% on prior year.

#### **Net flows**

 Flows remain strong and 105% higher than 2020 at £3.9bn driven by an increase in the number of primary positions held with advisers and our strong client retention.

<sup>1.</sup> Source: Adviser platform gross flows, Fundscape Q3 2021.

### Personal

Adjusted operating profit £8m

Fee based revenue £92m

Fee revenue yield
61.0bps

Net flows £0.6bn

|                                  | 2021           | 2020     |
|----------------------------------|----------------|----------|
| Fee based revenue                | £92m           | £80m     |
| Adjusted operating expenses      | (£84m)         | (£85m)   |
| Adjusted operating profit/(loss) | £8m            | (£5m)    |
| Cost/income ratio                | 91%            | 106%     |
| Fee revenue yield                | 61.0bps        | 58.5bps  |
| AUMA                             | £14bn          | £13bn    |
| Gross flows                      | <b>£1.7b</b> n | £1.1bn   |
| Redemptions                      | (£1.1bn)       | (£1.1bn) |
| Net flows                        | £0.6bn         | -        |

#### Personal highlights - Earnings contribution and record AUMA and net flows

#### Adjusted operating profit

- Improved from a £5m loss in 2020 to an £8m profit in 2021, which includes a one-off benefit of c£3m reported in H1 2021.
- Cost/income ratio improved by 15ppts to 91%.

#### Fee based revenue

- 15% higher than 2020 including the benefit of increased customer activity across the market.
- Strong performance in our discretionary investment management business in 2021.

#### Revenue yield

 Increased to 61bps with average assets of £14bn, 11% higher than 2020.

#### AUMA

- 8% higher than prior year, reflecting the higher net flows into the business and higher market values.
- Discretionary AUM reached a record level of £8.9bn (2020: £7.8bn).
- 10% increase in discretionary client numbers to c16,000 (2020: c14,500).

#### Gross and net flows

- Gross flows 55% higher than 2020.
- Net flows at record levels.

# Corporate/strategic

|                             | 2021   | 2020   |
|-----------------------------|--------|--------|
| Fee based revenue           | £14m   | £32m   |
| Adjusted operating expenses | (£26m) | (£42m) |
| Adjusted operating loss     | (£12m) | (£10m) |

This segment comprises certain corporate costs (c£12m in 2021) and the Parmenion and SL Asia businesses which were held for sale. The sale of Parmenion completed in June 2021 and the sale of SL Asia completed in June 2020.

Following the completion of the sale of Parmenion this segment comprised only corporate costs in H2 2021.

# Overall performance

Adjusted operating profit £323m

IFRS profit before tax
£1,115m

Adjusted capital generation £366m

|                                       | Adjusted opera | ting profit <sup>1</sup> | AUM         | Α           | Net flo     | ows         |
|---------------------------------------|----------------|--------------------------|-------------|-------------|-------------|-------------|
| Segmental summary                     | 2021<br>£m     | 2020<br>£m               | 2021<br>£bn | 2020<br>£bn | 2021<br>£bn | 2020<br>£bn |
| Investments                           | 253            | 186                      | 464         | 457         | (10.6)      | (32.5)      |
| Adviser                               | 74             | 48                       | 76          | 67          | 3.9         | 1.9         |
| Personal                              | 8              | (5)                      | 14          | 13          | 0.6         | -           |
| Corporate/strategic                   | (12)           | (10)                     | -           | 8           | 0.3         | 1.0         |
| Eliminations                          | -              | _                        | (12)        | (10)        | (0.4)       | 0.6         |
| Total                                 | 323            | 219                      | 542         | 535         | (6.2)       | (29.0)      |
| Net flows excluding liquidity         |                |                          |             |             | (3.2)       | (38.2)      |
| Net flows excluding liquidity and LBG |                |                          |             |             | (3.2)       | (12.3)      |

| Analysis of profit   | 2021<br>£m | 2020<br>£m |
|--|------------|------------|
| Fee based revenue  | 1,515      | 1,425      |
| Adjusted operating expenses  | (1,192)    | (1,206)    |
| Adjusted operating profit  | 323        | 219        |
| Adjusted net financing costs and investment return                 | -          | 21         |
| Adjusted profit before tax   | 323        | 240        |
| Adjusting items including results of associates and joint ventures | 792        | 598        |
| IFRS profit before tax   | 1,115      | 838        |
| Tax(expense)/credit  | (120)      | 15         |
| IFRS profit for the year   | 995        | 853        |

#### Adjusted net financing costs and investment return

Adjusted net financing costs and investment return generated £nil (2020: £21m):

- Investment gains including from seed capital and co-investment fund holdings were £4m (2020: £18m). 2020 benefited from significant market related gains which were not repeated.
- Increased net finance costs of £21m (2020: £17m) reflecting a lower rate of return on cash and liquid assets.
- Lower net interest credit relating to the staff pension schemes of £17m (2020: £20m).

<sup>1.</sup> Segmental performance in this report reflects revised segments and 2020 comparatives have been restated on this basis. See further details in Note 2 in the Group financial statements and in Supplementary information.

#### Adjusting items including results of associates and joint ventures

|   | 2021<br>£m | 2020<br>£m |
|---|------------|------------|
| Profit on disposal of interests in associates   | 1,236      | 1,858      |
| Profit on disposal of subsidiaries and other operations   | 127        | 8          |
| Restructuring and corporate transaction expenses  | (259)      | (316)      |
| Amortisation and impairment of intangible assets acquired in business combinations and through the purchase of customer contracts | (99)       | (1,180)    |
| Change in fair value of significant listed investments  | (298)      | 65         |
| Dividends from significant listed investments   | 71         | -          |
| Share of profit or loss from associates and joint ventures  | (22)       | 194        |
| Loss on impairment of interests in associates and joint ventures  | -          | (45)       |
| Other   | 36         | 14         |
| Total adjusting items including results of associates and joint ventures  | 792        | 598        |

Profit on disposal of interests in associates of £1,236m comprises one-off accounting gains of £965m following the reclassification of our shareholdings in HDFC Asset Management (£897m) and Phoenix (£68m) from associates to investments measured at fair value during 2021, and a £271m gain from the sale of a 5% stake in HDFC Asset Management in September 2021. The HDFC Asset Management reclassification resulted from the reduction of our shareholding to 16% following the September sale, and the Phoenix reclassification reflected changes to the commercial agreements announced in February 2021. The 2020 profit of £1,858m primarily related to a one-off accounting gain for HDFC Life, and profits from the sale of shares in HDFC Life and HDFC Asset Management during the year. See Note 15 in the Group financial statements for further details.

Profit on disposal of subsidiaries and other operations of £127m primarily relates to the sales of Parmenion (£73m) and Bonaccord (£39m) which completed on 30 June 2021 and 30 September 2021 respectively. See Note 1 in the Group financial statements.

Restructuring and corporate transaction expenses were £259m, primarily reflecting ongoing transformation costs and include £27m relating to the separation from Phoenix. The total Phoenix separation costs accounted for to date amounted to £309m. We expect a small amount of separation costs to be accounted for in 2022 and that the total cost will remain within our estimate of c£310m.

Amortisation and impairment of intangible assets acquired in business combinations and through the purchase of customer contracts reduced to £99m as there were no impairments in 2021 compared to impairments of goodwill and customer relationship intangibles of £1,049m in 2020.

Change in fair value of significant listed investments was (£298m) and represents the impact of market movements on our holdings in HDFC Life (£52m reduction in value including impact of stake sale in June 2021), in Phoenix (£82m reduction) from February 2021 and in HDFC Asset Management (£164m reduction) from September 2021.

Dividends from significant listed investments relates to our shareholdings in HDFC Life, Phoenix and HDFC Asset Management that were previously associates and were reclassified on 3 December 2020, 23 February 2021 and 29 September 2021, respectively. Following the reclassification, dividends received are now recognised as income within our financial statements. The £71m in 2021 relates to dividends received from Phoenix (£69m) and HDFC Life (£2m).

Share of profit or loss from associates and joint ventures reduced to a loss of £22m (2020: profit £194m). Following the reclassifications noted above, only HASL and Virgin Money UTM are now classified as associates and joint ventures.

|  | 2021<br>£m | 2020<br>£m |
|--|------------|------------|
| HASL   | 19         | 23         |
| Virgin Money UTM   | (6)        | (6)        |
| Phoenix  | (56)       | 110        |
| HDFC Life  | -          | 19         |
| HDFC Asset Management                                      | 21         | 48         |
| Share of profit or loss from associates and joint ventures | (22)       | 194        |

The reduction in HASL was due mainly to lower profits on group business and lower investment returns in 2021.

The Phoenix loss to 22 February 2021 resulted from investment return variances from equity market and interest rate rises and is more than offset by the £68m gain on reclassification discussed above.

The HDFC Asset Management profit to 29 September 2021 was lower mainly due to 2020 including a one-off tax benefit of £18m and a full 12 months profit.

**Other** adjusting items of £36m include a £25m net release of deferred income. See Note 34 in the Group financial statements.



See pages 156 and 170 for further details on adjusted operating profit and reconciliation of adjusted operating profit to IFRS profit. Further details on adjusting items are included in the Supplementary information section.

#### Tax policy

We have important responsibilities in paying and collecting taxes in the countries in which we operate. Our tax strategy is therefore guided by a commitment to high ethical, legal and professional standards and being open and transparent about what we are doing to meet those standards.

#### Tax expense

The total IFRS tax expense attributable to the profit for the year was £120m (2020: credit £15m), including a tax expense attributable to adjusting items of £94m (2020: credit £53m), resulting in an effective tax rate of 11% on the total IFRS profit (2020: negative 2%). The difference to the UK Corporation Tax rate of 19% is mainly driven by:

- Revaluation of elements of abrdn's deferred tax balances due to future UK tax rises.
- Realised and unrealised gains in the shares in HDFC
   Asset Management being charged to tax at the Indian long-term capital gains tax rate which is lower than the UK Corporation Tax rate.
- Fair value movements relating to Phoenix and HDFC
   Life not being subject to tax.

The tax expense attributable to adjusted profit is £26m (2020: £38m), an effective tax rate of 8% (2020: 16%). This is lower than the 19% UK rate primarily due to the future rise in UK Corporation Tax to 25%. This has a beneficial effect in increasing the value of our deferred tax assets.

#### **Total tax contribution**

Total tax contribution is a measure of all the taxes abrdn pays to and collects on behalf of governments in the territories in which we operate. Our total tax contribution was £447m (2020: £484m). Of the total, £190m (2020: £203m) was borne by abrdn whilst £257m (2020: £281m) represents tax collected by us on behalf of the tax authorities. Taxes borne mainly consist of corporation tax, employer's national insurance contributions and irrecoverable VAT. The taxes collected figure is mainly comprised of pay-as-you-earn deductions from employee payroll payments, employees' national insurance contributions, VAT collected and income tax collected on behalf of HMRC on platform pensions business.



You can read our tax report on our website www.abrdn.com/annualreport

#### Earnings per share

- Adjusted diluted earnings per share increased by 56% to 13.7p (2020: 8.8p) due to the 47% increase in adjusted profit after tax and the 9% benefit from 2020 share buybacks.
- Diluted earnings per share increased to 46.0p (2020: 37.9p) reflecting the factors above and the impact in the prior year of losses on impairments of goodwill and intangibles.

#### **Dividends**

As disclosed in the Annual report and accounts in March 2021, it is the Board's current intention to maintain the total annual dividend at 14.6p (with the interim and final both at 7.3p per share), until it is covered at least 1.5 times by adjusted capital generation, at which point the Board will seek to grow the dividend in line with its assessment of the underlying medium-term growth in profitability.

The Board has accordingly recommended a final dividend for 2021 of 7.3p (2020: 7.3p) per share. This is subject to shareholder approval and will be paid on 24 May 2022 to shareholders on the register at close of business on 8 April 2022. The dividend payment is expected to be £155m.

External dividends are funded from the cumulative dividend income that abrdn plc receives from its subsidiaries and associates (see below for details of cash and distributable reserves). The need to hold appropriate regulatory capital is the primary restriction on the Group's ability to pay dividends. Further information on the principal risks and uncertainties that may affect the business and therefore dividends is provided in the Risk management section.

Adjusted capital generation in 2021 of £366m, 40% higher than 2020 and was 1.18 times the full year dividend.

The adjusted capital generation trend and related dividend coverage is shown below:



#### Capital and liquidity

#### Adjusted capital generation

Adjusted capital generation of £366m increased by 40% and remains closely aligned with adjusted profit after tax as shown below.

|  | 2021<br>£m | 2020<br>£m |
|--|------------|------------|
| Adjusted profit after tax <sup>1</sup>                         | 297        | 202        |
| Less net interest credit relating to the staff pension schemes | (17)       | (20)       |
| Add dividends received from associates, joint ventures and     |            |            |
| significant listed investments                                 | 86         | 80         |
| Adjusted capital generation                                    | 366        | 262        |

Adjusted profit after tax now excludes the share of profit or loss from associates and joint ventures. Comparatives have been restated. See Supplementary information for more information.

#### Net movement in surplus regulatory capital

Indicative surplus regulatory capital, on an IFPR basis, increased by £0.6bn to £1.8bn at 31 December 2021 largely due to the sale of stakes in HDFC Life and HDFC Asset Management.

Key movements in surplus regulatory capital in 2021 are shown in the table below.

| Analysis of movements in surplus regulatory capital (IFPR basis) | 2021<br>£bn |
|--|-------------|
| Opening surplus regulatory capital (indicative) <sup>2</sup>     | 1.2         |
| Sources of capital   |             |
| Adjusted capital generation                                      | 0.4         |
| HDFC Life and HDFC Asset Management sale proceeds                | 0.9         |
| Parmenion and Bonaccord sale proceeds                            | 0.1         |
| Issuance of AT1 debt   | 0.2         |
| Uses of capital  |             |
| Restructuring and corporate transaction expenses (net of tax)    | (0.2)       |
| Dividends  | (0.3)       |
| Acquisitions of Tritax and Finimize                              | (0.3)       |
| Other  | (0.2)       |
| Closing surplus regulatory capital                               | 1.8         |

<sup>2.</sup> The Group reported capital under CRD IV until 31 December 2021. The opening surplus regulatory capital on an IFPR basis is therefore indicative.

The full value of the Group's listed investments is excluded from the capital position under IFPR.



Note 45 of the Group financial statements includes a reconciliation between IFRS equity and surplus regulatory capital and also details of our capital management policies.

# Cash and liquid resources and distributable reserves

Cash and liquid resources remained robust at £3.1bn at 31 December 2021 (2020: £2.5bn). These resources are high quality and mainly invested in cash, money market instruments and short-term debt securities. Further

information on cash and liquid resources, and a reconciliation to IFRS cash and cash equivalents, is provided in Supplementary information.

At 31 December 2021 abrdn plc had £2.8bn (2020: £2.1bn) of distributable reserves.

#### IFRS net cash inflows

- Net cash inflows from operating activities were £14m (2020: £56m) which includes outflows from restructuring costs, net of tax, of £190m (2020: £232m). Inflows were lower in 2021 due to working capital movements.
- Net cash inflows from investing activities were £755m (2020: £1,014m) and included £0.9bn (2020: £0.9bn) from HDFC Life and HDFC Asset Management stake sales. Inflows were lower than 2020 due to cash being invested in money market instruments, which are not classified as cash equivalents and the net impact of 2021 acquisitions and disposals.
- Net cash outflows from financing activities were £243m (2020: £1,064m) with the reduction mainly due to the £0.2bn proceeds from the Additional Tier 1 debt issue in 2021 (2020: £0.1bn repayment of preference shares), lower dividends paid in 2021 (£171m lower) and the 2020 share buyback (share buyback outflow £320m lower).

The cash inflows and outflows described above resulted in closing cash and cash equivalents of £1,875m as at 31 December 2021 (2020: £1,358m).

#### IFRS net assets

IFRS net assets attributable to equity holders increased to £7.6bn (2020: £6.8bn) with profits offset by dividends paid in the year:

- Intangible assets increased to £0.7bn (2020: £0.5bn) as a result of the Tritax and Finimize acquisitions. Further details are provided in Note 14.
- The principal defined benefit staff pension scheme, which is closed to future accrual, continues to have a significant surplus of £1.6bn (2020: £1.5bn). Further details are provided in Note 33.
- Financial investments increased to £4.3bn (2020: £3.1bn) primarily due to the reclassification of HDFC Asset Management from an associate during 2021. At 31 December 2021 financial investments included £2.3bn (2020: £1.2bn) in relation to significant listed investments (Phoenix £941m, HDFC Asset Management £840m and HDFC Life £508m). Financial investments also include corporate holdings in money market instruments and debt securities of £1.1bn (2020: £1.0bn), holdings in newly established investment vehicles which the Group has seeded of £0.3bn (2020: £0.3bn) and co-investments of £0.1bn (2020: £0.1bn). Further details are provided in Note 37.
- To optimise our capital structure abrdn issued Additional Tier 1 debt of £210m in December 2021 which is included in other equity.

# Viability statement

#### Longer-term prospects

The Directors have determined that three years is an appropriate period over which to assess the Group's prospects. In addition to aligning with our business planning horizon, this reflects the timescale over which changes to major regulations and the external landscape affecting our business typically take place.

The Group's prospects are primarily assessed through the strategic and business planning process which considers our business model and how this is designed to deliver efficient, sustainable growth.

The assessment reflects the Group's focus on its strategic priorities as set out on pages 16 to 17 and how this is expected to drive longer-term prospects across abrdn's three vectors, including through responding to clients' climate-related needs.

The Group's longer-term prospects were enhanced during the year as a result of extending the strategic partnership with Phoenix to February 2031. The proposed acquisition of interactive investor is expected to further enhance these prospects.

In forming their assessment of the longer-term prospects of the Group, the Directors have also taken into account:

- The Group's capital position as set out on page 58.
- The substantial holdings of Group cash and liquid resources as set out on page 58 as well as holdings in listed equity investments as set out on page 29.
- The Group's principal and emerging risks as set out on pages 61 to 64.

#### Assessment of prospects

The Directors consider the Group's focus on its strategic priorities will deliver growth while maintaining the Group's strong regulatory capital position and the dividend policy described on page 57.

#### Viability

The Directors consider that three years is an appropriate period for assessing viability as this is in line with the horizon used for our business planning and stress testing and scenario analysis processes. In considering the viability statement, the Board performed a robust assessment of the Group's principal risks and took account of these processes, the results of reverse stress testing and the ongoing impact of COVID-19 as set out below.

The **business planning process** includes the projection of profitability, regulatory capital and liquidity over a three year period, based on a number of assumptions. This includes assumptions regarding the economic outlook in light of various factors including the COVID-19 pandemic.

The Group has no debt maturing over the next three years and, based on business planning projections, there is no expectation that the Group will need to draw down on its £400m revolving credit facility described on page 219.

The Group's **stress testing and scenario analysis programme** applies severe stresses to the business plan to understand the Group's financial resilience. This includes exploring the impacts of market-wide stresses, stresses that are specific to abrdn, and stresses that combine both these elements. Whilst all of the Group's principal risks could potentially impact on the Group's financial resilience, our stress testing focused on those risks expected to have the most significant impact.

- Financial risk was explored through applying a range of stresses to market levels, flows, and margins. The scenarios that were explored included equity markets falling around 30% from year end levels, net outflows over the planning horizon reducing the year end AUMA by up to 15%, and the basis point fees charged to clients being 10% lower than in the business plan.
- Operational risk was explored through considering the impact of the Group incurring £100m of operational losses. This was considered to represent the potential impact of severe losses that might arise from one or more of the following principal risks crystallising: process execution and trade errors, technology risk, security and resilience risk, or fraud and financial crime risks.

The scenarios explored all resulted in the Group experiencing reduced profitability and, in some cases, losses over the planning horizon. Projections of capital and liquid resources fell as a result of these losses with the largest falls occurring in the scenario where the flow and market stress was accompanied by the basis point fees charged to clients being 10% lower than in the business plan.

The Group had sufficient capital and liquid resources to withstand all of the stresses and did not need to take any management actions other than those assumed within the business plan. This reflects the strength and quality of the Group's financial position.

#### Chief Financial Officer's overview continued

In the event that the Group was to experience more severe stresses than those explored under the Group's stress testing and scenario analysis programme, the Group has a diverse range of management actions including a number of sizeable management actions wholly within the Group's control.

During the year, additional stress testing and scenario analysis was performed to support the decision to proceed with the proposed acquisition of interactive investor. This was also taken into consideration in the Directors' assessment of viability.

Reverse stress testing involves exploring the quantitative and/or qualitative impacts of extreme scenarios which could threaten the viability of our business model. In 2021 we explored a scenario in which abrdn was unable to trade and service clients within its investments vector as a consequence of the failure of our main third party provider of administration services that support the Group's trading, middle-office and back-office functions.

The reverse stress testing exercise highlighted the existence of controls, oversight arrangements, service level agreements, monitored triggers and defined escalation processes that the Group has in place which would assist the Group in taking effective and timely management actions where needed in response to instances of failure within the third party provider. The exercise also highlighted that, as a designated Global Systemically Important Bank, our third party provider would be expected to be subject to additional regulatory oversight in the event of any instances of significant failure.

Although the scenario explored represented a reverse stress test, the scenario was considered to have a very low likelihood of occurrence. This, and the Group's range of mitigants in place to respond to the scenario, supports the assessment of viability and no qualification is considered necessary.

#### Impact of COVID-19

The Directors have explicitly considered the impact of COVID-19 on the Group's viability recognising the further measures taken in 2021 in response to the COVID-19 pandemic. The Group has not required government support as a result of the pandemic and has demonstrated the ability to operate successfully whether staff were mostly working from home or working on a blended basis combining both home and office-working.

#### Operational resilience

Operational resilience reflects the ability of firms and the financial sector as a whole to prevent, adapt, respond to, recover and learn from operational disruptions. In addition to causing potential harm to customers and threatening market integrity, such operational disruptions and the unavailability of important business services have the potential to threaten viability. The FCA is introducing new rules on operational resilience on 31 March 2022 and the Board noted the preliminary work performed in response to these rules when forming their assessment of viability.

#### Assessment of viability

The Directors confirm that they have a reasonable expectation that abrdn plc will be able to continue in operation and meet its liabilities as they fall due over the next three years.

# Managing risk for better outcomes

#### Our approach to risk management

A strong risk and compliance culture underpins excellent service to clients and the effective management of our business. Our Board has ultimate responsibility for risk management and oversees the effectiveness of our Enterprise Risk Management (ERM) framework. Across all principal risk categories – conduct risk, strategic risk, financial risk and regulatory and operational risk – the impact on clients sits at the heart of our decision-making.

#### Three lines of defence

We operate 'three lines of defence' in the management of risk with clearly defined roles and responsibilities:

- First line: Day-to-day risk management, including identification and mitigation of risks and maintaining appropriate controls.
- Second line: Oversight from our Risk and Compliance function, which reports to the Chief Risk Officer.
- Third line: Our Internal Audit function, reporting to the Chief Internal Auditor, independently verifies our systems of control.

#### **ERM framework**

This underpins risk management throughout our business. We continually evolve our framework to meet the changing needs of the company and to make sure it keeps pace with industry best practice and the risk profile of the business. In 2021, improvements to the framework included:

- Strengthening our risk appetite framework by introducing new risk tolerances to support governance and risk management.
- Extending and refining our risk taxonomy so we can describe risk more accurately.
- Updating our process for formal risk acceptance, linked to our group-wide risk management system.
- Reviewing our policy framework and policy register.

#### **Business risk environment**

The major impact of COVID-19 on our operating environment has continued during 2021. We have shown resilience in dealing with the effects of the pandemic and we continue to manage its market, operational and financial impacts as we deliver our business plan and continue to enhance our client focus.

The further lifting of restrictions in the UK meant that we could take the next step towards 'blended working' as the default arrangement for our people, with colleagues gradually returning to the office in greater numbers. Outside the UK, we continue to follow government guidance across our global regions regarding the return to office approach.

The commercial environment remained challenging during 2021, exacerbated by the impact of the pandemic. However, after setting out our new strategy in March, we made good progress towards achieving our objectives to arrest the decline in revenue, then establish a pattern of revenue growth, improved efficiency and improved returns. The roll-out of our new brand means we are now better positioned to have impact at scale and as a global business.

The proposed acquisition of interactive investor will significantly enhance our presence within a fast-growing and attractive market. Execution risks for this acquisition will be limited by interactive investor continuing to operate as a discrete business within our Personal vector.

In the near term, there is still operational stretch as work continues on the transformation of the business. Phoenix separation activity is complex and has to be managed and coordinated with other transformation work, so that the impact on business as usual is managed.

We are actively working to retain talent within a dynamic and competitive labour market and to promote colleague wellbeing and engagement, which you can read more about on pages 38 to 39 of this report. There is clear executive ownership and accountability for our talent and development programmes.

We maintain heightened vigilance over risks to our operations from financial crime and cyber intrusion. Our dedicated, expert internal teams monitor and manage these risks as they evolve, with the support of external specialists.

Our conduct risk framework is strengthened continuously and client interests are at the heart of this work. In 2021, we improved our processes in relation to vulnerable customers.

#### **ESG** risks

We have a responsibility to shareholders, clients and all stakeholders to assess, report on, manage and mitigate our ESG risks. For 'Environment', risks are primarily related to climate change and these are an important aspect of integrating ESG considerations in our portfolio management activities. In addition, we continue to review climate-related risks and manage our own business impact on climate change<sup>1</sup>, which you can read about on pages 32 to 37. For 'Social', our risks primarily relate to colleague engagement, wellbeing, development and diversity and inclusion. For 'Governance', our risks primarily relate to corporate governance, conduct, ethics and cyber-crime. These ESG risks are discussed further under 'Principal risks and uncertainties' and throughout this report.

We have a materiality review every two to three years to ensure we are focusing on the right ESG risks and issues. Our most recent review is included in our 2019 corporate sustainability report. We will carry out our next review later in 2022.

<sup>1.</sup> See Note 37 for disclosure relating to the financial impact of climate related risk on the 2021 financial statements.

#### Risk management continued

We are following a three-year work plan on ESG and defining our longer-term strategic ambition. During 2021 we continued to deliver against a number of key milestones, including regulatory compliance on sustainable finance disclosure, client reporting, creation of ESG analytical tools (carbon footprinting and carbon scenario analysis) and decisions for an ESG data platform and exclusion screening tool.

#### **Emerging risks**

We are vigilant to emerging risks that could impact our strategy and operations, with a particular focus on our three vectors of growth. The nature of these risks could be geopolitical, economic, societal, technological, legal, regulatory or environmental. We distil internal and external research to model how risks could emerge and potentially evolve and to inform how we address them through our ERM framework and our principal risk framework in particular.

The current conflict between Russia and Ukraine is already impacting markets and operations and is likely to have substantial economic consequences. Other notable emerging risks to our business include the availability of talent in our future workplace, new cyber threats, disruptive technologies, unprecedented market shifts, climate change, emerging variants of COVID-19 and indirect impacts resulting from the pandemic.

#### Principal risks and uncertainties

The risks we face as a business have as much to do with our actions and approaches internally, as they do with the external environment. These risks fall into 12 areas that form the basis of our ERM framework. This framework gives us the structure to assess, monitor, control and govern the risks in our business. Principal and emerging risks are subject to active oversight and robust assessment by the Board, and the principal risks are described in the following table.

#### Risk to our business and how this evolved in 2021

#### How we manage this risk

# 1 Strategic risk

- These are risks that could prevent us from achieving our strategic aims and successfully delivering our business plans.
- These could include failing to meet client expectations, poor strategic decision-making, poor implementation or failure to adapt.

The launch of our single global brand was an important step to clear up confusion that existed across our multiple brands previously. Our brand strategy review has been thorough and we developed stakeholder engagement plans to guide the transition to the new brand. Market and competitor intelligence has aided decision-making.

Each of our vectors has a clear organic growth strategy. Any inorganic growth, such as through acquisitions, is rigorously assessed for its contribution to our core strategy and the opportunities it presents to help us better understand different client needs.

# 2 Financial risk

- This is the risk of having insufficient financial resources, suffering losses from adverse markets or the failure or default of counterparties. It is impacted by our flows experience, global market conditions and the fees we charge on investment mandates, platforms and wealth management services.
- Our strong capital and liquidity position has made possible the proposed acquisition of interactive investor.
- The impact of COVID-19 and securing transformation milestones have enabled us to lower non-staff costs.

Business planning and stress testing is used to project our financial resources under a range of scenarios. This allows us to identify possible issues and take action to manage our financial position. This is supported by the risk limits on capital and liquidity monitored under our risk appetite framework.

Our Treasury Policy includes minimum standards for managing liquidity, market and counterparty risks, including the credit quality of our counterparties.

During 2021 we undertook detailed preparations for the introduction of the UK's new Investment Firms Prudential Regime which determines our regulatory capital and liquidity requirements.

# 3 Conduct risk

- Our business relies on our ability to deliver fair client outcomes, and there is a risk that we fail to achieve this in our strategies, decisions and actions.
- This could lead to customer and client harm, reputational damage and loss of income.

Our ERM framework supports the management of conduct risk with clear expectations around conduct goals and responsibilities. In 2021 we refreshed our Global Code of Conduct for all employees.

In response to COVID-19 we prioritised running our business with minimal client impact while maintaining an effective control environment for remote working.

Drawing on the UK Senior Managers and Certification Regime, we train our teams to understand how to apply our conduct rules in their roles.

#### Risk to our business and how this evolved in 2021

#### How we manage this risk

# 4 Regulatory and legal risk

- High volumes of regulatory change can create risk by presenting implementation and interpretation challenges.
- Failing to comply with, or meet changes in, legislation, contractual requirements or regulations, can lead to sanctions, reputation damage and income loss.
- During 2021 the company managed a heavy programme of regulatory implementation, including in relation to ESG investment, operational resilience, LIBOR reform and the new UK and EU prudential frameworks.

We monitor the regulatory landscape globally so that we can engage in potential areas of change early. We also invest in compliance and monitoring activity across the business. Our relationships with key regulators are based on trust and transparency while our Legal team supports senior managers across our business.

#### Operational risks (5-12)

# 5 Process execution and trade errors

- This is the risk that processes, systems or external events could produce operational errors.
- During 2021 there was close management focus on this, and a reduction in events requiring investigation and remedy.

We monitor underlying causes of error to identify areas for action, promoting a culture of accountability and continuously improving how we address issues. We also continue to enhance the ERM framework. In addition, we have set up a taskforce to fast track issues that have the potential to impact clients.

We dealt with potentially important systems outages using established incident management processes, and senior risk committees have been reviewing the impact of COVID-19 on these processes.

# 6 People

- In line with the wider economy, employee turnover has increased in all regions as a consequence of disruption arising from the pandemic.
- Engaging with our people, and supporting their wellbeing, is critical to our strategy and the success of our business.
- However, there is a risk of resources and employment practices failing to align with strategic objectives.

Since the onset of the pandemic we have successfully adapted, providing online tools to support collaboration and moving our learning and development offering online. We have responded to increased competition for talent using targeted approaches to support retention and recruitment for our key business functions.

We monitored and took steps to mitigate new risks that have continued to emerge over the course of pandemic, which have included impacts on people's physical and emotional wellbeing and impacts on the operation of teams. We have offered counselling, and asked colleagues to use their full leave allocation.

# 7 Technology

- There is a risk that our technology may fail to adapt to business needs, as well as of unauthorised users accessing our systems and carrying out cyber attacks.
- This risk is relevant to a wide range of potential threats to the business including weather events, internal failure, external intrusion and supplier failure.
- Our current IT estate is complex, and dependence on third party suppliers needs to be managed in a dedicated way.

We have an ongoing programme to invest in, and enhance, our IT infrastructure controls. We benchmark our IT systems environment to identify areas for improvement. IT resilience is monitored at senior executive committees. 2021 saw only minor disruptions to service and improvement plans are in place.

We maintain heightened vigilance for cyber intrusion, with dedicated teams monitoring and managing cyber security risks. We carry out regular testing on penetration and crisis management.

# 8 Business resilience and continuity

- Incidents that can impact business resilience and continuity include environmental issues, terrorism, economic instabilities, cyber attacks and operational incidents.
- The risk of disruption from inside the organisation is broadly stable. However, tools for exploiting IT vulnerabilities are becoming more widely available globally and are frequently used by criminal groups to enable ransomware attacks.
- As COVID-19 has continued to test business resilience, the business has adapted effectively to blended working.

We continue to enhance our operational resilience framework and strengthen our response to disruption. Crisis management and contingency planning processes are regularly reviewed and tested, enabling us to minimise disruption as the balance between home and hybrid working has shifted over the year. We have also done extensive work to meet the requirements of the FCA/PRA Operational Resilience regulations that come into force on 31 March 2022.

#### Risk to our business and how this evolved in 2021

#### How we manage this risk

# 9 F

#### Fraud and financial crime

- As a business that handles clients' money, we are exposed to the risk of fraudulent and dishonest activity.
- As we engage with a wide number of external parties, we have to be vigilant to the risk that these parties are connected with criminal behaviour, or subject to sanctions by national or global authorities.

Sound processes are in place to identify client activity linked with financial crime, globally. These include controls for anti-money laundering (AML), anti-bribery, fraud and other areas of financial crime. We have a company-wide programme to invest in controls and processes to improve our monitoring of these risks.

During 2021 we did extensive work to define and implement consistent AML standards across the company globally and in each of our growth vectors.

We continue to work with the financial authorities and industry peers to assist those targeted by scams.

#### 10 Change management

- This is the risk of failing to manage strategic and operational change initiatives effectively.
- We implemented major regulatory change during 2021 including embedding ESG principles and the discontinuation of LIBOR.
- We delivered major milestones on the transformation of our investment platform, while maintaining a focus on managing the impact of our transformation activity and the associated costs.

We manage major change projects centrally, with clear governance processes and consolidation of our change workload. Second and third lines have clear roles in overseeing progress and we deliver projects in ways that help us to protect client outcomes.

# 11 Third party management

- We outsource activities to suppliers with specialist capabilities which means we are exposed to the risk of third parties failing to deliver in line with contractual obligations.
- It is our responsibility to make sure these firms deliver, so we continue to streamline delivery and reduce complexity.

Our aim is to maintain strong relationships with suppliers. During 2021 we completed our programme to rationalise our supplier base and strengthen our oversight of our suppliers. Our Third Party Code of Conduct requires third parties to acknowledge their best practice responsibilities.

In 2021 we undertook extensive preparations to adopt the European Banking Authority's guidelines on outsourcing across our supplier base.

# 12 Financial management process

- Sound financial reporting influences abrdn's performance, planning and disclosures to external stakeholders.
- Failures in these processes would expose our business and shareholders to the risk of making poorly informed decisions.

Our financial reporting activities align to external reporting standards and industry best practice. Our Audit Committee reviews, and where necessary challenges, our reporting. Our Chief Risk Officer also provides an independent review of our business plan to support decision-making.

In 2021 we concluded our programme to transform our Finance operations, which was delivered to plan while contending with disruption resulting from the pandemic.

The cover to page 65 constitute the Strategic report which was approved by the Board and signed on its behalf by:

Chi

Stephen Bird Chief Executive Officer abrdn plc (SC286832) 28 February 2022

# Governance

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# 2. Board of Directors

Our business is overseen by our Board of Directors. Biographical details (and shareholdings) of the Directors as at 28 February 2022 are listed below.



Sir Douglas Flint CBE -Chairman

| <b>Appointed to the Board</b><br>November 2018 | <b>Age</b><br>66      |  |
|--|-----------------------|--|
| Nationality British                            | <b>Shares</b> 179.617 |  |
| Board committees:                              | NC NC                 |  |

Sir Douglas' extensive experience of board leadership in global financial services helps to focus Board discussion and challenge on the design and delivery of our strategy. His wideranging expertise in international, financial and governance matters is an important asset to abrdn, while his collaborative approach helps to facilitate open and constructive boardroom discussion.

Previously, Sir Douglas served as chairman of HSBC Holdings plc from 2010 to 2017. For 15 years prior to this he was HSBC's group finance director, joining from KPMG where he was a partner. From 2005 to 2011 he also served as a non-executive director of bp plc.

In other current roles, Sir Douglas is chairman of IP Group plc and serves as HM Treasury's Special Envoy for Financial and Professional Services to China's Belt and Road Initiative. He is also a member of the Monetary Authority of Singapore's international advisory panel, and a board member of both the International Chamber of Commerce UK and the Institute of International Finance.

Additionally, he is chairman of the Just Finance Foundation, non-executive director of the Centre for Policy Studies, a member of the Global Advisory Council of Motive Partners and a member of the Hakluyt International Advisory Board. He also chairs the corporate board of Cancer Research UK and is a trustee of the Royal Marsden Cancer Charity.

He holds a BAcc (Hons) from the University of Glasgow, a PMD from Harvard Business School and is a Member of the Institute of Chartered Accountants of Scotland.



Stephen Bird -Chief Executive Officer

| <b>Appointed to the Board</b> July 2020 | <b>Age</b><br>55 |
|---|------------------|
| Nationality                             | Shares           |
| British                                 | 700,000          |

Stephen brings a track record of delivering exceptional value to clients, creating high-quality revenue and earnings growth in complex financial markets, as well as deep experience of business transformation during periods of technological disruption and competitive change.

Stephen joined the Board in July 2020 as Chief Executive-Designate, and was formally appointed Chief Executive Officer in September 2020. During 2021 he was appointed as an abrdn representative director to the US closed-end fund boards and the SICAV fund boards where abrdn is the appointed investment manager.

Previously, Stephen served as chief executive officer of global consumer banking at Citigroup from 2015, retiring from the role in November 2019. His responsibilities encompassed all consumer and commercial banking businesses in 19 countries, including retail banking and wealth management, credit cards, mortgages, and operations and technology supporting these businesses. Prior to this, Stephen was chief executive for all of Citigroup's Asia Pacific business lines across 17 markets, including India and China. Stephen joined Citigroup in 1998. In 21 years with the company he held leadership roles in banking, operations and technology across its Asian and Latin American businesses. Before this, he held management positions in the UK at GE Capital, where he was director of UK operations from 1996 to 1998, and at

In other current roles, he is a member of the Financial Services Growth and Development Board in Scotland. He holds an MBA in Economics and Finance from University College Cardiff, where he is also an Honorary Fellow.



Stephanie Bruce – Chief Financial Officer

| <b>Appointed to the Board</b> June 2019 | <b>Age</b><br>53 |
|---|------------------|
| Nationality                             | Shares           |
| British                                 | 360,000          |

Stephanie was appointed Chief Financial Officer on joining the Board in June 2019. She is a highly experienced financial services practitioner with significant sector knowledge, both technical and commercial. She brings experience of working with boards and management teams of financial institutions in respect of financial and commercial management, reporting, risk and control frameworks and regulatory requirements. She is also a representative director on the board of VUMTM, our joint venture with Virgin Money.

Before joining abrdn, Stephanie was a partner at PwC, leading the financial services assurance practice and a member of the Assurance Executive. Her responsibilities included client growth and services, product development, operations and quality assurance across the UK business.

During her career, she has specialised in the financial services sector working with organisations across asset management, insurance and banking, with national and international operations.

Stephanie is a member of the Institute of Chartered Accountants of Scotland and served as the Chair of the Audit Committee. She is an associate of the Association of Corporate Treasurers. She holds a Bachelor of Laws (LLB) from the University of Edinburgh.

British Steel.

#### Key to Board committees Remuneration Committee

- RC Risk and Capital Committee
- A Audit Committee
- NC Nomination and Governance Committee
- Committee Chair



Jonathan Asquith -Non-executive Director and Senior Independent Director

| Appointed to the Board | Age     |
|------------------------|---------|
| September 2019         | 65      |
| Nationality            | Shares  |
| British                | 102,849 |
| Board committees:      | R NC    |

Jonathan has considerable experience as a non-executive director within the investment management and wealth industry. This brings important insight to his roles as Senior Independent Director and Chair of our Remuneration Committee.

Jonathan is a non-executive director of CiCap Limited and its regulated subsidiary Coller Capital Limited. He is also a nonexecutive director of Northill Capital Services Limited and a number of its subsidiaries -Vantage Infrastructure Holdings, Securis Investment Partners and Capital Four Holding A/S - as well as its holding company B-Flexion. At the end of 2020 he stepped down as deputy chairman of 3i Group plc after nearly 10 years as a board member. Previously, he has been chairman of Citigroup Global Markets Limited, Citibank International Limited, Dexion Capital PLC and AXA Investment Managers. He has also been a director of Tilney, Ashmore Group plc and AXA UK PLC.

In his executive career Jonathan worked at Morgan Grenfell for 18 years, rising to become group finance director of Morgan Grenfell Group, before going on to take the roles of chief financial officer and chief operating officer at Deutsche Morgan Grenfell. From 2002 to 2008 he was a director of Schroders plc, during which time he was chief financial officer and later executive vice chairman.

He holds an MA from the University of Cambridge.



Catherine Bradley CBE -Non-executive Director

| <b>Appointed to the Board</b> January 2022 | <b>Age</b><br>62 |
|--|------------------|
| Nationality                                | Shares           |
| British and French                         | 12,181           |
| Board committees:                          | A                |

Catherine has more than 30 years of executive experience advising global financial institutions and industrial companies on complex transactions and strategic opportunities. She brings knowledge from working across Europe and Asia, serving on the boards of leading consumer-facing companies and working with regulators and standard setters.

Catherine is a non-executive director of Johnson Electric Holdings Limited and of easyJet plc, where she chairs the finance committee. She is senior independent director of Kingfisher plc and a board member of the Value Reporting Foundation, where she co-chairs the audit committee. She also chairs the investment committee of the Athenaeum Club.

Previously, Catherine has served on the boards of leading industrial and consumerfacing companies in the UK, France and Hong Kong. She was appointed by HM Treasury to the Board of the Financial Conduct Authority in 2014 and played an important role in establishing the FICC Markets Standards Board in 2015. Catherine stepped down from these boards in 2020.

In her executive career, Catherine held a number of senior finance roles in investment banking and risk management: in the US with Merrill Lynch, in the UK and Asia with Credit Suisse, and finally in Asia with Société Générale. She returned to Europe in 2014 to start her non-executive career.

Catherine graduated from the HEC Paris School of Management with a major in Finance and International Economics. She was awarded a CBE in 2019.



John Devine -Non-executive Director

| Appointed to the Board | Age     |
|------------------------|---------|
| July 2016              | 63      |
| Nationality            | Shares  |
| British                | 28,399  |
| Board committees:      | A NC RC |

John's previous roles in asset management, his experience in the US and Asia and his background in finance, operations and technology, are all areas of importance to our strategy. John's experience is important to the Board's discussions of financial reporting and risk management, and in his role as Chair of our Audit Committee. John was appointed a Director of our

business in July 2016, at that time Standard Life plc. From April 2015 until August 2016, he was non-executive Chairman of Standard Life Investments (Holdings) Limited.

He is non-executive chairman of Credit Suisse International and of Credit Suisse Securities (Europe) Limited, and a nonexecutive director of Citco Custody Limited and Citco Custody (UK) Limited.

From 2008 to 2010, John was chief operating officer of Threadneedle Asset Management Limited. Prior to this, he held a number of senior executive positions at Merrill Lynch in London, New York, Tokyo and Hong Kong. He holds a BA (Hons) from Preston

Polytechnic and is a Fellow of the Chartered Institute of Public Finance and Accounting.

#### 2. Board of Directors continued



Hannah Grove – Non-executive Director

| Appointed to the Board | Age    |
|------------------------|--------|
| September 2021         | 58     |
| Nationality            | Shares |
| British and American   | 33,000 |
| Board committees:      | NC     |

Hannah brings more than 20 years of leadership experience in the global financial services industry. Her expertise includes leading brand, client and digital marketing and communications strategies, including those for major acquisitions, which she combines with deep knowledge of regulatory and governance matters. She is also our designated non-executive Director for employee engagement.

Before joining our Board, Hannah enjoyed a 22-year career at State Street. This included 12 years as Chief Marketing Officer, retiring from the role in November 2020. She was a member of the company's management committee, its business conduct & risk and conduct standards committees, and a board member for its China legal entity.

Before joining State Street, Hannah was marketing director for the Money Matters Institute, supported by the United Nations, the World Bank and private sector companies to foster sustainable development in emerging economies.

Hannah has also received significant industry recognition as a champion of diversity and inclusion and is a member of the board of advisors for reboot, an organisation that aims to enhance dialogue around race both at work and across society.



Brian McBride -Non-executive Director

| Appointed to the Board | Age    |
|------------------------|--------|
| May 2020               | 66     |
| Nationality            | Shares |
| British                | Nil    |
| Board committees:      | R      |

Brian brings a wealth of digital experience and global leadership experience in both executive and non-executive directorship roles. His direct experience of developing digital strategies and solutions in consumerfacing businesses, in rapidly evolving markets, is of great benefit to the Board's discussions. He sits as a non-executive director on the boards of Standard Life Savings Limited and Elevate Portfolio Services Limited.

Brian is currently chair of Trainline PLC, non-executive director of Kinnevik AB, and the lead non-executive director on the board of the UK Ministry of Defence. He is also a senior adviser to Scottish Equity Partners. In February 2022 it was announced that he will become the next president of the Confederation of British Industry (CBI), and has been appointed to the role of vice president until the CBI's AGM in June 2022.

In his executive career, Brian worked for IBM, Crosfield Electronics and Dell before serving as chief executive officer of T-Mobile UK and then managing director of Amazon.co.uk. As a non-executive director, Brian has served on the boards of AO.com, the BBC, Celtic Football Club PLC, Computacenter PLC and S3 PLC, and as chair of ASOS PLC.

He holds an MA (Hons) in Economic History and Politics from the University of Glasgow.



Martin Pike – Non-executive Director

| Appointed to the Board | Age     |
|------------------------|---------|
| September 2013         | 60      |
| Nationality            | Shares  |
| British                | 69,476  |
| Board committees:      | RC NC A |

Martin provides broad commercial insight into strategy and risk to the Board, and to his role as Chair of our Risk and Capital Committee. He has particular knowledge of enterprise-wide risk management. His actuarial and strategic consultancy background brings a strong understanding of what drives success in the markets in which we operate.

Martin was appointed as a Director of our business in September 2013, at that time Standard Life plc. He is also chairman and non-executive director of Faraday Underwriting Limited - where he sits on the audit and risk committee, and chairs the nomination and remuneration committee. In 2021 he was appointed chairman and non-executive director of AIG Life Limited, as well as becoming a member of its audit committee and chair of its remuneration committee.

He joined R Watson and Sons, consulting actuaries, in 1983, and progressed his career with the firm to partner level. His senior roles included head of European insurance and financial services practice, Watson Wyatt from 2006 to 2009, vice president and global practice director of insurance and financial services, Watson Wyatt during 2009, and managing director of risk consulting & software for EMEA, Towers Watson from 2010 to 2013.

Martin holds an MA in Mathematics from the University of Oxford. He is a Fellow of the Institute and Faculty of Actuaries and a Fellow of the Institute of Directors.

# Key to Board committees Remuneration Committee

- Risk and Capital Committee
- A Audit Committee
- NC Nomination and Governance Committee
- Committee Chair



Cathleen Raffaeli Non-executive Director

| Appointed to the Board | Age    |
|------------------------|--------|
| August 2018            | 65     |
| Nationality            | Shares |
| American               | 9,315  |
| Board committees:      | R RC   |

Cathi has strong experience in the financial technology sector and background in the platforms sector, as well as international board experience. She brings these insights as non-executive chairman of the boards of Standard Life Savings Limited and Elevate Portfolio Services Limited. Her role provides a direct link between the Board and the platform businesses that help us connect with clients and their advisers.

Cathi is managing partner of Hamilton White Group, LLC which offers advisory services, including business development, to companies in financial services growth markets. In addition, she is managing partner of Soho Venture Partners Inc, which offers third-party business advisory services.

Previously, Cathi was lead director of E\*Trade Financial Corporation, non-executive director of Kapitall Holdings, LLC and president and chief executive officer of ProAct Technologies Corporation. She was also a non-executive director of Federal Home Loan Bank of New York - where she was a member of the executive committee, and vice chair of both the technology committee and the compensation and human resources committee.

She holds an MBA from New York University and a BS from the University of Baltimore.



Cecilia Reyes -Non-executive Director

| Appointed to the Board | Age    |
|------------------------|--------|
| October 2019           | 63     |
| Nationality            | Shares |
| Swiss and Philippine   | Nil    |
| Board committees:      | R RC   |

Cecilia brings great insight from operating in leadership positions in international financial markets. Her knowledge and many years of direct experience of risk management and insurance investment management are of great benefit to the work of the Board.

Before joining, Cecilia was with Zurich Insurance Group Ltd for 17 years, latterly as its group chief risk officer, leading the global function comprising risk management and responsible for its enterprise risk management framework. Prior to that, she was its group chief investment officer, responsible for execution of the investment management value chain - including analysis, development and global implementation of the group's strategy for investments. In both positions, she sat on the group's executive committee.

Cecilia started her career at Credit Suisse, following which she held senior positions at ING Barings, latterly as head of risk analysis, asset management. In other current roles, she is a member of the supervisory board of NN Group N.V. and the founder of Pioneer Management Services GmbH, which seeks to develop a non-profit social enterprise.

Cecilia holds a BSc from Ateneo de Manila University, an MBA from University of Hawaii and a PhD (Finance) from the London Business School, University of London.



Jutta af Rosenborg -Non-executive Director

| Appointed to the Board | Age    |
|------------------------|--------|
| August 2017            | 63     |
| Nationality            | Shares |
| Danish                 | 8,981  |
| Board committees:      | R A    |

Jutta has extensive knowledge of international management and strategy, from sector operational roles in a number of listed companies. Her previous experience, which includes group finance and auditing, risk management and mergers and acquisitions, allows her to offer valuable perspectives to strategic discussions.

Jutta was appointed a non-executive director of Aberdeen Asset Management PLC in January 2013. She is a non-executive director of JPMorgan European Investment Trust plc and chair of its audit committee. In addition, she is a non-executive director of NKT A/S and Nilfisk Holding A/S, and chairs the audit and remuneration committees of both organisations. She is also a member of the supervisory board of BBGI SICAV S.A, where she chairs the audit committee.

Previously, she was the executive vice president, chief financial officer, of ALK Abelló A/S and was chairman of Det Danske Klasselotteri A/S.

A qualified accountant, she holds a Master's degree in Business Economics and Auditing from Copenhagen Business School.

# 3. Corporate governance statement

The Corporate governance statement and the Directors' remuneration report, together with the cross references to the relevant other sections of the Annual report and accounts, explain the main aspects of the Company's corporate governance framework and seek to give a greater understanding as to how the Company has applied the principles and reported against the provisions of the UK Corporate Governance Code 2018 ('the Code').

# Statement of application of and compliance with the Code

For the year ended 31 December 2021, the Board has carefully considered the principles and provisions of the Code (available at www.frc.org.uk) and has concluded that its activities during the year and the disclosures made within the Annual report and accounts comply with the requirements of the Code. The statement also explains the relevant compliance with the FCA's Disclosure Guidance and Transparency Rules Sourcebook. The table on page 122 sets out where to find each of the disclosures required in the Directors' report in respect of all of the information required by Listing Rule 9.8.4 R.

# 1. Board leadership and company purpose Purpose and Business model

The Board supports the Company's purpose set out on page 2 of the Strategic report, and oversees implementation of the Group's business model, which it has approved and which is set out on page 18. Pages 2 to 65 show how the evolution of the business model in 2021 supports the protection and generation of shareholder value over the long term, as well as underpinning our strategy for growth. The Board's consideration of current and future risks to the success of the Group is set out on pages 61 to 65, complemented by the report of the Risk and Capital Committee on pages 93 to 96.

# Oversight of culture

The Board and the Nomination and Governance Committee play a key role in overseeing how the management of the Group assesses and monitors the culture evident within the businesses of the Group and how the desired abran behaviours are embedded across the Group so as to contribute to its success.

While the evolution of our culture takes time and commitment, the Board and the Executive Leadership Team (ELT) look for empowerment, curiosity and performance to sit at the heart of our culture. Our abran desired behaviours will help to drive this important cultural shift:

- Think and act like an owner Thinking commercially about where we focus our time, effort and money to get the return on investment for our stakeholders.
- Focus on client and customer needs Continually learning their needs so that they are at the heart of our
- Get it done together Executing at pace and working across teams to deliver better outcomes, faster.
- Build the future now Being bold in building today the solutions that our stakeholders will need for tomorrow, challenging the status quo and adapting quickly.

The principles to deliver this include:

- A performance culture enabled by a clear and effective Performance Management framework.
- A learning culture that is creative, progressive, and talent-oriented.
- Staying connected with each other.

#### Stakeholder engagement

Recognising their obligations under the Companies (Miscellaneous Reporting) Regulations 2018, the Annual report and accounts explains how the Directors have complied with their duty to have regard to the matters set out in section 172 (1) (a)-(f) of the Companies Act 2006. These matters include responsibilities with regard to the interests of employees, suppliers, customers, the community and the environment, all within the context of promoting the success of the Company. The table on pages 74 to 75 sets out the Board's focus on its key relationships and shows how the relevant stakeholder engagement is reported up to the Board or Board Committees. During 2021, the means to deliver effective engagement were adjusted to reflect the impact of COVID-19.

# Engaging with investors

The Investor Relations and Secretariat teams support the direct investor engagement activities of the Chairman, CEO, CFO and, as relevant, Board Committee chairs. During 2021, and within COVID-19 restrictions, we carried out a programme of meetings with domestic and international investors. The wide range of relevant issues discussed included the rationale for the introduction of the client-led growth strategy, together with progress on the delivery of transformation, business strategy, financial performance and share price, capital allocation and returns to shareholders, and corporate governance, including diversity and inclusion. The Chairman, CEO and CFO bring relevant feedback from this engagement to the attention of the Board.

The Board ensures its outreach activities encompass the interests of the Company's one million individual shareholders. Given the nature of this large retail shareholder base, it is impractical to communicate with all shareholders using the same direct engagement model followed for institutional investors. Shareholders are encouraged to receive their communications electronically and around 405,000 shareholders receive all communications this way. The Company actively promotes self-service via the share portal, and since moving our registrar services to Equiniti in July 2021, more than 150,000 shareholders have signed up to this service. Shareholders have the option to hold their shares in the abrdn Share Account where shares are held electronically and around 90% of individual shareholders hold their shares in this way.

To give all shareholders easy access to the Company's announcements, all information reported via the London Stock Exchange's regulatory news service is published on the Company's website. The CEO and CFO continue to host formal presentations to support both the full year and half year financial results with the related transcript and webcast available on the Company's Investor Relations website www.abrdn.com/annualreport

The 2021 Annual General Meeting (AGM) was held in Edinburgh on 18 May 2021. COVID-19 restrictions meant that, at the time the Notice of Meeting was published, it was envisaged that shareholders would not be able to attend the meeting in person. Shareholders were invited to submit questions in advance via the Company's website and arrangements were made for an 'enhanced webcast'. This allowed shareholders to view the meeting live, and to submit questions during the meeting via a 'chat box', many of which were then posed to the Chairman by a moderator. The attendance restrictions were in fact lifted the day before the Meeting and the Company made arrangements for shareholders to attend in person should they wish to do so. The Chairman and CEO presentations addressed the main themes of the questions which had been submitted prior to the meeting. 46% of the shares in issue were voted and all resolutions were passed by at least 94% of votes cast. Resolution 15, which included measures regarding electronic participation at physical meetings, was also passed (over 99% in favour) following clarification from the Company, recognising that this had previously failed to reach the necessary threshold to pass as a special resolution at the 2020 AGM. Investor feedback had made it clear that the lack of support was in relation to an interpretation that the proposed changes to the Company's Articles of Association would allow the Company to hold virtual-only meetings. The Company confirmed that the proposed Articles would not allow the Company to hold a virtual-only AGM and added wording to clarify this in the updated Articles.

Our 2022 AGM will be held on 18 May in Edinburgh. The AGM guide 2022 will be published online at **www.abrdn.com** in advance of this year's meeting. The

www.abrdn.com in advance of this year's meeting. The voting results, including the number of votes withheld, will be published on the website at www.abrdn.com after the meeting.

#### Engaging with employees

Melanie Gee continued as our designated non-executive Director to support workforce engagement up to her retirement from the Board on 31 October. She was succeeded in this role by Hannah Grove from 1 November. The Board Employee Engagement (BEE) annual plan is designed to ensure that views from employees across the business globally are heard and understood by the directors. During 2021, our direct engagement plans continued to be disrupted by the need to comply with COVID-19 restrictions so the Board used virtual means to engage with groups of employees through regular meetings and one on one interactions. A summary of the various BEE initiatives is covered below.

# All employee surveys

Because the Company implemented a comprehensive Group-wide Viewpoints survey during the year - which featured many employee experience-related questions, and which followed on from several COVID 19 related employee surveys in 2020 - no additional BEE specific surveys were undertaken. The Board continued to monitor how the actions to address the Viewpoints survey responses were being taken forward.

# Meet the NEDs events

To enable employees to engage with the Directors directly and learn more about how the Board operates, Melanie chaired three virtual Meet the NEDs sessions during the year for team members in the UK/EMEA, Americas and APAC regions. More than 130 colleagues attended and topics covered in the sessions included:

- Strategic direction, Growth and the Future shape of the Group.
- Remuneration policy including variable compensation philosophy and practice.
- Diversity and culture.
- Brand change and roll out.
- NED understanding of employee sentiment and key issues.

# NED Engagement event

In addition to the more formal Meet the NEDs events, Melanie chaired an informal virtual social session attended by 10 colleagues who had previously attended the physical 2019/2020 engagement dinners. The discussion covered:

- Thoughts on future ways of working and capturing lessons learned though the pandemic.
- Addressing technology challenges from hybrid working.
- How the use of Microsoft Teams was improving crossborder communication and collaboration.

# The BEE Group

Melanie chaired a session of the BEE Group attended by representatives from the employee Networks, the D&I team, the UK employee forum, Regional HR representatives, the CEO office, and the Communications, and Sustainability reporting teams. The topics discussed included:

- Employee engagement in the new Brand rollout.
- Employee input to the New Ways of Working rollout.
- Results from the Viewpoints survey and initial response action plans.
- Regional initiatives to support employees during the pandemic.

At each Board meeting, Melanie gave a report on BEE activities, including the issues that had been raised through the discussions, and the Board considered how the ELT, in particular the Chief People Officer, the Chief Brand, Marketing and Corporate Affairs Officer and the COO, are taking forward the points raised.

After a transition with Melanie, and considering the lessons learned from the first two years of the BEE programme, as well as a scan of external best practices, Hannah Grove took time to reflect on how she would take forward her designated NED role, bearing in mind the key objectives around ensuring the Board hears employee viewpoints, and that employees understand the role of the board. Her plan was approved by the Board in December 2021 and next year's annual report and accounts will report on how she has developed and implemented the programme in 2022.

# Summary of Stakeholder engagement activities

In line with their obligations under s.172 of the Companies Act 2006, the Directors consider their responsibilities to stakeholders in their discussions and decision-making.

| Key stakeholders             | Direct Board engagement                              | Indirect Board engagement                       | Outcomes                                 |
|------------------------------|--|---|--|
|                              | <ul> <li>The CEO meets regularly with key</li> </ul> | <ul> <li>The heads of the Growth</li> </ul>     | <ul> <li>Engagement supported</li> </ul> |
| Read more on pages 20 to 28. | clients (virtually and/or in                         | Vectors report at Board                         | the development of the                   |
| pages 20 to 28.              | compliance with all applicable                       | meetings on key client                          | key client management                    |
|                              | pandemic restrictions) and reports                   | engagement, support                             | process, and our client                  |
|                              | to the Board on such meetings.                       | programmes and client                           | solutions and ESG                        |
|                              | - The CEO has regular calls with his                 | strategies.                                     | approaches.                              |
|                              | opposite number at Phoenix                           | <ul> <li>– Market share data and</li> </ul>     | <ul> <li>The creation of the</li> </ul>  |
|                              | Group, our largest client, and                       | competitor activity are                         | Growth Vectors was                       |
|                              | reports back to the Board.                           | reported to the Board.                          | designed to position the                 |
|                              | – The CEO, sometimes supported by                    | <ul> <li>Analysis of the outcome of</li> </ul>  | business around client                   |
| Clients                      | the Chairman, takes part in key                      | client proposals (successful or                 | needs with                               |
| iie                          | client pitches to hear directly from                 | otherwise) is reported to the                   | performance                              |
| O                            | clients on their requirements                        | Board. Results of client                        | accountability                           |
|                              | (again virtually when pandemic                       | perceptions survey/customer                     | measured on that basis.                  |
|                              | restrictions were in place).                         | sentiment index are reported.                   | <ul> <li>Investment processes</li> </ul> |
|                              | – The Chairman meets with key                        |   | are driven by                            |
|                              | clients at conferences and industry                  |   | understanding client                     |
|                              | membership boards where he                           |   | needs and designing                      |
|                              | represents the Group.                                |   | appropriate solutions                    |
|                              | <ul> <li>The Board members feed into</li> </ul>      |   | taking into account                      |
|                              | Board discussions any feedback                       |   | client risk appetite and                 |
|                              | received directly from clients.                      |   | sophistication.                          |
|                              | - Meet the NEDs BEE engagement                       | <ul><li>The Chief People Officer(CPO)</li></ul> | <ul> <li>Engagement feedback</li> </ul>  |
| Read more on                 | sessions for a diverse mix of staff at               | reports to the Nomination and                   | recognised in Board                      |
| pages 38 to 39.              | all levels allow direct feedback in                  | Governance Committee                            | discussions on new                       |
|                              | informal settings.                                   | meeting on key hires and                        | ways of working.                         |
|                              | - Employee engagement NED in                         | employee issues including                       | – Engagement feedback                    |
|                              | place and active with the                            | development needs to support                    | is a key input to talent                 |
| <u>o</u>                     | employee diversity networks as                       | succession planning.                            | and development                          |
| Our people                   | well as with employees through                       | <ul> <li>The CPO produces a regular</li> </ul>  | programmes and the                       |
| 0                            | their representatives. The BEE NED                   | report for the Board drawing                    | design of reward                         |
| Ţ                            | reports regularly to the CEO and                     | out key factors influencing staff               | philosophy.                              |
| O                            | the Board.   | turnover, morale and                            |  |
|                              | – Each year, the Chairman and                        | engagement.                                     |  |
|                              | NEDs all mentor one or two CEO-1                     | <ul> <li>Viewpoints and employee</li> </ul>     |  |
|                              | or -2 level emerging talent.                         | surveys collect aggregate,                      |  |
|                              | - The CEO and CFO run 'Town Hall'                    | regional, functional and                        |  |
|                              | sessions.  | business group trend data                       |  |
|                              |  | which is reported to the Board.                 |  |

| Key stakeholders  | Direct Board engagement   | Indirect Board engagement  | Outcomes  |
|---|---|--|---|
| Business partners/ supply chain  Read more on pages 40 to 43.       | <ul> <li>The CEO leads on relationships with key business partners and reports back to the Board.</li> <li>The Risk and Capital Committee reviews the dependency on critical suppliers and how they are managed.</li> <li>The Audit Committee leads an assessment of external audit performance and service provision.</li> <li>The Board received detailed papers supporting the outsourcing of a number of technology services, including the renegotiation of the Group's contracts with FNZ in relation to the Adviser business and the revisions made to the Group's relationship with Phoenix.</li> </ul> | <ul> <li>COO attends Board meetings regularly and reports on first line key supplier relationships and their role in transition and transformation activities.</li> <li>Supplier surveys undertaken.</li> <li>Tendering process includes smaller level firms.</li> <li>Access and audit rights in place with key suppliers.</li> <li>Modern slavery compliance process in place.</li> <li>Procurement/payment principles in place.</li> <li>Certain key suppliers regularly discussed at Audit Committee, Risk and Capital Committee and Board.</li> </ul> | <ul> <li>Transformation discussions have included a focus on the quality, service provision, availability and costs of relevant suppliers.</li> <li>The overriding guidelines for business partnerships have been established as working for both parties and creating efficient operations.</li> <li>The Board sought assurance on the ability of key suppliers to continue to operate during the pandemic and the transition to working from home (WFH.)</li> </ul> |
| Read more on pages 40 to 43.  | <ul> <li>Board members present at relevant events and conferences.</li> <li>Chairman/CEO/CFO represent the Group on public policy and community organisations.</li> <li>Board is kept up to date with the activities of the abrdn Financial Fairness Trust.</li> </ul>  | <ul> <li>Stewardship/sustainability teams report regularly to the Board.</li> <li>Feedback on annual Stewardship and TCFD reports.</li> <li>Review of charitable giving strategy.</li> <li>ESG commercialisation presentations to the Board.</li> </ul>  | - Considered as input to the Group's culture and strategic drivers and charitable giving programmes Engagement drives the expression of our purpose.  |
| Regulators/ policymakers/ governments  Read more on pages 40 to 43. | <ul> <li>Regular engagement by CEO,<br/>Chairman and Committee<br/>Chairs.</li> <li>FCA has access to the Board.</li> <li>'Dear Board/CEO' letters issued<br/>from regulators.</li> <li>Relevant engagement with<br/>regulators in overseas<br/>territories.</li> </ul>   | <ul> <li>Chief Risk Officer (CRO) updates<br/>at every Board meeting.</li> <li>Board hears reports on the<br/>results of active participation<br/>through industry groups.</li> </ul>  | <ul> <li>Relevant Board<br/>decisions recognise<br/>regulatory impact and<br/>environment.</li> </ul>   |
| Strategic partners  Read more on pages 48 to 58.                    | <ul> <li>CEO has taken on detailed handling of the Phoenix and Citigroup relationships with regular meetings with his opposite numbers.</li> <li>CFO representation on the VMUTM board.</li> <li>ED direct meetings with core suppliers.</li> </ul>   | <ul> <li>Specific updates in CEO report to the Board.</li> <li>As appropriate, reports to Board/Committees from representative Directors.</li> <li>ELT members serve on the Phoenix and HDFC AMC Boards.</li> </ul>  | <ul> <li>The development of our<br/>business through our<br/>relationships with<br/>Strategic partners is a<br/>critical element of the<br/>Board's strategy.</li> </ul>  |
| Shareholders  Read more on pages 48 to 58.                          | <ul> <li>Results, AGM presentations and Q&amp;A.</li> <li>Chairman, CEO and CFO meetings with investors.</li> <li>Chairman, Committee Chairs, Senior Independent Director and BEE NED round table with governance commentators.</li> <li>Remuneration Committee Chair meetings with institutional investors.</li> <li>Chairman/CEO/CFO direct shareholder correspondence.</li> </ul>  | <ul> <li>Regular updates from the EDs/<br/>Investor Relations Director/<br/>Chairman/Chairman of<br/>Remuneration Committee<br/>summarising the output from<br/>their programmes of<br/>engagement.</li> <li>Analyst/Investor reports<br/>distributed to the Board.</li> <li>As relevant, feedback from<br/>corporate brokers.</li> <li>Publication of Shareholder News.</li> <li>Dedicated mailbox and<br/>shareholder call centre team.</li> </ul>   | - Engagement supported the clarification at the 2021 AGM that the Board was not recommending that we move to virtual AGMs, but was increasing the possibilities for remote participation.   |

# Speaking up

The workforce has the means to raise concerns in confidence and anonymously, and these means are well communicated. The Audit Committee's oversight of the whistleblowing policy and the Audit Committee Chairman's role to report to the Board on whistleblowing matters is covered in the Audit Committee report on page 90.

# Outside appointments and conflicts of interest

The Board's policy encourages executive Directors to take up one external non-executive director role, as the Directors consider this can bring an additional perspective to the Director's contribution. At the moment, Stephen Bird and Stephanie Bruce have representative director roles, either on the board of one of our joint ventures or on fund boards where abrdn is the appointed investment manager, but they do not have any external NED roles and they continue to explore opportunities.

Any proposed additional appointments of the NEDs are firstly discussed with the Chairman and then reported to the Nomination and Governance Committee prior to being considered for approval. The register of the Board's collective outside appointments is reviewed annually by the Board. Directors' principal outside appointments are included in their biographies on pages 68 to 71.

The Directors continued to review and authorise Board members' actual and potential conflicts of interest on a regular and ad hoc basis in line with the authority granted to them in the Company's Articles. As part of the process to approve the appointment of a new Director, the Board considers and, where appropriate, authorises their potential or actual conflicts. The Board also considers whether any new outside appointment of any current Director creates a potential or actual conflict before, where appropriate, authorising it. All appointments are approved in accordance with the relevant group policies. At the start of every Board and Committee meeting, Directors are requested to declare any actual or potential conflicts of interests.

In January 2022, the Board reviewed all previously authorised potential and actual conflicts of interest of the Directors and their connected persons, and concluded that the authorisations should remain in place until February 2024. Under the terms of the approval, conflicted Directors can be excluded from receiving information, taking part in discussions and making decisions that relate to the potential or actual conflict. The Board and relevant Committees follow this process when appropriate.

# 2. Division of responsibilities

The Group operates the following governance framework.

# Governance framework

The Board's role is to organise and direct the affairs of the Company and the Group in accordance with the Company's constitution, all relevant laws, regulations, corporate governance and stewardship standards. The Board's role and responsibilities, collectively and for individual Directors, are set out in the Board Charter. The Board Charter also identifies matters that are specifically reserved for decision by the Board. During 2021, the Board's key activities included approving, overseeing and challenging:

- The updated strategy and the 2022 to 2024 business plan to implement the strategy.
- Capital adequacy and allocation decisions including the decision to sell stakes in HDFC Life and HDFC AMC, our Nordic real assets business and Parmenion.
- Oversight of culture, our standards and ethical behaviours.
- Dividend policy including the decision framework governing when to return the dividend to growth.
- Financial reporting, including the impact of moving Phoenix and HDFC The work of the Board Committees. AMC from associate to investment status.
- Risk management, including the Enterprise Risk Management (ERM) framework, risk strategy, risk appetite limits and internal controls and in particular how this was adapted for COVID-19.

- Significant corporate transactions including the acquisition of Finimize, and the proposed acquisition of interactive investor.
- The company rename and rebrand, alongside the sale of the Standard Life brand to Phoenix.
- Succession planning, in particular in the Investments vector.
- The quarterly performance of the Investments vector.
- The ESG approach, both as an issuer and as an asset manager.
- Significant external communications.
- Appointments to the Board and to Board Committees.
- Matters escalated from subsidiary boards to the Board for approval.

The Board regularly reviews reports from the Chief Executive Officer and from the Chief Financial Officer on progress against approved strategies and the business plan, as well as updates on stock market and global economic conditions. There are also regular presentations from the vector CEOs and business functional leaders.

# Chief Executive Officer (CEO)

The CEO operates within authorities delegated by the Board to:

# Senior Independent Director (SID)

The SID is available to talk with our shareholders about any concerns that they may not have been able to

The SID leads the annual review of the performance of the Chairman.

# Non-executive Directors (NED)

# Nomination and Governance Committee (N&G)

- Board and Committee composition and appointments.
- Succession planning.
- Governance framework.
- Culture, Diversity & Inclusion.

# Audit Committee (AC)

- Financial Reporting.
- Internal audit.
- External audit.
- Whistleblowing. - Anti-Financial crime.
- Regulatory financial reporting.

## Remuneration Committee (RC)

- Development and Implementation of remuneration philosophy and
- Incentive design and setting of executive director targets.
- Employee benefit structures.

# Risk and Capital Committee (RCC)

- Risk management framework.
- Compliance reporting.
- Risk appetites and tolerances.
- Transactional risk assessments.
- Capital adequacy.

# Executive leadership team (ELT)

The ELT supports the CEO by providing clear leadership, line of sight and accountability throughout the business. The ELT is responsible to the CEO for the development and delivery of strategy and for leading the organisation through challenges and opportunities.

#### **Growth Vectors**

Vector CEOs support the CEO to deliver Growth across the business:

- Investments.
- Adviser.
- Personal.

#### Talent

The Chief People Officer (CPO) supports the CEO in developing talent management and succession planning and culture initiatives.

#### **Efficient Operations**

Strategy, Operations, Legal and Finance ELT members support the CEO by overseeing global functions and the delivery of functional priorities.

#### Control

The Chief Risk Officer (CRO) supports the ELT and the CEO in their first line management of risk.

The framework is formally documented in the Board Charter which also sets out the Board's relationship with the boards of the key subsidiaries in the Group. In particular, it specifies the matters which these subsidiaries refer to the Board or to a Committee of the Board for approval or consultation.



You can read the Board Charter on our website **www.abrdn.com** 

# Board balance and director independence

The Directors believe that at least half of the Board should be made up of independent non-executive Directors. As at 28 February 2022, the Board comprises the Chairman, nine independent non-executive Directors and two executive Directors. The Board is made up of six men (50%) and six women (50%) (2020: men 55%, women 45%).

As announced, Jutta af Rosenborg and Martin Pike will retire at the conclusion of the 2022 AGM and will not offer themselves for re-election.

The Chairman was independent on his appointment in December 2018. The Board carries out a formal review of the independence of non-executive Directors annually. The review considers relevant issues including the number and nature of their other appointments, any other positions they hold within the Group, any potential conflicts of interest they have identified and their length of service. Their individual circumstances are also assessed against independence criteria, including those in the Code. Jutta af Rosenborg served on the Aberdeen Asset Management PLC (AAM PLC) board, which she joined in January 2013 prior to the transaction with Standard Life plc (2017). The Board does not consider that Jutta's length of service has had any negative impact on her independence. Following this review, the Board has concluded that all the non-executive Directors are independent and consequently, the Board continues to comprise a majority of independent nonexecutive Directors.

Jonathan Asquith served as Senior Independent Director throughout 2021. In this role, he is available to provide a sounding board to the Chairman and serve as an intermediary for the other Directors and the shareholders. He also led the process to review the Chairman's performance.

The roles of the Chairman and the CEO are separate and are summarised on page 77. Each has clearly defined responsibilities, which are described in the Board Charter.

The Directors have access to the governance advice of the Company Secretary whose appointment and removal is a matter reserved to the Board.

[7]

You can read more about our Directors in their biographies in Section 2.

# 3. Board composition, succession, diversity and

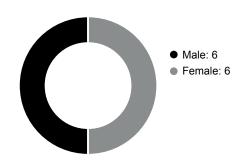
The Board's policy is to appoint and retain non-executive Directors who bring relevant expertise as well as a wide

perspective to the Group and its decision-making framework. The Board continues to support its Board Diversity statement which states that the Board:

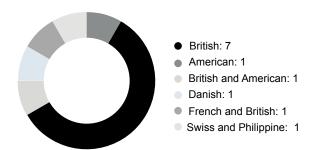
- Believes in equity and supports the principle that the best person should always be appointed to the role with due regard given to the benefits of diversity, including gender, ethnicity, age, and educational and professional background when undertaking a search for candidates, both executive and non-executive.
- Recognises that diversity can bring insights and behaviours that make a valuable contribution to its effectiveness.
- Believes that it should have a blend of skills, experience, independence, knowledge, ethnicity and gender amongst its individual members that is appropriate to its needs.
- Believes that it should be able to demonstrate with conviction that any new appointee can make a meaningful contribution to its deliberations.
- Is committed to maintaining its diverse composition.
- Supports the CEO's commitment to achieve and maintain a diverse workforce and an inclusive workplace, both throughout the Group, and within the ELT.
- Has a zero tolerance approach to unfair treatment or discrimination of any kind, both throughout the Group and in relation to clients and individuals associated with the Group.

# **Board Diversity**

#### Gender



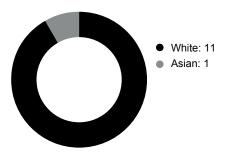
# Nationality



Diversity activities and progress to meet our targets are covered in the Our people section of the Strategic report on page 38. The ELT's diversity policy is covered in the Inclusion and Diversity section of the Directors' report on page 120.

Board changes during the period are covered above and in the Directors' report on page 119.

#### **Ethnicity**



# Board appointment process, terms of service and role

Board appointments are overseen by the Nomination and Governance Committee and you can read more about this on page 98.

Each non-executive Director is appointed for a three-year fixed term and shareholders vote on whether to elect/reelect them at every AGM. Once a three-year term has ended, a non-executive Director can continue for further terms if the Board is satisfied with the non-executive Director's performance, independence and ongoing time commitment. There is no specified limit to the number of terms that a non-executive Director can serve. Taking account of their appointment dates to the predecessor boards where relevant, the current average length of service of the non-executive Directors is three years. For any NEDs who have already served two three-year terms, the Nomination and Governance Committee considers any factors which might reflect on their independence or time commitment prior to making any recommendation to the Board. During 2021, the Committee reviewed and supported the recommendation that the Chairman and Cathi Raffaeli's appointments be continued for a second term.

The letter of appointment confirms that the amount of time each non-executive Director is expected to commit to each year, once they have met all of the approval and induction requirements, is a minimum of 35 days. The service agreements/letters of appointment for Directors are available to shareholders to view on request from the Company Secretary at the Company's registered address (which can be found in the Shareholder information section) and will be accessible for the 2022 AGM. Non-executive Directors are required to confirm that they can allocate sufficient time to carry out their duties and responsibilities effectively. Their letters of appointment confirm that their primary roles include challenging and holding to account the executive directors as well as appointing and removing executive directors.

External search consultants may be used to support Board appointments. MWM Consulting was engaged to support the appointments of Hannah Grove, Catherine Bradley as well as Mike O'Brien and Pam Kaur. The Group has additionally used the services of MWM Consulting to support other senior management searches.

#### Director election and re-election

At the 2022 AGM, all of the current Directors will retire. Hannah Grove and Catherine Bradley, having been appointed since the previous AGM, will retire and stand for election. All the other Directors, who wish to continue in office, will stand for re-election. As announced, Mike O'Brien and Pam Kaur will be proposed for election with effect from 1 June 2022 and Jutta af Rosenborg and Martin Pike will retire at the conclusion of the 2022 AGM.

As well as in Section 2, the AGM guide 2022 includes more background information about the Directors, including the reasons why the Chairman, following their annual reviews, believes that their individual skills and contribution support their election or re-election.



You can read more about the Directors' outside appointments in their biographies in Section 2.

#### Advice

Directors may sometimes need external professional advice to carry out their responsibilities. The Board's policy is to allow them to seek this where appropriate and at the Group's expense. Directors also have access to the advice and services of the Company Secretary.

#### Board effectiveness

# Review process

The Board commissions externally facilitated reviews regularly. The last external review was held in 2019 with the 2020 and 2021 reviews having been conducted internally. The 2022 review will be facilitated externally.

To carry out the review, the Company Secretary met with each Director individually and gathered their views on the Board's performance over the period and their recommendations on how its effectiveness could be strengthened. Progress on implementing the recommendations from the 2020 review was also discussed. Following this, the Company Secretary prepared a draft report for initial review and discussion with the Chairman. The Board then reviewed and discussed the report.

#### Outcome

As part of the process, the Board recognised the relevant internal and external factors which it had needed to take account of during the year. These included living with and planning to move beyond COVID-19 and the impact of introducing new ways of working, continuing regulatory uncertainty arising from the outcome of the Brexit negotiations, increasing external expectations on the quality of external reporting, with a particular focus on enhancing ESG, culture and diversity reporting, and the continuing challenges of managing virtual Board meetings, recognising that the Directors had been able to gather in person as a complete board on only a couple of occasions since March 2020. Internally, the main factor was the leadership of the CEO in his first full year in the role.

Taking all of this into account, the Board believes that it performed effectively during 2021. Arising from the review

the Board looks to see continued developments in these areas:

- Increased informal Board interaction, likely to be a mix of virtual and in person, to allow Board members to get to know each other better and learn from each other.
- Creating more agenda time to discuss and measure ESG and culture, making sure these matters have a clear link to corporate strategy and its execution.
- Specifically within the restrictions of not being able to be together physically, using the Board's time together in virtual meetings as effectively as possible so that all agenda items have full discussion time, while Board members remain aware of the challenges brought by continuing virtual interaction.

Progress to implement the recommendations is monitored by the Company Secretary and the CEO's office and reported to the Nomination and Governance Committee.

#### Chairman

The review of Sir Douglas's performance as Chairman was led by the SID, Jonathan Asquith. It was based on feedback given in the Company Secretary's individual interviews with each Director as well as focused discussions between the SID and the other Directors.

Through these meetings, Jonathan Asquith sought feedback on: the Chairman's overall leadership role; his relationships with the EDs and the NEDs; Boardroom behaviours; and any development areas to take forward in 2022.

The Company Secretary summarised the feedback into a draft report which was reviewed and agreed by the SID and distributed to all Board members, except Sir Douglas. The Directors, led by Jonathan Asquith and without Sir Douglas being present, met to consider the report. They concluded that in his third year as Chairman, Sir Douglas had performed his role very effectively and shown strong leadership of the Board. He continued to bring his inclusive yet suitably challenging style to the Boardroom, encouraging, and allowing time for all Board members to participate fully, and he continued to build strong relationships with the EDs while supporting the NEDs in challenging and holding the ELT to account. All the Directors were looking forward to continuing to work with him, individually and collectively, to deliver continued progress in 2022. Jonathan Asquith met with Sir Douglas to pass feedback from the review directly to him.

#### **Directors**

The Chairman met each Director individually to discuss their performance during 2021. These discussions considered individual training, development and engagement opportunities and any agreed development actions are taken forward by the individual Director together with the Company Secretary and the Chairman.

# Director induction and development

The Chairman, supported by the Company Secretary, is responsible for arranging a comprehensive preparation and induction programme for all new Directors. The programme takes their background knowledge and experience into account. If relevant, Directors are required to complete the FCA's approval process before they are

appointed and Directors self-certify annually that they remain competent to carry out this aspect of their role. These processes continue to adapt to meet evolving best practice in respect of the Senior Managers and Certification Regime.

The formal preparation and induction programme includes:

- Meetings with the executive Directors and the members of the ELT.
- Focused technical meetings with internal experts on specific areas including the three growth vectors, regulatory reporting, ESG, conduct risk, risk and capital management, and financial reporting.
- Visits to business areas (when permitted by COVID-19 restrictions) to meet our people and gain a better insight into the operation of the business and its culture.
- Meetings with the external auditors and contact with the FCA supervisory teams.
- Meetings with the Company Secretary on the Group's corporate governance framework and the role of the Board and its Committees, and with the Chief Risk Officer on the risk management framework as well as meetings on their individual responsibilities as holders of a Senior Management Function role.

Background information is also provided including:

- Key Board materials and information, stakeholder and shareholder communications and financial reports.
- The Group's organisational structure, strategy, business activities and operational plans.
- The Group's key performance indicators, financial and operational measures and industry terminology.

The induction programme provides the background knowledge new Directors need to perform to a high level as soon as possible after joining the Board and its Committees and to support them as they build their knowledge and strengthen their performance further.

When Directors are appointed to the Board, they make a commitment to broaden their understanding of the Group's business. The Secretariat, Finance, Risk and Reward teams monitor relevant external governance and risk management, financial and regulatory developments and keep the ongoing Board training and information programme up to date. Specific Board and Committee awareness and deep-dive sessions took place on:

- The activity of the ESG investment team and the broader Enabling ESG programme.
- The Group's pension schemes.
- The pending Investment Firms Prudential Regime.
- Governance and oversight of investment risk.
- Cyber and operational resilience.
- External audit reform.

## 4. Audit, risk and internal control

The Directors retain the responsibility to state that they consider the Annual report and accounts, taken as a whole, is fair, balanced and understandable and presents an assessment of the Company's position and prospects. They also recognise their responsibility to establish procedures to manage risk and oversee the internal control framework. You can read their responsibilities statement on page 123. The reports from the Audit Committee and the Risk and

Capital Committee Chairmen show how they have supported the Board in meeting these responsibilities.

The Board's view of its principal and emerging risks and how they are being managed is contained in the risk management section of the Strategic report on pages 61 to 65.

#### Annual review of internal control

The Directors have overall responsibility for the governance structures and systems of the group, which includes the ERM framework and system of internal control, and for the ongoing review of their effectiveness. The framework is designed to manage, rather than eliminate, risk and can only provide reasonable, not absolute, assurance against material misstatement or loss. The framework covers all of the risks as set out in the risk management section of the Strategic report.

In line with the requirements of the Code, the Board has reviewed the effectiveness of the system of internal control. The Audit Committee undertook the review on behalf of the Board and reported the results of its review to the Board. The system was in place throughout the year and up to the date of approval of the Annual report and accounts 2021.

The review of abrdn's risk management and internal control systems was carried out drawing on inputs across the three lines of defence. The first line management conducted risk and control self-assessments (RCSAs) throughout 2021; Risk & Compliance undertook a review of the effectiveness of the ERM framework (including RCSAs) and how internal controls were operating within the first line; and, Internal Audit produced a Control Environment Assessment using abrdn's risk taxonomy. Collectively these provide a view of the firm's control environment from each of the three lines of defence. The review did not identify any weaknesses that are deemed significant to the overall view that the system of controls was effective in 2021 and there are plans to improve the controls as required.

2021 has seen the business continue to embed and mature the abrdn risk and control practices within each business vector to promote management of risk and control across the organisation. Technology advances and regulatory developments such as UK SoX, IFPR and the Operational Resilience regulation are driving further change in the design of operational processes and internal controls.

The Finance function operates a set of defined processes which operate over all aspects of financial reporting, which includes the senior review and approval of financial results from business unit finance heads, controlled processes for the preparation of the IFRS consolidation, and the monitoring of external policy developments to ensure these are adequately addressed. These processes include the operation of a Technical Review Committee and the Financial Reporting Executive Review Group to provide senior review, challenge and approval of relevant disclosures, accounting policies, and changes required to comply with external developments.

The Board's going concern statement is on page 122 and the Board's viability statement is on page 59.

#### 5. Remuneration

The Directors' remuneration report (DRR) on pages 100 to 116 sets out the work of the Remuneration Committee and its activities during the year, the levels of Directors' remuneration and the shareholder approved remuneration policy. The Company's approach to investing in and rewarding its workforce is set out on page 111 of the DRR and in the Reward section of the Directors' report on page 120. The Board believes that its remuneration policies and practices are designed to support strategy and long-term sustainable success. You can read about the policies and practices in the DRR.

# Other information

You can find details of the following, as required by Disclosure and Transparency Rule 7.2.6, in the Directors' report and in the Directors' remuneration report:

# Share capital

- Significant direct or indirect holdings of the Company's securities.
- Confirmation that there are no securities carrying special rights with regard to control of the Company.
- Confirmation that there are no restrictions on voting rights in normal circumstances.
- How the Articles can be amended.
- The powers of the Directors, including when they can issue or buy back shares.

#### **Directors**

- How the Company appoints and replaces Directors.
- Directors' interests in shares.

# Board meetings and meeting attendance

The Board and its Committees meet regularly, operating to an agreed timetable. Meetings are usually held in Edinburgh or London and, sometimes, in past years unaffected by COVID-19 restrictions, at the offices of one of our overseas locations. During the year, the Board held specific sessions to consider the Group's strategy and business planning. The Chairman and the non-executive Directors also met during the year, formally at each Board meeting, and informally, without the executive Directors present and where matters including executive performance and succession and Board effectiveness were discussed. The Board scheduled eight formal meetings and a focused strategy meeting in 2021. Additional Board meetings were called in 2021 in relation to Board decisions regarding the changes to the Phoenix relationship and the recommendation to acquire the interactive investor business.

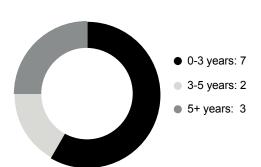
Directors are required to attend all meetings of the Board and the Committees they serve on, and to devote enough time to the Company to perform their duties. Board and Committee papers are distributed before meetings other than, by exception, urgent papers which may need to be tabled at the meeting. If Directors are not able to attend a meeting because of conflicts in their schedules, they receive all the relevant papers and have the opportunity to submit their comments in advance to the Chairman or to the Company Secretary. If necessary, they can follow up with the Chairman of the meeting. Recognising that some Directors may have existing commitments they cannot change at very short notice, the Board has established the Standing Committee as a formal procedure for holding unscheduled meetings. The Standing Committee meets when, exceptionally, decisions on matters specifically reserved for the Board need to be taken urgently. All Directors are invited to attend Standing Committee meetings. The Standing Committee met once during 2021 with regard to the recommendation to acquire the Finimize business.

The Chairman is not a member of the Audit, Risk and Capital, or Remuneration Committees. He may attend meetings of all Committees, by invitation, in order to keep abreast of their discussions. The table below reflects the composition of the Board and Board Committees during 2021 and records the number of meetings and members' attendance.

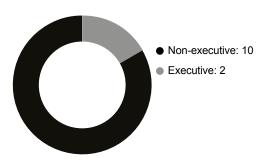
|   | Board | Group Audit<br>Committee | Nomination and<br>Governance<br>Committee | Remuneration<br>Committee | Risk and Capital<br>Committee |
|---|-------|--------------------------|---|---------------------------|-------------------------------|
| Chairman                                    |       |                          |   |                           |                               |
| Sir Douglas Flint                           | 12/12 | -                        | 4/4                                       | -                         | -                             |
| Executive Directors                         |       |                          |   |                           |                               |
| Stephanie Bruce                             | 12/12 | -                        | -   | -                         | -                             |
| Stephen Bird                                | 12/12 | -                        | -   | -                         | -                             |
| Non-executive Directors                     |       |                          |   |                           |                               |
| Jonathan Asquith                            | 12/12 | -                        | 4/4                                       | 9/9                       | -                             |
| Brian McBride                               | 12/12 | -                        | -   | 9/9                       | -                             |
| John Devine                                 | 11/12 | 6/6                      | 3/4                                       | -                         | 10/10                         |
| Hannah Grove <sup>1</sup>                   | 4/4   | -                        | 1/1                                       | -                         | -                             |
| Martin Pike                                 | 12/12 | 6/6                      | 4/4                                       | -                         | 10/10                         |
| Cathleen Raffaeli                           | 12/12 | -                        | -   | 9/9                       | 10/10                         |
| Cecilia Reyes                               | 12/12 | -                        | -   | 9/9                       | 10/10                         |
| Jutta af Rosenborg                          | 12/12 | 6/6                      | -   | 9/9                       | -                             |
| Former members                              |       |                          |   |                           |                               |
| Melanie Gee (stood down on 31 October 2021) | 10/10 | 4/5                      | 3/3                                       | -                         | -                             |

 $<sup>1. \ \ \</sup>text{Hannah Grove was appointed to the Board and the Nomination and Governance Committee on 1 September 2021}$ 

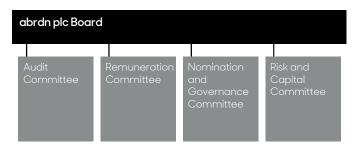
#### Tenure as at February 2022



#### Executive and Non-executive mix



# **Board Committees**



The Board has established Committees that oversee, consider and make recommendations to the Board on important issues of policy and governance. At each Board meeting, the Committee chairmen provide reports of the key issues considered at recent Committee meetings, and minutes of Committee meetings are circulated to the appropriate Board members. This includes reporting from the Chairman of the Audit Committee on any whistleblowing incidents which have been escalated to him. The Committees operate within specific terms of reference approved by the Board and kept under review by each Committee.



These terms of reference are published within the Board Charter on our website at **www.abrdn.com** 

All Board Committees are authorised to engage the services of external advisers at the Company's expense, whenever they consider this necessary.

# Committee reports

This statement includes reports from the chairmen of the Audit Committee, the Risk and Capital Committee and the Nomination and Governance Committee. The report on the responsibilities and activities of the Remuneration Committee can be found in the Directors' remuneration report in Section 3.4.



The Committee Chairmen are happy to engage with you on their reports. Please contact them via **questions@abrdnshares.com** 



# 3.1 Audit Committee report

The Audit Committee assists the Board in discharging its responsibilities for external financial reporting, internal controls over financial reporting and the relationship with the External auditors.

I am pleased to present my report as Audit Committee Chairman.

During the year and up to the date of issuing the annual report, the Committee:

- Discussed and reviewed the impact on financial reporting of the Tritax and Finimize acquisitions.
- Discussed the financial information required to be included in the Class 1 Circular in relation to the proposed acquisition of interactive investor.
- Considered the impact on the internal audit function of Chief Internal Auditor changes.
- Reviewed reporting on financial crime and anti-money laundering controls.
- Received reports on compliance with the FCA Client Assets Sourcebook (CASS) rules in the Company's CASS permissioned regulated legal entities.

The Committee also continued to focus on the quality of financial reporting.

The report is structured in four parts:

- 1. Governance
- 2. Report on the year
- 3. Internal audit
- 4. External audit

**John Devine**Chairman, Audit Committee

#### 3.1.1 Governance

# Membership

All members of the Audit Committee are independent nonexecutive Directors. For their names, the number of meetings and committee member attendance during 2021, please see the table on page 82.

The Board believes Committee members have the necessary range of financial, risk, control and commercial expertise required to provide effective challenge to management, and have competence in accounting and auditing as well as recent and relevant financial experience. John Devine is a member of the Chartered Institute of Public Finance and Accounting. Jutta af Rosenborg is also a qualified accountant. Martin Pike is a fellow of the Institute and Faculty of Actuaries. The Committee members are also members of audit committees related to their other NED roles.

Invitations to attend Committee meetings are extended on a regular basis to the Chairman, the Chief Executive Officer, the Chief Financial Officer, the Group Financial Controller, the Chief Internal Auditor and the Group Chief Risk Officer.

The Audit Committee meets privately for part of its meetings and also has regular private meetings separately with the External auditors and the Chief Internal Auditor. These meetings address the level of co-operation and information exchange and provide an opportunity for participants to raise any concerns directly with the Committee.

# Key responsibilities

The Audit Committee's responsibilities are to oversee and report to the Board on:

- The appropriateness of the Group's accounting and accounting policies, including the going concern presumption and viability statement.
- The findings of its reviews of the financial information in the Group's annual and half year financial reports.
- The clarity of the disclosures relating to accounting judgements and estimates.
- Its view of the 'fair, balanced and understandable' reporting obligation.
- The findings of its review of key Group prudential returns and disclosures.
- Internal controls over financial reporting and procedures to prevent money laundering, financial crime, bribery and corruption.
- Outcomes of investigations resulting from whistleblowing.
- The appointment or dismissal of the Chief Internal Auditor, the approved Internal audit work programme, key audit findings and the quality of Internal audit work.
- The skills of the External audit team and their compliance with auditor independence requirements, the approved audit plan, the quality of the firm's execution of the audit, and the agreed audit and nonaudit fees.

In carrying out its duties, the Committee is authorised by the Board to obtain any information it needs from any Director or employee of the Group. It is also authorised to seek, at the expense of the Group, appropriate external professional advice whenever it considers this necessary. The Committee did not need to take any independent advice during the year.

In accordance with the Senior Managers and Certification Regime the Audit Committee Chairman is responsible for the oversight of the independence, autonomy and effectiveness of our policies and procedures on whistleblowing including the procedures for the protection of employees who raise concerns related to detrimental treatment. Throughout the year the Audit Committee Chairman met regularly with the Chief Internal Auditor and the Head of Anti-Financial Crime to discuss their work, findings and current developments.

#### Committee effectiveness

The Committee reviews its remit and effectiveness each year. The 2021 review was conducted internally by the Company Secretary meeting each of the Committee members. As well as general observations, the key performance areas considered were:

- The comprehensiveness of the Committee's agendas against members' expectations.
- How effectively agenda items were presented, discussed and time managed.
- The quality and level of detail in the papers.
- How well the Committee met its objectives and reported to the Board.
- How effectively the Chairman discharged their responsibilities.

The Committee members did not raise any material issues or concerns regarding the above areas or the overall effectiveness of the Committee during 2021. They were very supportive of the Chairman's effective role in leading the Committee through the volume of papers. The Committee members aimed to find the right balance in their discussion time to make sure that while they covered technical financial and regulatory reporting to the appropriate level, they were also able to spend enough time considering all of the other matters under their financial reporting control remit, including supporting the relationships between the finance, risk and internal audit teams. The Committee also spent time reviewing the details of the BEIS consultation paper on the future of audit, and were supportive of the final submission acknowledging that this was likely to bring future changes to their role and operations.

# 3.1.2 Report on the year

# Audit agenda

As well as regular reporting, agenda items were aligned to the annual financial cycle as set out below:



- Annual report and accounts 2020.
- Strategic report and financial highlights 2020.
- Financial reporting judgements.
- Liaison with the Remuneration Committee on any financial reporting matters related to the achievement of targets and measures.
- External auditors' review of Full year results.
- Financial crime and Whistleblowing.



- Internal audit findings.
- CASS reporting update.
- Regulatory reporting including Pillar 3.
- Initial financial reporting matters for Half year 2021
- Financial crime and Whistleblowing.
- External auditors' management letter, and audit strategy including fees.
- BEIS White Paper on audit reform.

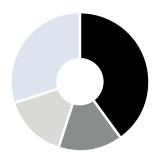


- Half year results 2021.
- External auditors' review of Half year results.
- External auditors' independence.
- Internal audit findings.
- Financial crime and Whistleblowing.



- Initial financial reporting matters for Full year 2021.
- Non-audit services policy.
- The Internal audit plan and charter.
- Internal audit findings.
- Effectiveness of the External auditors and related non-audit services.
- Effectiveness of the Internal Audit function.
- Financial crime and Whistleblowing.
- Risk management and internal control system annual review and future plans.
- CASS reporting update.

The indicative proportion of time spent on the business of the Committee is illustrated below:



- Financial reporting
- External audit
- Internal audit
- Other controls (including CASS, fraud and anti-financial crime reporting)

#### Detail of work

The focus of work in respect of 2021 is described below.

#### Financial reporting

Our accounts are prepared in accordance with International Financial Reporting Standards (IFRS). The Committee believes that some Alternative Performance Measures (APMs), which are also called non-GAAP measures, can add insight to the IFRS reporting and help to give shareholders a fuller understanding of the performance of the business. The Committee considered the presentation of APMs and related guidance as discussed further in the 'Fair, balanced and understandable' section below.

The Committee reviewed the Group accounting policies and confirmed they were appropriate to be used for the 2021 Group financial statements. This year there were no new accounting standards which had a significant impact on the Group accounting policies. The Committee considered changes to the Group's segments to be used for 2021 reporting and agreed that these changes were appropriate. In 2021, the Committee also considered proposed changes to the presentation of the IFRS consolidated income statement and agreed that these

changes made the financial statements more relevant to users as the presentation was more consistent with peers.

The Committee reviewed the basis of accounting and in particular the appropriateness of adopting the going concern basis of preparation of the financial statements. In doing so, it considered the Group's cash flows resulting from its business activities and factors likely to affect its future development, performance and position together with related risks, as set out in more detail in the Strategic report. The Committee recommended the going concern statement to the Board.

In addition, the Committee considered the form of the viability statement and in particular whether the three-year period remained appropriate, and concluded that it did. This reflects both our internal planning cycle and the timescale over which changes to major regulations and the external landscape affecting our business typically take place. In formulating the statement, the Committee considered the result of stress testing and reverse stress testing presented to the Risk and Capital Committee. The Committee recommended the viability statement to the Board.

During 2021, the Committee reviewed the Annual report and accounts 2020 and the Half year results 2021. For both periods it received written and/or oral reports from the Chief Financial Officer, the Company Secretary, the Chief Internal Auditor and the External auditors. The Committee used these reports to aid its understanding of the composition of the financial statements, to confirm that the specific reporting standards and compliance requirements had been met and to support the accounting judgements and estimates. Following its reviews, the Committee was able to recommend the approval of each of the reports to the Board, being satisfied that the full and half year financial statements complied with laws and regulations and had been appropriately compiled.

The Committee discussed the continued impact of COVID-19 on the Half year results 2021 production process, and supported the steps put in place by management to ensure that controls were maintained and that the timetables remained appropriate for a remote working environment. For year end 2021 results, we were able to move to blended working, assisting the production process.

#### Accounting estimates and judgements

The Audit Committee considered all estimates and judgements that Directors understood could be material to the 2021 financial statements. The Committee also focused on disclosure of these key accounting estimates and judgements.

Significant accounting estimates, judgements and assumptions for the year ended 31 December 2021 How the Audit Committee addressed these significant accounting estimates and assumptions

#### Acquisition of Tritax

On 1 April 2021 abrdn completed the acquisition of Tritax Management LLP, a specialist logistics real estate fund manager.

abrdn purchased, through its subsidiary AAM PLC, 60% of the membership interests in Tritax. Subject to certain conditions, an additional contingent deferred earn-out is expected to be payable to acquire the remaining 40% of membership interests in Tritax should the selling partners choose to exercise put options in each of the years ended 31 March 2024, 31 March 2025 and 31 March 2026. The amount payable is linked to the EBITDA of the Tritax business in the relevant period. abrdn has the right to purchase any outstanding interests at the end of the five-year period through exercising a call option. Analysis was required to determine the appropriate accounting in relation to the 40% of membership interests in Tritax subject to put and call options.

In addition there were a number of estimates relating to the acquisition including:

- The fair value of contingent consideration.
- The determination and valuation of separately identifiable intangibles.

The Committee spent time discussing the acquisition at three meetings. Following significant analysis the Committee agreed with management that Tritax should be accounted for as a 100% acquisition on 1 April 2021 with contingent consideration recognised in relation to the fair value of the earn out payments (under the put and call options) and the fair value of

with contingent consideration recognised in relation to the fair value of the earn out payments (under the put and call options) and the fair value of the expected non-discretionary allocation of profit payments to the holders of the 40% membership interests up to the expected date of the exercise of the options.

options in each of the years ended 31 March 2024, 31
March 2025 and 31 March 2026. The amount payable is linked to the EBITDA of the Tritax business in the relevant period. abrdn has the right to purchase any outstanding interests at the end of the five-year period through exercising a call option. Analysis was required to determine the appropriate accounting in relation to

The Committee challenged management's assumptions underlying the fair value of contingent consideration both at the date of acquisition and at 31 December 2021. The Committee noted and supported that disclosures of sensitivities to key assumptions would be provided given the inherent uncertainties in the valuation. See Note 39 for further details.

# UK defined benefit pension plan

In compiling a set of financial statements, it is necessary to make some judgements and estimates about outcomes that are dependent on future events. This is particularly relevant to the defined benefit pension plan surplus which is inherently dependent on how long people live and future economic outcomes.

For the UK defined benefit pension plan, the Committee reviewed the assumptions for mortality, discount rate and inflation.

The Committee considered the proposed assumptions taking into account market data and information from pension scheme advisors. In relation to inflation the Committee considered the long-term gap between the Retail Price Index (RPI) and the Consumer Price Index (CPI), as pensions in payment are generally linked to CPI, taking into account the 2020 announcements relating to the future of RPI. The Committee concurred with management and their actuarial advisors that mortality assumptions should not be updated for COVID-19 at this point as the impact on long term mortality rates for pension scheme members was not clear.

The Committee also considered reporting from the External auditors and related benchmarking of the pension scheme assumptions.

Note 33 of the Group financial statements provides further details on the actuarial assumptions used, and sets out the impact of mortality, discount rate and inflation sensitivities. Note 33 also provides details on the accounting policy applied and accounting policy judgements relating to the Group's assessment that it has an unconditional right to a refund of a surplus, and the treatment of tax relating to this surplus.

Significant accounting estimates, judgements and assumptions for the year ended 31 December 2021

How the Audit Committee addressed these significant accounting estimates and assumptions

14.4%. As detailed in the 2020 Audit Committee report, during 2020 Phoenix was considered to be an associate notwithstanding that the holding was significantly less than 20%. The classification as an associate was based on significant influence from the contractual relationships with Phoenix, including the licencing to Phoenix of the Standard Life brand, and the Group's Board representation on the Phoenix

In February 2021, abrdn announced a simplification and extension of the strategic partnership with Phoenix. Determining whether Phoenix should continue to be classified as an associate following this announcement was a critical accounting policy judgement in relation to 2021.

In September 2021 abrdn announced the sale of shares in HDFC AMC reducing abrdn's shareholding from 21.2% to 16.2%. Judgement was required to consider whether HDFC AMC should continue to be classified as an associate or should be accounted for as an investment at fair value.

During 2020 the Group's holding in Phoenix reduced to The Committee discussed the implications of the announcement on 23 February 2021 relating to the simplification and extension of the strategic partnership with Phoenix. The Committee agreed that following the changes to the commercial agreements, in particular in relation to the licensing of the 'Standard Life' brand, Phoenix should no longer be accounted for as an associate with effect from 23 February 2021, and should instead be accounted for as an investment at fair value. Note 15 provides further details.

> The Committee noted that following the sale, abrdn's rights to Board representation were reduced from two Directors to one and that accounting standards had a rebuttable assumption that a shareholding of less than 20% does not give rise to significant influence. The Committee concurred with management's judgement that HDFC AMC should no longer be considered an associate and that therefore accounting as an investment was appropriate, giving rise to a significant increase in the carrying value (to fair value) and a significant gain in the 2021 income statement.

# Investments in subsidiaries

In relation to the abrdn plc Company only accounts, an assessment is made at each reporting date as to whether there are any indicators of impairment in relation to investments in subsidiaries. At year end 2021 management noted that the Company's net assets attributable to shareholders of £5.9bn were higher than the Company's market capitalisation of £5.3bn. This was considered an indicator of impairment in relation to the Company's largest investment in its subsidiary AAM PLC, which had a carrying value of £2.1bn at 31 December 2021, and therefore a value in use was determined for this investment.

Management also noted indicators of impairment in relation to the Company's investment in abrdn Financial Planning Limited (aFPL).

The Committee discussed the investments in subsidiaries impairment assessment with management and the External auditors and agreed that there was an indicator of impairment in relation to the investment in AAM PLC, noting that all other investments in subsidiaries (with the exception of aFPL) were supported by financial assets, or other relevant analysis. The Committee agreed that no impairment was required based on the AAM PLC value in use, and supported that disclosure was made in the Company accounts to set out that appropriate consideration had been given to the Company net assets being higher than the market capitalisation.

The Committee also reviewed and challenged the assumptions relating to the recoverable amount of aFPL and agreed with management that an impairment of £45m was appropriate. See Note A of the Company financial statements in Section 8 for further details.

Principal risks are disclosed in the Strategic report and recommended to the Board by the Risk and Capital Committee. The Committee was satisfied that the estimates and quantified risk disclosures in the financial statements were consistent with the Strategic report. The Committee concluded that appropriate judgements had been applied in determining the estimates and that sufficient disclosure had been made to allow readers to understand the uncertainties surrounding outcomes.

# Fair, balanced and understandable

The Committee supported the financial reporting team's continued aim to draft the Annual report and accounts to be 'fair, balanced and understandable'.

# abrdn's principles

To create clarity around what abrdn means when it talks of being fair, balanced and understandable, a set of principles was developed, which can also act as an organisational definition for each aspect:

#### Fair

'We are being open and honest in the way we present our discussions and analysis, and are providing what we believe to be an accurate assessment of business and economic realities.'

- The narrative contained in the Annual report and accounts is honest and accurate.
- The key messages in the narrative in the Strategic report and Governance sections of the Annual report and accounts reflect the financial reporting contained in the financial statements.
- The Key Performance Indicators (KPIs) for the period are consistent with the key messages outlined in the Strategic report.

#### **Balanced**

'We are fully disclosing our successes, the challenges we have faced in the period, and the challenges and opportunities we anticipate in the future – all with equal importance and at a level of detail that is appropriate for our stakeholders.'

- The Annual report and accounts presents both successes and challenges experienced during the year and, as appropriate, reflects those expected in the future.
- The level of prominence we give to successes in the year versus challenges faced is appropriate.
   The narrative and analysis contained in the Annual report and accounts effectively balances the information needs and interests of each of our key stakeholder groups.

# Understandable

'The language we use and the way we structure our report is helping us present our business and its performance clearly – in a way that someone with a reasonably informed knowledge of financial statements and our industry would understand.'

- There is a clear and easy to understand framework to the Annual report and accounts.
   The layout is clear and consistent and the language used is simple.
  - The layout is clear and consistent and the language used is simple and easy to understand (industry specific terms are defined where appropriate).
- There is a consistent tone across and good linkage between all sections in a manner that reflects a complete story and clear signposting to where additional information can be found.

#### Activities

An Internal Review Group (IRG) is in place which reviews the Annual report and accounts specifically from a fair, balanced and understandable perspective and provides feedback to our financial reporting team on whether it conforms to our standards. The members of the IRG are independent of the financial reporting team and include colleagues from Investor Relations, ESG reporting, Risk, Communications and Strategy.

The key points discussed by the IRG covered:

- The clarity of sustainability/climate change reporting.
- The impact of markets on profitability.
- The balance of reporting on investment performance and net flows.
- How previously reported matters had been updated.

Fair, balanced and understandable guidance was provided to all key stakeholders involved in the Annual report and accounts production process.

We, as an Audit Committee, reviewed the messaging in the Annual report and accounts, taking into account material received and Board discussions during the year.

Three drafts of the Annual report and accounts 2021 were reviewed by the Audit Committee at three meetings. The Committee complemented its knowledge with that of executive management and the Internal and External auditors. An interactive process allowed each draft to embrace contributions.

Our Annual report and accounts goes through an extensive internal verification process of all content to verify accuracy.

The Committee also reviewed the use and presentation of APMs which complement the statutory IFRS results. This review considered guidelines issued by the European Securities and Markets Authority in 2016 and the thematic reviews by the Financial Reporting Council (FRC). A Supplementary information section is included in the Annual report and accounts to explain why we use these metrics and to provide reconciliations of these metrics to IFRS measures where relevant. This section also provides increased transparency over the calculation of reported financial ratios.

Adjusted operating profit and adjusted profit before tax are key profit APMs. In early 2021 the Committee discussed proposed changes to the definition of adjusted profit before tax which changed the treatment of associates and joint ventures. The Committee agreed that the changes made the results more understandable following the reclassification of HDFC Life and Phoenix from associates to equity investments, and supported the publication of a press release in Q1 2021 which set out the revised definition together with the new segments. The Committee also agreed that adjusted operating profit, which is reported at segment level, should be the primary profit APM going forwards. The Committee considered whether the allocation of items to adjusted operating profit was in line with the defined accounting policies, consistent with previous practice and appropriately disclosed. Where there were judgemental areas, such as in relation to certain costs relating to rebranding, the Committee specifically reviewed the proposed treatments and ensured that the Annual report and accounts provided appropriate disclosures.

We agreed to recommend to the Board that the Annual report and accounts 2021, taken as a whole, is fair, balanced and can be understood by someone with a reasonably informed knowledge of financial statements and our industry.

# Prudential reporting

In H1 2021 the Group published Pillar 3 reporting under CRD IV. The Committee reviewed the Pillar 3 report and papers which set out the control and verification processes followed in the compilation of the report.

The Committee also considered disclosures relating to CRD IV results included in the Strategic report section of the Annual report and accounts and half year reporting, together with related assurance over these disclosures. The Committee supported also presenting regulatory results on the basis that now applies under the Investment Firm Prudential Regime.

#### Internal controls

As noted earlier, the Directors have overall responsibility for the Group's internal controls and for ensuring their ongoing effectiveness. This does not extend to associates and joint ventures. Together with the Risk and Capital Committee, the Committee provides comfort to the Board of their ongoing effectiveness.

Internal audit regularly reviews the effectiveness of internal controls and reports to the Committee and the Risk and Capital Committee.

The Finance function sets formal requirements for financial reporting which apply to the Group as a whole, defines the processes and detailed controls for the consolidation process and reviews and challenges reporting submissions. Further, the Finance function runs a Technical Review Committee and is responsible for monitoring external technical developments.

The control environment around financial reporting will continue to be monitored closely.

# Financial crime and whistleblowing

The Committee receives regular updates from the Head of Anti-Financial Crime who reports on compliance with the Group's Anti-Financial Crime and Anti-Bribery policy, and any other activities associated with financial crime, including fraud risk. During 2021, the Committee spent time considering the implementation of the Anti-Money Laundering (AML) Transformation programme, the objectives of which are to standardise, strengthen and embed sustainable and effective controls to mitigate AML risks across the Group. For each vector, the programme is focusing on the global standards over customer due diligence, customer risk assessment, Politically Exposed Persons and sanction screening and transaction monitoring.

Our people are trained via mandatory training modules to detect the signs of possible fraudulent or improper activity and how to report concerns either directly or via our independent whistleblowing hotline. The Committee Chairman is the designated whistleblower's champion and the Committee receives regular updates on the operation of the whistleblowing procedures (Speak Up) from the Conduct and Conflicts Oversight Manager. The anonymised reports include a summary of the incidents raised as whistleblowing, and information on developments of the arrangements in place, to ensure

concerns can be raised in confidence about possible malpractice, wrongdoing and other matters.

The Committee oversees the findings of investigations and required follow-up action. If there is any allegation against the Risk or Internal audit functions, the Committee directs the investigation. The Committee is satisfied that the Group's procedures are currently operating effectively. The Committee Chairman reports to the Board on the updates the Committee receives.

# 3.1.3 Internal audit

The role and mandate of the Internal audit function is set out in its Charter, which is reviewed and approved by the Committee annually. Whilst Internal audit maintains a relationship with the External auditors, in accordance with relevant independence standards, the External auditors do not place reliance on the work of Internal audit.

The Internal Audit plan is reviewed and approved by the Committee annually, but is flexed during the year to respond to internal and external developments. The function's coverage aligns to the Group's activities and footprint, taking account of local Internal Audit requirements.

The Committee formally assess the effectiveness of the function via a scorecard, which is aligned to the Group's objectives, along with assessing its independence and quality assurance practices. Independent external reviews are also undertaken at regular intervals. The most recent one was completed in H2 2021 by Deloitte who assessed the abrdn Internal Audit function as having the highest overall rating with conformance against all aspects of the Institute of Internal Auditors' International Professional Practices Framework (IPPF) and the Internal Audit Financial Services Code of Practice (the Standards). Two areas for improvement were identified against the Standards (skillset and resourcing and scope of quality assurance) and actions are underway to address them. The Committee met specifically to review the results of the external report and to agree the proposed actions of the Internal Audit team to take forward the recommendations.

Regular reporting is provided to the Committee to illustrate plan progress, and the status of implementation of recommendations. The Committee's own review of the function in 2021 was positive and supports the continuous evolution and enhancement of the function.

The Chief Internal Auditor reports to the Committee Chairman. During the year, regular dialogue takes place between the Committee Chairman and the Chief Internal Auditor. During 2021, the Committee oversaw the succession process to the Chief Internal Auditor, initially through an interim appointment, and subsequently, by approving the appointment of a permanent successor.

#### 3.1.4 External auditors

# The appointment

The Committee has responsibility for making recommendations to the Board on the reappointment of the External auditors, determining their independence from the Group and its management and agreeing the scope and fee for the audit. Following its review of KPMG's performance, the Committee concluded that there should be a resolution to shareholders to recommend the reappointment of KPMG at the 2022 AGM.

The Committee complies with the UK Corporate Governance Code, the FRC Guidance on Audit Committees with regard to the external audit tendering timetable, the provisions of the EU Regulation on Audit Reform, and the Competition and Markets Authority Statutory Audit Services Order with regard to mandatory auditor rotation and tendering. The Committee will continue to follow the annual appointment process but does not currently anticipate re-tendering the audit before 2026. The audit was last subject to a tender for the financial year ended 31 December 2017.

The Senior Statutory Auditor is Jonathan Mills, who, having been appointed since 1 January 2017, is completing his fifth audit as the lead audit partner. Recognising the rotational requirements to appoint a new lead audit partner for financial year 2022, during 2021 the Committee met and evaluated the experience and credentials of the potential candidates to succeed Jonathan Mills, and agreed a plan with KPMG on how to evolve the audit team to ensure a smooth handover. The Committee supported the appointment of Richard Faulkner as Senior Statutory Auditor for FY 2022.

# Auditor independence

The Board has an established policy (the Policy) setting out which non-audit services can be purchased from the firm appointed as External auditors. The Committee monitors the implementation of the Policy on behalf of the Board. The aim of the Policy, which is reviewed annually, is to support and safeguard the objectivity and independence of the External auditors and to comply with the revised FRC Ethical standards for auditors (Ethical Standards). It does this by prohibiting the auditors from carrying out certain types of non-audit services, and by setting out which nonaudit services are permitted. It also ensures that where fees for approved non-audit services are significant, they are subject to the Committee's prior approval. KPMG has implemented its own policy preventing the provision by KPMG of most non-audit services to FTSE 350 companies which are audit clients. A 70% fee cap on non-audit services to audit clients is in place.

The services prohibited by the Policy are as set out in the FRC Revised Ethical Standard 2019.

The Policy permits non-audit services to be purchased, following approval, when they are closely aligned to the External audit service and when the External audit firm's skills and experience make it the most suitable supplier.

#### These include:

- Audit related services, such as regulatory reporting.
- Investment circular reporting accountant engagements.
- Attesting to services not required by statute or regulation (e.g. controls reports).
- Other reports required by a regulator or assurance services relating to regulatory returns.
- Sustainability reports audits/reviews.
- Fund merger assurance engagements, where the engagement is with the manager and the external auditor is also the auditor of the fund.

During 2021 the Committee discussed the appointment of KPMG as Reporting Accountants in relation to the proposed interactive investor acquisition Class 1 Circular. The Committee considered that the appointment of KPMG was appropriate and were satisfied that the appointment did not impact auditor independence. The Committee noted that the proposed appointment required KPMG to seek a waiver from the FRC for exemption from the 70% cap on non-audit fees in relation to a subsidiary of the group that is also a public interest entity, albeit that the Reporting Accountant services were not provided to this subsidiary. A waiver was not required in relation to the abrdn group. KPMG applied for the waiver and it was granted.

KPMG has reviewed its own independence in line with these criteria and its own ethical guideline standards. KPMG has confirmed to the Committee that following its review it is satisfied that it has acted in accordance with relevant regulatory and professional requirements and that its objectivity is not impaired.

Having considered compliance with our Policy and the fees paid to KPMG, the Committee is satisfied that KPMG has remained independent.

# Audit and non-audit fees

The Group audit fee payable to KPMG in respect of 2021 was £5.1m (2020: KPMG £5.2m). In addition £2.0m (2020: £2.3m) was incurred on audit related assurance services. Fees for audit related assurance services are primarily in respect of client money reporting and the half year review. The Committee is satisfied that the audit fee is commensurate with permitting KPMG to provide a quality audit and monitors regularly the level of audit and non-audit fees. Non-audit work can only be undertaken if the fees have been approved in advance in accordance with the Policy for non-audit fees. Unless fees are small (which we have defined as less than £75,000), the approval of the whole Committee is required.

Non-audit fees amounted to £2.1m (2020: £0.8m). This primarily comprised £1.1m relating to the Reporting Accountant work on the Class 1 Circular discussed above, and £0.8m (2020: £0.8m) relating to control assurance reports, which are closely associated with audit work. The External auditors were considered the most suitable supplier for these services taking into account the alignment of these services to the work undertaken by External audit and the firm's skill sets. The Committee specifically assessed whether KPMG should be appointed as the Reporting Accountant with regard to the Class 1

transaction, and were comfortable that this appointment was appropriate. A further £0.3m of non-audit fees were incurred in 2022 relating to these Reporting Accountant services. The Committee also monitors audit and non-audit services provided to non-consolidated funds and were satisfied fees for those services did not impact auditor independence.

Further details of the fees paid to the External auditors for audit and non-audit work carried out during the year are set out in Note 7 of the Group financial statements.

The ratio of non-audit fees to audit and audit related assurance fees is 30% (2020: 11%). The total of audit related assurance fees (£2m) and non-audit fees (£2.1m) is £4.1m, and the ratio of these audit related assurance fees and non-audit fees to audit fees is 80% (2020: 59%). As noted above the audit related assurance fees are primarily fees in relation to required regulatory reporting, where it is normal practice for the work to be performed by the External auditor.

The Committee is satisfied that the non-audit fees do not impair KPMG's independence.

# Audit quality and materiality

The Committee places great importance on the quality of the External audit and carries out a formal annual review of its effectiveness.

The Committee looks to the audit team's objectivity, professional scepticism, continuing professional education and its relationship with management, all in the context of regulatory requirements and professional standards. Specifically:

- The Committee discussed the scope of the audit prior to its commencement.
- The Committee reviewed the annual findings of the Audit Quality Review team of the FRC in respect of KPMG's audits and requested a formal report from KPMG of the applicability of the findings to abrdn both in respect of generally identified failings and failings specific to individual audits. The Committee was satisfied insofar as the issues might be applicable to abrdn's audit, that KPMG had proper and adequate procedures in place for our audit.
- The Committee approved a formal engagement with the auditor and agreed its audit fee.
- The Committee Chairman had regular meetings with the lead audit partner to discuss Group developments.
- The Committee receives updates on KPMG's work and its findings and compliance with auditor independence requirements.
- The Committee reviewed and discussed the audit findings including audit differences prior to the approval of the financial statements. See the discussion on materiality in the following paragraphs for more detail.
- The Committee also continued to monitor and discuss relevant external matters in relation to KPMG as a firm.

KPMG adopted a blended working approach during most of the audit period. The Committee discussed this with KPMG and were satisfied that it had not impacted audit quality.

The Committee discussed the accuracy of financial reporting with KPMG both as regards accounting errors that would be brought to the Committee's attention and as regards amounts that would need to be adjusted so that the financial statements give a true and fair view. Differences can arise for many reasons ranging from deliberate errors (fraud etc.) to good estimates that were made at a point in time that, with the benefit of more time, could have been more accurately measured. KPMG have set overall audit materiality at £19m (2020: £25m). This equates to approximately 3.5% of normalised profit before tax (as set out in the KPMG independent auditors' report) and 6% of adjusted profit before tax. This is within the range in which audit opinions are conventionally thought to be reliable. To manage the risk that aggregate uncorrected differences become material, the Committee supported that audit testing would be performed to a lower materiality threshold for individual reporting units. Furthermore, KPMG agreed to draw the Committee's attention to all identified uncorrected misstatements greater than £0.95m (2020: £1.25m). The aggregated net difference between the reported pre-tax profit and the auditor's judgement of pre-tax profit was less than £6m which was less than audit materiality. The gross differences were attributable to various individual components of the consolidated income statement and balance sheet. No audit difference was material to any line item in either the income statement or the balance sheet. Accordingly, the Committee did not require any adjustment to be made to the financial statements as a result of the audit differences reported by the External auditors.

KPMG has confirmed to the Committee that the audit complies with their independent review procedures.



# 3.2 Risk and Capital Committee report

I am pleased to present my report as Chairman of the Risk and Capital Committee.

The Risk and Capital Committee supports the Board in providing effective oversight and challenge of risk management and the use of capital across the Group so as to ensure that we meet the expectations of our shareholders, regulators and clients.

While the risk environment remains at an elevated level as a result of ongoing business transformation activity and a challenging market environment, the Committee accepted management's assessment that the risk outlook for the Group had reduced materially from prior years.

A key area of focus for the Committee during 2021 was our response to managing the impacts of the global COVID-19 pandemic on our clients, people and business. We successfully established new ways of working to support our customers and the delivery of our business plan and we managed the impacts of the difficult economic environment.

Throughout 2021 the Committee continued to review and challenge key activities undertaken by the business and advise the Board on these, including:

- Evolution of the Enterprise Risk Management (ERM) framework.
- Key components of the Group's ICAAP and the Group's capital and liquidity.
- Management of the risks arising from the firm's third party relationships.
- Key project updates from the transformation activity across the Group.
- Conduct risks across our three growth vectors and the Group's approach to vulnerable customers.
- The Group's activity to complete the transition from LIBOR-based reference rates.
- Implementation of the UK's Investment Firms Prudential Regime (IFPR) for the Group and its key entities.
- Work to develop our approach to managing cyber resilience in line with the US National Institute of Standards and Technology (NIST) framework.

 The Group's exposure to emerging risks including climate change.

Furthermore the Committee has closely monitored developments from our regulators across the world as they have responded to the challenges brought about by the COVID-19 pandemic and progressed the regulatory agenda including in the areas of operational resilience, liquidity and third party risk management.

Further details on this and other activities carried out by the Committee during the year can be found in the report that follows.

Martin Pile

#### Martin Pike

Chairman, Risk and Capital Committee

# Membership

All members of the Risk and Capital Committee are independent non-executive Directors. For their names, the number of meetings and committee member attendance during 2021, please see the table on page 82.

The Committee meetings are attended by the Chief Risk Officer. Others invited to attend on a regular basis include the Chief Executive Officer, the Chief Financial Officer, Chief Operating Officer, Group General Counsel and the Chief Internal Auditor, as well as the External auditors.

Regular private meetings of the Committee's members have been held during the year providing an opportunity to raise any issues or concerns with the Chairman of the Committee. The Committee's members have also held regular private meetings with the Chief Risk Officer and have been given additional access to management and subject matter experts outside of the Committee meetings in order to support them in gaining an in-depth understanding of specific topics.

# Key responsibilities

The Company's purpose results in opportunities and exposure to a range of risks and uncertainties. Understanding and actively managing the sources and scale of these opportunities and risks are key to fulfilling this purpose.

The role of the Committee is to provide oversight and advice to the Board, and where appropriate, the board of each relevant Group company on:

- The Group's current risk strategy, material risk exposures and their impact on the levels and allocations of capital.
- The structure and implementation of the Group's ERM framework and its suitability to react to forward-looking issues and the changing nature of risks.
- Changes to the risk appetite framework and quantitative risk limits.

- Risk aspects of major investments, major product developments and other corporate transactions.
- Regulatory compliance across the Group.

Further detail on the work performed in each of these areas is set out in the report below.

In carrying out its duties, the Committee is authorised by the Board to obtain any information it needs from any Director or employee of the Group. It is also authorised to seek, at the expense of the Group, appropriate external professional advice whenever it considers this necessary. The Committee did not need to take any independent advice during the year.

# The Committee's work in 2021

#### Overview

The Committee operates a dynamic agenda and uses each meeting to consider a range of recurring items as well as other items that are more ad hoc and/or more forward-looking in nature. An indicative breakdown as to how the Committee spent its time is shown below:



- ERM framework including risk policies and appetites
- Operational risks (including cyber risk)
- Conduct and compliance risks
- Capital adequacy
- Other controls

The key recurring items which were considered by the Committee are:

- The 'Views on Risk' report which provides a holistic assessment from the Chief Risk Officer of the key risks and uncertainties faced by the Group's businesses and the actions being taken to manage these.
- Ongoing activity to enhance and develop abrdn's ERM framework, for example the Risk Appetite and Policy frameworks.
- Performance of the Group's ICAAP processes in accordance with the Capital Requirements Directive including the firm's stress and scenario testing programme. The ICAAP has supported the Committee in understanding changes to the risk profile of the Group and the capital position over the course of the year.
- Evolution of regulatory responsibilities under IFPR.

Through these recurring activities the Committee was able to challenge management's assessment of risks and to oversee the key actions being taken to manage these risks.

In addition to reviewing these recurring items the Committee provided oversight of a broad range of topics in 2021. This included consideration of:



- Advice provided to the Remuneration Committee regarding the delivery of performance in 2020 relative to risk appetites.
- Findings included in the 2020 Internal controls report issued for Aberdeen Standard Investments.
- Monitoring of risks related to overall transformation and integration activities.
- Emerging risks to the Group.
- Conduct risks for the Personal vector.
- abrdn's approach to vulnerable customers.
- abrdn's approach to fund governance.
- Managing and monitoring conflicts of interest.
- Review of abrdn's principal risks and risk disclosures for the Annual report and accounts.



- Proposed changes to the risk appetite framework.
- Conduct risks for the Adviser vector.
- Conduct risks related to cannabis investments.
- abrdn's securities lending programme.
- Thematic review of pensions transfer-related activity.
- Cyber risks including the Group's resilience maturity against the NIST framework.
- Assessment of political and reputational risks.
- Review of the remit of the Risk & Compliance function.
- The liquidity risk management framework.



- Reviewing abrdn's approach and activity in relation to the FCA's Conduct Questions.
- abrdn's product strategy including in relation to seed capital and co-investment.
- Procurement transformation programme.
- LIBOR transition programme.
- The Senior Managers and Certification Regime.



- Conduct risks for the Investments vector.
- Completion of the LIBOR transition programme.
- The management of IT obsolescence.
- Operational resilience programme activity.
- Review of abrdn wind-down plan and triggers.
- Data privacy management.
- Implementation of the Investment Firms Prudential Regulation.
- 2021 combined second and third line assurance plan.

After each meeting, the Committee Chairman reports to the Board, summarising the key points from the Committee's discussions and any specific recommendations

# Risk exposures and risk strategy

abrdn's risk appetite framework provides a common framework to enable the communication, understanding and control of the types and levels of risk that the Board is willing to accept in its pursuit of the strategy of the Group, including the business plan objectives and the capital and liquidity it requires.

The Committee has received regular reporting through the Views on Risk report on each of the Group's 12 principal risks including risk dashboards, commentary and management information.

The Committee reviewed and proposed updates to the risk appetite framework to ensure that the risk appetites and risk limits reflected changes to the risk profile in view of the external environment and ongoing transformation of the business. In particular additional metrics for Operational Risk and Third Party Management were created to strengthen our management of impacts caused by the COVID-19 pandemic.

Through reviewing this reporting the Committee supports the Board by monitoring risks relative to applicable risk appetites and the resilience of the capital position under current and stressed conditions. Key items that the Committee discussed during the year in this context included:

- Risks that have emerged as a result of the global COVID-19 pandemic.
- Risks associated with the delivery of the business plan.
- Enhancements to components of the Group's risk appetite framework.
- The abrdn ICAAP report.
- Steps taken to strengthen the conduct risk framework.
- The management of cyber risk across the Group.
- The approach to management of the Group's liquidity risk framework.

Stress testing and scenario analysis performed in 2021 also supported the Committee in understanding, monitoring and managing the risk and capital profile of the business under stressed conditions. This provided a forward-looking assessment of resilience to potentially significant adverse events affecting key risk exposures and comprised:

- Individual stresses looking at stresses to a range of financial variables in isolation.
- Combined stress scenarios looking at simultaneous stresses impacting on economic conditions, flows and idiosyncratic factors specific to the Group.
- Reverse stress testing considering extreme but plausible events, including as a result of operational, conduct or reputational risks, that have the potential to cause the business to become unviable.

The Committee reviewed the results of the stress testing and scenario analysis that was performed. This included reviewing the results of one scenario which was explored as part of the reverse stress testing exercise: the failure of our main third party provider of administration services that support the Group's trading. Based on the results of the stress testing and scenario analysis, the Committee concluded there was no requirement for the business to reduce its risk exposures and that the business was resilient to extreme events as a result of the robust controls,

monitoring and triggers in place to identify events quickly and the range of management actions available to help mitigate their effects.

Enterprise Risk Management (ERM) framework
During the year the business continued to evolve the ERM
framework used to identify, assess, control and monitor
the Group's risks.

The Committee has obtained assurance regarding the operation of the ERM framework through its review of regular content within the Views on Risk report. In particular we have used our review of the various risk and capital dashboards, including the consolidated dashboard on key conduct risk indicators and board risk appetite metrics to understand the Group's risk profile and the effectiveness of the framework in supporting the management of these risks.

The Committee receives reporting from the Risk and Compliance function on the results of the quarterly risk management survey of regional and functional executives which is used to support identification of key risks facing the business. The completion of this survey along with subsequent discussion of the results by the Executive Leadership Team helps to drive greater risk awareness and accountability. Furthermore, through reviewing the results of the survey, the Committee has been able to ensure there is appropriate focus on the key risks facing the business.

Exceptions-based reporting is provided to the Committee through the Views on Risk report setting out any matters of significance in respect of the results of policy compliance reporting and actions being taken in response to risk events. These two items also support the Committee in performing its oversight of the ERM framework.

The Committee also receives regular reporting from the Chief Internal Auditor which provides an independent assessment of the internal control environment relating to the operation of the framework.

# Regulatory developments and compliance

The Committee reviews and assesses regulatory compliance plans detailing the planned schedule of monitoring activities to be performed by the Risk and Compliance function to ensure there is appropriate coverage. Regular updates on key findings from regulatory compliance activity and progress against the plan were reported to the Committee through the Views on Risk report.

As a Committee we have closely monitored global regulatory developments to understand and anticipate potential implications for the Group and the wider financial services sector. In particular the Committee paid close attention to developments in connection to COVID-19, Operational Resilience, LIBOR transition, the Investment Firms Prudential Regulatory Regime and new sustainability regulations including the EU Sustainable Finance Disclosure Regulation.

# Governance arrangements

The Committee has continued to refer to the work of those non-executive risk committees operating in subsidiary companies to provide oversight and challenge of risks within those subsidiaries. This has included the risk committees in place for abrdn Life and Pensions Limited, Standard Life Savings Limited and Elevate Portfolio Services Limited.

The Committee receives updates from and reviews the minutes of these committees in order to maintain awareness and oversight of risks across the Group. The Committee also reviews the terms of reference for these committees in order to ensure their remit is suitably aligned. In addition to the Committee reviewing reporting from the subsidiary risk committees, arrangements also exist for the Committee's Chairman to attend those subsidiary risk committees on request.

During the year the Committee provided advice to the Remuneration Committee regarding the delivery of performance in the context of incentive packages. In particular, the Committee considered whether performance had been delivered in a manner that was consistent with the Group's strategy, risk appetite and tolerances, and capital position. The provision of this advice helps ensure the Group's overall remuneration practices are aligned to the business strategy, objectives, culture and long-term interests of the Group and that individual remuneration is consistent with, and promotes, effective risk management.

#### Committee effectiveness

The Committee reviews its remit and effectiveness annually. The 2021 review was conducted internally by the Company Secretary meeting with each of the Committee members. As well as general observations, the key performance areas considered were:

- The comprehensiveness of the Committee's agendas against members' expectations.
- How effectively agenda items were presented, discussed and time managed.
- The quality and level of detail in the papers.
- The Committee's thoughts on the role of the 2nd line of defence and how it might continue to develop.
- How well the Committee met its objectives and reported to the Board.
- How effectively the Chairman discharged their responsibilities.

The Committee members did not raise any material issues or concerns regarding the above areas or the overall effectiveness of the Committee during 2021. The Committee was encouraged by the move of the investment risk team to come under the CRO's remit and were keen to learn more about the work of the investment risk team. Acknowledging the amount of time the Committee spends on regulatory risk, going forward, the Committee aims to spend more time on the interconnectedness of the holistic business risks the Company runs and manages, as the agendas allow. The Committee also encouraged the Risk Team to make more use of twoway secondment opportunities with business colleagues, so that both the risk team and the business learn from each other, and this business-partnering approach could further strengthen the quality of the information presented to the Committee. The Committee members were supportive of the Chairman's role in managing the challenging number of matters which fall in the Committee's remit.



# 3.3 Nomination and Governance Committee report

The Committee's key priorities this year were to support the Board's succession planning, maintain effective board governance processes during the pandemic and continue to oversee the development of talent and leadership initiatives.

# Governance Framework

We have continued to review our governance framework against the Code principles and provisions. The Committee did not make any fundamental changes to our governance framework in 2021 but we did approve some detailed changes to reflect the Board's reporting responsibilities arising from the change from CRD IV to IFPR. Hannah Grove succeeded Melanie Gee on 1 November 2021 as our designated Board Employee Engagement NED and you can read more about this programme on page 73.

# **Board evaluation**

Having commissioned externally facilitated reviews in 2018 and 2019, as we did in 2020 we carried out our Board review internally in 2021 and you can read about the process and its outcomes on page 79.

# Culture, Diversity and Inclusion

Continuing to build on the transformation activity across the business, the Committee has received updates on the work to oversee the Group's culture, diversity and inclusion programmes and considered the ELT's initiatives to implement these throughout the organisation. You can read more about this below and on pages 38 and 39.

# Talent and Leadership

The Committee spent time hearing from the Talent and Organisation Effectiveness team supporting and challenging its plans to deliver effective leadership, talent and performance management across the Group.

# **Board composition**

The Committee supported our Director succession and appointment processes. As I have covered already in my Chairman's statement, I am pleased to have welcomed Hannah Grove and Catherine Bradley to the Board and following on from the upcoming retirement of Jutta af

Rosenborg and Martin Pike in May, I look forward to welcoming Mike O'Brien and Pam Kaur in due course.

The Board continues to emphasise the importance of strong governance and I look forward to updating you on this in future reports.



# Sir Douglas Flint

Chairman and Chairman of the Nomination and Governance Committee

# Membership

The members of the Committee are the Chairman and a number of the independent non-executive Directors. For their names, the number of meetings and committee member attendance during 2021, please see the table on page 82.

Stephen Bird, in his CEO role, was invited to Committee meetings to discuss relevant topics, such as the roles within and membership of the ELT, talent development and management succession.

The Committee's role is to support the composition and effectiveness of the Board, and oversee the Group's activities to strengthen its talent pipeline. It also oversees the ongoing development and implementation of the Group's governance framework.

In this report and other parts of the corporate governance statement you can read about the Committee's role in relation to its key responsibilities.

# Key responsibilities:

- Identifying and recommending Directors to be appointed to the Board and the Board Committees.
- Reviewing and assisting in the development and implementation of the Company's culture, diversity and inclusion activities.
- Reviewing Board diversity, skills and experience.
- Supporting the process and output of the Board's effectiveness review.
- Overseeing succession planning, and leadership and talent management development throughout the Group.
- Considering how the Group should comply with current and upcoming corporate governance requirements, guidance and best practice and relevant directors' duties

The Committee reports regularly to the Board so that all Directors can be involved in discussing these topics as appropriate.

# The Committee's work in 2021

An indicative breakdown as to how the Committee spent its time is shown below:



- Reviewed compliance with the UK Corporate Governance Code for the 2020 ARA.
- Considered the diversity and inclusion 2021 priorities.
- Reviewed the Board Charter and Committees' terms of reference.
- Agreed the NED mentoring programme and pairings for 2021.



- Reviewed the recommendations to shareholders to re/elect Directors at the AGM.
- Reviewed the continued appointment of Cathi Raffaelli and Sir Douglas Flint at the end of their first three-year term.
- Received the half year update on the Culture,
   Diversity and Inclusion action plans.
- Reviewed ELT succession planning.
- Recommended the appointment of Hannah Grove.
- Reviewed progress on the recommendations from the 2020 Board effectiveness review.
- Reviewed the revised approach to 2022 ESG external reporting, including the Stewardship Code.



- Received the full-year update on the Culture,
   Diversity and Inclusion action plans.
- Approved the process for the 2021 Board Effectiveness Review.
- Reviewed ELT and senior leadership succession planning.
- Recommended the appointment of Catherine Bradley.
- Agreed the revisions to the Board Charter.
- Reviewed progress on Talent and Leadership development activities.
- Received the regular update on the activities of the abrdn Financial Fairness Trust.

An indicative breakdown as to how the Committee spent its time is shown below:



- Succession planning and talent development
- Board and committee appointments and composition
- Culture, diversity and inclusion
- Corporate governance

# **Board appointments**

The Committee discusses the skills, experience and capabilities needed for particular Board roles. This recognises the need to secure a pipeline of potential successors to be able to chair the Board Committees, and also the need to plan ahead to take account of the length of time served on the Board by the current independent NEDs. In addition, it also recognises the skills which the Board will need as it moves forward to oversee the implementation of its approved strategy and takes account of the Group's commitments to achieve and maintain its published Board diversity targets.

An external search consultant is then requested to prepare a list of suitable candidates. From that, the Committee agrees a shortlist. Following interviews with potential candidates, the Committee makes recommendations to the Board on any proposed appointment, subject always to the satisfactory completion of all background checks and regulatory notifications or approvals. Part of this includes considering the external commitments of candidates to assess their ability to meet the necessary time commitment and whether there are any conflict of interests to address.

The Committee also oversees the process to recommend continued appointments, but members of the Committee do not take part in discussions when their own performance – or continued appointment – is being considered. Cathi Raffaeli's and Sir Douglas Flint's continued appointments were reviewed during the year and the Committee agreed that they continued to meet all independence and time commitment expectations and recommended to the Board that they should continue their appointments for a second term.

# Succession planning and talent management activities

The Committee regularly reviews the results of succession planning activities, including key person and retention risk, and talent development programmes across the Group.

In particular, the Committee discussed the future leadership and talent needs of the Group and how the current programmes would be revised to take account of the skills and expertise required by the Board and the ELT. The programmes recognise the changing shape of the Group, and also identify both the talent available within the Group and the need for external recruitment. The Talent and Change agenda is led by the CPO, with input from the CEO.

The Committee spent time looking at the strategic priorities of the talent team to:

- Bring the best possible people into the organisation.
- Enable people to be the best they can.
- Create the best possible environment for our people to thrive.

and discussed the team's progress to deliver initiatives to support early careers, talent acquisition, future talent, core capabilities and behaviours and effective performance management. The Committee continued its NED mentoring programme which allows each NED to get to know two or three members of the next generation of talent through individual meetings which take place over the course of the year and evolve based on the needs of each individual being mentored. Having received positive feedback from both mentors and mentees, this will continue in 2022.

# **Board evaluation**

The Committee has a key role in supporting the Board evaluation process. You can read about the 2021 review on page 79. During the year, the Committee reviewed the progress to implement the recommendations of the 2020 review.

# Culture, Diversity and inclusion

The Committee and the Board have spent time with the CEO and the Chief People Officer understanding their plans to strengthen and develop the measurement and reporting of culture across the Group. The key elements of a future-ready culture have been agreed as including:

- Authentic leaders who feel connected to strategy.
- Accountability, with swift and effective decisionmaking.
- Client-centricity.
- Shared ownership of talent.
- Reward that links pay to performance.
- Career opportunity, development and coaching.

Initiatives to support delivery of this include a new technology enabled culture engagement tracking tool and a measurement dashboard for internal and external use. The Committee will look to see progress against these initiatives during 2022 and will report on the progress it has seen in next year's annual report and accounts.

The Committee also received the annual update from the Chairman and the CEO of the abrdn Financial Fairness Trust and was pleased to hear of the grants made and contributions to positive policy changes during 2021.

The Board's diversity statement is on page 78. The Committee has a key role in supporting it through its oversight of culture, diversity and inclusion activities. The Diversity and Inclusion Team attends the Committee at least twice a year to report on progress to deliver against action plans and initiatives. The Committee reviewed and supported the 2021 diversity and inclusion priorities which provide the focus for the team's work throughout the year. These are:

- Making diversity and inclusion part of our purpose.
- Maintaining inclusive ways of working.
- Attracting and developing diverse talent.
- Ensuring colleagues feel included and valued every day.

The Committee received advance sight of UK and US government-led diversity and inclusion reporting including:

- HM Treasury Women in Finance Charter.
- UK Government's Hampton Alexander Review.
- US Federal Government's EEO-1 diversity data.

As well as supporting external indices and partnership reporting, the Committee was keen to understand how the findings arising from contributing our data to these

reports were being taken forward by the executive leadership team.

The Committee also reviewed and supported abrdn's response to the joint FCA, PRA, and Bank of England Discussion Paper 'Diversity and Inclusion in the financial sector – working together to drive change' and will continue to review outcomes arising from this.

Progress against diversity targets for the Board and senior management are included on pages 38 and 39.

# **ESG** Reporting

During the year, the Committee supported abrdn's ESG external reporting by reviewing the various reports in advance of their publication. The ESG reports issued were:

- UK Stewardship Report this was the first report on how abrdn had applied the UK Stewardship Code as an investor. The FRC confirmed abrdn as a signatory to the Stewardship Code.
- Sustainability Report this was an annual report with ESG data, activity and achievements across abrdn's operations and vectors, to bring to life our brand values and our ESG priorities.
- Diversity and Inclusion Report this standalone report supported the requests from stakeholders for more in depth information on diversity and inclusion.

The Committee members considered these reports in terms of their quality, consistency and alignment with other relevant information, and their comments strengthened the final reports.

# Committee effectiveness

The effectiveness review was conducted internally by the Company Secretary meeting each of the Committee members. As well as general observations, the key performance areas considered were:

- The comprehensiveness of the Committee's agendas against members' expectations.
- How effectively agenda items were presented, discussed and time managed.
- The quality and level of detail in the papers.
- How well the Committee met its objectives and reported to the Board.
- How effectively the Chairman discharged their responsibilities.

The Committee members did not raise any material issues or concerns regarding the above areas or the overall effectiveness of the Committee during 2021. Looking at the Committee's work to oversee talent and leadership, the Committee was supportive of the progress made and the refreshed framework which had been put in place and agreed that in 2022 it will review evidence that the programmes were starting to deliver the next generation of talent. The Committee also recognised the increasing external focus on, and challenges brought by, collecting and disclosing diversity data. The Committee noted that, as the Chief People Officer rolls out her plans, it will spend time in 2022 discussing how effectively culture was being measured and reported across the Group.



# 3.4 Directors' remuneration report

# Remuneration Committee Chairman's statement

This report sets out what the Directors of abrdn were paid in 2021 and how we will pay them in 2022, together with an explanation of how the Remuneration Committee reached its recommendations. Where tables and charts in this report have been audited by KPMG LLP we have marked them as 'audited' for clarity.

The report is structured in the following sections:

- The annual statement from the Chairman of the Remuneration Committee.
- An overview of the 2021 remuneration outcomes and how we propose to implement the remuneration policy in 2022.
- The annual remuneration report, which sets out in detail how the remuneration policy was implemented in 2021.

# **Approval**

The Directors' remuneration report was approved by the Board and signed on its behalf by:

Jonathan Asquith

Chairman, Remuneration Committee

28 February 2022

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# **Dear Shareholder**

On behalf of the Board I am pleased to present the Directors' Remuneration Report for the year ended 31 December 2021.

# Introduction

Our Directors' Remuneration Report for 2020 received a 96% vote in favour from shareholders at the 2021 AGM. I would like to thank our shareholders for their continued strong support of our approach to remuneration matters and their continued dialogue on these issues. Our current Directors' Remuneration Policy ('Policy') was designed to drive the delivery of our strategy through a simple and transparent structure for executive remuneration with a focus on sustainable long-term performance. It is now in its final year of operation before being submitted to shareholders at the 2023 AGM. During 2022 the Committee will take time to review the policy with a view to identifying any areas where change would be desirable to ensure it remains fit for purpose for the next phase of our strategy.

2021 was a significant year for abrdn. Most visibly, we launched our abrdn brand, pulling together our expertise under a common external facing identity. This was a significant milestone on our journey and involved much collaborative work across the organisation. Alongside good progress on key financial metrics, steps were taken to remove complexity from the business, as set out in the Chief Executive Officer's review. There has also been a clear focus on sustainability issues, and we have reflected this by incorporating environmental targets in the executive Directors' bonus scorecards from 2022 to make sure this is an area where we hold ourselves to account.

In this year of ongoing challenge we have continued to drive forward our reward agenda. Our end-of-year processes incorporated careful consideration of remuneration outcomes to reflect the achievements and progress made during 2021 against our financial and non-financial KPIs. Consideration was also given to broader stakeholder interests and the complex regulatory and social landscape in which abran operates as we start to move to a post-pandemic world. Our pay decisions have focused on encouraging and rewarding contributions to the long term success and sustainability of our business.

# Our performance in 2021 and alignment with remuneration

Against a mixed market background in 2021, financial performance has been strong:

- Fee based revenue growth of 6%.
- A reduction in our cost/income ratio to 79% (from 85% in 2020).
- An increase in adjusted operating profit of 47%.
- An increase in adjusted diluted earnings per share to 13.7p (from 8.8p in 2020).

Good customer performance was sustained across all three of our distinct client facing vectors, reflected in positive customer feedback in Investments, awards for our abrdn Wrap and Elevate Platforms and strong customer service ratings for our Personal and Discretionary propositions.

# How our remuneration policy was applied in 2021

#### **Annual bonus**

The 2021 executive Director bonus plan was designed and operated in line with our Directors' Remuneration Policy to reward management for the efficient and timely execution of a stretching 12 month plan agreed with the Board with a majority focus (75%) on financial performance targets. General non-financial performance objectives (20%) made up most of the balance, concentrating on the achievement of desired outcomes in our relationships with our customers and our people. The remaining 5% was reserved to reward the achievement of specific personal targets set for each of the executive Directors. Full details on our bonus outcomes against targets can be found on pages 105 and 106.

# Financial performance (75%)

Financial targets were set with reference to the Board-approved plan. The 2021 scorecard was streamlined to focus on four key financial metrics to ensure the alignment of performance with achievement against strategic priorities. Within these measures, adjusted profit before tax was weighted at 35% of the total scorecard, investment performance was weighted at 20% and the remaining portion was equally split between net flows (10%) and transformation synergies (10%).

The outcomes against these financial targets can be summarised as follows:

- Adjusted profit before tax was above our stretch target.
- Investment performance was strong, with the outcome between target and stretch.
- Net flows were between threshold and target.
- Transformation synergies were fully realised, just above the stretch target.

This resulted in an overall assessment of 62.5% out of a maximum of 75% on financial measures.

# Non-financial performance (25%)

The general non-financial measures focused on our Customers (12%) and our People (8%) both of which are important to the sustainability of our business.

- Customer: performance was assessed for each of our three distinct vectors: Investments, Adviser and Personal. The Committee took into account more than 20 performance indicators in determining that overall performance had been strong, with the outcome being agreed as 11.5% out of 12%.
- People: our performance against diversity targets improved compared to 2020 with a 1% increase in percentage female representation in our global workforce while maintaining target achievement for our female representation in CEO-1 and CEO-2 levels. Our employee engagement score fell short of threshold performance, reducing the overall People score to 1.5% out of 8%.

This yielded an overall assessment of 13% out of a maximum of 20% achievement on non-financial measures (excluding the personal performance outcome for each executive Director).

Details on the Committee's assessment of individual performance against personal objectives, which make up the final 5% of the bonus opportunity, are provided on page 106. Stephen Bird was assessed to have met or exceeded his objectives across a range of deliverables with a maximum 5% vesting and Stephanie Bruce was judged to have met her objectives with a 4% outcome for this element.

# Remuneration Committee assessment

To assess whether the awards generated by the scorecard were fair in the broader performance and risk context, the Committee reviewed the individual components which contributed to the delivery of this performance and the alignment of scorecard outcomes with the experience of a range of stakeholders. The Committee considered, amongst other things:

- Input from the Risk and Capital Committee and the Audit Committee. There were no items raised by these committees which warranted Remuneration Committee intervention in executive Director outcomes for 2021.
- The wider workforce context, including a material increase to the 2021 distributable bonus pool compared to 2020.
- The shareholder experience during 2021, noting that the disappointing performance of the share price during 2021 was already reflected in the significant proportion of executive Director remuneration dependent on three year Total Shareholder Return (TSR) via the Long Term Incentive Plan (LTIP).
- As in 2020, no application was made for government support to mitigate the effects of COVID-19 and dividend payments to shareholders were maintained.

Taking these and other considerations into account, the Committee concluded that the outcomes of the scorecard were fair and balanced and no adjustment to them was needed or made.

Summarising these results, the Remuneration Committee approved the following outcomes based on performance against targets:

| Executive Director | Final outcome<br>(% of max) | 2021 total bonus<br>(£000s) |
|--------------------|-----------------------------|-----------------------------|
| Stephen Bird       | 80.5%                       | 1,761                       |
| Stephanie Bruce    | 79.5%                       | 642                         |

# Vesting of long term incentives

Stephanie Bruce -One-Off Deferred Award As already disclosed in an RNS announcement on 11 August 2021, the Remuneration Committee assessed the performance condition around the vesting of the second tranche of the one-off deferred award made to Stephanie Bruce. The Committee approved the vesting level at 100% of maximum. Further detail is included on page 107.

No other long term incentive plans were due to vest for the current executive Directors as a result of performance in periods ending on 31 December 2021.

The EIP awards granted in 2019 to former executive Directors were measured against their underpin hurdles for the period ending 31 December 2021, with final vesting being assessed at 25% of the maximum award. Full details of the vesting outcome can be found on page 108.

#### 2021 LTIP Award

LTIP awards were made to Stephen Bird and Stephanie Bruce on 9 April 2021. Details of these awards are set out on page 108.

# Policy implementation in 2022

For the second year running the Committee decided not to increase the salaries for the executive Directors or the base fees for the non-executive Directors or the Chairman. As set out on page 114, the supplementary fees for membership of the Audit, Remuneration and Risk and Capital Committees set in 2017 have been updated to take account of increases in workload.

In line with previous practice, we will continue to set stretching targets for the annual bonus and the LTIP to ensure that the maximum opportunity will only be earned for exceptional performance.

The scorecard for the 2022 annual bonus is detailed on page 104 and the targets, which are commercially sensitive, will be disclosed at the end of this performance year in the Annual report and accounts 2022. The scorecard retains the structure of focusing 75% of opportunity on the achievement of financial targets as set out in our Policy. As management has fully delivered against our commitment of achieving £400m of annualised synergies by the end of 2021, this target has been removed from the 2022 scorecard and the remaining metrics rebalanced.

We also decided to increase the weighting available to target ESG measures in the non-financial element of the bonus scorecard by eliminating the 5% allocation previously allocated to executive Directors' personal

performance objectives. It is the Committee's view that the overall scorecard provides an appropriate basis for the assessment of the executive Directors' performance without the need for a formalised personal performance component.

Accordingly, the 25% of the 2022 bonus scorecard attributable to non-financial performance will be allocated between customer measures (12%) and ESG measures (13%).

ESG measures will include people engagement, diversity and environmental targets linked to both our impact as an investor (via reducing the carbon intensity of our portfolios) and the reduction of the environmental impact of our own operations towards net zero. The Committee has agreed a basket of key indicators in each of these areas which will allow a rounded assessment of performance to be made.

The threshold and maximum performance targets for the proposed grants under the 2022 Executive LTIP are detailed on page 104. The three year Adjusted Diluted Capital Generation per share growth target range employed for the last reporting period was set at 8%-20% Compound Average Growth Rate (CAGR), somewhat above normal levels in the market, reflecting a low baseline in the previous year and the levels of surplus capital available in the Group. Strong financial performance in 2021 has lifted the baseline for this measure by 45%, while the capital actions undertaken over the last twelve months are expected to reduce considerably any surplus capital overhang. In light of the above, the Committee has revised the threshold and maximum levels for this measure to a three year CAGR range of 5%-15%, which is aligned with the updated business plan agreed with the Board.

The Committee also reviewed and decided to revise the TSR peer group for the Relative TSR metric, removing both T Rowe Price and Ameriprise on the basis of their different geographical focus and relatively much larger size compared to abrdn. They are replaced by Hargreaves Lansdown (given our strategic focus on Platforms) and Ninety One (reflecting our Investments vector activities), both of which are considered to be competitors for our business and talent.

To help you navigate the report effectively, I would like to draw your attention to the sections on pages 103-104 which summarise both the outcomes for 2021 and also how the remuneration policy will be implemented in 2022. Further detailed information is then set out in the rear section of the report for your reference as required.

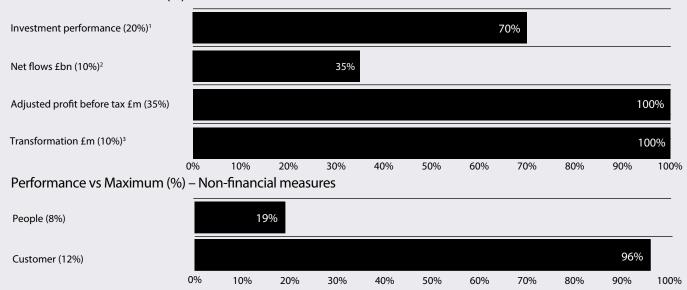
On behalf of the Board, I invite you to read our remuneration report. As always, the Committee and I remain open to hearing your views on this year's report and our remuneration policy in general.

# At a glance - 2021 remuneration outcomes

# 2021 Outcome of the financial and non-financial performance metrics

The following charts show performance against the target range for each of the financial and non-financial metrics which govern the annual bonus. Further detail on the assessment of the performance conditions can be found on pages 105-106.

# Performance vs Maximum (%) – Financial measures



# Performance against target

- 1. %AUM>average of 3 and 5 year benchmark for all asset classes
- 2. Excl. LBG tranche withdrawals and cash/liquidity
- 3. Annualised savings

# Personal performance measures

The outcome of individual personal performance measures (5% weighting) is set out on page 106.

# 2021 annual bonus scorecard outcome

The following table sets out the final outcome for the 2021 annual bonus, including the personal performance assessment. A detailed breakdown of performance can be found on pages 105-106.

| Bonus Scorecard Outcome |                                 | Total Bonus Outcome                       |   |                                       |                          |                                   |                              |                        |
|-------------------------|---------------------------------|---|---|---------------------------------------|--------------------------|-----------------------------------|------------------------------|------------------------|
|                         | Financial metrics (maximum 75%) | Non-financial<br>metrics (maximum<br>20%) | Personal<br>performance<br>(maximum 5%) | Board approved outcome (% of maximum) | Annual salary<br>(£000s) | Maximum opportunity (% of salary) | Total award<br>(% of salary) | Total award<br>(£000s) |
| Stephen Bird            | <b></b>                         |   | 5%                                      | 80.5%                                 | 875                      | 250%                              | 201%                         | 1,761                  |
| Stephanie Bruce         | 62.5%                           | 13%                                       | 4%                                      | 79.5%                                 | 538                      | 150%                              | 119%                         | 642                    |

# Total remuneration outcomes in 2021

The chart below shows the remuneration outcomes for each executive Director in 2021 based on performance compared to the maximum opportunity.

#### All figures in £000s

| Stephen   | Max            | £1,034        | £1,094 | £1,094 | £3,222 |
|-----------|----------------|---------------|--------|--------|--------|
| Bird      | Actual £1,034  | £880.5        | £880.5 | £2,795 |        |
| Stephanie | Max            | £636 £404 £   | 404    |        | £1,444 |
| Bruce     | Actual<br>2021 | £636 £321 £32 | 1      |        | £1,278 |

Salary, pension and benefits

Annual Bonus - Cash

Annual Bonus - Deferred

# At a glance – 2022 remuneration policy implementation

This section sets out how we propose to implement our remuneration policy in 2022. The full remuneration policy can be found in the 2019 Annual Report and Accounts on pages 96-104.

| Element of remuneration  | Key features of operation   | 2022 implementation   |
|--|---|---|
| Salary Core reward for undertaking the role                        | Normally reviewed annually, taking into account a range of internal and external factors.   | No change to quantum<br>Stephen Bird: £875,000<br>Stephanie Bruce: £538,125   |
| Pension<br>Competitive<br>retirement benefit                       | Aligned to the current maximum employer contribution available to the UK wider workforce (18% of salary).   | No change to quantum<br>Stephen Bird: 18% of salary<br>Stephanie Bruce: 18% of salary   |
| Benefits Competitive benefits                                      | Includes (i) private healthcare; (ii) death in service protection (iii) income protection (iv) reimbursement of membership fees of professional bodies; and (v) eligibility for the all employee share plan.  | No change   |
| Annual bonus To reward the delivery of the Company's business plan | Annual performance assessed against a range of key financial and non-financial measures. At least 75% will be based on financial measures. At least 50% deferred into shares vesting in equal tranches over a three-year period.  Awards are subject to malus and clawback terms. | No change to quantum<br>Stephen Bird: 250% of salary<br>Stephanie Bruce: 150% of salary<br>See below for 2022 performance<br>conditions |

# Performance conditions for 2022 annual bonus

Financial (75% weighting)

Investment performance, Adjusted operating profit, Net flows excluding LBG

tranche withdrawals and liquidity

Non-financial (25% weighting)

Performance against Customer and ESG objectives (incorporating people engagement and diversity metrics and environmental measures)

Due to commercial sensitivity, actual targets and ranges will be disclosed at the end of the performance period. The Remuneration Committee retains an appropriate level of flexibility to apply discretion to ensure that remuneration outcomes reflect a holistic view of overall performance, including conduct and culture.

| Element of remuneration  | Key features of operation   | 2022 implementation   |
|--|---|---|
| Long-term incentive plan   |   |   |
| To align with our<br>shareholders and<br>reward the delivery<br>of long-term<br>growth | Awards are subject to a three-year performance period, with a subsequent two-year holding period. Dividend equivalents accrue over the performance and holding period.  Awards are subject to two equally weighted performance metrics linked to long-term strategic priorities and the creation of long-term shareholder value.  Awards are subject to malus and clawback terms. | No change<br>Stephen Bird: 350% of salary<br>Stephanie Bruce: 200% of salary<br>2022 performance metrics are<br>set out below |

Performance conditions for 2022 Long term incentive plan

|   | Target range <sup>1</sup>                 |
|---|---|
| Adjusted Diluted Capital Generation per share (50% weighting) | 5% - 15% CAGR                             |
| Relative TSR <sup>2</sup> (50% weighting)                     | Equal to median – equal to upper quartile |

<sup>1.</sup> Straight line vesting occurs between threshold and maximum. 25% vesting for threshold performance.

<sup>2.</sup> The peer group is made up of the following global asset management peers: Affiliated Managers, Alliance Bernstein, Amundi, Ashmore Group, DWS Group, Franklin Resources, Hargreaves Lansdown, Invesco, Janus Henderson Group, Jupiter Fund Management, Man Group, Ninety One, St James's Place, Schroders, M&G, Quilter, SEI Investments.

| Element of remuneration | Key features of operation  | 2022 implementation             |
|-------------------------|--|---------------------------------|
| Shareholding            | Executive Directors are required to build up a substantial interest in     | No change                       |
| requirements            | Company shares. The share ownership policy for executive Directors         | Stephen Bird: 350% of salary    |
|                         | requires shares up to the value of the shareholding requirement to be held | Stephanie Bruce: 300% of salary |
|                         | for a period of two years following departure from the Board.              | ,                               |

#### Directors' Remuneration in 2021

This section reports remuneration awarded and paid at the end of 2021 in further detail, including payments to past Directors.

# Single total figure of remuneration – executive Directors (audited)

The following table sets out the single total figure of remuneration for each of the individuals who served as an executive Director at any time during the financial year ending 31 December 2021:

| Executive<br>Directors |      | Basic salary<br>for year<br>£000s | Taxable<br>benefits in<br>year<br>£000s <sup>1</sup> | Bonus paid in<br>cash<br>£000s | Bonus<br>deferred<br>£000s | Long-term incentives<br>with performance<br>period ending<br>during the year<br>£000s | Pension<br>allowance paid<br>in year<br>£000s | Fixed pay<br>sub-total<br>£000s | Variable<br>sub-total<br>£000s | Total remuneration for the year £000s |
|------------------------|------|-----------------------------------|--|--------------------------------|----------------------------|---|---|---------------------------------|--------------------------------|---------------------------------------|
| Stephen                | 2021 | 875                               | 1  | 880.5                          | 880.5                      | -   | 158   | 1,034                           | 1,761                          | 2,795                                 |
| Bird <sup>2</sup>      | 2020 | 438                               | _  | 263.5                          | 263.5                      | -   | 79  | 517                             | 527                            | 1,044                                 |
| Stephanie              | 2021 | 538                               | 1  | 321                            | 321                        | -   | 97  | 636                             | 642                            | 1,278                                 |
| Bruce                  | 2020 | 535                               | 1  | 189.5                          | 189.5                      | _   | 101   | 637                             | 379                            | 1,016                                 |

<sup>1.</sup> This includes the taxable value of all benefits paid in respect of the relevant year. Included for 2021 are medical premiums at a cost to the group of £606 for executive Directors.

# Base salary (audited)

There was no change to the base salaries of executive Directors in 2021.

# Pension (audited)

Under the Directors' Remuneration Policy approved at the 2020 AGM, with effect from 1 June 2020 the executive Directors received a cash allowance in lieu of pension contributions of 18% of base salary.

# **Annual Bonus Plan**

The following section contains details on the targets and the Remuneration Committee's assessment of outcomes for the period 1 January 2021 to 31 December 2021 against each of the elements of the executive Director bonus scorecard.

Financial performance metrics - 75% of total scorecard outcome

|   | Weighting<br>(% of max<br>opportunity) | Threshold<br>(25% of<br>maximum) | Target<br>(50% of<br>maximum) | Stretch<br>(100% of<br>maximum) | Actual | Result   |
|---|--|----------------------------------|-------------------------------|---------------------------------|--------|----------|
| Investment performance - % AUM > benchmark average of 3 year and 5 year for all asset classes | 20%                                    | 55%                              | 65%                           | 70%                             | 67%    | 14%/20%  |
| Net flows <sup>1</sup> (£bn)  | 10%                                    | (6)                              | 1                             | 16                              | (3.2)  | 3.5%/10% |
| Adjusted profit before tax (£m)   | 35%                                    | 240                              | 262                           | 306                             | 323    | 35%/35%  |
| Delivery of transformation synergies (£m)   | 10%                                    | 355                              | 375                           | 400                             | 404    | 10%/10%  |

<sup>1.</sup> Excluding LBG tranche exits and cash/liquidity £bn.

Non-financial performance metrics - 20% of total scorecard outcome

|   | Weighting<br>(% of max<br>opportunity) | Threshold<br>(25% of<br>maximum) | Target<br>(50% of<br>maximum) | Stretch<br>(100% of<br>maximum) | Actual | Result  |
|---|--|----------------------------------|-------------------------------|---------------------------------|--------|---------|
| Investing in our people (8%)  |  |                                  |                               |                                 |        |         |
| Diversity of leadership and the wider workforce (measured at 31 December 2021) <sup>1</sup> |  |                                  |                               |                                 |        |         |
| % female representation in CEO-1 and CEO-2  | 2%                                     | 36%                              | 38%                           | 40%                             | 38%    | 1%/2%   |
| % female representation in Global workforce   | 2%                                     | 46%                              | 47%                           | 48%                             | 46%    | 0.5%/2% |
| People engagement: outcome of the Viewpoints full company survey                            | 4%                                     | 58%                              | 62%                           | 66%                             | 51%    | 0%/4%   |

<sup>1.</sup> The Committee agreed to remove the acquisition of Finimize when determining the outcome of this metric. The timing of the acquisition (announced in October 2021) meant that the executive Directors had no opportunity to influence the gender representation before the end of the performance period. This adjustment impacted the outcome of the CEO -1 and CEO-2 metric by 2% and had no material impact on the Global workforce metric.

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 $<sup>2. \</sup> Stephen \ Bird was appointed on 1 \ July 2020 - all figures reflect amounts paid/awarded since the date of appointment.$ 

| Investing in our customers (12%)  | Highlights from assessment   |
|---|--|
| Customer Advocacy: improvement from baseline across the Adviser, Personal and Investments vectors | The Committee considered more than 20 quantitative and qualitative measures, from internal and external sources. Key factors in the determination were:  |
|   | <ul> <li>Positive, in-depth feedback from our largest client in the Investments vector citing a pivotal year in our strategic partnership.</li> <li>External award recognition for abrdn Wrap and Elevate platforms, assessed across core areas including user experience and client service quality.</li> <li>Year on year increase in Net Promoter Score for the Discretionary and Adviser vectors.</li> <li>Strong overall customer satisfaction rating for the Personal vector.</li> </ul> |
|   | <ul> <li>Personal vector's Digital Retirement Advice service rated 4.9/5 by</li> </ul>   |

our customers.

# Personal performance metrics - 5% of total scorecard outcome

|                    | Highlights from assessment  | Result |
|--------------------|---|--------|
| Stephen<br>Bird    | <ul> <li>Successful delivery of rebranding exercise to create a unified brand experience, on schedule and on budget. Measurable success points were reviewed, including metrics on client communications and brand campaign results achieving strongly against targeted performance.</li> <li>Development of strategic acquisition opportunities in line with the Board's ambitions, including Finimize and ii as well as significant divestments with capital proceeds reinvested in growth areas.</li> <li>Achievement of key milestones in the People agenda, including roll out of an enhanced remuneration and reward framework across the group, strengthening the link between corporate objectives and individual performance.</li> </ul> | 5%/5%  |
| Stephanie<br>Bruce | <ul> <li>Key milestones met in the finance transformation project, yielding improved and consistent management information to enhance decision making.</li> <li>Partnerships with the vectors and functions developed, further improving support to all business areas in line with objectives.</li> <li>Development of the finance team progressed</li> <li>Regulatory relationships successfully maintained.</li> </ul>   | 4%/5%  |

Before approving the overall assessment of performance in 2021, the Remuneration Committee sought the views of the Audit Committee on material accounting, reporting and disclosure matters that it considered during the year and of the Risk and Capital Committee on the management of risk within the business. In considering whether the bonus outcomes derived from the scorecards were fair in the context of the overall results, the Remuneration Committee took into account the feedback received as well as factors including the impact of the COVID-19 pandemic, shareholder experience and pay for the wider workforce. In light of these, and noting the material increase in the distributable bonus pool for the wider workforce, the lack of recourse to Government support and the maintenance of our dividend pay out policy, a final determination was made that no adjustment should be made to the bonus outcomes set out above as a result of this review.

## Payments to past Directors and payments for loss of office (audited)

Payments made to former executive Directors that have not been previously reported elsewhere are reported if they are in excess of £20,000.

No payments to past directors or payments for loss of office were made during the year.

# Executive Directors' external appointments

Subject to the Board's approval, executive Directors are able to accept a limited number of external appointments to the boards of other organisations and can retain any fees paid for these services. Both Stephen Bird and Stephanie Bruce held representative directorships on behalf of the Group during the year for which they received no fees.

### Shareholdings and outstanding share awards

This section reports our executive Directors' interests in shares.

### Directors' interests in shares (audited)

Our shareholding requirements for executive Directors are detailed on page 104. The Directors' Remuneration Policy requires executive Directors to accumulate and maintain a material long-term investment in abrdh plc shares. The Remuneration Committee reviews progress against the requirements annually. Personal investment strategies (such as hedging arrangements) are not permitted for the purposes of reducing the economic exposure arising from the shareholding requirements.

The following table shows the total number of abrdn plc shares held by the executive Directors and their connected persons:

|                                 |  |   |  |  |  | Unvested s   | shares   |               |
|---------------------------------|--|---|--|--|--|--|--|---------------|
|                                 | Total number of shares owned at 1 January 2021 | Shares acquired<br>during the period<br>1 January 2021<br>and 31<br>December 2021 | Total shares<br>owned as at 31<br>December 2021 <sup>1</sup> | Options<br>exercised during<br>the period 1<br>January 2021<br>and 31<br>December 2021 | Vested but<br>unexercised<br>share options | Subject to<br>performance<br>conditions <sup>2</sup> | Not subject to<br>performance<br>conditions <sup>3</sup> | Shares lapsed |
| Stephen<br>Bird                 | 500,000  | 200,000   | 700,000  | -  | -  | 1,979,415  | 89,008   | -             |
| Stephanie<br>Bruce <sup>4</sup> | 133,741  | 226,259   | 360,000  | 109,729  | -  | 1,048,172  | 63,969   | -             |

- 1. There were no changes to the number of shares held by executive Directors between 31 December 2021 and 28 February 2022.
- 2. Includes: the 2020 LTIP awards and the 2021 LTIP awards granted in 2021 disclosed below (awards subject to performance targets over the three-year period ending 31 December 2023), excluding, in each case, shares to be awarded in lieu of dividend equivalents.
- 3. This comprises deferred bonus awards. It does not include shares to be awarded in lieu of dividend equivalents.
- 4. On 10 August Stephanie Bruce exercised the second tranche of her one-off award. The share price used for exercise was 289.40 pence. This resulted in a gain of £317,556.

The following table shows the number of qualifying awards included in assessing achievement towards the shareholding requirement, as at 31 December 2021. Qualifying awards include 50% of the value of awards held by the executive Directors that have vested but not been exercised (as a proxy for the payment of tax due on the exercise of the awards).

| •                  | Qualifying awards  |   | _  |                               |  |                 |  |                               |
|--------------------|--|---|--|-------------------------------|--|-----------------|--|-------------------------------|
|                    | Number<br>of shares<br>available as<br>unrestricted<br>vested deferred<br>awards | Number of shares under<br>option under long-term<br>incentive plans which are<br>no longer subject to<br>performance conditions | Total qualifying<br>holding (shares held<br>from table above<br>and 50% of<br>qualifying awards) | Value <sup>1</sup> of holding | Shareholding<br>requirement<br>(as % salary) | Basic<br>salary | Total of the value of<br>shares owned and<br>50% of the value of<br>qualifying awards at<br>31 December 2021<br>as a % of salary | Shareholding requirement met? |
| Stephen Bird       | -  | -   | 700,000  | £1,686,300                    | 350%   | £875,000        | 193%   | In progress                   |
| Stephanie<br>Bruce | -  | -   | 360,000  | £867,240                      | 300%   | £538,125        | 161%   | In progress                   |

<sup>1.</sup> The closing market price at 31 December 2021 used to determine the value of each holding was 240.90 pence.

Executive Directors who have not yet satisfied the shareholding requirement are expected to accumulate shares until they have fully met their shareholding requirement. They are required to hold 100% of vested shares (post-tax) granted under the Company's share plans (including any dividend equivalents) until they have met their shareholding requirement. All other shares acquired and held by the executive Director or owned indirectly by a partner or family trust also count towards the shareholding requirement.

Stephen Bird and Stephanie Bruce, who were appointed during 2020 and 2019 respectively, have not yet met the shareholding requirement, however the Committee is satisfied with the progress they have made towards their respective requirements given their tenure.

### Vesting of the CFO Deferred Award

The second anniversary of the award was 3 June 2021 and vesting of the second tranche was determined based on performance up to that date. The award had a maximum value at grant of £750,000, and the first tranche of the award vested at 100% on 22 June 2020.

The Award is considered for vesting in three tranches on the first, second and third anniversary of the grant of the Award. The vesting level for the first anniversary and second anniversary tranches is based on an assessment made by the Remuneration Committee of the progress made towards the achievement of the efficiency targets. The vesting level of the third anniversary tranche will be adjusted by the Remuneration Committee to ensure that the overall vesting of the award is commensurate with the final achievement against the efficiency targets.

### 3. Corporate governance statement continued

The Remuneration Committee reviewed progress made towards the £175m (baseline target) and £230m (maximum target) in June 2021, prior to approving the vesting level of the second tranche of the award. As at 31 December 2020, actions had been taken which delivered £351m of annualised synergies, benefiting 2020 operating expenses by £287m (2019: £234m) (as published in our 2020 ARA). When the Remuneration Committee undertook its assessment of whether the second tranche of the award should vest in June 2021, this level of efficiency achievement was reported and agreed by the Remuneration Committee to be 'on track' for the purposes of assessing vesting of the second tranche of the award. Performance was assessed by the Committee taking into account the CFO's personal performance and conduct, and following checks with the Audit and Risk and Capital Committees to ensure there were no other matters which the Committee should take into account when determining this outcome.

The Remuneration Committee, having satisfied itself regarding progress made towards the efficiency targets, approved the vesting level of the second tranche of the Award at 100% and this tranche vested on 21 June 2021. Both the first and second tranches of the award remain subject to malus and clawback provisions in line with the Remuneration Policy.

### Executive Incentive Plan (EIP) outcome (audited)

Awards granted under the 2018 EIP to former executive Directors, set out in full on page 91 of the 2018 Annual Report and Accounts and summarised below, completed their performance period on 31 December 2021. The Remuneration Committee reviewed the outcomes and concluded that three of the four elements had failed the performance hurdle and therefore lapsed.

| Measure                   | Performance underpin hurdle  | Actual performance | Outcome (as % of maximum opportunity) |
|---------------------------|--|--------------------|---------------------------------------|
| Investment performance    | At least 55% AUM by value to be outperforming the benchmark  | 66%                | 25%                                   |
| Flows                     | Gross new business flows underpin of £251.5bn <sup>1</sup> Net new business flows underpin of £40.6bn <sup>2</sup> | 183.7<br>(19.1)    | 0%                                    |
| Return on adjusted equity | At least 17%   | 12%                | 0%                                    |
| Cost/Income ratio         | 68.9% <sup>3</sup>   | 74%                | 0%                                    |

<sup>1.</sup> Flows exclude investment in cash & liquidity funds and total Lloyds.

The following amounts had been previously disclosed in respect of each director and an adjustment is set out below for each in light of the performance assessment.

| Participant    | Total EIP value deferred<br>(£000s) | EIP value following performance outcome (£000s) | Original single total figure disclosure for 2018 (£000s) | Adjusted single total figure disclosure for 2018 (£000s) |
|----------------|-------------------------------------|---|--|--|
| Martin Gilbert | 367                                 | 92  | 1,089  | 814  |
| Keith Skeoch   | 367                                 | 92  | 1,089  | 814  |
| Rod Paris      | 454                                 | 113.5   | 1,188  | 847.5  |
| Bill Rattray   | 229                                 | 57  | 847  | 675  |

### Awards granted in 2021 (audited)

The table below shows the key details of the LTIP and deferred awards granted in 2021:

| Participant                     | Type of award                      | Basis of<br>award | % of salary       | Face value<br>at grant <sup>1</sup> | Number of<br>shares<br>awarded | % payable<br>for threshold<br>performance Details on performance conditions                      |
|---------------------------------|------------------------------------|-------------------|-------------------|-------------------------------------|--------------------------------|--|
| Stephen Bird                    | Nil-cost option                    | LTIP              | 350%              | £3,062,500                          | 1,033,650                      | Awards are subject to<br>performance against targets   |
| Stephanie Bruce                 | Nil-cost option                    | LTIP              | 200%              | £1,076,250                          | 363,254                        | 25% measured over three years as set<br>out on page 78 of the Annual report<br>and accounts 2020 |
| Stephen Bird<br>Stephanie Bruce | Nil-cost option<br>Nil-cost option |                   | Not<br>applicable | £263,730<br>£189,540                | 89,008<br>63,969               | Not applicable applicable  |

<sup>1.</sup> The share price used for the awards was 296,28 pence (the five day average price from 31 March 2021)

<sup>2.</sup> Flows exclude investment in cash & liquidity funds and strategic insurance partners.

<sup>3.</sup> The Cost/Income ratio was restated from 66.0% to 68.9% to remove the impact of JVs & Associates from the 2021 target and outcome following the change to how these are accounted for in 2021.

### Share dilution limits

All share plans operated by the Company which permit awards to be satisfied by issuing new shares contain dilution limits that comply with the guidelines produced by The Investment Association (IA). On 31 December 2021, the Company's standing against these dilution limits was 0.6% where the guideline is no more than 5% in any 10 years under all discretionary share plans in which the executive Directors participate and 1.07% where the guideline is no more than 10% in any 10 years under all share plans.

As is normal practice, there are employee trusts that operate in conjunction with the Executive LTIP, Standard Life Investments LTIP, the Restricted Stock Plan, the deferred elements of the abrdn plc annual bonus plan and the Aberdeen Asset Management deferred plans. On 31 December 2021 the trusts held 64,966,706 shares acquired to satisfy these awards. Of these shares, 8,076,074 are committed to satisfying vested but unexercised awards. The percentage of share capital held by the employee trusts is 2.98% of the issued share capital of the Company – within the 5% best practice limit endorsed by the IA.

### Promoting all-employee share ownership

The Company promotes employee share ownership with a range of initiatives, including:

- The abrdn plc (Employee) Share Plan which allows eligible employees to buy abrdn plc shares directly from earnings. A similar tax-approved plan is used in Ireland. At 31 December 2021, 1,680 individuals in the UK and Ireland were actively making monthly contributions averaging £71. At 31 December 2021, 2,060 individuals were abrdn plc shareholders through participation in the Plan.
- The Sharesave Plan which was offered in 2021 to eligible employees in the UK. This plan allows UK tax resident employees to save towards the exercise of options over abrdn plc shares with the option price set at the beginning of the savings period at a discount of up to 20% of the market price. At 31 December 2021, 1,925 individuals were saving towards one or more of the Sharesave offers.

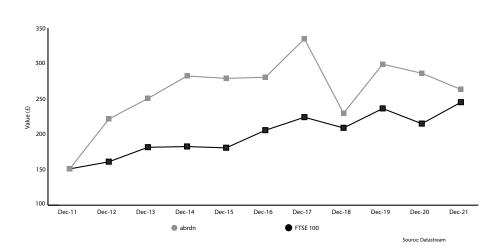
### 3. Corporate governance statement continued

### Executive Directors' remuneration in context

### Pay compared to performance

The graph shows the difference in the total shareholder return at 31 December 2021 if, on 1 January 2011, £100 had been invested in abrdn plc and in the FTSE 100 respectively. It is assumed dividends are reinvested in both. The FTSE 100 has been chosen as abrdn plc is a member of this FTSE grouping.

### Total shareholder return of abrdn plc compared to the FTSE 100 index



The following table shows the single figure of total remuneration for the Director in the role of Chief Executive Officer for the same 10 financial years as shown in the graph above. Also shown are the annual incentive awards and LTIP awards which vested based on performance in those years.

| Year ended<br>31 December | Chief Executive Officer | Chief Executive Officer single total figure of remuneration (£000s) | Bonus outcome/ Annual incentive rates against maximum opportunity (%) | Long-term incentive plan vesting rates against maximum opportunity (%) |
|---------------------------|-------------------------|---|---|--|
| 2021                      | Stephen Bird            | 2,795   | 80.5  | -  |
| 2020                      | Stephen Bird            | 1,044   | 48  | -  |
| 2020                      | Keith Skeoch            | 1,075   | 48  | -  |
| 2019                      | Keith Skeoch            | 1,472   | 21  | -  |
| 2018 <sup>1</sup>         | Keith Skeoch            | 814   | 10  | _  |
| 2010                      | Martin Gilbert          | 814   | 10  | _  |
| 2017 <sup>1</sup>         | Keith Skeoch            | 3,028   | 82  | 70   |
| 2017                      | Martin Gilbert          | 1,317   | 56  | _  |
| 2016                      | Keith Skeoch            | 2,746   | 81  | 31.02  |
| 2015                      | Keith Skeoch            | 1,411   | 87  | 40.77  |
| 2015                      | David Nish              | 2,143   | 90  | 40.77  |
| 2014                      | David Nish              | 6,083   | 95  | 100  |
| 2013                      | David Nish              | 4,206   | 75  | 64   |
| 2012                      | David Nish              | 5,564   | 88  | 100  |

<sup>1.</sup> Co-CEO. The outcome for 2018 has been updated to reflect the EIP vesting.

### Relative importance of spend on pay

The following table compares what the Company spent on employee remuneration to what is paid in the form of dividends to the Company's shareholders. Also shown is the Company's adjusted profit before tax which is provided for context as it is one of our key performance measures:

|   | 2021 | % change | 2020 |
|---|------|----------|------|
| Remuneration payable to all Group employees (£m) <sup>1</sup> | 604  | -3%      | 625  |
| Dividends paid in respect of financial year (£m)              | 309  | -1%      | 313  |
| Share buybacks and return of capital (£m) <sup>2</sup>        | 41   | -89%     | 359  |
| Adjusted profit before tax (£m) <sup>3</sup>                  | 323  | 35%      | 240  |

<sup>1.</sup> In addition, staff costs and other employee related costs of £97m (2020: £91m) and £53m (2020: £nil) are included in restructuring and corporate transaction expenses and in cost of sales respectively. See Note 6 of the Group financial statements for further information.

<sup>2.</sup> The 2020 amount excludes unsettled purchases of shares, expenses and the irrevocable contractual obligation with a third party to purchase the Company's own shares. See Note 25 of the Group financial statements for further information on the buybacks.

<sup>3.</sup> The Group has changed the definition of adjusted profit before tax in 2021. See Note 12 of the Group financial statements for further information. The comparative amount for the year ended 31 December 2020 has been prepared on the same basis as the year ended 31 December 2021 to allow for a more meaningful comparison.

### Annual percentage change in remuneration of Directors compared to UK based employees

The table below shows the percentage year-on-year change in salary, benefits and annual bonus earned between the year ended 31 December 2020 and the year ended 31 December 2021 for the executive Directors, along with any percentage change in fees for the non-executive Directors, compared to the average UK-based Group employee. The Remuneration Committee considers this the most appropriate comparison given the location of the executive Directors and that the Group does not operate a harmonised salary and benefits structure across its global operations. The 2020 disclosure is also shown alongside this data. Year on year movement on base salaries or Director fees is attributable to part-year appointment changes.

|                                       |                           | % Base sa | lary/fee | Annual bonu | is outcome | % Bene | fits <sup>1</sup> |
|---------------------------------------|---------------------------|-----------|----------|-------------|------------|--------|-------------------|
|                                       |                           | 2021      | 2020     | 2021        | 2020       | 2021   | 2020              |
| Executive                             | Stephen Bird <sup>2</sup> | 100%      | -        | 234%        | -          | -      |                   |
| Directors                             | Stephanie Bruce           | -         | 74%      | 69%         | 54%        | -      | 100%              |
| Non-                                  | Sir Douglas Flint         | -         | -        | -           | -          | -      |                   |
| executive<br>Directors <sup>3,4</sup> | Jonathan Asquith          | -         | 202%     | -           | -          | -      | _                 |
| Directors                             | John Devine               | -3%       | -2%      | -           | -          | -      | -100%             |
|                                       | Melanie Gee               | -20%      | -3%      | -           | -          | -      | -100%             |
|                                       | Hannah Grove              | -         | -        | -           | -          | -      | -                 |
|                                       | Brian McBride             | 59%       | _        | -           | -          | -      | _                 |
|                                       | Martin Pike               | -         | -3%      | -           | -          | -      | -100%             |
|                                       | Cathleen Raffaeli         | -         | -        | -           | -          | -      | -100%             |
|                                       | Jutta af Rosenborg        | -         | _        | -           | -          | -      | _                 |
|                                       | Cecilia Reyes             | -         | 292%     | -           | _          | -      | _                 |
|                                       | UK-based employees        | -         | 2.5%     | 50%         | -52.5%     | -      | 17%               |

- 1. The change in benefits figures for employees (including executive Directors) are based on the change in medical premium paid by the Group on their behalf. Benefits do not include pension contributions for these purposes.
- 2. Stephen Bird was appointed 1 July 2020.
- 3. Remuneration for non-executive Directors and the Chairman is disclosed on page 113.
- 4. Melanie Gee stepped down from the Board on 31 October 2021. Hannah Grove was appointed to the Board on 1 September 2021, and is the Board Employee Engagement designated NED as well as a member of the Nomination and Governance Committee. Brian McBride was appointed to the Board with effect from 1 May 2020.

### How pay was set across the wider workforce in 2021

Our principles for setting pay across the wider workforce are consistent with those for our executive Directors, in that the proportion of the remuneration package which is linked to performance increases for more senior roles within the Company as responsibility and accountability increases.

Base salaries are targeted at an appropriate level in the relevant markets in which the Group competes for talent. The Remuneration Committee considers the base salary percentage increases for the Group's broader UK and international employee populations when determining any annual salary increases for the executive Directors. A Group-wide decision was made not to carry out a salary review and the same approach was applied to executive Directors.

As part of the transformation of our performance culture, and incorporating colleague feedback, a new reward philosophy was adopted in 2021 (see page 39 for detail). As a result, the eligibility criteria for participation in variable pay plans was reviewed. It was determined that bonus eligibility for some UK roles should be removed, and instead their packages rebalanced to include a higher base salary. This adjustment meant that the colleagues concerned also benefitted from increases in salary linked benefits, such as pension.

For roles where variable remuneration eligibility is retained, our clear approach is designed to support and reward performance at a company, team and individual level. Performance related variable remuneration includes deferred variable compensation at a suitable level for the employee's role, ensuring a performance link over a longer time horizon than a single year. Variable remuneration for employees, including executive Directors, is determined as a total pool which is distributed across the business based on the performance of each vector and function. Individuals are then considered for a bonus payment on the basis of their individual performance objectives and goals, taking into account conduct.

The Group engaged with its employees in 2021 through the annual Viewpoints full company survey. The survey included an opportunity for employees to provide feedback to the Board on pay and benefit matters. Additionally, the Board Employee Engagement programme continued, with meet the NED sessions and virtual get togethers enabling direct communication for employees and the NEDs on a range of topics, including remuneration. The Board Employee Engagement representative NED has a designated slot at each Board meeting to feedback views and insights to ensure that employee views can be taken into account. The representative NED also shares updates with all employees via regular email communication.

### 3. Corporate governance statement continued

The Group operates a Compensation Committee comprising the Chief People Officer (Chair), Chief Financial Officer and Chief Risk Officer, the role of which is to consider the implementation of the remuneration policy across the Group. The terms of reference of the Compensation Committee are set by the Remuneration Committee and the Chair of the Compensation Committee formally reports to the Remuneration Committee on all matters which fall within the Compensation Committee's remit.

### Pay ratio

The table below sets out the ratio of CEO pay to the median, 25<sup>th</sup> and 75<sup>th</sup> percentile total remuneration of full-time equivalent UK employees in accordance with legislation published by the Government in 2018. We have identified the relevant employees for comparison using methodology B, our gender pay gap data set (snapshot data from 5 April 2021). This was chosen by the Remuneration Committee as it utilised a data set which had already been processed and thoroughly reviewed, and this enabled timely reporting for disclosure purposes. Some employing entities are excluded from the gender pay gap calculation in line with the regulations due to the number of individuals employed by these entities being less than 250. The Committee considered this would not have a material impact on the outcome of the pay ratio calculation given the limited number of individuals this excludes, relative to the total population being captured, and the range of the remuneration for those excluded individuals, which was spread across quartiles.

The remuneration paid to each of the individuals identified under methodology B was reviewed against other individuals within the quartile both above and below. The individual identified at the 25<sup>th</sup> percentile was replaced by the next identified in that quartile as they were not considered representative due to the structure of their package not being consistent with their peers'. The individual identified at the 50<sup>th</sup> percentile had a full time equivalent outcome which was considered representative of the quartile. The individual identified at the 75<sup>th</sup> percentile had since left the business and was not bonus eligible, therefore the next identified individual was selected. Benefits figures were based on the medical premium paid by the Company on behalf of employees.

The ratio has increased from 2020, which reflects the fact that the CEO has a greater level of remuneration at risk which is dependent on Company performance; based on performance in 2020, the bonus for the CEO paid out at 48% of maximum, compared to 80.5% of maximum in 2021. Additionally, there has been a material change in the number of staff employed by the Group during the year which makes a year on year comparison more challenging. It is noted that in future years the ratio may be impacted by the vesting of long-term incentive awards (the performance period of the first LTIP award granted to the CEO will end in 2022). The Committee is comfortable that the pay ratio reflects the pay and progression policies across the Company set out above. Further detail on workforce pay is set out below.

|                           | Year | Method   | 25th percentile | 50th percentile | 75th percentile |
|---------------------------|------|----------|-----------------|-----------------|-----------------|
| Stephen Bird              | 2021 | Option B | 62              | 45              | 25              |
| Stephen Bird/Keith Skeoch | 2020 | Option B | 49              | 30              | 18              |
| Keith Skeoch              | 2019 | Option B | 34              | 23              | 13              |
| Keith Skeoch              | 2018 | Option B | 30              | 19              | 12              |

|                                      | Base salary<br>(£000s) | Total pay<br>(£000s) |
|--------------------------------------|------------------------|----------------------|
| CEO remuneration                     | 875                    | 2,795                |
| 25 <sup>th</sup> percentile employee | 38                     | 45                   |
| 50 <sup>th</sup> percentile employee | 53                     | 62                   |
| 75 <sup>th</sup> percentile employee | 75                     | 113                  |

### Remuneration for non-executive Directors and the Chairman

### Single total figure of remuneration - non-executive Directors (audited)

The following table sets out the single total figure of remuneration for each of the non-executive Directors who served as a Director at any time during the financial year ending 31 December 2021. Non-executive Directors do not participate in bonus or long-term incentive plans and do not receive pension funding:

| Non-executive Directors        |      | Fees for year ended<br>31 December<br>£000s | Taxable benefits in<br>year ended<br>31 December<br>£000s | Total remuneration<br>for the year ended<br>31 December<br>£000s |
|--------------------------------|------|---|---|--|
| Sir Douglas Flint <sup>1</sup> | 2021 | 475   | -   | 475  |
|                                | 2020 | 475   | -   | 475  |
| Jonathan Asquith               | 2021 | 139   | -   | 139  |
|                                | 2020 | 139   | -   | 139  |
| John Devine                    | 2021 | 124   | 2   | 126  |
|                                | 2020 | 128   | -   | 128  |
| Melanie Gee <sup>2</sup>       | 2021 | 90  | -   | 90   |
|                                | 2020 | 113   | -   | 113  |
| Hannah Grove <sup>3</sup>      | 2021 | 29  | -   | 29   |
| Tidilidi Olove                 | 2020 | -   | -   | -  |
| Brian McBride <sup>4</sup>     | 2021 | 121   | -   | 121  |
|                                | 2020 | 76  | -   | 76   |
| Martin Pike                    | 2021 | 124   | -   | 124  |
|                                | 2020 | 124   | -   | 124  |
| Cathleen Raffaeli <sup>5</sup> | 2021 | 149   | -   | 149  |
|                                | 2020 | 149   | -   | 149  |
| Jutta af Rosenborg             | 2021 | 94  | -   | 94   |
|                                | 2020 | 94  | -   | 94   |
| Cecilia Reyes                  | 2021 | 94  | 9   | 103  |
| •                              | 2020 | 94  | -   | 94   |

 $<sup>1. \ \, \</sup>text{Sir Douglas Flint is eligible for life assurance of } 4x \, \text{his annual fee. This is a non-taxable benefit.}$ 

The non-executive Directors, including the Chairman, have letters of appointment that set out their duties and responsibilities. The key terms are set out in the remuneration policy, and can be found on pages 96-104 of the Annual report and accounts 2019.

The service agreements/letters of appointment for Directors are available to shareholders to view on request from the Company Secretary at the Company's registered address (details of which can be found on page 283) and at the 2022 AGM. Details of the date of appointment to the Board and date of election by shareholders are set out below:

| Chairman/ non-executive Director | Initial appointment to the Board | Initial election by shareholders |  |
|----------------------------------|----------------------------------|----------------------------------|--|
| Chairman                         |                                  |                                  |  |
| Sir Douglas Flint                | 1 November 2018                  | AGM 2019                         |  |
| Senior Independent Director      |                                  |                                  |  |
| Jonathan Asquith                 | 1 September 2019                 | AGM 2020                         |  |
| Non-executive Directors          |                                  |                                  |  |
| John Devine                      | 4 July 2016                      | AGM 2017                         |  |
| Melanie Gee                      | 1 November 2015                  | AGM 2016                         |  |
| Hannah Grove                     | 1 September 2021                 | -                                |  |
| Brian McBride                    | 1 May 2020                       | AGM 2020                         |  |
| Martin Pike                      | 27 September 2013                | AGM 2014                         |  |
| Cathleen Raffaeli                | 1 August 2018                    | AGM 2019                         |  |
| Jutta af Rosenborg               | 14 August 2017                   | AGM 2018                         |  |
| Cecilia Reyes                    | 1 October 2019                   | AGM 2020                         |  |

<sup>2.</sup> Stepped down from the Board with effect from 31 October 2021.

<sup>3.</sup> Appointed to the Board with effect from 1 September 2021.

<sup>4.</sup> Appointed to the Board with effect from 1 May 2020. Total fees include subsidiary Board fees of £30,000 per annum as a member of the Standard Life Savings Limited and Elevate Portfolio Services Limited Boards.

<sup>5.</sup> Total fees include subsidiary Board fees of £55,000 per annum as Chair of the Standard Life Savings Limited and Elevate Portfolio Services Limited Boards.

### 3. Corporate governance statement continued

### Implementation of policy for non-executive Directors in 2022

The following table sets out abrdn non-executive Director fees to be paid in 2022. Fees for 2022 remain at the current level, with the exception of the Committee membership fees paid to members of the Audit, Risk and Capital and Remuneration Committees, which have been increased to £17,500 following a review of market data; these membership fees had previously remained unchanged since being set in 2017.

| Role   | 2022 fees <sup>1</sup> | 2021 fees |
|--|------------------------|-----------|
| Chairman's fees <sup>2</sup>   | £475,000               | £475,000  |
| Non-executive Director fee <sup>3</sup>                                    | £73,500                | £73,500   |
| Additional fees:   |                        |           |
| Senior Independent Director  | £25,000                | £25,000   |
| Chairman of the Audit Committee  | £30,000                | £30,000   |
| Chairman of the Risk and Capital Committee                                 | £30,000                | £30,000   |
| Chairman of the Remuneration Committee                                     | £30,000                | £30,000   |
| Committee membership (Audit, Risk and Capital and Remuneration Committees) | £17,500                | £10,000   |
| Committee membership (Nomination Committee)                                | £10,000                | £10,000   |
| Employee engagement  | £15,000                | £15,000   |

<sup>1.</sup> The core fee of £73,500 paid to each non-executive Director (including the Chairman) is expected to total £735k for 2022 (2021: £662k). This is within the maximum £1,500,000 permitted under Article 87 of abrdn's articles of association. Total fees including additional duties are expected to amount to £1,407k for 2022 (2021: £1,407k).

### Non-executive Directors' interests in shares (audited)

The following table shows the total number of abrdn plc shares held by each of the non-executive Directors and their connected persons:

|                           | Total number of shares owned<br>at 1 January 2021 or date of appointment if<br>later | Shares acquired during the period<br>1 January 2021 to<br>31 December 2021 | Total number of shares owned at 31 December 2021 or date of cessation if earlier <sup>3</sup> |
|---------------------------|--|--|---|
| Sir Douglas Flint         | 89,369   | 90,248   | 179,617   |
| Jonathan Asquith          | 70,000   | 32,849   | 102,849   |
| John Devine               | 28,399   | -  | 28,399  |
| Melanie Gee <sup>1</sup>  | 67,500   | -  | 67,500  |
| Hannah Grove <sup>2</sup> | -  | 33,000   | 33,000  |
| Brian McBride             | -  | -  | -   |
| Martin Pike               | 69,476   | -  | 69,476  |
| Cathleen Raffaeli         | 9,315  | -  | 9,315   |
| Jutta af Rosenborg        | 8,750  | 231  | 8,981   |
| Cecilia Reyes             | -  | -  | -   |

<sup>1.</sup> Stepped down from the Board with effect from 31 October 2021.

Sir Douglas Flint, as Chairman, is subject to a shareholding guideline of 100% of the value of his annual fee in abrdn plc shares to be reached within four years of appointment. As set out in the above table, during 2021 he purchased 90,248 abrdn plc shares. The total investment cost of Sir Douglas Flint's shareholding was £453k, equivalent to 95% of his annual fee. Based on the share price at 31 December 2021 (240.90p), his shareholding is valued at 91% of his annual fee.

<sup>2.</sup> The Chairman's fees are inclusive of the non-executive Directors' core fees and no additional fees are paid to the Chairman where he chairs, or is a member of, other committees/boards. The Chairman is eligible to receive life assurance, which is a non-taxable benefit.

<sup>3.</sup> For non-executive Directors, individual fees are constructed by taking the core fee and adding extra fees for being the Senior Independent Director, chairman or member of committees and/or subsidiary boards where a greater responsibility and time commitment is required.

<sup>2.</sup> Appointed to the Board with effect from 1 September 2021.

<sup>3.</sup> There were no changes to the number of shares held by the reportable Directors noted above between 31 December 2021 and 28 February 2022. On 4 January 2022, Catherine Bradley was appointed to the Board. As at 28 February 2022 she holds 12,181 shares.

### The Remuneration Committee

### Membership

During 2021 the Remuneration Committee was made up of independent non-executive Directors. For their names, the number of meetings and committee member attendance during 2021, please see the table on page 82.

### The role of the Remuneration Committee

To consider and make recommendations to the Board in respect of the total remuneration policy across the Company, including:

- Rewards for the executive Directors, senior employees and the Chairman.
- The design and targets for any employee share plan.
- The design and targets for annual cash bonus plans throughout the Company.
- Changes to employee benefit structures (including pensions) throughout the Company.

### The Remuneration Committee's work in 2021



- 2020 Directors' remuneration report.
- 2020 bonus payments and 2018 LTIP outcomes.
- 2021 annual bonus scorecard targets and 2021 LTIP targets.
- Updates from the Risk and Audit Committees on relevant matters for the Committee's consideration when determining pay outcomes.
- Review remuneration outcomes for executive Directors and the Material Risk Taker population.



- Update on the external environment and feedback from AGM.
- Review the Group Remuneration Philosophy and Policy.
- Remuneration decisions for the Executive Leadership Team and other senior employees within Remuneration Committee's remit.
- Agree outcome of the second tranche of the CFO's one-off award.



- Consider anticipated impact of regulatory changes on remuneration.
- Review eligibility criteria for the Group-wide Variable Pay Plan.
- Mid-year review of performance against target for annual bonus and LTIP awards for the executive Directors.



- Finalise Group Remuneration Policy and bonus pool allocation principles.
- Review gender pay gap data.
- Updates on regulatory changes and external environment.
- Update the Remuneration Committee's Terms of Reference.
- Review 2022 remuneration proposals.

### External advisers

During the year, the Remuneration Committee took advice from Deloitte LLP (a member of the Remuneration Consultants Group) who were appointed by the Remuneration Committee in 2017. The Remuneration Committee is satisfied that the advice given is objective and independent.

A representative from Deloitte LLP attends, by invitation, all Remuneration Committee meetings to provide information and updates on external developments affecting remuneration as well as specific matters raised by the Remuneration Committee. Outside the meetings, the Remuneration Committee's Chairman seeks advice on remuneration matters on an ongoing basis. As well as advising the Remuneration Committee, Deloitte LLP also provided tax, accounting support, risk management and consultancy services to the Company during the year. Deloitte Total Rewards and Benefits is an investment adviser to the trustees of the Standard Life Staff Pension Scheme.

Fees paid to Deloitte LLP during 2021 for professional advice to the Remuneration Committee were £183,750.

Deloitte LLP have now been Remuneration Committee advisers for five years. To ensure the Committee is receiving the best quality advice and value for money, a retender process has been started, with a view to appointing a new adviser or retaining Deloitte LLP in summer 2022. The outcome of this process will be published to shareholders in next year's Directors' Remuneration Report.

Where appropriate, the Remuneration Committee receives input from the Chairman, Chief Executive Officer, Chief Financial Officer, Chief People Officer, Global Head of Reward and the Chief Risk Officer. This input never relates to their own remuneration. The Remuneration Committee also receives input from the Risk and Capital Committee and the Audit Committee.

### 3. Corporate governance statement continued

### Remuneration Committee effectiveness

The Committee reviews its remit and effectiveness each year. The 2021 review was conducted internally by the Company Secretary, who met with each of the Committee members. As well as general observations, the key performance areas considered were:

- The comprehensiveness of the Committee's agendas against members' expectations.
- How effectively agenda items were presented, discussed and time managed.
- The quality and level of detail in the papers.
- How well the Committee met its objectives in terms of making decisions and reporting to the Board.
- How effectively the Chair discharged their responsibilities.

The Committee members did not raise any material issues or concerns regarding the above areas or the overall effectiveness of the Committee during 2021. They were very supportive of the Chair's effective role in leading the Committee through its discussions. The main area where the Committee looked to see continued improvement in 2022 was in relation to the clarity of the presentation of some of the more technical and regulatory remuneration matters. The Committee was pleased that during 2021 it had found time to move beyond overseeing the annual cycle of remuneration matters to review and agree the revised and updated Group Remuneration Policy and Principles.

### Shareholder voting

We remain committed to ongoing shareholder dialogue and take an active interest in voting outcomes.

The remuneration policy was subject to a vote at the 2020 AGM on 12 May 2020 and the following table sets out the outcome.

| Policy 2020 AGM   | For           | Against    | Withheld   |
|-------------------|---------------|------------|------------|
| % of total votes  | 91.66%        | 8.34%      |            |
| No. of votes cast | 1,003,905,073 | 91,323,405 | 10,346,991 |

The Directors' remuneration report was subject to a vote at the 2021 AGM on 18 May 2021 and the following table sets out the outcome.

| 2020 Directors' remuneration report | For         | Against    | Withheld  |
|-------------------------------------|-------------|------------|-----------|
| % of total votes                    | 96.90%      | 3.10%      |           |
| No. of votes cast                   | 969,169,906 | 30,957,556 | 2,113,755 |

### 4. Directors' report

The Directors present their annual report on the affairs of the abrdn group of companies (the Group), together with the audited International Financial Reporting Standards (IFRS) consolidated financial statements for the Group, financial information for the Group and financial statements for abrdn plc (the Company) for the year ended 31 December 2021. Standard Life Aberdeen plc was renamed abrdn plc on 2 July 2021.

For clarity, some of the matters that would otherwise have been included in the Directors' report have been included in the Strategic report on pages 2 to 65, as the Board considers they fit better within that report. Specifically, these are:

- Future business developments.
- Risk management.
- Total global greenhouse gas emissions.
- Information on how the Directors have had regard for the Company's stakeholders (also covered in the Corporate governance statement on pages 74 and 75).
- Information on our people including employee engagement, diversity and inclusion, and talent and reward (details of the Board's diversity statement can be found in the Corporate governance statement on page 78).

### Reporting for the year ended 31 December 2021

During 2021, the Group operated primarily in the UK, rest of Europe, Asia and the Americas. You can find out about the relevant activities of the Company's principal subsidiary undertakings in the Strategic report on pages 1 to 65.

In his overview section of the Strategic report, Stephen Bird our Chief Executive Officer outlines the main trends and factors likely to affect the future development, performance and position of the Group. Reviews of the operating and financial performance of the Group for the year ended 31 December 2021 are also given in the Strategic report.

The Chairman's statement, the Directors' responsibility statement and the Corporate governance statement form part of this Directors' report. The Corporate governance statement on pages 72 to 116 is submitted by the Board.

The results of the Group are presented in the Group financial statements on pages 136 to 251. A detailed description of the basis of preparation of the IFRS results (including adjusted profit) is set out in the Group financial statements section. The Group uses derivative financial instruments in the normal course of its business and information covering these instruments and related financial risk management matters can be found in Note 19 and Note 37 to the Group financial statements. These notes are incorporated into this report by reference.

This report was prepared by the executive leadership team together with the Board and forms part of the management report for the purposes of the Disclosure Guidance and Transparency Rules (DTR 4.1.8R) of the Financial Conduct Authority (FCA).

### **Dividends**

The Board recommends paying a final dividend for 2021 of 7.3p per ordinary share. This will be paid on 24 May 2022 to shareholders whose names are on the register of members at the close of business on 8 April 2022.

The total payment is estimated at £155m for the final dividend and together with the interim dividend of 7.30p per share totalling £154m paid on 28 September 2021, the total dividend for 2021 will be 14.6p per share (2020: 14.6p) totalling £309m (2020: £313m).

### Share capital

The Company's issued share capital as at 31 December 2021 comprised a single class of ordinary share. You can find full details of the Company's share capital, including movements in the Company's issued ordinary share capital during the year, in Note 25 to the Group financial statements, which is incorporated into this report by reference. You can also find an analysis of registered shareholdings by size, as at 31 December 2021, in the Shareholder information section on page 283.

On 7 February 2020, the Company announced the commencement of a share buyback programme of the Company's ordinary shares up to a maximum aggregate consideration of £400m. This programme completed on 12 February 2021. The purpose of this programme was to return value to shareholders and reduce the share capital of the Company. All shares purchased have been cancelled. In total 158,003,158 shares were cancelled through this programme, of which 13,392,862 were purchased and cancelled in 2021.

As at 31 December 2021, there were 2,180,724,786 ordinary shares in issue held by 92,507 registered members. The abrdn Share Account (the Companysponsored nominee) held 642,153,852 of those shares on behalf of 942,539 participants. No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

Between 1 January 2021 and the date this report was signed, the Company received the following notification in respect of major shareholdings and major proportions of voting rights in accordance with the Disclosure Guidance and Transparency Rules of the FCA:

| Shareholder  | Date of transaction | Type of transaction | Number of<br>voting rights<br>following the<br>transaction | Percentage of<br>voting rights<br>following the<br>transaction |
|--------------|---------------------|---------------------|--|--|
| Silchester   |                     |                     |  |  |
| Internationa | l 19                | Acquisition         |  |  |
| Investors    | January             | of voting           |  |  |
| LLP          | 2022                | rights              | 109,500,722  | 2 5.02%  |

In accordance with the terms of the Standard Life Employee Trust Deed, the trustees waived all entitlements to current or future dividend payments for shares they hold.

### 4. Directors' report continued

Similarly, in accordance with the terms of The Aberdeen Asset Management Employee Benefit Trust 2003 and The Standard Life Aberdeen Employee Benefit Trust 2019, the trustees waived all entitlements to current or future dividend payments for shares they hold other than dividends payable on any shares held by the trustee as nominee for any other person.

The trustees of the abrdn plc (Employee) Share Plan voted the appropriate shares in accordance with any instructions received from participants in the plan.

### Restrictions on the transfer of shares and securities

Except as listed below, there are no specific restrictions on the size of a holding or on the transfer of shares. Both are governed by the general provisions of the Company's articles of association (the Articles) and current legislation and regulation.

You can obtain a copy of the Articles from Companies House or by writing to the Company Secretary at our registered address (details of which can be found in the Contact us section). The Articles may only be amended by a special resolution passed by the shareholders.



You can read the Articles on our website www.abrdn.com/annualreport

The Board may decline to register the transfer of:

- A share that is not fully paid.
- A certificated share, unless the instrument of transfer is duly stamped or duly certified and accompanied by the relevant share certificate or other evidence of the right to transfer, is in respect of only one class of share and is in favour of a sole transferee or no more than four joint transferees.
- An uncertificated share, in the circumstances set out in the uncertificated securities rules (as defined in the Articles) and, in the case of a transfer to joint holders, where the number of joint holders to whom the share is to be transferred does not exceed four.
- A certificated share by a person with a 0.25 per cent interest (as defined in the Articles) in the Company, if that person has been served with a restriction notice under the Articles, after failing to provide the Company with information about interests in those shares as set out in the Companies Act 2006 (unless the transfer is shown to the Board to be pursuant to an arm's length sale under the Articles).

These restrictions are in line with the standards set out in the FCA's Listing Rules and are considered to be standard for a listed company.

The Directors are not aware of any other agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights.

### Rights attached to shares

Subject to applicable statutes, any resolution passed by the Company under the Companies Act 2006 and other shareholders' rights, shares may be issued with such rights and restrictions as the Company may decide by ordinary resolution, or (if there is no such resolution or if it does not make specific provision) as the Board may decide. Subject to the Articles, the Companies Act 2006 and other shareholders' rights, unissued shares are at the disposal of the Board.

Every member and duly appointed proxy present at a general meeting or class meeting has one vote on a show of hands, provided that where a proxy is appointed by more than one shareholder entitled to vote on a resolution and is instructed by one shareholder to vote 'for' the resolution and by another shareholder to vote 'against' the resolution, then the proxy will be allowed two votes on a show of hands – one vote 'for' and one vote 'against'. On a poll, every member present in person or by proxy has one vote for every share they hold. For joint shareholders, the vote of the senior joint shareholder who tenders a vote, in person or by proxy, will be accepted and will exclude the votes of the other joint shareholders. For this purpose, seniority is determined by the order that the names appear on the register of members for joint shareholders.

A member will not be entitled to vote at any general meeting or class meeting in respect of any share they hold if any call or other sum then payable by them for that share remains unpaid or if they have been served with a restriction notice (as defined in the Articles) after failing to provide the Company with information about interests in those shares required to be provided under the Companies Act 2006.

The Company may, by ordinary resolution, declare dividends up to the amount recommended by the Board. Subject to the Companies Act 2006, the Board may also pay an interim dividend, and any fixed rate dividend, whenever the financial position of the Company, in the opinion of the Board, justifies its payment. If the Board acts in good faith, it is not liable to holders of shares with preferred or pari passurights for losses that arise from paying interim or fixed dividends on other shares.

The Board may withhold payment of all or part of any dividends or other monies payable in respect of the Company's shares from a person with a 0.25 per cent interest (as defined in the Articles) if that person has been served with a restriction notice (as defined in the Articles) after failure to provide the Company with information about interests in those shares, which is required under the Companies Act 2006.

Subject to the Companies Act 2006, rights attached to any class of shares may be varied with the written consent of the holders of not less than three-quarters in nominal value of the issued shares of that class (excluding any shares held as treasury shares). These rights can also be varied with the approval of a special resolution passed at a separate general meeting of the holders of those shares. At every separate general meeting (except an adjourned meeting) the quorum shall be two persons holding, or representing by proxy, not less than one-third in nominal value of the issued shares of the class (calculated excluding any shares held as treasury shares).

A shareholder's rights will not change if additional shares ranking *pari passu* with their shares are created or issued –

unless this is expressly provided in the rights attaching to their shares.

### Power to purchase the Company's own shares

At the 2021 Annual General Meeting (AGM), shareholders granted the Directors limited powers to:

- Allot ordinary shares in the Company up to a maximum aggregate amount of £101,535,919.
- Disapply, up to a maximum total nominal amount of £15,230,387 of its issued ordinary share capital, shareholders' pre-emption rights in respect of new ordinary shares issued for cash.
- Make market purchases of the Company's ordinary shares up to a maximum of 218,072,305 of its issued ordinary shares.

During 2021, under the authorities granted at the 2020 and 2021 AGMs, the Company purchased 13,392,862 of its ordinary shares of 13 61/63 pence each, paying an aggregate amount of £40,971,363. As at 31 December 2021, the percentage of share capital represented by these purchased shares was approximately 6.1%.

### Significant agreements

Certain significant agreements to which the Company, or one of its subsidiaries, is party entitle the counterparties to exercise termination or other rights in the event of a change of control of the Company. These agreements are noted in the paragraphs below.

### Credit Facility

Under a £400 m revolving credit facility between the Company and the banks and financial institutions named therein as lenders (Lender) dated 12 February 2021 (the Facility), in the event that any persons or group of persons acting in concert, gain control of the Company, then any Lender may elect within a prescribed time frame to cancel its outstanding commitment under the Facility and declare its participation in all outstanding loans, together with accrued interest and all amounts accrued, immediately due and payable, whereupon the commitment of that Lender under the Facility will be cancelled and all such outstanding amounts will become immediately due and payable.

### China

Under a joint venture agreement dated 12 October 2009 (as amended) between the Company and Tianjin TEDA International Holding (Group) Co. Limited (TEDA), pursuant to which the Company holds its interest in Heng An Standard Life Insurance Company Limited (Heng An Standard Life), upon a change of control of the Company, TEDA has the right to terminate the venture and to purchase, or nominate a third party to purchase, the Company's shares in Heng An Standard Life for a price determined in accordance with the agreement.

### Other agreements

A number of other agreements contain provisions that entitle the counterparties to exercise termination or other rights in the event of a change of control of the Company. However, these agreements are not considered to be significant in terms of their likely impact on the business of the Group as a whole.

The Directors are not aware of any agreements with any employee that would provide compensation for loss of office or employment resulting from a takeover. The Company also has no agreement with any Director to provide compensation for loss of office or employment resulting from a takeover.

### Appointment and retirement of Directors

The appointment and retirement of Directors is governed by the Articles, the Companies Act 2006, the UK Corporate Governance Code and related legislation.

Hannah Grove was appointed as a non-executive Director on 1 September 2021 and succeeded Melanie Gee as Board Employee Engagement designated non-executive Director on 1 November 2021 after Melanie Gee stepped down from the Board on 31 October 2021.

Catherine Bradley was appointed as a non-executive Director on 4 January 2022.

As announced, it is intended that Mike O'Brien and Pam Kaur will be appointed as non-executive Directors on 1 June 2022, subject to shareholder approval.

Having been appointed since the 2021 AGM, Hannah Grove and Catherine Bradley will retire and stand for election at the 2022 AGM.

All remaining Directors as at the date of the 2022 AGM, other than Jutta af Rosenborg and Martin Pike, will retire and stand for re-election. Jutta af Rosenborg and Martin Pike will retire from the Board at the conclusion of the AGM.

The powers of the Directors can also be found in the Articles.

### Directors and their interests

The Directors who served during the year, and up to the date the report was signed were:

Sir Douglas Flint (Chairman) Melanie Gee<sup>2</sup>
Stephen Bird Hannah Grove<sup>1</sup>
Stephanie Bruce Martin Pike
Jonathan Asquith Cathleen Raffaeli
Catherine Bradley<sup>3</sup>

Brian McBride Cecilia Reyes
John Devine Jutta af Rosenborg

- 1. Appointed 1 September 2021.
- 2. Retired 31 October 2021.
- 3. Appointed 4 January 2022.



Biographies of the current Directors can be found on pages 68 to 71.

Details of the Directors' interests in the Company's ordinary shares, the abrdn plc (Employee) Share Plan, the abrdn Sharesave Plan and the share-based discretionary plans are set out in the Directors' remuneration report together with details of the executive Directors' service contracts and non-executive Directors' appointment letters.

No Director has any interest in the Company's listed debt securities or in any shares, debentures or loan stock of the Company's subsidiaries. No Director has any material

### 4. Directors' report continued

interest in any contract with the Company or a subsidiary undertaking which was significant in relation to the Company's business, except for the following:

- The benefit of a continuing third party indemnity provided by the Company (in accordance with company law and the Articles).
- Service contracts between each executive Director and subsidiary undertakings (Aberdeen Corporate Services Limited and Aberdeen Asset Management PLC).

Copies of the following documents can be viewed at the Company's registered office (details of which can be found in the Contact us section) during normal business hours (9am to 5pm Monday to Friday) and are available for inspection at the Company's AGM:

- The Directors' service contracts or letters of appointment.
- The Directors' deeds of indemnity, entered into in connection with the indemnification of Directors provisions in the Articles.
- The rules of the abrdn plc Executive Long-Term Incentive Plan.
- The rules of the abrdn plc Deferred Share Plan.
- The Company's Articles.

### Directors' liability insurance

During 2021, the Company maintained directors' and officers' liability insurance on behalf of its directors and officers to provide cover should any legal action be brought against them. The Company also maintained pension trustee liability indemnity policies (which includes third party indemnity) for the boards of trustees of the UK and Irish staff pension schemes where required to do so.

### Our people

Our people are central to delivering our strategy, and we are focused on helping them thrive.



You can read more on our people strategy in the Strategic report section of this report.

### Communicating with and engaging employees

We have a comprehensive approach to informing and involving our colleagues in our business across elements that affect them directly - such as terms and conditions, benefits and organisational change - through to broader strategic information that helps them to understand our company's ambitions and how they contribute to our success.

Frequent, two-way discussions and engagement takes many forms globally including leader-led town hall and team sessions with question and answer segments, coffee sessions with leaders to promote open discussion, focus groups to gather feedback on specific ideas, and engagement groups that result in co-created internal communications plans - such as for blended working, workload management and engaging colleagues on our new brand during this year.

Engaging and involving colleagues in organisational change continues to be a priority and our regular colleague forums provide defined structure for these

processes, including formal consultation on changes to colleague roles and team structures. In the UK we engage with our established Employee Forum on such matters and engage with colleague D&I networks for special interest topics.

Our performance management approach – clarified this year as per 'Our pay philosophy' on page 39 - is based on empowering colleagues to align their own goals and behaviours to our strategy and we provide extensive internal communications to colleagues when we make our twice-yearly financial results announcements that outline our progress and achievements.

Board papers include a specific consideration of how matters presented to the Board have taken account of employee interests. Further information on Board engagement with employees can be found in the Corporate governance statement on page 73.

### Inclusion and diversity

### Disability statement

We have specific policies to ensure that colleagues with disabilities face no discrimination or obstacles in relation to job applications, training, promotion and career development. Reasonable adjustments are also made to train and enable employees who become disabled to allow them to continue and progress in their career.

D&I policy, how it is implemented, progress made against it To complement the Board's formal diversity statement www.abrdn.com/annualreport, the Executive leadership team put in place a Global Diversity and Inclusion policy www.abrdn.com/annualreport in 2019. It affirms that diversity and inclusion remain as fundamental pillars supporting all our decisions. We have always considered diversity in the broadest sense – in backgrounds, experience, strengths and thinking as well as visible and not visible characteristics. By valuing diverse talent and enabling people to reach their potential in an inclusive culture, we provide global clients with the diversity of thought and creativity required to bring long-term value.

Our 2021 Diversity and Inclusion report describes our progress and how the objectives of our policy are implemented. You can read more here **www.abrdn.com/annualreport**. Progress against our diversity and inclusion framework is reviewed by the Nomination and Governance Committee.

### Gender representation

| Gender Diversity                           | 31 December 2021           | Target by 2025                             |
|--|----------------------------|--|
| Women at plc<br>Board                      | 45%<br>(5 of 11)           | 40% women   40%<br>men   20% any<br>gender |
| Women in senior<br>leadership <sup>1</sup> | 36%<br>(62 of 171)         | 40% women   40%<br>men   20% any<br>gender |
| Women in global<br>workforce               | 46%<br>(2,297 of<br>5,033) | 50% (+/- 3%<br>tolerance)                  |

Relates to leaders one and two levels below CEO, minus administration roles

### Parker recommendations

As evidence of our commitment to ethnic diversity, we introduced an ethnicity target for the first time which took effect on 1 January 2021, following the recommendations of the Sir John Parker review. Since 2019 we have met the Parker recommendation to have at least one Board member who identifies as ethnic minority, and our target is to have one additional qualifying Board member by 2025. The Board Charter mandates appointments to be based on merit, with due consideration given to the Board's gender and ethnicity balance.

### Sustainability

The commercial aims of our business are linked to its environmental, social and governance responsibilities. You can find out more about how the business is run sustainably throughout the Strategic report. The non-financial information statement on page 44 summarises where you can find key information on the approach. For details of greenhouse gas emissions, please see page 37.

### Political donations

The Company has a long-standing policy of not making political donations. The Company has limited authorisation from shareholders to make political donations and incur political expenditure (Resolution 8, 2021 AGM). This is requested as a precaution against any inadvertent breach of political donations legislation. While abrdn has regular interaction with government and elected politicians in the UK and other jurisdictions in which we operate, we are strictly apolitical.

### **Auditors**

The Audit Committee is responsible for considering the Group's External audit arrangements. Resolutions proposing the re-appointment of KPMG LLP as auditors of the Company and giving authority to the Audit Committee to determine their remuneration will be submitted at the 2022 AGM.

### Disclosure of information to the auditors

The Directors who held office at the date of the approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that he or she ought to have taken as a Director to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

### **Annual General Meeting**

The 2022 AGM is scheduled to take place on 18 May 2022 in Edinburgh. Details of the meeting content can be found in our AGM guide 2022. The AGM guide and other materials will be published online at **www.abrdn.com** in advance of this year's AGM.

### Post balance sheet events

On 28 January 2022, the Group announced that it had sold an aggregate of 39,981,442 ordinary shares of its shareholding in Phoenix, representing approximately 4% of Phoenix's issued share capital, at a price of 660 pence per share, raising aggregate gross sale proceeds of c£264 million. As a result of the sale, the Company's shareholding has reduced to 10.4% and it continues to be classified as equity securities and interests in pooled investment funds, measured at fair value.

On 2 December 2021 the Group announced the proposed acquisition of 100% of the issued share capital of Antler Holdco Limited, the holding company of interactive investor Limited (interactive investor) for cash consideration of £1.49bn, subject to certain adjustments. interactive investor is the leading subscription-based, digitally enabled, direct investing platform in the UK and, as the acquisition constitutes a Class 1 transaction under the Listing Rules, a Class 1 Circular was published on 9 February 2022. Completion is subject to the satisfaction of certain conditions, including relevant regulatory approvals and the approval of the acquisition by the Group's shareholders at a General Meeting on 15 March 2022.

### 4. Directors' report continued

### Other information

Under Listing Rule 9.8.4.CR, a listed company must include all information required by LR 9.8.4R in a single identifiable location or cross-reference table. For the purposes of LR 9.8.4CR, the information required to be disclosed can be found in the following locations. All the relevant information cross-referenced below is hereby incorporated by reference into this Directors' report.

|  |                   | Location                          |                         |
|--|-------------------|-----------------------------------|-------------------------|
| Topic  | Directors' report | Directors'<br>remuneration report | None/<br>Not applicable |
| Interest capitalised   |                   |                                   | X                       |
| Publication of unaudited financial information in a class 1 circular or in a prospectus, other than in accordance with Annexes 1 and 2 of the FCA's Prospectus Rules |                   |                                   | ×                       |
| Details of long-term incentive schemes   |                   | X                                 |                         |
| Waiver of emoluments by a director   |                   |                                   | ×                       |
| Waiver of future emoluments by a director  |                   |                                   | X                       |
| Non pre-emptive issues of equity for cash  |                   |                                   | ×                       |
| Non pre-emptive issues of equity for cash in relation to major subsidiary undertakings   |                   |                                   | ×                       |
| Parent participation in a placing by a listed subsidiary   |                   |                                   | ×                       |
| Contracts of significance  |                   |                                   | ×                       |
| Provision of services by a controlling shareholder   |                   |                                   | X                       |
| Shareholder waivers of dividends   | X                 |                                   |                         |
| Shareholder waivers of future dividends  | X                 |                                   |                         |
| Agreements with controlling shareholders   |                   |                                   | X                       |

### Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and financial position, are set out in the Strategic report. This includes details on our liquidity and capital management and our viability statement in the Chief Financial Officer's overview section and our principal risks in the Risk management section including the impact of COVID-19 on these principal risks. The Group financial statements include additional information relating to going concern in the basis of preparation section.

The Group continues to meet group and individual entity capital requirements and day-to-day liquidity needs. The Company has a revolving credit facility of £400m as part of our contingency funding plans and this is due to mature in 2025. The Group has considerable financial resources together with a diversified business model, with a spread of business and geographical reach. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully.

After making enquiries and having assessed the principal risks and all other available information, the Directors are satisfied that the Group and Company have and will maintain sufficient resources to enable them to continue operating for at least 12 months from the date of approval of the financial statements and therefore consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements. There are no material uncertainties relating to this going concern conclusion. In addition, the Directors have assessed the Group's viability over a period of three years.

The Directors' report was approved by the Board and signed on its behalf by:

Kenneth A Gilmour Company Secretary

emeth A. Gelhow

28 February 2022

# 5. Statement of Directors' responsibilities in respect of the Annual report and the financial statements

The Directors are responsible for preparing the Annual report and accounts and the Group and Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and applicable law and have elected to prepare the Company financial statements in accordance with UK accounting standards and applicable law, including FRS 101 Reduced Disclosure Framework. In addition the Group financial statements are required under the UK Disclosure Guidance and Transparency Rules to be prepared in accordance with UK-adopted international accounting standards.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the Group's profit or loss for that period. In preparing each of the Group and Company financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently.
- Make judgements and estimates that are reasonable, relevant, reliable and prudent.
- For the Group financial statements, state whether they
  have been prepared in accordance with international
  accounting standards in conformity with the
  requirements of the Companies Act 2006 and UKadopted international accounting standards.
- For the Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the Company financial statements.
- For the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern.
- Use the going concern basis of accounting unless they either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic report, Directors' report, Directors' remuneration report and Corporate governance statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Responsibility statement of the Directors in respect of the annual financial report

We confirm that to the best of our knowledge:

- The financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole.
- The Strategic report and Directors' report include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider the Annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

By order of the Board

**Sir Douglas Flint** Chairman

28 February 2022

**Stephanie Bruce**Chief Financial Officer

28 February 2022

## **Financial Information**

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### How to navigate our Group financial statements

The Group's significant **accounting policies** are included at the beginning of the relevant notes to the Group financial statements with this background colour. Critical judgements in applying accounting policies are summarised in the Presentation of consolidated financial statements section which follows the primary financial statements. Accounting policies that are relevant to the financial statements as a whole are also set out in that section.

The Group's critical **accounting estimates** and assumptions are summarised in the Presentation of consolidated financial statements section which follows the primary financial statements. Further detail on these critical accounting estimates and assumptions is provided in the relevant note with this background colour.



# 6. Independent auditors' report to the members of abrdn plc

### 1. Our opinion is unmodified

We have audited the financial statements of abrdn plc ("the Company") for the year ended 31 December 2021 which comprise the Consolidated income statement, Consolidated statement of comprehensive income, Consolidated statement of financial position, Consolidated statement of changes in equity, Consolidated statement of cash flows, Company statement of financial position, Company statement of changes in equity, and the related notes, including the accounting policies in the Basis of preparation. In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2021 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were first appointed as auditor by the shareholders on 16 May 2017. The period of total uninterrupted engagement is for the five financial years ended 31 December 2021. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

| Overview   |   |  |
|--|---|--|
| Materiality: Group financial statements as a whole | £19m (2020: £25m)<br>3.5% (2020: 2.7%) of normalised<br>profit before tax   |  |
| Coverage   | 89% (2020: 90%) of profits and<br>losses that made up Group<br>profit before tax  |  |
| Key audit<br>matters                               | vs<br>2020  |  |
| Recurring<br>risks                                 | Valuation of UK defined benefit pension scheme ◀ ▶ obligation Recoverability of certain of the parent's ◀ ▶ investment in subsidiaries  |  |
| Event driven risk                                  | New: Fair value of the contingent consideration liability and intangible assets recognised on the acquisition of Tritax  Management LLP |  |



### 2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters, in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and our findings from those procedures in order that the Company's members, as a body, may better understand the process by which we arrived at our audit opinion. These matters were addressed, and our findings are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

### Valuation of the **UK** defined benefit pension scheme present value of funded obligation (£2,899m, 2020: £3,015m) Refer to page 87 (Audit Committee assumptions. Report), page 206 (accounting policy) and page

207 (financial

disclosures).

### Subjective Valuation

The risk

The present value of the Group's funded obligation for the UK defined benefit ('DB') pension scheme is an area that involves significant judgement over the uncertain future settlement value. The Group is required to use judgment in the selection of key assumptions covering both operating assumptions and economic

The key operating assumptions are base mortality and mortality improvement. The key economic assumptions are the discount rate and inflation. The risk is that inappropriate assumptions are used in determining the present value of the funded obligation.

The effect of these matters is that, as part of our risk assessment, we determine that the valuation of the pension scheme obligation has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole and possibly many times that amount.

The financial statements (Note 33) disclose the sensitivity estimated by the Group.

We performed the tests below rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.

### Our procedures included:

Test of detail and our sector experience: We evaluated the competency and objectivity of the Group's experts who assisted them in determining the actuarial assumptions used to calculate the defined benefit obligation.

We considered, with the support of internal actuarial specialists, the appropriateness of the base mortality assumption by reference to scheme and industry data on historical mortality experience and the outcome of the latest triennial report.

We considered, with the support of internal actuarial specialists, the appropriateness of the mortality improvement assumptions by reference to industry-based expectations of future mortality improvements and the appropriateness of the discount rate and inflation assumptions by reference to industry practice.

Assessing transparency: In conjunction with internal actuarial specialists, we considered whether the Group's disclosures in relation to the assumptions used in the calculation of present value of the funded obligation appropriately represent the sensitivities of the obligation to the use of alternative assumptions.

### Our findings

We found the estimated valuation of the UK defined benefit pension scheme obligation to be balanced (2020: balanced) with proportionate (2020: proportionate) disclosures of the related assumptions and sensitivities.

### 6. Independent auditors' report to the members of abrdn plc continued



Fair value of the contingent consideration liability and intangible assets recognised on the acquisition of Tritax Management LLP

(Contingent

consideration liability on acquisition: £155m, 2020: £nil; Intangible assets recognised on acquisition: £71m, valuation). 2020: £nil) Refer to page 87

(accounting

149 (financial

disclosures).

policy) and page

### Subjective Estimate

The risk

In April 2021, abrdn completed the acquisition of 60% of the membership interests of Tritax Management LLP ("Tritax"); there are a number of accounting estimates associated with the acquisition accounting for this transaction.

The contingent consideration liabilities recognised on acquisition must be recognised at fair value; the valuation of these liabilities contains estimation uncertainty (including through the determination of the cash flow forecasts and the discount rate used in the

On acquisition, separate intangible assets (Audit Committee must be identified and valued. Both the Report), page 148 identification of each category of intangible asset to be recognised and the valuation of these assets are subjective, and involve judgement (e.g. determination of the useful economic life) and estimation uncertainty (e.g. the determination of the discount rate or cash flow forecasts to be used in the valuation).

> The effect of these matters is that, as part of expected range. our risk assessment, we determined that the fair value of contingent consideration payable and the fair value of identified intangibles have a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole.

The financial statements (note 39) disclose the sensitivities estimated by the Group in respect of the contingent consideration liability.

#### Our response

We performed the tests below rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.

### Our procedures included:

Our business combination and sector expertise: We considered the rationale for the acquisition, reviewed the terms of the acquisition, board minutes and other available information in order to challenge the identification of intangible assets.

Assessing principles: We assessed management's analysis of accounting principles against the provisions of the LLP agreement in respect of the treatment of payments made to former owners as either remuneration or consideration, and whether these should be reflected within the fair value of the contingent consideration liability.

Our valuation expertise: Using our valuation specialists we challenged the identification and valuation analysis prepared by management (and the third party valuations experts who assisted management), including the assessment of the useful economic life of identified intangibles and the allocation of the purchase price between goodwill and separately identifiable intangible assets. We assessed the appropriateness of input assumptions to the valuation analysis. This included performing a critical assessment of the reliability of management's forecasts and comparing the discount rate assumption with our own

We assessed the appropriateness of the valuation model proposed by management with respect to the valuation of the contingent consideration and assessed the input assumptions into the valuation, assisted by our valuation specialists. This included performing a critical assessment of the reliability of management's forecasts (including their determination of the forecast period) and an assessment of the applicable scenario probability weightings against our own sector experience.

Sensitivity analysis: We have performed our own sensitivity analysis, which included assessing the effect of reasonably possible changes in input assumptions to evaluate the impact on the valuation of both the contingent consideration and the separately identifiable intangible assets (and corresponding allocation of the purchase price to goodwill).

Assessing transparency: We have assessed the transparency of the Group's disclosures in respect of the acquisitions, including in respect of applicable estimation uncertainty.

### Our findings

We found the estimated valuation of the fair value of the contingent consideration liability and intangible assets recognised on the acquisition of Tritax Management LLP to be balanced (2020: n/a) with proportionate (2020: n/a) disclosures of the related assumptions and sensitivities.



The risk

Recoverability of certain of the parent's investments in subsidiaries: (Parent Company: Certain investments in subsidiaries: included within the total investments in subsidiaries balance of £5,065m (2020: £4,013m); Impairment of investment in subsidiaries: £45m (2020: £1,873m)) Refer to page 88 Report), page 255 (accounting policy) and page 257 (financial

disclosures).

### Subjective Judgement

As disclosed in note A of the parent Company financial statements, the net assets attributable to equity holders of the parent Company exceeded the Group's market capitalisation at the balance sheet date and the Company applied judgement to identify which subsidiaries were at risk of impairment. As a result, the Company subjected the investment in Aberdeen Asset Management plc to a full impairment review. The identification of the at-risk investments is inherently subjective.

The Company also subjected abrdn Financial Planning Limited to a full impairment review, given, in their judgement, performance in the business in the period indicated impairment.

\$1,873m))

Refer to page 88
(Audit Committee Report), page 255
(accounting policy) and page

In addition, given the historic impairments recognised in respect of the asset management subsidiaries in previous periods, there is a risk of impairment reversals not recognised, driven by improvements in underlying business performance.

Considering indications of impairment or impairment reversal requires subjective judgement.

### Subjective Estimate

Where an impairment review is required the estimated recoverable amount of these balances is subjective due to the inherent uncertainty involved in assessing the recoverable amount of the subsidiaries, either using a value in use or fair value less cost of disposal analysis.

As part of our risk assessment, we determined that the recoverable amount of certain investments in subsidiaries has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole.

The parent Company financial statements (note A) disclose the sensitivity estimated by the parent company.

#### Our response

We performed the tests below rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.

#### Our procedures included:

Our valuation expertise and sector expertise: Having considered the application of the impairment trigger in respect of market capitalisation, we identified that it existed for certain subsidiaries. In evaluating which subsidiaries required further analysis, we performed a critical assessment of the business performance, such as flows of assets under management and changes in revenue and other financial performance during the period.

Where impairment reviews were completed, we assessed the appropriateness of the fair value less costs of disposal ("FVLCD") or value in use ("VIU) valuation basis proposed by management. We engaged our own valuation specialists to assist us in assessing the appropriateness of the applied valuation model and assumptions applied.

Sensitivity analysis: We performed our own sensitivity analysis which included assessing the effect of reasonable alternative assumptions in respect of applicable price to earnings multiples, discount rates and cash flow forecasts (as applicable) to evaluate the impact on the carrying value of the investment in subsidiaries.

**Assessing transparency:** We assessed whether the parent Company's disclosures in respect of investment in subsidiaries reflect the risks inherent in the impairment assessment performed.

### Our findings

We found the parent Company's carrying value of certain of the investments in subsidiaries and the related impairment charge to be balanced (2020: cautious) with proportionate (2020: proportionate) disclosures of the related assumptions and sensitivities.

### 6. Independent auditors' report to the members of abrdn plc continued



We have summarised below the changes to our key audit matters from the 31 December 2020 year end audit.

We continue to perform procedures over the carrying value of the investment in Phoenix Group Holdings plc and the share of profit received during the period in which it was an equity accounted associate (financial disclosure page 152). However, following reclassification of the equity accounted investment to fair value investment in February 2021, we do not consider there to be a significant risk associated with the carrying value at 31 December 2021 or the share of profit received in the year to 31 December 2021.

We previously reported a key audit matter in respect of the impairment of intangible assets. Given improved performance in the applicable books of business, and the effect of amortisation on the carrying value of the assets, there were no impairment triggers identified during the year to 31 December 2021 and therefore we no longer consider this a key audit matter.

In the prior year, we considered the risk associated with the recoverability of certain of the parent's investments in subsidiaries in conjunction with the goodwill recognised on consolidation at the group level. We continue to perform procedures over goodwill recognised on consolidation. However, following the full impairment of the asset management goodwill at 30 June 2020, we have not assessed this as one of the most significant risks in our current year audit and, therefore, it is not separately identified in our report this year.



## 3. Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £19m (2020: £25m), determined with reference to a benchmark of our estimate of Group profit before tax made at the planning stage, normalised for our expectation of the level of adjusting items including impairment, restructuring costs and the profits arising on disposal of associate or past associate shareholdings (of which it represents 5% (2020:5%)). This equates to 3.5% (2020: 2.7%) of reported Group profit normalised on a consistent basis and to 1.7% (2020: 2.9%) of Group IFRS profit before tax from continuing operations of £1,115m (2020: £853m). Materiality for the parent Company financial statements as a whole was set at £7.6m (2020: £8.8m), which is the component materiality for the parent Company determined by the group audit engagement team. This is lower than the materiality we would otherwise have determined with reference to parent Company total assets, of which it represents 0.1% (2020: 0.1%).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

Performance materiality was set at 75% (2020: 75%) of materiality for the financial statements as a whole, which equates to £14.25m (2020: £18.75m) for the Group and £5.7m (2020: £6.6m) for the parent Company. We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.95m (2020: £1.25m), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 301 (2020: 295) reporting components, we subjected 17 (2020: 15) to full scope audits for Group purposes and 4 (2020: none) to specified risk-focused audit procedures. The latter were not financially significant enough to require an audit for group reporting purposes, but did present specific individual risks that needed to be addressed.

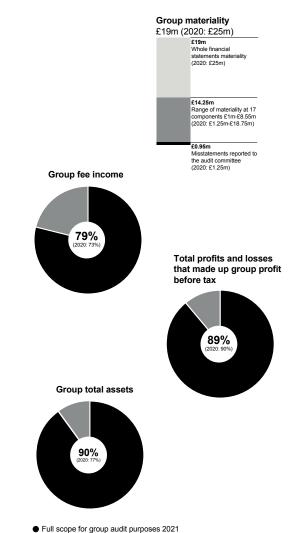
For those items excluded from normalised group profit before tax, the component teams performed procedures on items relating to their components. The group team performed procedures on the remaining excluded items.

The components within the scope of our work accounted for the percentages illustrated opposite. The remaining 21% (2020: 27%) of total Group fee income, 11% (2020: 10%) of the total profits and losses that

made up Group profit before tax and 10% (2020: 23%) of net Group assets is represented by 280 (2020: 280) reporting components, none of which individually represented more than 5% of any of total Group fee income, Group profit before tax or of net Group assets. For these residual components, we performed analysis at an aggregated Group level to re-examine our assessment that there were no significant risks of material misstatement within these.

For those items excluded from group fee income, the component teams performed procedures on items relating to their components. The group team performed procedures on the remaining excluded items.

The Group team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group team approved the component materialities, which ranged from £1m to £8.55m (2020: £1.25m to £18.2m), having regard to the mix of size and risk profile of the Group across the components. The work on 8 of the 17 components (2020: 5 of the 15 components) was performed by component auditors and the rest, including the audit of the parent Company, was performed by the Group team.



Residual components

### 6. Independent auditors' report to the members of abrdn plc continued



The Group team had planned to visit component locations in the United States, Luxembourg, and Singapore. However, these visits were prevented by movement restrictions relating to the COVID-19 pandemic. Instead, video conferences were held to discuss the audit risk and strategy and the component audit findings reported to the Group team. Any further work required by the Group team was then performed by the component auditor.

The scope of the audit work performed was predominately substantive as we placed limited reliance upon the Group's internal control over financial reporting.

### 4. The impact of climate change on our audit

In planning our audit we have considered the potential impacts of climate change on the Group's business and its financial statements. Climate change impacts the Group in a number of ways: through its own operations (including potential reputational risk associated with the Group's delivery of its climate related initiatives), through its portfolio of investments and its stewardship role, and the greater emphasis on climate related narrative and disclosure in the annual report.

As disclosed in Note 37, the Group's direct exposure to climate change in the financial statements is primarily through its level 3 investment holdings, as the key valuation assumptions and estimates may be impacted by climate risks. As part of our audit we have made enquiries of Directors and the Group's Corporate Sustainability team to understand the extent of the potential impact of climate change risk on the Group's financial statements and the Group's preparedness for this.

We have performed a risk assessment of how the impact of climate change may affect the financial statements and our audit, in particular with respect to investment holdings, in particular level 3 investments. We consider that the impact of climate risk on level 1 and level 2 investments is already reflected in the market prices used to value these holdings at year end; taking into account the relative size of the level 3 investments balance, we assessed that the impact of climate change was not a significant risk for our audit nor does it constitute a key audit matter. We held discussions with our own climate change professionals to challenge our risk assessment. We have also read the Group's disclosure of climate related information in the front half of the annual report as set out on pages 32 to 37, and considered consistency with the financial statements and our audit knowledge.

We have not been engaged to provide assurance over the accuracy of these disclosures.

### 5. Going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group's and the Company's financial position means

that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We used our knowledge of the Group, its industry and operating model, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Group' and Company's financial resources or ability to continue operations over the going concern period. The risk that we considered most likely to adversely affect the Group's and Company's available financial resources over this period was market volatility, including any associated with COVID-19.

We considered whether these risks could plausibly affect the liquidity in the going concern period by assessing the degree of downside assumption that, individually and collectively, could result in a liquidity issue, taking into account the Group's and Company's current and projected cash and facilities (a reverse stress test).

We also assessed the completeness of the going concern disclosure.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Company's ability to continue as a going concern for the going concern period;
- we have nothing material to add or draw attention to in relation to the directors' statement in Note (a)(vi) to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for the going concern period, and we found the going concern disclosure in note (a)(vi) to be acceptable; and
- the related statement under the Listing Rules set out on page 122 is materially consistent with the financial statements and our audit knowledge.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Company will continue in operation.



## 6. Fraud and breaches of laws and regulationsability to detect

### Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors, the Group Audit Committee, Group Internal Audit and the Group's Legal team and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group's channel for 'whistleblowing', as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes and attending Group Audit Committee and Risk and Compliance Committee meetings.
- Considering the findings of Group Internal Audit's reviews in the period.
- Considering remuneration incentive schemes and performance targets for management and directors.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit. This included communication from the group to full scope component audit teams of relevant fraud risks identified at the Group level and request to full scope component audit teams to report to the Group audit team any instances of fraud that could give rise to a material misstatement at the Group level.

As required by auditing standards, and taking into account possible pressures to meet profit targets and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that Group and component management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as impairment and pension assumptions.

On this audit we do not believe there is a fraud risk related to revenue recognition, given the relative simplicity of the most significant revenue streams and the separation of duties between management and third party service providers.

We did not identify any additional fraud risks.

We performed procedures including:

 Identifying journal entries and other adjustments to test for all full scope components based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by senior finance management and those posted to unusual

- accounts, as well as those which comprised unexpected posting combinations.
- Evaluated the business purpose of significant unusual transactions.
- Assessing significant accounting estimates for bias, including whether the judgements made in making accounting estimates are indicative of a potential bias.

## Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors and other management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements, how they analyse identified breaches and assessing whether there were any implications of identified breaches on our audit.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the group to full scope component audit teams of relevant laws and regulations identified at the Group level, and a request for full scope component auditors to report to the Group audit team any instances of non-compliance with laws and regulations that could give rise to a material misstatement at the Group level.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, taxation legislation and pensions regulations and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: specific areas of regulatory capital and liquidity, conduct including Client Assets, anti-money laundering, and market abuse regulations and certain aspects of company legislation recognising the financial and regulated nature of the Group's activities and its legal

### 6. Independent auditors' report to the members of abrdn plc continued



form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

We discussed with the audit committee matters related to actual or suspected breaches of laws or regulations, for which disclosure is not necessary, and considered any implications for our audit.

We assessed the disclosure of provisions in Note 36 and contingent liabilities in Note 41 in light of our understanding gained through the procedures above.

## Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

## 7. We have nothing to report on the other information in the Annual Report and Accounts

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

### Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the Strategic report and the Directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

### Directors' remuneration report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

### Disclosures of emerging and principal risks and longer-term viability

We are required to perform procedures to identify whether there is a material inconsistency between the directors' disclosures in respect of emerging and principal risks and the viability statement, and the financial statements and our audit knowledge.

Based on those procedures, we have nothing material to add or draw attention to in relation to:

- the directors' confirmation within the Viability
  Statement and Risk Management report that they
  have carried out a robust assessment of the
  emerging and principal risks facing the Group,
  including those that would threaten its business
  model, future performance, solvency and liquidity;
- the Emerging and Principal Risks disclosures describing these risks and how emerging risks are identified, and explaining how they are being managed and mitigated; and
- the directors' explanation in the Viability Statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to review the Viability Statement, set out on page 59 under the Listing Rules. Based on the above procedures, we have concluded that the above disclosures are materially consistent with the financial statements and our audit knowledge.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Company's longer-term viability.



### Corporate governance disclosures

We are required to perform procedures to identify whether there is a material inconsistency between the directors' corporate governance disclosures and the financial statements and our audit knowledge.

Based on those procedures, we have concluded that each of the following is materially consistent with the financial statements and our audit knowledge:

- the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy;
- the section of the annual report describing the work of the Audit Committee, including the significant issues that the audit committee considered in relation to the financial statements, and how these issues were addressed; and
- the section of the annual report that describes the review of the effectiveness of the Group's risk management and internal control systems.

We are required to review the part of Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review. We have nothing to report in this respect.

# 8. We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- Adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us.
- The parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.
- Certain disclosures of directors' remuneration specified by law are not made.
- We have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

### 9. Respective responsibilities

### Directors' responsibilities

As explained more fully in their statement set out on page 123, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of

accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at

www.frc.org.uk/auditorsresponsibilities

## 10. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and the terms of our engagement by the company. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report, and the further matters we are required to state to them in accordance with the terms agreed with the company, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

J. M. hims

**Jonathan Mills (Senior Statutory Auditor)** for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants Saltire Court 20 Castle Terrace Edinburgh EH1 2EG 28 February 2022

## 7. Group financial statements

### Consolidated income statement

For the year ended 31 December 2021

|  |       | 2021    | 2020 <sup>1</sup> |
|--|-------|---------|-------------------|
|  | Notes | £m      | £m                |
|  |       |         |                   |
| Revenue from contracts with customers  | 3     | 1,685   | 1,527             |
| Cost of sales  | 3     | (142)   | (104)             |
| Net operating revenue  |       | 1,543   | 1,423             |
|  |       |         |                   |
| Restructuring and corporate transaction expenses                                   | 5     | (259)   | (316)             |
| Impairment of goodwill - asset management  | 5     | -       | (915)             |
| Amortisation and impairment of other intangibles acquired in business combinations | _     |         |                   |
| and through the purchase of customer contracts                                     | 5     | (99)    | (265)             |
| Staff costs and other employee-related costs                                       | 5     | (604)   | (625)             |
| Other administrative expenses  | 5     | (594)   | (595)             |
| Total administrative and other expenses  |       | (1,556) | (2,716)           |
|  |       |         |                   |
| Net gains on financial instruments and other income                                |       |         |                   |
| Fair value movements and dividend income on significant listed investments         | 4     | (227)   | 65                |
| Other net gains on financial instruments and other income                          | 4     | 44      | 81                |
| Total net gains on financial instruments and other income                          |       | (183)   | 146               |
| Finance costs  |       | (30)    | (30)              |
| Profit on disposal of subsidiaries and other operations                            | 1     | 127     | 8                 |
| Profit on disposal of interests in associates                                      | 1     | 1,236   | 1,858             |
| Loss on impairment of interests in joint ventures                                  | 15    | -       | (45)              |
| Share of profit or loss from associates and joint ventures                         | 15    | (22)    | 194               |
| Profit before tax from continuing operations                                       |       | 1,115   | 838               |
| Tax (expense)/credit attributable to continuing operations                         | 9     | (120)   | 15                |
| Profit for the year from continuing operations                                     |       | 995     | 853               |
| Loss for the year from discontinued operations                                     | 10    | -       | (15)              |
| Profit for the year  |       | 995     | 838               |
| Attributable to:   |       |         |                   |
| Equity shareholders of abrdn plc   |       |         |                   |
| From continuing operations   |       | 994     | 848               |
| From discontinued operations   |       | -       | (15)              |
| Equity shareholders of abrdn plc   |       | 994     | 833               |
| Non-controlling interests  |       |         |                   |
| From continuing operations – ordinary shares                                       | 29    | 1       | -                 |
| From continuing operations - preference shares                                     | 29    | -       | 5                 |
|  |       | 995     | 838               |
| Earnings per share from continuing operations                                      |       |         |                   |
| Basic (pence per share)  | 11    | 46.8    | 38.5              |
| Diluted (pence per share)  | 11    | 46.0    | 37.9              |
| Earnings per share   |       |         |                   |
| Basic (pence per share)  | 11    | 46.8    | 37.8              |
| Diluted (pence per share)  | 11    | 46.0    | 37.2              |

<sup>1.</sup> The Group has made changes to the presentation of the consolidated income statement in 2021. Refer Section (a)(iii) of the Basis of Preparation for further details.



### Consolidated statement of comprehensive income

For the year ended 31 December 2021

|   |       | 2021  | 2020  |
|---|-------|-------|-------|
|   | Notes | £m    | £m    |
| Profit for the year   |       | 995   | 838   |
| Less: loss from discontinued operations   | 10    | -     | 15    |
| Profit from continuing operations   |       | 995   | 853   |
| Items that will not be reclassified subsequently to profit or loss:   |       |       |       |
| Remeasurement gains on defined benefit pension plans  | 33    | 117   | 280   |
| Share of other comprehensive income of associates and joint ventures  | 15    | 12    | (13)  |
| Equity holder tax effect of items that will not be reclassified subsequently to profit or loss  | 9     | 3     | 2     |
| Total items that will not be reclassified subsequently to profit or loss  |       | 132   | 269   |
|   |       |       |       |
| Items that may be reclassified subsequently to profit or loss:  | 10    | 40    | (2)   |
| Fair value gains/(losses) on cash flow hedges   | 19    | 19    | (3)   |
| Exchange differences on translating foreign operations  | 4.5   | (2)   | (8)   |
| Share of other comprehensive income of associates and joint ventures  | 15    | (4)   | 13    |
| Items transferred to the consolidated income statement  |       |       |       |
| Fair value (gains)/losses on cash flow hedges   | 19    | (10)  | 13    |
| Realised foreign exchange losses  | 1     | 18    | 6     |
| Share of other comprehensive income of associates and joint ventures  | 1     | (9)   | -     |
| Equity holder tax effect of items that may be reclassified subsequently to profit or loss   | 9     | (3)   | (2)   |
| Total items that may be reclassified subsequently to profit or loss   |       | 9     | 19    |
| Other comprehensive income for the year from continuing operations  |       | 141   | 288   |
| Total comprehensive income for the year from continuing operations  |       | 1,136 | 1,141 |
| Loss from discontinued operations   | 10    | -     | (15)  |
| Total comprehensive income for the year from discontinued operations  |       | -     | (15)  |
| Total comprehensive income for the year   |       | 1,136 | 1,126 |
| Annal and a later |       |       |       |
| Attributable to:  |       |       |       |
| Equity shareholders of abrdn plc  |       | 4.405 | 4.407 |
| From continuing operations  |       | 1,135 | 1,136 |
| From discontinued operations  |       | -     | (15)  |
| Non-controlling interests   |       |       |       |
| From continuing operations – ordinary shares  |       | 1     | -     |
| From continuing operations - preference shares  |       | -     | 5     |
|   |       | 1,136 | 1,126 |



### 7. Group financial statements continued

### Consolidated statement of financial position

### As at 31 December 2021

|  |       | 2021   | 2020   |
|--|-------|--------|--------|
|  | Notes | £m     | £m     |
| Assets   |       |        |        |
| Intangible assets  | 14    | 704    | 501    |
| Pension and other post-retirement benefit assets                                   | 33    | 1,607  | 1,474  |
| Investments in associates and joint ventures accounted for using the equity method | 15    | 274    | 1,371  |
| Property, plant and equipment  | 16    | 187    | 236    |
| Deferred tax assets  | 9     | 168    | 131    |
| Financial investments  | 18    | 4,316  | 3,110  |
| Receivables and other financial assets   | 18    | 680    | 621    |
| Current tax recoverable  | 9     | 2      | 9      |
| Other assets   | 21    | 105    | 46     |
| Assets held for sale   | 22    | _      | 19     |
| Cash and cash equivalents  | 18    | 1,904  | 1,519  |
|  |       | 9,947  | 9,037  |
| Assets backing unit linked liabilities   | 24    |        |        |
| Financial investments  |       | 1,430  | 1,395  |
| Receivables and other unit linked assets   |       | 8      | 8      |
| Cash and cash equivalents  |       | 33     | 38     |
|  |       | 1,471  | 1,441  |
| Total assets   | •     | 11,418 | 10,478 |



|   |       | 2021   | 2020   |
|---|-------|--------|--------|
|   | Notes | £m     | £m     |
| Liabilities   |       |        |        |
| Third party interest in consolidated funds              | 31    | 104    | 77     |
| Subordinated liabilities                                | 31    | 644    | 638    |
| Pension and other post-retirement benefit provisions    | 33    | 38     | 55     |
| Deferred income   | 34    | 5      | 73     |
| Deferred tax liabilities                                | 9     | 165    | 66     |
| Current tax liabilities                                 | 9     | 27     | 15     |
| Derivative financial liabilities                        | 31    | 5      | 13     |
| Other financial liabilities                             | 31    | 1,046  | 1,177  |
| Provisions  | 36    | 49     | 93     |
| Other liabilities                                       | 36    | 8      | 6      |
| Liabilities of operations held for sale                 | 22    | _      | 11     |
|   |       | 2,091  | 2,224  |
| Unit linked liabilities                                 | 24    |        |        |
| Investment contract liabilities                         |       | 1,088  | 1,042  |
| Third party interest in consolidated funds              |       | 378    | 388    |
| Other unit linked liabilities                           |       | 5      | 11     |
|   |       | 1,471  | 1,441  |
| Total liabilities                                       |       | 3,562  | 3,665  |
| Equity  |       |        |        |
| Share capital   | 25    | 305    | 306    |
| Shares held by trusts                                   | 26    | (171)  | (170)  |
| Share premium reserve                                   | 25    | 640    | 640    |
| Retained earnings                                       | 27    | 5,775  | 4,970  |
| Other reserves  | 28    | 1,094  | 1,064  |
| Equity attributable to equity shareholders of abrdn plc |       | 7,643  | 6,810  |
| Other equity  | 29    | 207    | _      |
| Non-controlling interests                               |       |        |        |
| Ordinary shares   | 29    | 6      | 3      |
| Total equity  |       | 7,856  | 6,813  |
| Total equity and liabilities                            |       | 11,418 | 10,478 |

The Notes on pages 143 to 251 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 136 to 251 were approved by the Board and signed on its behalf by the following Directors:

**Sir Douglas Flint** Chairman

28 February 2022

**Stephanie Bruce**Chief Financial Officer

28 February 2022

### 7. Group financial statements continued

### Consolidated statement of changes in equity

For the year ended 31 December 2021

|  | Notes  | Share<br>capital<br>£m | Shares held<br>by trusts<br>£m | Share<br>premium<br>reserve<br>£m | Retained<br>earnings<br>£m | Other reserves | Total equity<br>attributable<br>to equity<br>shareholders<br>of abrdn plc<br>£m | Other<br>equity<br>£m | Non-<br>controlling<br>interests -<br>ordinary<br>shares | Total equity |
|--|--------|------------------------|--------------------------------|-----------------------------------|----------------------------|----------------|---|-----------------------|--|--------------|
| 1 January 2021   | 110103 | 306                    | (170)                          | 640                               | 4.970                      | 1.064          | 6.810   | _                     | 3  |              |
| Profit for the year from continuing operations                     |        | _                      | -                              | -                                 | 994                        |                | 994   | _                     | 1  | 995          |
| Other comprehensive income for the year from continuing operations |        |                        |                                |                                   | 119                        | 22             | 141   |                       |  | 141          |
|  |        | _                      | -                              | -                                 | 117                        |                | 141   | _                     | -  | 141          |
| Total comprehensive income for the year                            | 27,28  | _                      | _                              | _                                 | 1.113                      | 22             | 1.135   | _                     | 1  | 1.136        |
| Issue of share capital   | 25     | _                      | _                              | _                                 | _,                         |                | _,  | _                     | _  | _,           |
| Issue of other equity  | 29     | _                      | _                              | _                                 | _                          | _              | _   | 207                   | _  | 207          |
| Dividends paid on ordinary   | _,     |                        |                                |                                   |                            |                |   |                       |  |              |
| shares   | 13     | -                      | -                              | -                                 | (308)                      | _              | (308)   | _                     | -  | (308)        |
| Share buyback  | 25,28  | (1)                    | _                              | _                                 | · -                        | 1              | _   | _                     | _  | _            |
| Other movements in non-  |        | , ,                    |                                |                                   |                            |                |   |                       |  |              |
| controlling interests in the year                                  | 29     | -                      | -                              | -                                 | 6                          | -              | 6   | -                     | 2  | 8            |
| Reserves credit for employee                                       |        |                        |                                |                                   |                            |                |   |                       |  |              |
| share-based payments   | 28     | -                      | -                              | -                                 | -                          | 43             | 43  | -                     | -  | 43           |
| Transfer to retained earnings for                                  |        |                        |                                |                                   |                            |                |   |                       |  |              |
| vested employee share-based  | 27.20  |                        |                                |                                   | 24                         | 40.4           |   |                       |  |              |
| payments   | 27,28  | -                      | -                              | -                                 | 36                         | (36)           | ) -   | -                     | -  | -            |
| Shares acquired by employee trusts                                 |        | _                      | (41)                           | _                                 | _                          | _              | (41)  | _                     | _  | (41)         |
| Shares distributed by employee                                     |        | _                      | (++)                           | _                                 | _                          | _              | ()  | _                     | _  | (+±)         |
| and other trusts and related                                       |        |                        |                                |                                   |                            |                |   |                       |  |              |
| dividend equivalents   | 27     | -                      | 40                             | -                                 | (42)                       | -              | (2)   | _                     | -  | (2)          |
| Aggregate tax effect of items                                      |        |                        |                                |                                   |                            |                |   |                       |  |              |
| recognised directly in equity                                      | 9      | -                      | -                              | -                                 | -                          | -              | -   | -                     | -  | -            |
| 31 December 2021   |        | 305                    | (171)                          | 640                               | 5,775                      | 1,094          | 7,643   | 207                   | 6  | 7,856        |

|   |        |                        |                                   |                                   |                            |                         |   | Non-contro               | olling interests           |                       |
|---|--------|------------------------|-----------------------------------|-----------------------------------|----------------------------|-------------------------|---|--------------------------|----------------------------|-----------------------|
|   | Notes  | Share<br>capital<br>£m | Shares<br>held by<br>trusts<br>£m | Share<br>premium<br>reserve<br>£m | Retained<br>earnings<br>£m | Other<br>reserves<br>£m | Total equity<br>attributable<br>to equity<br>shareholders of<br>abrdn plc | Ordinary<br>shares<br>&m | Preference<br>shares<br>&m | Total<br>equity<br>£m |
| 1 January 2020  | 140103 | 327                    | (134)                             | 640                               | 2,886                      | 2,845                   | 6,564   | 3                        | 99                         | 6,666                 |
| Profit for the year from continuing operations Loss for the year from discontinued operations |        | -                      | -                                 | -                                 | 848 (15)                   | -                       | 848 (15)  | -                        | 5                          | 853<br>(15)           |
| Other comprehensive income for the year from continuing operations                            |        | _                      | _                                 | -                                 | 282                        | 6                       | 288   | -                        | -                          | 288                   |
| Other comprehensive income for the year from discontinued operations                          |        | _                      | _                                 | _                                 | _                          | _                       | _   | _                        | _                          | _                     |
| Total comprehensive income for  |        |                        |                                   |                                   |                            |                         |   |                          |                            |                       |
| the year  | 27,28  | _                      | _                                 | _                                 | 1,115                      | 6                       | 1,121   | _                        | 5                          | 1,126                 |
| Issue of share capital  | 25     | -                      | -                                 | -                                 | -                          | -                       | -   | -                        | -                          | -                     |
| Dividends paid on ordinary shares   | 13     | _                      | _                                 | _                                 | (479)                      | -                       | (479)   | _                        | -                          | (479)                 |
| Dividends paid on preference shares   | 29,32  | _                      | -                                 | _                                 | _                          | _                       | _   | _                        | (3)                        | (3)                   |
| Reclassification of preference shares to liability  | 29,32  | _                      | -                                 | _                                 | (1)                        | _                       | (1)   | _                        | (101)                      | (102)                 |
| Share buyback   | 25,28  | (21)                   | _                                 | _                                 | (402)                      | 21                      | (402)   | _                        | _                          | (402)                 |
| Reserves credit for employee share-based payments   | 28     | -                      | _                                 | _                                 | -                          | 64                      | 64  | _                        | -                          | 64                    |
| Transfer to retained earnings for vested employee share-based                                 | 07.00  |                        |                                   |                                   | 20                         | (20)                    |   |                          |                            |                       |
| payments  | 27,28  | _                      | _                                 | _                                 | 38                         | (38)                    | -   | _                        | -                          | _                     |
| Transfer between reserves on impairment of subsidiaries                                       | 27,28  | -                      | _                                 | -                                 | 1,834                      | (1,834)                 | _   | -                        | -                          | -                     |
| Shares acquired by employee trusts  |        | -                      | (54)                              | -                                 | -                          | -                       | (54)  | -                        | -                          | (54)                  |
| Shares distributed by employee and other trusts and related dividend equivalents              | 27     | _                      | 18                                | _                                 | (21)                       | _                       | (3)   | _                        | _                          | (3)                   |
| 31 December 2020  |        | 306                    | (170)                             | 640                               | 4,970                      | 1,064                   | 6,810   | 3                        | _                          | 6,813                 |

### 7. Group financial statements continued

### Consolidated statement of cash flows

For the year ended 31 December 2021

|  | Notes     | 2021<br>£m   | 2020<br>£m    |
|--|-----------|--------------|---------------|
| Cash flows from operating activities   | Notes     | all!         | االه          |
| Profit before tax from continuing operations   |           | 1,115        | 838           |
| Loss before tax from discontinued operations   | 10        | , <u> </u>   | (15)          |
|  |           | 1,115        | 823           |
| Change in operating assets   | 40        | 214          | 817           |
| Change in operating liabilities  | 40        | (209)        | (991)         |
| Adjustment for non-cash movements in investment income   |           | -            | 6             |
| Other non-cash and non-operating items   | 40        | (1,099)      | (646)         |
| Dividends received from associates and joint ventures  | 15        | 15           | 80            |
| Taxation paid <sup>1</sup>   |           | (22)         | (33)          |
| Net cash flows from operating activities   |           | 14           | 56            |
|  |           |              |               |
| Cash flows from investing activities   | 1.4       | (42)         | (12)          |
| Purchase of property, plant and equipment  | 16        | (12)         | (13)          |
| Acquisition of subsidiaries and unincorporated businesses net of cash acquired                                       | 1(b)      | (145)<br>112 | - (0)         |
| Disposal of subsidiaries net of cash disposed of   | 40<br>15  |              | (8)           |
| Acquisition of investments in associates and joint ventures  | 15<br>39  | (11)<br>54   | (5)<br>3      |
| Proceeds in relation to contingent consideration   |           |              |               |
| Payments in relation to contingent consideration   | 39        | (28)<br>304  | (48)<br>914   |
| Disposal of investments in associates and joint ventures   | 1         |              |               |
| Taxation paid on disposal of investments in associates and joint ventures <sup>1</sup>                               |           | (33)         | (33)          |
| Purchase of financial investments  |           | (368)<br>938 | (521)<br>737  |
| Proceeds from sale or redemption of financial investments  Proceeds from sale or redemption of financial investments | 1(a)(iii) |              | /3/           |
| Prepayment in respect of potential acquisition of customer contracts  Acquisition of intangible assets               | 1(c)(iii) | (56)         | (12)          |
| Net cash flows from investing activities   |           | 755          | (12)<br>1,014 |
| Cash flows from financing activities   |           | , 55         | 1,011         |
| Proceeds from issue of perpetual subordinated notes  |           | 208          | _             |
| Repayment of preference shares   |           |              | (100)         |
| Payment of lease liabilities - principal   |           | (27)         | (29)          |
| Payment of lease liabilities - interest  |           | (6)          | (6)           |
| Shares acquired by trusts  |           | (41)         | (54)          |
| Interest paid  |           | (28)         | (30)          |
| Share buyback  | 25        | (41)         | (361)         |
| Preference dividends paid  |           | _            | (5)           |
| Ordinary dividends paid  | 13        | (308)        | (479)         |
| Net cash flows from financing activities   |           | (243)        | (1,064)       |
| Net increase in cash and cash equivalents  |           | 526          | 6             |
| Cash and cash equivalents at the beginning of the year   |           | 1,358        | 1,347         |
| Effects of exchange rate changes on cash and cash equivalents  |           | (9)          | 5             |
| Cash and cash equivalents at the end of the year   | 23        | 1,875        | 1,358         |
| Supplemental disclosures on cash flows from operating activities   |           |              | _             |
| Interest paid  |           | 1            | 2             |
| Interest received  |           | 22           | 30            |
| Dividends received   |           | 122          | 122           |
| Rental income received on investment property  |           | 2            | 3             |

<sup>1.</sup> Total taxation paid was £55m in 2021 (2020: £66m).

#### Presentation of consolidated financial statements

The Group's significant accounting policies are included at the beginning of the relevant notes to the consolidated financial statements. This section sets out the basis of preparation, a summary of the Group's critical accounting estimates and judgements in applying accounting policies, and other significant accounting policies which have been applied to the financial statements as a whole.

## (a) Basis of preparation

These consolidated financial statements have been prepared in accordance with UK-adopted international accounting standards. The consolidated financial statements have been prepared on a going concern basis and under the historical cost convention, as modified by the revaluation of owner occupied property, derivative instruments and other financial assets and financial liabilities at fair value through profit or loss (FVTPL).

The principal accounting policies set out in these consolidated financial statements have been consistently applied to all financial reporting periods presented except as described below.

# (a)(i) New standards, interpretations and amendments to existing standards that have been adopted by the Group

The Group has adopted the following new International Financial Reporting Standards (IFRSs), interpretations and amendments to existing standards, which are effective by EU endorsement for annual periods beginning on or after 1 June 2020 and 1 January 2021.

## Amendments to existing standards

- Amendments to IFRS 16 COVID-19-related rent concessions.
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest rate benchmark reform phase 2.

The Group's accounting policies have been updated to reflect these amendments. Management considers the implementation of the above amendments to existing standards has had no significant impact on the Group's financial statements.

# (a)(ii) Standards, interpretations and amendments to existing standards that are not yet effective and have not been early adopted by the Group

Certain new standards, interpretations and amendments to existing standards have been published that are mandatory for the Group's annual accounting periods beginning after 1 January 2021. The Group has not early adopted the standards, amendments and interpretations described below:

#### IFRS 17 Insurance Contracts (effective for annual periods beginning on or after 1 January 2023)

IFRS 17 was issued in May 2017 and will replace IFRS 4 *Insurance Contracts*. IFRS 4 is an interim standard which permits the continued application of accounting policies, for insurance contracts and contracts with discretionary participation features, which were being used at transition to IFRS except where a change satisfies criteria set out in IFRS 4. IFRS 17 introduces new required measurement and presentation accounting policies for such contracts which reflect the view that these contracts combine features of a financial instrument and a service contract.

IFRS 17's measurement model, which applies to groups of contracts, combines a risk-adjusted present value of future cash flows and an amount representing unearned profit. On transition retrospective application is required unless impracticable, in which case either a modified retrospective approach or a fair value approach is required. IFRS 17 introduces a new approach to presentation in the income statement and statement of comprehensive income.

The Group has no direct exposure to insurance contracts and contracts with discretionary participating features which will be impacted by the adoption of IFRS 17. However, the results of the Group's joint venture, Heng An Standard Life Insurance Company Limited (HASL), are expected to be impacted by IFRS 17. The standard has not yet been endorsed by the UK Endorsement Board.

#### Other

There are no other new standards, interpretations and amendments to existing standards that have been published that are expected to have a significant impact on the consolidated financial statements of the Group.

#### (a)(iii) Income statement presentational change

The presentation of the Group's consolidated income statement has been revised in 2021 following a review of the financial statements. The reason for the change is to make the financial statements more relevant to users as the consolidated income statement is now more consistent with asset management peers. The change includes a revised presentation relating to unit linked business returns which we consider makes the results easier to understand.

The table below sets out the impact of adopting the revised income statement format:

|   | 2020 as<br>previously<br>presented<br>£m | Presentation<br>changes<br>£m | 2020 revised<br>format<br>£m N | Votes |
|---|--|-------------------------------|--------------------------------|-------|
| Income  |  |                               |                                |       |
| Investment return   | 163                                      | (163)                         | -                              | b     |
| Revenue from contracts with customers   | 1,527                                    | -                             | 1,527                          |       |
| Cost of sales   | _  | (104)_                        | (104)                          | а     |
| Net operating revenue   |  | _                             | 1,423                          | а     |
| Insurance contract premium income   | 31                                       | (31)                          | _                              | b     |
| Profit on disposal of interests in associates   | 1,858                                    | (1,858)                       | -                              | е     |
| Other income  | 30                                       | (30)                          | -                              | b     |
| Total income from continuing operations   | 3,609                                    |                               | -                              |       |
| Expenses  |  |                               |                                |       |
| Insurance contracts claims and change in liabilities  | (17)                                     | 17                            | _                              | b     |
| Change in non-participating investment contract liabilities   | (56)                                     | 56                            | _                              | b     |
| Administrative and other expenses   |  |                               |                                |       |
| Restructuring and corporate transaction expenses  | (297)                                    | (19)                          | (316)                          | d     |
| Impairment of goodwill - asset management   | (915)                                    | _                             | (915)                          |       |
| Amortisation and impairment of other intangibles acquired in business combinations and through the purchase of customer contracts | _  | (265)                         | (265)                          | С     |
| Staff costs and other employee-related costs  | -  | (625)                         | (625)                          | С     |
| Other administrative expenses   | (1,608)                                  | 1,013                         | (595)                          | С     |
| Total administrative and other expenses   | (2,820)                                  | _                             | (2,716)                        |       |
| Net gains on financial instruments and other income   |  |                               |                                |       |
| Fair value movements and dividend income on significant listed investments  | _  | 65                            | 65                             | b     |
| Other net gains on financial instruments and other income   |  | 81 _                          | 81                             | b     |
| Total net gains on financial instruments and other income   | _  | 146                           | 146                            | b     |
| Change in liability for third party interest in consolidated funds  | 3  | (3)                           | -                              | b     |
| Finance costs   | (30)                                     | _                             | (30)                           |       |
| Total expenses from continuing operations   | (2,920)                                  |                               |                                |       |
| Profit on disposal of subsidiaries and other operations   | _  | 8                             | 8                              | f     |
| Profit on disposal of interests in associates   | _  | 1,858                         | 1,858                          | е     |
| Loss on impairment of interests in joint ventures   | (45)                                     | -                             | (45)                           |       |
| Share of profit or loss from associates and joint ventures  | 194                                      | -                             | 194                            |       |
| Profit before tax from continuing operations  | 838                                      | _                             | 838                            |       |

Note a: A new income statement line Net operating revenue has been presented (2020: £1,423m). Net operating revenue is the net of revenue from contracts with customers and cost of sales. Cost of sales includes commission expenses and other cost of sales which were previously presented within other administrative expenses.

Note b: A new income statement line of Net gains on financial instruments and other income has also been presented (2020: £146m). This combines a number of line items previously shown separately on the face of the income statement with a more detailed breakdown disclosed in Note 4 of the financial statements.

Given the significance of the Fair value movements and dividend income on significant listed investments, these have been disclosed separately from Other net gains on financial instruments and other income on the face of the consolidated income statement.

The table below reconciles Net gains on financial instruments and other income to previous line items:

| 31 December 2020   | £m   |
|--|------|
| Income items previously disclosed on the face of the consolidated income statement                     |      |
| Investment return  | 163  |
| Insurance contract premium income  | 31   |
| Other income   | 30   |
| Total income items previously disclosed on the face of the consolidated income statement               | 224  |
| Expense items previously disclosed on the face of the consolidated income statement                    |      |
| Insurance contract claims and change in liabilities  | (17) |
| Change in non-participating investment contract liabilities  | (56) |
| Change in liability for third party interest in consolidated funds                                     | 3    |
| Total expense items previously disclosed on the face of the consolidated income statement              | (70) |
| Total net gains on financial instruments and other income before reclassifications                     | 154  |
| Less: Other income now separately disclosed as Profit on disposal of subsidiaries and other operations | (8)  |
| Total net gains on financial instruments and other income after reclassifications                      | 146  |
| Split as:  |      |
| Fair value movements and dividend income on significant listed investments                             | 65   |
| Net gains on financial instruments and other income from continuing operations – non-unit linked       |      |
| business – excluding significant listed investments  | 72   |
| Net gains on financial instruments and other income from continuing operations – unit linked business  | 9    |
| Total other net gains on financial instruments and other income  | 81   |
| Total net gains on financial instruments and other income  | 146  |

The expense items included in the table above relate to unit linked business. We consider that offsetting the net gains/losses on unit linked financial assets (included in investment return in the table above) and the net gains/losses on unit linked financial liabilities (included in change in non-participating investment contract liabilities in the table above) on the face of the consolidated income statement reflects the substance of the transactions, as changes in the value of the unit linked assets results in corresponding changes in the value of unit linked liabilities with no net impact on profit after tax (refer Note 24(a)).

Profit on disposal of subsidiaries and other operations has been shown separately in 2021 due to materiality and therefore the 2020 balance has been reclassified from other income.

Note c: Presentational changes have also been made to administrative and other expenses. The following table reconciles other administrative expenses as previously presented at 31 December 2020 to the re-presented 2020 other administrative expenses.

| 31 December 2020  | £m    |
|---|-------|
| Other administrative expenses as previously presented   | 1,608 |
| Less:   |       |
| Cost of sales now included in net operating revenue (see Note a above)  | (104) |
| Staff costs and other employee-related costs now presented separately in the consolidated income statement  | (625) |
| Amortisation and impairment of other intangibles acquired in business combinations and through the purchase of customer contracts now presented separately in the consolidated income statement | (265) |
| Other administrative expenses reclassified to restructuring and corporate transaction expenses (see Note d below)   | (19)  |
| Re-presented other administrative expenses  | 595   |

Note d: Restructuring and corporate transaction expenses was already separately presented but, as shown above, we have reclassified £19m of 2020 other administrative expenses to restructuring and corporate transaction expenses:

| 31 December 2020  | £m  |
|---|-----|
| Restructuring and corporate transaction expenses as previously presented                              | 297 |
| Add: Impairment of internally developed software and right-of-use assets as a result of restructuring | 19  |
| Re-presented restructuring and corporate transaction expenses   | 316 |

This additional element of restructuring costs was disclosed in the Note 9 of the prior year Group financial statements, but has now been included on the face of the consolidated income statement.

Note e: The Profit on disposal of interests in associates line item(2020: £1,858m) is unchanged, but is now presented with the Profit on disposal of subsidiaries and other operations and the other income statement items relating to associates and joints ventures, namely Loss on impairment of joint ventures and Share of profit or loss from associates and joint ventures.

Note f: As described in Note b above, *Profit on disposal of subsidiaries and other operations* (2020: £8m) which was previously included in other income is now separately disclosed on the face of the consolidated income statement.

## (a)(iv) Critical accounting estimates and judgements in applying accounting policies

The preparation of financial statements requires management to exercise judgements in applying accounting policies and make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses arising during the year. Judgements and sources of estimation uncertainty are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The areas where judgements have the most significant effect on the amounts recognised in the consolidated financial statements are as follows:

| Financial statement area      | 117 3 31   |         |
|-------------------------------|--|---------|
| Defined benefit pension plans |  |         |
| Investments in associates     | Determining whether the investments in Phoenix and HDFC Asset Management should continue to be classified as associates. Identification, valuation and determination of useful lives for equity accounting purposes, of the Group's share of its associate's intangible assets at the date of acquisition of an investment in the associate. | Note 15 |
| Intangible assets             | Identification and valuation of intangible assets arising from business combinations and the determination of useful lives.  | Note 14 |
| Provisions                    | Determining whether a provision is required for separation costs.  | Note 36 |

The following change has been made to the Group's critical judgements:

As a result of the partial sale of HDFC Asset Management (refer Note 1(c)(iii) for further details), determining whether
the investment in HDFC Asset Management should continue to be classified as an associate is a critical judgement in
the year ended 31 December 2021. Determining whether the investment in HDFC Life should be classified as an
associate is no longer considered a critical judgement following its reclassification in the year ended 31 December 2020
(refer Note 1(c)(iv) for further details).

There are no other changes to critical judgements in applying accounting policies from the prior year.

The areas where assumptions and other sources of estimation uncertainty at the end of the reporting period have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

| Financial statement area                                   | Critical accounting estimates and assumptions   | Related note    |
|--|---|-----------------|
| Financial instruments at fair value through profit or loss | Determination of the fair value of contingent consideration liabilities relating to the acquisition of Tritax | Notes 35 and 39 |
| Defined benefit pension plans                              | Determination of principal UK pension plan assumptions for mortality, discount rate and inflation             | Note 33         |

The following changes have been made to the Group's critical estimates and assumptions:

- As a result of the acquisition of Tritax in 2021 (refer Note 1(b)(i) for further details), the determination of the fair value of related contingent consideration liabilities is considered a critical area of estimation uncertainty.
- The determination of the recoverable amount in relation to the impairment assessment of investments in associates is no longer considered to be a critical area of estimation uncertainty following the reclassification of Phoenix (refer Note 1(c)(iii) for further details).
- The determination of the recoverable amount in relation to the impairment assessment of the segregated and similar customer relationship intangible asset is no longer considered a source of estimation uncertainty at the end of the reporting period as a result of amortisation and market movements.

All other critical accounting estimates and assumptions are the same as the prior year.

Further detail on critical accounting estimates and assumptions is provided in the relevant note.

## (a)(v) Foreign currency translation

The consolidated financial statements are presented in million pounds Sterling.

The statements of financial position of Group entities, including associates and joint ventures accounted for using the equity method, that have a different functional currency than the Group's presentation currency are translated into the presentation currency at the year end exchange rate and their income statements and cash flows are translated at average exchange rates for the year. All resulting exchange differences arising are recognised in other comprehensive income and the foreign currency translation reserve in equity. On disposal of a Group entity the cumulative amount of any such exchange differences recognised in other comprehensive income is reclassified to profit or loss.

Foreign currency transactions are translated into the functional currency at the exchange rate prevailing at the date of the transaction. Gains and losses arising from such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the relevant line in the consolidated income statement.

Translation differences on non-monetary items, such as equity securities held at fair value through profit or loss, are reported as part of the fair value gain or loss within Net gains on financial instruments and other income in the consolidated income statement. Translation differences on financial assets and liabilities held at amortised cost are included in the relevant line in the consolidated income statement.

The income statements and cash flows, and statements of financial position of Group entities that have a different functional currency from the Group's presentation currency have been translated using the following principal exchange rates:

|                  | 2021   |  | 202  | 0  |
|------------------|--|--|--|--|
|                  | Income statement and cash flows (average rate) | Statement of financial position (closing rate) | Income statement and cash flows (average rate) | Statement of financial position (closing rate) |
| Euro             | 1.166  | 1.191  | 1.127  | 1.117  |
| US Dollar        | 1.375  | 1.355  | 1.292  | 1.367  |
| Indian Rupee     | 101.471  | 100.685  | 95.602   | 99.880   |
| Chinese Renminbi | 8.858  | 8.632  | 8.905  | 8.940  |
| Hong Kong Dollar | 10.690   | 10.560   | 10.024   | 10.599   |
| Singapore Dollar | 1.847  | 1.826  | 1.778  | 1.807  |

## (a)(vi) Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and financial position, are set out in the Strategic report. This includes details on our liquidity and capital management and our viability statement in the Chief Financial Officer's overview section and our principal risks in the Risk management section including the impact of COVID-19 on these principal risks. In addition, these financial statements include notes on the Group's subordinated liabilities (Note 32), management of its risks including market, credit and liquidity risk (Note 37), its contingent liabilities and commitments (Notes 41 and 42), and its capital structure and position (Note 45).

In preparing these financial statements on a going concern basis, the Directors have considered the following matters and have taken into account the uncertainty created by COVID-19.

- The fundamental basis of our business has not been impacted by COVID-19. We consider that COVID-19 will
  accelerate the key global trends already underway in our industry and already factored into our strategy which are
  discussed further in the Strategic report on pages 16 and 17, and that the Group is well placed to manage its business
  risks successfully.
- The Group has robust cash and liquid resources of £3.1bn at 31 December 2021. In addition the Company has a
  revolving credit facility of £400m as part of our contingency funding plans which is due to mature in 2025 and remains
  undrawn.
- The Group's indicative regulatory capital surplus on an IFPR basis was £1.8bn in excess of capital requirements at 31 December 2021. The regulatory capital surplus does not include the value of the Group's significant listed investments HDFC Asset Management, HDFC Life and Phoenix.
- The Group performs regular stress and scenario analysis as described in the Annual report and accounts 2021 Viability statement. The market stresses considered in these analyses are considerably more severe than experienced as a result of COVID-19, and the diverse range of management actions available meant the Group was able to withstand these extreme stresses.
- The Group's operational resilience processes have operated effectively during the period including the provision of services by key outsource providers. We have put in place additional processes to monitor key outsource providers during this remote working environment.

Based on a review of the above factors the Directors are satisfied that the Group and Company have and will maintain sufficient resources to enable them to continue operating for at least 12 months from the date of approval of the financial

statements. Accordingly, the financial statements have been prepared on a going concern basis. There were no material uncertainties relating to this going concern conclusion.

## (b) Basis of consolidation

The Group's financial statements consolidate the financial statements of the Company and its subsidiaries.

Subsidiaries are all entities (including investment vehicles) over which the Group has control. Control arises when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. For operating entities this generally accompanies a shareholding of 50% or more in the entity. For investment vehicles, including structured entities, the control assessment also considers the removal rights of other investors and whether the Group acts as principal or agent in assessing the link between power and variable returns. In determining whether the Group acts as principal, and therefore controls the entity, the removal rights of other investors and the magnitude of the variability associated with the returns are also taken into account. As a result, the Group often is considered to control investment vehicles in which its shareholding is less than 50%.

Where the Group is considered to control an investment vehicle, such as an open-ended investment company, a unit trust or a limited partnership, and it is therefore consolidated, the interests of parties other than the Group are assessed to determine whether they should be classified as liabilities or as non-controlling interests. The liabilities are recognised in the third party interest in consolidated funds line in the consolidated statement of financial position and any movements are recognised in the consolidated income statement. The financial liability is designated at fair value through profit or loss (FVTPL) as it is implicitly managed on a fair value basis as its value is directly linked to the market value of the underlying portfolio of assets. The interests of parties other than the Group in all other types of entities are recorded as non-controlling interests.

All intra-group transactions, balances, income and expenses are eliminated in full.

The Group uses the acquisition method to account for acquisitions of businesses. At the acquisition date the assets and liabilities of the business acquired and any non-controlling interests are identified and initially measured at fair value on the consolidated statement of financial position.

When the Group acquires or disposes of a subsidiary, the profits and losses of the subsidiary are included from the date on which control was transferred to the Group until the date on which it ceases, with consistent accounting policies applied across all entities throughout.

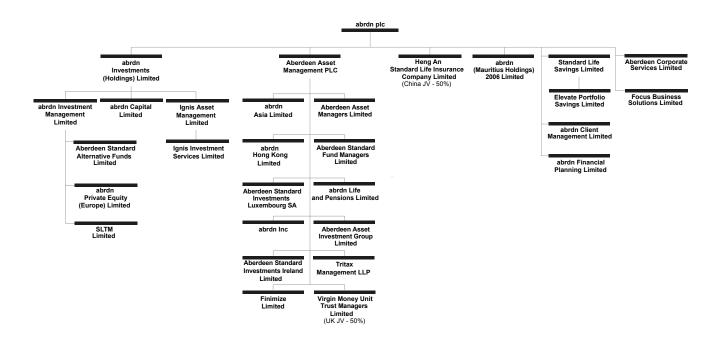
When the Group sells a subsidiary to an associate, the gain on sale of the subsidiary is recognised in full, with no elimination being made for the continuing interest in the subsidiary.

## Notes to the Group financial statements

## 1. Group structure

## (a) Composition

The following diagram is an extract of the Group structure at 31 December 2021 and gives an overview of the composition of the Group.



A full list of the Company's subsidiaries is provided in Note 47.

## (b) Acquisitions

# (b)(i) Current year acquisitions of subsidiaries Tritax Management LLP (Tritax)

On 1 April 2021, Aberdeen Asset Management PLC (AAM PLC) purchased 60% of the membership interests in Tritax, a specialist logistics real estate fund manager (the acquisition of Tritax). The initial cash consideration payable at the completion of the acquisition was £64m. Subject to the satisfaction of certain conditions, an additional contingent deferred earn-out is expected to be payable to acquire the remaining 40% of membership interests in Tritax should the selling Tritax partners choose to exercise three put options in each of years ended 31 March 2024, 2025 and 2026. The amount payable is linked to the EBITDA of the Tritax business in the relevant period. The Group will also have the right to purchase any outstanding membership interests at the end of the five-year period through exercising a call option.

Based on the transaction terms, Tritax has been fully consolidated from 1 April 2021 and no non-controlling interest has been recognised in the Group's total equity in relation to the 40% of the membership interests in Tritax subject to the put and call options. A contingent consideration financial liability has been recognised at fair value in relation to the earn-out payments (under the put and call options) and the expected non-discretionary allocation of profit payments to the holders of the 40% membership interests up to the date of the exercise of the options. This contingent consideration financial liability is included in the table below as part of the consideration paid. The acquisition of Tritax strengthens the Group's combined offering in the growing logistics real estate market and fulfils the Group's strategy of providing deep sector specialism for our clients in this key growth area. The assets under management of Tritax were £6bn at the completion date.

At the acquisition date the consideration, net assets acquired and resulting goodwill from the Tritax acquisition were as follows:

| 1 April 2021   | £m   |
|--|------|
| Cash consideration   | 64   |
| Fair value of contingent consideration <sup>1</sup>        | 155  |
| Consideration <sup>2</sup>                                 | 219  |
| Fair value of net assets acquired                          |      |
| Customer relationships and investment management contracts | 71   |
| Property, plant and equipment                              | 2    |
| Receivables and other financial assets                     | 6    |
| Cash and cash equivalents                                  | 3    |
| Other assets   | 1    |
| Total assets   | 83   |
| Other financial liabilities                                | (11) |
| Deferred tax liabilities                                   | (17) |
| Total liabilities  | (28) |
| Goodwill   | 164  |

- 1. The fair value of contingent consideration includes £113m relating to the fair value of the earn-out payments (under the put and call options) and £42m relating to the fair value of the expected non-discretionary allocation of profit payments to the holders of the 40% membership interests up to the date of the exercise of the options. These are calculated by reference to earnings before interest, taxes, depreciation, and amortisation (EBITDA). The earn-out payments could range from £nil to £140m. The expected distribution of profit payments to the holders of the 40% membership interests up to the date of the exercise of the options could range from £nil and have no maximum value.
- 2. Not included in the consideration is an additional payment in 2023 of up to £25m for an earn-up linked to EBITDA for the years ended 31 March 2022 and 2023. The expected payment is being accrued over two years as remuneration and is included in Staff costs and other employee-related costs in the IFRS consolidated income statement.

Intangible assets acquired in the business combination consist of customer relationships and investment management contracts. Refer Note 14 for details of the key assumptions used in measuring the fair value of these intangibles at the acquisition date.

The key assumptions used to value the contingent consideration at the date of acquisition are the same as the inputs used to value this contingent consideration liability at 31 December 2021 and set out in Note 39(a)(iv). The valuation assumes that the timing of the exercise of the earn out put options between 2024, 2025 and 2026 would be that which is most beneficial to the holders of the put options.

The goodwill arising on acquisition is mainly attributable to expected cash flows from future fund raisings for existing and new funds and products, which are not included in the valuation of the investment management contract intangibles, revenue synergies from the Group's distribution capabilities and existing real estate investment management expertise, and the quality and experience of the Tritax executive team and employees. The goodwill has been allocated to the asset management group of cash-generating units which comprises the Investments segment (excluding Finimize). The goodwill is not expected to be deductible for tax purposes.

The amounts of revenue from contracts with customers and profit after tax contributed to the Group's consolidated income statement for the year ended 31 December 2021 from the acquired Tritax business were £23m and £2m respectively. The profit contributed excludes amortisation of intangible assets acquired through business combinations. If the acquisition had occurred on 1 January 2021, the Group's total revenue from contracts with customers for the year would have increased by £7m to £1,692m and the profit after tax would have been unchanged.

Transaction costs were not material and were accounted for as part of restructuring and corporate transaction expenses in the year ended 31 December 2020.

#### Finimize Limited (Finimize)

On 29 October 2021, AAM PLC purchased 100% of the issued share capital of Finimize, a modern investing insights platform (the acquisition of Finimize). The cash outflow at the completion of the acquisition was £87m, which comprised consideration of £75m and payments made to settle debt and other liabilities on behalf of Finimize as part of the transaction of £12m. Finimize empowers retail investors by equipping them with information to make their own informed investment decisions, without any jargon, in less than fifteen minutes a day. The acquisition of Finimize is aligned with abrdn's strategy to invest in technology to accelerate the pace and focus on innovation to meet changing investor needs.

At the acquisition date the consideration, net assets acquired and resulting goodwill from the Finimize acquisition were as follows:

| 29 October 2021                          | £m   |
|--|------|
| Cash consideration <sup>1,2</sup>        | 75   |
| Fair value of net assets acquired        |      |
| Technology and other intangible assets   | 7    |
| Receivables and other financial assets   | 2    |
| Cash and cash equivalents                | 3    |
| Total assets                             | 12   |
| Other financial liabilities <sup>1</sup> | (17) |
| Deferred tax liabilities                 | (2)  |
| Total liabilities                        | (19) |
| Goodwill                                 | 82   |

- 1. Not included in the consideration is £12m of payments made to settle debt and other liabilities on behalf of Finimize as part of the transaction. These amounts were included within other financial liabilities at the acquisition date. This cash outflow is included in Acquisition of subsidiaries and unincorporated businesses net of cash acquired in the consolidated statement of cash flows.
- 2. Not included in the consideration are three additional payments of £1.8m in 2022, 2023 and 2024. The expected payments are being accrued over one, two and three years respectively as remuneration and are included in Staff costs and other employee-related costs in the IFRS consolidated income statement.

The goodwill arising on acquisition of Finimize is mainly attributable to expected future cash flows from new retail and corporate customers, the quality and experience of the Finimize executive team and employees, and revenue synergies including those arising from partnering with abrdn wholesale customers in the Group's investment business and from the deployment of Finimize content in the Group's Personal business. The goodwill has been primarily allocated to the Finimize cash-generating unit in the Investments segment (£72m) with £3m and £7m allocated to the asset management group of cash-generating units and a new cash-generating unit in the Personal segment respectively. The goodwill is not expected to be deductible for tax purposes.

The amounts of revenue from contracts with customers and profit after tax contributed to the Group's consolidated income statement for the year ended 31 December 2021 from the acquired Finimize business were £1m and £nil respectively. The profit contributed excludes amortisation of intangible assets acquired through business combinations. If the acquisition had occurred on 1 January 2021, the Group's total revenue from contracts with customers for the year would have increased by £3m to £1,688m and the profit after tax would have decreased by £2m to £993m.

Transaction costs of £2m were accounted for as part of restructuring and corporate transaction expenses in the year ended 31 December 2021.

## (c) Disposals

#### (c)(i) Current year disposal of subsidiaries and other operations

Profit on disposals of subsidiaries and other operations for the year ended 31 December 2021 of £127m includes a gain of £73m on the disposal of Parmenion Capital Partners LLP (Parmenion), £39m for the disposal of the Bonaccord Capital Partners (Bonaccord ) US private market business and £15m from other disposals.

On disposal, a loss of £1m was recycled from the translation reserve and was included in determining the profit on disposals of subsidiaries.

#### Parmenion

On 9 March 2021, the Group announced the sale of Parmenion to Preservation Capital Partners. Parmenion is reported in the Corporate/strategic segment (previously Asset management, platforms and wealth segment). The sale was completed on 30 June 2021.

The gain on sale, which is included in profit on disposals of subsidiaries and other operations in the consolidated income statement for the year ended 31 December 2021 was calculated as follows:

| 30 June 2021  | £m   |
|---|------|
| Total assets of operations disposed of  | (36) |
| Total liabilities of operations disposed of                                   | 13   |
| Net assets of operations disposed of  | (23) |
| Cash consideration (less transaction costs) and outstanding loan <sup>1</sup> | 75   |
| Fair value of earn-out payments   | 21   |
| Gain on sale before tax   | 73   |

<sup>1.</sup> Following the completion of the sale, the intercompany loan from abrdn plc to Parmenion of £9m which previously eliminated on consolidation is now recognised as an asset of the Group.

The taxable gain which arose on the sale has been computed in accordance with the tax rules applicable to UK partnerships.

Parmenion was classified as an operation held for sale at 31 December 2020.

#### Bonaccord

On 30 September 2021, the Group completed the sale of its Bonaccord US private market business to P10 Holdings Inc. (P10) through a number of asset sale agreements.

The gain on sale, which is included in profit on disposal of subsidiaries and other operations in the consolidated income statement for the year ended 31 December 2021 was calculated as follows:

| 30 September 2021  | £m  |
|--|-----|
| Total assets of operations disposed of                             | (2) |
| Total liabilities of operations disposed of                        | 2   |
| Net assets of operations disposed of                               | -   |
| Cash consideration (less transaction costs)                        | 30  |
| Fair value of earn-out payments and retained interest <sup>1</sup> | 9   |
| Gain on sale before tax  | 39  |

<sup>1.</sup> Following the completion of the sale, the Group has retained a reduced interest in future carried interest entitlement which has been recognised in the consolidated statement of financial position at fair value.

The taxable gain which arose on the sale has been computed in accordance with the tax rules applicable to US companies.

#### Nordics real estate business

On 31 May 2021, the Group completed the sale of its Nordics real estate business to DEAS Asset Management A/S through a number of share and asset sale agreements. The disposal is not considered material to the Group.

#### Hark

On 30 September 2021, in addition to the Bonaccord sale, the Group also completed the sale of its Hark Capital US private market business to P10 through a number of asset sale agreements. The disposal is not considered material to the Group.

## (c)(ii) Prior year disposal of subsidiaries Standard Life (Asia) Limited (SL Asia)

On 30 June 2020, the Group completed the sale of the entire issued share capital of its wholly owned Hong Kong insurance business, SL Asia, to the Group's Chinese joint venture business, HASL. SL Asia was reported in the Corporate/Strategic segment (previously the Asset management, platforms and wealth segment) and HASL is not included in the Group's reportable segments (previously reported within the Insurance associates and joint ventures segment). Refer Note 2 for further details.

Total consideration received comprised cash of £19m and the Group recognised a gain on disposal of £8m in respect of the sale within other income from continuing operations in the consolidated income statement for the year ended 31 December 2020. On disposal a gain of £8m was recycled from the translation reserve and was included in determining the gain on sale.

Prior to the completion of the sale, SL Asia was classified as an operation held for sale.

The accounting for the acquisition of SL Asia by HASL at 30 June 2020 was based on provisional amounts as allowed under IFRS 3 Business combinations.

## (c)(iii) Current year reclassification of associates and other related transactions

Profit on disposal of interests in associates for the year ended 31 December 2021 of £1,236m includes a gain of £68m on the reclassification of Phoenix and £1,168m of gains in relation to the sale of equity shares in HDFC Asset Management and its reclassification from an investment in associate.

On disposal and reclassification, a loss of £17m was recycled from the translation reserve and other comprehensive income gains of £9m were recycled from retained earnings and were included in determining the profit on disposals of associates.

## Phoenix Group Holdings plc (Phoenix)

On 23 February 2021, the Group announced details of the simplification and extension of the strategic partnership between the Group and Phoenix. The key details were:

 The Group announced the purchase of certain products in the Phoenix Group's savings business offered through abrdn's Wrap platform, comprising a self-invested pension plan (SIPP) and an onshore bond product; together with the Phoenix Group's trustee investment plan (TIP) business for UK pension scheme clients. The assets relating to these products at 31 December 2020 were £38bn and are included in the Group's AUMA. The transaction is targeted to complete in 2023 and is subject to regulatory and court approvals. The upfront consideration paid by the Group in February 2021 was £62.5m, which will be offset in part by payments from Phoenix to the Group relating to profits of the products prior to completion of the legal transfer. The net amount of consideration paid up to 31 December 2021 is included in prepayments in the consolidated statement of financial position and in prepayment in respect of potential acquisition of customer contracts in the consolidated statement of cash flows.

- The sale of the 'Standard Life' brand to Phoenix, replacing the existing agreement to licence the brand for no fee to Phoenix, the transfer of related brand employees to Phoenix, and the transfer of workplace pensions marketing staff to Phoenix who were employed by the Group but provided services to Phoenix. The sale of the brand, the staff transfers, and a related £32m payment from the Group to Phoenix took place in May 2021. Refer Note 34 for details of the release of related deferred revenue.
- The strategic asset management partnership with Phoenix has been extended and will now operate for at least 10 years up to February 2031.
- The resolution of legacy issues with Phoenix relating to the operation of certain aspects of the agreements that were entered into at the time of the sale of SLAL to Phoenix and which impacted the value of certain indemnities and other payments under the transaction terms. The impact of the resolution of these legacy matters was included in the 2020 results and resulted in the Group receiving a cash inflow of £34m in February 2021. Refer Note 39(a)(iv).

Following the changes to the commercial agreements set out above, in particular in relation to the licencing of the 'Standard Life' brand, our judgement is that Phoenix should no longer be accounted for as an associate with effect from 23 February 2021. The Group's shareholding in Phoenix, which remained at 14.4%, was therefore reclassified from an investment in associates accounted for using the equity method to equity securities and interests in pooled investment funds measured at fair value. A reclassification gain of £68m is included in the profit on disposal of interests in associates for the year ended 31 December 2021 as the fair value on 22 February 2021 of £1,023m was higher than the previous carrying value as an associate of £964m. On disposal, other comprehensive income gains of £9m were recycled from retained earnings and included in determining the gain on sale.

#### **HDFC Asset Management**

During 2021, the Group completed a sale of equity shares in HDFC Asset Management on the National Stock Exchange of India Limited and BSE Limited. The gains on sales and the gain on reclassification from an associate to an equity investment can be summarised as follows:

|   | 2021<br>£m |
|---|------------|
| Gain on sale of 10,650,000 equity shares in HDFC Asset Management sold through a Bulk Sale on 29 September 2021                                     | 271        |
| Gain on reclassification of remaining 34,578,305 equity shares in HDFC Asset Management from an associate to equity investment on 29 September 2021 | 897        |
| Gains on disposal and reclassification of HDFC Asset Management for the year ended 31 December 2021   | 1,168      |

Through the sale, 5% of the issued equity share capital of HDFC Asset Management was sold for a total consideration net of taxes and expenses of Rs 27,071m (£271m). The gain on sale of £271m before tax was calculated using the weighted-average cost method. On disposal a loss of £4m was recycled from the translation reserve and was included in determining the gain on sale.

Following the sale, the Group's shareholding in HDFC Asset Management was 34,578,305 equity shares or 16,22% and HDFC Asset Management is no longer considered to be an associate of the Group. The Group's investment in HDFC Asset Management was reclassified from an investment in associates accounted for using the equity method to equity securities and interests in pooled investment funds measured at fair value. A reclassification gain of £897m was included in the profit on disposal of interests in associates for the year ended 31 December 2021 as the fair value on 29 September 2021 of £1,003m was higher than the previous carrying value as an associate of £93m. On reclassification a loss of £13m was recycled from the translation reserve and was included in determining the gain.

The Group's shareholdings in Phoenix and HDFC Asset Management are now considered, along with HDFC Life (refer Note 1(c)(iv)), as significant listed investments for the purpose of determining the Group's adjusted profit. Refer Note 12(b) for other changes in the Group's significant listed investments in the year ended 31 December 2021.

#### (c)(iv) Prior year disposal and reclassification of associates

Profit on disposals of associates for the year ended 31 December 2020 of £1,858m includes £1,591m of gains in relation to the sale of equity shares in HDFC Life and its reclassification from an investment in associate, £263m of gains in relation to the sale of equity shares in HDFC Asset Management and a £4m dilution gain in Phoenix.

#### HDFC Life

During 2020, the Group completed sales of equity shares in HDFC Life on the National Stock Exchange of India Limited and BSE Limited. The gains on sales and the gain on reclassification from an associate to an equity investment can be summarised as follows:

|  | 2020<br>£m |
|--|------------|
| Gain on sale of 50,000,000 equity shares in HDFC Life sold through a Bulk Sale on 27 March 2020          | 206        |
| Gain on sale of 40,000,000 equity shares in HDFC Life sold through a Bulk Sale on 4 June 2020            | 182        |
| Gain on sale of 27,772,684 equity shares in HDFC Life sold through a Bulk Sale on 3 December 2020        | 152        |
| Gain on reclassification of remaining 179,539,209 equity shares in HDFC Life from an associate to equity |            |
| investment on 3 December 2020  | 1,051      |
| Gains on disposals and reclassification of HDFC Life for the year ended 31 December 2020                 | 1,591      |

During 2020, in total, 5.83% of the issued equity share capital of HDFC Life was sold for a combined total consideration net of taxes and expenses of Rs 58,561m (£616m). The combined gain on sale of £540m was calculated using the weighted-average cost method. On disposal a loss of £5m was recycled from the translation reserve and was included in determining the gain on sale.

Following the 3 December 2020 sale, the Group's shareholding in HDFC Life was 179,539,209 equity shares or 8.89% and HDFC Life is no longer considered to be an associate of the Group. The Group's investment in HDFC Life was reclassified from an investment in associates accounted for using the equity method to equity securities and interests in pooled investment funds measured at fair value. A reclassification gain of £1,051m was included in the profit on disposal of interests in associates for the year ended 31 December 2020 as the fair value on 3 December 2020 of £1,168m was higher than the previous carrying value as an associate of £111m. On reclassification a loss of £6m was recycled from the translation reserve and was included in determining the gain.

## HDFC Asset Management

During 2020, the Group completed the following sale of equity shares in HDFC Asset Management on the National Stock Exchange of India Limited and BSE Limited:

- 12,000,000 equity shares in HDFC Asset Management sold through an Offer for Sale on 17 and 18 June 2020.

Through the sale, 5.64% of the issued equity share capital of HDFC Asset Management was sold for a total consideration net of taxes and expenses of Rs 25,404m (£265m). The gain on sale of £263m before tax was calculated using the weighted-average cost method. On disposal a loss of £3m was recycled from the translation reserve and was included in determining the gain on sale.

### Phoenix

On 22 July 2020, Phoenix, announced the completion of its acquisition of ReAssure Group plc. Under the terms of the transaction, Phoenix issued 277,277,138 new ordinary shares as part consideration for the acquisition. Completion of the transaction resulted in the Group's holding in Phoenix becoming 14.43% of the enlarged Phoenix Group. A dilution gain of £4m was recognised within the Profit on disposal of interests in associates in the consolidated income statement as a result of the transaction.

## 2. Segmental analysis

The Group's reportable segments have been identified in accordance with the way in which the Group is structured and managed. IFRS 8 *Operating Segments* requires that the information presented in the financial statements is based on information provided to the 'Chief Operating Decision Maker' which for the Group is the executive leadership team.

## (a) Basis of segmentation

## (a)(i) Current reportable segments

#### Investments

Our global asset management business which provides investment solutions for Institutional, Wholesale and Insurance clients. The Investment segment includes the Tritax and Finimize businesses following their acquisitions during the year.

## Adviser

Our market-leading UK financial adviser business which provides services through the Wrap and Elevate platforms to wealth managers and advisers.

#### Personal

Our Personal business which combines our financial planning business abrdn Financial Planning, our digital direct-to-consumer services and discretionary fund management services provided by abrdn Capital.

In addition to the Group reportable segments above, the analysis of adjusted profit in Section b(i) below also reports the following:

#### Corporate/strategic

Corporate/strategic mainly comprises certain corporate costs and businesses held for sale (Parmenion, the sale of which was completed on 30 June 2021, and SL Asia which was sold in June 2020).

The segments are reported to the level of adjusted operating profit and therefore, as described in Section a(ii) below, no longer include the results relating to the Group's associates and joint ventures.

## (a)(ii) Changes to reportable segments

Previously, we reported our results under two reportable segments.

- Asset management, platforms and wealth which comprised all wholly owned business, the Virgin Money joint venture
  and HDFC Asset Management our Indian asset management associate.
- Insurance associates and joint ventures which comprised our life assurance associates and joint ventures HDFC Life,
   Phoenix and HASL.

The business is now operating under three growth vectors of Investments, Adviser and Personal as set out in Section (a)(i) above and accordingly, in 2021, the Group changed the way we report the performance of the business to the executive leadership team.

Reportable segments are now reported to the level of adjusted operating profit in line with the updated management reporting, and therefore our share of the results of associates and joint ventures are no longer part of the Group's reportable segments.

Comparative amounts for the year ended 31 December 2020 have been prepared on the same basis as the year ended 31 December 2021 to allow more meaningful comparison.

#### (b) Reportable segments - adjusted profit and revenue information

## Analysis of adjusted profit

Adjusted operating profit is presented by reportable segment in the table below.

|   |       | Investments | Adviser | Personal | Corporate/<br>strategic | Total   |
|---|-------|-------------|---------|----------|-------------------------|---------|
| 31 December 2021  | Notes | £m          | £m      | £m       | £m                      | £m      |
| Fee based revenue   |       | 1,231       | 178     | 92       | 14                      | 1,515   |
| Adjusted operating expenses   |       | (978)       | (104)   | (84)     | (26)                    | (1,192) |
| Adjusted operating profit   |       | 253         | 74      | 8        | (12)                    | 323     |
| Adjusted net financing costs and investment return <sup>1</sup>   |       |             |         |          |                         | _       |
| Adjusted profit before tax  |       |             |         |          |                         | 323     |
| Tax on adjusted profit  |       |             |         |          |                         | (26)    |
| Adjusted profit after tax   |       |             |         |          |                         | 297     |
| Adjusted for the following items  |       |             |         |          |                         |         |
| Restructuring and corporate transaction expenses  | 8     |             |         |          |                         | (259)   |
| Amortisation and impairment of intangible assets acquired in business combinations and through the purchase of customer |       |             |         |          |                         | (99)    |
| contracts   |       |             |         |          |                         | (99)    |
| Profit on disposal of subsidiaries and other operations   | 1     |             |         |          |                         | 127     |
| Profit on disposal of interests in associates   | 1     |             |         |          |                         | 1,236   |
| Change in fair value of significant listed investments  |       |             |         |          |                         | (298)   |
| Dividends from significant listed investments   |       |             |         |          |                         | 71      |
| Share of profit or loss from associates and joint ventures <sup>2</sup>   |       |             |         |          |                         | (22)    |
| Other   | 12    |             |         |          |                         | 36      |
| Total adjusting items including results of  |       |             |         |          |                         |         |
| associates and joint ventures   |       |             |         |          |                         | 792     |
| Tax on adjusting items  |       |             |         |          |                         | (94)    |
| Profit attributable to non-controlling interests (ordinary shares)  |       |             |         |          |                         | (1)     |
| Profit for the year attributable to equity shareholders of abrdn plc  |       |             |         |          |                         | 994     |
| Profit attributable to non-controlling interests (ordinary shares)  |       |             |         |          |                         | 1       |
| Profit for the year   |       |             |         |          |                         | 995     |

<sup>1.</sup> Capital management has been renamed Adjusted net financing costs and investment return.

Fee based revenue is reported as the measure of revenue in the analysis of adjusted operating profit and relates to revenues generated from external customers.

In the year ended 31 December 2021, transactions with one external customer amounted to more than 10% of fee based revenue (2020: one). This fee based revenue of £195m (2020: £195m) is included in the Investments segment (previously part of the Asset management, platforms and wealth segment).

Adjusted operating expenses includes depreciation and amortisation of £47m (2020: £67m): £37m (2020: £51m) for the Investments segment; £4m (2020: £4m) for the Adviser segment; £4m (2020: £3m) for the Personal segment; and £2m (2020: £9m) for the Corporate/strategic segment. Interest income, interest expense and income tax expense are not analysed by segment in the information provided to the Chief Operating Decision Maker.

Assets and liabilities by segment is not required to be presented as such information is not presented on a regular basis to the Chief Operating Decision Maker.

<sup>2.</sup> Share of associates' and joint ventures' profit or loss comprises the Group's share of results of HASL, Virgin Money Unit Trust Managers (Virgin Money UTM), Phoenix (until 22 February 2021) and HDFC Asset Management (until 29 September 2021).

|   |       | Investments | Adviser | Personal | Corporate/<br>strategic | Total   |
|---|-------|-------------|---------|----------|-------------------------|---------|
| Full year 2020  | Notes | £m          | £m      | £m       | £m                      | £m      |
| Fee based revenue   |       | 1,176       | 137     | 80       | 32                      | 1,425   |
| Adjusted operating expenses   |       | (990)       | (89)    | (85)     | (42)                    | (1,206) |
| Adjusted operating profit   |       | 186         | 48      | (5)      | (10)                    | 219     |
| Adjusted net financing costs and investment return <sup>1</sup>   |       |             |         |          |                         | 21      |
| Adjusted profit before tax  |       |             |         |          |                         | 240     |
| Tax on adjusted profit  |       |             |         |          |                         | (38)    |
| Adjusted profit after tax   |       |             |         |          |                         | 202     |
| Adjusted for the following items  |       |             |         |          |                         |         |
| Restructuring and corporate transaction expenses  | 8     |             |         |          |                         | (316)   |
| Amortisation and impairment of intangible assets acquired in business combinations and through the purchase of customer |       |             |         |          |                         |         |
| contracts   |       |             |         |          |                         | (1,180) |
| Profit on disposal of subsidiaries and other operations   | 1     |             |         |          |                         | 8       |
| Profit on disposal of interests in associates   | 1     |             |         |          |                         | 1,858   |
| Change in fair value of significant listed investments  |       |             |         |          |                         | 65      |
| Share of profit or loss from associates and joint ventures <sup>2</sup>   |       |             |         |          |                         | 194     |
| Impairment of interests in joint ventures   | 15    |             |         |          |                         | (45)    |
| Other   | 12    |             |         |          |                         | 14      |
| Total adjusting items including results of associates and joint ventures  |       |             |         |          |                         | 598     |
| Tax on adjusting items  |       |             |         |          |                         | 53      |
| Profit attributable to non-controlling interests (preference shares)  |       |             |         |          |                         | (5)     |
| Profit for the year attributable to equity shareholders of abrdn plc from continuing                                    |       |             |         |          |                         |         |
| operations  |       |             |         |          |                         | 848     |
| Loss for the year from discontinued operations  | 10    |             |         |          |                         | (15)    |
| Profit for the year attributable to equity shareholders of abrdn plc  |       |             |         |          |                         | 833     |
| Profit attributable to non-controlling interests  |       |             |         |          |                         |         |
| Preference shares   |       |             |         |          |                         | 5       |
| Profit for the year   |       |             |         |          |                         | 838     |

<sup>1.</sup> Capital management has been renamed Adjusted net financing costs and investment return.

# (b)(ii) Reconciliation to the IFRS consolidated income statement

## Fee based revenue

The reconciliation of fee based revenue, as presented in the analysis of Group adjusted profit by segment to revenue from contracts with customers, as presented in the IFRS consolidated income statement, is included in Note 3.

## Adjusted operating expenses

The following table provides a reconciliation of adjusted operating expenses, as presented in the analysis of Group adjusted profit by segment, to total administrative and other expenses, as presented in the IFRS consolidated income statement.

<sup>2.</sup> Share of associates' and joint ventures' profit or loss comprises the Group's share of results of HDFC Asset Management, Phoenix, HASL, Virgin Money UTM and HDFC Life (until 3 December 2020).

|   | 2021    | 2020    |
|---|---------|---------|
|   | £m      | £m      |
| Total administrative and other expenses as presented in the IFRS consolidated income statement  |         | _       |
| from continuing operations  | (1,556) | (2,716) |
| Restructuring and corporate transaction expenses included in adjusting items  | 259     | 316     |
| Amortisation and impairment of intangible assets acquired in business combinations and through the purchase of customer contracts included in adjusting items | 99      | 1,180   |
| Administrative and other expenses relating to the unit linked business  | 3       | 5       |
| Other differences   | 3       | 9       |
| Adjusted operating expenses as presented in the analysis of Group adjusted profit by segment from continuing operations                                       | (1,192) | (1,206) |

#### Adjusted net financing costs and investment return

The following table provides a reconciliation of adjusted net financing costs and investment return, as presented in the analysis of Group adjusted profit by segment, to Net gains on financial instruments and other income, as presented in the IFRS consolidated income statement.

|   | 2021  | 2020 |
|---|-------|------|
|   | £m    | £m   |
| Net gains on financial instruments and other income as presented in the IFRS consolidated |       |      |
| income statement from continuing operations   | (183) | 146  |
| Finance costs separately disclosed in the IFRS consolidated income statement              | (30)  | (30) |
| Change in fair value of significant listed investments included in adjusting items        | 298   | (65) |
| Dividends from significant listed investments included in adjusting items                 | (71)  | -    |
| Net gains on financial instruments and other income relating to the unit linked business  | (7)   | (9)  |
| Other differences   | (7)   | (21) |
| Adjusted net financing costs and investment return as presented in the analysis of Group  |       | _    |
| adjusted profit by segment from continuing operations                                     | -     | 21   |

Other differences primarily relate to amounts presented in a different line item of the consolidated income statement and other items classified as adjusting items.

## Total fee based revenue by geographical location

Total fee based revenue<sup>1</sup> split by geographical location is as follows:

|                                | 2021  | 2020 <sup>1</sup> |
|--------------------------------|-------|-------------------|
|                                | £m    | £m                |
| UK                             | 1,015 | 954               |
| Europe, Middle East and Africa | 132   | 137               |
| Asia Pacific                   | 209   | 192               |
| Americas                       | 159   | 142               |
| Total                          | 1,515 | 1,425             |

<sup>1.</sup> Previously a geographical split of total income from continuing operations as presented in the consolidated income statement was provided. In line with the  $changes \ to income \ statement \ presentation \ in \ the \ current \ year \ (refer \ Section \ (a) (iii)) \ of \ the \ Basis \ of \ Preparation \ for \ further \ details), \ a \ geographical \ split \ of \ total \ presentation \ for \ further \ details), \ a \ geographical \ split \ of \ total \ presentation \ for \ further \ details), \ a \ geographical \ split \ of \ total \ presentation \ for \ further \ details), \ a \ geographical \ split \ of \ total \ presentation \ for \ further \ details), \ a \ geographical \ split \ of \ total \ presentation \ for \ further \ details), \ a \ geographical \ split \ of \ total \ presentation \ for \ further \ details), \ a \ geographical \ split \ of \ total \ presentation \ for \ further \ details), \ a \ geographical \ split \ of \ total \ presentation \ for \ further \ details), \ a \ geographical \ split \ of \ total \ presentation \ for \ further \ details), \ a \ geographical \ split \ of \ total \ presentation \ for \ further \ details), \ a \ geographical \ split \ of \ total \ presentation \ for \ further \ details), \ a \ geographical \ split \ of \ total \ presentation \ for \ further \ details), \ a \ geographical \ split \ of \ total \ presentation \ for \ further \ details), \ a \ geographical \ split \ of \ total \ presentation \ for \ further \ details), \ a \ geographical \ split \ geographical \ split \ of \ total \ presentation \ for \ further \ details), \ a \ geographical \ split \ of \ total \ presentation \ for \ further \ geographical \ geogr$  $fee \, based \, revenue \, which, as \, noted \, above, \, relates \, to \, revenue \, sgenerated \, from \, external \, customers \, is \, now \, provided.$ 

Fee based revenue is allocated based on where the revenue is earned.

## (d) Non-current non-financial assets by geographical location

|                                | 2021 | 2020 |
|--------------------------------|------|------|
|                                | £m   | £m   |
| UK                             | 808  | 629  |
| Europe, Middle East and Africa | 9    | 15   |
| Asia Pacific                   | 13   | 17   |
| Americas                       | 61   | 76   |
| Total                          | 891  | 737  |

Non-current non-financial assets for this purpose consist of property, plant and equipment and intangible assets.

## 3. Net operating revenue

Net operating revenue represents revenue from contracts with customers after deduction of cost of sales.

Revenue from contracts with customers is recognised as services are provided i.e. as the performance obligation is satisfied. Performance fees and carried interest are only recognised once it is highly probable that a significant reversal will not occur in future periods. Where revenue is received in advance (front-end fees), this income is deferred and recognised as a deferred income liability until the services have been provided (refer Note 34). Revenue from contracts with customers excludes premium written and earned on insurance and participating investment contracts (Refer Note 30).

Commission and other fee expenses which relate directly to revenue are presented as cost of sales. These expenses include ongoing commission expenses payable to financial institutions, investment platform providers and financial advisers that distribute the Group's products which are generally based on an agreed percentage of AUM and are recognised in the income statement as the service is received. Other cost of sales also includes amounts payable to employees and others relating to carried interest and performance fee revenue.

## (a) Revenue from contracts with customers

The following table provides a breakdown of total revenue from contracts with customers.

|   | 2021<br>£m | 2020<br>restated <sup>1</sup><br>£m |
|---|------------|-------------------------------------|
| Investments   |            |                                     |
| Management fee income – Institutional and Wholesale <sup>2</sup>  | 1,043      | 971                                 |
| Management fee income – Insurance <sup>2</sup>                    | 200        | 216                                 |
| Performance fees and carried interest                             | 99         | 30                                  |
| Other revenue from contracts with customers                       | 54         | 24                                  |
| Revenue from contracts with customers for the investments segment | 1,396      | 1,241                               |
| Adviser   | 180        | 169                                 |
| Personal  | 92         | 80                                  |
| Corporate/strategic – Parmenion fund platform fee income          | 17         | 37                                  |
| Total revenue from contracts with customers                       | 1,685      | 1,527                               |

<sup>1.</sup> The breakdown of revenue from contracts with customers for the year ended 31 December 2020 has been restated in line with the changes to the Group's reportable segments. Refer Note 2 for further details.

#### Investments

Through a number of its subsidiaries, the Group provides asset management services to its customers. This performance obligation is performed over time with the revenue recognised as the obligation is performed. The Group generally receives asset management fees based on the percentage of the assets under management. The percentage varies depending on the level and nature of assets under management. Asset management fees are either deducted from assets or invoiced. Deducted fees are generally calculated, recognised and collected on a daily basis. Other asset management fees are invoiced to the customer either monthly or quarterly with receivables recognised for unpaid invoices. The payment terms for invoiced revenue vary but are typically 30 days from receipt of invoice. Accrued income is recognised to account for income earned but not yet invoiced which is not dependent on any future performance. There is also some use of performance fees and carried interest arrangements. Performance fees and carried interest are earned from some investment mandates when contractually agreed performance levels are exceeded within specified performance measurement periods. Performance fees and carried interest are only recognised once it is highly probable that a significant reversal will not occur in future periods. Given the unpredictability of future performance, the risk of a significant reversal occurring will typically only be considered low enough to make recognition appropriate upon the crystallisation event occurring.

#### Adviser

Through a number of its subsidiaries, the Group offers customers access to fund platforms. The platforms give customers the ongoing functionality to manage and administer their investments. This performance obligation is performed over time with the revenue recognised as the obligation is performed. Customers pay a platform charge which is generally calculated as a percentage of their assets. The percentage varies depending on the level of assets on the specific platform. The main platform charges are calculated either daily or monthly and are collected and recognised monthly. The charges are collected directly from assets on the platform. There are no significant payment terms.

Adviser revenue from contracts with customers includes revenue passed to the product provider and included below in other cost of sales.

<sup>2.</sup> In addition to revenues earned as a percentage of AUM, management fee income includes certain other revenues such as registration fees.

#### Personal

Through a number of its subsidiaries, the Group offers financial planning and discretionary fund management services. Financial planning is either provided on a one-off basis or on an ongoing basis. The performance obligation for one-off advice is performed at a point in time with the revenue recognised when the advice is provided. The performance obligation for ongoing financial planning is performed over time with the revenue recognised as the obligation is performed. The Group generally receives ongoing financial planning fees based on the percentage of the assets under advice. One-off financial planning fees are invoiced to the customer following delivery of the advice to the customer. Ongoing financial planning fees are invoiced to the customer or a designated financial provider either monthly or quarterly. Receivables are recognised for unpaid invoices. The payment terms for invoiced revenue vary but are typically 30 days from receipt of invoice. Accrued income is recognised to account for income earned but not yet invoiced which is not dependent on any future performance. The performance obligation for discretionary fund management services is also performed over time with the revenue recognised as the obligation is performed. The Group generally receives discretionary fund management services fees based on the percentage of the assets under management. The percentage varies depending on the level and nature of assets under management. Discretionary fund management services fees are generally calculated, recognised and collected on a daily basis.

## (b) Cost of sales

The following table provides a breakdown of total cost of sales.

|                     | 2021 | 2020 |
|---------------------|------|------|
|                     | £m   | £m   |
| Cost of sales       |      |      |
| Commission expenses | 87   | 77   |
| Other cost of sales | 55   | 27   |
| Total cost of sales | 142  | 104  |

Other cost of sales includes amounts payable to employees and others relating to carried interest and performance fee revenue.

## (c) Reconciliation of revenue from contracts with customers to fee based revenue

The following table provides a reconciliation of revenue from contracts with customers as presented in the consolidated income statement to fee based revenue, as presented in the analysis of adjusted operating profit (see Note 2(b) for each of the Group's reportable segments).

|                                       | Investm | ents  | Advi | ser  | Perso | onal | Corporate | /strategic | Toto  | ıl    |
|---------------------------------------|---------|-------|------|------|-------|------|-----------|------------|-------|-------|
|                                       | 2021    | 2020  | 2021 | 2020 | 2021  | 2020 | 2021      | 2020       | 2021  | 2020  |
|                                       | £m      | £m    | £m   | £m   | £m    | £m   | £m        | £m         | £m    | £m    |
| Revenue from contracts with customers | 1,396   | 1,241 | 180  | 169  | 92    | 80   | 17        | 37         | 1,685 | 1,527 |
| Cost of sales                         | (137)   | (71)  | (2)  | (27) | -     | -    | (3)       | (6)        | (142) | (104) |
| Net operating revenue                 | 1,259   | 1,170 | 178  | 142  | 92    | 80   | 14        | 31         | 1,543 | 1,423 |
| Other differences                     | (28)    | 6     | -    | (5)  | -     | -    | -         | 1          | (28)  | 2     |
| Fee based revenue                     | 1,231   | 1,176 | 178  | 137  | 92    | 80   | 14        | 32         | 1,515 | 1,425 |

Other differences primarily relate to amounts presented in a different line item of the consolidated income statement and items classified as adjusting items and for the year ended 31 December 2021 primarily relate to the net release of deferred income of £25m (refer Note 34).

(d) Contract receivables, assets and liabilities
The Group has recognised the following receivables, assets and liabilities in relation to contracts with customers.

|   |       | 31 December<br>2021 | 31 December<br>2020 | 1 January<br>2020 |
|---|-------|---------------------|---------------------|-------------------|
|   | Notes | £m                  | £m                  | £m                |
| Amount receivable from contracts with customers | 20    | 135                 | 115                 | 130               |
| Accrued income from contracts with customers    | 20    | 260                 | 221                 | 227               |
| Cost of obtaining customer contracts            | 14    | 37                  | 49                  | 60                |
| Deferred acquisition costs                      | 21    | 3                   | 4                   | 6                 |
| Total contract receivables and assets           |       | 435                 | 389                 | 423               |

|                            |       | 31 December<br>2021 | 31 December<br>2020 | 1 January<br>2020 |
|----------------------------|-------|---------------------|---------------------|-------------------|
|                            | Notes | £m                  | £m                  | £m                |
| Deferred Income            | 34    | 5                   | 73                  | 67                |
| Accruals                   | 35    | -                   | _                   | 3                 |
| Total contract liabilities |       | 5                   | 73                  | 70                |

Refer Note 34 for details of the release of £57m of deferred income in May 2021.

## 4. Net gains on financial instruments and other income

Gains and losses resulting from changes in both market value and foreign exchange on investments classified as fair value through profit or loss are recognised in the consolidated income statement in the period in which they occur. The gains and losses include investment income received such as interest payments and dividend income. Dividend income is recognised when the right to receive payment is established.

Interest income on financial instruments measured at amortised cost is separately recognised in the consolidated income statement using the effective interest rate method. The effective interest rate method allocates interest and other finance costs at a constant rate over the expected life of the financial instrument, or where appropriate a shorter period, by using as the interest rate the rate that exactly discounts the future cash receipts over the expected life to the net carrying value of the instrument.

Other income includes income related to vacant property.

|   |       | 2021  | 2020 <sup>1</sup> |
|---|-------|-------|-------------------|
|   | Notes | £m    | £m                |
| Fair value movements and dividend income on significant listed investments      |       |       |                   |
| Fair value movements on significant listed investments (other than              |       |       |                   |
| dividend income)  |       | (298) | 65                |
| Dividend income from significant listed investments                             |       | 71    | _                 |
| Total fair value movements and dividend income on significant listed            |       | ****  |                   |
| investments   |       | (227) | 65                |
| Non-unit linked business – excluding significant listed investments             |       |       |                   |
| Net gains on financial instruments at fair value through profit or loss         |       | 20    | 40                |
| Interest and similar income from financial instruments at amortised cost        |       | 10    | 19                |
| Foreign exchange losses on financial instruments at amortised cost              |       | (1)   | (10)              |
| Otherincome   |       | 8     | 20                |
| Insurance contract premium income   | 30    | _     | 3                 |
| Net gains on financial instruments and other income from continuing operations  |       |       |                   |
| - non-unit linked business - excluding significant listed investments           |       | 37    | 72                |
| Unit linked business  |       |       |                   |
| Net gains on financial instruments at fair value through profit or loss         |       |       |                   |
| Net gains on financial assets at fair value through profit or loss              |       | 174   | 48                |
| Change in non-participating investment contract financial liabilities           |       | (124) | (56)              |
| Change in liability for third party interests in consolidated funds             |       | (43)  | 3                 |
| Total net gains on financial instruments at fair value through profit or loss   |       | 7     | (5)               |
| Foreign exchange losses on financial instruments at amortised cost              |       | -     | 1                 |
| Otherincome   |       | -     | 2                 |
| Insurance contract premium income   | 30    | -     | 28                |
| Insurance contract claims and change in liabilities                             |       | -     | (17)              |
| Net gains on financial instruments and other income from continuing operations  |       |       |                   |
| - unit linked business <sup>2</sup>   | 24    | 7     | 9                 |
| Total other net gains on financial instruments and other income from continuing |       |       |                   |
| operations  |       | 44    | 81                |
| Total net gains on financial instruments and other income from continuing       |       |       |                   |
| operations  |       | (183) | 146               |

<sup>1.</sup> The Group has made changes to the presentation of the consolidated income statement in 2021. Refer Section (a)(iii) of the Basis of Preparation for further details.

Fair value movements on significant listed investments (other than dividend income) of losses of £298m (2020: gains of £65m) comprises losses of £52m relating to HDFC Life (2020: gains of £65m), losses of £164m relating to HDFC Asset Management (2020: £nil) and losses of £82m relating to Phoenix (2020: £nil).

Dividend income from significant listed investments of £71m (2020: £nil) comprises £69m (2020: £nil) relating to Phoenix and £2m (2020: £nil) relating to HDFC Life.

<sup>2.</sup> In addition to the Net gains on financial instruments and other income from continuing operations – unit linked business of £7m (2020: £9m), there are administrative expenses and policyholder tax of £3m (2020: £5m) and £4m (2020: £4m) respectively relating to unit linked business for the account of policyholders so the result attributable to unit linked business for the year is £nil (2020: £nil). Refer Note 24 for further details.

## 5. Administrative and other expenses

|   |       | 2021  | 2020 <sup>1</sup> |
|---|-------|-------|-------------------|
|   | Notes | £m    | £m                |
| Restructuring and corporate transaction expenses <sup>2</sup>   | 8     | 259   | 316               |
| Impairment of goodwill - asset management   | 14    | -     | 915               |
| Amortisation and impairment of other intangibles acquired in business combinations and through the purchase of customer contracts |       |       |                   |
| Impairment of other intangibles acquired in business combinations   | 14    | -     | 135               |
| Amortisation of intangibles acquired in business combinations   | 14    | 87    | 111               |
| Amortisation of intangibles acquired through the purchase of customer   |       |       |                   |
| contracts   | 14    | 12    | 19                |
| Total Amortisation and impairment of other intangibles acquired in business   |       |       |                   |
| combinations and through the purchase of customer contracts   |       | 99    | 265               |
| Staff costs and other employee-related costs  | 6     | 604   | 625               |
| Other administrative expenses <sup>2,3</sup>  |       | 594   | 595               |
| Total administrative and other expenses from continuing operations <sup>4</sup>   |       | 1,556 | 2,716             |

<sup>1.</sup> The Group has made changes to the presentation of the consolidated income statement in 2021. Refer Section (a)(iii) of the Basis of Preparation for further details.

## 6. Staff costs and other employee-related costs

The following table shows the staff costs and other employee-related costs aggregated for both continuing and discontinued operations.

|   |       | 2021 | 2020 |
|---|-------|------|------|
|   | Notes | £m   | £m   |
| The aggregate remuneration payable in respect of employees: |       |      |      |
| Wages and salaries  |       | 469  | 465  |
| Social security costs                                       |       | 56   | 55   |
| Pension costs   |       |      |      |
| Defined benefit plans                                       |       | (17) | (19) |
| Defined contribution plans                                  |       | 53   | 58   |
| Employee share-based payments and deferred fund awards      | 43    | 43   | 66   |
| Total staff costs and other employee-related costs          |       | 604  | 625  |

In addition, wages and salaries of £27m (2020: £28m), social security costs of £3m (2020: £4m), pension costs – defined benefit plans of less than £1m (2020: less than £1m), pension costs – defined contribution plans of £1m (2020: £1m), employee share-based payments and deferred fund awards relating to transformation and leavers of £16m (2020: £27m) and termination benefits of £50m (2020: £31m) have been included in restructuring and corporate transaction expenses. Refer Note 8. A further £53m (2020: £nil) of expenses are included in other cost of sales in relation to amounts payable to employees and former employees relating to carried interest and performance fee revenue. Refer Note 3.

The following table provides an analysis of the average number of staff employed by the Group during the year.

|                                      | 2021  | 2020  |
|--------------------------------------|-------|-------|
| Investments                          | 1,683 | 1,809 |
| Adviser                              | 136   | 118   |
| Personal                             | 626   | 576   |
| Operations, IT and support functions | 3,018 | 3,526 |
| Total employees                      | 5,463 | 6,029 |

Information in respect of Directors' remuneration is provided in the Directors' remuneration report on pages 100 to 116.

<sup>2.</sup> For the year ended 31 December 2020, £19m of expenses previously presented in other administrative expenses have been reclassified as restructuring and corporate transaction expenses. Refer Section (a)(iii) of the Basis of Preparation for further details.

<sup>3.</sup> Other administrative expenses includes interest expense of £1m (2020: £2m). In addition, interest expense of £24m (2020: £24m) was incurred in respect of subordinated liabilities and the related cash flow hedge (refer Note 19) and interest expense of £6m (2020: £6m) in respect of lease liabilities (refer Note 17) which are included in Finance costs in the consolidated income statement.

<sup>4.</sup> Total administrative and other expenses includes £3m (2020: £5m) relating to unit linked business. Refer Note 24 for further details.

## 7. Auditors' remuneration

The following table shows the auditors' remuneration aggregated for both continuing and discontinued operations.

|  | 2021 | 2020 |
|--|------|------|
|  | £m   | £m   |
| Fees payable to the Company's auditors for the audit of the Company's individual and |      | _    |
| consolidated financial statements  | 1.0  | 1.1  |
| Fees payable to the Company's auditors for other services                            |      |      |
| The audit of the Company's consolidated subsidiaries pursuant to legislation         | 4.1  | 4.1  |
| Audit related assurance services   | 2.0  | 2.3  |
| Total audit and audit related assurance fees   | 7.1  | 7.5  |
| Other assurance services   | 1.2  | 0.8  |
| Other non-audit fee services   | 0.9  | -    |
| Total non-audit fees   | 2.1  | 0.8  |
| Total auditors' remuneration   | 9.2  | 8.3  |

Auditors' remuneration disclosed above excludes audit and non-audit fees payable to the Group's principal auditor by Group managed funds which are not controlled by the Group, and therefore not consolidated in the Group's financial statements.

During the year ended 31 December 2021 no audit fees were payable in respect of defined benefit plans to the Group's principal auditor (2020: £nil).

For more information on non-audit services, refer to the Audit Committee report in Section 3 – Corporate governance statement.

# 8. Restructuring and corporate transaction expenses

Total restructuring and corporate transaction expenses incurred from continuing operations during the year were £259m (2020: £316m). The expenses mainly relate to transformation costs including severance, asset management integration, separation from Phoenix, and finance and platform transformation. Deal costs relating to acquisitions included in restructuring and corporate transaction expenses for the year ended 31 December 2021 were £16m (2020: £1m).

The restructuring and corporate transaction expenses of £316m for the year ended 31 December 2020 includes £19m of expenses previously presented in other administrative expenses. Refer Section (a)(iii) of the Basis of Preparation for further details.

## 9. Taxation

The Group's tax expense comprises both current tax and deferred tax expense.

Current tax is the expected tax payable on taxable profit for the year and is calculated using tax rates and laws substantively enacted at the balance sheet date.

A deferred tax asset represents a tax deduction that is expected to arise in a future period. It is only recognised to the extent that there is expected to be future taxable profit or investment return to offset the tax deduction. A deferred tax liability represents taxes which will become payable in a future period as a result of a current or prior year transaction. Where local tax law allows, deferred tax assets and liabilities are netted off on the statement of financial position. The tax rates used to determine deferred tax are those enacted or substantively enacted at the balance sheet date that are expected to apply when the deferred tax asset or liability are realised.

Deferred tax is recognised on temporary differences arising from investments in subsidiaries and associates unless the timing of the reversal is in our control and it is expected that the temporary difference will not reverse in the foreseeable future.

Current tax and deferred tax is recognised in the consolidated income statement except when it relates to items recognised in other comprehensive income or directly in equity, in which case it is credited or charged to other comprehensive income or directly to equity respectively.

The Group operates in a large number of territories and during the normal course of business will be subject to audit or enquiry by local tax authorities. At any point in time the Group will also be engaged in commercial transactions the tax outcome of which may be uncertain due to their complexity or uncertain application of tax law. Tax provisions, therefore, are subjective by their nature and require management judgement based on the interpretation of legislation, management experience and professional advice. As such, this may result in the Group recognising provisions for uncertain tax positions. Management will provide for uncertain tax positions where they judge that it is probable there will be a future outflow of economic benefits from the Group to settle the obligation. In assessing uncertain tax positions management considers each issue on its own merits using their judgement as to the estimate of the most likely outcome. When making estimates, management considers all available evidence. This may include forecasts of future profitability, the frequency and severity of any losses, and statutory carry forward and carry back provisions as well as management experience of tax attributes expiring without use. Where the final outcome differs from the amount provided this difference will impact the tax charge in future periods. Management re-assesses provisions at each reporting date based upon latest available information.

## (a) Tax charge in the consolidated income statement

## (a)(i) Current year tax expense

|   | 2021 | 2020 |
|---|------|------|
|   | £m   | £m   |
| Current tax:  |      |      |
| UK  | 5    | (1)  |
| Overseas  | 60   | 55   |
| Adjustment to tax expense in respect of prior years                           | 11   | 9    |
| Total current tax attributable to continuing operations                       | 76   | 63   |
| Deferred tax:   |      |      |
| Deferred tax expense/(credit) arising from the current year                   | 36   | (76) |
| Adjustment to deferred tax in respect of prior years                          | 8    | (2)  |
| Total deferred tax attributable to continuing operations                      | 44   | (78) |
| Total tax expense/(credit) attributable to continuing operations <sup>1</sup> | 120  | (15) |

<sup>1.</sup> The tax expense of £120m (2020: tax credit of £15m) includes a tax expense of £4m (2020: £4m) relating to unit linked business. Refer Note 24 for further details.

The share of associates' and joint ventures' tax credit for the year is £5m (2020: £17m expense) and is included in profit before tax in the consolidated income statement in Share of profit or loss from associates and joint ventures.

In 2021 unrecognised tax losses from previous years were used to reduce the current tax expense by £15m (2020: £1m). Unrecognised tax losses and timing differences were used to reduce the deferred tax expense by £nil (2020: £1m).

Current tax recoverable and current tax liabilities at 31 December 2021 were £2m (2020: £9m) and £27m (2020: £15m) respectively. In addition current tax recoverable and current tax liabilities in relation to unit linked business were £1m (2020: £1m) and £1m (2020: £1m) respectively. Current tax assets and liabilities at 31 December 2021 and 31 December 2020 are expected to be recoverable or payable in less than 12 months.

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## (a)(ii) Reconciliation of tax expense

|  | 2021  | 2020  |
|--|-------|-------|
|  | £m    | £m    |
| Profit before tax from continuing operations                                   | 1,115 | 838   |
| Tax at 19% (2020: 19%)   | 212   | 159   |
| Remeasurement of deferred tax due to rate changes                              | (24)  | 9     |
| Permanent differences  | (13)  | (20)  |
| Non-taxable fair value movements on significant listed investments             | 7     | _     |
| Tax effect of accounting for Share of profit or loss from associates and joint |       |       |
| ventures   | 4     | (37)  |
| Impairment losses on intangible assets   | -     | 174   |
| Impairment/(reversal of impairment) of investment in associates and joint      |       |       |
| ventures   | -     | 9     |
| Differences in overseas tax rates  | (70)  | (21)  |
| Adjustment to current tax expense in respect of prior years                    | 11    | 9     |
| Recognition of previously unrecognised tax credit                              | (15)  | (2)   |
| Deferred tax not recognised  | 2     | 7     |
| Adjustment to deferred tax expense in respect of prior years                   | 8     | (2)   |
| Non-taxable profit or loss on sale of subsidiaries, associates and significant |       |       |
| listed investments   | (5)   | (303) |
| Other  | 3     | 3     |
| Total tax expense/(credit) from continuing operations for the year             | 120   | (15)  |

The standard UK Corporation Tax rate for the accounting period is 19%. On 3 March 2021, the UK Government announced its intention to increase the rate of UK Corporation Tax from 19% to 25% with effect from 1 April 2023. This change was substantively enacted on 24 May 2021. The effect of this change in the rate of UK Corporation Tax at this date was to increase the deferred tax assets and deferred tax liabilities in the statement of financial position by £34m and £10m respectively and reduce the tax expense in the consolidated income statement by £24m.

The accounting for certain items in the consolidated income statement results in certain reconciling items in the table above, the values of which vary from year to year depending upon the underlying accounting values.

Details of significant reconciling items are as follows:

- Permanent differences in 2021 include non-taxable dividends from significant listed investments and other accounting items that are not subject to Corporation Tax. Permanent differences also include the difference between the tax basis and accounting value for employee share-based awards.
- Fair value movements in our investments in HDFC Life and Phoenix are not subject to tax.
- The share of profit or loss from associates and joint ventures is presented net of tax in the consolidated income statement and therefore gives a reconciling item.
- Certain profits are taxed at rates which differ from the UK Corporation Tax rate. In 2021 the effect of different overseas
  tax rates is driven mainly by a non-recurring reconciling item associated with the gain arising on both the sale and
  reclassification of shares in our associate HDFC Asset Management. This arose because the Indian rate of tax on longterm capital gains is less than the UK corporate tax rate.
- The ability to value tax losses and other tax assets also affects the tax charge. We have not recognised a deferred tax asset of £2m on tax losses arising in the year due to uncertainty as to when these losses will be utilised. In addition, we have utilised £15m of previously unrecognised deferred tax assets to offset against taxable profits arising in the year.
- Non-taxable profit or loss on disposal of subsidiaries, associates and significant listed investments includes the impact of the taxable gains arising on the disposals of our Nordic and Parmenion businesses being less than the accounting gains.
   Furthermore, the partial disposal of the Group's significant listed investment in HDFC Life is not subject to tax.

## (b) Tax relating to components of other comprehensive income

Tax relating to components of other comprehensive income is as follows:

|   | 2021 | 2020 |
|---|------|------|
|   | £m   | £m   |
| Tax relating to defined benefit pension plan deficits   | (3)  | (2)  |
| Equity holder tax effect relating to items that will not be reclassified subsequently to profit |      |      |
| or loss   | (3)  | (2)  |
| Tax relating to fair value gains and losses recognised on cash flow hedges                      | 6    | (1)  |
| Tax relating to cash flow hedge gains and losses transferred to consolidated income             |      |      |
| statement   | (3)  | 3    |
| Equity holder tax effect relating to items that may be reclassified subsequently to profit or   |      |      |
| loss  | 3    | 2    |
| Tax relating to other comprehensive income from continuing operations                           | -    | _    |

All of the amounts presented above are in respect of equity holders of abrdn plc.

## (c) Deferred tax assets and liabilities

## (c)(i) Movements in net deferred tax asset/(liability)

| 2021 | 2020  |
|------|---|
| £m   | £m  |
| 65   | (13)  |
| (19) | -   |
| (44) | 78  |
| 3    | 2   |
| (3)  | (2)   |
| 1    | -   |
| 3    | 65  |
|      |   |
| 2021 | 2020  |
| £m   | £m  |
|      |   |
| 129  | 89  |
| 25   | 12  |
| 30   | 28  |
| 4    | 2   |
| 188  | 131   |
| (20) | -   |
| 168  | 131   |
|      |   |
| 104  | 4   |
| 72   | 52  |
| 9    | 10  |
| 185  | 66  |
| (20) | _   |
| 165  | 66  |
| 3    | 65  |
|      | \$\partial \partial \part |

A deferred tax asset of £129m (2020: £89m) for the Group has been recognised in respect of losses of various subsidiaries. Deferred tax assets are recognised to the extent that it is probable that the losses will be capable of being offset against taxable profits and gains in future periods. The value attributed to them takes into account the certainty or otherwise of their recoverability. Their recoverability is measured against the reversal of deferred tax liabilities and anticipated taxable profits and gains based on business plans. The deferred tax asset recognised on losses relates to UK entities where there is currently no restriction on the period of time over which losses can be utilised. Recognition of this deferred tax asset requires that management must consider if it is more likely than not that this asset will be recoverable in future periods against future profits arising in the UK. In making this assessment management have considered future operating plans and forecast taxable profits and are satisfied that, following completion of transformation activities, forecast taxable profits will be sufficient to enable recovery of the UK tax losses. Based upon the level of forecast taxable profits management do not consider there is significant risk of a material adjustment to the carrying amount of the deferred tax asset on UK tax losses within the next financial year. Management expect the deferred tax asset to be utilised over a period of between 4

and 6 years. No reasonably possible change in any of the key assumptions would result in a significant reduction in projected taxable profits such that the recognised tax asset would not be recognised. The increase in this deferred tax asset in 2021 primarily reflects the enacted increase in the future UK tax rate from 19% to 25%.

Deferred tax liabilities relating to unrealised gains on investments of £104m include £92m (2020: £nil) relating to our investment in HDFC Asset Management following the reclassification of this holding from an associate during 2021.

Deferred tax assets and liabilities are expected to be recovered or settled after more than 12 months.

#### Unrecognised deferred tax (d)

Due to uncertainty regarding recoverability, deferred tax assets have not been recognised in respect of the following:

 Cumulative losses carried forward of £78m in the UK and cumulative losses and other temporary differences of £361m. overseas (2020: £80m, £287m respectively).

Of these unrecognised deferred tax assets, certain losses have expiry dates as follows:

- US losses of £104m with expiry dates between 2027-2037 (2020: £164m).
- Other overseas losses of £43m with expiry dates between 2022-2036 (2020: £48m).

#### 10. Discontinued operations

The Group classifies as discontinued operations areas of business which have been disposed of or are classified as held for sale at the year end and which either, represent a separate major line of business or geographical area, or are part of a plan to dispose of one. The results of discontinued operations are shown separately on the face of the consolidated income statement from the results of the remaining (continuing) parts of the Group's business.

The consolidated income statement profit or loss, other comprehensive income and cash flows from discontinued operations relate solely to the UK and European insurance business which was sold in 2018 to Phoenix. For the year ended 31 December 2021, the profit from discontinued operations was £nil. For the year ended 31 December 2020, the loss from discontinued operations was £15m which reflected changes in the value of contingent consideration relating to the sale including the impact of the resolution of certain legacy issues with Phoenix, refer Note 1(c)(iii). For the year ended 31 December 2021, net cash flows from discontinued operations of £34m (2020: (£42m)) are included in net cash flows from investing activities. There was no other comprehensive income from discontinued operations for the year ended 31 December 2021 (2020: £nil).

## 11. Earnings per share

Basic earnings per share is calculated by dividing profit attributable to ordinary equity holders by the weighted average number of ordinary shares in issue during the year excluding shares owned by the employee trusts that have not vested unconditionally to employees.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue during the year to assume the conversion of all dilutive potential ordinary shares, such as share options granted to employees.

Adjusted earnings per share is calculated on adjusted profit after tax attributable to ordinary equity holders of the Company i.e. adjusted profit net of dividends paid on preference shares.

Basic earnings per share was 46.8p (2020: 37.8p) and diluted earnings per share was 46.0p (2020: 37.2p) for the year ended 31 December 2021. The following table shows details of basic, diluted and adjusted earnings per share.

|   |      | 2020                  |
|---|------|-----------------------|
|   | 2021 | restated <sup>1</sup> |
|   | £m   | £m                    |
| Adjusted profit before tax  | 323  | 240                   |
| Tax on adjusted profit  | (26) | (38)                  |
| Adjusted profit after tax   | 297  | 202                   |
| Adjusted profit after tax attributable to non-controlling interests (ordinary shares) | (1)  | -                     |
| Dividend paid on preference shares  | -    | (5)                   |
| Adjusted profit after tax attributable to equity shareholders of abrdn plc            | 296  | 197                   |
| Total adjusting items including results of associates and joint ventures              | 792  | 598                   |
| Tax on adjusting items  | (94) | 53                    |
| Profit attributable to equity shareholders of abrdn plc from continuing operations    | 994  | 848                   |
| Loss for the year from discontinued operations  | -    | (15)                  |
| Profit attributable to equity shareholders of abrdn plc                               | 994  | 833                   |

<sup>1.</sup> Comparatives for the year ended 31 December 2020 have been restated in relation to changes to the Group's reportable segments and the change to the Group's key alternative performance measure. Refer Notes 2 and 12 for further details.

|  | 2021     | 2020     |
|--|----------|----------|
|  | Millions | Millions |
| Weighted average number of ordinary shares outstanding         | 2,123    | 2,202    |
| Dilutive effect of share options and awards                    | 36       | 37       |
| Weighted average number of diluted ordinary shares outstanding | 2,159    | 2,239    |

|                                     |                             | 2021                          |                |                             | 2020<br>Restated <sup>2</sup> |                |
|-------------------------------------|-----------------------------|-------------------------------|----------------|-----------------------------|-------------------------------|----------------|
|                                     | Continuing operations Pence | Discontinued operations Pence | Total<br>Pence | Continuing operations Pence | Discontinued operations Pence | Total<br>Pence |
| Basic earnings per share            | 46.8                        | -                             | 46.8           | 38.5                        | (0.7)                         | 37.8           |
| Diluted earnings per share          | 46.0                        | -                             | 46.0           | 37.9                        | (0.7)                         | 37.2           |
| Adjusted earnings per share         | 13.9                        | -                             | 13.9           | 8.9                         | -                             | 8.9            |
| Adjusted diluted earnings per share | 13.7                        | -                             | 13.7           | 8.8                         | -                             | 8.8            |

<sup>2.</sup> Comparatives for adjusted earnings per share and adjusted diluted earnings per share for the year ended 31 December 2020 have been restated in relation to the change to the Group's key alternative performance measure. Refer Note 12 for further details.

## 12. Adjusted profit and adjusting items

Adjusted profit excludes the impact of the following items:

- Restructuring costs and corporate transaction expenses. Restructuring includes the impact of major regulatory change.
- Amortisation and impairment of intangible assets acquired in business combinations and through the purchase of customer contracts.
- Profit or loss arising on the disposal of a subsidiary, joint venture or equity accounted associate.
- Change in fair value of/dividends from significant listed investments (see (b) below).
- Share of profit or loss from associates and joint ventures.
- Impairment loss/reversal of impairment loss recognised on investments in associates and joint ventures accounted for using the equity method.
- Fair value movements in contingent consideration.
- Items which are one-off and, due to their size or nature, are not indicative of the long-term operating performance of the Group.

The tax charge or credit allocated to adjusting items is based on the tax treatment of each adjusting item.

The operating, investing and financing cash flows presented in the consolidated statement of cash flows are for both adjusting and non-adjusting items.

## (a) Changes to the Group's adjusted profit

The Group has changed the definition of adjusted profit in 2021.

Previously adjusted profit included the pre-tax adjusted results from the Group's associates and joint ventures accounted for using the equity method. Adjusting items previously also included adjusting items such as restructuring costs in relation to the results from the Group's associates and joint ventures.

The reason for the change is to make the results more understandable, following the reclassification of HDFC Life and Phoenix from associates to equity investments.

Comparative information on adjusted profit for the year ended 31 December 2020 has been prepared on the same basis as the year ended 31 December 2021 to allow more meaningful comparison.

A reconciliation to previously reported information is included in Section 9, Supplementary information.

## (b) Significant listed investments

Following the reclassification of HDFC Life, Phoenix and HDFC Asset Management from associates to equity securities, fair value movements on these investments are included as adjusting items. Excluding fair value movements on significant listed investments for the purpose of adjusted profit is aligned with our treatment of gains on disposal for these holdings when they were classified as associates.

Dividends from significant listed investments are also included as adjusting items, as such dividends result in fair value movements.

In addition to fair value movements, the other changes to the Group's significant listed investments in the year ended 31 December 2021 were as follows:

- The reclassification of Phoenix and HDFC Asset Management (refer Note 1(c)(iii) for further details).
- The Group's holding in HDFC Life reduced by 4.99% to 3.89% following the sale of 100,845,104 equity shares in HDFC Life through a Bulk Sale on 29 June 2021. The total consideration net of taxes and expenses was £653m.

#### (c) Other

Other adjusting items for the year ended 31 December 2021 includes a net release of deferred income of £25m, refer Note 34. Other adjusting items for the year ended 31 December 2021 also included £8m for initial gains on derecognition of right-of-use assets relating to subleases classified as finance leases (2020: £2m) and a loss of £3m (2020: gain of £5m) for net fair value movements in contingent consideration relating to continuing operations.

# 13. Dividends on ordinary shares

Dividends are distributions of profit to holders of abrdn plc's share capital and as a result are recognised as a deduction in equity. Final dividends are announced with the Annual report and accounts and are recognised when they have been approved by shareholders. Interim dividends are announced with the Half year results and are recognised when they are paid.

|   | 2021            | 2021 |                 |           |  |
|---|-----------------|------|-----------------|-----------|--|
|   | Pence per share | £m¹  | Pence per share | £m<br>320 |  |
| Prior year's final dividend paid        | 7.30            | 154  | 14.30           |           |  |
| Interim dividend paid                   | 7.30            | 154  | 7.30            | 159       |  |
| Total dividends paid on ordinary shares |                 | 308  |                 | 479       |  |
|   |                 |      |                 |           |  |
| Current year final recommended dividend | 7.30            | 155  | 7.30            | 154       |  |

<sup>1.</sup> Estimated for current year final recommended dividend.

The final recommended dividend will be paid on 24 May 2022 to shareholders on the Company's register as at 8 April 2022, subject to approval at the 2022 Annual General Meeting. After the current year final recommended dividend, the total dividend in respect of the year ended 31 December 2021 is 14.60p (2020: 14.60p).

#### 14. Intangible assets

Goodwill is created when the Group acquires a business and the consideration exceeds the fair value of the net assets acquired. In determining the net assets acquired in business combinations, intangible assets are recognised where they are separable or arise from contractual or legal rights. Intangible assets acquired by the Group through business combinations consist mainly of customer relationships and investment management contracts, technology and brands. Any remaining value that cannot be identified as a separate intangible asset on acquisition forms part of goodwill.

In addition to intangible assets acquired through business combinations, the Group recognises as intangible assets software which has been developed internally and other purchased technology which is used in managing and executing our business. Costs to develop software internally are capitalised after the research phase and when it has been established that the project is technically feasible and the Group has both the intention and ability to use the completed asset.

Intangible assets are recognised at cost and amortisation is charged to the income statement over the length of time the Group expects to derive benefits from the asset. The allocation of the income statement charge to each reporting period is dependent on the expected pattern over which future benefits are expected to be derived. Where this pattern cannot be determined reliably the charge is allocated on a straight-line basis.

Goodwill is not charged to the income statement unless it becomes impaired.

The Group also recognises the cost of obtaining customer contracts (refer Note 3) as an intangible asset. These costs primarily relate to the cost of acquiring existing investment management contracts from other asset managers and commission costs for initial investors into new closed end funds where these are borne by the Group. For the cost of obtaining customer contracts, the intangible asset is amortised on the same basis as the transfer to the customer of the services to which the intangible asset relates.

|   | Acquired through business combinations                             |      |       |              |                       |                                    |                            |         |
|---|--|------|-------|--------------|-----------------------|------------------------------------|----------------------------|---------|
|   | Customer<br>relationships<br>and<br>investment Ir<br>management de |      |       |              |                       | Purchased<br>software<br>and other | Cost of obtaining customer | Total   |
|   | £m   | £m   | £m    | £m           | software <sup>1</sup> | £m                                 | contracts<br>£m            | £m      |
| Gross amount                                  | 2.11   | W111 | 33.11 | 3.11         | 33111                 | w                                  | 2.11                       |         |
| At 1 January 2020                             | 3,475  | 93   | 1,031 | 67           | 131                   | 3                                  | 96                         | 4,896   |
| Reclassified as held for sale during the year | _  | _    | _     | (3)          | (2)                   | _                                  | _                          | (5)     |
| Additions                                     | _  | _    | -     | _            | 2                     | 2                                  | 8                          | 12      |
| At 31 December 2020                           | 3,475  | 93   | 1,031 | 64           | 131                   | 5                                  | 104                        | 4,903   |
| Disposals and adjustments                     | -  | -    | (15)  | ) -          | -                     | -                                  | -                          | (15)    |
| Additions                                     | 246  | 1    | 72    | 5            | -                     | -                                  | -                          | 324     |
| At 31 December 2021                           | 3,721  | 94   | 1,088 | 69           | 131                   | 5                                  | 104                        | 5,212   |
| Accumulated amortisation and impairment       |  |      |       |              |                       |                                    |                            |         |
| At 1 January 2020                             | (2,475)  | (45) | (497) | (55)         | (80)                  | (1)                                | (36)                       | (3,189) |
| Reclassified as held for sale during the year | -  | _    | -     | 2            | 1                     | -                                  | -                          | 3       |
| Amortisation charge for the year <sup>2</sup> | -  | (18) | (86)  | ) (7)        | (21)                  | (1)                                | (19)                       | (152)   |
| Impairment losses recognised <sup>3</sup>     | (915)  | _    | (134) | ) (1)        | (14)                  | _                                  | -                          | (1,064) |
| At 31 December 2020                           | (3,390)  | (63) | (717) | (61)         | (114)                 | (2)                                | (55)                       | (4,402) |
| Disposals and adjustments                     | -  | -    | 10    | (2)          | 2                     | -                                  | -                          | 10      |
| Amortisation charge for the year <sup>2</sup> | -  | (19) | (67)  | ) <u>(1)</u> | (7)                   | (2)                                | (12)                       | (108)   |
| Impairment losses recognised <sup>3</sup>     | -  | -    | -     | -            | (8)                   | -                                  | -                          | (8)     |
| At 31 December 2021                           | (3,390)  | (82) | (774) | (64)         | (127)                 | (4)                                | (67)                       | (4,508) |
| Carrying amount                               |  |      |       |              |                       |                                    |                            |         |
| At 1 January 2020                             | 1,000  | 48   | 534   | 12           | 51                    | 2                                  | 60                         | 1,707   |
| At 31 December 2020                           | 85   | 30   | 314   | 3            | 17                    | 3                                  | 49                         | 501     |
| At 31 December 2021                           | 331  | 12   | 314   | 5            | 4                     | 1                                  | 37                         | 704     |

<sup>1.</sup> Included in the internally developed software of £4m (2020: £17m) is £nil (2020: £8m) relating to intangible assets not yet ready for use.

<sup>2.</sup> For the year ended 31 December 2021, £99m (2020: £130m) of the amortisation charge is recognised in Amortisation and impairment of other intangibles acquired in business combinations and through the purchase of customer contracts with  $\$9m\ (2020:\$22m)$  recognised in Other administrative expenses.

<sup>3.</sup> For the year ended 31 December 2021, £nil (2020: £135m) of impairment is recognised in Amortisation and impairment of other intangibles acquired in business combinations and through the purchase of customer contracts with £8m (2020: £14m) recognised in Restructuring and corporate transaction expenses. For the year ended 31 December 2020, the impairment losses of £915m relating to asset management goodwill were presented separately in the consolidated income statement.

At 31 December 2021, there was £167m (2020: £nil) of goodwill attributable to the asset management group of cash-generating units and £72m (2020: £nil) of goodwill attributable to the Finimize cash-generating unit, both in the Investments segment. Refer Note 1(b)(i) for further details on the acquisitions of Tritax and Finimize. The remaining goodwill of £92m (2020: £85m) is attributable to a number of smaller cash-generating units in the Personal segment.

Both the Investments and Personal segments were formerly part of the Asset management, platforms and wealth segment.

## Tritax investment management contract intangible assets

On acquisition of Tritax, £71m of customer relationships and investment management contracts intangibles were recognised. These assets primarily relate to Tritax's investment management contracts with Tritax Big Box REIT plc and Tritax Euro Box plc which are listed closed-end real estate funds. The description of the individually material intangible asset including the estimated useful life at the acquisition date of 1 April 2021 was as follows:

| Investment management contract intangible asset Description                         | Useful life at<br>acquisition date | Fair value on<br>acquisition date<br>£m | Carrying<br>value<br>2021<br>£m | Carrying<br>value<br>2020<br>£m |
|---|------------------------------------|---|---------------------------------|---------------------------------|
| Tritax Big Box REIT plc Investment management contract with Tritax Big Box REIT plc | 13 years                           | 50                                      | 47                              | N/A                             |

The key assumptions, other than the useful life, in measuring the fair value of the investment contract intangible assets at acquisition date were as follows:

- Revenue growth this assumption was based on the fund growth (from markets and investment performance)
  included in the Tritax business plan as adjusted for the impact of fund raisings which commenced prior to the acquisition
  date. Management fee rates are assumed to stay in line with current rates.
- Operating margin this assumption was based on the current operating margins adjusted for expected cost synergies.
- Discount rate this assumption was based on a market participant weighted average cost of capital.

As the investment management contracts relate to closed-end funds, the straight-line method of amortisation is considered appropriate for these intangibles. There has been no change to the useful lives and therefore the residual useful life of these investment management contract intangible assets is 12.25 years.

## Aberdeen Asset Management PLC (AAM PLC) intangibles

On the acquisition of AAM PLC in 2017, we identified intangible assets in relation to customer relationships, brand and technology as being separable from goodwill. Identification and valuation of intangible assets acquired in business combinations is a key judgement.

The customer relationships acquired through AAM PLC were grouped where the customer groups have similar economic characteristics and similar useful economic lives. This gave rise to three separate intangible assets which we termed Lloyds Banking Group, Open ended funds, and Segregated and similar.

In relation to the Open ended funds we considered that it was most appropriate to recognise an intangible asset relating to customer relationships between AAM PLC and open ended fund customers, rather than an intangible asset relating to investment management agreements between AAM PLC and AAM PLC's open ended funds. Our judgement was that the value associated with the open ended fund assets under management was predominantly derived from the underlying customer relationships, taking into account that a significant proportion of these assets under management are from institutional clients.

The intangible asset for Lloyds Banking Group had a carrying value of £nil at the end of 2019. The description of the remaining two separate intangible assets including their estimated useful life at the acquisition date of 14 August 2017 was as follows:

| Customer relationship intangible asset | Description   | Useful life at<br>acquisition date | Fair value on<br>acquisition date<br>£m | Carrying<br>value<br>2021<br>£m | Carrying<br>value<br>2020<br>£m |
|--|---|------------------------------------|---|---------------------------------|---------------------------------|
| Open ended funds                       | Separate vehicle group – open ended investment vehicles                                     | 11 years                           | 223                                     | 62                              | 87                              |
| Segregated and similar                 | All other vehicle groups dominated by segregated mandates which represent 75% of this group | 12 years                           | 427                                     | 83                              | 107                             |

Measuring the fair value of intangible assets acquired in business combinations required further assumptions and judgements. Customer relationships were valued using discounted cash flow projections. The key assumptions in measuring the fair value of the customer relationships at the acquisition date were as follows:

- Net attrition net attrition represents the expected rate of outflows of assets under management net of inflows from existing customers. This assumption was primarily based on recent experience.
- Market growth a market growth adjustment was applied based on the asset class.
- Operating margin this assumption was consistent with forecast margins and included the impact of synergies that would be expected by any market participant and impacted the Aberdeen customer relationship cash flows.
- Discount rate this assumption was based on the internal rate of return (IRR) of the transaction and is consistent with a market participant discount rate.

The above assumptions, and in particular the net attrition assumption, were also used to determine the useful economic life at the acquisition date of each asset used for amortisation. The reducing balance method of amortisation is considered appropriate for these intangibles, consistent with the attrition pattern on customer relationships which means that the economic benefits delivered from the existing customer base will reduce disproportionately over time.

There has been no change to the useful lives of the Open ended funds and Segregated and similar customer relationship intangible assets. Therefore the residual useful life of the Open ended funds customer relationship intangible asset is 6.6 years and the residual life of the Segregated and similar customer relationship intangible asset is 7.6 years.

## Estimates and assumptions

The key estimates and assumptions in relation to intangible assets are:

- Determination of the recoverable amount of goodwill and customer intangibles.
- Determination of useful lives.

The determination of the recoverable amount of asset management goodwill was a significant judgement in relation to the 2020 accounts. However, as the Group's asset management goodwill was fully impaired at 30 June 2020, this is no longer a source of estimation uncertainty at the end of the reporting period.

Similarly, the determination of the recoverable amount of the segregated and similar customer relationship intangible was an area of estimation uncertainty at 30 June 2020 (at which point it was impaired) and 31 December 2020. However as a result of amortisation and market movements this was not considered a source of estimation uncertainty at 31 December 2021 with a significant risk of resulting in material adjustment to the carrying amount in the next financial year.

## Determination of the recoverable amount of goodwill and customer intangibles

For all intangible assets including goodwill, an assessment is made at each reporting date as to whether there is an indication that the goodwill or intangible asset has become impaired. If any indication of impairment exists then the recoverable amount of the asset is determined. In addition, the recoverable amount for goodwill must be assessed annually.

The recoverable amounts are defined as the higher of fair value less costs of disposal (FVLCD) and the value in use (VIU) where the value in use is based on the present value of future cash flows. Where the carrying value exceeds the recoverable amount then the carrying value is written down to the recoverable amount.

In assessing value in use, expected future cash flows are discounted to their present value using a pre-tax discount rate. Judgement is required in assessing both the expected cash flows and an appropriate discount rate which is based on current market assessments of the time value of money and the risks associated with the asset.

#### Goodwill

No impairments of goodwill were recognised in 2021.

Goodwill of £167m (2020: £nil) is allocated to the asset management group of cash-generating units which comprises the Investments segment (excluding Finimize). The recoverable amount of this group of cash-generating units was determined based on value in use. Cash flows were based on the three year financial budgets approved by management. The key assumptions used by management in setting the three-year profit forecasts are:

- Revenue in the management forecasts reflects past experience and modelling based on assets under management and fee revenue yields by asset class.
- Assets under management is modelled from future net flow assumptions and market movements. Net flow
  assumptions take into account past experience, the withdrawal of residual LBG assets, and assume institutional and
  wholesale flows move to a net inflow position. Market assumptions assume equity market growth over the plan
  period.
- Expenses in the management forecasts were based on past experience. Where expense savings relating to staff and
  property require provisions to be made in future years, these expense savings (and the related implementation costs)
  have, for the purposes of the VIU calculation, been added back to management's expectation of the future operating
  expenses.

The value in use used a pre-tax discount rate of 14.3%. This is based on the Group/peer companies cost of equity adjusted for forecasting risk. A terminal growth rate of 2% was used based on long-term inflation. No reasonably possible change in a key assumption would cause the carrying amount to exceed the value in use.

In 2020, an impairment of £915m was recognised at 30 June 2020 relating to an impairment of asset management goodwill, the group of cash-generating units for which was our asset management business excluding HDFC Asset Management and Virgin Money UTM. The recoverable amount of this group of cash-generating units at 30 June 2020 was £1,654m, which is based on FVLCD. The impairment resulted from the impact on reported revenue and future revenue projections of global equity market falls and a shift in asset mix towards lower margin assets. Both the fall in equity markets and the shift in asset mix were global market impacts primarily resulting from COVID-19. Additional projections were prepared to take into account these COVID-19 impacts, and uncertainties over future financial markets, and these projections were a key input to the impairment review process. This asset management goodwill was fully impaired at 30 June 2020 and 31 December 2020.

Goodwill of £72m (2020: £nil) is allocated to the Finimize cash-generating unit in the Investments segment. The recoverable amount of this cash-generating unit was determined based on fair value less costs of disposal (FVLCD). The FVLCD considered a number of valuation approaches, with the primary approach being a revenue multiple approach.

This is a level 3 measurement as it is measured using inputs which are not based on observable market data. The assumptions used in determining the revenue multiple valuation were future revenue projections which were based on the model used in the acquisition process and assumed a continued level of future revenue growth, and market multiples for precedent private transactions. The recoverable amount exceeds the carrying amount of the cash-generating unit by £10m. The key assumption relates to future revenue growth. The acquisition model assumes revenue growth of CAGR (compound annual growth rate) of c90% over the period to 2025. A revenue CAGR of c85%, which we consider a reasonably possible change in this key assumption, would reduce the recoverable amount to the carrying amount

Goodwill of £92m is attributable to a number of smaller cash-generating units in the Personal segment (which was formerly part of the Asset management, platforms and wealth segment). No goodwill amounts are significant in comparison to the total carrying amount of goodwill and the recoverable amounts are not based on the same key assumptions.

## Customer relationship and investment management contract intangibles

No impairments of customer intangibles were recognised in 2021. At 31 December 2021, there was no indication that any of the Group's customer relationship and investment management contract intangibles were impaired.

In 2020, an impairment of £134m was recognised at 30 June 2020 relating to the Segregated and similar customer relationship intangible asset which was recognised on the acquisition of AAM PLC. The Segregated and similar customer relationship intangible asset is included in the Investments segment. The recoverable amount of this asset at 30 June 2020 was £119m which was its VIU calculated using a pre-tax discount rate of 14.8%. The impairment resulted from the impact of markets, net outflows and a fall in revenue yield on future earnings expectations. At 31 December 2021, there is no indication that the Segregated and similar customer relationship intangible asset has become further impaired. There was also no indication of further impairment at 31 December 2020.

#### Determination of useful lives

The determination of useful lives requires judgement in respect of the length of time that the Group expects to derive benefits from the asset and considers for example expected duration of customer relationships and when technology is expected to become obsolete for technology based assets. The amortisation period and method for each of the Group's intangible asset categories is as follows:

- Customer relationships acquired through business combinations generally between 7 and 12 years, generally reducing balance method.
- Investment management contracts acquired through business combinations between 10 and 17 years, straight-line.
- Brand acquired through business combinations between 2 and 5 years, straight-line.
- Technology acquired through business combinations between 3 and 6 years, straight-line.
- Internally developed software between 2 and 6 years. Amortisation is on a straight-line basis and commences once the asset is available for use.
- Purchased software between 2 and 6 years, straight-line.
- Costs of obtaining customer contracts between 3 and 12 years, generally reducing balance method.

## Internally developed software

In 2021, an impairment of internally developed software of £8m (2020: £14m) was recognised. The impairment in 2021 primarily related to an impairment of a digital advice application in the Personal segment as a result of a reduction in expected future cash flows. The impairment in 2020 related to software made obsolete as a result of the development of the new investment platform in the Investments segment.

## 15. Investments in associates and joint ventures

Associates are entities where the Group can significantly influence decisions made relating to the financial and operating policies of the entity but does not control the entity. For entities where voting rights exist, significant influence is presumed where the Group holds between 20% and 50% of the voting rights. Where the Group holds less than 20% of voting rights, consideration is given to other indicators and entities are classified as associates where it is judged that these other indicators result in significant influence.

Joint ventures are strategic investments where the Group has agreed to share control of an entity's financial and operating policies through a shareholders' agreement and decisions can only be taken with unanimous consent.

Associates, other than those accounted for at fair value through profit or loss, and joint ventures are accounted for using the equity method from the date that significant influence or shared control, respectively, commences until the date this ceases with consistent accounting policies applied throughout.

Under the equity method, investments in associates and joint ventures are initially recognised at cost. When an interest is acquired at fair value from a third party, the value of the Group's share of the investee's identifiable assets and liabilities is determined applying the same valuation criteria as for a business combination at the acquisition date. This is compared to the cost of the investment in the investee. Where cost is higher the difference is identified as goodwill and the investee is initially recognised at cost which includes this component of goodwill. Where cost is lower a bargain purchase has arisen and the investee is initially recognised at the Group's share of the investee's identifiable assets and liabilities unless the recoverable amount for the purpose of assessing impairment is lower, in which case the investee is initially recognised at the recoverable amount.

Subsequently the carrying value is adjusted for the Group's share of post-acquisition profit or loss and other comprehensive income of the associate or joint venture, which are recognised in the consolidated income statement and other comprehensive income respectively. The Group's share of post-acquisition profit or loss includes amortisation charges based on the valuation exercise at acquisition. The carrying value is also adjusted for any impairment losses.

On partial disposal of an associate, a gain or loss is recognised based on the difference between the proceeds received and the equity accounted value of the portion disposed of. Indicators of significant influence are reassessed based on the remaining voting rights. Where significant influence is judged to have been lost, the investment in associate is reclassified to interests in equity securities and pooled investment funds measured at fair value. If an entity is reclassified, the difference between the fair value and the remaining equity accounted value is accounted for as a reclassification gain or loss on disposal.

Where the Group has an investment in an associate, a portion of which is held by, or is held indirectly through, a mutual fund, unit trust or similar entity, including investment-linked insurance funds, that portion of the investment is measured at FVTPL. In general, investment vehicles which are not subsidiaries are considered to be associates where the Group holds more than 20% of the voting rights.

The level of future dividend payments and other transfers of funds to the Group from associates and joint ventures accounted for using the equity method could be restricted by the regulatory solvency and capital requirements of the associate or joint venture, certain local laws or foreign currency transaction restrictions.

## (a) Investments in associates and joint ventures accounted for using the equity method

|   | 2021       |                |         | 2020       |                |       |  |
|---|------------|----------------|---------|------------|----------------|-------|--|
|   | Associates | Joint ventures | Total   | Associates | Joint ventures | Total |  |
|   | £m         | £m             | £m      | £m         | £m             | £m    |  |
| At 1 January  | 1,134      | 237            | 1,371   | 1,257      | 252            | 1,509 |  |
| Exchange translation adjustments                          | -          | 7              | 7       | (11)       | 8              | (3)   |  |
| Additions   | -          | 11             | 11      | -          | 5              | 5     |  |
| Disposals   | (29)       | -              | (29)    | (102)      |                | (102) |  |
| Profit/(loss) after tax                                   | (35)       | 13             | (22)    | 177        | 17             | 194   |  |
| Other comprehensive income                                | 12         | (4)            | 8       | -          |                | -     |  |
| Dilution gains  | -          | -              | -       | 4          | -              | 4     |  |
| Impairment  | -          | -              | -       | -          | (45)           | (45)  |  |
| Distributions of profit                                   | (15)       | -              | (15)    | (80)       | _              | (80)  |  |
| Reclassified to equity securities and interests in pooled |            |                |         |            |                |       |  |
| investments funds   | (1,057)    | -              | (1,057) | (111)      | _              | (111) |  |
| At 31 December  | 10         | 264            | 274     | 1,134      | 237            | 1,371 |  |

The following joint venture is considered to be material to the Group as at 31 December 2021.

| Name  | Nature of relationship | Principal place of business | Measurement method | Interest held by<br>the Group at 31<br>December 2021 | Interest held by<br>the Group at 31<br>December 2020 |
|---|------------------------|-----------------------------|--------------------|--|--|
| Heng An Standard Life Insurance<br>Company Limited (HASL) | Joint venture          | China                       | Equity accounted   | 50.00%   | 50.00%   |

The country of incorporation or registration is the same as the principal place of business. The interest held by the Group is the same as the proportion of voting rights held. HASL is not listed.

The Group's investment in the following companies were considered to be material associates at 31 December 2020 but were reclassified to equity securities and interest in pooled investment funds during 2021. Refer Section (b) below for further details.

| Name   | Nature of relationship | Principal place of business | Measurement method | Interest held by<br>the Group at 31<br>December 2020 | Fair value of interest<br>held by the Group at<br>31 December 2020 |
|--|------------------------|-----------------------------|--------------------|--|--|
| HDFC Asset Management Company<br>Limited (HDFC Asset Management) | Associate              | India                       | Equity accounted   | 21.24%   | 1,321  |
| Phoenix Group Holdings plc (Phoenix)                             | Associate              | United Kingdom              | Equity accounted   | 14.42%   | 1,010  |

The country of incorporation or registration is the same as their principal place of business. The interest held by the Group was the same as the proportion of voting rights held. These companies are both listed.

## (b) Investments in associates accounted for using the equity method

The Group has no material associates at 31 December 2021. The table below provides summarised financial information for those associates which were considered to be material to the Group at 31 December 2020. The summarised financial information reflects the amounts presented in the financial statements or management accounts of the relevant associates amended to reflect adjustments made when using the equity method, including fair value adjustments on acquisition and not the Group's share of those amounts.

|   | 2020                 |                                    |  |  |
|---|----------------------|------------------------------------|--|--|
|   | Phoenix <sup>1</sup> | HDFC Asset Management <sup>1</sup> |  |  |
|   | £m                   | £m                                 |  |  |
| Summarised financial information of associate:    |                      |                                    |  |  |
| Revenue   | 4,704                | 220                                |  |  |
| Profit after tax (all from continuing operations) | 690                  | 132                                |  |  |
| Other comprehensive income                        | 25                   | _                                  |  |  |
| Total comprehensive income                        | 715                  | 132                                |  |  |
| Total assets <sup>2</sup>                         | 334,193              | 474                                |  |  |
| Total liabilities <sup>2</sup>                    | 326,441              | 28                                 |  |  |
| Net assets  | 7,752                | 446                                |  |  |
| Attributable to NCI and other equity holders      | 835                  | _                                  |  |  |
| Attributable to investee's shareholder            | 6,917                | 446                                |  |  |
| Interest held                                     | 14.42%               | 21.24%                             |  |  |
| Share of net assets                               | 998                  | 95                                 |  |  |

|   |                      | 2021                                  |                    |       |         | 2020                     |                      |       |
|---|----------------------|---------------------------------------|--------------------|-------|---------|--------------------------|----------------------|-------|
|   | Phoenix <sup>1</sup> | HDFC Asset<br>Management <sup>1</sup> | Other <sup>4</sup> | Total | Phoenix | HDFC Asset<br>Management | Other <sup>3,4</sup> | Total |
|   | £m                   | £m                                    | £m                 | £m    | £m      | £m                       | £m                   | £m    |
| Carrying value of associates accounted for using the equity |                      |                                       |                    |       |         |                          |                      |       |
| method  | -                    | -                                     | 10                 | 10    | 1,008   | 116                      | 10                   | 1,134 |
| Dividends received <sup>3</sup>                             | -                    | 15                                    | -                  | 15    | 67      | 13                       | -                    | 80    |
| Share of profit/(loss) after tax <sup>3</sup>               | (56)                 | 21                                    | -                  | (35)  | 110     | 48                       | 19                   | 177   |

- 1. As noted above, the Group's investment in Phoenix and HDFC Asset Management were reclassified to equity securities and interests in pooled investment funds in 2021 so were not material associates at 31 December 2021 (refer below for further details of the reclassification).
- 2. As a liquidity presentation is used by insurance companies when presenting their statement of financial position, an analysis of total assets and total liabilities between current and non-current was not provided for Phoenix. The majority of HDFC Asset Management's assets and liabilities were current.
- 3. For the year ended 31 December 2020 the share of profit/(loss) after tax of £19m for Other relates to HDFC Life for the period from 1 January 2020 to 3 December 2020 prior to its reclassification to equity securities and interests in pooled funds (refer below for further details of the reclassification).
- 4. For the years ended 31 December 2021 and 2020, the carrying value of associates accounted for using the equity method for Other primarily relates to the Group's interest in Tenet Group Limited.

# HDFC Asset Management

HDFC Asset Management manages a range of mutual funds and provides portfolio management and advisory services. The investment in HDFC Asset Management allows the Group to benefit from an investment in a leading asset manager in India, one of the world's fastest growing markets.

On 29 September 2021 the Group reduced its interest in HDFC Asset Management to 16.22% (2020: 21.24%). Refer Note 1(c)(iii) for further details of the sale.

Following the sale, HDFC Asset Management is no longer considered to be an associate of the Group and the Group's interest in HDFC Asset Management was reclassified from an investment in associates accounted for using the equity method to equity securities and interests in pooled investment funds measured at fair value on 29 September 2021. The sale reduced the Group's interest in HDFC Asset Management below 20%, which is the threshold where significant influence is presumed. While the Group does retain board representation, there are no significant decisions that require unanimous board approval under the articles of association and the Group has no significant contractual relationships with HDFC Asset Management. We consider that the Group no longer has significant influence over HDFC Asset Management after the sale, and therefore should no longer be classified as an associate.

On 29 September 2021, the equity accounted value of HDFC Asset Management was £93m and the fair value of the Group's investment in HDFC Asset Management was £1,003m based on the share price on this date. A reclassification gain of £897m has been recognised in the consolidated income statement. On reclassification a loss of £13m was recycled from the translation reserve and was included in determining the gain.

Prior to reclassification, the difference between the carrying value of this associate and the Group's share of net assets was due primarily to goodwill arising on the buyback of shares by HDFC Asset Management from employees.

The year end date of HDFC Asset Management is 31 March which is different from the Group's year end date of 31 December. For the purposes of the preparation of the Group's consolidated financial statements, financial information for the period from 1 January 2021 to 29 September 2021 was used for HDFC Asset Management for equity accounting purposes (2020: 1 January 2020 to 31 December 2020).

#### Phoenix

Phoenix is the largest life and pensions consolidator in Europe. Our investment in Phoenix supports our strategic partnership.

Following the completion of the Sale of the Group's UK and European insurance business in August 2018, as part of the total consideration, the Group was issued with new Phoenix shares representing 19.98% of the issued share capital of Phoenix.

During the year ended 31 December 2020, the Group's interest in Phoenix was reduced to 14.4%. On 22 July Phoenix announced the completion of its acquisition of ReAssure Group plc. Under the terms of the transaction, Phoenix issued 277,277,138 new ordinary shares as part consideration for the acquisition. Phoenix have recognised a gain on acquisition of £372m reflecting the excess of the fair value of the net assets acquired over the consideration paid and the Group's share of this gain is recognised in our share of profit from Phoenix. Completion of the transaction resulted in the Group's holding in Phoenix becoming 14.4% of the enlarged Phoenix Group. A dilution gain of £4m was recognised within the Profit on disposal of interests in associates in the 2020 consolidated income statement as a result of the transaction. Refer Note 1(c)(iv) for further details. Although our interest in Phoenix had reduced to 14.4%, taking into account our continued representation on Phoenix's board and, in particular, the contractual relationships with Phoenix, including the licensing to Phoenix of the Standard Life brand, our judgement was that Phoenix should continue to be classified as an associate.

On 23 February 2021, the Group announced a simplification and extension of the strategic partnership between the Group and Phoenix. Refer Note1(c)(iii). The announcement included the sale of the 'Standard Life' brand to Phoenix, replacing the existing agreement to licence the brand for no fee to Phoenix. Following the changes to the commercial agreements, in particular in relation to the licensing of the 'Standard Life' brand, our judgement is that Phoenix should no longer be accounted for as an associate with effect from 23 February 2021. The changes simplified the agreements between abrdn and Phoenix such that the Group was no longer able to control Phoenix's use of the Standard Life brand. The Group's shareholding in Phoenix, which remained at 14.4%, was therefore reclassified from an investment in associates accounted for using the equity method to equity securities and interests in pooled investment funds measured at fair value. A reclassification gain of £68m is included in the profit on disposal of interests in associates for the year ended 31 December 2021 as the fair value on 22 February 2021 of £1,023m was higher than the previous carrying value as an associate of £964m. On disposal, other comprehensive income gains of £9m were recycled from retained earnings and included in determining the gain on sale.

Determination of fair value and useful lives of intangible assets on acquisition of the 19.98% interest in Phoenix in August 2018 The identification, valuation and determination of useful lives for equity accounting purposes, of the Group's share of Phoenix's intangible assets was a key judgement in the determination of Phoenix profits up to the date of reclassification in 2021 and therefore the Group's carrying value of Phoenix at the date of the reclassification (and therefore gain on reclassification) and share of profits for the period from 1 January 2021 to 22 February 2021.

At acquisition the value of the Group's share of Phoenix's identifiable assets and liabilities was determined. This value was determined using the same valuation bases as required for a business combination under which most of the identifiable assets and liabilities of the enlarged Phoenix group (including Standard Life Assurance Limited (SLAL)) were measured at fair value. The most significant assets that were not measured at fair value were Phoenix's defined benefit pension schemes which were measured at their IAS 19 value.

As noted above, a key judgement was the identification, valuation and determination of useful lives, of the Group's share of Phoenix's intangible assets at the date of acquisition. The main intangible assets identified were the acquired present value of in-force business (AVIF) for both SLAL and other Phoenix entities. AVIF comprised the difference between the fair value and IFRS carrying value of insurance contracts together with the fair value of future profits expected to arise on investment contracts. The valuation of the AVIF was determined using the application of present value techniques to the best estimate cash flows expected to arise from policies that were in-force at the acquisition date, adjusted to reflect the price of bearing the uncertainty inherent in those cash flows. This approach incorporated a number of judgements and assumptions which impacted the resultant valuation, the most significant of which were mortality rates, expected policy lapses, the expenses associated with servicing the policies, future investment returns, the discount rate and the risk adjustment for uncertainty, determined using a cost of capital approach. The Group's share of profit after acquisition until the date of reclassification under the equity method reflects the amortisation of these intangible assets. This differs from the amortisation recognised in Phoenix's own IFRS financial statements due to the revaluation of the existing Phoenix intangible assets at August 2018 for equity method purposes. The amortisation method reflects the expected emergence of economic benefits which results in higher amortisation in earlier periods.

Following the completion of the ReAssure transaction, the Group's share of Phoenix's intangible assets recognised at the date of acquisition reduced from 19.98% to 14.4%. The notional partial disposal of these intangible assets results in a reduction in the corresponding amortisation recognised in the Group's share of profit under the equity method.

| Intangible Asset      | Useful life at<br>acquisition date<br>Years | Fair value at<br>acquisition date<br>£m | Group's share at acquisition date <sup>1</sup> |
|-----------------------|---|---|--|
| SLAL AVIF             | 24  | 2,931                                   | 586  |
| Existing Phoenix AVIF | 15  | 1,503                                   | 300  |

<sup>1.</sup> Based on Group's share at the date of acquisition (19.98%).

There had been no change to the useful lives of the SLAL AVIF and Existing Phoenix AVIF.

Phoenix has taken advantage of the temporary exemption granted to insurers in IFRS 4 *Insurance Contracts* from applying IFRS 9 as a result of meeting the exemption criteria as at 31 December 2015. As the Group's investment in Phoenix is now measured at fair value, we are no longer applying the temporary exemption from IFRS 9 in relation to Phoenix at 31 December 2021.

The financial assets with contractual cash flows that were solely payments of principal and interest (excluding those held for trading or managed on a fair value basis) that remained under IAS 39 for equity accounting purposes at 31 December 2020 are set out below together with all other financial assets, measured at fair value through profit and loss:

|   | Fair value as at<br>31 December 2020<br>£m |
|---|--|
| Financial assets with contractual cash flows that are solely payments of principal and interest |  |
| (SPPI) excluding those held for trading or managed on a fair value basis                        | 13,436                                     |
| Financial assets other than those above <sup>1</sup>  | 298,176                                    |
| Total   | 311,612                                    |

<sup>1.</sup> The change in fair value in the year to 31 December 2020 of all other financial assets that are FVTPL was a gain of £11,087m.

An analysis of credit ratings of financial assets with contractual cash flows that are SPPI, excluding those held for trading or managed on a fair value basis at 31 December 2020, is also provided below:

|                | AAA  | AA    | А     | BBB  | BB and below | Non-rated | Unit linked | Total  |
|----------------|------|-------|-------|------|--------------|-----------|-------------|--------|
|                | 2020 | 2020  | 2020  | 2020 | 2020         | 2020      | 2020        | 2020   |
| Carrying value | £m   | £m    | £m    | £m   | £m           | £m        | £m          | £m     |
| Loans and      |      |       |       |      |              |           |             |        |
| deposits       | _    | 6     | 195   | _    | _            | 368       | 78          | 647    |
| Cash and cash  |      |       |       |      |              |           |             |        |
| equivalents    | 30   | 1,728 | 7,035 | 193  | _            | 4         | 2,008       | 10,998 |
| Accrued income | _    | _     | -     | _    | -            | 251       | _           | 251    |
| Other          |      |       |       |      |              |           |             |        |
| receivables    | -    | _     | -     | -    | -            | 1,540     | -           | 1,540  |
|                | 30   | 1,734 | 7,230 | 193  | _            | 2,163     | 2,086       | 13,436 |

#### **HDFC Life**

HDFC Life is one of India's leading life insurance companies. The investment in HDFC Life allows the Group to benefit from the life insurance market in one of the world's fastest growing economies.

During the year ended 31 December 2020, the Group's interest in HDFC Life was reclassified from an investment in associates accounted for using the equity method to equity securities and interests in pooled investment funds measured at fair value.

During 2020 the Group further reduced its interest in HDFC Life to 8.89%. Refer Note 1(c)(iv) for further details of the sales during 2020. While the Group's remaining interest at 31 December 2019 of 14.73% was less than 20%, being the threshold where significant influence is presumed, our judgement was that HDFC Life should continue to be classified as an associate. This judgement took into account other key indicators of significant influence including the Group's representation on the board of HDFC Life and the Group's ability to participate in policy-making processes including decisions about dividends or other distributions that require unanimous board approval under the articles of association. The sale on 3 December 2020 reduced the Group's interest from 10.27% to 8.89% and the Group was no longer entitled to representation on the board of HDFC Life and, from this date, HDFC Life was no longer considered to be an associate of the Group.

On 3 December 2020, the equity accounted value of HDFC Life was £111m and the fair value of the Group's investment in HDFC Life was £1,168m based on the share price on this date. A reclassification gain of £1,051m was recognised in the consolidated income statement for the year ended 31 December 2020. On reclassification a loss of £6m was recycled from the translation reserve and was included in determining the gain.

The year end date for HDFC Life is 31 March which is different from the Group's year end date of 31 December. For the purposes of the preparation of the Group's 2020 consolidated financial statements, financial information for the period from 1 January 2020 to 3 December 2020 was used for HDFC Life for equity accounting purposes.

# (c) Investments in joint ventures

|  | HASL |      | Oth  | er   | Total |      |
|--|------|------|------|------|-------|------|
|  | 2021 | 2020 | 2021 | 2020 | 2021  | 2020 |
|  | £m   | £m   | £m   | £m   | £m    | £m   |
| Carrying value of joint ventures accounted for using the |      |      |      |      |       |      |
| equity method  | 258  | 236  | 6    | 1    | 264   | 237  |
| Dividends received                                       | -    | -    | -    | -    | -     | -    |
| Share of profit/(loss) after tax                         | 19   | 23   | (6)  | (6)  | 13    | 17   |

#### **HASL**

The Group has a 50% share in HASL, one of China's leading life insurance companies offering life and health insurance products. The investment in HASL is a strategic investment giving the Group access to one of the world's largest markets.

On 30 June 2020, HASL completed the acquisition of SL Asia. Refer Note 1(c)(ii) for further details.

The table below provides summarised financial information for HASL, the joint venture which is considered to be material to the Group. The summarised financial information reflects the amounts presented in the financial statements of HASL amended to reflect adjustments made when using the equity method.

|  | HAS   | L     |
|--|-------|-------|
|  | 2021  | 2020  |
|  | £m    | £m    |
| Summarised financial information of joint venture: |       |       |
| Revenue  | 612   | 481   |
| Depreciation and amortisation                      | 4     | 3     |
| Interest income                                    | 68    | 57    |
| Interest expense                                   | 2     | 2     |
| Income tax (expense)/income                        | (3)   | (3)   |
| Profit after tax (all from continuing operations)  | 39    | 46    |
| Other comprehensive income                         | (11)  | 1     |
| Total comprehensive income                         | 28    | 47    |
| Total assets <sup>1</sup>                          | 3,787 | 3,156 |
| Total liabilities <sup>1</sup>                     | 3,271 | 2,685 |
| Cash and cash equivalents                          | 102   | 122   |
| Net assets   | 516   | 471   |
| Attributable to investee's shareholder             | 516   | 471   |
| Interest held                                      | 50%   | 50%   |
| Share of net assets                                | 258   | 236   |

<sup>1.</sup> As a liquidity presentation is used by insurance companies when presenting their statement of financial position, an analysis of total assets and total liabilities between current and non-current has not been provided for HASL.

At 31 December 2015 HASL had significant insurance liabilities and its liabilities arising from contracts within the scope of IFRS 4 and liabilities connected with insurance were over 90% of its total liabilities. Therefore HASL was eligible to defer the implementation of IFRS 9 for equity accounting purposes.

The fair value of HASL's financial assets at 31 December 2021 that remain under IAS 39 for equity accounting purposes and the change in fair value during the year ended 31 December 2021 are as follows:

|   | Fair value as at<br>31 December 2021 | Fair value as at<br>31 December 2020 |
|---|--------------------------------------|--------------------------------------|
|   | £m                                   | £m                                   |
| Financial assets with contractual cash flows that are solely payments of principal and interest |                                      | _                                    |
| (SPPI) excluding those held for trading or managed on a fair value basis <sup>12</sup>          | 2,384                                | 1,862                                |
| Financial assets other than those above <sup>2</sup>  | 562                                  | 431                                  |
| Total   | 2,946                                | 2,293                                |

<sup>1.</sup> Financial assets that are SPPI (excluding those held for trading or managed on a fair value basis) are predominantly AAA debt instruments. Their carrying value at 31 December 2021 is £2,320m (2020: £1,378m). No securities are rated below BBB (2020: none).

<sup>2.</sup> The change in fair value in the year to 31 December 2021 for financial assets that are SPPI (excluding those held for trading or managed on a fair value basis) is a gain of £136m (2020: £129m). The change in fair value for all other financial assets is a gain of £45m (2020: gain of £23m).

# Virgin Money UTM

Other joint ventures carrying value of £6m (2020: £1m) includes £6m (2020: £1m) for Virgin Money UTM.

No impairment of the Group's interest in Virgin Money UTM was recognised in 2021. In 2020, an impairment loss of £45m was recognised at 30 June 2020 in the Asset management, platforms and wealth segment and was included in loss on impairment of interests in joint ventures in the consolidated income statement. Virgin Money UTM's recoverable amount at 30 June 2020 was £nil which was its VIU and which was calculated using a pre-tax discount rate of 14.9%. The impairment resulted from a reduction in projected future revenues as a result of a business plan reassessment by the joint venture which took into account the fall in UK equity markets due to COVID-19, and an increase in projected costs to develop a new retail customer proposition.

# (d) Investments in associates measured at FVTPL

The aggregate fair value of associates accounted for at FVTPL included in equity securities and interests in pooled investment funds (refer Note 18) at 31 December 2021 is £63m (2020: £54m) none of which are considered individually material to the Group.

# 16. Property, plant and equipment

Property, plant and equipment consists primarily of property owned and occupied by the Group and the computer equipment used to carry out the Group's business along with right-of-use assets for leased property and equipment.

Owner occupied property: Owner occupied property is initially recognised at cost and subsequently revalued to fair value at each reporting date. Depreciation, being the difference between the carrying amount and the residual value of each significant part of a building, is charged to the consolidated income statement over its useful life. The useful life of each significant part of a building is estimated as being between 30 and 50 years. A revaluation surplus is recognised in other comprehensive income unless it reverses a revaluation deficit which has been recognised in the consolidated income statement.

**Equipment:** Equipment is initially recognised at cost and subsequently measured at cost less depreciation. Depreciation is charged to the income statement over 2 to 15 years depending on the length of time the Group expects to derive benefit from the asset.

Right-of-use asset: Refer Note 17 below for the accounting policies for right-of-use assets.

|  | Owner occupied<br>property<br>£m | Equipment<br>£m | Right-of-use<br>assets - property<br>£m | Right-of-use<br>assets -<br>equipment<br>£m | Total<br>£m |
|--|----------------------------------|-----------------|---|---|-------------|
| Cost or valuation                                |                                  |                 |   |   |             |
| At 1 January 2020                                | 2                                | 125             | 404                                     | 2   | 533         |
| Reclassified as held for sale during the year    | _                                | (4)             | (7)                                     | _   | (11)        |
| Additions  | _                                | 13              | 16                                      | 1   | 30          |
| Disposals and adjustments <sup>1</sup>           | _                                | (26)            | (38)                                    | _   | (64)        |
| Derecognition of right-of-use assets relating to |                                  |                 |   |   |             |
| subleases classified as finance leases           | -                                | -               | (5)                                     | -   | (5)         |
| At 31 December 2020                              | 2                                | 108             | 370                                     | 3   | 483         |
| Additions  | -                                | 12              | 4                                       | -   | 16          |
| Disposals and adjustments <sup>1</sup>           | -                                | (16)            | (44)                                    | -   | (60)        |
| Derecognition of right-of-use assets relating to |                                  |                 |   |   |             |
| subleases classified as finance leases           | -                                | -               | (6)                                     | -   | (6)         |
| Foreign exchange adjustment                      | -                                | -               | (2)                                     | -   | (2)         |
| At 31 December 2021                              | 2                                | 104             | 322                                     | 3   | 431         |
| Accumulated depreciation and impairment          |                                  |                 |   |   |             |
| At 1 January 2020                                | -                                | (59)            | (207)                                   | (1)   | (267)       |
| Reclassified as held for sale during the year    | -                                | 2               | 2                                       | -   | 4           |
| Depreciation charge for the year <sup>2</sup>    | -                                | (19)            | (26)                                    | (1)   | (46)        |
| Disposals and adjustments <sup>1</sup>           | (1)                              | 27              | 36                                      | _   | 62          |
| Derecognition of right-of-use assets relating to |                                  |                 |   |   |             |
| subleases classified as finance leases           | -                                | -               | 3                                       | _   | 3           |
| Impairment <sup>3</sup>                          | -                                | -               | (2)                                     |   | (2)         |
| Foreign exchange adjustment                      |                                  | -               | (1)                                     |   | (1)         |
| At 31 December 2020                              | (1)                              | (49)            | (195)                                   | (2)   | (247)       |
| Depreciation charge for the year <sup>2</sup>    | -                                | (18)            | (21)                                    | -   | (39)        |
| Disposals and adjustments <sup>1</sup>           | -                                | 13              | 42                                      | -   | 55          |
| Derecognition of right-of-use assets relating to |                                  |                 |   |   |             |
| subleases classified as finance leases           | -                                | -               | 1                                       | -   | 1           |
| Impairment <sup>3</sup>                          | -                                | -               | (15)                                    | -   | (15)        |
| Foreign exchange adjustment                      | -                                | -               | 1                                       | -   | 1           |
| At 31 December 2021                              | (1)                              | (54)            | (187)                                   | (2)   | (244)       |
| Carrying amount                                  |                                  |                 |   |   |             |
| At 1 January 2020                                | 2                                | 66              | 197                                     | 1   | 266         |
| At 31 December 2020                              | 1                                | 59              | 175                                     | 1   | 236         |
| At 31 December 2021                              | 1                                | 50              | 135                                     | 1   | 187         |

<sup>1.</sup> For the year ended 31 December 2021 £8m (2020: £26m) of disposals and adjustments relates to equipment with net book value of £nil which is no longer in use.

<sup>2.</sup> Included in other administrative expenses.

 $<sup>{\</sup>it 3. }\ \ {\it Included in restructuring and corporate transaction expenses.}$ 

Included in property right-of-use assets, are right-of-use assets that meet the definition of investment property. Their carrying amount at 31 December 2021 is £21m (2020: £25m). This is made up a gross carrying value of £81m (2020: £47m) and accumulated depreciation and impairment of £60m (2020: £22m). During the year to 31 December 2021 there were transfers to investment property of £19m (2020: £5m), depreciation of (£2m) (2020: (£2m)), derecognition related to new subleases classified as finance leases of (£6m) (2020: (£2m)), impairments of (£15m) (2020: (£2m)) related to these assets. There were no disposals and adjustments (2020: (£2m)) related to these assets. Rental income received and direct operating expenses incurred to generate that rental income in the year to 31 December 2021 were £2m (2020: £3m) and £3m (2020: £2m) respectively. In addition, there were direct expenses of £1m (2020: £1m) in relation to investment properties not currently generating income.

The transfers to investment property in 2021 of £19m relate to right-of-use assets that are no longer being used operationally by the Group. The right-of-use assets were assessed for impairment at the point of transfer. The recoverable amount which was based on value in use was £4m using a pre-tax discount rate of 3%. The right-of-use assets related to the Investment segment (£6m impairment) and Corporate/strategic (£9m impairment).

The fair value of these right-of-use assets at 31 December 2021 is £21m (2020: £25m). The valuation technique used to determine the fair value considers the rental income expected to be received under subleases during the term of the lease and the direct expenses expected to be incurred in managing the leased property, discounted using a discount rate that reflects the risks inherent in the cash flow estimates. It is not based on valuations by an independent valuer. This is a Level 3 valuation technique as defined in Note 39.

If owner occupied property was measured using the cost model, the historical cost before impairment would be £1m (2020: £1m). As the expected residual value of owner occupied property is in line with the current fair value, no depreciation is currently charged.

Further details on the leases under which the Group's right-of-use assets are recognised are provided in Note 17 below.

#### 17. Leases

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. At inception of a contract, the Group assesses whether a contract is, or contains, a lease. In 2019, on adoption of IFRS 16 the Group used the practical expedient permitted to apply the new standard at transition solely to leases previously identified in accordance with IAS 17 and IFRIC 4 Determining whether an Arrangement Contains a Lease.

Right-of-use assets are measured at cost less accumulated depreciation and impairment losses and are presented in property, plant and equipment (refer Note 16). The Group does not revalue its right-of-use assets. This applies to all right-of-use assets, including those that are assessed as meeting the definition of investment property. The cost comprises the amount of the initial measurement of the lease liability plus any initial direct costs and expected restoration costs not relating to wear and tear. Costs relating to wear and tear are expensed over the term of the lease. Depreciation is charged on right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group assesses right-of-use assets for impairment when such indicators exist, and where required, reduces the value of the right-of-use asset accordingly.

The related lease liability (included in other financial liabilities – refer Note 35) is calculated as the present value of the future lease payments. The lease payments are discounted using the rate implicit within the lease where readily available or the Group's incremental borrowing rate where the implicit rate is not readily available. Interest is calculated on the liability using the discount rate and is charged to the consolidated income statement under finance costs.

In determining the value of the right-of-use assets and lease liabilities, the Group considers whether any leases contain lease extensions or termination options that the Group is reasonably certain to exercise.

Where a leased property has been sublet, the Group assesses whether the sublease has transferred substantially all the risk and rewards of the right-of-use asset to the lessee under the sublease. Where this is the case, the right-of-use asset is derecognised and a net investment in finance leases (included in Receivables and other financial assets - refer Note 20) is recognised, calculated as the present value of the future lease payments receivable under the sublease. Where a property is only partially sublet, only the portion of the right-of-use asset relating to the sublet part of the property is derecognised and recognised as a net investment in finance leases.

Any difference between the initial value of the net investment in finance leases and the right-of-use asset derecognised is recognised in the consolidated income statement (within other income or expenses). Interest is calculated on the net investment in finance lease using the discount rate and is recognised in the consolidated income statement as interest income.

Where the sublease does not transfer substantially all the risk and rewards of the right-of-use assets to the lessee under the sublease, the Group continues to recognise the right-of-use asset. The sublease is accounted for as an operating lease with the lease payments received recognised as property rental income in other income in the consolidated income statement. Lease incentives granted are recognised as an integral part of the property rental income and are spread over the term of the lease.

The Group does not recognise right-of-use assets and lease liabilities for short-term leases (less than one year from inception) and leases where the underlying asset is of low value.

# (a) Leases where the Group is lessee

The Group leases various offices and equipment used to carry out its business. Leases are generally for fixed periods but may be subject to extensions or early termination clauses. The remaining periods for current leases range from less than 1 year to 17 years (2020: less than 1 year to 18 years). A number of leases which are due to end in 2031 contain options that would allow the Group to extend the lease term. The Group reviews its property use on an ongoing basis and these extensions have not been included in the right-of-use asset or lease liability calculations.

The Group has recognised the following assets and liabilities in relation to these leases where the Group is a lessee:

|                           | 2021  | 2020  |
|---------------------------|-------|-------|
|                           | £m    | £m    |
| Right-of-use assets:      |       |       |
| Property                  | 135   | 175   |
| Equipment                 | 1     | 1     |
| Total right-of-use assets | 136   | 176   |
|                           |       |       |
| Lease liabilities         | (225) | (249) |

The following table provides a maturity analysis of the contractual undiscounted cash flows for the lease liabilities.

|  | 2021 | 2020 |
|--|------|------|
|  | £m   | £m   |
| Less than 1 year   | 28   | 30   |
| Greater than or equal to 1 year and less than 2 years    | 28   | 30   |
| Greater than or equal to 2 years and less than 3 years   | 24   | 28   |
| Greater than or equal to 3 years and less than 4 years   | 23   | 24   |
| Greater than or equal to 4 years and less than 5 years   | 21   | 22   |
| Greater than or equal to 5 years and less than 10 years  | 93   | 98   |
| Greater than or equal to 10 years and less than 15 years | 33   | 44   |
| Greater than or equal to 15 years                        | 7    | 10   |
| Total undiscounted lease liabilities                     | 257  | 286  |

Details of the movements in the Group's right-of-use assets including additions and depreciation are included in Note 16.

The interest on lease liabilities for the year ended 31 December 2021 was £6m (2020: £6m).

The Group does not recognise right-of-use assets and lease liabilities for short-term leases and leases where the underlying asset is of low value. The expenses for these leases for the year ended 31 December 2021 were £2m (2020: £3m). The Group lease commitment for short-term leases was £nil at 31 December 2021 (2020: £nil).

The total cash outflow for lease liabilities recognised in the consolidated statement of cash flows for the year ended 31 December 2021 was £33m (2020: £35m).

# (b) Leases where the Group is lessor (subleases)

Where the Group no longer requires a leased property, the property may be sublet to a third party. The sublease may be for the full remaining term of the Group's lease or only part of the remaining term.

At 31 December 2021, the Group had a net investment in finance leases asset of £30m (2020: £18m) for subleases which had transferred substantially all the risk and rewards of the right-of-use assets to the lessee under the sublease. All other subleases are accounted for as operating leases. The increase during the year ended 31 December 2021 was mainly due to four new subleases entered into during the year.

# (b)(i) Finance leases

During the year ended 31 December 2021, the Group received finance income on the net investment in finance leases asset of less than £1m (2020: less than £1m). The Group recorded an initial gain of £8m in relation to new subleases entered into during the year ended 31 December 2021 (2020: £2m).

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 $The following table \ provides \ a \ maturity \ analysis \ of the future \ contractual \ undiscounted \ cash \ flows \ for \ the \ net \ investment \ in$ finance leases and a reconciliation to the net investment in finance leases asset.

|  | 2021 | 2020 |
|--|------|------|
|  | £m   | £m   |
| Less than 1 year   | 3    | 3    |
| Greater than or equal to 1 year and less than 2 years          | 3    | 2    |
| Greater than or equal to 2 years and less than 3 years         | 3    | 2    |
| Greater than or equal to 3 years and less than 4 years         | 3    | 2    |
| Greater than or equal to 4 years and less than 5 years         | 3    | 2    |
| Greater than or equal to 5 years and less than 10 years        | 14   | 9    |
| Greater than or equal to 10 years and less than 15 years       | 3    | -    |
| Total contractual undiscounted cash flows under finance leases | 32   | 20   |
| Unearned finance income  | (2)  | (2)  |
| Total net investment in finance leases                         | 30   | 18   |

# (b)(ii) Operating leases

During the year ended 31 December 2021, the Group received property rental income from operating leases of £2m (2020: £3m).

The following table provides a maturity analysis of the future contractual undiscounted cash flows for subleases classified as operating leases.

|  | 2021 | 2020 |
|--|------|------|
|  | £m   | £m   |
| Less than 1 year   | 3    | 2    |
| Greater than or equal to 1 year and less than 2 years            | 1    | 2    |
| Greater than or equal to 2 years and less than 3 years           | 1    | 1    |
| Greater than or equal to 3 years and less than 4 years           | 1    | _    |
| Total contractual undiscounted cash flows under operating leases | 6    | 5    |

#### 18. Financial assets

Financial assets are initially recognised at their fair value. Subsequently all equity securities and interests in pooled investment funds and derivative instruments are measured at fair value. All equity securities and interests in pooled investment funds are classified as FVTPL on a mandatory basis. Changes in their fair value are recognised in Net gains on financial instruments and other income in the consolidated income statement. The classification of derivatives and the accounting treatment of derivatives designated as a hedging instrument are set out in Note 19.

The subsequent measurement of debt instruments depends on whether their cash flows are solely payments of principal and interest and the nature of the business model they are held in as follows:

| SPPI <sup>1</sup> test satisfied? | Business model   | Classification   |
|-----------------------------------|--|--|
| Yes                               | A: Objective is to hold to collect contractual cash flows                      | Amortised cost <sup>2</sup>  |
| Yes                               | B: Objective is achieved by both collecting contractual cash flows and selling | Fair value through other comprehensive income (FVOCI) <sup>2</sup> |
| Yes                               | C: Objective is neither A nor B  | FVTPL  |
| No                                | N/A  | FVTPL  |

- 1. Solely payments of principal and interest.
- 2. May be classified as FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as an 'accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

The Group has no debt instruments that are managed within a business model whose objective is achieved both by collecting contractual cash flows and selling and therefore there are no debt instruments classified as FVOCI. Debt instruments classified as FVTPL are classified as such due to the business model they are managed under, predominantly being held in consolidated investment vehicles.

The methods and assumptions used to determine fair value of financial assets at FVTPL are discussed in Note 39.

Amortised cost is calculated, and related interest is credited to the consolidated income statement, using the effective interest method. Impairment is determined using an expected credit loss impairment model which is applied to all financial assets measured at amortised cost. Financial assets measured at amortised cost attract a loss allowance equal to either:

- 12 month expected credit losses (losses resulting from possible default within the next 12 months).
- Lifetime expected credit losses (losses resulting from possible defaults over the remaining life of the financial asset).

Financial assets attract a 12 month ECL allowance unless the asset has suffered a significant deterioration in credit quality or the simplified approach for calculation of ECL has been applied. As permitted under IFRS 9 Financial Instruments, the Group has applied the simplified approach to calculate the ECL allowance for trade receivables and contract assets recognised under IFRS 15 Revenue from Contracts with Customers and lease receivables recognised under IFRS 16 Leases. Under the simplified approach the ECL is calculated over the remaining life of the asset.

The table below sets out an analysis of financial assets excluding those assets backing unit linked liabilities which are set out in Note 24.

|                                    |       | At fair value thr |       | Cash f |      | At amorti | sed cost | Tota  |       |
|------------------------------------|-------|-------------------|-------|--------|------|-----------|----------|-------|-------|
|                                    |       | 2021              | 2020  | 2021   | 2020 | 2021      | 2020     | 2021  | 2020  |
|                                    | Notes | £m                | £m    | £m     | £m   | £m        | £m       | £m    | £m    |
| Derivative financial assets        | 19    | 6                 | 18    | 8      | _    | -         | _        | 14    | 18    |
| Equity securities and interests in |       |                   |       |        |      |           |          |       |       |
| pooled investment funds            | 39    | 3,115             | 1,980 | -      | _    | -         | _        | 3,115 | 1,980 |
| Debt securities                    | 39    | 961               | 787   | -      | -    | 226       | 325      | 1,187 | 1,112 |
| Financial investments              |       | 4,082             | 2,785 | 8      | -    | 226       | 325      | 4,316 | 3,110 |
| Receivables and other financial    |       |                   |       |        |      |           |          |       |       |
| assets                             | 20    | 31                | 28    | -      | _    | 649       | 593      | 680   | 621   |
| Cash and cash equivalents          | 23    | -                 | -     | -      | _    | 1,904     | 1,519    | 1,904 | 1,519 |
| Total                              |       | 4,113             | 2,813 | 8      | _    | 2,779     | 2,437    | 6,900 | 5,250 |

<sup>1.</sup> All financial assets measured at fair value through profit or loss have been classified at FVTPL on a mandatory basis. The Group has not designated any financial assets as FVTPL.

The amount of debt securities expected to be recovered or settled after more than 12 months is £63m (2020: £231m). Due to the nature of equity securities and interests in pooled investment funds, there is no fixed term associated with these securities. The amount of equity securities and interests in pooled investment funds expected to be recovered or settled after more than 12 months is £1,947m (2020: £1,297m).

#### 19. **Derivative financial instruments**

A derivative is a financial instrument that is typically used to manage risk and whose value moves in response to an underlying variable such as interest or foreign exchange rates. The Group uses derivative financial instruments in order to match subordinated debt liabilities and to reduce the risk from potential movements in foreign exchange rates on seed capital and co-investments and potential movements in market rates on seed capital. Certain consolidated investment vehicles may also use derivatives to take and alter market exposure, with the objective of enhancing performance and controlling risk.

Management determines the classification of derivatives at initial recognition. All derivative instruments are classified as at FVTPL except those designated as part of a cash flow hedge or net investment hedge. Derivatives at FVTPL are measured at fair value with changes in fair value recognised in the consolidated income statement.

On adoption of IFRS 9 Financial instruments in 2019, the Group has elected to continue applying the hedge accounting requirements of IAS 39. The accounting treatment below applies to derivatives designated as part of a hedging relationship.

Using derivatives to manage a particular exposure is referred to as hedging. For a derivative to be considered as part of a hedging relationship its purpose must be formally documented at inception. In addition, the effectiveness of the hedge must be initially high and be able to be reliably measured on a regular basis. Derivatives used to hedge variability in future cash flows such as coupons payable on subordinated liabilities or revenue receivable in a foreign currency are designated as cash flow hedges, while derivatives used to hedge currency risk on investments in foreign operations are designated as net investment hedges.

Where a derivative qualifies as a cash flow or net investment hedge, hedge accounting is applied. The effective part of any gain or loss resulting from the change in fair value is recognised in other comprehensive income, and in the cash flow or net investment hedge reserve in equity, while any ineffective part is recognised immediately in the consolidated income statement. If a derivative ceases to meet the relevant hedging criteria, hedge accounting is discontinued.

For cash flow hedges, the amount recognised in the cash flow hedge reserve is transferred to the consolidated income statement (recycled) in the same period or periods during which the hedged item affects profit or loss and is transferred immediately if the cash flow is no longer expected to occur. For net investment hedges, the amount recognised in the net investment hedge reserve is transferred to the consolidated income statement on disposal of the investment.

|  |       |                 | 2021              |                        |                 | 2020              |                        |
|--|-------|-----------------|-------------------|------------------------|-----------------|-------------------|------------------------|
|  |       | Contract amount | Fair value assets | Fair value liabilities | Contract amount | Fair value assets | Fair value liabilities |
|  | Notes | £m              | £m                | £m                     | £m              | £m                | £m                     |
| Cash flow hedges   | 18,31 | 554             | 8                 | -                      | 549             | -                 | 6                      |
| FVTPL  | 18,31 | 889             | 6                 | 5                      | 687             | 18                | 7                      |
| Derivative financial instruments                                 | 39    | 1,443           | 14                | 5                      | 1,236           | 18                | 13                     |
| Derivative financial instruments backing unit linked liabilities | 24    | 399             | 7                 | 3                      | 463             | 6                 | 9                      |
| Total derivative financial instruments                           |       | 1,842           | 21                | 8                      | 1,699           | 24                | 22                     |

Derivative assets of £8m (2020: £nil) are expected to be recovered after more than 12 months. Derivative liabilities of £nil (2020: £5m) are expected to be settled after more than 12 months.

#### Hedging strategy

The Group generally does not hedge the currency exposure relating to revenue and expenditure, nor does it hedge translation of overseas profits in the income statement. Where appropriate, the Group may use derivative contracts to reduce or eliminate currency risk arising from individual transactions or seed capital and co-investment activity.

#### Cash flow hedges

On 18 October 2017, the Group issued subordinated notes with a principal amount of US\$750m. In order to manage its foreign exchange risk relating to the principal and coupons payable on these notes the Group entered into a crosscurrency swap which is designated as a cash flow hedge. The cash flow hedge was fully effective during the year. The cross-currency swap has the effect of swapping the 4.25% US Dollar fixed rate subordinated notes into 3.2% Sterling fixed rate subordinated notes with a principal amount of £569m. The cross-currency swap has a fair value asset position of £8m (2020: £6m liability). During the year ended 31 December 2021 fair value gains of £19m (2020: losses of £3m) were recognised in other comprehensive income in relation to the cross-currency swap. Gains of £5m (2020: losses of £19m) were transferred from other comprehensive income to Net gains on financial instruments and other income in the consolidated income statement in relation to the cross-currency swap during the year. In addition, forward points of £6m

(2020: £6m) and losses of £1m (2020: less than £1m) were transferred from other comprehensive income to Finance costs in the consolidated income statement.

# (a)(ii) FVTPL

Derivative financial instruments classified as FVTPL include those that the Group holds as economic hedges of financial instruments that are measured at fair value. FVTPL derivative financial instruments are also held by the Group to match contractual liabilities that are measured at fair value or to achieve efficient portfolio management in respect of instruments measured at fair value.

|   |                 | 2021              |                        |                    | 2020              |                        |  |  |
|---|-----------------|-------------------|------------------------|--------------------|-------------------|------------------------|--|--|
|   | Contract amount | Fair value assets | Fair value liabilities | Contract<br>amount | Fair value assets | Fair value liabilities |  |  |
|   | £m              | £m                | £m                     | £m                 | £m                | £m                     |  |  |
| Equity derivatives:                       |                 |                   |                        |                    |                   |                        |  |  |
| Futures                                   | 336             | 3                 | 4                      | 100                | 1                 | 9                      |  |  |
| Variance swaps                            | 6               | 6                 | -                      | 6                  | 6                 | _                      |  |  |
| Interest rate derivatives:                |                 |                   |                        |                    |                   |                        |  |  |
| Swaps                                     | 11              | -                 | -                      | 52                 | _                 | 4                      |  |  |
| Futures                                   | 40              | -                 | -                      | 34                 | _                 | _                      |  |  |
| Foreign exchange derivatives:             |                 |                   |                        |                    |                   |                        |  |  |
| Forwards                                  | 806             | 4                 | 3                      | 859                | 15                | 2                      |  |  |
| Other derivatives:                        |                 |                   |                        |                    |                   |                        |  |  |
| Inflation rate swaps                      | -               | -                 | -                      | 18                 | 2                 | -                      |  |  |
| Credit default swaps                      | 89              | -                 | 1                      | 81                 | _                 | 1                      |  |  |
| Derivative financial instruments at FVTPL | 1,288           | 13                | 8                      | 1,150              | 24                | 16                     |  |  |

# (b) Maturity profile

The maturity profile of the contractual undiscounted cash flows in relation to derivative financial instruments is as follows:

|                  | Withi |       | 1-5  |      | 5-1   |       | 10-1 |      | 15-2 |      | Greater t |      |       |         |
|------------------|-------|-------|------|------|-------|-------|------|------|------|------|-----------|------|-------|---------|
|                  | yea   |       | year |      | year  |       | year |      | year |      | year      |      | Tot   |         |
|                  | 2021  | 2020  | 2021 | 2020 | 2021  | 2020  | 2021 | 2020 | 2021 | 2020 | 2021      | 2020 | 2021  | 2020    |
|                  | £m    | £m    | £m   | £m   | £m    | £m    | £m   | £m   | £m   | £m   | £m        | £m   | £m    | £m      |
| Cash inflows     |       |       |      |      |       |       |      |      |      |      |           |      |       |         |
| Derivative       |       |       |      |      |       |       |      |      |      |      |           |      |       |         |
| financial assets | 66    | 367   | 94   | -    | 589   | -     | -    | -    | -    | _    | -         | -    | 749   | 367     |
| Derivative       |       |       |      |      |       |       |      |      |      |      |           |      |       |         |
| financial        |       |       |      |      |       |       |      |      |      |      |           |      |       |         |
| liabilities      | 13    | 183   | -    | 93   | -     | 607   | -    | -    | -    | _    | -         | -    | 13    | 883     |
| Total            | 79    | 550   | 94   | 93   | 589   | 607   | -    | -    | -    | _    | -         | _    | 762   | 1,250   |
|                  |       |       |      |      |       |       |      |      |      |      |           |      |       |         |
| Cash outflows    |       |       |      |      |       |       |      |      |      |      |           |      |       |         |
| Derivative       |       |       |      |      |       |       |      |      |      |      |           |      |       |         |
| financial assets | (60)  | (360) | (73) | -    | (596) | -     | -    | -    | -    | _    | -         | -    | (729) | (360)   |
| Derivative       |       |       |      |      |       |       |      |      |      |      |           |      |       |         |
| financial        |       |       |      |      |       |       |      |      |      |      |           |      |       |         |
| liabilities      | (13)  | (187) | -    | (73) | -     | (614) | -    | -    | -    | _    | -         | -    | (13)  | (874)   |
| Total            | (73)  | (547) | (73) | (73) | (596) | (614) | -    | -    | -    | _    | -         | -    | (742) | (1,234) |
|                  |       |       |      |      |       |       |      |      |      |      |           |      |       |         |
| Net derivative   |       |       |      |      |       |       |      |      |      |      |           |      |       |         |
| financial        |       |       |      |      |       |       |      |      |      |      |           |      |       |         |
| instruments      |       |       |      |      |       |       |      |      |      |      |           |      |       |         |
| cash inflows     | 6     | 3     | 21   | 20   | (7)   | (7)   | -    | -    | -    | _    | -         | -    | 20    | 16      |

Included in the above maturity profile are the following cash flows in relation to cash flow hedge assets:

|                             | Withi<br>yed |      | 1-5<br>year |      | 5-10<br>year |       | 10-1<br>yea |      | 15-7<br>yea |      | Greater t |      | Toto  | al    |
|-----------------------------|--------------|------|-------------|------|--------------|-------|-------------|------|-------------|------|-----------|------|-------|-------|
|                             | 2021         | 2020 | 2021        | 2020 | 2021         | 2020  | 2021        | 2020 | 2021        | 2020 | 2021      | 2020 | 2021  | 2020  |
|                             | £m           | £m   | £m          | £m   | £m           | £m    | £m          | £m   | £m          | £m   | £m        | £m   | £m    | £m    |
| Cash inflows                | 24           | 23   | 94          | 93   | 589          | 607   | -           | -    | -           | -    | -         | -    | 707   | 723   |
| Cash outflows               | (18)         | (18) | (73)        | (73) | (596)        | (614) | -           | -    | -           | -    | -         | -    | (687) | (705) |
| Net cash flow<br>hedge cash |              |      |             |      |              |       |             |      |             |      |           |      |       |       |
| inflows                     | 6            | 5    | 21          | 20   | (7)          | (7)   | -           | -    | -           | -    | -         | -    | 20    | 18    |

Cash inflows and outflows are presented on a net basis where the Group is required to settle cash flows net.

# 20. Receivables and other financial assets

|   |       | 2021 | 2020 |
|---|-------|------|------|
|   | Notes | £m   | £m   |
| Amounts receivable from contracts with customers      | 3(d)  | 135  | 115  |
| Accruedincome   |       | 263  | 227  |
| Cancellations of units awaiting settlement            |       | 113  | 126  |
| Net investment in finance leases                      |       | 30   | 18   |
| Collateral pledged in respect of derivative contracts | 37    | 26   | 28   |
| Contingent consideration asset                        | 39    | 31   | 28   |
| Other   |       | 82   | 79   |
| Receivables and other financial assets                |       | 680  | 621  |

The carrying amounts disclosed above reasonably approximate the fair values as at the year end.

The amount of receivables and other financial assets expected to be recovered after more than 12 months is £35m (2020: £33m).

Accrued income includes £260m (2020: £221m) of accrued income from contracts with customers (refer Note 3(d)).

#### 21. Other assets

|                            | 2021 | 2020 |
|----------------------------|------|------|
|                            | £m   | £m   |
| Prepayments                | 100  | 40   |
| Deferred acquisition costs | 3    | 4    |
| Other                      | 2    | 2    |
| Other assets               | 105  | 46   |

The amount of other assets expected to be recovered after more than 12 months is £48m (2020: £4m).

Prepayments includes £56m (2020: £nil) relating to the Group's future purchase of certain products in the Phoenix Group's savings business offered through abrdn's Wrap platform together with the Phoenix Group's trustee investment plan business for UK pension scheme clients. Refer Note 1(c)(iii) for further details.

All deferred acquisition costs above are costs deferred on investment contracts (deferred origination costs) which relate to contracts with customers (refer Note 3(d)). The amortisation charge for deferred origination costs relating to contracts with customers from continuing operations for the year was £1m (2020: £2m).

# 22. Assets and liabilities held for sale

Assets and liabilities held for sale are presented separately in the consolidated statement of financial position and consist of operations and individual non-current assets whose carrying amount will be recovered principally through a sale transaction (expected within one year) and not through continuing use.

Operations held for sale, being disposal groups, and investments in associates accounted for using the equity method are measured at the lower of their carrying amount and their fair value less disposal costs. No depreciation or amortisation is charged on assets in a disposal group once it has been classified as held for sale.

Operations held for sale include newly established investment vehicles which the Group has seeded but is actively seeking to divest from. For these investment funds, which do not have significant liabilities or non-financial assets, financial assets continue to be measured based on the accounting policies that applied before they were classified as held for sale. The Group classifies seeded operations as held for sale where the intention is to dispose of the investment vehicle in a single transaction. Where disposal of a seeded investment vehicle will be in more than one tranche the operations are not classified as held for sale in the consolidated statement of financial position.

Certain amounts seeded into funds are classified as interests in pooled investment funds. Investment property and owner occupied property held for sale relates to property for which contracts have been exchanged but the sale had not completed during the current financial year. Interests in pooled investment funds and investment property held for sale continue to be measured based on the accounting policies that applied before they were classified as held for sale.

|   | 2021 | 2020 |
|---|------|------|
|   | £m   | £m   |
| Assets of operations held for sale      |      |      |
| Parmenion Capital Partners LLP          | -    | 18   |
| Investment vehicles                     | -    | 1    |
| Assets held for sale                    | -    | 19   |
| Liabilities of operations held for sale |      |      |
| Parmenion Capital Partners LLP          | -    | 11   |
| Investment vehicles                     | -    | -    |
| Liabilities of operations held for sale | -    | 11   |

# (a)(i) Parmenion Capital Partners LLP (Parmenion)

On 30 June 2021, the Group completed the sale of Parmenion. Refer Note 1(c)(i) for further details. Parmenion is reported in the Corporate/strategic segment (formerly part of the Asset management, platforms and wealth segment).

At 31 December 2020, this disposal group was measured at its carrying amount and comprised the following assets and liabilities:

|   | 2020 |
|---|------|
|   | £m   |
| Assets of operations held for sale            |      |
| Intangible assets                             | 2    |
| Property, plant and equipment                 | 7    |
| Receivables and other financial assets        | 5    |
| Other assets                                  | 1    |
| Cash and cash equivalents                     | 3    |
| Total assets of operations held for sale      | 18   |
| Liabilities of operations held for sale       |      |
| Other financial liabilities                   | 11   |
| Total liabilities of operations held for sale | 11   |
| Net assets of operations held for sale        | -    |

Net assets of operations held for sale were net of intercompany balances between Parmenion and other group entities, the net assets of Parmenion on a gross basis as at 31 December 2020 were £12m.

# 23. Cash and cash equivalents

Cash and cash equivalents include cash at bank, money at call and short notice with banks, money market funds and any highly liquid investments with less than three months to maturity from the date of acquisition. For the purposes of the consolidated statement of cash flows, cash and cash equivalents also include bank overdrafts which are included in other financial liabilities on the consolidated statement of financial position.

Where the Group has a legally enforceable right of set off and intention to settle on a net basis, cash and overdrafts are offset in the consolidated statement of financial position.

|   | 2021  | 2020  |
|---|-------|-------|
|   | £m    | £m    |
| Cash at bank and in hand  | 638   | 788   |
| Money at call, term deposits, reverse repurchase agreements and debt instruments with less than three months to maturity from acquisition | 1,122 | 615   |
| Money market funds  | 144   | 116   |
| Cash and cash equivalents   | 1,904 | 1,519 |

|   |       | 2021  | 2020  |
|---|-------|-------|-------|
|   | Notes | £m    | £m    |
| Cash and cash equivalents   |       | 1,904 | 1,519 |
| Cash and cash equivalents backing unit linked liabilities               | 24    | 33    | 38    |
| Cash and cash equivalents classified as held for sale                   | 22    | -     | 3     |
| Bank overdrafts   | 35    | (62)  | (202) |
| Total cash and cash equivalents for consolidated statement of cash flow | vs    | 1,875 | 1,358 |

Cash at bank, money at call and short notice and deposits are subject to variable interest rates.

Included in cash and cash equivalents and bank overdrafts are £82m (2020: £230m) and £62m (2020: £202m) respectively relating to balances within a cash pooling facility in support of which cross guarantees are provided by certain subsidiary undertakings and interest is paid or received on the net balance.

Cash and cash equivalents in respect of unit linked funds (including third party interests in consolidated funds) are held in separate bank accounts and are not available for general use by the Group.

# 24. Unit linked liabilities and assets backing unit linked liabilities

The Group operates unit linked life assurance businesses through a number of subsidiaries. These subsidiaries provide investment products through a life assurance wrapper. These products do not contain any features which transfer significant insurance risk and therefore are classified as investment contracts. Unit linked non-participating investment contracts are separated into two components being an investment management services component and a financial liability. All fees and related administrative expenses are deemed to be associated with the investment management services component (refer Note 3). The financial liability component is designated at FVTPL as it is implicitly managed on a fair value basis as its value is directly linked to the market value of the underlying portfolio of assets.

Where the Group is deemed to control an investment vehicle as a result of holdings in that vehicle by subsidiaries to back unit linked non-participating investment contract liabilities, the assets and liabilities of the vehicle are consolidated within the Group's statement of financial position. The liability for third party interest in such consolidated funds is presented as a unit linked liability.

Unit linked liabilities and assets backing unit linked liabilities are presented separately in the consolidated statement of financial position except for those held in operations held for sale, which are presented in assets and liabilities held for sale in the consolidated statement of financial position.

Contributions received on non-participating investment contracts and from third party interest in consolidated funds are treated as deposits and not reported as revenue in the consolidated income statement.

Withdrawals paid out to policyholders on non-participating investment contracts and to third party interest in consolidated funds are treated as a reduction to deposits and not recognised as expenses in the consolidated income statement.

Investment return and related benefits credited in respect of non-participating investment contracts and third party interest in consolidated funds are recognised in the consolidated income statement as changes in investment contract liabilities and changes in liability for third party interest in consolidated funds respectively. Investment returns relating to unit linked business are for the account of policyholders and have an equal and opposite effect on income and expenses in the consolidated income statement with no impact on profit after tax.

Assets backing unit linked liabilities comprise financial investments, which are all classified as FVTPL on a mandatory basis, and receivables and other financial assets and cash and cash equivalents which are measured at amortised cost.

# (a) Result for the year attributable to unit linked business

|   |       | 2021 | 2020 |
|---|-------|------|------|
|   | Notes | £m   | £m   |
| Net gains on financial instruments and other income | 4     | 7    | 9    |
| Other administrative expense                        | 5     | (3)  | (5)  |
| Profit before tax                                   |       | 4    | 4    |
| Tax expense attributable to unit linked business    | 9     | (4)  | (4)  |
| Profit after tax                                    | _     | -    | _    |

# (b) Financial instrument risk management

The shareholder is not directly exposed to market risk or credit risk in relation to the financial assets backing unit linked liabilities. The shareholder's exposure to market risk on these assets is limited to variations in the value of future fee based revenue as fees are based on a percentage of fund value.

The shareholder is exposed to liquidity risk relating to unit linked funds. For the unit linked business, liquidity risk is primarily managed by holding a range of diversified instruments which are assessed against cash flow and funding requirements. A core portfolio of assets is maintained and invested in accordance with the mandates of the relevant unit linked funds. Given that unit linked policyholders can usually choose to surrender, in part or in full, their unit linked contracts at any time, the non-participating investment contract unit linked liabilities are designated as payable within one year. Such surrenders would be matched in practice, if necessary, by sales of underlying assets. Policyholder behaviour and the trading position of asset classes are actively monitored. The Group can delay settling liabilities to unit linked policyholders to ensure fairness between those remaining in the fund and those leaving the fund. The length of any such delay is dependent on the underlying financial assets.

# (c) Fair value measurement of unit linked financial liabilities and financial assets backing unit linked liabilities

Each of the unit linked financial liabilities and the financial assets backing unit linked liabilities has been categorised below using the fair value hierarchy as defined in Note 39. Refer Note 39 for details of valuation techniques used.

|                                 |      |      |       |       |      |      |            |                   | Classified o |         |       |       |
|---------------------------------|------|------|-------|-------|------|------|------------|-------------------|--------------|---------|-------|-------|
|                                 | Leve | 11   | Leve  | 12    | Leve | 13   | Not at fai | Not at fair value |              | sale To |       | al    |
|                                 | 2021 | 2020 | 2021  | 2020  | 2021 | 2020 | 2021       | 2020              | 2021         | 2020    | 2021  | 2020  |
|                                 | £m   | £m   | £m    | £m    | £m   | £m   | £m         | £m                | £m           | £m      | £m    | £m    |
| Financial investments           | 974  | 832  | 455   | 545   | 1    | 18   | -          |                   | -            | -       | 1,430 | 1,395 |
| Receivables and other           |      |      |       |       |      |      |            |                   |              |         |       |       |
| financial assets                | -    | -    | -     | -     | -    | -    | 7          | 7                 | -            | -       | 7     | 7     |
| Cash and cash equivalents       | -    | -    | -     | -     | -    | -    | 33         | 38                | -            | -       | 33    | 38    |
| Total financial assets          |      |      |       |       |      |      |            |                   |              |         |       |       |
| backing unit linked liabilities | 974  | 832  | 455   | 545   | 1    | 18   | 40         | 45                | -            | -       | 1,470 | 1,440 |
| Investment contract             |      |      |       |       |      |      |            |                   |              |         |       |       |
| liabilities                     | -    | _    | 1,087 | 1,024 | 1    | 18   | -          | -                 | -            | -       | 1,088 | 1,042 |
| Third party interest in         |      |      |       |       |      |      |            |                   |              |         |       |       |
| consolidated funds              | -    | -    | 378   | 388   | -    | -    | -          | -                 | -            | -       | 378   | 388   |
| Other unit linked financial     |      |      |       |       |      |      |            |                   |              |         |       |       |
| liabilities                     | 1    | 7    | 2     | 2     | -    | -    | 1          | 1                 | -            | -       | 4     | 10    |
| Total unit linked financial     |      |      |       |       |      |      |            |                   |              |         |       |       |
| liabilities                     | 1    | 7    | 1,467 | 1,414 | 1    | 18   | 1          | 1                 | -            | -       | 1,470 | 1,440 |

In addition to financial assets backing unit linked liabilities and unit linked financial liabilities shown above there is a current tax asset of £1m (2020: £1m) included in unit linked assets and a current tax liability of £1m (2020: £1m) included in unit linked liabilities.

The financial investments backing unit linked liabilities comprise equity securities and interests in pooled investment funds of £1,232m (2020: £1,244m), debt securities of £191m (2020: £145m) and derivative financial assets of £7m (2020: £6m).

The fair value of financial instruments not held at fair value approximates to their carrying value at 31 December 2021 and 31 December 2020.

There were no significant transfers from level 1 to level 2 during the year ended 31 December 2021 (2020: £309m). There were also no significant transfers from level 2 to level 1 during the year ended 31 December 2021 (2020: £nil). Transfers from level 1 to level 2 for the year ended 31 December 2020 primarily related to interests in pooled investment vehicles which are priced daily but where the daily price is only offered by the fund manager. As disclosed in the prior year, the Group now considers these investments to be level 2. All other transfers relate to assets where changes in the frequency of observable market transactions resulted in a change in whether the market was considered active. Transfers are deemed to have occurred at the end of the calendar quarter in which they arose.

The movements during the period of level 3 unit linked assets and liabilities held at fair value are analysed below.

|  |                | Equity securities and interests in pooled investment funds |      | contract<br>ies |
|--|----------------|--|------|-----------------|
|  | 31 Dec<br>2021 |  |      | 31 Dec<br>2020  |
|  | £m             | £m   | £m   | £m              |
| At start of period   | 18             | -  | (18) | _               |
| Total gains/(losses) recognised in the consolidated income |                |  |      |                 |
| statement  | -              | (2)  | -    | 2               |
| Purchases  | 1              | _  | (1)  | _               |
| Sales  | (18)           | (1)  | 18   | 1               |
| Transfers in to level 3 <sup>1</sup>                       | _              | 21   | -    | (21)            |
| At end of period   | 1              | 18   | (1)  | (18)            |

<sup>1.</sup> Transfers are deemed to have occurred at the end of the calendar quarter in which they arose.

Unit linked level 3 assets relate to holdings in real estate funds. No individual unobservable input is considered significant. Changing unobservable inputs in the measurement of the fair value of these unit linked level 3 financial assets and liabilities to reasonably possible alternative assumptions would have no impact on profit attributable to equity holders or on total assets.

Transfers of unit linked assets and liabilities to level 3 generally arise when external pricing providers stop providing prices for the underlying assets and liabilities in the funds or where the price provided is considered stale.

# (d) Change in non-participating investment contract liabilities

The change in non-participating investment contract liabilities was as follows:

|   | 2021  | 2020  |
|---|-------|-------|
|   | £m    | £m    |
| At 1 January  | 1,042 | 1,152 |
| Contributions   | 119   | 83    |
| Account balances paid on surrender and other terminations in the year                             | (195) | (249) |
| Change in non-participating investment contract liabilities recognised in the consolidated income |       |       |
| statement <sup>1</sup>  | 124   | 58    |
| Recurring management charges  | (2)   | (2)   |
| At 31 December  | 1,088 | 1,042 |

<sup>1.</sup> Change in non-participating investment contract liabilities recognised in the consolidated income statement in the table above excludes £nil (2020: (£2m)) in relation to non-participating investment contract liabilities classified as held for sale.

# (e) Derivatives

The treatment of collateral accepted and pledged in respect of financial instruments and the Group's approach to offsetting financial assets and liabilities is described in Note 37. The following table presents the impact of master netting agreements and similar arrangements for derivatives backing unit linked liabilities.

| -                        |   |      | Relate           | ed amounts not off<br>statement of fin | set on the consolide<br>ancial position | ated |         |        |
|--------------------------|---|------|------------------|--|---|------|---------|--------|
|                          | Gross amounts of financial instruments as presented on the consolidated statement of financial position |      | Finan<br>instrun |  | Financial o                             |      | Net pos | sition |
|                          | 2021  | 2020 | 2021             | 2020                                   | 2021                                    | 2020 | 2021    | 2020   |
|                          | £m  | £m   | £m               | £m                                     | £m                                      | £m   | £m      | £m     |
| Financial assets         |   |      |                  |  |   |      |         |        |
| Derivatives <sup>1</sup> | 4   | 5    | (1)              | _                                      | -                                       | -    | 3       | 5      |
| Total financial          |   | _    | 44.5             |  |   |      | _       |        |
| assets                   | 4   | 5    | (1)              | _                                      | -                                       | -    | 3       | 5      |
| Financial liabilities    |   |      |                  |  |   |      |         |        |
| Derivatives <sup>1</sup> | (2)   | (2)  | 1                | -                                      | -                                       | -    | (1)     | (2)    |
| Total financial          | 401   | (0)  | _                |  |   |      |         | (0)    |
| liabilities              | (2)   | (2)  | 1                | _                                      | -                                       | _    | (1)     | (2)    |

 $<sup>1. \ \, {\</sup>rm Only\,OTC\,derivatives\,subject\,to\,master\,netting\,agreements\,have\,been\,included\,above}.$ 

# 25. Issued share capital and share premium

Shares are classified as equity instruments when there is no contractual obligation to deliver cash or other assets to another entity on terms that may be unfavourable. The Company's share capital consists of the number of ordinary shares in issue multiplied by their nominal value. The difference between the proceeds received on issue of the shares and the nominal value of the shares issued is recorded in share premium.

The movement in the issued ordinary share capital and share premium of the Company was:

|   | 2              | 2021    |               | 2020              |               |     |  |
|---|----------------|---------|---------------|-------------------|---------------|-----|--|
|   | Ordinary share | capital | Share premium | Ordinary share ca | Share premium |     |  |
| Issued shares fully paid                          | 13 61/63p each | £m      | £m            | 13 61/63p each    | £m            | £m  |  |
| At 1 January                                      | 2,194,115,616  | 306     | 640           | 2,338,723,724     | 327           | 640 |  |
| Shares issued in respect of share incentive plans | 2,032          | -       | _             | 2,188             | _             | -   |  |
| Share buyback                                     | (13,392,862)   | (1)     | -             | (144,610,296)     | (21)          | -   |  |
| At 31 December                                    | 2,180,724,786  | 305     | 640           | 2,194,115,616     | 306           | 640 |  |

All ordinary shares in issue in the Company rank pari passu and carry the same voting rights and entitlement to receive dividends and other distributions declared or paid by the Company.

On 7 February 2020, the Company announced a share buyback of up to £400m through on-market purchases which commenced on 10 February 2020 and was completed on 12 February 2021. During the year ended 31 December 2021, the Company bought back and cancelled 13,392,862 shares (2020: 144,610,296 shares). The total consideration was £41m (2020: £362m) which includes transaction costs and any unsettled purchases of shares already transacted. At 31 December 2021, there were no unsettled purchases of shares (2020: 507,757 shares).

The share buyback has resulted in a reduction in retained earnings of £nil (2020: £402m). At 31 December 2020, there was an irrevocable contractual obligation with a third party to purchase the Company's own shares of £40m. This obligation was recognised as a part of the share buyback reduction to retained earnings of £402m for the year ended 31 December 2020, with a corresponding liability of £40m included within other financial liabilities at 31 December 2020. At 31 December 2021, there were no irrevocable contractual obligations with a third party to purchase the Company's own shares.

An amount of £1m (2020: £21m) has been credited to the capital redemption reserve relating to the nominal value of the shares cancelled.

The Company can issue shares to satisfy awards granted under employee incentive plans which have been approved by shareholders. Details of the Group's employee plans are provided in Note 43.

#### 26. Shares held by trusts

Shares held by trusts relates to shares in abrdn plc that are held by the Standard Life Aberdeen Employee Benefit Trust (SLA EBT), Standard Life Employee Trust (ET) and the Aberdeen Asset Management Employee Benefit Trust 2003 (AAMEBT).

The SLA EBT, ET and AAM EBT purchase shares in the Company for delivery to employees under employee incentive plans. Purchased shares are recognised as a deduction from equity at the price paid for them. Where new shares are issued to the SLA EBT, ET or AAM EBT the price paid is the nominal value of the shares. When shares are distributed from the trust their corresponding value is released to retained earnings.

The number of shares held by trusts was as follows:

|   | 2021       | 2020       |
|---|------------|------------|
| Number of shares held by trusts                       |            | _          |
| Standard Life Aberdeen Employee Benefit Trust         | 39,630,532 | 37,667,681 |
| Standard Life Employee Trust                          | 22,688,815 | 23,773,359 |
| Aberdeen Asset Management Employee Benefit Trust 2003 | 2,647,359  | 6,294,765  |

#### 27. Retained earnings

The following table shows movements in retained earnings during the year. The 2020 movements are aggregated for both continuing and discontinued operations.

|  |       | 2021  | 2020  |
|--|-------|-------|-------|
|  | Notes | £m    | £m    |
| At 1 January   |       | 4,970 | 2,886 |
| Recognised in comprehensive income   |       |       |       |
| Recognised in profit for the year attributable to equity holders             |       | 994   | 833   |
| Recognised in other comprehensive income                                     |       |       |       |
| Remeasurement gains on defined benefit pension plans                         | 33    | 117   | 280   |
| Share of other comprehensive income of associates and joint ventures         |       | (1)   | -     |
| Equity holder tax effect of items that will not be reclassified subsequently |       |       |       |
| to profit or loss  | 9     | 3     | 2     |
| Total items recognised in comprehensive income                               |       | 1,113 | 1,115 |
|  |       |       |       |
| Recognised directly in equity  |       |       |       |
| Dividends paid on ordinary shares  |       | (308) | (479) |
| Other movements in non-controlling interests in the year                     | 29    | 6     | -     |
| Reclassification of preference shares to liability                           | 29,32 | _     | (1)   |
| Shares buyback   | 25    | _     | (402) |
| Transfer between reserves on impairment of subsidiaries                      | 28    | _     | 1,834 |
| Transfer for vested employee share-based payments                            |       | 36    | 38    |
| Shares distributed by employee and other trusts                              |       | (42)  | (21)  |
| Total items recognised directly in equity                                    |       | (308) | 969   |
| At 31 December   |       | 5,775 | 4,970 |

#### 28. Movements in other reserves

In July 2006 Standard Life Group demutualised and during this process the merger reserve, the reserve arising on Group reconstruction and the special reserve were created.

Merger reserve: the merger reserve consists of two components. Firstly at demutualisation in July 2006 the Company issued shares to former members of the mutual company. The difference between the nominal value of these shares and their issue value was recognised in the merger reserve. The reserve includes components attaching to each subsidiary that was transferred to the Company at demutualisation based on their fair value at that date. Secondly following the completion of the merger of Standard Life plc and AAM PLC on 14 August 2017, an additional amount was recognised in the merger reserve representing the difference between the nominal value of shares issued to shareholders of AAM PLC and their fair value at that date. On disposal or impairment of a subsidiary any related component of the merger reserve is released to retained earnings.

Reserve arising on Group reconstruction: The value of the shares issued at demutualisation was equal to the fair value of the business at that date. The business's assets and liabilities were recognised at their book value at the time of demutualisation. The difference between the book value of the business's net assets and its fair value was recognised in the reserve arising on Group reconstruction. The reserve comprises components attaching to each subsidiary that was transferred to the Company at demutualisation. On disposal of such a subsidiary any related component of the reserve arising on Group reconstruction is released to retained earnings.

**Special reserve:** Immediately following demutualisation and the related initial public offering, the Company reduced its share premium reserve by court order giving rise to the special reserve. Dividends can be paid out of this reserve.

**Capital redemption reserve:** In August 2018, as part of the return of capital and share buyback (refer Note 25) the capital redemption reserve was created.

The following tables show the movements in other reserves during the year.

|  | Notes | Cash flow<br>hedges<br>£m | Foreign<br>currency<br>translation<br>&m | Merger<br>reserve<br>£m | Equity<br>compensation<br>reserve<br>£m | Special<br>reserve<br>£m | Reserve arising on<br>Group reconstruction | Capital redemption reserve | Total<br>£m |
|--|-------|---------------------------|--|-------------------------|---|--------------------------|--|----------------------------|-------------|
| 1 January 2021   |       | 12                        | 1  | 483                     | 80                                      | 115                      | (685)                                      | 1,058                      | 1,064       |
| Recognised in other comprehensive income                       |       |                           |  |                         |   |                          |  |                            |             |
| Fair value gains on cash flow hedges                           |       | 19                        | _  | _                       | -                                       | _                        | -  | _                          | 19          |
| Exchange differences on translating foreign                    |       |                           | (2)                                      |                         |   |                          |  |                            | (2)         |
| operations Items transferred to profit or loss from continuing |       | -                         | (2)                                      | -                       | -                                       | -                        | -  | -                          | (2)         |
| operations   |       | (10)                      | 18                                       | -                       | _                                       | -                        | -  | -                          | 8           |
| Aggregate tax effect of items recognised in other              |       |                           |  |                         |   |                          |  |                            |             |
| comprehensive income   |       | (3)                       | -  |                         | -                                       |                          | -  |                            | (3)         |
| Total items recognised in other comprehensive                  |       |                           |  |                         |   |                          |  |                            |             |
| income   |       | 6                         | 16                                       | -                       | -                                       | -                        | -  | -                          | 22          |
| Recognised directly in equity                                  |       |                           |  |                         |   |                          |  |                            |             |
| Share buyback  | 25    | -                         | -  | -                       | -                                       | -                        | -  | 1                          | 1           |
| Reserves credit for<br>employee share-based<br>payments        |       | _                         | _  | _                       | 43                                      | _                        | _  | _                          | 43          |
| Transfer to retained earnings for vested                       |       |                           |  |                         |   |                          |  |                            |             |
| employee share-based payments                                  |       | _                         | _  | _                       | (36)                                    | _                        | _  | _                          | (36)        |
| Total items recognised   |       |                           |  |                         | · ·                                     |                          |  |                            | •           |
| directly within equity   |       | -                         | -  | -                       | 7                                       | -                        | -  | 1                          | 8           |
| At 31 December 2021  |       | 18                        | 17                                       | 483                     | 87                                      | 115                      | (685)                                      | 1,059                      | 1,094       |

The merger reserve includes £470m (2020: £470m) in relation to the Group's asset management businesses. There were no movements in the merger reserve in the year ended 31 December 2021. During the year ended 31 December 2020, £1,834m was transferred from the merger reserve to retained earnings following an impairment of the Company's investments in its asset management subsidiaries (refer Section 8).

|  | Notes | Cash flow<br>hedges<br>&m | Foreign<br>currency<br>translation<br>&m | Merger<br>reserve<br>£m | Equity<br>compensation<br>reserve<br>£m | Special<br>reserve<br>£m | Reserve arising on<br>Group<br>reconstruction | Capital redemption reserve | Total<br>£m |
|--|-------|---------------------------|--|-------------------------|---|--------------------------|---|----------------------------|-------------|
| 1 January 2020   | notes | 4                         | 3  | 2,317                   | 54                                      | 115                      | (685)   | 1,037                      | 2,845       |
| Recognised in other  |       | •                         | Ü  | 2,017                   | 01                                      | 110                      | (000)   | 1,007                      | 2,010       |
| comprehensive income   |       |                           |  |                         |   |                          |   |                            |             |
| Fair value losses on cash flow hedges                                  |       | (3)                       | _  | _                       | _                                       | _                        | _   | -                          | (3)         |
| Exchange differences on translating foreign operations                 |       | -                         | (8)                                      | _                       | _                                       |                          | _   | -                          | (8)         |
| Items transferred to profit<br>or loss from continuing<br>operations   |       | 13                        | 6  | _                       | _                                       | _                        | _   | _                          | 19          |
| Aggregate tax effect of items recognised in other comprehensive income |       | (2)                       | _  | _                       | _                                       | _                        | _   | _                          | (2)         |
| Total items recognised in other comprehensive income                   |       | 8                         | (2)                                      | _                       | _                                       | _                        | _   | _                          | 6           |
| Recognised directly in   |       |                           |  |                         |   |                          |   |                            |             |
| equity   |       |                           |  |                         |   |                          |   |                            |             |
| Share buyback<br>Reserves credit for                                   | 25    | -                         | -  | -                       | -                                       | -                        | -   | 21                         | 21          |
| employee share-based payments  |       | -                         | _  | -                       | 64                                      | _                        | -   | _                          | 64          |
| Transfer to retained earnings for vested employee share-based          |       |                           |  |                         | (20)                                    |                          |   |                            | (20)        |
| payments Transfer between reserves on impairment of                    |       | -                         | _  | _                       | (38)                                    | -                        | _   | -                          | (38)        |
| subsidiaries '   |       |                           |  | (1,834)                 |   |                          |   |                            | (1,834)     |
| Total items recognised directly within equity                          |       | _                         |  | (1,834)                 | 26                                      | _                        | _   | 21                         | (1,787)     |
| At 31 December 2020  |       | 12                        | 1  | 483                     | 80                                      | 115                      | (685)   | 1,058                      | 1,064       |

# 29. Other equity and non-controlling interests

Perpetual subordinated notes issued by abrdn plc are classified as other equity where no contractual obligation to deliver cash exists. Non-controlling interests included preference shares issued by AAM PLC.

# (a) Other equity - perpetual subordinated notes

5.25% Fixed Rate Reset Perpetual Subordinated Contingent Convertible Notes
On 13 December 2021, the Company issued £210m of 5.25% Fixed Rate Reset Perpetual Subordinated Contingent
Convertible Notes (the "Notes"). The Notes are classified as other equity and have been initially recognised at £207m (the proceeds received less issuance costs of £3m).

The Notes initially bear interest on their principal amount at 5.25% per annum payable semi-annually in arrears on 13 June and 13 December in each year. The interest rate is subject to reset on 13 June 2027 and then every 5 years thereafter. The payments of interest are discretionary and non-cumulative. The interest paid is recognised as profit attributable to other equity when paid.

The Notes have no fixed redemption date. The Company has the option to redeem the Notes (in full) between 13 December 2026 and 13 June 2027 and on each interest reset date thereafter. The Notes are convertible to ordinary shares in abrah plc at a conversion price of £1.6275 (subject to adjustment in accordance with the terms and conditions of the Notes) if the Group IFPR CET1 Ratio falls below 70%. The IFPR CET1 ratio at 31 December 2021 was 774%.

# (b) Non-controlling interests – ordinary shares

Non-controlling interests – ordinary shares of £6m were held at 31 December 2021 (2020: £3m). The profit for the year attributable to non-controlling interests – ordinary shares was £1m (2020: less than £1m).

# (c) Non-controlling interests - preference shares

Until 4 June 2020, the Group recognised preference shares issued by AAM PLC as non-controlling interests. On 4 June 2020, AAM PLC notified the holders of the redeemable preference shares of its irrevocable intention to redeem the preference shares. Following notification the preference shares were reclassified as subordinated liabilities as an obligation to deliver cash was created. Refer Note 32.

The profit attributable to these non-controlling interests from continuing operations for the year ended 31 December 2020 was £5m. Preference share dividends were discretionary and where declared, were paid in arrears in two tranches at a rate of 5% per annum and were non-cumulative. No interest accrued on any cancelled or unpaid dividends. During the year ended 31 December 2020 preference share dividends of £5m were paid including £2m paid as part of the redemption of the preference shares on 8 July 2020. Refer Note 32.

# 30. Insurance contracts, investment contracts and reinsurance contracts

Insurance contracts, participating investment contracts and reinsurance contracts related to SL Asia which was sold on 30 June 2020 (refer Note 1(c)(ii)).

SL Asia held non-participating insurance and investment contracts. A contract is classified as an insurance contract only if it transfers significant insurance risk. Insurance risk is significant if an insured event could cause an insurer to pay significant additional benefits to those payable if no insured event occurred, excluding scenarios that lack commercial substance. Life and pensions business contracts that are not classified as insurance contracts are classified as investment contracts.

SL Asia's insurance and investment contracts did not contain any discretionary participating features so were classified as non-participating.

SL Asia's non-participating investment contracts were unit linked and details of the accounting policies for these contracts are given in Note 24. The accounting policies for SL Asia's non-participating insurance contracts are given below.

# (a)(i) Premiums, claims and change in insurance contract liabilities

Premiums received on insurance contracts are recognised as revenue in the consolidated income statement when due for payment except for unit linked premiums which are accounted for when the corresponding liabilities are recognised. For single premium business, this is the date from which the policy is effective. For regular (and recurring) premium contracts, receivables are established at the date when payments are due.

Claims paid on insurance contracts are recognised as expenses in the consolidated income statement. Maturity claims and annuities are accounted for when due for payment. Surrenders are accounted for when paid or, if earlier, on the date when the policy ceases to be included within the calculation of the insurance liability. Death claims and all other claims are accounted for when notified. Claims payable include the direct costs of settlement. Reinsurance recoveries are accounted for in the same period as the related claim.

The change in insurance and participating investment contract liabilities, comprising the full movement in the corresponding liabilities during the period, is recognised in the consolidated income statement.

# (a)(ii) Measurement – non-participating insurance contract liabilities

The Group's policy for measuring liabilities for non-participating insurance contracts issued by overseas subsidiaries is to apply the valuation technique used in the issuing entity's local statutory or regulatory reporting.

The Group applies a liability adequacy test at each reporting date to ensure that the insurance contract liabilities (less related deferred acquisition costs) are adequate in the light of the estimated future cash flows. This test is performed by comparing the carrying value of the liability and the discounted projections of future cash flows. If a deficiency is found in the liability (i.e. the carrying value amount of its insurance liabilities is less than the future expected cash flows), that deficiency is provided for in full. The deficiency is recognised in the consolidated income statement.

#### (a)(iii) Measurement - reinsurance contracts

Reinsurance contracts are measured using valuation techniques and assumptions that are consistent with the valuation techniques and assumptions used in measuring the underlying policy benefits and taking into account the terms of the reinsurance contract.

# (a) Insurance contract premium income

|  | 2021 | 2020 |
|--|------|------|
|  | £m   | £m   |
| Gross earned premium   | -    | 32   |
| Premium ceded to reinsurers                                  | _    | (1)  |
| Insurance contract premium income from continuing operations | -    | 31   |

# (b) Insurance contract claims and change in liabilities

|  | 2021 | 2020 |
|--|------|------|
|  | £m   | £m   |
| Claims and benefits paid   | -    | 28   |
| Claim recoveries from reinsurers   | -    | _    |
| Net insurance claims   | -    | 28   |
| Change in reinsurance assets and liabilities                                   | -    | (3)  |
| Change in insurance contract liabilities                                       | -    | (8)  |
| Insurance contract claims and change in liabilities from continuing operations | -    | 17   |

#### 31. Financial liabilities

Management determines the classification of financial liabilities at initial recognition. Financial liabilities which are managed and whose performance is evaluated on a fair value basis are designated as at fair value through profit or loss. Changes in the fair value of these financial liabilities are recognised in the consolidated income statement.

Derivatives are also measured at fair value. Changes in the fair value of derivatives are recognised in Net gains on financial instruments and other income in the consolidated income statement except for derivative instruments that are designated as a cash flow hedge or net investment hedge. The classification of derivatives and the accounting treatment of derivatives designated as a hedging instrument are set out in Note 19.

Except for contingent consideration liabilities which are measured at fair value, other financial liabilities are classified as being subsequently measured at amortised cost. Amortised cost is calculated, and the related interest expense is recognised in the consolidated income statement, using the effective interest method.

All financial liabilities are initially recognised at fair value less, in the case of financial liabilities subsequently measured at amortised cost, transaction costs that are directly attributable to the issue of the liability.

Where the terms of a financial liability measured at amortised cost are modified and the modification does not result in the derecognition of the liability, the liability is adjusted to the net present value of the future cash flows less transaction costs with a modification gain or loss recognised in the income statement.

The methods and assumptions used to determine fair value of financial liabilities measured at fair value through profit or loss and derivatives are discussed in Note 39.

The table below sets out an analysis of financial liabilities excluding unit linked financial liabilities which are set out in Note 24.

|                                  |       | At fair value through | At fair value through profit or loss <sup>1</sup> |      | v hedge | At amorti | sed cost | Tot   | al    |
|----------------------------------|-------|-----------------------|---|------|---------|-----------|----------|-------|-------|
|                                  |       | 2021                  | 2020  | 2021 | 2020    | 2021      | 2020     | 2021  | 2020  |
|                                  | Notes | £m                    | £m  | £m   | £m      | £m        | £m       | £m    | £m    |
| Third party interest in          |       |                       |   |      |         |           |          |       |       |
| consolidated funds               |       | 104                   | 77  | -    | -       | -         | -        | 104   | 77    |
| Subordinated liabilities         | 32    | -                     | -   | -    | -       | 644       | 638      | 644   | 638   |
| Derivative financial liabilities | 19    | 5                     | 7   | -    | 6       | -         | -        | 5     | 13    |
| Other financial liabilities      | 35    | 165                   | 6   | -    | -       | 881       | 1,171    | 1,046 | 1,177 |
| Total                            |       | 274                   | 90  | -    | 6       | 1,525     | 1,809    | 1,799 | 1,905 |

<sup>1.</sup> All financial liabilities measured at fair value through profit or loss have been classified at FVTPL on a mandatory basis except for third party interest in consolidated funds which the Group has designated as at FVTPL.

# 32. Subordinated liabilities

Subordinated liabilities are debt instruments issued by the Company which rank below its other obligations in the event of liquidation but above the share capital. Subordinated liabilities are initially recognised at the value of proceeds received after deduction of issue expenses. Subsequent measurement is at amortised cost using the effective interest rate method.

|  |       | 2021                |                | 2020                | _                 |
|--|-------|---------------------|----------------|---------------------|-------------------|
|  | Notes | Principal<br>amount | Carrying value | Principal<br>amount | Carrying<br>value |
| Subordinated notes                           |       |                     |                |                     |                   |
| 4.25% US Dollar fixed rate due 30 June 2028  |       | \$750m              | £552m          | \$750m              | £546m             |
| 5.5% Sterling fixed rate due 4 December 2042 |       | £92m                | £92m           | £92m                | £92m              |
| Total subordinated liabilities               | 39    |                     | £644m          |                     | £638m             |

A description of the key features of the Group's subordinated liabilities as at 31 December 2021 is as follows:

|   | 4.25% US Dollar fixed rate <sup>1</sup> | 5.5% Sterling fixed rate  |
|---|---|---|
| Principal amount                                    | \$750m                                  | £92m  |
| Issue date  | 18 October 2017                         | 4 December 2012   |
| Maturity date                                       | 30 June 2028                            | 4 December 2042   |
| Callable at par at option of the Company from       | Not applicable                          | 4 December 2022 and on every interest payment date (semi-annually) thereafter |
| If not called by the Company interest will reset to | Not applicable                          | 4.85% over the five-year gilt rate (and at each fifth anniversary)            |

<sup>1.</sup> The cash flows arising from the US dollar subordinated notes give rise to foreign exchange exposure which the Group manages with a cross-currency swap designated as a cash flow hedge. Refer Note 19 for further details.

The difference between the fair value and carrying value of the subordinated liabilities is presented in Note 39. A reconciliation of movements in subordinated liabilities in the year is provided in Note 40.

The principal amount of all the subordinated liabilities is expected to be settled after more than 12 months. The accrued interest on the subordinated liabilities of less than £1m (2020: less than £1m) is expected to be settled within 12 months.

During the year to 31 December 2020, the 5% 2015 Non-voting perpetual non-cumulative redeemable preference shares issued by AAM PLC were reclassified as subordinated liabilities. Refer Note 29 for further details. The liabilities were recognised at fair value of £102m with fair value movements since acquisition of £1m being transferred to retained earnings. The fair value included the final dividend paid of £2m as part of the redemption. The preference shares were redeemed on 8 July 2020 for a total consideration of £102m which included the dividend.

# 33. Pension and other post-retirement benefit provisions

The Group operates two types of pension plans:

- Defined benefit plans which provide pension payments upon retirement to members as defined by the plan rules. All
  of the Group's defined benefit plans, with the exception of a small plan in Ireland, are closed to future service accrual.
- Defined contribution plans where the Group makes contributions to a member's pension plan but has no further payment obligations once the contributions have been paid.

The Group's liabilities in relation to its defined benefit plans are valued by at least annual actuarial calculations. The Group has funded these liabilities in relation to its UK and Ireland defined benefit plans by ring-fencing assets in trustee-administered funds. The Group has further smaller defined benefit plans some of which are unfunded.

The statement of financial position reflects a net asset or net liability for each defined benefit pension plan. The liability recognised is the present value of the defined benefit obligation (estimated future cash flows are discounted using the yields on high quality corporate bonds) less the fair value of plan assets, if any. If the fair value of the plan assets exceeds the defined benefit obligation, a pension surplus is only recognised if the Group considers that it has an unconditional right to a refund of the surplus from the plan. The amount of surplus recognised will be limited by tax and expenses. Our judgement is that, in the UK, an authorised surplus tax charge is not an income tax. Consequently, the surplus is recognised net of this tax charge rather than the tax charge being included within deferred taxation.

For the principal defined benefit plan (UK Standard Life Group plan), the Group considers that it has an unconditional right to a refund of a surplus, assuming the gradual settlement of the plan liabilities over time until all members have left the plan. The plan trustees can purchase annuities to insure member benefits and can, for the majority of benefits, transfer these annuities to members. The trustees cannot unconditionally wind up the plan or use the surplus to enhance member benefits without employer consent. Our judgement is that these trustee rights do not prevent us from recognising an unconditional right to a refund and therefore a surplus.

Net interest income (if a plan is in surplus) or interest expense (if a plan is in deficit) is calculated using yields on high quality corporate bonds and recognised in the consolidated income statement. A current service cost is also recognised which represents the expected present value of the defined benefit pension entitlement earned by members in the period. A past service cost is also recognised which represents the change in the present value of the defined benefit obligation for service in prior periods, resulting from an amendment or curtailment to a plan.

Remeasurements, which include gains and losses as a result of changes in actuarial assumptions, the effect of the limit on the plan surplus and returns on plan assets (other than amounts included in net interest) are recognised in other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

For defined contribution plans, the Group pays contributions to separately administered pension plans. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised in current service cost in the consolidated income statement as staff costs and other employee-related costs when they are due.

#### Defined contribution plans

The defined contribution plans comprise a mixture of arrangements depending on the employing entity and other factors. Some of these plans are located within the same legal vehicles as defined benefit plans. The Group contributes a percentage of pensionable salary to each employee's plan. The contribution levels vary by employing entity and other factors.

#### Defined benefit plans

# UK plans

These plans are governed by trustee boards, which comprise employer and employee nominated trustees and an independent trustee. The plans are subject to the statutory funding objective requirements of the Pensions Act 2004, which require that plans be funded to at least the level of their technical provisions (an actuarial estimate of the assets needed to provide for benefits already built-up under the plan). The trustees perform regular valuations to check that the plans meet the statutory funding objective.

While the IAS 19 valuation reflects a best estimate of the financial position of the plan, the funding valuation reflects a prudent estimate. There is no material difference in how assets are measured. The funding measure of liabilities (technical provisions) and the IAS 19 measure are materially different. The key differences are the discount rate and inflation assumptions. While IAS 19 requires that the discount rate reflect corporate bond yields, the funding measure discount rate reflects a prudent estimate of future investment returns based on the actual investment strategy. The funding valuation adopts a market consistent measure of inflation without any adjustment. The IAS 19 assumption incorporates an adjustment to remove the inflation risk premium believed to exist within market prices.

The trustees set the plan investment strategy to protect the ratio of plan assets to the trustees' measure of technical provisions. This investment strategy does not aim to protect the IAS 19 surplus or the ratio of plan assets to the IAS 19 measure of liabilities. After consulting the relevant employers, the trustees prepare statements of funding and investment principles and set a schedule of contributions. If necessary, this schedule includes a recovery plan that aims to restore the funding level to the level of the technical provisions.

UK Standar Life Group plan (principal plan)

UK Standard This is the Group's principal defined benefit plan. The plan closed to new membership in 2004 and changed from a Life Group final salary basis to a revalued career average salary basis in 2008. Accrual ceased in April 2016.

Following a High Court ruling against a third party's pension scheme in 2018, that required pension schemes to address inequalities for the effect of unequal GMPs accrued between May 1990 and April 1997, an allowance for assumed equalisation was recognised as a past service cost for our principal defined benefit plan in 2018 and this adjustment has been carried forward to 2021. There was a further judgement in 2020 requiring pension schemes to address inequalities for the effect of unequal GMPs for those beneficiaries that transferred out of the scheme between May 1990 and October 2018. The estimated impact is immaterial and was recognised as a past service cost in 2020 and this adjustment has been carried forward to 2021.

The funding of the plan depends on the statutory valuation performed by the trustees, and the relevant employers, with the assistance of the scheme actuary – i.e. not the IAS 19 valuation. The funding valuation was last completed as at 31 December 2019, and measured plan assets and liabilities to be £4.6bn and £3.3bn respectively. This corresponds to a surplus of £1.3bn and funding level of 140%. As there is currently no deficit, no recovery plan is required.

Other UK plans

The Group also operates two UK defined benefit plans as a result of the acquisition of AAM PLC in 2017. These plans are final salary based, with benefits depending on members' length of service and salary prior to retirement. At the last statutory valuation date (30 June 2019), both plans were in deficit and the Group agreed funding plans with the plans' trustees which aimed to eliminate the deficits. At 31 December 2021, one of the two schemes is in surplus on an IAS 19 basis.

| Other plans                      |   |
|----------------------------------|---|
| lreland<br>Standard<br>Life plan | In December 2009, this plan closed to new membership and changed from a final salary basis to a career average revalued earnings (CARE) basis. Following the sale of the UK and European insurance business in 2018, there remain fewer than 10 employees who continue to accrue benefits under this plan.  At the last funding valuation, effective 1 January 2019, the plan was 72% funded on an ongoing basis. |
| Other                            | The Group operates smaller funded and unfunded defined benefit plans in other countries.  |

#### Plan regulations

The plans are administered according to local laws and regulations in each country. Responsibility for the governance of the plans rests with the relevant trustee boards (or equivalent). The UK pensions market is regulated by the Pensions Regulator whose statutory objectives and regulatory powers are described on its website, www.thepensionsregulator.gov.uk.

# (a) Analysis of amounts recognised in the consolidated income statement

The amounts recognised in the consolidated income statement for defined contribution and defined benefit plans are as follows:

|  | 2021 | 2020 |
|--|------|------|
|  | £m   | £m   |
| Current service cost   | 53   | 59   |
| Net interest income  | (21) | (23) |
| Administrative expenses  | 4    | 3    |
| Expense from continuing operations recognised in the consolidated income statement | 36   | 39   |

Contributions made to defined contribution plans are included within current service cost, with the balance attributed to the Group's defined benefit plans.

Contributions to defined benefit plans in the year ended 31 December 2021 comprised £14m (2020: £14m) to the Other UK plans and the Ireland Standard Life plan. Contributions are not expected to change materially over 2022 and the subsequent two years. These contributions include a mixture of deficit funding and funding to achieve a targeted level of overall financial strength.

# (b) Analysis of amounts recognised in the consolidated statement of financial position

|                                      | 2021                    |             |             |                         | 2020        |             |
|--------------------------------------|-------------------------|-------------|-------------|-------------------------|-------------|-------------|
|                                      | Principal<br>plan<br>£m | Other<br>£m | Total<br>£m | Principal<br>plan<br>£m | Other<br>£m | Total<br>£m |
| Present value of funded obligation   | (2,899)                 | (350)       | (3,249)     | (3,015)                 | (375)       | (3,390)     |
| Present value of unfunded obligation | -                       | (3)         | (3)         | -                       | (4)         | (4)         |
| Fair value of plan assets            | 5,337                   | 349         | 5,686       | 5,253                   | 343         | 5,596       |
| Effect of limit on plan surplus      | (853)                   | (12)        | (865)       | (783)                   | -           | (783)       |
| Net asset/(liability)                | 1,585                   | (16)        | 1,569       | 1,455                   | (36)        | 1,419       |

A pension plan surplus is considered to be recoverable as a right to a refund exists. The recoverable surplus is reduced to reflect an authorised surplus payments charge that would arise on a refund. This applies to both the principal plan surplus and a defined benefit plan within Other which has a surplus of £22m at 31 December 2021 (2020: £19m).

# (c) Movement in the net defined benefit asset

|                                   | Present<br>of oblig |         | Fair valu<br>plan as |       | Tota  |       | Effect of limit on plan<br>surpluses |       |       | al    |
|-----------------------------------|---------------------|---------|----------------------|-------|-------|-------|--------------------------------------|-------|-------|-------|
|                                   | 2021                | 2020    | 2021                 | 2020  | 2021  | 2020  | 2021                                 | 2020  | 2021  | 2020  |
|                                   | £m                  | £m      | £m                   | £m    | £m    | £m    | £m                                   | £m    | £m    | £m    |
| At 1 January                      | (3,394)             | (3,194) | 5,596                | 4,917 | 2,202 | 1,723 | (783)                                | (615) | 1,419 | 1,108 |
| Total expense                     |                     |         |                      |       |       |       |                                      |       |       |       |
| Current service cost              | -                   | (1)     | -                    |       | -     | (1)   | -                                    | -     | -     | (1)   |
| Interest (expense)/income         | (48)                | (63)    | 80                   | 99    | 32    | 36    | (11)                                 | (13)  | 21    | 23    |
| Administrative expenses           | (4)                 | (3)     | -                    | -     | (4)   | (3)   | -                                    | -     | (4)   | (3)   |
| Total (expense)/income            |                     |         |                      |       |       |       |                                      |       |       |       |
| recognised in consolidated income |                     |         |                      |       |       |       |                                      |       |       |       |
| statement                         | (52)                | (67)    | 80                   | 99    | 28    | 32    | (11)                                 | (13)  | 17    | 19    |
| Remeasurements                    |                     |         |                      |       |       |       |                                      |       |       |       |
| Return on plan assets, excluding  |                     |         |                      |       |       |       |                                      |       |       |       |
| amounts included in interest      |                     |         |                      |       |       |       |                                      |       |       |       |
| income                            | -                   | -       | 120                  | 712   | 120   | 712   | -                                    | -     | 120   | 712   |
| Gain from change in               |                     |         |                      |       |       |       |                                      |       |       |       |
| demographic assumptions           | -                   | 286     | -                    | -     | -     | 286   | -                                    | -     | -     | 286   |
| Loss from change in financial     |                     |         |                      |       |       |       |                                      |       |       |       |
| assumptions                       | 144                 | (607)   | -                    |       | 144   | (607) | -                                    | -     | 144   | (607) |
| Experience gains                  | (78)                | 44      | -                    | -     | (78)  | 44    | -                                    | -     | (78)  | 44    |
| Change in effect of limit on plan |                     |         |                      |       |       |       |                                      |       |       |       |
| surplus                           | -                   | -       | -                    | -     | -     | -     | (69)                                 | (155) | (69)  | (155) |
| Remeasurement (losses)/gains      |                     |         |                      |       |       |       |                                      |       |       |       |
| recognised in other comprehensive |                     |         |                      |       |       |       |                                      |       |       |       |
| income                            | 66                  | (277)   | 120                  | 712   | 186   | 435   | (69)                                 | (155) | 117   | 280   |
| Exchange differences              | 10                  | (7)     | (7)                  | 5     | 3     | (2)   | -                                    | -     | 3     | (2)   |
| Employer contributions            | -                   | -       | 14                   | 14    | 14    | 14    | (2)                                  | -     | 12    | 14    |
| Benefit payments                  | 118                 | 151     | (117)                | (151) | 1     | -     | -                                    | -     | 1     | -     |
| At 31 December                    | (3,252)             | (3,394) | 5,686                | 5,596 | 2,434 | 2,202 | (865)                                | (783) | 1,569 | 1,419 |

# (d) Defined benefit plan assets

Investment strategy is directed by the trustee boards (where relevant) who pursue different strategies according to the characteristics and maturity profile of each plan's liabilities. Assets and liabilities are managed holistically to create a portfolio with the dual objectives of return generation and liability management. In the principal plan this is achieved through a diversified multi-asset absolute return strategy seeking consistent positive returns, and hedging techniques which protect liabilities against movements arising from changes in interest rates and inflation expectations. Derivative financial instruments support both of these objectives and may lead to increased or decreased exposures to the physical asset categories disclosed below.

To provide more information on the approach used to determine and measure the fair value of the plan assets, the fair value hierarchy has been used as defined in Note 39. Those assets which cannot be classified as level 1 have been presented together as level 2 or 3.

The distribution of the fair value of the assets of the Group's funded defined benefit plans is as follows:

|  | Principal plan |       | Other |      | Total |       |
|--|----------------|-------|-------|------|-------|-------|
|  | 2021           | 2020  | 2021  | 2020 | 2021  | 2020  |
| Assets measured at fair value based on level 1 inputs            | £m             | £m    | £m    | £m   | £m    | £m    |
| Derivatives  | 8              | 2     |       |      | 8     | 2     |
| Equity securities  | 0              | 183   | _     | _    | 0     | 183   |
| Interests in pooled investment funds                             | -              | 103   | -     | -    | -     | 103   |
| ·  |                |       |       |      |       |       |
| Debt   | _              | -     | -     | -    | -     | -     |
| Equity   | -              | -     | -     | -    | -     | _     |
| Property   | -              | -     | -     | -    | -     | -     |
| Absolute return  | -              | -     | -     | -    | -     | -     |
| Cash   | -              | -     | -     | -    | -     | _     |
| Debt securities  | 4.557          | 4,431 | -     | -    | 4,557 | 4,431 |
| Total assets measured at fair value based on level 1 inputs      | 4,565          | 4,616 | -     | -    | 4,565 | 4,616 |
| Assets measured at fair value based on level 2 or 3 inputs       |                |       |       |      |       |       |
| Derivatives  | 43             | 95    | 18    | -    | 61    | 95    |
| Equity securities  | 100            | 101   | -     | _    | 100   | 101   |
| Interests in pooled investment funds                             |                |       |       |      |       |       |
| Debt   | 440            | 434   | 12    | 13   | 452   | 447   |
| Equity   | _              | 37    | 18    | 32   | 18    | 69    |
| Multi-asset private markets                                      | 194            | 164   | _     | _    | 194   | 164   |
| Property   | 139            | 119   | 12    | 12   | 151   | 131   |
| Absolute return  | 77             | 74    | 92    | 100  | 169   | 174   |
| Cash   | 15             | 43    | 37    | 16   | 52    | 59    |
| Debt securities  | 415            | 139   | 99    | 78   | 514   | 217   |
| Qualifying insurance policies                                    | 3              | 3     | 76    | 80   | 79    | 83    |
| Total assets measured at fair value based on level 2 or 3 inputs | 1,426          | 1,209 | 364   | 331  | 1,790 | 1,540 |
| Cash and cash equivalents  | 138            | 175   | 2     | 12   | 140   | 187   |
| Liability in respect of collateral held                          | (792)          | (743) | (17)  |      | (809) | (743) |
| Other  | (172)          | ` ,   | (1/)  |      | (007) | ` '   |
|  | -<br>- 227     | (4)   | 240   | 242  | F 404 | (4)   |
| Total  | 5,337          | 5,253 | 349   | 343  | 5,686 | 5,596 |

Further information on risks is provided in Section (g) of this note. The £5,071m (2020: £4,648m) of debt securities includes £4,884m (2020: £4,487m) government bonds (including conventional and index-linked). Of the remaining £187m (2020: £161m) debt securities, £108m (2020: £101m) are investment grade corporate bonds or certificates of deposit.

Included in the qualifying insurance policy asset of £79m (2020: £83m) is an insurance policy purchased by the trustees of one of the Other UK defined benefit plans to protect the plan against future investment and actuarial risks.

The £809m liability in respect of collateral held (2020: £743m) consists of repurchase agreements of £786m (2020: £647m), margins on derivatives of (£10m) (2020: £51m) and collateral of £33m (2020: £45m).

One Other UK plan has a contract in place to hedge longevity risk for pensioners. The fair value of this derivative is £nil at 31 December 2021 (2020: £nil).

# (e) Estimates and assumptions

Determination of the valuation of principal plan liabilities is a key estimate as a result of the assumptions made relating to both economic and non-economic factors.

The key economic assumptions for the principal plan, which are based in part on current market conditions, are shown below:

|                            | 2021 | 2020 |
|----------------------------|------|------|
|                            | %    | %    |
| Discount rate              | 2.05 | 1.45 |
| Rates of inflation         |      |      |
| Consumer Price Index (CPI) | 2.85 | 2.40 |
| Retail Price Index (RPI)   | 3.25 | 2.90 |

The changes in economic assumptions over the period reflect changes in both corporate bond prices and market implied inflation. The population of corporate bond prices excludes bonds issued by UK universities. The inflation assumption reflects the future reform of RPI effective from 2030 as described in Section (g)(i) below.

The most significant non-economic assumption for the principal plan is post-retirement longevity which is inherently uncertain. The assumptions (along with sample expectations of life) are illustrated below:

|  |   |                       | Expectation of life from NRA |            |                  |      |  |
|--|---|-----------------------|------------------------------|------------|------------------|------|--|
|  |   | Normal Retirement Age | Male age to                  | day        | Female age today |      |  |
| <b>2021</b> Table  | Improvements  | (NRA)                 | NRA                          | 40         | NRA              | 40   |  |
| Plan specific basis<br>(calibrated by Club<br>Vita) reflecting<br>membership<br>demographics | Core parameterisation of the CMI 2019 mortality improvements model (SK parameter of 7.0), with an initial improvement (or 'A') parameter of +0.5% for males and females, and a long-term rate of improvement of 1.5%. | 60                    | 27                           | 29         | 29               | 31   |  |
|  |   |                       | Expe                         | ctation of | life from NRA    |      |  |
|  |   | Normal Retirement .   | Male age to                  | day        | Female age t     | oday |  |
| 2020 Table   | Improvements  | Age (NRA)             | NRA                          | 40         | NRA              | 40   |  |
| Plan specific basis<br>(calibrated by Club<br>Vita) reflectina                               | Core parameterisation of the CMI<br>2019 mortality improvements model<br>(SK parameter of 7.0), with an initial<br>improvement (or 'A') parameter of<br>+0.5% for males and females, and a                            | 60                    | 27                           | 28         | 29               | 31   |  |

These assumptions reflect a cautious allowance for the recently observed slowdown in longevity improvements. The mortality assumptions have not been updated for COVID-19 at this point as the impact on long-term mortality rates for pension scheme members is not clear.

long-term rate of improvement of

1.5%.

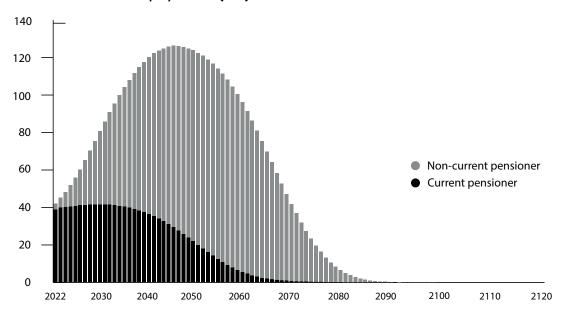
membership

demographics

# (f) Duration of defined benefit obligation

The graph below provides an illustration of the undiscounted expected benefit payments included in the valuation of the principal plan obligations.

# Undiscounted benefit payments (£m)



|                           | 2021  | 2020  |
|---------------------------|-------|-------|
| Weighted average duration | years | years |
| Current pensioner         | 14    | 14    |
| Non-current pensioner     | 27    | 27    |

# (g) Risk

# (g)(i) Risks and mitigating actions

The Group's consolidated statement of financial position is exposed to movements in the defined benefit plans' net asset. In particular, the consolidated statement of financial position could be materially sensitive to reasonably likely movements in the principal assumptions for the principal plan. By offering post-retirement defined benefit pension plans the Group is exposed to a number of risks. An explanation of the key risks and mitigating actions in place for the principal plan is given below.

#### Asset volatility

Investment strategy risks include underperformance of the absolute return strategy and underperformance of the liability hedging strategy. As the trustees set investment strategy to protect their own view of plan strength (not the IAS 19 position), changes in the IAS 19 liabilities (e.g. due to movements in corporate bond prices) may not always result in a similar movement in plan assets.

Failure of the asset strategy to keep pace with changes in plan liabilities would expose the plan to the risk of a deficit developing, which could increase funding requirements for the Group.

#### Yields/discount rate

Falls in yields would in isolation be expected to increase the defined benefit plan liabilities.

The principal plan uses both bonds and derivatives to hedge out yield risks on the plan's funding basis, rather than the IAS 19 basis, which is expected to minimise the plan's need to rely on support from the Group.

#### Inflation

Increases in inflation expectations would in isolation be expected to increase the defined benefit plan liabilities.

The principal plan uses both bonds and derivatives to hedge out inflation risks on the plan's funding basis, rather than the IAS 19 basis, which is expected to minimise the plan's need to rely on support from the Group.

In the principal plan pensions in payment are generally linked to CPI, however inflationary risks are hedged using RPI instruments due to lack of availability of CPI linked instruments. Therefore, the plan is exposed to movements in the actual and expected long-term gap between RPI and CPI.

A House of Lords report in 2019 raised the potential for changes to the RPI measure of inflation, which was followed by recommendations from the UK Statistics Authority. The results of the consultation on the reform of RPI (announced on 25 November 2020) confirmed that RPI will be aligned to CPIH (CPI excluding owner occupiers' housing costs) as proposed, but not before 2030. While uncertainty remains, there is a risk that future cash flows from, and thus the value of, the plan's RPI-linked assets fall without a corresponding reduction in the plan's CPI-linked liabilities. While not directly observable from market data, the plan's RPI-linked asset values may already reflect an element of the expected changes and risk of such changes.

#### Life expectancy

Increases in life expectancy beyond those currently assumed will lead to an increase in plan liabilities. Regular reviews of longevity assumptions are performed to ensure assumptions remain appropriate.

# (g)(ii) Sensitivity to key assumptions

The sensitivity of the principal plan's obligation and assets to the key assumptions is disclosed below.

|                     |   | 2021   |  | 2020   |   |  |
|---------------------|---|--|--|--|---|--|
|                     | Change in assumption                      | (Increase)/decrease in<br>present value<br>of obligation<br>£m | Increase/(decrease) in fair<br>value of<br>plan assets<br>£m | (Increase)/decrease<br>in present value<br>of obligation<br>£m | Increase/(decrease) in fair value of plan assets £m |  |
| Yield/discount rate | Decrease by 1% (e.g. from 2.05% to 1.05%) | (735)  | 1,584  | (776)  | 1,666   |  |
|                     | Increase by 1%                            | 586  | (1,185)  | 617  | (1,232)   |  |
| Rates of inflation  | Decrease by 1%                            | 498  | (1,029)  | 555  | (1,036)   |  |
|                     | Increase by 1%                            | (670)  | 1,402  | (698)  | 1,430   |  |
| Life expectancy     | Decrease by 1 year                        | 99   | N/A  | 103  | N/A   |  |
|                     | Increase by 1 year                        | (99)   | N/A  | (103)  | N/A   |  |

# 34. Deferred income

Where the Group receives fees in advance (front-end fees) for services it is providing, including investment management services, these fees are initially recognised as a deferred income liability and released to the consolidated income statement over the period services are provided.

|  | 2021 | 2020 |
|--|------|------|
|  | £m   | £m   |
| At 1 January   | 73   | 67   |
| Additions during the year  | 2    | 25   |
| Released to the consolidated income statement as revenue from contracts with |      |      |
| customers  | (70) | (19) |
| At 31 December   | 5    | 73   |

The amount of deferred income expected to be settled after more than 12 months is £nil (2020: £3m).

As detailed in Note 1(c)(iii), in May 2021 the Group transferred workplace pensions marketing staff to Phoenix, who were employed by the Group but provided services to Phoenix, and made an associated payment of £32m to Phoenix. As a result, the Group released related deferred income of £57m in May 2021. The release of deferred income has been recognised in revenue from contracts with customers in the consolidated income statement net of the £32m payment.

#### 35. Other financial liabilities

|   |       | 2021  | 2020  |
|---|-------|-------|-------|
|   | Notes | £m    | £m    |
| Outstanding purchases of investment securities          |       | 5     | 6     |
| Accruals  |       | 377   | 408   |
| Creation of units awaiting settlement                   |       | 107   | 121   |
| Lease liabilities                                       | 17    | 225   | 249   |
| Cash collateral held in respect of derivative contracts | 37    | 15    | 14    |
| Bank overdrafts   | 23    | 62    | 202   |
| Contingent consideration liabilities                    | 39    | 165   | 6     |
| Outstanding contractual obligation for share buyback    | 25    | -     | 40    |
| Other   |       | 90    | 131   |
| Other financial liabilities                             |       | 1,046 | 1,177 |

The amount of other financial liabilities expected to be settled after more than 12 months is £303m (2020: £217m).

Accruals includes £nil (2020: £nil) relating to contracts with customers (refer Note 3(d)).

# 36. Provisions and other liabilities

Provisions are obligations of the Group which are of uncertain timing or amount. They are recognised when the Group has a present obligation as a result of a past event, it is probable that a loss will be incurred in settling the obligation and a reliable estimate of the amount can be made.

# (a) Provisions

The movement in provisions during the year is as follows:

|   | Separation costs |      | Other pro | ovisions | Total provisions |      |
|---|------------------|------|-----------|----------|------------------|------|
|   | 2021             | 2020 | 2021      | 2020     | 2021             | 2020 |
|   | £m               | £m   | £m        | £m       | £m               | £m   |
| At 1 January                                  | 68               | 77   | 25        | 25       | 93               | 102  |
| Charged/(credited) to the consolidated income |                  |      |           |          |                  |      |
| statement                                     |                  |      |           |          |                  |      |
| Additional provisions                         | -                | -    | 7         | 16       | 7                | 16   |
| Release of unused provision                   | (25)             | -    | (1)       | (7)      | (26)             | (7)  |
| Used during the year                          | (8)              | (9)  | (17)      | (9)      | (25)             | (18) |
| At 31 December                                | 35               | 68   | 14        | 25       | 49               | 93   |

The provision for separation costs of £35m (2020: £68m) is for costs expected to be incurred following the sale of the UK and European insurance business to Phoenix. Our judgement is that a provision should be recognised for costs for which the Group will not derive ongoing benefits such as those relating to the de-coupling and decommissioning of systems and data but that a provision should not be recognised for costs related to the development of replacement systems and services as these will give future benefits. Our estimate of the total separation costs, including those relating to the development of replacement systems and services, remains unchanged at £310m of which £309m has been accounted for as at 31 December 2021. The £309m includes the £80m provision recognised in 2018 for separation costs of which £35m remains unused at 31 December 2021. The main uncertainty relating to the provision relates to the costs required to complete the de-coupling of systems including amounts payable to Phoenix. Following a reassessment of these decoupling costs during the year, £25m (2020: £nil) was released from the provision. The remaining costs covered by the provision are expected to be incurred in the next year.

Other provisions primarily relate to dilapidations. Dilapidations are generally expected to be settled after more than 12 months.

The amount of provisions expected to be settled after more than 12 months is £10m (2020: £12m).

# (b) Other liabilities

As at 31 December 2021, other liabilities totalled \$8m (2020: \$6m). The amount of other liabilities expected to be settled after more than 12 months is \$3m (2020: \$2m).

#### 37. Financial instruments risk management

# (a)

The principal risks and uncertainties that affect the Group's business model and the Group's approach to risk management are set out in the Risk management section of the Strategic report.

The Group's exposure to financial instrument risk is derived from the financial instruments that it holds directly, the assets and liabilities of the unit linked funds of the life operations of the Group and the Group's defined benefit pension plans. In addition due to the nature of the business, the Group's secondary exposure extends to the impact on investment management and other fees that are determined on the basis of a percentage of AUM and are therefore impacted by financial risks borne by third party investors. In this note, exposures and sensitivities provided relate to the financial instrument assets and liabilities, in scope of IFRS 7, to which the shareholder is directly exposed.

For the purposes of this note:

- Shareholder business refers to the assets and liabilities to which the shareholder is directly exposed. The shareholder refers to the equity holders of the Company and the preference shareholders.
- Unit linked funds refers to the assets and liabilities of the unit linked funds of the life operations of the Group. It does not include the cash flows (such as asset management charges or investment expenses) arising from the unit linked fund contracts. These cash flows are included in shareholder business.
- Third party interest in consolidated funds and non-controlling interests refers to the assets and liabilities recorded on the Group's consolidated statement of financial position which belong to third parties. The Group controls the entities which own the assets and liabilities but the Group does not own 100% of the equity or units of the relevant entities.

Unit linked funds are excluded from the analysis in this note. Details regarding the financial risks of instruments relating to the Group's unit linked funds can be found in Note 24 and the risks relating to the Group's principal defined benefit pension plan are explained in Note 33.

Third party interests in consolidated funds do not expose the shareholder to market, credit or liquidity risk since the financial risks from the assets and obligations are borne by third parties. As a result equity risk, interest rate risk and credit risk quantitative disclosures in this note exclude these assets.

Under IFRS 7 the following financial instruments are excluded from scope:

- Interests in subsidiaries, associates and joint ventures.
- Rights and obligations arising from employee benefit plans.
- Insurance contracts as defined by IFRS 4.
- Share-based payment transactions.

For the purposes of managing risks to the Group's financial instrument assets and liabilities, the Group considers the following categories:

| Risk      | Definition and exposure   |
|-----------|---|
| Market    | The risk of financial loss as a result of adverse financial market movements. The shareholder is directly exposed to the impact of movements in equity prices, interest rates and foreign exchange rates on the value of assets held by the shareholder business.   |
| Credit    | The risk of financial loss as a result of the failure of a counterparty, issuer or borrower to meet their obligations or perform them in a timely manner. The shareholder is directly exposed to credit risk from holding cash, debt securities, loans and derivative financial instruments.  |
| Liquidity | The risk of financial loss as a result of being unable to settle financial obligations when they fall due, as a result of having insufficient liquid resources or being unable to realise investments and other assets other than at excessive costs. The shareholder is directly exposed to the liquidity risk from the shareholder business if it is unable to realise investments and other assets in order to settle its financial obligations when they fall due, or can do so only at excessive cost. |

As set out in the Risk management section of the Strategic report, the Group reviews and manages climate related risks. We have considered the implications of climate related risk for the 2021 financial statements and have concluded that there are no impacts on the valuation of the Group's assets and liabilities including the valuation of financial instruments held at fair value through profit or loss (in particular in relation to level 3 investments) or at amortised cost (in particular in relation to expected credit losses).

#### Market risk

The Group's largest exposure to market risk relates to our investments in Phoenix, HDFC Life and HDFC Asset Management. Refer Sections (b)(i)(i) and (b)(i)(iii) below for further details of the equity and foreign currency risks on these investments.

Other market risk exposures primarily arise as a result of holdings in newly established investment vehicles which the Group has seeded and co-investments in property and infrastructure funds in the Investments segment (previously part of the Asset management, platforms and wealth segment). Seed capital is classified as held for sale when it is the intention to

dispose of the vehicle in a single transaction and within one year. Co-investments are typically held for a longer term and align the Group's economic interests with those of property, private equity and infrastructure fund co-investors. The consolidated statement of financial position includes the following amounts in respect of seed capital and co-investments.

|   |       | 2021 | 2020 |
|---|-------|------|------|
|   | Notes | £m   | £m   |
| Equity securities and interests in pooled investment funds at FVTPL |       | 239  | 222  |
| Debt securities   |       | 76   | 54   |
| Assets held for sale  | 22    | -    | 1    |
| Total seed capital  |       | 315  | 277  |
|   |       |      |      |
| Equity securities and interests in pooled investment funds at FVTPL |       | 96   | 86   |
| Total co-investments  |       | 96   | 86   |

The Group sets limits for investing in seed capital and co-investment activity and regularly monitors exposures arising from these investments. The Group will consider hedging its exposure to market risk in respect of seed capital investments where it is appropriate and efficient to do so. The Group will also consider hedging its exposure to currency risk in respect of co-investments where it is appropriate and efficient to do so. Other market risks associated with co-investments are not hedged given the need for the Group's economic interests to be aligned with those of the co-investors.

#### (b)(i) Elements of market risk

The main elements of market risk to which the Group is exposed are equity risk, interest rate risk and foreign currency risk, which are discussed on the following pages.

Information on the methods used to determine fair values for each major category of financial instrument measured at fair value is presented in Note 39.

#### (b)(i)(i) Exposure to equity risk

The Group is exposed to the risk of adverse equity market movements which could result in losses. This applies to daily changes in the market values and returns on the holdings in equity securities.

At 31 December 2021 the shareholder exposure to equity markets was £2,584m (2020: £1,411m) in relation to equity securities. This primarily relates to the Group's investments in Phoenix of £941m (2020: £nil), HDFC Life of £508m (2020: £1,216m) and HDFC Asset Management of £840m (2020: £nil), seed capital investments of £188m (2020: £109m), and equity securities held by the abrdn Financial Fairness Trust (formerly named the Standard Life Foundation) of £69m (2020: £53m).

The Group is also exposed to adverse market price movements on its interests in pooled investment funds. The shareholder exposure of £456m (2020: £523m) to pooled investment funds primarily relates to £147m (2020: £199m) of seed capital and co-investments, corporate funds held in absolute return funds of £218m (2020: £223m), investments in certain managed funds to hedge against liabilities from variable pay awards that are deferred and settled in cash by reference to the price of those funds of £56m (2020: £58m) and pooled investment funds held by the abrdn Financial Fairness Trust of £31m (2020: £36m).

The Equities and interests in pooled investment funds at FVTPL included in the consolidated statement of financial position includes £75m (2020: £46m) relating to third party interest in consolidated funds and non-controlling interests – ordinary shares to which the shareholder is not exposed.

Exposures to equity risk are primarily managed though the hedging of market risk in respect of seed capital investments where it is appropriate and efficient to do so. Additionally limits are imposed on the amount of seed capital and co-investment activity that may be undertaken. The Group does not hedge equity risk in relation to its investments in Phoenix, HDFC Life and HDFC Asset Management.

#### (b)(i)(ii) Exposure to interest rate risk

Interest rate risk is the risk that arises from exposures to changes in the shape and level of yield curves which could result in losses due to the value of financial assets and liabilities, or the cash flows relating to these, fluctuating by different amounts.

The main financial assets held by the Group which give rise to interest rate risk are debt securities and cash and cash equivalents. The Group is also exposed to interest rate risk on its investments in pooled investment funds where the underlying instruments are exposed to interest rate risk.

Interest rate exposures are managed in line with the Group's risk appetite.

#### (b)(i)(iii) Exposure to foreign currency risk

Foreign currency risk arises where adverse movements in currency exchange rates impact the value of revenues received from, and the value of assets and liabilities held in, currencies other than UK Sterling. The Group's financial assets are generally held in the local currency of its operational geographic locations. The Group generally does not hedge the currency exposure relating to revenue and expenditure, nor does it hedge translation of overseas profits in the income statement. Where appropriate, the Group may use derivative contracts to reduce or eliminate currency risk arising from individual transactions or seed capital and co-investment activity. The Group does not hedge foreign exchange risk in relation to its investments in HDFC Life and HDFC Asset Management.

The table below summarises the financial instrument exposure to foreign currency risks in UK Sterling.

|                                   |       | UK<br>Sterlir | UK<br>Sterling |       |       |      | Euro | US<br>Euro Dollar |       |      | Singapore<br>Ir Dollar |      | Other currencies |         | Total   |  |
|-----------------------------------|-------|---------------|----------------|-------|-------|------|------|-------------------|-------|------|------------------------|------|------------------|---------|---------|--|
|                                   |       | 2021          | 2020           | 2021  | 2020  | 2021 | 2020 | 2021              | 2020  | 2021 | 2020                   | 2021 | 2020             | 2021    | 2020    |  |
|                                   | Notes | £m            | £m             | £m    | £m    | £m   | £m   | £m                | £m    | £m   | £m                     | £m   | £m               | £m      | £m      |  |
| Financial assets                  | 18    | 4,606         | 3,170          | 1,348 | 1,233 | 212  | 258  | 552               | 373   | 56   | 37                     | 126  | 179              | 6,900   | 5,250   |  |
| Financial<br>liabilities          | 31    | (1,044)       | (1,025)        | _     | _     | (25) | (60) | (692)             | (750) | (15) | (23)                   | (23) | (47)             | (1,799) | (1,905) |  |
| Cash flow<br>hedges               |       | (554)         | (549)          | _     | _     | _    | -    | 554               | 549   | _    | -                      | _    | -                | _       | _       |  |
| Non-<br>designated<br>derivatives |       | 330           | 297            | (1)   | _     | (79) | (80) | (203)             | (156) | (1)  | (1)                    | (46) | (60)             | _       | _       |  |
|                                   |       | 3,338         | 1,893          | 1,347 | 1,233 | 108  | 118  | 211               | 16    | 40   | 13                     | 57   | 72               | 5,101   | 3,345   |  |

The Indian Rupee exposure primarily relates to the Group's investments in HDFC Life and HDFC Asset Management. Other currencies include assets of £8m (2020: £10m) and liabilities of £1m (2020: liabilities of £6m) in relation to the fair value of derivatives used to manage currency risk.

On 18 October 2017, the Group issued US dollar subordinated notes with a principal amount of US\$750m. The related cash flows expose the Group to foreign currency risk on the principal and coupons payable. The Group manages the foreign exchange risk with a cross-currency swap which is designated as a cash flow hedge.

Non-designated derivatives relate to foreign exchange forward contracts that are not designated as cash flow hedges or net investment hedges and primarily relate to the management of currency risk arising from seed capital and co-investment activity.

In addition to financial instruments analysed above, the principal source of foreign currency risk for shareholders arises from the Group's investments in overseas subsidiaries and associates and joint ventures accounted for using the equity method. The carrying value of the Group's Chinese joint venture is disclosed in Note 15. The Group does not hedge foreign currency risk in relation to these investments.

#### (b)(ii) Sensitivity of financial instruments to market risk analysis

The Group's profit after tax and equity are sensitive to variations in respect of the Group's market risk exposures and a sensitivity analysis is presented below. The analysis has been performed by calculating the sensitivity of profit after tax and equity to changes in equity security prices (equity risk), changes in interest rates (interest rate risk) and changes in foreign exchange rate (foreign currency risk) as at the reporting date applied to assets and liabilities other than those classified as held for sale, and after allowing for the Group's hedging strategy.

The variables used in the sensitivity analysis are considered reasonable assumptions and are consistent with market peers. Changes to variables are provided by internal specialists who determine what are reasonable assumptions.

|                                |            | 31 Decen   | nber 2021                                 | 31 Decem | nber 2020  |
|--------------------------------|------------|--|---|----------|--|
|                                |            | A reasonable change in<br>the variable within the<br>next calendar year<br>% | Increase/(decrease) in<br>post-tax profit |          | Increase/(decrease)<br>in<br>post-tax profit<br>£m |
| Equity prices                  | Increase   | 10   | 246                                       | 10       | 146  |
|                                | Decrease   | 10   | (246)                                     | 10       | (146)  |
| Indian Rupee against US Dollar | Strengthen | 10   | 139                                       | 10       | 136  |
|                                | Weaken     | 10   | (114)                                     | 10       | (110)  |
| US Dollar against Sterling     | Strengthen | 10   | 22  | 10       | 11   |
|                                | Weaken     | 10   | (18)                                      | 10       | (9)  |
| Euro against Sterling          | Strengthen | 10   | 12  | 10       | 12   |
|                                | Weaken     | 10   | (10)                                      | 10       | (9)  |

The equity prices and Indian Rupee sensitivities primarily relate to the Group's investments in HDFC Life and HDFC Asset Management. The Group's investment in HDFC Life is held by an intermediate subsidiary which has a US Dollar functional currency.

The reasonable change in variables have no impact on any other components of equity. These sensitivities concern only the impact on financial instruments and exclude indirect impacts of the variable on fee income and certain costs which may be affected by the changes in market conditions.

Interest rate sensitivity to a reasonable change in the variable within the next calendar year is not material in both 2021 and 2020.

#### Limitations

The sensitivity of the Group's profit after tax and equity may be non-linear and larger or smaller impacts should not be derived from these results. The sensitivities provided illustrate the impact of a reasonably possible change in a single sensitivity factor, while the other sensitivity factors remain unchanged. Correlations between the different risks and/or other factors may mean that experience would differ from that expected if more than one risk event occurred simultaneously.

#### (c) Credit risk

Exposures to credit risk and concentrations of credit risk are managed by setting exposure limits for different types of financial instruments and counterparties. The limits are established using the following controls:

| Financial instrument with credit risk exposure | Control   |
|--|---|
| Cash and cash equivalents                      | Maximum counterparty exposure limits are set with reference to internal credit assessments.   |
| Derivative financial instruments               | Maximum counterparty exposure limits, net of collateral, are set with reference to internal credit assessments. The forms of collateral that may be accepted are also specified and minimum transfer amounts in respect of collateral transfers are documented. |
| Debt securities                                | The Group's policy is to set exposure limits by name of issuer, sector and credit rating.   |
| Other financial instruments                    | Appropriate limits are set for other financial instruments to which the Group may have exposure at certain times.   |

Group Treasury perform central monitoring of exposures against limits and are responsible for the escalation of any limit breaches to the Chief Risk Officer.

Expected credit losses (ECL) are calculated on financial assets which are measured at amortised cost.

Financial assets attract an ECL allowance equal to either:

| 12 month ECL (losses resulting from possible default within the next 12 months)                       | No significant increase in credit risk since initial recognition.  Trade receivables or contract assets with significant financing component, or lease receivables if lifetime ECL measurement has not been elected.  |
|---|---|
| Lifetime ECL (losses resulting from possible defaults over the remaining life of the financial asset) | Significant increase in credit risk since initial recognition.  Trade receivables or contract assets with no significant financing component.  Trade receivables or contract assets with significant financing component, or lease receivables for which lifetime ECL measurement has been elected. |
| Changes in Lifetime ECL   | Credit-impaired at initial recognition.   |

In determining whether a default has taken place, or where there is an increased risk of a default, a number of factors are taken into account including a deterioration in the credit quality of a counterparty, the number of days that a payment is past due, and specific events which could impact a counterparty's ability to pay.

The Group assumes that a significant increase in credit risk has arisen when contractual payments are more than 30 days past due. The Group assumes that credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. Financial instruments with an external rating of 'investment grade' are presumed to have low credit risk in the absence of evidence to the contrary. Investment grade financial instruments are financial assets with credit ratings assigned by external rating agencies with classification within the range of AAA to BBB. If a financial asset is not rated by an external agency it is classified as 'not rated'.

The Group applies the simplified approach, as permitted under IFRS 9, to calculate the ECL allowance for trade receivables and contract assets including accrued income from contracts with customers and lease receivables. Under the simplified approach, the ECL allowance is calculated over the remaining life of the asset, using a provision matrix approach based on historic observed default rates adjusted for knowledge of specific events which could influence loss rates. Historically, default levels have been insignificant. Trade debtors past due but not in default as at 31 December 2021 were £77m (2020: £44m) the majority of which were less than 90 days past due (2020: less than 90 days). Of amounts greater than 90 days at 31 December 2021, less than £16m had not been received at the date of this report of which no single counterparty represented more than £3m.

At 31 December 2021 the Group does not hold financial assets at amortised cost that it regards as credit-impaired or for which it considers the probability of default would result in material expected credit losses. The expected credit losses recognised were less than £1m (2020: less than £1m). In making this assessment the Group has considered if any evidence is available to indicate the occurrence of an event which would result in a detrimental impact on the estimated future cash flows of these assets.

#### (c)(i) Credit exposure

The following table presents an analysis of the credit quality of shareholder financial assets and the maximum exposure to credit risk without taking into account any collateral held.

|  |                |      |           |       |                 | Amortise | ed cost                   |      |       |       |
|--|----------------|------|-----------|-------|-----------------|----------|---------------------------|------|-------|-------|
|  | Fair value thr |      | Cash flow | hedge | 12 month<br>ECL |          | Lifetime E0<br>credit imp |      | Toto  | al    |
|  | 2021           | 2020 | 2021      | 2020  | 2021            | 2020     | 2021                      | 2020 | 2021  | 2020  |
|  | £m             | £m   | £m        | £m    | £m              | £m       | £m                        | £m   | £m    | £m    |
| AAA                                    | -              | -    | -         | -     | 134             | 151      | -                         | -    | 134   | 151   |
| AA+to AA-                              | 241            | 88   | -         | -     | 396             | 467      | -                         | -    | 637   | 555   |
| A+ to A-                               | 618            | 631  | 8         | -     | 1,446           | 1,088    | -                         | -    | 2,072 | 1,719 |
| BBB                                    | 82             | 61   | -         | -     | 131             | 117      | -                         | -    | 213   | 178   |
| BB                                     | -              | _    | -         | _     | -               | _        | 6                         | 6    | 6     | 6     |
| Notrated                               | 32             | 31   | -         | -     | 241             | 255      | 418                       | 352  | 691   | 638   |
| Gross carrying amount                  | 973            | 811  | 8         | -     | 2,348           | 2,078    | 424                       | 358  | 3,753 | 3,247 |
| Loss allowance                         | -              | -    | -         | -     | -               | -        | -                         | -    | -     | -     |
| Carrying amount                        | 973            | 811  | 8         | -     | 2,348           | 2,078    | 424                       | 358  | 3,753 | 3,247 |
| Derivative financial assets            | 6              | 18   | 8         | _     | _               | _        | _                         | _    | 14    | 18    |
| Debt securities                        | 936            | 763  | _         | _     | 221             | 320      | 5                         | 5    | 1,162 | 1,088 |
| Receivables and other financial assets | 31             | 30   | -         | _     | 231             | 244      | 418                       | 352  | 680   | 626   |
| Cash and cash equivalents              | -              | _    | _         | _     | 1,896           | 1,514    | 1                         | 1    | 1,897 | 1,515 |
| Carrying amount                        | 973            | 811  | 8         | -     | 2,348           | 2,078    | 424                       | 358  | 3,753 | 3,247 |

In the table above debt securities exclude debt securities relating to third party interests in consolidated funds of £25m (2020: £24m). Cash and cash equivalents exclude cash and cash equivalents relating to third party interests in consolidated funds of £7m (2020: £7m). Derivative financial assets exclude derivative financial assets relating to third party interests in consolidated funds of £nil (2020: £nil). Receivables and other financial assets exclude receivables and other financial assets relating to third party interests in consolidated funds of £nil (2020: £nil). The shareholder is not exposed to the credit risk in respect of third party interests in consolidated funds since the financial risk of the assets are borne by third parties.

#### (c)(ii) Collateral accepted and pledged in respect of financial instruments

Collateral in respect of bilateral over-the-counter (OTC) derivative financial instruments and bilateral repurchase agreements is accepted from and provided to certain market counterparties to mitigate counterparty risk in the event of default. The use of collateral in respect of these instruments is governed by formal bilateral agreements between the

parties. For OTC derivatives the amount of collateral required by either party is determined by the daily bilateral OTC exposure calculations in accordance with these agreements and collateral is moved on a daily basis to ensure there is full collateralisation. Under the terms of these agreements, collateral is posted with the ownership captured under title transfer of the contract. With regard to either collateral pledged or accepted, the Group may request the return of, or be required to return, collateral to the extent it differs from that required under the daily bilateral OTC exposure calculations.

Where there is an event of default under the terms of the agreements, any collateral balances will be included in the close-out calculation of net counterparty exposure. At 31 December 2021, the Group had pledged £26m (2020: £28m) of cash and £nil (2020: £nil) of securities as collateral for derivative financial liabilities. At 31 December 2021, the Group had accepted £15m (2020: £14m) of cash and £50m (2020: £120m) of securities as collateral for derivatives financial assets and reverse repurchase agreements. None of the securities were sold or repledged at the year end.

#### (c)(iii) Offsetting financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported on the consolidated statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Other than cash and cash equivalents disclosed in Note 23, the Group does not offset financial assets and liabilities on the consolidated statement of financial position, as there are no unconditional rights to set off. Consequently, the gross amount of other financial instruments presented on the consolidated statement of financial position is the net amount. The Group's bilateral OTC derivatives are all subject to an International Swaps and Derivative Association (ISDA) master agreement. ISDA master agreements and reverse repurchase agreements entered into by the Group are considered master netting agreements as they provide a right of set off that is enforceable only in the event of default, insolvency, or bankruptcy.

The Group does not hold any other financial instruments which are subject to master netting agreements or similar arrangements.

The following table presents the effect of master netting agreements and similar arrangements.

|                             |  |                               |                  | Related amounts<br>consoli<br>statement of fin | dated       |       |        |        |
|-----------------------------|--|-------------------------------|------------------|--|-------------|-------|--------|--------|
|                             | Gross amounts<br>instruments as pro<br>consolidated s<br>financial p | esented on the<br>tatement of | Finan<br>instrun |  | Financial o |       | Net po | sition |
|                             | 2021   | 2020                          | 2021             | 2020   | 2021        | 2020  | 2021   | 2020   |
|                             | £m   | £m                            | £m               | £m   | £m          | £m    | £m     | £m     |
| Financial assets            |  |                               |                  |  |             |       |        |        |
| Derivatives <sup>1</sup>    | 8  | 11                            | -                | (3)  | (8)         | (1)   | -      | 7      |
| Reverse repurchase          |  |                               |                  |  |             |       |        |        |
| agreements                  | 50   | 120                           | -                | _  | (50)        | (120) | -      |        |
| Total financial assets      | 58   | 131                           | -                | (3)  | (58)        | (121) | -      | 7      |
| Financial liabilities       |  |                               |                  |  |             |       |        |        |
| Derivatives <sup>1</sup>    | (2)  | (11)                          | -                | 3  | -           | 1     | (2)    | (7)    |
| Total financial liabilities | (2)  | (11)                          | -                | 3  | -           | 1     | (2)    | (7)    |

<sup>1.</sup> Only OTC derivatives subject to master netting agreements have been included above.

#### (d) Liquidity risk

The shareholder is exposed to liquidity risk if the Group is unable to realise investments and other assets in order to settle its financial obligations when they fall due, or can do so only at excessive cost. The following quantitative liquidity risk disclosures are provided in respect of these financial liabilities.

The Group has a liquidity risk framework and processes in place for monitoring, assessing, and controlling liquidity risk.

This framework ensures that liquidity risks are identified for each entity in the Group. Stress testing of these risks is performed to understand the quantum of risk under stress conditions. This then informs the level of liquid resources that need to be maintained. Where appropriate, this is enhanced with external credit facilities and the Group has a syndicated revolving credit facility of £400m which was undrawn at 31 December 2021.

The level of liquid resources in the Group is also projected under a number of adverse scenarios. These are described more fully in the Viability Statement.

Contingency funding plans are also maintained to ensure that if liquidity risk did materialise, processes and procedures are already in place to assist with resolving the issue. Regular monitoring of liquid assets is performed and projections undertaken (under both base and stressed conditions) to understand the outlook.

As a result of the policies and processes established to manage risk, the Group expects to be able to manage liquidity risk on an ongoing basis. We recognise there are a number of scenarios that can impact the liquid resources of a business as discussed in the Risk management section of the Strategic report.

#### (d)(i) Maturity analysis

The analysis that follows presents the undiscounted cash flows payable by remaining contractual maturity at the reporting date for all financial liabilities, other than those related to unit linked funds which are discussed in Note 24.

|                             |      | Within<br>1 year |      | 1-5<br>years |      | 5-10<br>years |      | 10-15<br>years |      | 15-20<br>years |      | Greater than<br>20 years |       | Total |  |
|-----------------------------|------|------------------|------|--------------|------|---------------|------|----------------|------|----------------|------|--------------------------|-------|-------|--|
|                             | 2021 | 2020             | 2021 | 2020         | 2021 | 2020          | 2021 | 2020           | 2021 | 2020           | 2021 | 2020                     | 2021  | 2020  |  |
|                             | £m   | £m               | £m   | £m           | £m   | £m            | £m   | £m             | £m   | £m             | £m   | £m                       | £m    | £m    |  |
| Subordinated liabilities    | 29   | 28               | 114  | 113          | 627  | 629           | 26   | 22             | 26   | 22             | 97   | 101                      | 919   | 915   |  |
| Other financial liabilities | 701  | 963              | 244  | 108          | 93   | 101           | 40   | 44             | -    | 10             | -    | _                        | 1,078 | 1,226 |  |
| Total                       | 730  | 991              | 358  | 221          | 720  | 730           | 66   | 66             | 26   | 32             | 97   | 101                      | 1,997 | 2,141 |  |

Refer Note 19 for the maturity profile of undiscounted cash flows of derivative financial instruments.

The Group also had unrecognised commitments in respect of financial instruments as at 31 December 2021 with a contractual maturity of within one year, between one and five years and over five years of £35m, £7m and £63m respectively (2020: £7m, £22m and £7m). The commitments may generally be requested anytime up to the contractual maturity.

#### 38. Structured entities

A structured entity is an entity that is structured in such a way that voting or similar rights are not the dominant factor in deciding who controls the entity. The Group has interests in structured entities through investments in a range of investment vehicles including:

- Pooled investment funds managed internally and externally, including OEICs, SICAVs, unit trusts and limited partnerships.
- Debt securitisation vehicles which issue asset-backed securities.

The Group consolidates structured entities which it controls. Where the Group has an investment in, but not control over these types of entities, the investment is classified as an investment in associate when the Group has significant influence. Investments in associates at FVTPL are included in equity securities and pooled investment funds in the analysis of financial investments.

The Group also has interests in structured entities through asset management fees and other fees received from these entities.

#### (a) Consolidated structured entities

As at 31 December 2021 and 31 December 2020, the Group has not provided any non-contractual financial or other support to any consolidated structured entity and there are no current intentions to do so.

#### (b) Unconsolidated structured entities

As at 31 December 2021 and 31 December 2020, the Group has not provided any non-contractual financial or other support to any unconsolidated structured entities and there are no current intentions to do so.

The following table shows the carrying value of the Group's interests in unconsolidated structured entities by line item in the consolidated statement of financial position.

|  | 2021 | 2020  |
|--|------|-------|
|  | £m   | £m    |
| Financial investments                                      |      |       |
| Equity securities and interests in pooled investment funds | 851  | 1,003 |
| Debt securities  | 36   | 40    |
| Total financial investments                                | 887  | 1,043 |
| Receivables and other financial assets                     | 244  | 234   |
| Other financial liabilities                                | 121  | 128   |

The Group's exposure to loss in respect of unconsolidated structured entities is limited to the carrying value of the Group's investment in these entities and the loss of future asset management and other fees received by the Group for the management of these entities. Exposure to loss arising from market and credit risk in relation to investments held in the unit linked funds and relating to third party interest in consolidated funds and non-controlling interests – ordinary shares is not borne by the shareholder.

Additional information on the Group's exposure to financial risk and the management of these risks can be found in Note 24 and Note 37.

The total assets under management of unconsolidated structured entities are £135,007m at 31 December 2021 (2020: £136,609m). The fees recognised in respect of these assets under management during the year to 31 December 2021 were £670m (2020: £625m).

The total issuance balance relating to unconsolidated structured debt securitisation vehicles in which the Group is invested is £1,741m (2020: £2,857m).

#### Fair value of assets and liabilities

The Group uses fair value to measure many of its assets and liabilities. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

An analysis of the Group's financial assets and financial liabilities in accordance with the categories of financial instrument set out in IFRS 9 *Financial Instruments* is presented in Notes 18, 24 and 31 and includes those financial assets and liabilities held at fair value.

#### (a) Fair value hierarchy

In determining fair value, the following fair value hierarchy categorisation has been used:

- Level 1: Fair values measured using quoted prices (unadjusted) in active markets for identical assets or liabilities. An
  active market exists where transactions take place with sufficient frequency and volume to provide pricing information
  on an ongoing basis.
- **Level 2:** Fair values measured using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Fair values measured using inputs that are not based on observable market data (unobservable inputs).

Information on the methods and assumptions used to determine fair values for equity securities and interests in pooled investment funds, debt securities and derivatives measured at fair value is given below:

|         | Equities and interests in pooled investment funds <sup>1,2</sup>   | Debt securities   | Derivatives <sup>3</sup>   |
|---------|--|---|--|
| Level 1 | Equity instruments listed on a recognised exchange valued using prices sourced from their primary exchange.  | Debt securities listed<br>on a recognised<br>exchange valued using<br>prices sourced from<br>their primary<br>exchange.   | Exchange traded derivatives valued using prices sourced from the relevant exchange.  |
| Level 2 | Pooled investment funds where daily unit prices are available and reference is made to observable market data.   | Debt securities valued using prices received from external pricing providers based on quotes received from a number of market participants.  Debt securities valued using models and standard valuation formulas based on observable market data <sup>4</sup> . | Over-the-counter derivatives measured using a range of valuation models including discounting future cash flows and option valuation techniques. |
| Level 3 | These relate primarily to interests in private equity, real estate and infrastructure funds which are valued at net asset value. Underlying real estate and private equity investments are generally valued in accordance with independent professional valuation reports or International Private Equity and Venture Capital Valuation Guidelines where relevant. The underlying investments in infrastructure funds are generally valued based on the phase of individual projects forming the overall investment and discounted cash flow techniques based on project earnings.  Where net asset values are not available at the same date as the reporting date, these valuations are reviewed and, where appropriate, adjustments are made to reflect the impact of changes in market conditions between the date of the valuation and the end of the reporting period. | Debt securities valued using prices received from external pricing providers based on a single broker indicative quote.  Debt securities valued using models and standard valuation formulas based on unobservable market data <sup>4</sup> .                   | N/A  |
|         | Other unlisted equity securities are generally valued at indicative share prices from off market transactions.   |   |  |

- 1. Investments in associates at FVTPL are valued in the same manner as the Group's equity securities and interests in pooled investment funds.
- 2. Where pooled investment funds have been seeded and the investment in the funds have been classified as held for sale, the costs to sell are assumed to be negligible. The fair value of pooled investment funds held for sale is calculated as equal to the observable unit price.
- 3. Non-performance risk arising from the credit risk of each counterparty is also considered on a net exposure basis in line with the Group's risk management policies. At 31 December 2021 and 31 December 2020, the residual credit risk is considered immaterial and no credit risk adjustment has been made.
- 4. If prices are not available from the external pricing providers or are considered to be stale, the Group has established procedures to arrive at an internal assessment of the fair value.

The fair value of liabilities in respect of third party interest in consolidated funds and non-participating investment contracts are calculated equal to the fair value of the underlying assets and liabilities.

Thus, the value of these liabilities is dependent on the methods and assumptions set out above in relation to the underlying assets and liabilities:

- For third party interest in consolidated funds, when the underlying assets and liabilities are valued using readily available market information the liabilities in respect of third party interest in consolidated funds are treated as level 2. Where the underlying assets and liabilities are not valued using readily available market information the liabilities in respect of third party interest in consolidated funds are treated as level 3.
- For non-participating investment contracts, the underlying assets and liabilities are predominately categorised as level 1 or 2 and as such, the inputs into the valuation of the liabilities are observable and these liabilities are predominately categorised within level 2 of the fair value hierarchy. Where the underlying assets are categorised as level 3, the liabilities are also categorised as level 3.

In addition, contingent consideration assets and contingent consideration liabilities are also categorised as level 3 in the fair value hierarchy. Contingent consideration assets and liabilities have been recognised in respect of acquisitions and disposals. Generally valuations are based on unobservable assumptions regarding the probability weighted cash flows and, where relevant, discount rate.

# (a)(i) Fair value hierarchy for assets measured at fair value in the statement of financial position The table below presents the Group's non-unit linked assets measured at fair value by level of the fair value hierarchy (refer Note 24 for fair value analysis in relation to assets backing unit linked liabilities).

| -                                       |                  | Fair value hierarchy |       |       |       |       |         |      |  |
|---|------------------|----------------------|-------|-------|-------|-------|---------|------|--|
|   | Toto             | al .                 | Leve  | el 1  | Leve  | el 2  | Level 3 |      |  |
|   | <b>2021</b> 2020 |                      | 2021  | 2020  | 2021  | 2020  | 2021    | 2020 |  |
|   | £m               | £m                   | £m    | £m    | £m    | £m    | £m      | £m   |  |
| Owner occupied property                 | 1                | 1                    | -     | -     | -     | -     | 1       | 1    |  |
| Derivative financial assets             | 14               | 18                   | -     | -     | 14    | 18    | -       | -    |  |
| Equity securities and interests in      |                  |                      |       |       |       |       |         |      |  |
| pooled investment vehicles <sup>1</sup> | 3,115            | 1,981                | 2,600 | 1,422 | 409   | 458   | 106     | 101  |  |
| Debt securities                         | 961              | 787                  | 1     | 2     | 959   | 784   | 1       | 1    |  |
| Contingent consideration asset          | 31               | 28                   | -     | -     | -     | -     | 31      | 28   |  |
| Total assets at fair value              | 4,122            | 2,815                | 2,601 | 1,424 | 1,382 | 1,260 | 139     | 131  |  |

<sup>1.</sup> Includes £941m (2020: £nil), £840m (2020: £nil) and £508m (2020: £1,216m) for the Group's listed equity investments in Phoenix, HDFC Asset Management and HDFC Life respectively, which are classified as significant listed investments (refer Note 12) and £nil (2020: £1m) for equity securities and interests in pooled investment vehicles classified as held for sale.

There were no significant transfers from level 1 to level 2 during the year ended 31 December 2021 (2020: £355m). There were also no significant transfers from level 2 to level 1 during the year ended 31 December 2021 (2020: £7m). Transfers from level 1 to level 2 for the year ended 31 December 2020 primarily related to interests in pooled investment vehicles which are priced daily but where the daily price is only offered by the fund manager. As disclosed in the prior year, the Group now considers these investments to be level 2. All other transfers relate to assets where changes in the frequency of observable market transactions resulted in a change in whether the market was considered active. Transfers are deemed to have occurred at the end of the calendar quarter in which they arose.

Refer Section 39(a)(iii) below for details of movements in level 3.

## (a)(ii) Fair value hierarchy for liabilities measured at fair value in the statement of financial position The table below presents the Group's non-unit linked liabilities measured at fair value by level of the fair value hierarchy.

|                                       |       |       |      |         | Fair value hie | rarchy |         |      |
|---------------------------------------|-------|-------|------|---------|----------------|--------|---------|------|
|                                       | Total | Total |      | Level 1 |                | 2      | Level 3 |      |
|                                       | 2021  | 2020  | 2021 | 2020    | 2021           | 2020   | 2021    | 2020 |
|                                       | £m    | £m    | £m   | £m      | £m             | £m     | £m      | £m   |
| Liabilities in respect of third party |       |       |      |         |                |        |         |      |
| interest in consolidated funds        | 104   | 77    | -    | _       | 104            | 77     | -       | _    |
| Derivative financial liabilities      | 5     | 13    | 3    | 2       | 2              | 11     | -       | _    |
| Contingent consideration              |       |       |      |         |                |        |         |      |
| liabilities                           | 165   | 6     | -    | -       | -              | -      | 165     | 6    |
| Total liabilities at fair value       | 274   | 96    | 3    | 2       | 106            | 88     | 165     | 6    |

There were no significant transfers between levels 1 and 2 during the year (2020: none). Refer Section (a)(iii) below for details of movements in level 3.

#### (a)(iii) Reconciliation of movements in level 3 instruments

The movements during the year of level 3 assets and liabilities held at fair value, excluding unit linked assets and liabilities and assets and liabilities held for sale, are analysed below.

|   | Equity securities and interests in pooled investment  Owner occupied property funds Debt securities |      |      |      |      |      |  |
|---|---|------|------|------|------|------|--|
|   | 2021  | 2020 | 2021 | 2020 | 2021 | 2020 |  |
|   | £m  | £m   | £m   | £m   | £m   | £m   |  |
| At 1 January  | 1   | 2    | 101  | 82   | 1    | 1    |  |
| Total gains recognised in the consolidated income statement | -   | -    | 8    | 2    | -    | -    |  |
| Purchases   | -   | -    | 24   | 29   | -    | _    |  |
| Sales and other adjustments                                 | -   | (1)  | (27) | (13) | -    | _    |  |
| Transfers in to level 3 <sup>1</sup>                        | -   | -    | -    | 1    | -    | -    |  |
| At 31 December  | 1   | 1    | 106  | 101  | 1    | 1    |  |

1. Transfers are deemed to have occurred at the end of the calendar quarter in which they arose.

|  |      | Contingent consideration asset |       | Contingent consideration liabilities |  |
|--|------|--------------------------------|-------|--------------------------------------|--|
|  | 2021 | 2020                           | 2021  | 2020                                 |  |
|  | £m   | £m                             | £m    | £m                                   |  |
| At 1 January                                     | 28   | 1                              | (6)   | (14)                                 |  |
| Total amounts recognised in the income statement | -    | (12)                           | (3)   | 2                                    |  |
| Additions  | 31   | -                              | (155) | -                                    |  |
| Settlements                                      | (34) | 39                             | 8     | 6                                    |  |
| Other movements                                  | (3)  | -                              | -     | -                                    |  |
| Transfer to contingent consideration liability   | 9    | -                              | (9)   | _                                    |  |
| At 31 December                                   | 31   | 28                             | (165) | (6)                                  |  |

The additions in the year ended 31 December 2021 primarily relate to the disposals of Parmenion and Bonaccord and the acquisition of Tritax. Refer Note 1 for further details.

For the year ended 31 December 2021, gains of £5m (2020: losses of £13m) were recognised in the IFRS consolidated income statement in respect of non-unit linked assets and liabilities held at fair value classified as level 3 at the year end, excluding assets and liabilities held for sale. Of this amount, gains of £5m (2020: gains of £2m) were recognised in net gains on financial instruments and other income. No gains or losses were recognised in respect of discontinued operations (2020: losses of £15m).

Transfers of equity securities and interests in pooled investment funds and debt securities into level 3 generally arise when external pricing providers stop providing a price or where the price provided is considered stale. Transfers of equity securities and interests in pooled investment funds and debt securities out of level 3 arise when acceptable prices become available from external pricing providers.

#### (a)(iv) Significant unobservable inputs in level 3 instrument valuations

The table below identifies the significant unobservable inputs in relation to equity securities and interests in pooled investment funds categorised as level 3 instruments at 31 December 2021 with a fair value of £106m (2020: £101m).

|  | Fair v     | alue       |                        |   |   |
|--|------------|------------|------------------------|---|---|
|  | 2021<br>£m | 2020<br>£m | Valuation technique    | Unobservable input  | Range (weighted average)  |
| Private equity, real estate and infrastructure funds | 91         | 85         | Net asset value        | Net asset value statements provided for five significant funds (fair value >£5m) and a large number of smaller funds. | A range of unobservable inputs is not applicable as we have determined that the reported NAV represents fair value at the end of the reporting period.  |
| Other unlisted equity securities                     | 15         | 16         | Indicative share price | Recent off market capital raising transactions.   | A range of unobservable inputs is not applicable as we have determined that the indicative share price from off market transactions represents fair value at the end of the reporting period. |

The table below identifies the significant unobservable inputs in relation to contingent consideration assets and liabilities categorised as level 3 instruments at 31 December 2021 with a fair value of (£134m) (2020: £22m).

|   | Fair value |  |   |   |
|---|------------|--|---|---|
|   | £m         | Valuation technique                            | Unobservable input  | Input used  |
| 2021 Contingent consideration                                 | (134)      | Probability<br>weighted cash<br>flow and where | Unobservable inputs relate to probability weighted cash flows and, where relevant, discount rates.  |   |
| assets and liabilities  |            | applicable<br>discount rates                   | The most significant unobservable inputs relate to assumptions used to value the contingent consideration related to the acquisition of Tritax. For Tritax a number of scenarios were prepared, around a base case, with probabilities assigned to each scenario (based on an assessment of the likelihood of each scenario). The value of the contingent consideration was determined for each scenario, and these were then probability weighted, with this probability weighted valuation then discounted from the payment date to the balance sheet date. It was assumed that the timing of the exercise of the earn out put options (refer Note 1(b)(i)) between 2024, 2025 and 2026 would be that which is most beneficial to the holders of the put options. | The base scenario for Tritax contingent consideration used a revenue compound annual growth rate (CAGR) from 2021 to 2026 of 21%, with other scenarios using a range of revenue growth rates around this base. The base scenario used a cost/income ratio of c50% with other scenarios using a range of cost/income ratios around this base.  The risk adjusted contingent consideration cash flows have been discounted using a primary discount rate of 1.9%. |
| 2020<br>Contingent<br>consideration<br>assets and liabilities | 22         | Probability<br>weighted cash<br>flows          | Unobservable inputs relate to probability weighted cash flows; and where relevant, discount rates. The most significant unobservable inputs relate to assumptions used to value the contingent consideration related to the sale of SLAL to Phoenix.  | Amount expected to be received from Phoenix at 31 December 2020. This was in line with the £34m received in February 2021, refer Note 1(c)(iii). The residual fair value relates to a number of smaller contingent consideration liabilities for which the input used is expected payments based on earn-out terms and indemnity assessments.   |

#### (a)(v) Sensitivity of the fair value of level 3 instruments to changes in key assumptions

At 31 December 2021 the shareholder is directly exposed to movements in the value of all non-unit linked level 3 instruments. No level 3 instruments are held in in consolidated structured entities. See Note 24 for unit linked level 3 instruments.

Sensitivities for material level 3 assets and liabilities are provided below. Changing unobservable inputs in the measurement of the fair value of the other level 3 financial assets and financial liabilities to reasonably possible alternative assumptions would not have a significant impact on profit attributable to equity holders or on total assets.

#### (a)(v)(i) Equity securities and interests in pooled investment funds

As noted above, of the level 3 equity securities and interests in pooled investment funds, £91m relates to private equity, real estate and infrastructure funds (2020: £85m) which are valued using net asset value statements. A 10% increase or decrease in the net asset value of these investments would increase or decrease the fair value of the investments by £9m (2020: £9m).

#### (a)(v)(ii) Contingent consideration assets and liabilities

As noted above, the most significant unobservable inputs for level 3 instruments relate to assumptions used to value the contingent consideration related to the purchase of Tritax. Sensitivities for reasonably possible changes to key assumptions are provided in the table below.

| Assumption                          | Change in assumption | Consequential increase/(decrease) in contingent consideration liability |
|-------------------------------------|----------------------|---|
| Revenue compound annual growth rate | 9                    |   |
| (CAGR) from 2021 to 2026            | Decreased by 5%      | (£26m)  |
|                                     | Increased by 5%      | £19m  |
| Cost/income ratio                   | Decreased by 5%      | £10m  |
|                                     | Increased by 5%      | (£12m)  |
| Discount rate                       | Increased by 1%      | (£6m)   |

#### (b) Assets and liabilities not carried at fair value

The table below presents estimated fair values by level of the fair value hierarchy of non-unit linked financial assets and liabilities whose carrying value does not approximate fair value. Fair values of assets and liabilities are based on observable market inputs where available, or are estimated using other valuation techniques.

|                          |       | As recognis<br>consolidated<br>of financial p<br>iter | statement<br>osition line | Fair v | alue | Leve | əl 1 | Leve | el 2 | Leve | 13   |
|--------------------------|-------|---|---------------------------|--------|------|------|------|------|------|------|------|
|                          |       | 2021  | 2020                      | 2021   | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
|                          | Notes | £m  | £m                        | £m     | £m   | £m   | £m   | £m   | £m   | £m   | £m   |
| Assets                   |       |   |                           |        |      |      |      |      |      |      |      |
| Debt securities          |       | 226   | 325                       | 230    | 335  | 12   | _    | 218  | 335  | _    | _    |
| Liabilities              |       |   |                           |        |      |      |      |      |      |      |      |
| Subordinated liabilities | 32    | 644   | 638                       | 683    | 688  | -    | -    | 683  | 688  | -    | _    |

The estimated fair values for subordinated liabilities are based on the quoted market offer price.

The carrying value of all other financial assets and liabilities measured at amortised cost approximates their fair value.

#### 40. Statement of cash flows

The Group classifies cash flows in the consolidated statement of cash flows as arising from operating, investing or financing activities.

Cash flows are classified based on the nature of the activity to which they relate and with consideration to generally accepted presentation adopted by peers. For activities related to asset management business, cash flows arising from the sale and purchase of debt securities and equity securities and interests in pooled investment funds, with the exception of those related to unit linked funds, are classified as cash flows arising from investing activities. For activities related to insurance business, including those related to unit linked funds, cash flows arising from the sale and purchase of debt securities and equity securities and interests in pooled investment funds are classified as cash flows arising from operating activities.

For activities related to the acquisition and disposal of subsidiaries, associates and joint ventures, cash flows are classified as investing activities. The settlement of contingent and deferred amounts recognised on acquisitions and disposals are classified as investing activities where there is not considered to be a significant financing component of the related inflows or outflows.

Purchases and sales of financial investments are presented on a gross basis except for purchases and sales of short-term instruments held in consolidated liquidity funds which are presented on a net basis.

Dividends received from associates and joint ventures are presented as cash flows arising from operating activities.

The tables below provide further analysis of the balances in the statement of cash flows.

## (a) Change in operating assets

|  | 2021 | 2020 |
|--|------|------|
|  | £m   | £m   |
| Equity securities and interests in pooled investment funds | 137  | 23   |
| Debt securities  | 23   | 9    |
| Derivative financial instruments                           | 9    | (12) |
| Receivables and other financial assets and other assets    | 26   | 46   |
| Assets held for sale                                       | 19   | 751  |
| Change in operating assets                                 | 214  | 817  |

Change in operating assets includes related non-cash items.

## (b) Change in operating liabilities

|  | 2021  | 2020  |
|--|-------|-------|
|  | £m    | £m    |
| Other financial liabilities, provisions and other liabilities      | (128) | (122) |
| Pension and other post-retirement benefit provisions               | (31)  | (30)  |
| Deferred income  | (68)  | 6     |
| Investment contract liabilities                                    | 46    | (110) |
| Change in liability for third party interest in consolidated funds | (17)  | 1     |
| Liabilities held for sale  | (11)  | (736) |
| Change in operating liabilities                                    | (209) | (991) |

Change in operating liabilities includes related non-cash items.

## (c) Other non-cash and non-operating items

| 1 3  | 2021    | 2020    |
|--|---------|---------|
|  | £m      | £m      |
| Gain on sale of subsidiaries and other operations  | (127)   | (8)     |
| Profit on disposal of interests in associates  | (1,236) | (1,858) |
| Loss on disposal of property, plant and equipment  | (4)     | -       |
| Depreciation of property, plant and equipment  | 39      | 46      |
| Amortisation of intangible assets  | 108     | 152     |
| Impairment losses on intangible assets   | 8       | 1,064   |
| Loss on impairment of associates   | -       | 45      |
| Impairment losses recognised on property, plant and equipment                                    | 15      | 2       |
| Impairment losses on disposal group held for sale  | -       | 1       |
| Movement in contingent consideration asset/liability   | 3       | 10      |
| Equity settled share-based payments  | 43      | 64      |
| Finance costs  | 30      | 30      |
| Share of profit or loss from associates and joint ventures accounted for using the equity method | 22      | (194)   |
| Other non-cash and non-operating items   | (1,099) | (646)   |

#### (d) Disposal of subsidiaries and other operations

|       | 2021 <sup>1</sup> | 2020 <sup>2</sup>   |
|-------|-------------------|---|
| Notes | £m                | £m  |
|       | 15                | 711   |
|       | 34                | 74  |
|       | -                 | (689)   |
|       | -                 | (52)  |
|       | (18)              | (25)  |
|       | 31                | 19  |
| 1     | (1)               | (8)   |
|       | (32)              |   |
|       | (9)               |   |
| 1     | 127               | 8   |
|       | 7                 |   |
|       | 123               | 19  |
|       | (11)              | (27)  |
|       | 112               | (8)   |
|       | Notes  1  1       | Notes £m  15 34 - (18) 31 1 (1) (32) (9) 1 127 7 123 (11) |

<sup>1.</sup> Relates to the a number of 2021 disposals. Refer Note 1(c)(i) for further details.

#### (e) Movement in subordinated liabilities

The following table reconciles the movement in subordinated liabilities in the year, split between cash and non-cash items.

|                                       | 2021 | 2020  |
|---------------------------------------|------|-------|
|                                       | £m   | £m    |
| At1 January                           | 638  | 655   |
| Cash flows from financing activities  |      |       |
| Repayment of subordinated liabilities | -    | (100) |
| Dividend paid <sup>1</sup>            | -    | (2)   |
| Interest paid                         | (28) | (30)  |
| Cash flows from financing activities  | (28) | (132) |
| Non-cash items                        |      |       |
| Amounts reclassified from equity      | -    | 102   |
| Interest expense                      | 28   | 30    |
| Foreign exchange adjustment           | 6    | (17)  |
| At 31 December                        | 644  | 638   |

<sup>1.</sup> Dividends of £2m were paid as part of the redemption of the preference shares on 8 July 2020 subsequent to the reclassification of the preference shares as subordinated liabilities (Refer Note 29).

#### (f) Movement in lease liabilities

 $The following table \, reconciles \, the \, movement \, in \, lease \, liabilities \, in \, the \, year, \, split \, between \, cash \, and \, non-cash \, items.$ 

|   | 2021 | 2020 |
|---|------|------|
|   | £m   | £m   |
| At1 January                                   | 249  | 268  |
| Cash flows from financing activities          |      |      |
| Payment of lease liabilities - principal      | (27) | (29) |
| Payment of lease liabilities – interest       | (6)  | (6)  |
| Cash flows from financing activities          | (33) | (35) |
| Non-cash items                                |      |      |
| Reclassified as held for sale during the year | -    | (7)  |
| Additions                                     | 6    | 19   |
| Disposals and adjustments                     | (3)  | (2)  |
| Interest capitalised                          | 6    | 6    |
| At 31 December                                | 225  | 249  |

<sup>2.</sup> Relates to the disposal of SL Asia. Refer Note 1(c)(ii) for further details.

#### 41. Contingent liabilities and contingent assets

Contingent liabilities are possible obligations of the Group of which timing and amount are subject to significant uncertainty. Contingent liabilities are not recognised on the consolidated statement of financial position but are disclosed, unless they are considered remote. If such an obligation becomes probable and the amount can be measured reliably it is no longer considered contingent and is recognised as a liability.

Conversely, contingent assets are possible benefits to the Group. Contingent assets are only disclosed if it is probable that the Group will receive the benefit. If such a benefit becomes virtually certain it is no longer considered contingent and is recognised as an asset.

#### Legal proceedings, complaints and regulations

The Group is subject to regulation in all of the territories in which it operates investment management and insurance businesses. In the UK, where the Group primarily operates, the FCA has broad powers, including powers to investigate marketing and sales practices.

The Group, like other financial organisations, is subject to legal proceedings, complaints and regulatory discussions, reviews and challenges in the normal course of its business. All such material matters are periodically reassessed, with the assistance of external professional advisers where appropriate, to determine the likelihood of the Group incurring a liability. Where it is concluded that it is more likely than not that a material outflow will be made a provision is established based on management's best estimate of the amount that will be payable. At 31 December 2021, there are no identified contingent liabilities expected to lead to a material exposure.

#### 42. Commitments

The Group has contractual commitments in respect of expenditure on investment property, funding arrangements and leases which will be payable in future periods. These commitments are not recognised on the Group's statement of financial position at the year end but are disclosed to give an indication of the Group's future committed cash flows.

#### (a) Unrecognised financial instruments

As at 31 December 2021, the Group has committed to investing an additional £105m (2020: £35m) into funds in which it holds a co-investment interest.

#### (b) Capital commitments

As at 31 December 2021, the Group has capital commitments other than in relation to financial instruments of £2m (2020: £7m). In addition, commitments relating to future acquisitions are disclosed in Note 1(c)(iii).

#### 43. Employee share-based payments and deferred fund awards

The Group operates share incentive plans for its employees. These generally take the form of an award of options, conditional awards or restricted shares in abrdn plc (equity-settled share-based payments) but can also take the form of a cash award based on the share price of abrdn plc (cash-settled share-based payments). The Group also incentivises certain employees through the award of units in Group managed funds (deferred fund awards) which are cash-settled. All the Group's incentive plans have conditions attached before the employee becomes entitled to the award. These can be performance and/or service conditions (vesting conditions) or the requirement of employees to save in the save-as-you-earn scheme (non-vesting condition). The period over which all vesting conditions are satisfied is the vesting period and the awards vest at the end of this period.

For all share-based payments services received for the incentive granted are measured at fair value.

For equity-settled share-based payment transactions, the fair value of services received is measured by reference to the fair value of the equity instruments at the grant date. The fair value of the number of instruments expected to vest is charged to the income statement over the vesting period with a corresponding credit to the equity compensation reserve in equity.

At each period end the Group reassesses the number of equity instruments expected to vest and recognises any difference between the revised and original estimate in the consolidated income statement with a corresponding adjustment to the equity compensation reserve.

At the time the equity instruments vest, the amount recognised in the equity compensation reserve in respect of those equity instruments is transferred to retained earnings.

For cash-settled share-based payment and deferred fund awards transactions, services received are measured at the fair value of the liability. The fair value of the liability is remeasured at each reporting date and any changes in fair value are recognised in the consolidated income statement.

The following plans made awards during the year ended 31 December 2021:

| Plan  | Options | Conditional<br>awards | Restricted<br>shares | Typical vesting period (years)   | Contractual life for options               | Recipients                             | Conditions which must be met prior to vesting  |
|---|---------|-----------------------|----------------------|--|--|--|--|
| Standard Life Aberdeen plc Deferred Share Plan/ Discretionary Share Plan/Executive LTIP Plan <sup>1</sup> | Yes     | Yes                   | No                   | 1-3 years<br>(3 years for<br>Executive<br>LTIP and 3-5<br>years for EIP<br>awards) | Up to 10<br>years from<br>date of<br>grant | Executives<br>and senior<br>management | Service, or service and performance conditions. These can be tailored to the individual award. |
| Sharesave (Save-<br>as-you-earn)  | Yes     | No                    | No                   | 3 or 5   | Up to six<br>months<br>after vesting       | UK and Irish<br>employees              | Service only   |
| Share incentive<br>plan   | No      | No                    | Yes                  | 3 (2 for<br>Ireland)   | Not<br>applicable                          | UK and Irish<br>employees              | Service only   |

<sup>1.</sup> Included in Deferred and discretionary share plans in Section (b)(i) below.

All of the awards made under these plans are equity-settled except for a small number of cash-settled awards for the deferred and discretionary share plans (see Section (d)(ii) below).

The fair value of awards granted under the Group's incentive schemes is determined using a relevant valuation technique, such as the Black Scholes option pricing model.

The awards made under the deferred and discretionary share plans include awards for deferred bonuses of the prior year. With the exception of the Executive Incentive Plan (EIP) awards, the deferred bonus awards have service conditions of one, two and three years after the date of the award and no outstanding performance conditions. The awards for deferred bonus for executive Directors in 2020 were made under the conditions of the EIP including a performance underpin.

The awards made include the awards for executive Directors under the Executive LTIP plan and certain awards under the deferred and discretionary share plans to senior management with specific performance conditions.

Further details of the EIP and the Executive LTIP are set out in the Directors' remuneration report.

The deferred and discretionary share plans also made a number of deferred fund awards in the year end 31 December 2021 (see Section (d)(i) below).

Options and conditional awards are all at nil cost with the exception of Sharesave where eligible employees in the UK and Ireland save a monthly amount from their salaries, over either a three or five year period, which can be used to purchase shares in the Company at a predetermined price.

The share incentive plan allows employees the opportunity to buy up to £1,800 of shares from their salary each year with the Group matching up to £600 per year. The matching shares awarded are granted each month but are restricted for three years (two years for Ireland).

In addition, the Group operates the following plans for which there are outstanding awards but for which no awards were made during the year ended 31 December 2021:

| Plan   | Options | Conditional<br>awards | Restricted shares | Typical vesting period (years)           | Contractual life for options            | Recipients  | Conditions which must be met prior to vesting   |
|--|---------|-----------------------|-------------------|--|---|---|---|
| Aberdeen Asset<br>Management<br>Deferred Share<br>Plan 2009 <sup>1</sup> | Yes     | No                    | No                | 1-3 (3-5 for executive management)       | Up to 10<br>years from<br>date of grant | Executives and senior management                                  | Service only. There are no outstanding performance conditions at date of grant.             |
| Aberdeen Asset<br>Management<br>USA Deferred<br>Share Award<br>Plan      | No      | Yes                   | No                | 1-3 (3-5 for<br>executive<br>management) | Not<br>applicable                       | US based<br>executives and<br>senior<br>management                | Service only. There are no outstanding performance conditions at date of grant.             |
| Standard Life<br>Restricted stock<br>plan (RSP)                          | Yes     | No                    | No                | 1-3                                      | Up to six<br>months after<br>vesting    | Executives (other than executive Directors) and senior management | Service, or service and performance conditions. These are tailored to the individual award. |

<sup>1.</sup> Included in Annual bonus deferred share options Section (b)(i) below.

The Group also operated the following plans for which no awards were made during the year ended 31 December 2021 and for which all outstanding awards were exercised by 31 December 2021:

| Plan   | Options | Conditional awards | Restricted shares | Typical vesting period (years)      | Contractual life for options         | Recipients                       | Conditions which must be met prior to vesting  |
|--|---------|--------------------|-------------------|-------------------------------------|--------------------------------------|----------------------------------|--|
| Standard Life<br>Long-Term<br>Incentive Plan                         | Yes     | No                 | No                | 3 (5 for<br>executive<br>Directors) | Up to six<br>months after<br>vesting | Executives and senior management | Service and performance<br>conditions as set out in the<br>prior years' Directors'<br>remuneration reports |
| Standard Life<br>Investments<br>Long-Term<br>Incentive Plan          | Yes     | No                 | No                | 3                                   | Up to six<br>months after<br>vesting | Executives and senior management | Service and performance conditions   |
| Standard Life<br>Group Short-<br>term incentive<br>plan <sup>1</sup> | Yes     | No                 | No                | 3                                   | Up to six<br>months after<br>vesting | Executives and senior management | Service only. There are no outstanding performance conditions at date of grant.                            |

<sup>1.</sup> Included in Annual bonus deferred share options Section (b)(i) below.

#### (a) Employee share-based payments and deferred fund awards expense

The amounts recognised as an expense for equity-settled share-based payment transactions and deferred fund awards with employees are as follows:

|  | 2021 | 2020 |
|--|------|------|
|  | £m   | £m   |
| Share options and share awards granted under deferred and discretionary share plans <sup>1</sup> | 41   | 61   |
| Share options granted under long-term incentive plans  | -    | -    |
| Share options granted under Sharesave  | 1    | 2    |
| Matching shares granted under share incentive plans  | 1    | 1    |
| Equity-settled share-based payments  | 43   | 64   |
| Cash-settled deferred fund awards <sup>2</sup>   | 16   | 29   |
| Total expense  | 59   | 93   |

<sup>1.</sup> Includes expense for annual bonus deferred share options and conditional awards.

Included in the expense above is £16m (2020: £27m) which is included in Restructuring and corporate transaction expenses in the consolidated income statement.

<sup>2.</sup> The expense for cash-settled deferred fund awards includes £4m (2020: £5m) for awards related to funds which are consolidated.

#### Options and conditional awards granted (b)

#### (b)(i) Deferred and discretionary share plans

The number and remaining contractual life for options outstanding and the share price at exercise of options exercised during the year are as follows:

|  | 2021   |   | 202  | 20                                  |
|--|--|---|--|-------------------------------------|
|  | Deferred and<br>discretionary share<br>plans | Annual bonus<br>deferred share<br>options | Deferred and<br>discretionary share<br>plans | Annual bonus deferred share options |
| Outstanding at 1 January   | 46,077,386                                   | 10,670,331                                | 22,956,158                                   | 15,469,459                          |
| Granted  | 4,582,659                                    | -   | 27,486,468                                   | _                                   |
| Forfeited  | (4,028,599)                                  | (47,887)                                  | (3,134,233)                                  | (113,150)                           |
| Exercised  | (9,497,634)                                  | (4,017,940)                               | (1,231,007)                                  | (4,685,978)                         |
| Outstanding at 31 December   | 37,133,812                                   | 6,604,504                                 | 46,077,386                                   | 10,670,331                          |
| Exercisable at 31 December   | 1,591,628                                    | 5,920,543                                 | 973,894                                      | 8,109,711                           |
| Remaining contractual life of options outstanding (years) <sup>1</sup> | 7.97   | 4.59                                      | 8.85   | 5.28                                |
| Options exercised during the year                                      |  |   |  |                                     |
| Share price at time of exercise <sup>1</sup>                           | 291p   | 287p                                      | 232p   | 268p                                |

<sup>1.</sup> Weighted average.

The options granted under the deferred and discretionary share plans were made throughout the year ended 31 December 2021 with a main grant date of 9 April 2021 and had a £nil exercise price. The weighted average option term was 3.00 years. The weighted average share price at grant date was 291p which was also the weighted average fair value at grant date. The options include an entitlement to the receipt of dividends in respect of awards that ultimately vest between the date of grant and the vesting date.

In addition to nil costs options, 556,569 nil cost conditional awards were also granted under the deferred and discretionary share plans (2020: 3,858,367) with a weighted average share price at grant date was 302p which was also the weighted average fair value at grant date.

#### (b)(ii) Standard Life/Standard Life Investments Long-term incentive plans

The number and remaining contractual life for options outstanding and the share price at exercise of options exercised during the year are as follows:

|  | 2021  |           | 2020  |           |
|--|---|-----------|---|-----------|
|  | Long-term<br>incentive plans<br>(excluding RSP) | RSP       | Long-term<br>incentive plans<br>(excluding RSP) | RSP       |
| Outstanding at 1 January   | 16,202,527                                      | 268,897   | 36,411,803                                      | 1,997,896 |
| Granted  | -   | _         | _   | _         |
| Forfeited  | (16,178,183)                                    | (153,176) | (19,454,369)                                    | (827,383) |
| Exercised  | (24,344)  | (112,349) | (754,907)                                       | (901,616) |
| Outstanding at 31 December   | -   | 3,372     | 16,202,527                                      | 268,897   |
| Exercisable at 31 December   | -   | -         | -   | -         |
| Remaining contractual life of options outstanding (years) <sup>1</sup> | -   | 0.57      | 0.92  | 0.75      |
| Options exercised during the year                                      |   |           |   |           |
| Share price at time of exercise <sup>1</sup>                           | 286p  | 288p      | 237p  | 265p      |

<sup>1.</sup> Weighted average.

#### (b)(iii) Sharesave

The number, exercise price and remaining contractual life for options outstanding and the share price at exercise of options exercised during the year are as follows:

|  | 2021      |   | 2020        |   |
|--|-----------|---|-------------|---|
|  | Sharesave | Weighted average<br>exercise price for<br>Sharesave | Sharesave   | Weighted average<br>exercise price for<br>Sharesave |
| Outstanding at 1 January   | 8,734,919 | 210p  | 7,870,064   | 227p  |
| Granted  | 1,081,098 | 206р  | 3,449,144   | 189p  |
| Forfeited  | (500,343) | 216p  | (159,189)   | 234p  |
| Exercised  | (272,103) | 210p  | (149,911)   | 273p  |
| Expired  | (531,108) | 274p  | (333,555)   | 272p  |
| Cancelled  | (650,432) | 225p  | (1,941,634) | 225p  |
| Outstanding at 31 December   | 7,862,031 | 203p  | 8,734,919   | 210p  |
| Exercisable at 31 December   | 563,903   | 249p  | 225,676     | 341p  |
| Remaining contractual life of options outstanding (years) <sup>1</sup> | 2.36      |   | 2.98        |   |
| Options exercised during the year                                      |           |   |             |   |
| Share price at time of exercise <sup>1</sup>                           | 265p      |   | 296p        |   |

<sup>1.</sup> Weighted average.

The Sharesave options were granted on 6 December 2021 with an exercise price of 206p. The weighted average option term was 3.31 years. The weighted average share price at grant date was 237p and the weighted average fair value at grant date was 32p. Sharesave options have no dividend entitlement. In determining the fair value of options granted under the Sharesave scheme the historic volatility of the share price over a period of up to five years and a risk free rate determined by reference to swap rates was also considered.

The following table shows the range of exercise prices of Sharesave options outstanding.

|                            | 2021                          | 2020                             |
|----------------------------|-------------------------------|----------------------------------|
|                            | Number of options outstanding | Number of options<br>outstanding |
| 189p-199p                  | 6,060,069                     | 7,346,548                        |
| 200p-327p                  | 1,685,559                     | 873,002                          |
| 328p-345p                  | 116,403                       | 515,369                          |
| Outstanding at 31 December | 7,862,031                     | 8,734,919                        |

#### (c) Matching shares granted under share incentive plans

During the year ended 31 December 2021, 345,476 matching shares were granted under the share incentive plan (2020: 371,274). The weighted average share price at grant date was 277p which was also the weighted average fair value at grant date. The plans include the entitlement to the receipt of dividends in respect of awards that ultimately vest between the date of grant and the vesting date.

#### (d) Deferred fund awards and cash settled share based payments

#### (d)(i) Deferred fund awards

At 31 December 2021, the liability recognised for cash-settled deferred fund awards was £58m (2020: £61m). The liability includes £10m (2020: £11m) for deferred fund awards related to funds which are consolidated. The intrinsic value for vested deferred fund awards related to funds which are consolidated was £6m (2020: £5m).

#### (d)(ii) Cash settled share based payments

At 31 December 2021, the liability recognised for cash-settled share based payments was £nil (2020: £nil).

#### 44. Related party transactions

#### (a) Transactions and balances with related parties

In the normal course of business, the Group enters into transactions with related parties that relate to investment management and insurance businesses.

During the year, the Group recognised management fees of £4m (2020: £4m) from the Group's defined benefit pension plans.

In the year ended 31 December 2021, for associates accounted for using the equity method, the Group recognised sales primarily in relation to management fees of £36m (2020: £195m) and purchases in relation to services received of £2m (2020: £79m). Management fees include sales where the selection of the Group as the asset manager is made by the underlying policyholder.

In the year ended 31 December 2021 there were sales to joint ventures of £4m (2020: £10m) and purchases from joint ventures of £nil (2020: £nil).

In addition to these transactions between the Group and related parties during the year, in the normal course of business the Group made a number of investments into/divestments from investment vehicles managed by the Group including investment vehicles which are classified as investments in associates measured at FVTPL. Group entities paid amounts for the issue of shares or units and received amounts for the cancellation of shares or units.

The Group had balances due from associates accounted for using the equity method of £nil (2020: £65m), balances due to associates accounted for using the equity method of £nil (2020: £43m), £1m due from joint ventures (2020: £1m) and no amounts due to joint ventures (2020: £nil) as at 31 December 2021. The Group's defined benefit pension plans have assets of £1,138m (2020: £965m) invested in investment vehicles managed by the Group.

Details of the simplification and extension of the strategic partnership between the Group and Phoenix during the year ended 31 December 2021 are included in Note 1(c)(iii). With effect from 23 February 2021, Phoenix is no longer accounted for as an associate.

Details of the sale of a subsidiary to a joint venture business during the year ended 31 December 2020 are included in Note 1(c)(ii).

During the year ended 31 December 2021, the Group committed to providing £6m of additional funding to a joint venture subject to the fulfilment of specified conditions (2020: £12m). The capital contributions to this joint venture during the year ended 31 December 2021 were £11m (2020: £5m) with an outstanding commitment of £2m at 31 December 2021 (2020: £7m).

#### Compensation of key management personnel

Key management personnel includes Directors of abrdn plc (since appointment) and the members of the executive leadership team (since appointment).

The summary of compensation of key management personnel is as follows:

|   | 2021 | 2020 |
|---|------|------|
|   | £m   | £m   |
| Salaries and other short-term employee benefits | 12   | 9    |
| Post-employment benefits                        | -    | -    |
| Share-based payments and deferred fund awards   | 7    | 12   |
| Termination benefits                            | 1    | 1    |
| Total compensation of key management personnel  | 20   | 22   |

#### Transactions with key management personnel and their close family members

Certain members of key management personnel hold investments in investments products which are managed by the Group. None of the amounts concerned are material in the context of funds managed by the Group. All transactions between key management and their close family members and the Group during the year are on terms which are equivalent to those available to all employees of the Group.

#### 45. Capital management

#### (a) Capital and risk management policies and objectives

Managing capital is the ongoing process of determining and maintaining the quantity and quality of capital appropriate for the Group and ensuring capital is deployed in a manner consistent with the expectations of our stakeholders. For these purposes, the Board considers our key stakeholders to be our clients, the providers of capital (our equity holders and holders of our subordinated liabilities) and the Financial Conduct Authority (FCA) as the lead prudential supervisor for the Group.

There are two primary objectives of capital management within the Group. The first objective is to ensure that capital is, and will continue to be, adequate to maintain the required level of financial stability of the Group and hence to provide an appropriate degree of security to our stakeholders. The second objective is to create equity holder value by driving profit attributable to equity holders.

The liquidity and capital management policy forms one element of the Group's overall management framework. Most notably, it operates alongside and complements the strategic investment policy and the Group risk policies. Integrating policies in this way enables the Group to have a capital management framework that robustly links the process of capital allocation, value creation and risk management.

Capital requirements are forecast on a periodic basis and assessed against the forecast available capital resources. In addition, rates of return achieved on capital invested are assessed against hurdle rates, which are intended to represent the minimum acceptable return given the risks associated with each investment. The capital planning process is the responsibility of the Chief Financial Officer. Capital plans are ultimately subject to approval by the Board.

The formal procedures for identifying and assessing risks that could affect the capital position of the Group are described in the Risk management section of the Strategic report on pages 61 to 64. Information on financial instruments risk is also provided in Note 37.

#### (b) Regulatory capital

#### (b)(i) Regulatory capital framework

The Group was supervised under the CRD IV regulatory regime for group prudential supervisory purposes up to 31 December 2021 and therefore measured and monitored its capital on that basis. From 1 January 2022, the Group is supervised under the Investment Firms Prudential Regime (see Section (b)(iii) below). The Group's regulatory capital position under CRD IV is determined by consolidating the eligible capital and reserves of the Group (subject to a number of deductions) to derive regulatory capital resources, and comparing this to the Group's regulatory capital requirements.

Stress testing is completed to inform the appropriate level of regulatory capital and liquidity that the Group must hold, with results shared with the FCA at least annually. In addition, the Group monitors a range of capital and liquidity statistics on a daily, monthly or less frequent basis as required. Surplus capital levels are forecast, taking account of projected dividends and investment requirements, to ensure that appropriate levels of capital resources are maintained.

The Group is required to hold capital resources to cover both Pillar 1 and Pillar 2 capital requirements, described below.

#### Pillar 1 - minimum requirement for capital

Pillar 1 focuses on fixed overhead requirements and the Group's exposure to credit and market risks in respect of risk-weighted assets, and sets a minimum requirement for capital based on these measures. At 31 December 2021, the Group's draft Pillar 1 minimum requirement for capital was £0.5bn (2020: £0.5bn).

#### Pillar 2 - ICAAP and supervisory review and evaluation process

Pillar 2 supplements the Pillar 1 minimum requirement via the ICAAP, which is the means by which the Group assesses the level of capital that adequately supports all of the relevant current and future risks in its business. The ICAAP focuses on the principal risks to the consolidated financial position and examines each risk category to identify exposures that could put the Group's capital at risk. The results of the Group's ICAAP process will be subject to periodic review by the FCA under the Supervisory Review and Evaluation Process (SREP).

#### (b)(ii) Regulatory capital position under CRD IV (unaudited)

|  | 2021 <sup>1</sup> | 2020 <sup>1</sup> |
|--|-------------------|-------------------|
|  | £bn               | £bn               |
| IFRS equity attributable to equity holders of abrdn plc  | 7.6               | 6.8               |
| Deductions for intangibles and defined benefit pension assets, net of related deferred tax liabilities | (2.2)             | (2.0)             |
| Deductions for significant investments in financial sector entities                                    | (0.8)             | (0.9)             |
| Deductions for non-significant investments in financial sector entities                                | (0.1)             | (0.8)             |
| Other deductions and adjustments, including provision for foreseeable dividend                         | (1.0)             | (0.2)             |
| Common Equity Tier 1 capital resources   | 3.5               | 2.9               |
| Additional Tier 1 capital resources  | 0.2               | -                 |
| Total Tier 1 capital resources   | 3.7               | 2.9               |
| Tier 2 capital resources   | 0.6               | 0.5               |
| Total regulatory capital resources   | 4.3               | 3.4               |
| Total regulatory capital requirements  | (1.1)             | (1.1)             |
| Surplus regulatory capital   | 3.2               | 2.3               |

<sup>1. 2021</sup> draft position on 28 February 2022 following finalisation of the Annual report and accounts, 2020 based on Pillar 3 reporting.

The Group has complied with all externally imposed capital requirements during the year. The Group's Pillar 3 disclosures will be published on the Group's website at **www.abrdn.com/annualreport**.

#### (b)(iii) Investment Firms Prudential Regime (IFPR)

As noted above, from 1 January 2022, the Group is supervised under the IFPR.

Under IFPR the Group fully excludes the value of its holding in significant listed investments.

The Investment Firms Prudential Regime is introducing constraints on the proportion of the minimum capital requirement that can be met by each tier of capital. As a result, it is estimated that approximately £0.3bn of existing Tier 2 capital, whilst continuing to be reported within the Group's capital resources, is not available to meet the minimum capital requirement from 1 January 2022.

The draft regulatory capital position under IFPR at 31 December 2021 (unaudited) would have been as follows:

|  | 2021 <sup>1</sup> |
|--|-------------------|
| IFRS equity attributable to equity holders of abrdn plc  | £bn 7.6           |
|  |                   |
| Deductions for intangibles and defined benefit pension assets, net of related deferred tax liabilities | (2.2)             |
| Deductions for significant investments in financial sector entities                                    | (2.0)             |
| Deductions for non-significant investments in financial sector entities                                | (0.5)             |
| Other deductions and adjustments, including provision for foreseeable dividend                         | (0.5)             |
| Common Equity Tier 1 capital resources   | 2.4               |
| Additional Tier 1 capital resources  | 0.2               |
| Total Tier 1 capital resources   | 2.6               |
| Tier 2 capital resources   | 0.6               |
| Total regulatory capital resources   | 3.2               |
| Subordinated debt restriction  | (0.3)             |
| Total regulatory capital resources available to meet total regulatory capital requirements             | 2.9               |
| Total regulatory capital requirements  | (1.1)             |
| Surplus regulatory capital   | 1.8               |
| CET1 ratio   | 774%              |

<sup>1. 2021</sup> draft position on 28 February 2022 following finalisation of the Annual report and accounts.

#### 46. Events after the reporting date

On 28 January 2022, the Group announced that it had sold an aggregate of 39,981,442 ordinary shares of its shareholding in Phoenix, representing approximately 4% of Phoenix's issued share capital, at a price of 660 pence per share, raising aggregate gross sale proceeds of c£264 million. As a result of the sale, the Group's shareholding has reduced to 10.4% and it continues to be classified as equity securities and interests in pooled investment funds, measured at fair value.

On 2 December 2021 the Group announced the proposed acquisition of 100% of the issued share capital of Antler Holdco Limited, the holding company of interactive investor Limited ("interactive investor") for cash consideration of £1.49bn, subject to certain adjustments. interactive investor is the leading subscription-based, digitally-enabled, direct investing platform in the UK and, as the acquisition constitutes a Class 1 transaction under the Listing Rules, a Class 1 Circular was published on 9 February 2022. Completion is subject to the satisfaction of certain conditions, including relevant regulatory approvals and the approval of the acquisition by the Group's shareholders at a General Meeting on 15 March 2022.

#### 47. Related undertakings

The Companies Act 2006 requires disclosure of certain information about the Group's related undertakings which is set out in this note. Related undertakings are subsidiaries, joint ventures, associates and other significant holdings. In this context significant means either a shareholding greater than or equal to 20% of the nominal value of any class of shares, or a book value greater than 20% of the Group's assets.

The particulars of the Company's related undertakings at 31 December 2021 are listed below. For details of the Group's consolidation policy refer to (b) Basis of consolidation in the Presentation of consolidated financial statements section. Under that policy limited partnerships in which the Group has no interest but whose general partner is controlled by the Group are not consolidated. However such limited partnerships are considered to be related undertakings under Companies Act 2006 and therefore are listed below. Where the Group has no interest in a limited partnership that is considered a related entity, the interest held is disclosed as 0%.

The ability of subsidiaries to transfer cash or other assets within the Group for example through payment of cash dividends is generally restricted only by local laws and regulations, and solvency requirements. Included in equity attributable to equity holders of abrdn plc at 31 December 2021 is £104m (2020: £93m) related to the abrdn Financial Fairness Trust, a subsidiary undertaking of the Group. The assets of the abrdn Financial Fairness Trust are restricted to be used for charitable purposes.

The registered head office of all related undertakings is 1 George Street, Edinburgh, EH2 2LL unless otherwise stated.

#### (a) Direct subsidiaries

| Name of related undertaking                          | Share class <sup>1</sup>      | % interest held <sup>2</sup> |
|--|-------------------------------|------------------------------|
| 30 STMA 1 Limited <sup>3</sup>                       | Ordinary Shares               | 100%                         |
| 30 STMA 2 Limited <sup>3</sup>                       | Ordinary Shares               | 100%                         |
| 30 STMA 3 Limited <sup>3</sup>                       | Ordinary Shares               | 100%                         |
| 30 STMA 4 Limited <sup>3</sup>                       | Ordinary Shares               | 100%                         |
| 30 STMA 5 Limited <sup>3</sup>                       | Ordinary Shares               | 100%                         |
| 6 SAS 3 Limited <sup>3</sup>                         | Ordinary Shares               | 100%                         |
| Aberdeen Asset Management PLC <sup>4</sup>           | Ordinary shares               | 100%                         |
| Aberdeen Corporate Services Limited                  | Ordinary Shares               | 100%                         |
| abrdn Charitable Foundation <sup>4</sup>             | N/A                           | 100%                         |
| abrdn Client Management Limited                      | Ordinary Shares               | 100%                         |
| abrdn Finance Limited                                | Ordinary Shares               | 100%                         |
| abrdn Financial Fairness Trust                       | N/A                           | 100%                         |
| abrdn Financial Planning Limited <sup>3</sup>        | Ordinary Shares               | 100%                         |
| abrdn Investments (Holdings) Limited                 | Ordinary Shares               | 100%                         |
| abrdn (Mauritius Holdings) 2006 Limited <sup>5</sup> | Ordinary Shares               | 100%                         |
| Focus Business Solutions Limited <sup>6</sup>        | Ordinary Shares               | 100%                         |
| Focus Solutions Group Limited <sup>7</sup>           | Ordinary Shares               | 100%                         |
| Standard Life Aberdeen Trustee Company Limited       | Ordinary shares               | 100%                         |
| Standard Life Oversea Holdings Limited <sup>8</sup>  | Ordinary Shares               | 100%                         |
| Standard Life Savings Limited                        | Ordinary Shares               | 100%                         |
| The Standard Life Assurance Company 2006             | N/A                           | 100%                         |
| Threesixty Services LLP <sup>9</sup>                 | Limited Liability Partnership | 100%                         |
| Threesixty Support LLP <sup>9</sup>                  | Limited Liability Partnership | 100%                         |

#### (b) Other subsidiaries, joint ventures, associates and other significant holdings

| Name of related undertaking                               | Share class <sup>1</sup>         | % interest held <sup>2</sup> |
|---|----------------------------------|------------------------------|
| 21ASI Long Term Fund I SCSp <sup>10</sup>                 | Limited Partnership              | 0%                           |
| 6SAS1Limited  | Ordinary Shares                  | 100%                         |
| 6 SAS 2 Limited   | Ordinary Shares                  | 100%                         |
| Aberdeen ACM Team LP <sup>4</sup>                         | Limited Partnership              | 0%                           |
| Aberdeen ACP LLP <sup>4</sup>                             | Limited Liability<br>Partnership | 100%                         |
| Aberdeen Alternatives (Holdings) Limited <sup>4</sup>     | Ordinary shares                  | 100%                         |
| Aberdeen Asia IV (General Partner) S.a.r.I. <sup>11</sup> | Ordinary shares                  | 100%                         |

| Name of related undertaking   | Share class <sup>1</sup>     | % interest held <sup>2</sup> |
|---|------------------------------|------------------------------|
| Aberdeen Asia Pacific II (Offshore), LP <sup>12</sup>                   | Limited Partnership          | 0%                           |
| Aberdeen Asia Pacific Fund, LP <sup>12</sup>                            | Limited Partnership          | 0%                           |
| Aberdeen Asia Pacific Fund II, LP <sup>12</sup>                         | Limited Partnership          | 0%                           |
| Aberdeen Asia Pacific III Ex-Co-Investment (Offshore), LP <sup>12</sup> | Limited Partnership          | 0%                           |
| Aberdeen Asia Pacific III Ex-Co-Investment, LP <sup>12</sup>            | Limited Partnership          | 0%                           |
| Aberdeen Asia Pacific III, LP <sup>12</sup>                             | Limited Partnership          | 0%                           |
| Aberdeen Asia Partners III, LP <sup>13</sup>                            | Limited Partnership          | 0%                           |
| Aberdeen ASIF Carry LP <sup>4</sup>                                     | Limited Partnership          | 25%                          |
| Aberdeen Asset Investment Group Limited <sup>3</sup>                    | Ordinary shares              | 100%                         |
| Aberdeen Asset Investments Limited <sup>3</sup>                         | Ordinary shares              | 100%                         |
| Aberdeen Asset Management Cayman Limited <sup>12</sup>                  | Ordinary shares              | 100%                         |
| Aberdeen Asset Management Denmark A/S <sup>14</sup>                     | Ordinary shares              | 100%                         |
| Aberdeen Asset Management Finland Oy <sup>15</sup>                      | Ordinary shares              | 100%                         |
| Aberdeen Asset Management (Thailand) Ltd <sup>16</sup>                  | Ordinary shares              | 100%                         |
| Aberdeen Asset Management US GP Control LLC <sup>17</sup>               | Limited Liability            | 100%                         |
|   | Company                      |                              |
| Aberdeen Asset Managers Limited <sup>4</sup>                            | Ordinary shares              | 100%                         |
| Aberdeen Asset Middle East Limited 18                                   | Ordinary shares              | 100%                         |
| Aberdeen Capital Management LLC <sup>17</sup>                           | Limited Liability            | 100%                         |
| Al  | Company                      | 1000/                        |
| Aberdeen Capital Managers GP LLC <sup>13</sup>                          | Limited Liability<br>Company | 100%                         |
| Aberdeen Claims Administration, Inc. 19                                 | Ordinary shares              | 100%                         |
| Aberdeen Co-Investment Mandate LP <sup>4</sup>                          | Limited Partnership          | 0%                           |
| Aberdeen Direct Property (Holding) Limited <sup>3</sup>                 | Ordinary shares              | 100%                         |
| Aberdeen Emerging Asia Fund, LP <sup>12</sup>                           | Limited Partnership          | 0%                           |
| Aberdeen Emerging Asia Pacific II (Offshore), LP <sup>12</sup>          | Limited Partnership          | 0%                           |
| Aberdeen Emerging Asia Pacific III Ex-Co-Investments, LP <sup>12</sup>  | Limited Partnership          | 0%                           |
| Aberdeen Energy & Resource Company IV, LLC <sup>17</sup>                | Limited Factories rip        | 73%                          |
| Aberdeen Energy whesource company with the                              | Company                      | 7576                         |
| Aberdeen Energy & Resources Company V, LLC <sup>17</sup>                | Limited liability company    | 100%                         |
| Aberdeen Energy & Resources Partners II, LP <sup>17</sup>               | Limited Partnership          | 0%                           |
| Aberdeen Energy & Resources Partners III, LP <sup>17</sup>              | Limited Partnership          | 0%                           |
| Aberdeen Energy & Resources Partners IV, LP <sup>17</sup>               | Limited Partnership          | 1%                           |
| Aberdeen Energy & Resources Partners V, LP <sup>17</sup>                | Limited Partnership          | 2%                           |
| Aberdeen European Infrastructure Carry GP Limited <sup>4</sup>          | Ordinary shares              | 100%                         |
| Aberdeen European Infrastructure Carry Limited <sup>4</sup>             | Ordinary shares              | 100%                         |
| Aberdeen European Infrastructure Co-Invest II LP <sup>3</sup>           | Limited Partnership          | 0%                           |
| Aberdeen European Infrastructure III A Limited <sup>3</sup>             | Ordinary shares              | 100%                         |
| Aberdeen European Infrastructure III B Limited <sup>3</sup>             | Ordinary shares              | 100%                         |
| Aberdeen European Infrastructure IV Ltd <sup>3</sup>                    | Ordinary shares              | 100%                         |
| Aberdeen European Infrastructure GP Limited <sup>3</sup>                | Ordinary shares              | 100%                         |
| Aberdeen European Infrastructure GP II Limited <sup>3</sup>             | Ordinary shares              | 100%                         |
| Aberdeen European Infrastructure GP III Limited <sup>3</sup>            | Ordinary shares              | 100%                         |
| Aberdeen European Infrastructure Partners Carry LP <sup>4</sup>         | Limited Partnership          | 25%                          |
| Aberdeen European Infrastructure Partners Carry II LP <sup>4</sup>      | Limited Partnership          | 25%                          |
| Aberdeen European Infrastructure Partners Carry III LP <sup>4</sup>     | Limited Partnership          | 25%                          |
| Aberdeen European Infrastructure Partners LP <sup>3</sup>               | Limited Partnership          | 3%                           |
| Aberdeen European Infrastructure Partners II LP <sup>3</sup>            | Limited Partnership          | 3%                           |
| Aberdeen European Infrastructure Partners III LP <sup>3</sup>           | Limited Partnership          | 5%                           |
| Aberdeen European Residential Opportunities Fund SCSp <sup>20</sup>     | Limited Partnership          | 0%                           |
| Aberdeen France S.A. <sup>21</sup>                                      | Ordinary shares              | 100%                         |
| Aberdeen Fund Distributors LLC <sup>19</sup>                            | Limited Liability            | 100%                         |
|   | Company                      |                              |
| Aberdeen Fund Management II Oy <sup>22</sup>                            | Ordinary shares              | 100%                         |
| Aberdeen Fund Management Ireland Limited <sup>23</sup>                  | Ordinary shares              | 100%                         |
| Aberdeen General Partner 1 Limited <sup>4</sup>                         | Ordinary shares              | 100%                         |
| Aberdeen General Partner 2 Limited <sup>4</sup>                         | Ordinary shares              | 100%                         |

| Name of related undertaking   | Share class <sup>1</sup>                   | % interest held <sup>2</sup> |
|---|--|------------------------------|
| Aberdeen General Partner CAPELP Limited 12  | Ordinary shares                            | 100%                         |
| Aberdeen General Partner CGPLP Limited <sup>12</sup>  | Ordinary shares                            | 100%                         |
| Aberdeen General Partner CMENAPELP Limited <sup>12</sup>  | Ordinary shares                            | 100%                         |
| Aberdeen General Partner CPELP Limited <sup>12</sup>  | Ordinary shares                            | 100%                         |
| Aberdeen General Partner CPELP II Limited <sup>12</sup>   | Ordinary shares                            | 100%                         |
| Aberdeen Global ex-Japan FoF's LP <sup>12</sup>   | Limited Partnership                        | 5%                           |
| Aberdeen Global ex-Japan GP Limited <sup>12</sup>   | Ordinary shares                            | 100%                         |
| Aberdeen Global Infrastructure Carry GP Limited <sup>4</sup>  | Ordinary shares                            | 100%                         |
| Aberdeen Global Infrastructure GP Limited <sup>24</sup>   | Ordinary shares                            | 100%                         |
| Aberdeen Global Infrastructure GP II Limited <sup>24</sup>  | Ordinary shares                            | 100%                         |
| Aberdeen Global Infrastructure Partners Carry LP <sup>4</sup>   | Limited Partnership                        | 25%                          |
| Aberdeen Global Infrastructure Partners II Carry LP <sup>4</sup>  | Limited Partnership                        | 25%                          |
| Aberdeen Global Infrastructure Partners LP <sup>25</sup>  | Limited Partnership                        | 0%                           |
| Aberdeen Global Infrastructure Partners II LP <sup>25</sup>   | Limited Partnership                        | 0%                           |
| Aberdeen Global Infrastructure Partners III Carry LP  | Limited Partnership                        | 25%                          |
| Aberdeen Global Partners, LP <sup>17</sup>  | Limited Partnership                        | 0%                           |
| Aberdeen GP 1 LLP <sup>4</sup>  | Limited Liability<br>Partnership           | 100%                         |
| Aberdeen GP 2 LLP <sup>4</sup>  | Limited Liability<br>Partnership           | 100%                         |
| Aberdeen GP 3 LLP <sup>4</sup>  | Limited Liability<br>Partnership           | 100%                         |
| Aberdeen Infrastructure Feeder GP Limited <sup>4</sup>  | Ordinary shares                            | 100%                         |
| Aberdeen Infrastructure Finance GP Limited <sup>24</sup>  | Ordinary shares                            | 100%                         |
| Aberdeen Infrastructure GP II Limited <sup>3</sup>  | Ordinary shares                            | 100%                         |
| Aberdeen Infrastructure Partners II Carry LP <sup>4</sup>   | Limited Partnership                        | 25%                          |
| Aberdeen Infrastructure Partners II LP <sup>4</sup>   | Limited Partnership                        | 0%                           |
| Aberdeen Infrastructure Partners LP Inc <sup>24</sup>   | Limited Partnership                        | 0%                           |
| Aberdeen Institutional Commingled Funds LLC - Long Duration Corporate Bond Fund <sup>26</sup>                             | Unit Trust                                 | 100%                         |
| Aberdeen International Partners II, LP <sup>13</sup>  | Limited Partnership                        | 0%                           |
| Aberdeen International Partners II (Offshore), LP <sup>13</sup>   | Limited Partnership                        | 0%                           |
| Aberdeen International Partners III, LP <sup>13</sup>   | Limited Partnership                        | 0%                           |
| Aberdeen International Partners III (Offshore), LP <sup>13</sup>  | Limited Partnership                        | 0%                           |
| Aberdeen Investment Company Limited <sup>4</sup>  | Ordinary shares                            | 100%                         |
| Aberdeen Investment Solutions Limited <sup>4</sup>  | Ordinary shares                            | 100%                         |
| Aberdeen Investments Jersey Limited <sup>27</sup>   | Ordinary shares                            | 100%                         |
| Aberdeen Investments Limited <sup>3</sup>   | Ordinary shares                            | 100%                         |
| Aberdeen Keva Asia IV Property Partners SCSp <sup>11</sup>  | Limited Partnership                        | 0%                           |
| Aberdeen Liquidity Fund (Lux)   |  | 370                          |
| Aberdeen Standard Liquidity Fund (Lux) – Seabury Sterling Liquidity 1 Fund <sup>20</sup>                                  | SICAV                                      | 100%                         |
| Aberdeen Next Generation Partners V, LP <sup>13</sup>   | Limited Partnership                        | 0%                           |
| Aberdeen Pension Trustees Limited <sup>4</sup>  | Ordinary shares                            | 100%                         |
| Aberdeen Pooling II GP AB <sup>28</sup>   | Ordinary shares                            | 100%                         |
| Aberdeen Private Equity Company VII, LLC <sup>17</sup>  | Limited Liability Company                  | 62%                          |
| Aberdeen Private Equity Company VIII, LLC <sup>17</sup>   | Limited liability company                  | 77%                          |
| Aberdeen Property Fund Finland   Feeder Ky <sup>22</sup>  | Limited Partnership                        | 0%                           |
| Aberdeen Property Fund Finland LP <sup>22</sup>   | Limited Partnership                        | 0%                           |
| Aberdeen Property Fund Management Estonia Ou <sup>29</sup>  | Ordinary shares                            | 100%                         |
| Aberdeen Property Fund Management (Jersey) Limited <sup>30</sup>  | Ordinary shares                            | 100%                         |
| Aberdeen Property Investors Estonia Ou <sup>29</sup>  | Ordinary shares Ordinary shares            | 100%                         |
| Aberdeen Property Investors Estonia Ou<br>Aberdeen Property Investors France SAS <sup>21</sup>                            | Ordinary shares Ordinary shares            | 100%                         |
|   | , ,  |                              |
| Aberdeen Property Investors (General Partner) S.a.r.I. <sup>31</sup>  | Ordinary shares                            | 100%                         |
| Aberdaen Property Investors Limited Partner Oy <sup>22</sup> Abordaen Property Investors The Notherlands PV <sup>32</sup> | Ordinary shares                            | 100%                         |
| Abandon Property Investors The Netherlands BV <sup>32</sup>   | Ordinary shares                            | 100%                         |
| Aberdeen Property Secondaries Partners II <sup>20</sup> Aberdeen Real Estate Fund Finland LP <sup>33</sup>                | Limited Partnership<br>Limited Partnership | 2%<br>10%                    |

| Name of related undertaking  | Share class <sup>1</sup>  | % interest held <sup>2</sup> |
|--|---------------------------|------------------------------|
| Aberdeen Real Estate Operations Limited <sup>4</sup>                               | Ordinary shares           | 100%                         |
| Aberdeen Real Estate Partners II, LP <sup>13</sup>                                 | Limited Partnership       | 0%                           |
| Aberdeen Real Estate Partners III, LP <sup>13</sup>                                | Limited Partnership       | 0%                           |
| Aberdeen Residential JV Feeder Limited Partner Oy <sup>22</sup>                    | Ordinary shares           | 100%                         |
| Aberdeen Secondaries II GP S.a.r.I. <sup>20</sup>                                  | Ordinary shares           | 100%                         |
| Aberdeen Sidecar LP Inc <sup>24</sup>  | Limited Partnership       | 0%                           |
| Aberdeen SP 2013 A/S <sup>14</sup>   | Ordinary shares           | 100%                         |
| Aberdeen Standard 2019 European PE A Carry LP                                      | Limited Partnership       | 40%                          |
| Aberdeen Standard 2019 European PEB Carry LP                                       | Limited Partnership       | 40%                          |
| Aberdeen Standard ACS I  |                           |                              |
| ASI Sustainable Index UK Equity Fund <sup>3</sup>                                  | OEIC                      | 58%                          |
| Aberdeen Standard Alternative Funds Limited  | Ordinary Shares           | 100%                         |
| Aberdeen Standard Asset Management Limited   | Ordinary Shares           | 100%                         |
| Aberdeen Standard Carlsbad Carry LP <sup>4</sup>                                   | Limited Partnership       | 25%                          |
| Aberdeen Standard Carlsbad GP Limited <sup>24</sup>                                | Ordinary shares           | 100%                         |
| Aberdeen Standard Carlsbad LP <sup>4</sup>   | Limited Partnership       | 0%                           |
| Aberdeen Standard Core Infrastructure III LTP LP                                   | Limited Partnership       | 100%                         |
| Aberdeen Standard ECF II GP LP   | Limited Partnership       | 0%                           |
| Aberdeen Standard European Infrastructure GP IV Limited <sup>3</sup>               | Ordinary Shares           | 100%                         |
| Aberdeen Standard European Infrastructure Partners IV LP <sup>3</sup>              | Limited Partnership       | 4%                           |
| Aberdeen Standard European Infrastructure Partners Carry IV LP                     | Limited Partnership       | 25%                          |
| Aberdeen Standard European Infrastructure Partners Co-invest IV LP <sup>3</sup>    | Limited Partnership       | 0%                           |
| Aberdeen Standard European Property Growth Fund LP <sup>3</sup>                    | Limited Partnership       | 0%                           |
| Aberdeen Standard Fund Managers Limited <sup>3</sup>                               | Ordinary shares           | 100%                         |
| Aberdeen Standard Global Infrastructure GP III Ltd <sup>24</sup>                   | Ordinary shares           | 100%                         |
| Aberdeen Standard Global Infrastructure Partners I (2021) Carry LP                 | Limited Partnership       | 25%                          |
| Aberdeen Standard Global Infrastructure Partners III (2021) Carry LP <sup>25</sup> | Limited Partnership       | 25%                          |
| Aberdeen Standard Global Risk Mitigation Fund (Australia) <sup>34</sup>            | Unit Trust                | 97%                          |
| Aberdeen Standard Greater China Value Fund <sup>35</sup>                           | Investment Trust          | 71%                          |
| Aberdeen Standard Group Limited  | Ordinary Shares           | 100%                         |
| Aberdeen Standard Gulf Carry GP Limited <sup>4</sup>                               | Ordinary shares           | 100%                         |
| Aberdeen Standard Investment Management Limited                                    | Ordinary Shares           | 100%                         |
| Aberdeen Standard Investments (Holdings) Limited                                   | Ordinary shares           | 100%                         |
| Aberdeen Standard Investments (Switzerland) AG <sup>36</sup>                       | Ordinary shares           | 100%                         |
| Aberdeen Standard Investments Beteiligungs GmbH <sup>37</sup>                      | Limited Liability         | 94%                          |
|  | Company                   |                              |
| Aberdeen Standard Investments Colombia SAS <sup>38</sup>                           | Ordinary shares           | 100%                         |
| Aberdeen Standard Investments Deutschland AG <sup>37</sup>                         | Ordinary shares           | 90%                          |
| Aberdeen Standard Investments ETFs   |                           |                              |
| abrdn Bloomberg Industrial Metals Strategy K-1 Free ETF <sup>39</sup>              | ETF                       | 95%                          |
| Aberdeen Standard Investments ETFs (US) LLC <sup>39</sup>                          | Limited liability company | 100%                         |
| Aberdeen Standard Investments ETFs Advisors LLC <sup>39</sup>                      | Limited liability company | 100%                         |
| Aberdeen Standard Investments ETFs Sponsor LLC <sup>39</sup>                       | Limited liability company | 100%                         |
| Aberdeen Standard Investments Ireland Limited <sup>40</sup>                        | Ordinary shares           | 100%                         |
| Aberdeen Standard Investments Limited  | Ordinary Shares           | 100%                         |
| Aberdeen Standard Investments Luxembourg Corporate Manager S.a.r.l. <sup>11</sup>  | Ordinary shares           | 100%                         |
| Aberdeen Standard Investments Luxembourg S.A. 41                                   | Ordinary shares           | 100%                         |
| Aberdeen Standard Investments Sweden AB <sup>28</sup>                              | Ordinary shares           | 100%                         |
| Aberdeen Standard (Jersey) Limited <sup>42</sup>                                   | Ordinary Shares           | 100%                         |
| Aberdeen Standard Life Asset Management Limited                                    | Ordinary Shares           | 100%                         |
| Aberdeen Standard Life Group Limited   | Ordinary Shares           | 100%                         |
| Aberdeen Standard Life Investments Limited   | Ordinary Shares           | 100%                         |
| Aberdeen Standard Life Limited   | Ordinary Shares           | 100%                         |
| Aberdeen Standard Limited  | Ordinary Shares           | 100%                         |
| Aberdeen Standard MSPC General Partner S.a.r.I. <sup>20</sup>                      | Limited Liability         | 100%                         |
|  | Company                   |                              |
| Aberdeen Standard Multi-Sector Private Credit Fund SCSp <sup>20</sup>              | Limited Partnership       | 3%                           |

| Name of related undertaking  | Share class <sup>1</sup>                   | % interest held |
|--|--|-----------------|
| Aberdeen Standard OEIC I   | OFIC                                       | 450/            |
| ASI China A Share Equity Fund <sup>3</sup>   | OEIC                                       | 45%             |
| ASI Sterling Bond Fund <sup>3</sup>  | OEIC                                       | 22%             |
| ASI Sterling Long Dated Government Bond Fund <sup>3</sup>  | OEIC                                       | 49%             |
| Aberdeen Standard OEIC III   |  |                 |
| ASI MyFolio Sustainable I Fund <sup>3</sup>  | OEIC                                       | 48%             |
| ASI MyFolio Sustainable II Fund <sup>3</sup>   | OEIC                                       | 32%             |
| ASI MyFolio Sustainable V Fund <sup>3</sup>  | OEIC                                       | 38%             |
| Aberdeen Standard OEIC V   |  |                 |
| ASI Multi-Asset Climate Solutions Fund <sup>3</sup>  | OEIC                                       | 77%             |
| Aberdeen Standard Pan European Residential Property Fund SICAV-RAIF <sup>20</sup>  | Limited Partnership                        | 0%              |
| Aberdeen Standard Private Equity Company IX, LLC <sup>17</sup>   | Limited liability company                  | 80%             |
| Aberdeen Standard Private Real Assets Co-Investment Fund I GP, LLC <sup>17</sup>   | Limited liability company                  | 80%             |
| Aberdeen Standard Private Real Assets Co-investment Fund I GP, LP <sup>26</sup>  | Limited partnership                        | 0%              |
| Aberdeen Standard Private Real Assets Co-Investment Fund I, LP <sup>17</sup>   | Limited Partnership                        | 1%              |
| Aberdeen Standard Secure Credit LP   | Limited Partnership                        | 0%              |
| Aberdeen Standard SICAV I  |  |                 |
| Aberdeen Standard SICAV I - Artificial Intelligence Global Equity Fund <sup>20</sup>   | SICAV                                      | 50%             |
| Aberdeen Standard SICAV I - ASI-CCBI Belt & Road Bond Fund <sup>20</sup>   | SICAV                                      | 31%             |
| Aberdeen Standard SICAV I - Asian Credit Bond Fund <sup>20</sup>   | SICAV                                      | 47%             |
| Aberdeen Standard SICAV I - Asian Sustainable Development Equity Fund <sup>20</sup>  | SICAV                                      | 98%             |
| Aberdeen Standard SICAVI - Climate Transition Bond Fund <sup>20</sup>  | SICAV                                      | 96%             |
| Aberdeen Standard SICAV I - Emerging Markets Local Currency Corporate  | SICAV                                      | 90%             |
| Bond Fund <sup>20</sup>  |  |                 |
| Aberdeen Standard SICAV I - Emerging Markets Sustainable Development Corporate Bond Fund <sup>20</sup>   | SICAV                                      | 98%             |
| Aberdeen Standard SICAV I - Europe ex UK Sustainable and Responsible Investment Equity Fund <sup>20</sup>  | SICAV                                      | 24%             |
| Aberdeen Standard SICAV I - German Equity Fund <sup>20</sup>   | SICAV                                      | 34%             |
| Aberdeen Standard SICAV I - Global Climate & Environment Equity Fund <sup>20</sup>   | SICAV                                      | 100%            |
| Aberdeen Standard SICAV II   |  |                 |
| Aberdeen Standard SICAV II - Dynamic Multi Asset Income Fund <sup>43</sup>   | SICAV                                      | 100%            |
| Aberdeen Standard SICAV II - Global Focused Equity Fund <sup>43</sup>  | SICAV                                      | 94%             |
| Aberdeen Standard SICAV II - Multi Asset Climate Opportunities <sup>43</sup>   | SICAV                                      | 100%            |
| Aberdeen Standard SICAV III  |  |                 |
| Aberdeen Standard SICAV III - Emerging Market Debt Sustainable and Responsible Investment Fund <sup>43</sup>   | SICAV                                      | 100%            |
| Aberdeen Standard SOF IV Feeder LP   | Limited Partnership                        | 0%              |
| Aberdeen Standard SOF IV GP LP   | Limited Partnership                        | 25%             |
| Aberdeen Standard SOF IV LP  | Limited Partnership                        | 0%              |
| Aberdeen Standard SOF Evergreen GP LP  | Limited Partnership                        | 40%             |
| Aberdeen Standard SOF Evergreen LP   | Limited Partnership                        | 0%              |
| Aberdeen Standard UK Shopping Centre Feeder Fund Limited Partnership <sup>3</sup>  | Limited Partnership                        | 0%              |
| Aberdeen Standard Unit Trust 1   |  | - <del>-</del>  |
| ASI Diversified Growth Fund <sup>3</sup>   | Unit trust                                 | 47%             |
| Aberdeen Standard U.S. Private Equity IX, LP <sup>26</sup>   | Limited Partnership                        | 0%              |
| Aberdeen Standard Venture Company XII, LLC <sup>17</sup>   | Limited liability company                  | 91%             |
| Aberdeen Trust Limited <sup>4</sup>  | Ordinary shares                            | 100%            |
| Aberdeen Trust Einnited  Aberdeen UK Infrastructure Carry GP Limited <sup>4</sup>  | Ordinary shares                            | 100%            |
| Aberdeen UK Infrastructure Carry Limited <sup>4</sup>  | Ordinary shares                            | 100%            |
| Aberdeen Unit Trust Managers Limited <sup>4</sup>  | Ordinary shares                            | 100%            |
| Aberdeen U.S. Private Equity III (Offshore), LP <sup>17</sup>  | Limited Partnership                        | 0%              |
| Aberdeen U.S. Private Equity III (Offshore), LP  Aberdeen U.S. Private Equity IV, LP <sup>17</sup>   | Limited Partnership                        | 0%              |
| Aberdeen U.S. Private Equity IV , LP<br>Aberdeen U.S. Private Equity IV (Offshore), LP <sup>17</sup>   | ·  |                 |
|  | Limited Partnership                        | 0%              |
|  | Limited Partnership                        | 0%              |
| Aberdeen U.S. Private Equity IV SPV-A, LP <sup>17</sup>  | Line the of Dames and Life                 | 00/             |
| Aberdeen U.S. Private Equity IV SPV-A, LP<br>Aberdeen U.S. Private Equity V, LP <sup>17</sup><br>Aberdeen U.S. Private Equity V (Offshore), LP <sup>17</sup> | Limited Partnership<br>Limited Partnership | 0%<br>0%        |

| Name of related undertaking                                    | Share class <sup>1</sup>                   | % interest held <sup>2</sup> |
|--|--|------------------------------|
| Aberdeen U.S. Private Equity VI, LP <sup>17</sup>              | Limited Partnership                        | 0%                           |
| Aberdeen U.S. Private Equity VI (Offshore), LP <sup>17</sup>   | Limited Partnership                        | 0%                           |
| Aberdeen U.S. Private Equity VI SPV-A, LP <sup>17</sup>        | Limited Partnership                        | 0%                           |
| Aberdeen U.S. Private Equity VII, LP <sup>17</sup>             | Limited Partnership                        | 0%                           |
| Aberdeen U.S. Private Equity VII (Offshore), LP <sup>17</sup>  | Limited Partnership                        | 0%                           |
| Aberdeen U.S. Private Equity VIII, LP <sup>17</sup>            | Limited Partnership                        | 0%                           |
| Aberdeen U.S. Private Equity VIII (Offshore), LP <sup>17</sup> | Limited Partnership                        | 0%                           |
| Aberdeen Venture Partners VII, LP <sup>17</sup>                | Limited Partnership                        | 0%                           |
| Aberdeen Venture Partners VII (Offshore), LP <sup>17</sup>     | Limited Partnership                        | 0%                           |
| Aberdeen Venture Partners VII SPV-A, LP <sup>17</sup>          | Limited Partnership                        | 0%                           |
| Aberdeen Venture Partners VIII, LP <sup>17</sup>               | Limited Partnership                        | 0%                           |
| Aberdeen Venture Partners VIII (Offshore), LP <sup>17</sup>    | Limited Partnership                        | 0%                           |
| Aberdeen Venture Partners VIII SPV-A, LP <sup>17</sup>         | Limited Partnership                        | 0%                           |
| Aberdeen Venture Partners VIII SPV-B, LP <sup>17</sup>         | Limited Partnership                        | 0%                           |
| Aberdeen Venture Partners VIII SPV-C, LP <sup>17</sup>         | Limited Partnership                        | 0%                           |
| Aberdeen Venture Partners IX, LP <sup>17</sup>                 | Limited Partnership                        | 0%                           |
|  | •  |                              |
| Aberdeen Venture Partners IX (Offshore), LP <sup>17</sup>      | Limited Partnership                        | 0%                           |
| Aberdeen Venture Company X, LLC <sup>17</sup>                  | Limited Liability<br>Company               | 63%                          |
| Aberdeen Venture Company XI, LLC <sup>17</sup>                 | Limited liability company                  | 87%                          |
| Aberdeen Venture Partners X, LP <sup>17</sup>                  | Limited Partnership                        | 1%                           |
| Aberdeen Venture Partners X (Offshore) LP <sup>17</sup>        | Limited Partnership                        | 0%                           |
| Aberdeen Venture Partners X SPV-A, LP <sup>17</sup>            | Limited Partnership                        | 0%                           |
| Aberdeen Venture Partners X SPV-B, LP <sup>17</sup>            | Limited Partnership                        | 0%                           |
| Aberdeen Venture Partners XI, LP <sup>17</sup>                 | Limited Partnership                        | 1%                           |
| Aberdeen Venture Partners XI (Offshore), LP <sup>17</sup>      | Limited Partnership                        | 0%                           |
| Aberdeen Venture Partners XI SPV-A, LP <sup>17</sup>           | Limited Partnership                        | 0%                           |
| Aberdeen Venture Partners XISPV-B, LP <sup>17</sup>            | Limited Partnership                        | 0%                           |
| Aberdeen Venture Partners XII, LP <sup>17</sup>                | •  | 1%                           |
| Aberdeen Venture Partners XIII LP <sup>17</sup>                | Limited Partnership<br>Limited Partnership |                              |
| abrdn Asia Limited <sup>44</sup>                               | •  | 100%                         |
|  | Ordinary shares                            | 100%                         |
| abrdn Australia Ltd <sup>34</sup>                              | Ordinary shares                            | 100%                         |
| abrdn Brasil Investimentos Ltda <sup>45</sup>                  | Limited Liability<br>Company               | 100%                         |
| abrdn Canada Limited <sup>46</sup>                             | Ordinary shares                            | 100%                         |
| abrdn Capital (CI) Limited <sup>27</sup>                       | Ordinary Shares                            | 100%                         |
| abrdn Capital International Limited <sup>27</sup>              | Ordinary Shares                            | 100%                         |
| abrdn Capital Limited  | Ordinary Shares                            | 100%                         |
| abrdn Capital Partners LLP                                     | Limited Liability<br>Partnership           | 100%                         |
| abrdn Corporate Secretary Limited                              | Ordinary shares                            | 100%                         |
| abrdn CP (Holdings) Limited                                    | Ordinary Shares                            | 100%                         |
| abrdn (CRED II) GP Limited                                     | Ordinary shares                            | 100%                         |
| abrdn Digital Solutions Limited                                | Ordinary Shares                            | 100%                         |
| abrdn Financial Planning & Advice Limited <sup>3</sup>         | Ordinary A Shares<br>Ordinary B Shares     | 100%                         |
| abrdn Founder Co Limited                                       | Ordinary shares                            | 100%                         |
| abrdn Hong Kong Limited <sup>47</sup>                          | Ordinary shares                            | 100%                         |
| abrdn Inc. <sup>17</sup>                                       | Ordinary shares                            | 100%                         |
| abrdn Investment Management Limited                            | Ordinary Shares                            | 100%                         |
| abrdn Islamic Malaysia Sdn. Bhd. <sup>48</sup>                 | Ordinary shares                            | 100%                         |
| abran Japan Limited <sup>49</sup>                              | Ordinary shares                            | 100%                         |
| abran Korea Co. Limited <sup>50</sup>                          | Ordinary shares                            | 100%                         |
| abran Korea GP 2 Pte. Ltd <sup>51</sup>                        | Ordinary shares                            | 100%                         |
| abran Korea Separate Account 2 LP <sup>51</sup>                | Limited Partnership                        | 1%                           |
| abran Life and Pensions Limited <sup>3</sup>                   | Ordinary shares                            | 100%                         |

| Name of related undertaking  | Share class <sup>1</sup>  | % interest held |
|--|---|-----------------|
| abrdn Malaysia Sdn. Bhd. <sup>48</sup>   | Ordinary shares,<br>Irredeemable non-<br>convertible preference | 100%            |
| _  | shares  |                 |
| abrdn Nominees Services HK Limited <sup>47</sup>                               | Ordinary shares   | 100%            |
| abrdn Portfolio Investments Limited  | Ordinary Shares   | 100%            |
| ıbrdn Portfolio Investments US Inc. <sup>17</sup>                              | Ordinary Shares   | 100%            |
| abrdn Premises Services Limited  | Ordinary Shares   | 100%            |
| abrdn Private Equity (Europe) Limited  | Ordinary Shares   | 100%            |
| abrdn Private Fund Management (Shanghai) Company Limited <sup>52</sup>         | Ordinary shares   | 100%            |
| ıbrdn Si Yuan Private Fund Management (Shanghai) Company Limited <sup>52</sup> | Ordinary shares   | 100%            |
| abrdn (SLSPS) Pension Trustee Company Ltd                                      | Ordinary shares   | 100%            |
| abrdn SPV 2021 A GP, LLC <sup>17</sup>   | Limited liability company                                       | 79%             |
| abrdn Taiwan Limited <sup>35</sup>   | Ordinary shares   | 100%            |
| abrdn (USA) Limited  | Ordinary Shares   | 100%            |
| abrdn Venture Company XIII, LLC <sup>17</sup>                                  | Limited liability company                                       | 91%             |
| ACM Carry LP <sup>4</sup>  | Limited Partnership   | 40%             |
| AEROF (Luxembourg) GP S.a.r.I. <sup>20</sup>                                   | Ordinary shares   | 100%            |
| AERP V-A Master, LP <sup>17</sup>  | Limited Partnership   | 0%              |
| AIA Series T Holdings LLC <sup>26</sup>  | Limited liability company                                       | 0%              |
| AIPP Folksam Europe II Kommanditbolag <sup>53</sup>                            | Limited Partnership   | 0%              |
| AIPP Pooling I SA <sup>20</sup>  | Ordinary shares   | 100%            |
| Airport Industrial GP Limited <sup>3</sup>                                     | Ordinary shares   | 100%            |
| Airport Industrial Limited Partnership <sup>3</sup>                            | Limited Partnership   | 0%              |
| Aldwych Capital Partners, LP   | Limited Partnership   | 0%              |
| Andean Social Infrastructure Fund I LP <sup>12</sup>                           | Limited Partnership   | 1%              |
| Andean Social Infrastructure GP Limited <sup>12</sup>                          | Ordinary shares   | 100%            |
| Andean Social Infrastructure (No. 1) limited <sup>3</sup>                      | Ordinary shares   | 100%            |
| Arden Garden State NJ Fund, LP <sup>26</sup>                                   | Limited Partnership   | 1%              |
| Arden Institutional Advisers, LP <sup>26</sup>                                 | Limited Partnership   | 0%              |
| Arden Institutional Fund LP <sup>26</sup>                                      | Limited Partnership   | 0%              |
| Arthur House (No.6) Limited <sup>3</sup>                                       | Ordinary shares   | 100%            |
| Artio Global Investors Inc. <sup>19</sup>                                      | Ordinary shares   | 100%            |
| ASI Core Private Equity Fund GP, LLC <sup>17</sup>                             | Limited liability company                                       | 94%             |
| ASI Direct RE GP LLP   | Limited Liability<br>Partnership                                | 100%            |
| ASI European Long Income RE Fund SCSp <sup>20</sup>                            | Limited Partnership   | 9%              |
| ASI European Private Equity 2019 B LP  | Limited Partnership   | 0%              |
| ASI (General Partner 2019 European PE A Carry) Limited                         | Ordinary shares   | 100%            |
| ASI (General Partner 2019 European PE A) S.a.r.I. <sup>20</sup>                | Ordinary shares   | 100%            |
| ASI (General Partner 2019 European PEB) Limited                                | Ordinary Shares   | 100%            |
| ASI (General Partner ECF II) Limited   | Ordinary shares   | 100%            |
| ASI (General Partner PE2) Limited  | Ordinary Shares   | 100%            |
| ASI (General Partner PFF 2018) S.a.r.I. <sup>20</sup>                          | Ordinary Shares   | 100%            |
| ASI (General Partner SOF IV) Limited   | Ordinary Shares   | 100%            |
| ASI (Gold) Limited <sup>7</sup>  | Ordinary Shares   | 100%            |
| ASI Han Co-Investment LP   | Limited Partnership   | 90%             |
| ASI(KFAS) RE GP LLP  | Limited Liability Partnership                                   | 100%            |
| ASI Little Mill Carry LP <sup>4</sup>  | Limited Partnership   | 0%              |
| ASI Little Mill LP <sup>4</sup>  | Limited Partnership   | 0%              |
| ASI Mid-Market 1 LP <sup>4</sup>   | Limited Partnership   | 0%              |
| ASI MM Executive Co Investment LP <sup>4</sup>                                 | Limited Partnership   | 0%              |
| ASI (NWPE 2021) Carry LP   | Limited Partnership   | 0%              |
| ASI PE 1 Carry LP <sup>4</sup>   | Limited Partnership   | 40%             |
| ASI (PGPE III) GP LP   | Limited Partnership   | 40%             |
| ASI Phoenix Fund Financing SCSp <sup>20</sup>                                  | Limited Partnership   | 0%              |
| ASI Phoenix Global Private Equity III LP                                       | Limited Partnership   | 0%              |

| Name of related undertaking         Share class¹         % interest held²           ASI Phoenix Venture Capital Partners LP         Limited Partnership         0%           ASI Private Equity 1 LP⁴         Limited Partnership         0%           ASI Private Equity 2 GP LP         Limited Partnership         40%           ASI Private Equity 2 LP         Limited Partnership         0%           ASI (PVCP) GP LP         Limited Partnership         0%           ASI REMM GP LLP⁴         Limited Liability         100%           ASI Shin Co-Investment LP⁴         Limited Partnership         100% |
|--|
| ASI Private Equity 1 LP <sup>4</sup> ASI Private Equity 2 GP LP  ASI Private Equity 2 LP  ASI (PVCP) GP LP  ASI (PVCP) GP LP  ASI REMM GP LLP <sup>4</sup> Limited Partnership  0%  Limited Partnership  0%  Limited Partnership  0%  Limited Liability  Partnership   |
| ASI Private Equity 2 LP  ASI (PVCP) GP LP  ASI REMM GP LLP <sup>4</sup> Limited Partnership 0%  Limited Partnership 0%  Limited Partnership 0%  Limited Liability 100%  Partnership  |
| ASI (PVCP) GP LP  ASI REMM GP LLP <sup>4</sup> Limited Partnership 0%  Limited Liability 100%  Partnership   |
| ASI REMM GP LLP <sup>4</sup> Limited Liability 100% Partnership  |
| Partnership  |
| ASI Shin Co-Investment LP <sup>4</sup> Limited Partnership 100%  |
|  |
| ASI Shin Global Investment GP Limited <sup>12</sup> Ordinary shares 100%   |
| ASI (SOF E GP) Limited Ordinary Shares 100%  |
| ASI000 GP I S.àr.I. <sup>20</sup> SICAV 100%   |
| ASII – Emerging Markets Equity ADR Fund <sup>17</sup> Ordinary Shares 100%   |
| ASII – International Equity ADR Fund <sup>17</sup> Ordinary shares 100%  |
| ASII – US Equity Impact Fund <sup>17</sup> Ordinary shares 100%  |
| ASII – US Multi–Cap Equity Fund <sup>17</sup> Ordinary shares 100%   |
| ASII - US SMID Cap Equity Fund <sup>17</sup> Ordinary shares 100%  |
| ASPER (Luxembourg) GP S.a.r.I. <sup>20</sup> Ordinary shares 100%  |
| Baigrie Davies & Company Limited <sup>3</sup> Ordinary shares 100%   |
| Baigrie Davies Holdings Limited <sup>3</sup> Ordinary shares 100%  |
| Ballentine Core Private Equity Fund, LP <sup>17</sup> Limited Partnership 25%  |
| BoS Mezzanine Partners Fund LP <sup>54</sup> Limited Partnership 0%  |
| BOSEMP Feeder LP <sup>4</sup> Limited Partnership 0%   |
| C.C. U.S. Private Equity Fund, LP <sup>26</sup> Limited Partnership 1%   |
| C.C. U.S. Private Equity Fund II, LP <sup>17</sup> Limited Partnership 0%  |
| C.C. U.S. Private Equity Fund GP, LLC <sup>17</sup> Limited Liability 81% Company  |
| C.C. U.S. Private Equity Fund GP II, LLC <sup>17</sup> Limited liability company 84%   |
| Castlepoint General Partner Limited 55 Ordinary Shares 100%  |
| Castlepoint LP <sup>55</sup> Limited Partnership 0%  |
| Castlepoint Nominee Limited <sup>55</sup> Ordinary shares 100%   |
| Concession Infrastructure Investments Manager Limited Ordinary shares 50%  |
| Coutts Asian Private Equity Limited Partnership 0%   |
| Courts Global Property Limited Partnership 12 Limited Partnership 0%   |
| Coutts Middle East and North Africa Private Equity Limited Partnership 0%  |
| Coutts Private Equity Limited Partnership 12 Limited Partnership 0%  Coutts Private Equity Limited Partnership 112 Limited Partnership 0%  |
| Coutts Private Equity Limited Partnership 112 Limited Partnership 0%  CPP General Partner Limited Partnership 20%  |
| Criterion Tec Holdings Ltd <sup>57</sup> Criterion Tec Holdings Ltd <sup>57</sup> Ordinary shares  21%   |
| Cumberland Place Financial Management Limited <sup>3</sup> Ordinary Shares  100%   |
| Edinburgh Fund Managers Group Limited Ordinary shares 100%   |
| Edinburgh Fund Managers Plc Ordinary shares 100%   |
| Edinburgh Unit Trust Managers Limited <sup>4</sup> Ordinary shares, 100%   |
| Elevate Portfolio Services Limited <sup>3</sup> Deferred shares  100%  100%  |
| ,  |
| ESF   Executive Co Investment Limited Partnership  |
| ESP II Conduit LP Limited Partnership 0%   |
| ESP II General Partner Limited Partnership 0%  Limited Partnership 0%  |
| ESP 2004 Co Investment Limited Partnership 0%  |
| ESP 2004 Conduit LP Limited Partnership 0%   |
| ESP 2004 Conduit LP United Partnership 0%  ESP 2004 General Partner Limited Partnership 0%   |
| ESP 2006 Co Investment Limited Partnership 0%  |
| ESP 2006 Conduit LP Limited Partnership 0%   |
| ESP 2006 General Partner Limited Partnership 20%   |
| ESP 2008 Coinvestment Fund LP Limited Tartineship 0%   |
| ESP 2008 Coinvestment General Partner Limited partnership Limited Partnership 0%   |
| ESP 2008 Conduit LP Limited Partnership 0%   |
| ESP 2008 Executive Co Investment Limited Partnership Limited Partnership 0%  |

| Name of related undertaking                           | Share class <sup>1</sup>                   | % interest held <sup>2</sup> |
|---|--|------------------------------|
| ESP 2008 General Partner Limited Partnership          | Limited Partnership                        | 0%                           |
| ESP CPPIB European Mid Market Fund                    | Limited Partnership                        | 1%                           |
| ESP General Partner Limited Partnership               | Limited Partnership                        | 0%                           |
| ESP Golden Bear Europe Fund                           | Limited Partnership                        | 3%                           |
| ESP Golden Bear General Partner Limited Partnership   | Limited Partnership                        | 0%                           |
| ESP Tidal Reach General Partner Limited Partnership   | Limited Partnership                        | 20%                          |
| ESP Tidal Reach LP                                    | Limited Partnership                        | 1%                           |
| European Strategic Partners                           | Limited Partnership                        | 0%                           |
| European Strategic Partners - I LP                    | Limited Partnership                        | 0%                           |
| European Strategic Partners II 'A'                    | Limited Partnership                        | 0%                           |
| European Strategic Partners II 'B'                    | Limited Partnership                        | 0%                           |
| European Strategic Partners II 'C'                    | Limited Partnership                        | 0%                           |
| European Strategic Partners II 'D'                    | Limited Partnership                        | 0%                           |
| European Strategic Partners II 'E'                    | Limited Partnership                        | 0%                           |
| European Strategic Partners 2004 'A'                  | Limited Partnership                        | 0%                           |
| European Strategic Partners 2004 'B'                  | Limited Partnership                        | 0%                           |
| European Strategic Partners 2006 'A'                  | Limited Partnership                        | 0%                           |
| European Strategic Partners 2006 'B'                  | Limited Partnership                        | 0%                           |
| European Strategic Partners 2008 'A'                  | Limited Partnership                        | 0%                           |
| European Strategic Partners 2008 'B'                  | Limited Partnership                        | 0%                           |
| European Strategic Partners Scottish 'B'              | Limited Partnership                        | 0%                           |
| European Strategic Partners Scottish 'C'              | Limited Partnership                        | 0%                           |
| Finimize Limited <sup>3</sup>                         | Ordinary shares                            | 100%                         |
| Flag Asia Company III, LLC <sup>17</sup>              | Limited liability company                  | 100%                         |
| Flag Asia Company III, LP <sup>17</sup>               | Limited Partnership                        | 0%                           |
| Flag Energy & Resource Company II, LLC <sup>17</sup>  | Limited liability company                  | 100%                         |
| Flag Energy & Resource Company III, LLC <sup>17</sup> | Limited liability company                  | 100%                         |
| Flag GG Opportunity Company, LLC <sup>17</sup>        | Limited liability company                  | 100%                         |
| Flag Global Company, LLC <sup>17</sup>                | Limited liability company                  | 100%                         |
| Flag International Company, LLC <sup>17</sup>         | Limited liability company                  | 100%                         |
| Flag International Company II, LLC <sup>17</sup>      | Limited liability company                  | 100%                         |
| Flag International Company III, LLC <sup>17</sup>     | Limited liability company                  | 100%                         |
| Flag International Company, LP <sup>17</sup>          | Limited Partnership                        | 0%                           |
| Flag International Company II, LP <sup>17</sup>       | Limited Partnership                        | 0%                           |
| Flag International Company III, LP <sup>17</sup>      | Limited Partnership                        | 0%                           |
| Flag Offshore GP, Ltd <sup>58</sup>                   | Ordinary shares                            | 100%                         |
| Flag Private Equity Company, LLC <sup>17</sup>        | Limited liability company                  | 100%                         |
| Flag Private Equity Company II, LLC <sup>17</sup>     | Limited liability company                  | 100%                         |
| Flag Private Equity Company III, LLC <sup>17</sup>    | Limited liability company                  | 100%                         |
| Flag Private Equity Company IV, LLC <sup>17</sup>     | Limited liability company                  | 100%                         |
| Flag Private Equity Company V, LLC <sup>17</sup>      | Limited liability company                  | 100%                         |
| Flag Private Equity Company VI, LLC <sup>17</sup>     | Limited liability company                  | 100%                         |
|   | , , ,                                      | 0%                           |
| Flag Private Equity Company III, LP <sup>17</sup>     | Limited Partnership<br>Limited Partnership |                              |
| Flag Private Equity Company IV, LP <sup>17</sup>      | •  | 0%                           |
| Flag Private Equity Company V, LP <sup>17</sup>       | Limited Partnership                        | 0%                           |
| Flag Real Assets Company LLC <sup>17</sup>            | Limited liability company                  | 100%                         |
| Flag Real Estate Company II, LLC <sup>17</sup>        | Limited liability company                  | 100%                         |
| Flag Real Estate Company III, LLC <sup>17</sup>       | Limited liability company                  | 100%                         |
| Flag Squadron Asia Pacific III GP LP <sup>12</sup>    | Limited Partnership                        | 0%                           |
| Flag Venture Company II, LLC <sup>17</sup>            | Limited liability company                  | 100%                         |
| Flag Venture Company III, LLC <sup>17</sup>           | Limited liability company                  | 100%                         |
| Flag Venture Company IV, LLC <sup>17</sup>            | Limited liability company                  | 100%                         |
| Flag Venture Company V, LLC <sup>17</sup>             | Limited liability company                  | 100%                         |
| Flag Venture Company VI, LLC <sup>17</sup>            | Limited liability company                  | 100%                         |
| Flag Venture Company VII, LLC <sup>17</sup>           | Limited liability company                  | 100%                         |
| Flag Venture Company VIII, LLC <sup>17</sup>          | Limited liability company                  | 100%                         |
| Flag Venture Company IX, LLC <sup>17</sup>            | Limited liability company                  | 100%                         |

| Name of related undertaking   | Share class <sup>1</sup>               | % interest held <sup>2</sup> |
|---|--|------------------------------|
| Flag Venture Company VI, LP <sup>17</sup>                           | Limited Partnership                    | 0%                           |
| Flag Venture Company VII, LP <sup>17</sup>                          | Limited Partnership                    | 0%                           |
| Flag Venture Company VIII, LP <sup>17</sup>                         | Limited Partnership                    | 0%                           |
| Focus Software Limited <sup>7</sup>                                 | Ordinary Shares                        | 100%                         |
| FOF III Venture Company, LLC <sup>17</sup>                          | Limited liability company              | 100%                         |
| FOF IV Venture Company, LLC <sup>17</sup>                           | Limited liability company              | 100%                         |
| FOF V Venture Company, LLC <sup>17</sup>                            | Limited liability company              | 100%                         |
| Fraser Heath Financial Management Limited <sup>3</sup>              | Ordinary Shares                        | 100%                         |
| FSA III EA SPV, LP <sup>12</sup>                                    | Limited Partnership                    | 0%                           |
| FSA III Pacific SPV, LP <sup>12</sup>                               | Limited Partnership                    | 0%                           |
| Griffin Nominees Limited <sup>3</sup>                               | Ordinary shares                        | 100%                         |
| Heng An Standard Life Insurance Company Limited <sup>59</sup>       | Ordinary Shares                        | 50%                          |
| Ignis Asset Management Limited                                      | Ordinary Shares                        | 100%                         |
| Ignis Cayman GP2 Limited <sup>12</sup>                              | Ordinary Shares                        | 100%                         |
| Ignis Cayman GP3 Limited <sup>12</sup>                              | Ordinary Shares                        | 100%                         |
| Ignis Fund Managers Limited <sup>8</sup>                            | Ordinary Shares                        | 100%                         |
| Ignis Investment Services Limited                                   | Ordinary Shares                        | 100%                         |
| Jones Sheridan Financial Consulting Limited <sup>3</sup>            | Ordinary shares                        | 100%                         |
| Jones Sheridan Holdings Limited <sup>3</sup>                        | Ordinary shares                        | 100%                         |
| KFAS Real Estate Limited Partnership                                | Limited Partnership                    | 0%                           |
| Murray Johnstone Holdings Limited <sup>8</sup>                      | Ordinary shares                        | 100%                         |
| Murray Johnstone Limited <sup>4</sup>                               | Ordinary shares                        | 100%                         |
| NASP 2006 General Partner Limited Partnership                       | Limited Partnership                    | 5%                           |
| NASP 2006 Special Limited Partnership                               | Limited Partnership                    | 0%                           |
| NASP 2008 General Partner Limited Partnership                       | Limited Partnership                    | 0%                           |
| NASP 2008 Special Limited Partnership                               | Limited Partnership                    | 0%                           |
| Next Generation Associates III, LLC <sup>17</sup>                   | Limited liability company              | 100%                         |
| Next Generation Associates IV, LLC <sup>17</sup>                    | Limited liability company              | 100%                         |
| Next Generation Associates V,LLC <sup>17</sup>                      | Limited liability company              | 100%                         |
| Next Generation Associates V, LP <sup>17</sup>                      | Limited Partnership                    | 0%                           |
| North American Strategic Partners, LP <sup>60</sup>                 | Limited Partnership                    | 0%                           |
| North American Strategic Partners 2006 LP <sup>12</sup>             | Limited Partnership                    | 0%                           |
| North American Strategic Partners 2008 LP <sup>12</sup>             | Limited Partnership                    | 0%                           |
| North American Strategic Partners Companion Fund LP <sup>60</sup>   | Limited Partnership                    | 0%                           |
| North American Strategic Partners (Feeder) 2006                     | Limited Partnership                    | 0%                           |
| North American Strategic Partners (Feeder) 2008 Limited Partnership | Limited Partnership                    | 0%                           |
| North East Trustees Limited <sup>3</sup>                            | Ordinary A Shares<br>Ordinary B Shares | 100%                         |
| Origo Services Limited <sup>57</sup>                                | Ordinary shares                        | 19%                          |
| Orion Partners CLP Inc. <sup>61</sup>                               | Ordinary shares                        | 100%                         |
| Orion Partners Services Inc. 61                                     | Ordinary shares                        | 100%                         |
| Ostara China Real Estate Fund LP <sup>61</sup>                      | Limited Partnership                    | 0%                           |
| Ostara Japan Fund 3 LP <sup>61</sup>                                | Limited Partnership                    | 1%                           |
| Ostara Korea GP 2 Pte. Ltd <sup>51</sup>                            | Ordinary shares                        | 100%                         |
| Ostara Korea Separate Account LP <sup>51</sup>                      | Limited Partnership                    | 0%                           |
| Ostara Partners Inc. China <sup>61</sup>                            | Ordinary shares                        | 100%                         |
| Ostara Partners Inc. Japan 3 <sup>61</sup>                          | Ordinary shares                        | 100%                         |
| Pace Financial Solutions Limited <sup>3</sup>                       | Ordinary A Shares                      | 100%                         |
|   | Ordinary B Shares<br>Ordinary C Shares |                              |
| Pace Mortgage Solutions Limited <sup>3</sup>                        | Ordinary A Shares<br>Ordinary B Shares | 100%                         |
| Parnell Fisher Child & Co. Limited <sup>3</sup>                     | Ordinary Shares                        | 100%                         |
| Parnell Fisher Child Holdings Limited <sup>3</sup>                  | Ordinary A Shares<br>Ordinary B Shares | 100%                         |
| PE1 LP <sup>4</sup>   | Limited Partnership                    | 0%                           |
| PE1ALP <sup>4</sup>   | Limited Partnership                    | 0%                           |
| PE2 Carry LP <sup>4</sup>   | Limited Partnership                    | 40%                          |

| Name of related undertaking  | Share class <sup>1</sup>         | % interest held <sup>2</sup> |
|--|----------------------------------|------------------------------|
| PE2 LP <sup>4</sup>  | Limited Partnership              | 0%                           |
| Pearl Private Equity LP  | Limited Partnership              | 0%                           |
| Pearl Strategic Credit LP  | Limited Partnership              | 0%                           |
| Pearson Jones & Company (Trustees) Limited <sup>3</sup>                        | Ordinary Shares                  | 100%                         |
| Pearson Jones Nominees Limited <sup>3</sup>                                    | Ordinary Shares                  | 100%                         |
| PGB European Buy-out Fund I SCSp <sup>20</sup>                                 | Limited Partnership              | 0%                           |
| PT Aberdeen Standard Investments Indonesia <sup>62</sup>                       | Limited Liability<br>Company     | 99%                          |
| PURetail Luxembourg Management Company S.a.r.I. <sup>41</sup>                  | Class A shares                   | 50%                          |
| Regent Property Partners (Retail Parks) Limited <sup>3</sup>                   | Ordinary shares                  | 100%                         |
| Serin Wealth Limited <sup>7</sup>  | Ordinary shares                  | 100%                         |
| SG Commercial LLP <sup>63</sup>  | Limited Liability<br>Partnership | 60%                          |
| Shin Global Investment Partners LP <sup>12</sup>                               | Limited Partnership              | 50%                          |
| SL Capital 2016 Co-Investment GP LP  | Limited Partnership              | 5%                           |
| SL Capital 2016 Co-Investment LP   | Limited Partnership              | 5%                           |
| SL Capital ECF GP LP   | Limited Partnership              | 4%                           |
| SL Capital ESF I GP LP   | Limited Partnership              | 0%                           |
| SL Capital ESF I LP  | Limited Partnership              | 1%                           |
| SL Capital European Co-Investment B LP   | Limited Partnership              | 0%                           |
| SL Capital European Co-Investment LP   | Limited Partnership              | 0%                           |
| SL Capital Ignis Private Equity Founder LP                                     | Limited Partnership              | 65%                          |
| SL Capital Ignis Strategic Credit Founder LP                                   | Limited Partnership              | 0%                           |
| SL Capital Infrastructure Fund II Top-Up Co-Investment Fund SCSp <sup>20</sup> | Limited Partnership              | 0%                           |
| SL Capital Infrastructure I GP LP  | Limited Partnership              | 0%                           |
| SL Capital Infrastructure I LP   | Limited Partnership              | 0%                           |
| SL Capital Infrastructure II LTP LP  | Limited Partnership              | 100%                         |
| SL Capital Infrastructure II SCSp <sup>64</sup>                                | Limited Partnership              | 0%                           |
| SL Capital Infrastructure Secondary I GP LP                                    | Limited Partnership              | 0%                           |
| SL Capital Infrastructure Secondary I LP                                       | Limited Partnership              | 0%                           |
| SL Capital Infrastructure Secondary II LP                                      | Limited Partnership              | 25%                          |
| SL Capital NASF I A LP   | Limited Partnership              | 2%                           |
| ·  | •                                | 0%                           |
| SL Capital NASF I Carry LP   | Limited Partnership              |                              |
| SL Capital NASF I GP LP  | Limited Partnership              | 0%                           |
| SL Capital NASFILP   | Limited Partnership              | 0%                           |
| SL Capital Partners (US) Limited <sup>8</sup>                                  | Ordinary Shares                  | 100%                         |
| SL Capital Pearl Private Equity GP LP  | Limited Partnership              | 0%                           |
| SL Capital Pearl Strategic Credit GP LP  | Limited Partnership              | 1%                           |
| SL Capital SOF   Feeder LP   | Limited Partnership              | 0%                           |
| SL Capital SOF II Feeder LP  | Limited Partnership              | 1%                           |
| SL Capital SOF III Feeder LP   | Limited Partnership              | 0%                           |
| SL Capital SOF I GP LP   | Limited Partnership              | 0%                           |
| SL Capital SOF II GP LP  | Limited Partnership              | 0%                           |
| SL Capital SOF III GP LP   | Limited Partnership              | 0%                           |
| SL Capital SOFILP  | Limited Partnership              | 0%                           |
| SL Capital SOF II LP   | Limited Partnership              | 0%                           |
| SL Capital SOF III LP  | Limited Partnership              | 0%                           |
| SLC EC   Executive Co Investment Limited Partnership                           | Limited Partnership              | 0%                           |
| SLCI   Executive Co Investment Limited Partnership                             | Limited Partnership              | 0%                           |
| SLCI II Executive Co-Investment LP   | Limited Partnership              | 0%                           |
| SLCI Rail Co-Invest LP   | Limited Partnership              | 0%                           |
| SLCP (Founder Partner Ignis Private Equity) Limited                            | Ordinary Shares                  | 100%                         |
| SLCP (Founder Partner Ignis Strategic Credit) Limited                          | Ordinary Shares                  | 100%                         |
| SLCP (General Partner) Limited   | Ordinary Shares                  | 100%                         |
| SLCP (General Partner II) Limited  | Ordinary Shares                  | 100%                         |
| SLCP (General Partner 2016 Co-investment) Limited                              | Ordinary Shares                  | 100%                         |
| SLCP (General Partner CPP) Limited   | Ordinary Shares                  | 100%                         |

| SLCP (General Partner Educatio   Limited   Ordinary Shares   1,00%  | Name of related undertaking   | Share class <sup>1</sup>              | % interest held <sup>2</sup> |
|---|---|---------------------------------------|------------------------------|
| SLCP (General Partner Edocstle) Limited SLCP (General Partner ESF I) Limited SLCP (General Partner ESF I) Limited SLCP (General Partner ESF I) Limited SLCP (General Partner ESP 2004) Limited SLCP (General Partner ESP 2004) Limited SLCP (General Partner ESP 2008) Limited SLCP (General Partner Express VI) Limited SLCP (General Partner Express VI) Limited SLCP (General Partner NaSP 2006) Limited SLCP (General Partner SCP III) Limited Ordinary Shares SLCP (General Partner S  |   |                                       |                              |
| SLCP (General Partner ESF I) Limited  SLCP (General Partner ESF I) Limited  SLCP (General Partner ESF 2004) Limited  SLCP (General Partner ESP 2008) Coinvestment) Limited  SLCP (General Partner ESP 2008) Limited  SLCP (General Partner Espe VI) Limited  SLCP (General Partner Espe VI) Limited  SLCP (General Partner Espe VI) Limited  SLCP (General Partner Infrastructure Secondary ) Limited  SLCP (General Partner NASP 2008) Limited  SLCP (General Partner SolP I) Limited  Ordinary Shares  100%  SLCP (General Partner SolP I) Limited  Ordinary Shares  100%  SLCP (General Partner SolP I) Limited  Ordinary Shares  100%  SLCP (General Partner SolP I) Limited  Ordinary Shares  100%  SLCP (General Partner SolP I) Limited  Ordinary Shares  100%  SLCP (General Partner SolP I) Limited  Ordinary Shares  100%  SLCP (General Partner SolP I) Limited  Ordinary Shares  100%  SLCP (General Partner SolP I) Limited  Ordinary Shares  100%  SLCP (General Partner SolP I) Limited  Ordinary Shares  100%  SLCP (General Partner SolP I) Limited  Ordinary Shares  100%  SLCP (General Partner SolP I) Limited  Ordinary Shares  100%  | ·   |                                       |                              |
| SLCP (General Partner ESF D) Limited SLCP (General Partner ESP 2004) Limited SLCP (General Partner ESP 2006) Limited SLCP (General Partner ESP 2008) Limited SLCP (General Partner Evrope VI) Limited SLCP (General Partner Evrope VI) Limited SLCP (General Partner Evrope VI) Limited SLCP (General Partner Infrastructure I) Limited SLCP (General Partner SCP II) Limited Ordinary Shares SLCP (General Partner SCP II) Limited Ordinary Shares SLCP (General Partner ISCP II) Limited Ordinary Shares SLCP (General Partner Infrastructure II) Sar. I <sup>40</sup> Ordinary Shares SLCP (General Partner Infrastructure II) Sar. I <sup>40</sup> Ordinary Shares SLCP (General Partner Infrastructure II) Sar. I <sup>40</sup> Ordinary Shares SLCP (General Partner Infrastructure II) Sar. I <sup>40</sup> Ordinary Shares SLCP (General Partner Infrastructure II) Sar. I <sup>40</sup> Ordinary Shares SLCP (General Partner Infrastructure II) Sa  | ·   |                                       |                              |
| SLCP (General Partner ESP 2004) Limited Ordinary Shares 100% SLCP (General Partner ESP 2008) Limited Ordinary Shares 100% SLCP (General Partner ESP 2008) Limited Ordinary Shares 100% SLCP (General Partner ESP 2008) Limited Ordinary Shares 100% SLCP (General Partner ESP 2008) Limited Ordinary Shares 100% SLCP (General Partner ESP 2008) Limited Ordinary Shares 100% SLCP (General Partner Europe VI) Limited Ordinary Shares 100% SLCP (General Partner Infrastructure I) Limited Ordinary Shares 100% SLCP (General Partner Infrastructure Secondary I) Limited Ordinary Shares 100% SLCP (General Partner Infrastructure Secondary I) Limited Ordinary Shares 100% SLCP (General Partner Infrastructure Secondary I) Limited Ordinary Shares 100% SLCP (General Partner NASP 2006) Limited Ordinary Shares 100% SLCP (General Partner NASP 2006) Limited Ordinary Shares 100% SLCP (General Partner NASP 2006) Limited Ordinary Shares 100% SLCP (General Partner Partner Partner Stategic Credit) Limited Ordinary Shares 100% SLCP (General Partner SOF I) Limited Ordinary Shares 100% SLCP (General Partner SOF II) Limited Ordinary Shares 100% SLCP (General Partner SOF II) Limited Ordinary Shares 100% SLCP (General Partner SOF II) Limited Ordinary Shares 100% SLCP (General Partner SOF III) Limited Ordinary Shares 100% SLCP (General Partner SOF III) Limited Ordinary Shares 100% SLCP (General Partner SOF III) Limited Ordinary Shares 100% SLCP (General Partner SOF III) Limited Ordinary Shares 100% SLCP (General Partner SOF III) Limited Ordinary Shares 100% SLCP (General Partner SOF III) Limited Ordinary Shares 100% SLCP (General Partner Sof III) Sar. I <sup>20</sup> Ordinary Shares 100% SLCP (General Partner Sof III) Sar. I <sup>20</sup> Ordinary Shares 100% SLCP (General Partner Sof III) Sar. I <sup>20</sup> Ordinary Shares 100% SLCP (General Partner Sof III) Limited Ordinary Shares 100% SLCP (General Partner Sof III) Limited Ordinary Shares 100% SLCP (General Partner Sof III) Limited Ordinary Shares 100% SLCP (General Partner Sof III) Limited Ordinary Shares 100% SLCP (General Part  | ·   | · · · · · · · · · · · · · · · · · · · |                              |
| SICP (General Partner ESP 2008) Limited  SICP (General Partner Infrastructure I) Limited  Ordinary Shares  100%  SICP (General Partner Infrastructure I) Limited  Ordinary Shares  100%  SICP (General Partner Infrastructure I) Limited  Ordinary Shares  100%  SICP (General Partner NASP 2008) Limited  SICP (General Partner NASP 2008) Limited  SICP (General Partner NASP 2008) Limited  SICP (General Partner PASP 2008) Limited  SICP (General Partner PASP 2008) Limited  SICP (General Partner Pearl Private Equity) Limited  Ordinary Shares  100%  SICP (General Partner Pearl Private Equity) Limited  Ordinary Shares  100%  SICP (General Partner SP D) Limited  Ordinary Shares  100%  SICP (General Partner SP D) Limited  Ordinary Shares  100%  SICP (General Partner SP D) Limited  Ordinary Shares  100%  SICP (General Partner SP LIMITED  SICP (General Partner LIMITED  Ordinary Shares  100%  SICP (General Partner LIMITED  SICP (General Partner LIMITED  Ordinary Shares  100%  SICP (General Partner LIMITED  Ordinary Shares  100%  SICP (General Partner SCP L) Limited  Ordinary Shares  100%  SICP (General Partner SCP L) Limited  Ordinary Shares  100%  SICP (General Partner SCP L) Limited  Ord  | •   | •                                     |                              |
| SLCP (General Partner ESP 2008 Coinvestment) Limited Ordinary Shares 100% SLCP (General Partner ESP 2AL) Limited Ordinary Shares 100% SLCP (General Partner ESP 2AL) Limited Ordinary Shares 100% SLCP (General Partner Europe VI) Limited Ordinary Shares 100% SLCP (General Partner Infrastructure i) Limited Ordinary Shares 100% SLCP (General Partner Infrastructure i) Limited Ordinary Shares 100% SLCP (General Partner Infrastructure Secondary I) Limited Ordinary Shares 100% SLCP (General Partner NASP I) Limited Ordinary Shares 100% SLCP (General Partner NASP 2008) Limited Ordinary Shares 100% SLCP (General Partner NASP 2008) Limited Ordinary Shares 100% SLCP (General Partner NASP 2008) Limited Ordinary Shares 100% SLCP (General Partner Pearl Private Equity) Limited Ordinary Shares 100% SLCP (General Partner Soft Strategic Credit) Limited Ordinary Shares 100% SLCP (General Partner Soft Strategic Credit) Limited Ordinary Shares 100% SLCP (General Partner Soft II) Limited Ordinary Shares 100% SLCP (General Partner Soft III) Limited Ordinary Shares 100% SLCP (General Partner Soft III) Limited Ordinary Shares 100% SLCP (General Partner Soft III) Limited Ordinary Shares 100% SLCP (General Partner Soft III) Limited Ordinary Shares 100% SLCP (General Partner Soft III) Limited Ordinary Shares 100% SLCP (General Partner III) Limited Ordinary Shares 100% SLCP (General Partner III) Limited Ordinary Shares 100% SLPC (General Partner III) Sar III   | ·   | ,                                     |                              |
| SLCP (General Partner ESP CAD) Limited Ordinary Shares 100% SLCP (General Partner Esp CAD) Limited Ordinary Shares 100% SLCP (General Partner Empe VI) Limited Ordinary Shares 100% SLCP (General Partner Infrastructure I) Limited Ordinary Shares 100% SLCP (General Partner Infrastructure I) Limited Ordinary Shares 100% SLCP (General Partner Infrastructure Secondary I) Limited Ordinary Shares 100% SLCP (General Partner NASFI) Limited Ordinary Shares 100% SLCP (General Partner NASFI) Limited Ordinary Shares 100% SLCP (General Partner NASP 2008) Limited Ordinary Shares 100% SLCP (General Partner NASP 2008) Limited Ordinary Shares 100% SLCP (General Partner Pear Private Equity) Limited Ordinary Shares 100% SLCP (General Partner SCFI) Limited Ordinary Shares 100% SLCP (General Partner Infrastructure II LTP 2017) Limited Ordinary Shares 100% SLCP (General Partner SCFI) Limited Ordinary Shares 100% SLCP (General Partner SCFI) Limited Ordinary Shares 100% SLPC (General Partner Infrastructure II LTP 2017) Limited Ordinary Shares 100% SLPC (General Partner Infrastructure II Star) Limited Ordinary Shares 100% SLPC (General Partner Infrastructure II Star) Limited Ordinary Shares 100% SLPC (General Partner Infrastructure II Star) Limited Ordinary Shares 100% SLPC (General Partner Infrastructure II Star) Limited Ordinary Shares 100% SLPC (General Partner Infrastructure II Star) Limited Ordinary Shares 100% SLPC (General Partner Infrastructure II Star) Limited Ordinary Shares 100% SLPC (General Partner Infrastructure II Star) Limited Ordinary Shares 100% SLPC (General Partner Infrastructure II The 2017) Limited Ordinary Shares 100% SLPC (General Partner Infrastructure II The 2017) Limited Ordi  |   | · · · · · · · · · · · · · · · · · · · |                              |
| SLCP (General Partner ESP CAL) Limited SLCP (General Partner Europe VI) Limited SLCP (General Partner Infrastructure ) Limited SLCP (General Partner Infrastructure ) Limited SLCP (General Partner Infrastructure Secondary I) Limited SLCP (General Partner NASF) Limited SLCP (General Partner NASF) Limited SLCP (General Partner NASP 2008) Limited SLCP (General Partner NASP 2008) Limited SLCP (General Partner NASP 2008) Limited SLCP (General Partner PASP 2008) Limited SLCP (General Partner SCP (Julia Martner SCP) Limited SLCP (General Partner SCP) Limited Ordinary Shares SLCP (General Partner SCP) Limited SLCP (General Partner SCP) Limited SLCP (General Partner SCP) Limited Ordinary Shares SLCP (General Partner Infrastructure III) Startl <sup>16</sup> Ordinary Shares SLPC (General Partner Infrastructure III) Startl <sup>16</sup> Ordinary Shares SLPC (General Partner Infrastructure III) Startl <sup>16</sup> Ordinary Shares SLPC (General Partner PMD Co-Invest 2017) Limited Ordinary Shares SLPC (General Partner PMD Co-Invest 2017) Limited Ordinary Shares SCP I Limited Partnership SCP I Executive Co Investment Limited Partnership Limited Partnership SCP I Executive Co Investment Limited Partnership Limited Partnership SCP I Executive Co Investment Limited Partnership SCP I Executive Co Investment Limited Partnership SCP I Limited Partnership SCP I Carnary Shares Squadron Asia Pacific I und, LIP <sup>12</sup> Limited Partnership O% Standard Abardeen Investment Scent Cross General Partner Lim  | ,   | ,                                     |                              |
| SLCP (General Partner Europe VI) Limited SLCP (General Partner Infrastructure I) Limited SLCP (General Partner Infrastructure I) Limited SLCP (General Partner Infrastructure Secondary I) Limited SLCP (General Partner NASP 2006) Limited SLCP (General Partner NASP 2008) Limited SLCP (General Partner NASP 2008) Limited SLCP (General Partner NASP 2008) Limited SLCP (General Partner Poar I) Private Equity Limited Ordinary Shares 100% SLCP (General Partner Pear I) Private Equity Limited SLCP (General Partner Pear I) Private Equity Limited SLCP (General Partner Pear I) Limited SLCP (General Partner SOF II) Limited SLCP (General Partner SOF II) Limited SLCP (General Partner SOF II) Limited SLCP (General Partner SOF III) Limited Ordinary Shares 100% SLCP (General Partner SOF III) Limited Ordinary Shares 100% SLCP (General Partner SOF III) Limited Ordinary Shares 100% SLCP (General Partner USA) Limited Ordinary Shares 100% SLCP (General Partner USA) Limited Ordinary Shares 100% SLCP (General Partner USA) Limited Ordinary Shares 100% SLP (General Partner III) Sart III SLP C (General Partner Infrastructure III) Sart III SLP (General Partner Infrastructure III) Sart III SLP (General Partner Infrastructure III) Sart III SLP (General Partner III) Sart III SLP (General Partner SCF I) Limited Ordinary Shares 100% SLPC (General Partner PMD Co-Invest 2017) Limited Ordinary Shares 100% SLPC (General Partner SCF I) Limited Ordinary Shares 100% SLPC (General Partner SCF I) Limited Ordinary Shares 100% SLPC (General Partner SCF II) Limited Partnership Limited Partnership William Start III Sart III Sar  | ·   | ·                                     |                              |
| SLCP (General Partner Infrastructure I) Limited  SLCP (General Partner Infrastructure Secondary I) Limited  SLCP (General Partner NASP 2006) Limited  SLCP (General Partner NASP 2008) Limited  SLCP (General Partner Pearl Brivate Equity) Limited  SLCP (General Partner Pearl Brivate Equity) Limited  Ordinary Shares  100%  SLCP (General Partner Pearl Brivate Equity) Limited  Ordinary Shares  100%  SLCP (General Partner SOF I) Limited  SLCP (General Partner SOF II) Limited  SLCP (General Partner SOF III) Limited  Ordinary Shares  100%  SLCP (General Partner SOF III) Limited  Ordinary Shares  100%  SLCP (General Partner SOF III) Limited  Ordinary Shares  100%  SLCP (General Partner SOF III) Limited  Ordinary Shares  100%  SLCP (General Partner SOF III) Limited  Ordinary Shares  100%  SLCP (General Partner USA) Limited  Ordinary Shares  100%  SLCP (General Partner Infrastructure III T 2017) Limited  Ordinary Shares  100%  SLIPC (General Partner Infrastructure III) Sarz Life  Ordinary Shares  100%  SLIPC (General Partner Infrastructure III) Sarz Life  Ordinary Shares  100%  SLIPC (General Partner Infrastructure III) Sarz Life  Ordinary Shares  100%  SLIPC (General Partner Infrastructure III) Sarz Life  Ordinary Shares  100%  SLIPC (General Partner MDC o-Invest 2017) Limited  Ordinary Shares  100%  SLIPC (General Partner MDC o-Invest 2017) Limited  Ordinary Shares  100%  SLIPC (General Partner Infrastructure III) Sarz Life  Ordinary Shares  100%  SLIPC (General Partner MDC o-Invest 2017) Limited  Ordinary Shares  100%  SLIPC (General Partner MDC o-Invest 2017) Limited  Ordinary Shares  100%  SLIPC (General Partner MDC o-Invest 2017) Limited  Ordinary Shares  100%  SLIPC (General Partner MDC o-Invest 2017) Limited  Ordinary Shares  100%  SLIPC (General Partner SOF II) Limited Partnership  Limited Partnership  0%  SLIPC (General Partner SOF III) Limited Partnership  Umited Partnership  0%  SLIPC (G  | ·   | •                                     |                              |
| SLCP (General Partner Infrastructure Secondary I) Limited  SLCP (General Partner NASP 2006) Limited  SLCP (General Partner NASP 2006) Limited  SLCP (General Partner NASP 2008) Limited  SLCP (General Partner NASP 2008) Limited  SLCP (General Partner Pearl Strategic Credit) Limited  SLCP (General Partner Pearl Strategic Credit) Limited  SLCP (General Partner Pearl Strategic Credit) Limited  SLCP (General Partner SOF I) Limited  SLCP (General Partner SOF I) Limited  SLCP (General Partner SOF II) Limited  SLCP (General Partner SOF III) Limited  SLCP (General Partner III) Limited  SLPC (General Partner III) Sar Limited  SLPC (General Partner Infrastructure III Sar Limited  SLPC (General Partner Infrastructure III) Sar Limited  SLPC (General Partner SCF I) Limited  SLPC (General Partner SCF I) Limited  SLPC (General Partner SCF I) Limited  Ordinary Shares  100%  SLPC (General Partner SCF I) Limited  Ordinary Shares  100%  SLPC (General Partner SCF II) Limited  Ordinary Shares  100%  SLPC (General Partner SCF II) Limited  Ordinary Shares  100%  SLPC (General Partner SCF II) Limited  Ordinary Shares  100%  SLPC (General Partner SCF II) Limited  Ordinary Shares  100%  SLPC (General Partner SCF II) Limited Partnership  SCF II Executive Co Investment Limited Partnership  SCF II Execut  | · · · ·   | ,                                     |                              |
| SLCP (General Partner NASF I) Limited SLCP (General Partner NASP 2008) Limited SLCP (General Partner NASP 2008) Limited SLCP (General Partner PASP 2008) Limited SLCP (General Partner Partner Partner Partner Partner Partner Partner Partner Partner SCP I) Limited SLCP (General Partner Pearl Frivate Equity) Limited SLCP (General Partner Partner SCP I) Limited SLCP (General Partner SCP I) Limited SLCP (General Partner SCP I) Limited SLCP (General Partner SCP II) Limited SLCP (General Partner SCP III) Limited SLCP (General Partner USA) Limited SLCP (General Partner USA) Limited SLCP (General Partner III) SCP IIII Limited SLCP (General Partner IIII SCP IIII Limited SLCP (General Partner IIII SCP IIII LIMITED IIII SCP IIII IIII SCP III  |   |                                       |                              |
| SLCP (General Partner NASP 2006) Limited  SLCP (General Partner NASP 2006) Limited  SLCP (General Partner Pearl Private Equity) Limited  SLCP (General Partner SOFI) Limited  SLCP (General Partner SOFI) Limited  SLCP (General Partner SOFI) Limited  SLCP (General Partner SOFII) Limited  SLCP (General Partner Infrastructure II LTP 2017) Limited  SLCP (General Partner Infrastructure II Sant. If Corlinary Shares  SUPC (General Partner Infrastructure III Sant. If Corlinary Shares  SUPC (General Partner Infrastructure III) Sant. If Corlinary Shares  SUPC (General Partner PMD Co-Invest 2017) Limited  SUPC (General Partner PMD Co-Invest 2017) Limited  SUPC (General Partner PMD Co-Invest 2017) Limited  SUPC (General Partner SCFI) Limited  SUPC (General Partner SCFI) Limited  SUPC (General Partner SCFI) Limited  Ordinary Shares  100%  SUPC (General Partner SCFI) Limited  Ordinary Shares  100%  SUPC (General Partner SCFI) Limited Partnership  Limited Partnership  SOFI I Executive Co Investment Limited Partnership  Limited Partnership  SOFI IVE Xecutive Collevestment Limited Partnership  Limited Partnership  SOFI VE Xecutive Collevestment Limited Partnership  Limited Partnership  SOFI VE Xecutive Collevestment Limited Partnership  Limited Partnership  SQUAdron Asia Pacific Fund II, LP12  Squadron Asia Pacific Fund II, LP12  Squadron Asia Pacific Fund II, LP12  Limited Partnership  Squadron Capital Partners Limited II  Sq  | •   | · · · · · · · · · · · · · · · · · · · |                              |
| SLCP (General Partner NASP 2008) Limited SLCP (General Partner Pearl Private Equity) Limited SLCP (General Partner Pearl Strategic Credit) Limited SLCP (General Partner Pearl Strategic Credit) Limited SLCP (General Partner SOFI) Limited SLCP (General Partner SOFI) Limited SLCP (General Partner SOFII) Limited SLCP (General Partner SOFIII) Limited SLCP (General Partner SUS) Limited SLEP (General Partner Infrastructure III TP 2017) Limited SLEP (General Partner Infrastructure III San1 <sup>62</sup> SLIPC (General Partner Infrastructure III San1 <sup>63</sup> SLIPC (General Partner Infrastructure III) San1 <sup>63</sup> SLIPC (General Partner Infrastructure III) San1 <sup>63</sup> SLIPC (General Partner Infrastructure III) San1 <sup>63</sup> Ordinary Shores 100% SLIPC (General Partner PMD Co-Invest 2017) Limited Ordinary Shores 100% SLIPC (General Partner SCF1) Limited Ordinary Shores 100% SLIPC (General Partner SCF1) Limited Ordinary Shores 100% SCFI I Executive Co Investment Limited Partnership Limited Partnership O% SOFI I Executive Co Investment Limited Partnership Limited Partnership O% SOFI I Executive Co Investment Limited Partnership Limited Partnership O% SOFI V Carry LP Limited Partnership Squadron Asia Pacific Fund, LP <sup>12</sup> Squadron Asia Pacific Fund, LP <sup>12</sup> Squadron Asia Pacific Fund II, LP <sup>12</sup> Squadron Asia Pacific Fund II, LP <sup>12</sup> Squadron Capital Asia Pacific I SP, LP <sup>17</sup> Squadron Capital Asia Pacific I SP, LP <sup>17</sup> Squadron Asia Pacific Fund II, LP <sup>12</sup> Squadron Capital Asia Pacific I SP, LP <sup>17</sup> Squadron C  | •   | ·                                     |                              |
| SLCP (General Partner Pearl Private Equity) Limited  SLCP (General Partner Pearl Strategic Credit) Limited  SLCP (General Partner SOFI) Limited  SLCP (General Partner SOFI) Limited  SLCP (General Partner SOFII) Limited  SLCP (General Partner SOFIII) Limited  SLCP (General Partner Tidal Reach) Limited  SLCP (General Partner Tidal Reach) Limited  SLCP (General Partner USA) Limited  SLCP (General Partner USA) Limited  SLCP (General Partner Infrastructure III LTP 2017) Limited  SUPC (General Partner Infrastructure III Scart. Instituted  SUPC (General Partner Infrastructure III Scart. Instituted  SUPC (General Partner Infrastructure III) Scart. Instituted  SUPC (General Partner Infrastructure III) Scart. Instituted  SUPC (General Partner PMD Co-Invest 2017) Limited  SUPC (General Partner PMD Co-Invest 2017) Limited  SUPC (General Partner SCF1) Limited  Ordinary Shares  100%  SUPC (General Partner SCF1) Limited  Ordinary Shares  100%  SUPC (General Partner SCF1) Limited Partnership  Limited Partnership  SUPC (General Partner SUPC Co-Investment Limited Partnership  SUPC (General   |   |                                       |                              |
| SLCP (General Partner Pearl Strategic Credit) Limited  SLCP (General Partner SOF I) Limited  SLCP (General Partner SOF II) Limited  SLCP (General Partner SOF III) Limited  SLCP (General Partner USA) Limited  SLIP (General Partner USA) Limited  SLIP (General Partner Infrastructure III, TP 2017) Limited  SLIPC (General Partner Infrastructure III, Spart, 164  SLIPC (General Partner Infrastructure III) Spart, 164  SLIPC (General Partner Infrastructure III) Spart, 164  SLIPC (General Partner Infrastructure III) Spart, 164  SLIPC (General Partner PMD Co-Invest 2017) Limited  SLIPC (General Partner PMD Co-Invest 2017) Limited  SLIPC (General Partner SCF 1) Limited  Ordinary Shares  100%  SLIPC (General Partner SCF 1) Limited  Ordinary Shares  100%  SLIPC (General Partner SCF 1) Limited  Ordinary Shares  100%  SLIPL (General Partner SCF 1) Limited  Ordinary Shares  100%  SCFI Executive Co Investment Limited Partnership  Limited Partnership  %  SOFI IExecutive Co Investment Limited Partnership  SCFI IExecutive Co Investment Limited Partnership  SCFI V Carry LP  Squadron Asia Pacific Fund, LP <sup>12</sup> Squadron Capital Asia Pacific ISP LP <sup>12</sup> Squadron Asia Pacif   | •   | · · · · · · · · · · · · · · · · · · · |                              |
| SLCP (General Partner SOF I) Limited SLCP (General Partner SOF III) Limited SLCP (General Partner Tidal Reach) Limited SLCP (General Partner Tidal Reach) Limited SLCP (General Partner USA) Limited SLCP (General Partner USA) Limited SLPC (General Partner Infrastructure III LTP 2017) Limited SLIPC (General Partner Infrastructure III LTP 2017) Limited SLIPC (General Partner Infrastructure III Sar.1 Limited SLIPC (General Partner Infrastructure III) Sar.1 Limited Ordinary Shares 100% SLIPC (General Partner PMD Co-Invest 2017) Limited Ordinary Shares 100% SLIPC (General Partner PMD Co-Invest 2017) Limited Ordinary Shares 100% SLIPC (General Partner III) Sar.1 Limited Ordinary Shares 100% SLIPC (General Partner III) Sar.1 Limited Ordinary Shares 100% SLIPC (General Partner III) Sar.1 Limited Ordinary Shares 100% SLIPC (General Partner III) Sar.1 Limited Ordinary Shares 100% SLIPC (General Partner III) Sar.1 Limited Partnership Limited Partnership 0% SOFII Executive Co Investment Limited Partnership Limited Partnership 0% SOFII Executive Co Investment Limited Partnership Limited Partnership 0% SOFIV Executive Co Investment Limited Partnership Limited Partnership 0% Squadron Asia Pacific Fund, ILP <sup>12</sup> Limited Partnership 0% Squadron Asia Pacific Fund, ILP <sup>12</sup> Limited Partnership 0% Squadron Capital Asia Pacific II GPL LP <sup>12</sup> Limited Partnership 0% Squadron Capital Asia Pacific II GPL LP <sup>12</sup> Limited Partnership 0% Squadron Capital Partnership 0% Standard Aberdeen Asset Management Limited Ordinary Shares 100% Standard Aberdeen Investments Limited Ordinary Shares 100% Standard Aberdeen Investments Limited Ordinary Shares 100% Standard Aberdeen Investments Emited Cordinary Shares 100%  | •   | ·                                     |                              |
| SLCP (General Partner SOF II) Limited  SLCP (General Partner SOF III) Limited  SLCP (General Partner Tidal Reach) Limited  SLCP (General Partner Tidal Reach) Limited  SLCP (General Partner USA) Limited  Ordinary Shares  100%  SLIP C (General Partner USA) Limited  Ordinary Shares  100%  SLIP C (General Partner Infrastructure III LTP 2017) Limited  Ordinary Shares  100%  SLIPC (General Partner Infrastructure III) S.ar.I. Limited  Ordinary Shares  100%  SLIPC (General Partner Infrastructure III) S.ar.I. Limited  Ordinary Shares  100%  SLIPC (General Partner Infrastructure III) S.ar.I. Limited  Ordinary Shares  100%  SLIPC (General Partner Infrastructure III) S.ar.I. Limited  Ordinary Shares  100%  SLIPC (General Partner PMD Co-Invest 2017) Limited  Ordinary Shares  100%  SLIPC (General Partner SCF 1) Limited  Ordinary Shares  100%  SLIPC (General Partner SCF 1) Limited  Ordinary Shares  100%  SUPC (General Partner SCF 1) Limited  Ordinary Shares  100%  SUPC (General Partner Infrastructure III) S.ar.I. Limited Partnership  SOF II Executive Co Investment Limited Partnership  Limited Partnership  SOF II Executive Co Investment Limited Partnership  Limited Partnership  SOF IV Executive Co Investment Limited Partnership  Limited Partnership  SQUAD Capital Asia Pacific GP, LP12  Limited Partnership  SQUAD Capital Asia Pacific GP, LP12  Limited Partnership  SQUAD Capital Asia Pacific GP, LP12  Limited Partnership  SQUAD CAPITAL PARTNERSHIP LIMITED CAPITAL Limited Partnership  SQUAD CAPITAL PARTNERSHIP LIMITED CAPITAL LIMITED CAPITAL LIMITED CAPITAL Shares  100%  SQUAD CAPITAL PARTNERSHIP LIMITED CAPITAL SHARESHIP LIMITED CAPITAL SHARESHIP LIMITED CAPITAL SHARESHIP LIMITED CAPI  |   |                                       |                              |
| SLCP (General Partner SOF III) Limited SLCP (General Partner Tidal Reach) Limited SLCP (General Partner Tidal Reach) Limited SLCP (General Partner USA) Limited SLIP roperty Investment LP SLIP (General Partner Infrastructure II LTP 2017) Limited SLIP (General Partner Infrastructure II II TP 2017) Limited SLIPC (General Partner Infrastructure II II Sa'r.I. II Sa'r.I. II Ordinary Shares SLIPC (General Partner Infrastructure II II) Sa'r.I. II Ordinary Shares SLIPC (General Partner Infrastructure III) Sa'r.I. II Ordinary Shares SLIPC (General Partner Infrastructure III) Sa'r.I. II Ordinary Shares SLIPC (General Partner PMD Co-Invest 2017) Limited SLIPC (General Partner SCF 1) Limited Ordinary Shares SLIPC (General Partner SCF 1) Limited Partnership SLIPC (General Partnership Ush II Limited Partnership SLIPC (General Partnership Ush II Limited Partnership Ush II L  | · · · · · · · · · · · · · · · · · · ·   | · · · · · · · · · · · · · · · · · · · |                              |
| SLCP (General Partner Tidal Reach) Limited  SLCP (General Partner USA) Limited  SLCP (General Partner USA) Limited  SLIP Croperty Investment LP  SLIPC (General Partner Infrastructure II LTP 2017) Limited  SLIPC (General Partner Infrastructure III) Sar. I.64  SLIPC (General Partner PMD Co-Invest 2017) Limited  SLIPC (General Partner PMD Co-Invest 2017) Limited  SLIPC (General Partner SCF 1) Limited  Ordinary Shares  100%  SLIPL Limited  Ordinary Shares  100%  SCF I Executive Co Investment Limited Partnership  Limited Partnership  SCF II Executive Co Investment Limited Partnership  Limited Partnership  SCF IV Executive Co Investment Limited Partnership  SCF IV Carry LP  Limited Partnership  SCF IV Carry LP  Limited Partnership  SQUAdron Asia Pacific Fund, LP12  Squadron Asia Pacific Fund II, LP12  Squadron Asia Pacific Fund II, LP12  Squadron Capital Asia Pacific II GP LP12  Limited Partnership  Squadron Capital Asia Pacific II GP LP12  Limited Partnership  Squadron Capital Partners Limited  Ordinary Shares  100%  Standard Aberdeen Asset Management Limited  Ordinary Shares  100%  Standard Aberdeen Investment Management Limited  Ordinary Shares  100%  Standard Aberdeen Investments Brent Cross General Partner Limited  Ordinary Shares  100%  Standard Life Investments Brent Cross General Partner Limited  Ordinary Shares  100%  Standard Life Investments Brent Cross General Partner Limited  Cralinary Shares  100%  Standard Life Investments Brent Cross LP  Limited Partnership  O%  Standard Life Investments Brent Cross LP  Limited Partnership  O%  Standard Life Investments Commercial Real Estate Debt LP3  Limited Partnership  O%  Standard Life Investments   | ·   | ·                                     |                              |
| SLCP (General Partner USA) Limited  SLIP (General Partner Infrastructure II LTP 2017) Limited  SLIPC (General Partner Infrastructure II) S.a.r.l. (4)  SLIPC (General Partner Infrastructure III) S.a.r.l. (5)  SLIPC (General Partner Infrastructure III) S.a.r.l. (20)  SLIPC (General Partner Infrastructure III) S.a.r.l. (20)  SLIPC (General Partner Infrastructure III) S.a.r.l. (20)  SLIPC (General Partner PMD Co-Invest 2017) Limited  SLIPC (General Partner PMD Co-Invest 2017) Limited  SLIPC (General Partner SCF 1) Limited Partner SLIP 100%  SLIPC (General Partner SCF 1) Limited Partner SLIP 100%  SLIPC (General Partner SCF 1) Limited Partnership  SLIPC (General Partnership 100%  SOF IV Limited Partnership 100%  SOF IV Limited Partnership 100%  SOF IV Limited Partnership 100%  SUBCI (SUBCIAL SCH 100 LIP) Limited Partnership 100%  Supadron Asia Pacific Fund II, LP 12  Limited Partnership 100%  Supadron Capital Asia Pacific GP, LP 12  Limited Partnership 100%  Supadron Capital Asia Pacific II GP LP 12  Limited Partnership 100%  Supadron Capital Partners Limited 100%  Supadron GP Participation, LP 12  Limited Partnership 100%  Standard Aberdeen Asset Management Limited 100%  Standard Aberdeen Group Limited 100%  Standard Aberdeen Investment Management Limited 100%  Standard Aberdeen Investment Management Limited 100%  Standard Aberdeen Investments Limited 100%  Standard Aberdeen Investments Brent Cross General Partner Limited 100%  Standard Life Investments Brent Cross General Partner Limited 100%  Standard Life Investments Brent Cross LP 100%  Standard Life I  | ·   | · · · · · · · · · · · · · · · · · · · |                              |
| SLIF Property Investment LP SLIPC (General Partner Infrastructure III LTP 2017) Limited SLIPC (General Partner Infrastructure III) S.ar.1.64 SLIPC (General Partner Infrastructure III) S.ar.1.20 SLIPC (General Partner Infrastructure III) S.ar.1.20 SLIPC (General Partner Infrastructure III) S.ar.1.20 SLIPC (General Partner PMD Co-Invest 2017) Limited SLIPC (General Partner PMD Co-Invest 2017) Limited Ordinary Shares 100% SLIPC (General Partner SCF 1) Limited Ordinary Shares 100% SLTM Limited Ordinary Shares 100% SLTM Limited Ordinary Shares 100% SCF II Executive Co Investment Limited Partnership Limited Partnership 0% SOF II Executive Co Investment Limited Partnership Limited Partnership 0% SOF IV Executive Co Investment Limited Partnership Limited Partnership 0% SOF IV Executive Co Investment Limited Partnership Limited Partnership 0% SOF IV Executive Co Investment Limited Partnership Limited Partnership 0% SOF IV Executive Co Investment Limited Partnership Limited Partnership 0% SOF IV Executive Co Investment Limited Partnership Limited Partnership 0% SOF IV Executive Co Investment Limited Partnership 0% Sopuadron Asia Pacific Fund II, LP <sup>12</sup> Limited Partnership 0% Squadron Asia Pacific Fund II, LP <sup>12</sup> Limited Partnership 100% Squadron Capital Asia Pacific II GP LP <sup>12</sup> Limited Partnership 0% Squadron Capital Partners Limited 0rdinary Shares 100% Standard Aberdeen Asset Management Limited 0rdinary Shares 100% Standard Aberdeen Investments Management Limited 0rdinary Shares 100% Standard Aberdeen Investments Limited 0rdinary Shares 100% Standard Aberdeen Investments Limited 0rdinary Shares 100% Standard Aberdeen Investments Brent Cross General Partner Limited 0rdinary Shares 100% Standard Life Investments Brent Cross General Partner Limited 0rdinary Shares 100% Standard Life Investments Brent Cross LP  | · · · · · · · · · · · · · · · · · · ·   | · · · · · · · · · · · · · · · · · · · |                              |
| SLIPC (General Partner Infrastructure II LTP 2017) Limited  SLIPC (General Partner Infrastructure III) S.ar.I. <sup>64</sup> SLIPC (General Partner Infrastructure III) S.ar.I. <sup>64</sup> SLIPC (General Partner Infrastructure III) S.ar.I. <sup>60</sup> SLIPC (General Partner PMD Co-Invest 2017) Limited  SLIPC (General Partner SCF 1) Limited  Ordinary Shares  100%  SLIPT Limited  Ordinary Shares  100%  SLIPL (General Partner SCF 1) Limited  Ordinary Shares  100%  SLIPL Limited Partner SCF 1) Limited Partnership  SCF I Executive Co Investment Limited Partnership  SCF II Executive Co Investment Limited Partnership  SCF II Executive Co Investment Limited Partnership  SCF IV Executive Co Investment Limited Partnership  Limited Partnership  SCF IV Executive Co Investment Limited Partnership  Limited Partnership  SCF IV Executive Co Investment Limited Partnership  Limited Partnership  SCF IV Executive Co Investment Limited Partnership  Limited Partnership  SCF IV Executive Co Investment Limited  Down Limited Partnership  SCF IV Executive Co Investment Limited  Limited Partnership  SCF IV Executive Co Investment Limited  SCF IV Executive Co Investment Limited  Limited Partnership  SCF IV Executive Co Investments Limited  SCF IV Executive Co Investments Limited  SCF IV Executive Co Investments Limited Limited  SCF IV Executive Co Investments Limited Cordinary Shares  100%  SCF IV Executive Co Investments Event Cross LP  SCF IV Executive Co Investments Commercial Real Extate Debt LP <sup>3</sup> SCF IV Executive Cordinary Shares  100%  S  |   | ·                                     |                              |
| SLIPC (General Partner Infrastructure II) S.ar.I. <sup>64</sup> SLIPC (General Partner Infrastructure III) S.àr.I. <sup>20</sup> SLIPC (General Partner PMD Co-Invest 2017) Limited  SLIPC (General Partner PMD Co-Invest 2017) Limited  SLIPC (General Partner SCF 1) Limited  SLIPC (General Partner SCF 1) Limited  Ordinary Shares  100%  SLTM Limited  Ordinary Shares  100%  SOF I Executive Co Investment Limited Partnership  SOF II Executive Co Investment Limited Partnership  SOF II Executive Co Investment Limited Partnership  SOF II Executive Co Investment Limited Partnership  SOF IV Executive Co Investment Limited Partnership  SOF IV Carry LP  SOF IV Carry LP  Squadron Asia Pacific Fund I, LP <sup>12</sup> Squadron Asia Pacific Fund II, LP <sup>12</sup> Squadron Asia Pacific Fund II, LP <sup>12</sup> Squadron Capital Asia Pacific GP, LP <sup>12</sup> Squadron Capital Asia Pacific IGP LP <sup>12</sup> Squadron Capital Asia Pacific IGP LP <sup>12</sup> Squadron Capital Partners Limited <sup>12</sup> Squadron Capital Partners Limited <sup>12</sup> Squadron GP Participation, LP <sup>12</sup> Squadron GP Participation II, LP <sup>12</sup> Limited Partnership  0%  Standard Aberdeen Asset Management Limited  Ordinary Shares  100%  Standard Aberdeen Investment Management Limited  Ordinary Shares  100%  Standard Aberdeen Investments Limited  Ordinary Shares  100%  Standard Aberdeen Investments Limited  Ordinary Shares  100%  Standard Aberdeen Investments Emited  Standard Aberdeen Investments Brent Cross General Partner Limited  Ordinary Shares  100%  Standard Life Investments Brent Cross LP  Standard Life Investments Brent Cross LP  Standard Life Investments European RE Club (Offshore Feeder) Ltd <sup>12</sup> Ordinary shares  100%   |   | ·                                     |                              |
| SLIPC (General Partner Infrastructure III) Sàr.I. <sup>20</sup> Ordinary shares 100% SLIPC (General Partner PMD Co-Invest 2017) Limited Ordinary Shares 100% SLIPC (General Partner SCF.1) Limited Ordinary Shares 100% SLTM Limited Ordinary Shares 100% SLTM Limited Ordinary Shares 100% SLTM Limited Partner ScF.1) Limited Partnership 10% SOF I Executive Co Investment Limited Partnership 10% SOF II Executive Co Investment Limited Partnership 10% SOF III Executive Co Investment Limited Partnership 10% SOF IV Executive Co Investment Limited Partnership 10% SOF IV Carry LP 10% SQUAD Limited Partnership 100% SQUAD Limited 100% SQUAD  | •   | · · · · · · · · · · · · · · · · · · · |                              |
| SLIPC (General Partner PMD Co-Invest 2017) Limited  SLIPC (General Partner SCF 1) Limited  SLIPC (General Partner SCF 1) Limited  SLIPC (General Partner SCF 1) Limited  Ordinary Shares  100%  SLTM Limited  Ordinary Shares  100%  SOF I Executive Co Investment Limited Partnership  SOF II Executive Co Investment Limited Partnership  SOF II Executive Co Investment Limited Partnership  SOF IV Executive Co Investment Limited Partnership  SOF IV Executive Co Investment Limited Partnership  SOF IV Carry LP  Squadron Asia Pacific Fund, LP <sup>12</sup> Squadron Asia Pacific Fund, LP <sup>12</sup> Squadron Asia Pacific Fund II, LP <sup>12</sup> Squadron Capital Asia Pacific GP, LP <sup>12</sup> Squadron Capital Asia Pacific II GP LP <sup>12</sup> Squadron Capital Partnership  Squadron Capital Partners Limited Partnership  Squadron GP Participation, LP <sup>12</sup> Squadron GP Participation, LP <sup>12</sup> Squadron GP Participation III, LP <sup>12</sup> Limited Partnership  0%  Squadron GP Participation III, LP <sup>12</sup> Limited Partnership  0%  Squadron GP Participation, LP <sup>12</sup> Squadron GP Participation III, LP <sup>12</sup> Limited Partnership  0%  Standard Aberdeen Asset Management Limited  Ordinary Shares  100%  Standard Aberdeen Investment Management Limited  Ordinary Shares  100%  Standard Aberdeen Investment Management Limited  Ordinary Shares  100%  Standard Aberdeen Investments Limited  Ordinary Shares  100%  Standard Aberdeen Investments Limited  Ordinary Shares  100%  Standard Life Investments Brent Cross General Partner Limited  Ordinary Shares  100%  Standard Life Investments Brent Cross General Partner Limited  Ordinary Shares  100%  Standard Life Investments Brent Cross LP  Limited Partnership  0%  Standard Life Investments European RE Club (Offshore Feeder) Ltd <sup>12</sup> Ordinary Shares   | ·   | ·                                     |                              |
| SLIPC (General Partner SCF 1) Limited  SCFI Executive Co Investment Limited Partnership  SOF I Executive Co Investment Limited Partnership  SOF II Executive Co Investment Limited Partnership  SOF II Executive Co Investment Limited Partnership  SOF II Executive Co Investment Limited Partnership  SOF IV Executive Co Investment Limited Partnership  SOF IV Executive Co Investment Limited Partnership  SOF IV Carry LP  Squadron Asia Pacific Fund, LP <sup>12</sup> Squadron Asia Pacific Fund, IL P <sup>12</sup> Squadron Asia Pacific Fund II, LP <sup>12</sup> Squadron Capital Asia Pacific I GP LP <sup>12</sup> Squadron Capital Asia Pacific I GP LP <sup>12</sup> Squadron Capital Partners Limited I <sup>22</sup> Squadron Capital Partnership  Squadron GP Participation, LP <sup>12</sup> Squadron GP Participation, LP <sup>12</sup> Squadron GP Participation II, LP <sup>12</sup> Limited Partnership  Squadron GP Participation II, LP <sup>12</sup> Squadron GP Pa | ·   | · · · · · · · · · · · · · · · · · · · |                              |
| SLTM Limited  Ordinary Shares  100%  SOF I Executive Co Investment Limited Partnership  SOF II Executive Co Investment Limited Partnership  SOF II Executive Co Investment Limited Partnership  SOF III Executive Co Investment Limited Partnership  SOF IV Executive Co Investment Limited Partnership  SOF IV Executive Co Investment Limited Partnership  SOF IV Carry LP  Limited Partnership  SOF IV Carry LP  Limited Partnership  Squadron Asia Pacific Fund, LP <sup>12</sup> Squadron Asia Pacific Fund II, LP <sup>12</sup> Limited Partnership  Squadron Capital Asia Pacific GP, LP <sup>12</sup> Limited Partnership  Squadron Capital Asia Pacific II GP LP <sup>12</sup> Limited Partnership  Squadron Capital Asia Pacific II GP LP <sup>12</sup> Limited Partnership  Squadron Capital Partners Limited <sup>12</sup> Ordinary shares  100%  Squadron GP Participation, LP <sup>12</sup> Limited Partnership  %  Squadron GP Participation, LP <sup>12</sup> Limited Partnership  %  Squadron GP Participation II, LP <sup>12</sup> Limited Partnership  %  Standard Aberdeen Asset Management Limited  Ordinary Shares  100%  Standard Aberdeen Investments Management Limited  Ordinary Shares  100%  Standard Aberdeen Investments Limited  Ordinary Shares  100%  Standard Aberdeen Limited  Ordinary Shares  100%  Standard Aberdeen Limited  Ordinary Shares  100%  Standard Life Investments Brent Cross General Partner Limited  Ordinary Shares  100%  Standard Life Investments Brent Cross LP  Limited Partnership  0%  Standard Life Investments Commercial Real Estate Debt LP <sup>3</sup> Limited Partnership  0%  Standard Life Investments European RE Club (Offshore Feeder) Ltd <sup>12</sup> Ordinary Shares   | ·   | · · · · · · · · · · · · · · · · · · · |                              |
| SOF I Executive Co Investment Limited Partnership  SOF II Executive Co Investment Limited Partnership  SOF II Executive Co Investment Limited Partnership  SOF III Executive Co Investment Limited Partnership  SOF IV Carry LP  Limited Partnership  SQUAD Limited Partnership  Squadron Asia Pacific Fund, LP <sup>12</sup> Squadron Asia Pacific Fund II, LP <sup>12</sup> Limited Partnership  Squadron Capital Asia Pacific GP, LP <sup>12</sup> Limited Partnership  Squadron Capital Asia Pacific II GP LP <sup>12</sup> Limited Partnership  Squadron Capital Partners Limited <sup>12</sup> Squadron Capital Partners Limited <sup>12</sup> Ordinary shares  Squadron GP Participation, LP <sup>12</sup> Limited Partnership  Squadron GP Participation, LP <sup>12</sup> Limited Partnership  Squadron GP Participation II, LP <sup>12</sup> Limited Partnership  Standard Aberdeen Asset Management Limited  Ordinary Shares  100%  Standard Aberdeen Group Limited  Ordinary Shares  100%  Standard Aberdeen Investments Limited  Ordinary Shares  100%  Standard Aberdeen Investments Limited  Ordinary Shares  100%  Standard Aberdeen Limited  Ordinary Shares  100%  Standard Life Investments Brent Cross General Partner Limited  Ordinary Shares  100%  Standard Life investments Brent Cross LP  Limited Partnership  0%  Standard Life Investments Commercial Real Estate Debt LP <sup>3</sup> Limited Partnership  0%  Standard Life Investments European RE Club (Offshore Feeder) Ltd <sup>12</sup> Ordinary shares   |   | · · · · · · · · · · · · · · · · · · · |                              |
| SOF II Executive Co Investment Limited Partnership  SOF III Executive Co Investment Limited Partnership  SOF IV Executive Co Investment Limited Partnership  SOF IV Executive Co Investment Limited Partnership  SOF IV Carry LP  Limited Partnership  Squadron Asia Pacific Fund, LP <sup>12</sup> Squadron Asia Pacific Fund II, LP <sup>12</sup> Limited Partnership  O%  Squadron Asia Pacific Fund II, LP <sup>12</sup> Limited Partnership  O%  Squadron Asia Pacific Fund II, LP <sup>12</sup> Limited Partnership  O%  Squadron Capital Asia Pacific II GP LP <sup>12</sup> Limited Partnership  100%  Squadron Capital Asia Pacific II GP LP <sup>12</sup> Limited Partnership  100%  Squadron Capital Partners Limited <sup>12</sup> Ordinary shares  100%  Squadron GP Participation, LP <sup>12</sup> Limited Partnership  O%  Squadron GP Participation III, LP <sup>12</sup> Limited Partnership  O%  Standard Aberdeen Asset Management Limited  Ordinary Shares  100%  Standard Aberdeen Investment Management Limited  Ordinary Shares  100%  Standard Aberdeen Investments Limited  Ordinary Shares  100%  Standard Aberdeen Limited  Ordinary Shares  100%  Standard Aberdeen Limited  Ordinary Shares  100%  Standard Life Investments Brent Cross General Partner Limited  Ordinary Shares  100%  Standard Life Investments Brent Cross LP  Limited Partnership  O%  Standard Life Investments Commercial Real Estate Debt LP <sup>3</sup> Limited Partnership  O%  Standard Life Investments European RE Club (Offshore Feeder) Ltd <sup>12</sup> Ordinary shares   |   |                                       |                              |
| SOF III Executive Co Investment Limited Partnership  SOF IV Executive Co Investment Limited Partnership  SOF IV Executive Co Investment Limited Partnership  SOF IV Carry LP  Limited Partnership  Squadron Asia Pacific Fund, LP <sup>12</sup> Squadron Asia Pacific Fund II, LP <sup>12</sup> Limited Partnership  Squadron Asia Pacific Fund II, LP <sup>12</sup> Limited Partnership  Squadron Capital Asia Pacific GP, LP <sup>12</sup> Limited Partnership  Squadron Capital Asia Pacific II GP LP <sup>12</sup> Limited Partnership  100%  Squadron Capital Partners Limited <sup>12</sup> Ordinary shares  100%  Squadron GP Participation, LP <sup>12</sup> Limited Partnership  0%  Squadron GP Participation II, LP <sup>12</sup> Limited Partnership  0%  Squadron GP Participation II, LP <sup>12</sup> Limited Partnership  0%  Standard Aberdeen Asset Management Limited  Ordinary Shares  100%  Standard Aberdeen Investment Management Limited  Ordinary Shares  100%  Standard Aberdeen Investments Limited  Ordinary Shares  100%  Standard Aberdeen Limited  Ordinary Shares  100%  Standard Life Investments Brent Cross General Partner Limited  Ordinary Shares  100%  Standard Life Investments Brent Cross LP  Limited Partnership  0%  Standard Life Investments Commercial Real Estate Debt LP <sup>3</sup> Limited Partnership  0%   | ·   | ·                                     |                              |
| SOF IV Executive Co Investment Limited Partnership  SOF IV Carry LP  Limited Partnership  Squadron Asia Pacific Fund, LP <sup>12</sup> Squadron Asia Pacific Fund II, LP <sup>12</sup> Limited Partnership  Squadron Asia Pacific Fund II, LP <sup>12</sup> Limited Partnership  Squadron Capital Asia Pacific GP, LP <sup>12</sup> Limited Partnership  Squadron Capital Asia Pacific II GP LP <sup>12</sup> Limited Partnership  Squadron Capital Asia Pacific II GP LP <sup>12</sup> Limited Partnership  Squadron Capital Partners Limited <sup>12</sup> Ordinary shares  100%  Squadron GP Participation, LP <sup>12</sup> Limited Partnership  Squadron GP Participation II, LP <sup>12</sup> Limited Partnership  Standard Aberdeen Asset Management Limited  Ordinary Shares  100%  Standard Aberdeen Group Limited  Ordinary Shares  100%  Standard Aberdeen Investment Management Limited  Ordinary Shares  100%  Standard Aberdeen Investments Limited  Ordinary Shares  100%  Standard Aberdeen Limited  Ordinary Shares  100%  Standard Life Investments Brent Cross General Partner Limited  Ordinary Shares  100%  Standard Life investments Brent Cross LP  Limited Partnership  %  Standard Life Investments Commercial Real Estate Debt LP <sup>3</sup> Limited Partnership  0%   | •   | •                                     |                              |
| SOF IV Carry LP  Squadron Asia Pacific Fund, LP <sup>12</sup> Squadron Asia Pacific Fund II, LP <sup>12</sup> Squadron Asia Pacific Fund II, LP <sup>12</sup> Squadron Capital Asia Pacific GP, LP <sup>12</sup> Squadron Capital Asia Pacific II GP LP <sup>12</sup> Limited Partnership  Squadron Capital Asia Pacific II GP LP <sup>12</sup> Limited Partnership  Squadron Capital Asia Pacific II GP LP <sup>12</sup> Limited Partnership  Squadron Capital Partners Limited <sup>12</sup> Ordinary shares  100%  Squadron GP Participation, LP <sup>12</sup> Limited Partnership  %  Squadron GP Participation II, LP <sup>12</sup> Limited Partnership  %  Standard Aberdeen Asset Management Limited  Ordinary Shares  100%  Standard Aberdeen Group Limited  Ordinary Shares  100%  Standard Aberdeen Investment Management Limited  Ordinary Shares  100%  Standard Aberdeen Investments Limited  Ordinary Shares  100%  Standard Aberdeen Limited  Ordinary Shares  100%  Standard Aberdeen Limited  Ordinary Shares  100%  Standard Life Investments Brent Cross General Partner Limited  Ordinary Shares  100%  Standard Life Investments Brent Cross LP  Limited Partnership  %  Standard Life Investments Commercial Real Estate Debt LP <sup>3</sup> Limited Partnership  0%  Standard Life Investments European RE Club (Offshore Feeder) Ltd <sup>12</sup> Ordinary shares  100%   | •   | •                                     |                              |
| Squadron Asia Pacific Fund, LP12Limited Partnership0%Squadron Asia Pacific Fund II, LP12Limited Partnership0%Squadron Capital Asia Pacific GP, LP12Limited Partnership100%Squadron Capital Asia Pacific II GP LP12Limited Partnership100%Squadron Capital Partners Limited12Ordinary shares100%Squadron GP Participation, LP12Limited Partnership0%Squadron GP Participation II, LP12Limited Partnership0%Standard Aberdeen Asset Management LimitedOrdinary Shares100%Standard Aberdeen Group LimitedOrdinary Shares100%Standard Aberdeen Investment Management LimitedOrdinary Shares100%Standard Aberdeen Investments LimitedOrdinary Shares100%Standard Aberdeen LimitedOrdinary Shares100%Standard Life Investments Brent Cross General Partner LimitedOrdinary Shares100%Standard Life investments Brent Cross LPLimited Partnership0%Standard Life Investments Commercial Real Estate Debt LP3Limited Partnership0%Standard Life Investments European RE Club (Offshore Feeder) Ltd12Ordinary shares100%   | ·   | '                                     |                              |
| Squadron Asia Pacific Fund II, LP12Limited Partnership0%Squadron Capital Asia Pacific GP, LP12Limited Partnership100%Squadron Capital Asia Pacific II GP LP12Limited Partnership100%Squadron Capital Partners Limited12Ordinary shares100%Squadron GP Participation, LP12Limited Partnership0%Squadron GP Participation II, LP12Limited Partnership0%Standard Aberdeen Asset Management LimitedOrdinary Shares100%Standard Aberdeen Group LimitedOrdinary Shares100%Standard Aberdeen Investment Management LimitedOrdinary Shares100%Standard Aberdeen Investments LimitedOrdinary Shares100%Standard Aberdeen LimitedOrdinary Shares100%Standard Life Investments Brent Cross General Partner LimitedOrdinary Shares100%Standard Life investments Brent Cross LPLimited Partnership0%Standard Life Investments Commercial Real Estate Debt LP3Limited Partnership0%Standard Life Investments European RE Club (Offshore Feeder) Ltd12Ordinary shares100%  |   | · ·                                   |                              |
| Squadron Capital Asia Pacific GP, LP12Limited Partnership100%Squadron Capital Asia Pacific II GP LP12Limited Partnership100%Squadron Capital Partners Limited 12Ordinary shares100%Squadron GP Participation, LP12Limited Partnership0%Squadron GP Participation II, LP12Limited Partnership0%Standard Aberdeen Asset Management LimitedOrdinary Shares100%Standard Aberdeen Group LimitedOrdinary Shares100%Standard Aberdeen Investment Management LimitedOrdinary Shares100%Standard Aberdeen Investments LimitedOrdinary Shares100%Standard Aberdeen LimitedOrdinary Shares100%Standard Life Investments Brent Cross General Partner LimitedOrdinary Shares100%Standard Life investments Brent Cross LPLimited Partnership0%Standard Life Investments Commercial Real Estate Debt LP3Limited Partnership0%Standard Life Investments European RE Club (Offshore Feeder) Ltd12Ordinary shares100%   |   | ·                                     |                              |
| Squadron Capital Asia Pacific II GP LP12Limited Partnership100%Squadron Capital Partners Limited12Ordinary shares100%Squadron GP Participation, LP12Limited Partnership0%Squadron GP Participation II, LP12Limited Partnership0%Standard Aberdeen Asset Management LimitedOrdinary Shares100%Standard Aberdeen Group LimitedOrdinary Shares100%Standard Aberdeen Investment Management LimitedOrdinary Shares100%Standard Aberdeen Investments LimitedOrdinary Shares100%Standard Aberdeen LimitedOrdinary Shares100%Standard Life Investments Brent Cross General Partner LimitedOrdinary Shares100%Standard Life Investments Brent Cross LPLimited Partnership0%Standard Life Investments Commercial Real Estate Debt LP3Limited Partnership0%Standard Life Investments European RE Club (Offshore Feeder) Ltd12Ordinary shares100%   |   | · ·                                   |                              |
| Squadron Capital Partners Limited 12Ordinary shares100%Squadron GP Participation, LP12Limited Partnership0%Squadron GP Participation II, LP12Limited Partnership0%Standard Aberdeen Asset Management LimitedOrdinary Shares100%Standard Aberdeen Group LimitedOrdinary Shares100%Standard Aberdeen Investment Management LimitedOrdinary Shares100%Standard Aberdeen Investments LimitedOrdinary Shares100%Standard Aberdeen LimitedOrdinary Shares100%Standard Life Investments Brent Cross General Partner LimitedOrdinary Shares100%Standard Life investments Brent Cross LPLimited Partnership0%Standard Life Investments Commercial Real Estate Debt LP3Limited Partnership0%Standard Life Investments European RE Club (Offshore Feeder) Ltd12Ordinary shares100%   |   | ·                                     |                              |
| Squadron GP Participation, LP12Limited Partnership0%Squadron GP Participation II, LP12Limited Partnership0%Standard Aberdeen Asset Management LimitedOrdinary Shares100%Standard Aberdeen Group LimitedOrdinary Shares100%Standard Aberdeen Investment Management LimitedOrdinary Shares100%Standard Aberdeen Investments LimitedOrdinary Shares100%Standard Aberdeen LimitedOrdinary Shares100%Standard Life Investments Brent Cross General Partner LimitedOrdinary Shares100%Standard Life investments Brent Cross LPLimited Partnership0%Standard Life Investments Commercial Real Estate Debt LP3Limited Partnership0%Standard Life Investments European RE Club (Offshore Feeder) Ltd12Ordinary shares100%  |   | ı                                     |                              |
| Squadron GP Participation II, LP12Limited Partnership0%Standard Aberdeen Asset Management LimitedOrdinary Shares100%Standard Aberdeen Group LimitedOrdinary Shares100%Standard Aberdeen Investment Management LimitedOrdinary Shares100%Standard Aberdeen Investments LimitedOrdinary Shares100%Standard Aberdeen LimitedOrdinary Shares100%Standard Life Investments Brent Cross General Partner LimitedOrdinary Shares100%Standard Life investments Brent Cross LPLimited Partnership0%Standard Life Investments Commercial Real Estate Debt LP3Limited Partnership0%Standard Life Investments European RE Club (Offshore Feeder) Ltd12Ordinary shares100%  |   | · · · · · · · · · · · · · · · · · · · |                              |
| Standard Aberdeen Asset Management LimitedOrdinary Shares100%Standard Aberdeen Group LimitedOrdinary Shares100%Standard Aberdeen Investment Management LimitedOrdinary Shares100%Standard Aberdeen Investments LimitedOrdinary Shares100%Standard Aberdeen LimitedOrdinary Shares100%Standard Life Investments Brent Cross General Partner LimitedOrdinary Shares100%Standard Life investments Brent Cross LPLimited Partnership0%Standard Life Investments Commercial Real Estate Debt LP3Limited Partnership0%Standard Life Investments European RE Club (Offshore Feeder) Ltd12Ordinary shares100%   |   | · ·                                   |                              |
| Standard Aberdeen Group LimitedOrdinary Shares100%Standard Aberdeen Investment Management LimitedOrdinary Shares100%Standard Aberdeen Investments LimitedOrdinary Shares100%Standard Aberdeen LimitedOrdinary Shares100%Standard Life Investments Brent Cross General Partner LimitedOrdinary Shares100%Standard Life investments Brent Cross LPLimited Partnership0%Standard Life Investments Commercial Real Estate Debt LP3Limited Partnership0%Standard Life Investments European RE Club (Offshore Feeder) Ltd12Ordinary shares100%  |   | · ·                                   |                              |
| Standard Aberdeen Investment Management LimitedOrdinary Shares100%Standard Aberdeen Investments LimitedOrdinary Shares100%Standard Aberdeen LimitedOrdinary Shares100%Standard Life Investments Brent Cross General Partner LimitedOrdinary Shares100%Standard Life investments Brent Cross LPLimited Partnership0%Standard Life Investments Commercial Real Estate Debt LP3Limited Partnership0%Standard Life Investments European RE Club (Offshore Feeder) Ltd12Ordinary shares100%  | · · · · · · · · · · · · · · · · · · ·   | · · · · · · · · · · · · · · · · · · · |                              |
| Standard Aberdeen Investments LimitedOrdinary Shares100%Standard Aberdeen LimitedOrdinary Shares100%Standard Life Investments Brent Cross General Partner LimitedOrdinary Shares100%Standard Life investments Brent Cross LPLimited Partnership0%Standard Life Investments Commercial Real Estate Debt LP³Limited Partnership0%Standard Life Investments European RE Club (Offshore Feeder) Ltd¹²Ordinary shares100%  | •   | •                                     | 100%                         |
| Standard Aberdeen LimitedOrdinary Shares100%Standard Life Investments Brent Cross General Partner LimitedOrdinary Shares100%Standard Life investments Brent Cross LPLimited Partnership0%Standard Life Investments Commercial Real Estate Debt LP³Limited Partnership0%Standard Life Investments European RE Club (Offshore Feeder) Ltd¹²Ordinary shares100%  | ~   | •                                     |                              |
| Standard Life Investments Brent Cross General Partner Limited  Ordinary Shares  100%  Standard Life investments Brent Cross LP  Standard Life Investments Commercial Real Estate Debt LP <sup>3</sup> Standard Life Investments European RE Club (Offshore Feeder) Ltd <sup>12</sup> Ordinary Shares  100%  Ordinary Shares  100%   |   | · · · · · · · · · · · · · · · · · · · |                              |
| Standard Life investments Brent Cross LPLimited Partnership0%Standard Life Investments Commercial Real Estate Debt LP3Limited Partnership0%Standard Life Investments European RE Club (Offshore Feeder) Ltd12Ordinary shares100%  | Standard Life Investments Brent Cross General Partner Limited                     | · · · · · · · · · · · · · · · · · · · |                              |
| Standard Life Investments Commercial Real Estate Debt LP <sup>3</sup> Limited Partnership 0% Standard Life Investments European RE Club (Offshore Feeder) Ltd <sup>12</sup> Ordinary shares 100%  |   | · · · · · · · · · · · · · · · · · · · |                              |
| Standard Life Investments European RE Club (Offshore Feeder) Ltd <sup>12</sup> Ordinary shares 100%   |   | ·                                     |                              |
| ·   |   | · ·                                   | 100%                         |
|   | Standard Life Investments European RE Club II (Offshore Feeder) Ltd <sup>12</sup> | Ordinary shares                       |                              |
| Standard Life investments European Real Estate Club LP <sup>3</sup> Limited Partnership 2%  |   | ·                                     |                              |
| Standard Life Investments European Real Estate Club II LP <sup>3</sup> Limited Partnership 1%   | · · · · · · · · · · · · · · · · · · ·   | •                                     |                              |
| Standard Life Investments European Real Estate Club III LP <sup>3</sup> Limited Partnership 2%  | · · · · · · · · · · · · · · · · · · ·   | · ·                                   |                              |
| Standard Life Investments European Real Estate Club LP Feeder Fund <sup>12</sup> Limited Partnership 0%   |   | ·                                     |                              |
| Standard Life Investments European Real Estate Club II LP Feeder Fund <sup>12</sup> Limited Partnership 0%  |   | •                                     |                              |
| Standard Life Investments (General Partner CRED) Limited <sup>3</sup> Ordinary Shares 100%  | ·   | •                                     |                              |

| Name of related undertaking  | Share class <sup>1</sup>         | % interest held <sup>2</sup> |
|--|----------------------------------|------------------------------|
| Standard Life Investments (General Partner ELIREF) S.a.r.I. <sup>20</sup>                              | Ordinary shares                  | 100%                         |
| Standard Life Investments (General Partner EPGF) Limited   | Ordinary Shares                  | 100%                         |
| Standard Life Investments (General Partner European Real Estate Club) Limited <sup>3</sup>             | Ordinary Shares                  | 100%                         |
| Standard Life Investments (General Partner European Real Estate Club II) Limited <sup>3</sup>          | Ordinary Shares                  | 100%                         |
| Standard Life Investments (General Partner European Real Estate Club III)<br>Limited <sup>3</sup>      | Ordinary Shares                  | 100%                         |
| Standard Life Investments (General Partner GARS) Limited   | Ordinary Shares                  | 100%                         |
| Standard Life Investments (General Partner GFS) Limited  | Ordinary Shares                  | 100%                         |
| Standard Life Investments (General Partner Global Tactical Asset Allocation)<br>Limited                | Ordinary Shares                  | 100%                         |
| Standard Life Investments (General Partner MAC) Limited  | Ordinary Shares                  | 100%                         |
| Standard Life Investments (General Partner UK Shopping Centre Feeder Fund LP) Limited <sup>3</sup>     | Ordinary Shares                  | 100%                         |
| Standard Life Investments Global Absolute Return Strategies Master Fund Limited <sup>12</sup>          | Ordinary Shares                  | 100%                         |
| Standard Life Investments Global Absolute Return Strategies Offshore Feeder Fund Limited <sup>12</sup> | Ordinary shares                  | 100%                         |
| Standard Life Investments Global Absolute Return Strategies Onshore Feeder Fund, LP <sup>17</sup>      | Limited Partnership              | 0%                           |
| Standard Life Investments (Mutual Funds) Limited   | Ordinary Shares                  | 100%                         |
| Standard Life Investments UK Shopping Centre Feeder Fund Company Limited <sup>65</sup>                 | Ordinary shares                  | 100%                         |
| Standard Life Savings Nominees Limited   | Ordinary Shares                  | 100%                         |
| Tenet Group Limited <sup>66</sup>  | Ordinary B Shares                | 25%                          |
| Tenon Nominees Limited <sup>4</sup>  | Ordinary shares                  | 100%                         |
| The Munro Partnership Ltd  | Ordinary Shares                  | 100%                         |
| Threesixty Partnerships Limited <sup>9</sup>   | Ordinary Shares                  | 100%                         |
| Touchstone Insurance Company Limited <sup>67</sup>   | Ordinary Shares                  | 100%                         |
| TPIF (No. 1) GP LLP <sup>68</sup>  | Limited Liability<br>Partnership | 60%                          |
| TPIF (No. 1) LP <sup>68</sup>  | Limited Partnership              | 0%                           |
| TPIF (Portfolio No. 1) GP LLP <sup>63</sup>  | Limited Liability<br>Partnership | 60%                          |
| TPIF (Portfolio No.1) LP <sup>63</sup>   | Limited Partnership              | 0%                           |
| TPIF (Portfolio No.1) Nominee Limited <sup>63</sup>  | Ordinary Shares                  | 60%                          |
| Tritax Aberdeen HQ Office (General Partner) Limited <sup>63</sup>                                      | Ordinary Shares                  | 60%                          |
| Tritax Aberdeen HQ Office Limited Partnership <sup>69</sup>  | Limited Partnership              | 0%                           |
| Tritax Assets LLP <sup>63</sup>  | Limited Liability Partnership    | 60%                          |
| Tritax Delivery Systems Limited <sup>63</sup>  | Ordinary Shares                  | 60%                          |
| Tritax LMR Carry GP LLP <sup>68</sup>  | Limited Liability Partnership    | 60%                          |
| Tritax LMR Carry Limited Partnership <sup>68</sup>   | Limited Partnership              | 7%                           |
| Tritax Management LLP <sup>3</sup>   | Limited Liability Partnership    | 60%                          |
| Tritax Securities LLP <sup>63</sup>  | Limited Liability<br>Partnership | 60%                          |
| Two Rivers One Limited <sup>30</sup>   | Ordinary Shares                  | 100%                         |
| Two Rivers Two Limited <sup>30</sup>   | Ordinary Shares                  | 100%                         |
| UK PRS Opportunities General Partner Limited <sup>3</sup>  | Ordinary shares                  | 100%                         |
| UK PRS Opportunities LP <sup>3</sup>   | Limited Partnership              | 0%                           |
| Virgin Money Unit Trust Managers Limited <sup>70</sup>   | Ordinary shares                  | 50%                          |
| VZWL Private Equity GmbH & Co geschlossene Investment KG <sup>37</sup>                                 | Limited Partnership              | 0%                           |
| Waverley Healthcare Private Equity Limited <sup>4</sup>  | Ordinary shares '                | 100%                         |

<sup>1.</sup> OEIC = Open-ended investment company

SICAV = Société d'investissement à capital variable

ETF = Exchange traded fund

<sup>2.</sup> Limited partnerships in which the Group has no interest but whose general partner is controlled by the Group are considered related undertakings under Companies Act 2006. Where the Group has no interest in a limited partnership that is considered a related undertaking, the interest held is disclosed as 0%.

#### Registered Offices

- 3. Bow Bells House, 1 Bread Street, London, EC4M 9HH
- 4.10 Queens Terrace, Aberdeen, AB101XI
- C/o IQ EQ Fund Services (Mauritius) Ltd, 33 Edith Cavell Street, Port Louis, 11324, Mauritius
- Cranford House, Kenilworth Road, Blackdown, Leamington Spa, CV32 6RQ
- 7.30 Finsbury Square, London, EC2A 1AG
- 8.7 Exchange Crescent, Conference Square, Edinburgh, EH3 8AN
- 9. 2nd Floor, The Royals, Altrincham Road, Sharston, Manchester M22 4BJ
- 10.6, rue Gabriel Lippmann L 5365 Munsbach, Luxembourg
- 11.2-8 avenue Charles De Gaulle, L-1653 Luxembourg, Luxembourg
- 12. c/o Maples Corporate Services Limited ,Ugland House, P.O. Box 309, Grand Cayman, KY1-1104, Cayman Islands
- c/o The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, DE, 19801, USA
- 14. Tuborg Havnevej 15, DK-2900 Hellerup, Denmark
- 15. c/o Asianajotoimisto DLA Piper Finland Oy, Fabianinkatu 23, Fl-00130 Helsinki. Finland
- Bangkok City Tower, 28th Floor, 179 South Sathorn Road, Thungmahamek, Sathorn, Bangkok, 10120, Thailand
- 17. c/o Corporation Service Company, 251 Little Falls Drive, Wilmington, DE. 19808. USA
- Office Unit 8, 6th Floor, Al Khatem Tower, Abu Dhabi Global Market Square, Al Marya Island, PO Box 764605, Abu Dhabi, United Arab Emirates
- c/o Corporation Service Company, 2711 Centerville Road, Suite 400, Wilmington, DE, 19808, USA
- 20.35a Avenue John F. Kennedy, L-1855 Luxembourg, Luxembourg
- 21. 29 Rue De Berri, Paris, 75008, France
- 22. Kaivokatu 6, Fl-00100, Helsinki, Finland
- 23. 40 Upper Mount Street, Dublin 2, Ireland
- 24. Western Suite, Ground Floor Mill Court, La Charroterie, St Peter Port, Guernsey, GY1 1EJ
- 25. P.O. Box 406, Mill Court, La Charroterie, St Peter Port, Guernsey, GY1 3GG
- 26.1900 Market St, Suite 200, Philadelphia, PA 19103, USA
- 1st Floor, Sir Walter Raleigh House, Esplanade, St Helier, JE2 3QB, Jersey
- 28. Box 3039, Stockholm, 103 63, Sweden
- 29. Harju maakond, Tallinn, Kesklinna linnaosa, Ahtri tn 6a, 10151, Estonia
- 30. Level 1, 1FC1, Esplanade, St Helier, JE2 3BX, Jersey
- 31.2B rue Albert Borschette, L-1246 Luxembourg, Luxembourg
- 32. WTC, H-Tower, 20th Floor, Zuidplein 166, 1077 XV Amsterdam, Netherlands
- 33. Mikonkatu 9 Fin 00100, Helsinki, Finland
- 34. Level 10, 255 George Street, Sydney, NSW 2000, Australia
- 35.8F-1, No. 101, Songren Road, Taipei City, 110, Taiwan, Republic of China
- 36. Schweizergasse 14, Zurich, 8001, Switzerland
- 37. Bockenheimer Landstrasse 25, 60325 Frankfurt am Main, Germany
- 38. AC 82 NO. 10 60 P 5 Bogota DC, Columbia
- 39.7125th Ave, New York, NY 10019, USA

- 40.24 Merrion Row, Dublin 2, Ireland
- 41.80, route d'Esch, L-1470 Luxembourg, Luxembourg
- 42.44 Esplanade, St Helier, Jersey, JE4 9WG
- 43.2-4, Rue Eugène Ruppert, L-2453 Luxembourg, Luxembourg
- 44.21 Church Street, #01-01, Capital Square Two, 049480, Singapore
- 45. Rua Joaquim Floriano, 913 7th floor Cj. 71, Itaim Bibi, São Paulo, 04534-013, Brasil
- 46.1 First Canadian Place, 100 King Street West, Toronto, Ontario, Canada
- 47.6th Floor, Alexandra House, 18 Chater Road, Central, Hong Kong
- 48. Suite 1005, 10th Floor, Wisma Hamzah-Kwong Hing No.1, Leboh Ampang 50100 Kuala Lumpur, Malaysia
- 49. Otemachi Financial City Grand Cube 9F, 1-9-2 Otemachi, Chiyodaku, Tokyo, 100-0004, Japan
- 50. 13th Fl., B Tower (Seocho-dong, Kyobo Tower Building), 465, Gangnam-daero, Seocho-gu, Seoul, Korea
- 51.80 Robinson Road, #02-00, 068898, Singapore
- West Area, 2F, No.707 Zhangyang Road, China (Shanghai) Pilot Free Trade Zone
- 53. Sveavägen 24, 111 57 Stockholm, Sweden
- 54. Fourth Floor, 7 Castle Street, Edinburgh, EH2 3AH
- 55. 11th Floor, Two Snow Hill, Birmingham, B4 6WR
- 56. c/o Paget-Brown Trust Company Ltd, Boundary Hall, Cricket Square, P.O. Box 1111, Grand Cayman, KY1-1102, Cayman Islands
- 57.7 Lochside View, Edinburgh, EH12 9DH
- 58. Codan Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands
- 59. 18F, Tower II, The Exchange, 189 Nanjing Road, Heping District, Tianjin, People's Republic of China, 300051
- 60.1 Rodney Square 10th Fl, 10 & King St, Wilmington, DE, 19801, USA
- Campbells Corporate Services Limited, 4th Floor, Willow House, Cricket Square, Grand Cayman, KY1-9010, Cayman Islands
- 62. 16th Floor, Menara DEA Tower 2, 16th Floor, Kawasan Mega Kuningan, JI Mega Kuningan Barat Kav. E4.3 No. 1-2, 12950 Jakarta, Indonesia
- $63.\,3rd\,Floor, 6\,Duke\,Street\,St\,James's, London, SW1Y\,6BN$
- 64.2 Boulevard de la Foire, L-1528 Luxembourg, Luxembourg
- 65. Ogier House, Esplanade, St Helier, JE4 9WG, Jersey
- 66.5 Lister Hill, Horsforth, Leeds LS18 5AZ
- 67. c/o Aon, PO Box 33, Maison Trinity, Trinity Square, St Peter Port, Guernsey GY1 4AT
- 68.50 Lothian Road, Festival Square, Edinburgh, EH3 9WJ
- 69. DWF LLP, 110 Queen Street, Glasgow, G1 3HD
- 70. Jubilee House, Gosforth, Newcastle-Upon-Tyne, NE3 4PL

# 8. Company financial statements

# Company statement of financial position

As at 31 December 2021

|   |          | 2021    | 2020    |
|---|----------|---------|---------|
|   | Notes    | £m      | £m      |
| Assets  | <b>A</b> | F 0 / F | 4.04.0  |
| Investments in subsidiaries   | A        | 5,065   | 4,013   |
| Investments in associates and joint ventures                                | В        | 206     | 1,216   |
| Deferred tax assets   | N        | 113     | 77      |
| Loans to subsidiaries   | С        | 70      | 109     |
| Derivative financial assets   | С        | 8       | 1       |
| Equity securities and interests in pooled investment funds                  | С        | 1,187   | 249     |
| Debt securities   | С        | 227     | 326     |
| Receivables and other financial assets                                      | С        | 30      | 50      |
| Other assets  | F        | 83      | _       |
| Cash and cash equivalents   | С        | 20      | 47      |
| <u>Total assets</u>   |          | 7,009   | 6,088   |
|   |          |         |         |
| Equity  |          |         |         |
| Share capital   | G        | 305     | 306     |
| Shares held by trusts   | Н        | (167)   | (161)   |
| Share premium reserve   | G        | 640     | 640     |
| Retained earnings   | 1        |         |         |
| Brought forward retained earnings   |          | 2,631   | 2,933   |
| Profit/(loss) for the year attributable to equity shareholders of abrdn plc |          | 990     | (1,266) |
| Other movements in retained earnings  |          | (320)   | 964     |
| Total retained earnings   |          | 3,301   | 2,631   |
| Other reserves  | J        | 1,856   | 1,842   |
| Equity attributable to equity shareholders of abrdn plc                     |          | 5,935   | 5,258   |
| Other equity  | K        | 207     | _       |
| Total equity  |          | 6,142   | 5,258   |
|   |          |         |         |
| Liabilities   |          |         |         |
| Subordinated liabilities  | L        | 644     | 638     |
| Derivative financial liabilities  | D        | -       | 6       |
| Other financial liabilities   | L        | 177     | 110     |
| Provisions  | Р        | 35      | 68      |
| Other liabilities   | Р        | 11      | 8       |
| Total liabilities   |          | 867     | 830     |
| Total equity and liabilities  |          | 7.009   | 6.088   |

The financial statements on pages 252 to 263 were approved by the Board and signed on its behalf by the following Directors:

**Sir Douglas Flint** Chairman

**Stephanie Bruce** Chief Financial Officer

28 February 2022

28 February 2022

Company registered number: SC286832

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The Notes on pages 255 to 263 are an integral part of these financial statements.

# Company statement of changes in equity

For the year ended 31 December 2021

|                               |       |               | Shares held by | Share<br>premium | Retained | Other    | Total equity<br>attributable to<br>equity<br>shareholders |              |              |
|-------------------------------|-------|---------------|----------------|------------------|----------|----------|---|--------------|--------------|
|                               |       | Share capital | trusts         | reserve          | earnings | reserves | of abrdn plc  | Other equity | Total equity |
| 2021                          | Notes | £m            | £m             | £m               | £m       | £m       | £m  | £m           | £m           |
| 1 January                     |       | 306           | (161)          | 640              | 2,631    | 1,842    | 5,258   | -            | 5,258        |
| Profit for the year           |       | -             | -              | -                | 990      | -        | 990   | -            | 990          |
| Other comprehensive           |       |               |                |                  |          |          |   |              |              |
| income for the year           |       | -             | -              | -                | -        | 6        | 6   | -            | 6            |
| Total comprehensive income    |       |               |                |                  |          |          |   |              |              |
| for the year                  |       | -             | -              | -                | 990      | 6        | 996   | -            | 996          |
| Issue of other equity         | K     | -             | -              | -                | -        | -        | -   | 207          | 207          |
| Dividends paid on ordinary    |       |               |                |                  |          |          |   |              |              |
| shares                        |       | -             | -              | -                | (308)    | -        | (308)   | -            | (308)        |
| Share buyback                 | G     | (1)           | -              | -                | -        | 1        | -   | -            | -            |
| Reserves credit for employee  |       |               |                |                  |          |          |   |              |              |
| share-based payment           | J     | -             | -              | -                | -        | 43       | 43  | -            | 43           |
| Transfer to retained earnings |       |               |                |                  |          |          |   |              |              |
| for vested employee share-    |       |               |                |                  |          |          |   |              |              |
| based payment                 | J     | -             | -              | -                | 36       | (36)     | _   | -            | -            |
| Shares acquired by            |       |               |                |                  |          |          |   |              |              |
| employee trusts               |       | -             | (52)           | -                | -        | -        | (52)  | -            | (52)         |
| Shares distributed by         |       |               |                |                  |          |          |   |              |              |
| employee and other trusts     |       |               |                |                  |          |          |   |              |              |
| and related dividend          |       |               |                |                  |          |          |   |              |              |
| equivalents                   |       | -             | 46             | -                | (48)     | -        | (2)   | -            | (2)          |
| 31 December                   |       | 305           | (167)          | 640              | 3,301    | 1,856    | 5,935   | 207          | 6,142        |

[7]

The Notes on pages 255 to 263 are an integral part of these financial statements.

# 8. Company financial statements continued

|  |       | Share<br>capital | Shares<br>held by<br>trusts | Share<br>premium<br>reserve | Retained earnings | Other reserves | Total<br>equity |
|--|-------|------------------|-----------------------------|-----------------------------|-------------------|----------------|-----------------|
| 2020   | Notes | £m               | £m                          | £m                          | £m                | £m             | £m              |
| 1 January  |       | 327              | (119)                       | 640                         | 2,933             | 3,621          | 7,402           |
| Loss for the year                                    |       | -                | _                           | _                           | (1,266)           | -              | (1,266)         |
| Other comprehensive                                  |       |                  |                             |                             |                   |                |                 |
| income for the year                                  |       | _                | _                           | _                           | _                 | 8              | 8               |
| Total comprehensive                                  |       |                  |                             |                             |                   |                |                 |
| income for the year                                  |       | -                | _                           | -                           | (1,266)           | 8              | (1,258)         |
| Dividends paid on ordinary                           |       |                  |                             |                             |                   |                |                 |
| shares   |       | _                | _                           | -                           | (479)             | -              | (479)           |
| Share buyback  | G     | (21)             | _                           | -                           | (402)             | 21             | (402)           |
| Reserves credit for                                  |       |                  |                             |                             |                   |                |                 |
| employee share-based                                 |       |                  |                             |                             |                   |                |                 |
| payment  | J     | _                | _                           | _                           | _                 | 64             | 64              |
| Transfer to retained                                 |       |                  |                             |                             |                   |                |                 |
| earnings for vested                                  |       |                  |                             |                             |                   |                |                 |
| employee share-based                                 |       |                  |                             |                             | 20                | (20)           |                 |
| payment  | J     | _                | _                           | -                           | 38                | (38)           | _               |
| Transfer between                                     |       |                  |                             |                             |                   |                |                 |
| reserves on impairment of investment in subsidiaries | 1     |                  |                             |                             | 1 024             | (1.02.4)       |                 |
|  | J     | _                | _                           | -                           | 1,834             | (1,834)        | _               |
| Shares acquired by                                   |       |                  | (66)                        |                             |                   |                | (66)            |
| employee trusts                                      |       | _                | (00)                        | -                           | _                 | _              | (00)            |
| Shares distributed by employee and other trusts      |       |                  |                             |                             |                   |                |                 |
| and related dividend                                 |       |                  |                             |                             |                   |                |                 |
| equivalents  |       | _                | 24                          | _                           | (27)              | _              | (3)             |
| 31 December  |       | 306              | (161)                       | 640                         | 2,631             | 1,842          | 5,258           |



The Notes on pages 255 to 263 are an integral part of these financial statements.

## Company accounting policies

### (a) Basis of preparation

These separate financial statements are presented as required by the Companies Act 2006. The Company meets the definition of a qualifying entity under Application of Financial Reporting Requirements 100 as issued by the Financial Reporting Council. Accordingly, the financial statements for period ended 31 December 2021 have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) as issued by the Financial Reporting Council.

The financial statements have been prepared on a going concern basis and under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss (FVTPL).

As permitted by FRS 101, the Company has taken advantage of the following disclosure exemptions available under that standard:

- A cash flow statement and related notes.
- Capital management.
- Effect of IFRSs issued but not effective.
- Related party transactions with wholly owned subsidiaries.

As equivalent disclosures are given in the consolidated financial statements, we have also applied the disclosure exemptions for share based payments and financial instruments.

The principal accounting policies adopted are the same as those given in the consolidated financial statements, together with the Company specific policies set out below. These accounting policies have been consistently applied to all financial reporting periods presented in these financial statements.

The Company has taken advantage of the exemption in section 408 of the Companies Act 2006 not to present its own income statement in these financial statements. The auditors' remuneration for audit and other services is disclosed in Note 7 to the consolidated financial statements. The Company has no employees.

### (i) Investment in subsidiaries, associates and joint ventures

The Company has certain subsidiaries which are investment vehicles such as open-ended investment companies, unit trusts and limited partnerships whose primary function is to generate capital or income growth through holding investments. This category of subsidiary is held at FVTPL since they are managed on a fair value basis.

Investments in subsidiaries (other than those measured at FVTPL), associates (other than those measured at FVTPL) and joint ventures are initially recognised at cost and subsequently held at cost less any impairment charge. An impairment charge is recognised when the carrying amount of the investment exceeds its recoverable amount. Any gain or loss on disposal of a subsidiary, associate or joint venture is recognised in profit for the year.

Distributions received of non-cash assets, including investments in subsidiaries, are recognised at fair value in the balance sheet and as dividends in specie in the income statement.

### 8. Company financial statements continued

## (ii) Critical accounting estimates and judgements in applying accounting policies

The preparation of financial statements requires management to make estimates and assumptions and exercise judgements in applying the accounting policies that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses arising during the year. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The areas where judgements have the most significant effect on the amounts recognised in the Company financial statements are as follows:

| Financial statement area                 | Critical judgements in applying accounting policies   | Related notes |
|--|---|---------------|
| Investments in subsidiaries held at cost | Given that the net assets attributable to shareholders of abrdn plc at 31 December 2021 were higher than the market capitalisation of the Company judgement was required to determine for which subsidiaries this was considered an indicator of impairment |               |

The areas where assumptions and other sources of estimation uncertainty at the end of the reporting period have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year are as follows:

| Financial statement area                 | Critical accounting estimates and assumptions | Related notes |
|--|---|---------------|
| Investments in subsidiaries held at cost | Determination of the recoverable amount       | Note A        |

### Notes to the Company financial statements

### A. Investments in subsidiaries

|   |       | 2021  | 2020  |
|---|-------|-------|-------|
|   | Notes | £m    | m£    |
| Investments in subsidiaries measured at cost  |       | 3,737 | 3,568 |
| Investments in subsidiaries measured at FVTPL | С     | 1,328 | 445   |
| Investments in subsidiaries                   |       | 5,065 | 4,013 |

|  | 2021  | 2020    |
|--|-------|---------|
|  | £m    | £m      |
| At 1 January   | 4,013 | 6,027   |
| Investment into existing subsidiaries measured at cost | 210   | 26      |
| Acquisition of subsidiaries via in specie dividend     | 4     | -       |
| Disposal of subsidiaries measured at cost              | -     | (50)    |
| Impairment of subsidiaries measured at cost            | (45)  | (1,873) |
| Acquisition of subsidiaries at FVTPL                   | 884   | 8       |
| Disposal of subsidiaries at FVTPL                      | (2)   | (126)   |
| Gains on subsidiaries at FVTPL                         | 1     | 1       |
| At 31 December   | 5,065 | 4,013   |

Details of the Company's subsidiaries are given in Note 47 of the Group financial statements.

### (a) Acquisitions

During 2021, the Company made the following acquisitions of subsidiaries measured at cost:

- The Company increased its investment in abrdn Financial Planning Ltd (aFPL) through the purchase of 40,000,000 ordinary shares for a cash consideration of £40m.
- The Company increased its investment in Aberdeen Asset Management PLC (AAM PLC) by £165.3m through the purchase of 1,031,250 ordinary shares for a cash consideration of £3.3m, the purchase of 21,350,600 ordinary shares for a cash consideration of £68.3m, the purchase of 1,718,750 ordinary shares for a cash consideration of £5.5m and the purchase of 27,562,500 ordinary shares for a cash consideration of £88.2m.
- The Company increased its investment in Aberdeen Corporate Services Limited (ACSL) through the purchase of 3,385 ordinary shares for a cash consideration of £3.4m.
- The Company acquired Focus Business Solutions (FBS) via a dividend in specie from Focus Solutions Group Limited and recognised this subsidiary at an amount of £3.8m. The Company further increased its investment in FBS through the purchase of 150,000,000 ordinary shares for a cash consideration of £1.5m.

### During 2020, the Company made the following acquisitions of subsidiaries measured at cost:

- The Company increased its investment in aFPL through the purchase of 17,000,000 ordinary shares for a cash consideration of £17m.
- The Company increased its investment in AAM PLC through the purchase of 1,171,875 ordinary shares for a cash consideration of £3.8m and through the purchase of 500,000 ordinary shares for a cash consideration of £1.6m.
- The Company increased its investment in ACSL through the purchase of 3,584 ordinary shares for a cash consideration of £3.6m.

See Section (d) below for details on investments in subsidiaries at FVTPL.

#### (b) Disposals

During 2020, the Company made the following disposals of subsidiaries measured at cost:

- The Company redeemed £44.4m of equity capital in abrdn (Mauritius Holdings) 2006 Limited through the cancellation of 553,336.19 Participating shares.
- The Company received £5.2m by way of distribution of the unallocated divisible surplus from the Standard Life
  Assurance Company 2006 (SLAC 06) following its deauthorisation. The Company was the sole member of SLAC 06
  and this amount was previously held as a subsidiary measured at cost.

### 8. Company financial statements continued

### **Impairment**

The Company's net assets attributable to shareholders of abrdn plc at 31 December 2021 of £5.9bn are higher than the Company's market capitalisation of £5.3bn. This was considered to be an indicator of impairment of the Company's largest investment in subsidiary AAM PLC (carrying value £2.1bn). All other investments in subsidiaries (with the exception of abrdn Financial Planning Limited discussed below) were supported by financial assets, or other relevant analysis. The recoverable amount of AAM PLC was therefore determined based on value in use and based on this assessment no impairment of AAM PLC was required at 31 December 2021. The assumptions used in the value in use were the same as those used for the value in use of the asset management group of cash generating units as described in Note 14 of the Group financial statements, with the cash flows being restricted to those related to the AAM PLC group. Management do not consider that there is a significant risk of a material adjustment to the carrying amount of the AAM PLC investment in subsidiary asset within the next financial year.

In the year ended 31 December 2020, the Company impaired its investment in AAM PLC by £1,834m. Following the impairment, £1,834m was transferred from the merger reserve to retained earnings (refer Note J). There was no transfer from the merger reserve in the year ended 31 December 2021.

The impairment of £1,834m was recognised at 30 June 2020, at the same time as a further impairment of the asset management goodwill was recognised in the Group financial statements. Refer Note 14 of the Group financial statements.

The Company's investment in its subsidiary abran Financial Planning Limited (aFPL) was impaired during 2021 by £45m. (2020: £39m). As detailed in Note A, the Company had increased its investment in aFPL by £40m during the year ended 31 December 2021.

The recoverable amount of aFPL which is its fair value less costs of disposal (FVLCD) at 31 December 2021 was £110m. The FVLCD considered a number of valuation approaches, with the primary approach being a multiples approach based on price to revenue and price to assets under advice (AUAdv). Multiples were based on recent transactions, adjusted to take into account profitability where appropriate, and were benchmarked against trading multiples for aFPL's peer companies. Revenue was based on actuals for the year ended 31 December 2021 and AUAdv was based on actuals at 31 December 2021. The expected cost of disposal was based on past experience of previous transactions. This is a level 3 measurement as it is measured using inputs which are not based on observable market data. The impairment resulted from losses incurred by the business during the year, the impact of the level of profitability on valuation expectations for certain parts of the business, and an impairment of internally developed software (refer Note 14 of the Group financial statements). As the year end carrying value is the recoverable amount any downside sensitivity will lead to a further future impairment loss. A 20% reduction in recurring revenue and AUAdv would result in a further impairment of £22m.

The recoverable amount at 31 December 2020 of £115m was also based on the FVLCD which similarly considered a number of valuation approaches, with the primary approach being a multiples approach based on price to revenue and price to AUAdv.

#### Investments in subsidiaries at FVTPL (d)

Investments in subsidiaries at FVTPL, valued at £1,328m (2020: £445m), relate to holdings in funds over which the Company has control.

#### B. Investments in associates and joint ventures

|  | 2021 | 2020  |
|--|------|-------|
|  | £m   | £m    |
| Investment in associates measured at cost    | 10   | 1,020 |
| Investment in joint venture measured at cost | 196  | 196   |
| Investments in associates and joint ventures | 206  | 1,216 |

#### (a) Investment in associates

The Company has an interest of 25.3% (2020: 25.3%) in Tenet Group Limited, a company incorporated in England and Wales which is measured at cost less impairment.

With effect from 23 February 2021 the Company judged its investment in Phoenix Group Holdings plc (Phoenix) was no longer classified as an associate. Further details are provided in Note 15 of the Group Financial Statements. The Company's shareholding in Phoenix, which remained at 14.4%, was therefore reclassified from an investment in associate measured at cost less impairment to equity securities and interests in pooled investment funds measured at fair value. A reclassification gain of £13m was recognised for the year ended 31 December 2021 as the fair value on 22 February 2021 of £1,023m was higher than the previous carrying value as an associate of £1,010m.

### Investment in joint venture

The Company has a 50% (2020: 50%) interest in Heng An Standard Life Insurance Company Limited (HASL), a company incorporated in China. Further details on this joint venture are provided in Note 15 of the Group financial statements.

## C. Financial investments

|                                 |       | Fair value t<br>profit or |      | Derivative<br>instruments use |      | Amortise | ed cost | Tot   | al    |
|---------------------------------|-------|---------------------------|------|-------------------------------|------|----------|---------|-------|-------|
|                                 |       | 2021                      | 2020 | 2021                          | 2020 | 2021     | 2020    | 2021  | 2020  |
|                                 | Notes | £m                        | £m   | £m                            | £m   | £m       | £m      | £m    | £m    |
| Investments in subsidiaries     |       |                           |      |                               |      |          |         |       |       |
| measured at FVTPL               | Α     | 1,328                     | 445  | _                             | -    | -        | -       | 1,328 | 445   |
| Loan to subsidiaries            |       | -                         | -    | -                             | -    | 70       | 109     | 70    | 109   |
| Derivative financial assets     | D     | -                         | -    | 8                             | 1    | -        | -       | 8     | 1     |
| Equity securities and interests |       |                           |      |                               |      |          |         |       |       |
| in pooled investment funds      |       | 1,187                     | 249  | _                             | -    | -        | -       | 1,187 | 249   |
| Debt securities                 |       | 1                         | -    | -                             | -    | 226      | 326     | 227   | 326   |
| Receivables and other           |       |                           |      |                               |      |          |         |       |       |
| financial assets                | Е     | -                         | 28   | _                             | -    | 30       | 22      | 30    | 50    |
| Cash and cash equivalents       |       | -                         | -    | -                             | -    | 20       | 47      | 20    | 47    |
| Total                           |       | 2,516                     | 722  | 8                             | 1    | 346      | 504     | 2,870 | 1,227 |

The amount of debt securities expected to be recovered or settled after more than 12 months is £62m (2020: £231m). The amount of loans to subsidiaries expected to be recovered or settled after more than 12 months is £70m (2020: £100m). The amount of equity securities and interests in pooled investment funds expected to be recovered or settled after more than 12 months is £708m (2020: £249m).

Under IFRS 9 the Company calculates expected credit losses (ECL) on financial assets which are measured at amortised cost (refer to Note 37 (c) of the Group financial statements), including loans to subsidiaries (which are unrated). At 31 December 2021 the Company does not hold financial assets at amortised cost that it regards as credit-impaired or for which it considers the probability of default would result in material expected credit losses. The expected credit losses recognised were less than £1m (2020: less than £1m). In making this assessment the Company has considered if any evidence is available to indicate the occurrence of an event which would result in a detrimental impact on the estimated future cash flows of these assets.

#### D. Derivative financial instruments

The Company uses derivative financial instruments in order to reduce the risk from potential movements in foreign exchange rates.

|                                  |  | 2021 |                    |     | 2020                 |                           |
|----------------------------------|--|------|--------------------|-----|----------------------|---------------------------|
|                                  | Contract Fair value Fair value amount assets liabilities |      | Contract run value |     | Fair value<br>assets | Fair value<br>liabilities |
|                                  | £m   | £m   | £m                 | £m  | £m                   | £m                        |
| Cash flow hedges                 | 554  | 8    | -                  | 549 | -                    | 6                         |
| Foreign exchange forwards        | 64   | -    | -                  | 79  | 1                    | _                         |
| Derivative financial instruments | 618  | 8    | -                  | 628 | 1                    | 6                         |

The derivative asset of £8m (2020: derivative liability of £6m) is expected to be settled after more than 12 months.

On 18 October 2017, the Company issued subordinated notes with a principal amount of US \$750m. In order to manage the foreign exchange risk relating to the principal and coupons payable on these notes the Company entered into a cross-currency swap which is designated as a hedge of future cash flows.

### 8. Company financial statements continued

The maturity profile of the contractual undiscounted cash flows in relation to derivative financial instruments is as follows:

|                           |      | Within 2-5<br>1 year years |      |      | 6-10 11-1<br>years year |       |      |      |       |          |
|---------------------------|------|----------------------------|------|------|-------------------------|-------|------|------|-------|----------|
|                           | 2021 | 2020                       | 2021 | 2020 | 2021                    | 2020  | 2021 | 2020 | 2021  | 2020     |
|                           | £m   | £m                         | £m   | £m   | £m                      | £m    | £m   | £m   | £m    | £m       |
| Cash inflows              |      |                            |      |      |                         |       |      |      |       |          |
| Cash flow hedges          | 24   | 23                         | 94   | 93   | 589                     | 607   | -    | -    | 707   | 723      |
| Foreign exchange forwards | 55   | 62                         | -    | -    | -                       | -     | -    | -    | 55    | 62       |
| Total                     | 79   | 85                         | 94   | 93   | 589                     | 607   | -    | -    | 762   | 785      |
|                           |      |                            |      |      |                         |       |      |      |       |          |
| Cash outflows             |      |                            |      |      |                         |       |      |      |       |          |
| Cash flow hedges          | (18) | (18)                       | (73) | (73) | (596)                   | (614) | -    | -    | (687) | (705)    |
| Foreign exchange forwards | (55) | (61)                       | -    | -    | -                       | -     | -    | -    | (55)  | (61)     |
| Total                     | (73) | (79)                       | (73) | (73) | (596)                   | (614) | -    | -    | (742) | (766)    |
| Net derivative financial  |      |                            |      |      |                         |       |      |      |       | <u>.</u> |
| instruments cash flows    | 6    | 6                          | 21   | 20   | (7)                     | (7)   | -    | -    | 20    | 19       |

### E. Receivables and other financial assets

|  | 2021 | 2020 |
|--|------|------|
|  | £m   | £m   |
| Amounts due from related parties             | 14   | 16   |
| Contingent consideration asset               | -    | 28   |
| Other financial assets                       | 16   | 6    |
| Total receivables and other financial assets | 30   | 50   |

The carrying amounts disclosed above reasonably approximate the fair values at the year end.

Receivables and other financial assets of £30m (2020: £43m) are expected to be recovered within 12 months.

### F. Other assets

|              | 2021 | 2020 |
|--------------|------|------|
|              | £m   | £m   |
| Prepayments  | 56   | -    |
| Other        | 27   | -    |
| Other assets | 83   | -    |

The amount of Other assets which are expected to be recovered within 12 months is £35m (2020: £nil).

Prepayments of £56m (2020: £nil) relate to the Group's future purchase of certain products in the Phoenix Group's savings business offered through abrdn's Wrap platform together with the Phoenix Group's trustee investment plan business for UK pension scheme clients (refer Note 1(c)(iii) of the Group financial statements). Other includes £27m (2020: £nil) in respect of amounts due from related parties.

### G. Share capital and share premium

Details of the Company's share capital and share premium are given in Note 25 of the Group financial statements including details of the share buyback.

## H. Shares held by trusts

Shares held by trusts relates to shares in abrdn plc that are held by the Standard Life Aberdeen Employee Benefit Trust (SLA EBT) and Standard Life Employee Trust (ET). Further details of these trusts are provided in Note 26 of the Group financial statements.

### I. Retained earnings

Details of the dividends paid on the ordinary shares by the Company are provided in Note 13 of the Group financial statements. Note 13 also includes information regarding the final dividend proposed by the Directors for the year ended 31 December 2021.

### J. Movements in other reserves

The following tables show the movements in other reserves during the year:

|   | Mergerreserve | Equity compensation reserve | Special reserve | Capital redemption reserve | Cash flow<br>hedges | Total |
|---|---------------|-----------------------------|-----------------|----------------------------|---------------------|-------|
| 2021  | £m            | £m                          | £m              | £m                         | £m                  | £m    |
| At 1 January  | 578           | 79                          | 115             | 1,058                      | 12                  | 1,842 |
| Fair value gains on cash flow hedges  | -             | -                           | -               | -                          | 19                  | 19    |
| Realised gains on cash flow hedges transferred to income statement          | -             | -                           | -               | -                          | (10)                | (10)  |
| Share buyback   | -             | -                           | -               | 1                          | -                   | 1     |
| Reserves credit for employee share-based payments                           | -             | 43                          | -               | _                          | -                   | 43    |
| Transfer to retained earnings for vested employee share-based payments      | -             | (36)                        | -               | _                          | _                   | (36)  |
| Tax effect of items that may be reclassified subsequently to profit or loss | -             | -                           | -               | _                          | (3)                 | (3)   |
| At 31 December  | 578           | 86                          | 115             | 1,059                      | 18                  | 1,856 |

|  | Merger reserve | Equity compensation reserve | Special reserve | Capital redemption reserve | Cash flow<br>hedges | Total   |
|--|----------------|-----------------------------|-----------------|----------------------------|---------------------|---------|
| 2020   | £m             | £m                          | £m              | £m                         | £m                  | £m      |
| At 1 January   | 2,412          | 53                          | 115             | 1,037                      | 4                   | 3,621   |
| Fair value losses on cash flow hedges                                  | -              | _                           | _               | _                          | (3)                 | (3)     |
| Realised losses on cash flow hedges                                    |                |                             |                 |                            |                     |         |
| transferred to income statement  | _              | _                           | _               | _                          | 13                  | 13      |
| Share buyback  | -              | -                           | _               | 21                         | _                   | 21      |
| Reserves credit for employee share-based                               |                |                             |                 |                            |                     |         |
| payments   | _              | 64                          | _               | _                          | _                   | 64      |
| Transfer to retained earnings for vested employee share-based payments | _              | (38)                        | _               | _                          | _                   | (38)    |
| Transfer between reserves on impairment of                             |                |                             |                 |                            |                     |         |
| investment in subsidiaries   | (1,834)        | _                           | -               | -                          |                     | (1,834) |
| Tax effect of items that may be reclassified                           |                |                             |                 |                            |                     |         |
| subsequently to profit or loss   | -              | _                           | _               | _                          | (2)                 | (2)     |
| At 31 December   | 578            | 79                          | 115             | 1,058                      | 12                  | 1,842   |

During 2021, £1m (2020: £21m) was recognised in the capital redemption reserve for the share buyback (refer Note 25 of the Group financial statements).

During 2020, following the impairment loss recognised in that period on the Company's investment in AAM PLC (refer Note A) £1,834m was transferred from the merger reserve to retained earnings.

### K. Other Equity

# 5.25 % Fixed Rate Reset Perpetual Subordinated Contingent Convertible Notes

On 13 December 2021, the Company issued £210m of 5.25% Fixed Rate Reset Perpetual Subordinated Contingent Convertible Notes (the Notes). The Notes are classified as other equity and have been initially recognised at £207m (the proceeds received less issuance costs of £3m, refer Note 29 (a) of the Group financial statements).

### L. Financial liabilities

|                             |       | Designated as at fair value through profit or loss |      | Amortise | ed cost | Total |      |
|-----------------------------|-------|--|------|----------|---------|-------|------|
|                             |       | 2021   | 2020 | 2021     | 2020    | 2021  | 2020 |
|                             | Notes | £m   | £m   | £m       | £m      | £m    | £m   |
| Subordinated liabilities    | М     | -  | -    | 644      | 638     | 644   | 638  |
| Other financial liabilities | 0     | 9  | _    | 168      | 110     | 177   | 110  |
| Total                       |       | 9  | _    | 812      | 748     | 821   | 748  |

### 8. Company financial statements continued

### M. Subordinated liabilities

|  | 2021                |                | 2020                |                   |
|--|---------------------|----------------|---------------------|-------------------|
|  | Principal<br>amount | Carrying value | Principal<br>amount | Carrying<br>value |
| Subordinated notes:                          |                     |                |                     | _                 |
| 4.25% US Dollar fixed rate due 30 June 2028  | \$750m              | £552m          | \$750m              | £546m             |
| 5.5% Sterling fixed rate due 4 December 2042 | £92m                | £92m           | £92m                | £92m              |
| Total subordinated liabilities               |                     | £644m          |                     | £638m             |

Subordinated liabilities are considered current if the contractual re-pricing or maturity dates are within one year. The principal amount of all the subordinated liabilities is expected to be settled after more than 12 months. The accrued interest on the subordinated liabilities of less than £1m (2020: less than £1m) is expected to be settled within 12 months.

Further information including the terms and conditions of all subordinated liabilities is given in Note 32 of the Group financial statements.

### N. Deferred tax assets and liabilities

|                     | 2021 | 2020 |
|---------------------|------|------|
|                     | £m   | £m   |
| Deferred tax assets | 113  | 77   |

The amount of deferred tax assets expected to be recovered or settled after more than 12 months are £113m (2020: £77m).

### Recognised deferred tax

|  | 2021 | 2020 |
|--|------|------|
|  | £m   | £m   |
| Deferred tax assets comprise:                  |      |      |
| Unused tax losses                              | 120  | 80   |
| Unrealised losses on cash flow hedges          | -    | (2)  |
| Gross deferred tax assets                      | 120  | 78   |
| Less: Offset against deferred tax liabilities  | (7)  | (1)  |
| Deferred tax assets                            | 113  | 77   |
| Deferred tax liabilities comprise:             |      |      |
| Unrealised gains on cash flow hedges           | 6    | -    |
| Unrealised gains on investments                | 1    | 1    |
| Gross deferred tax liabilities                 | 7    | 1    |
| Less: Offset against deferred tax assets       | (7)  | (1)  |
| Deferred tax liabilities                       | -    | -    |
| Net deferred tax asset at 31 December          | 113  | 77   |
| Movements in net deferred tax assets comprise: |      |      |
| At 1 January                                   | 77   | 35   |
| Amounts credited to profit or loss             | 39   | 44   |
| Amounts charged to other comprehensive income  | (3)  | (2)  |
| At 31 December                                 | 113  | 77   |

The deferred tax assets recognised are in respect of unrealised losses on cash flow hedges and on unused tax losses including the impact of the revaluation of these losses due to the future impact of the increase in the UK Corporation Tax rate to 25% from 1 April 2023. The deferred tax assets are recognised to the extent that it is probable that the losses will be capable of being offset against future taxable profits (refer Note 9 (c) (ii) of the Group financial statements).

### O. Other financial liabilities

|  | 2021 | 2020 |
|--|------|------|
|  | £m   | £m   |
| Outstanding purchase of investment securities        | 5    | 6    |
| Amounts due to related parties                       | 137  | 47   |
| Collateral held in respect of derivative contracts   | 15   | 7    |
| Contingent consideration liability                   | 9    | -    |
| Outstanding contractual obligation for share buyback | -    | 40   |
| Other  | 11   | 10   |
| Other financial liabilities                          | 177  | 110  |

Other financial liabilities of £172m (2020: £110m) are expected to be settled within 12 months.

### P. Provisions and other liabilities

Of Provisions of £35m (2020: £68m), £35m are expected to be settled within 12 months (2020: £58m). The provisions in 2021 and 2020 relate to separation costs. Refer Note 36 of the Group financial statements for further information and details of the provisions.

Of Other liabilities of £11m (2020: £8m), £11m are expected to be settled within 12 months (2020: £8m) and include £11m (2020: £8m) in respect of amounts due to related parties.

# Q. Contingent liabilities, contingent assets, indemnities and guarantees

### (a) Legal proceedings and regulations

The Company, like other financial organisations, is subject to legal proceedings and complaints in the normal course of its business. All such material matters are periodically reassessed, with the assistance of external professional advisers where appropriate, to determine the likelihood of the Company incurring a liability. Where it is concluded that it is more likely than not that a material outflow will be made a provision is established based on management's best estimate of the amount that will be payable. At 31 December 2021, there are no identified contingent liabilities expected to lead to a material exposure.

### (b) Indemnities and guarantees

Under the trust deed in respect of the UK Standard Life defined benefit pension plan, ACSL, the principal employer, must pay contributions to the pension plan as the trustees' actuary may certify necessary. The Company has guaranteed the obligations of ACSL in relation to this plan. In addition the Company has guaranteed similar obligations in respect of certain other subsidiaries' UK and Ireland defined benefit pension plans.

None of these guarantees give rise to any liabilities at 31 December 2021 (2020: none).

### R. Related party transactions

### (a) Key management personnel

The Directors and key management personnel of the Company are considered to be the same as for the Group. See Note 44 of the Group financial statements for further information.

### S. Events after the reporting date

On 28 January 2022, the Group announced that it had sold an aggregate of 39,981,442 ordinary shares of its shareholding in Phoenix, representing approximately 4% of Phoenix's issued share capital, at a price of 660 pence per share, raising aggregate gross sale proceeds of c£264 million. As a result of the sale, the Company's shareholding has reduced to 10.4% and it continues to be classified as equity securities and interests in pooled investment funds, measured at fair value.

On 2 December 2021 the Group announced the proposed acquisition of 100% of the issued share capital of Antler Holdco Limited, the holding company of interactive investor Limited (interactive investor) for cash consideration of £1.49bn, subject to certain adjustments. interactive investor is the leading subscription-based, digitally enabled, direct investing platform in the UK and, as the acquisition constitutes a Class 1 transaction under the Listing Rules, a Class 1 Circular was published on 9 February 2022. Completion is subject to the satisfaction of certain conditions, including relevant regulatory approvals and the approval of the acquisition by the Group's shareholders at a General Meeting on 15 March 2022.

# 9. Supplementary information

#### 9.1 Alternative performance measures APM



We assess our performance using a variety of measures that are not defined under IFRS and are therefore termed alternative performance measures (APMs). The APMs that we use may not be directly comparable with similarly named measures used by other companies. We have presented below reconciliations from these APMs to the most appropriate measure prepared in accordance with IFRS. All APMs should be read together with the IFRS consolidated income statement, IFRS consolidated statement of financial position and IFRS consolidated statement of cash flows, which are presented in the Group financial statements section of this report and related metrics. Adjusted operating profit excludes certain items which are likely to be recurring such as restructuring costs, amortisation of certain intangibles, dividends from significant listed investments and the share of profit or loss from joint ventures.



Metric used for executive remuneration in 2022. See page 104 for more information.

Definition





Adjusted operating profit before tax is the Group's key APM. Adjusted operating profit includes the results of the Group's three growth vectors: Investments, Adviser and Personal, along with Corporate/Strategic.

It excludes the Group's adjusted net financing costs and investment return, and discontinued operations.

Adjusted operating profit also excludes the impact of the following items:

- Restructuring costs and corporate transaction expenses. Restructuring includes the impact of major regulatory change.
- Amortisation and impairment of intangible assets acquired in business combinations and through the purchase of customer contracts.
- Profit or loss arising on the disposal of a subsidiary, joint venture or equity accounted associate.
- Change in fair value of/dividends from significant listed investments.
- Share of profit or loss from associates and joint ventures.
- Impairment loss/reversal of impairment loss recognised on investments in associates and joint ventures accounted for using the equity method.
- Fair value movements in contingent consideration.
- Items which are one-off and, due to their size or nature, are not indicative of the long-term operating performance of the Group.

Purpose

Adjusted operating profit has replaced adjusted profit before tax as the Group's key APM. Adjusted operating profit reporting provides further analysis of the results reported under IFRS and the Directors believe it helps to give shareholders a fuller understanding of the performance of the business by identifying and analysing adjusting

Segment reporting used in management information is reported to the level of adjusted operating profit, following the changes to adjusted profit before tax discussed below.

Further details are included in Note 12 of the Group financial statements.

### Fee based revenue



Fee based revenue includes revenue we generate from asset management charges (AMCs), platform charges and other transactional charges. AMCs are earned on products such as mutual funds, and are calculated as a percentage fee based on the assets held. Investment risk on these products rests principally with the client, with our major indirect exposure to rising or falling markets coming from higher or lower AMCs. Fee based revenue is shown net of costs of sale, such as commissions and similar charges.

Fee based revenue is a component of adjusted operating profit and provides the basis for reporting of the fee revenue yield financial ratio. Fee based revenue is also used to calculate the cost/income ratio

### Adjusted operating expenses



Adjusted operating expenses is a component of adjusted operating profit and relates to the day-to-day expenses of managing our business. Adjusted operating expenses excludes restructuring and corporate transaction expenses. Adjusted operating expenses also excludes amortisation and impairment of intangible assets acquired in business combinations and through the purchase of customer contracts.

Adjusted operating expenses is a component of adjusted operating profit and is used to calculate the cost/income ratio.

# Adjusted profit before tax



In addition to the results included in adjusted operating profit above, adjusted profit before tax includes adjusted net financing costs and investment return. Previously adjusted profit included the pre-tax adjusted results from the Group's associates and joint ventures accounted for using the equity method. The reason for the change is to make the results more understandable, following the reclassification of HDFC Life and Phoenix from associates to equity investments.

Adjusted profit before tax is a key input to the adjusted earnings per share measure.

| Definition   | Purpose   |
|--|---|
| Adjusted net financing costs and investment return   |   |
| Adjusted net financing costs and investment return (previously named Capital management) relates to the return from the net assets of the shareholder business, net of costs of financing. This includes the net assets in defined benefit staff pension plans and net assets relating to the financing of subordinated liabilities.   | Adjusted net financing costs and investment return is a component of adjusted profit before tax.  |
| Cost/income ratio APM  |   |
| This is an efficiency measure that is calculated as adjusted operating expenses divided by fee based revenue in the period.  | This ratio is used by management to assess efficiency and reported to the Board and executive leadership team.  |
| Fee revenue yield (bps)  |   |
| The fee revenue yield is calculated as annualised fee based revenue (excluding performance fees and revenue for which there are no attributable assets) divided by monthly average fee based assets.   | The average revenue yield on fee based business is a measure that illustrates the average margin being earned on the assets that we manage, administer or advise our clients on.  |
| Adjusted diluted earnings per share  |   |
| Adjusted diluted earnings per share is calculated on adjusted profit after tax. The weighted average number of ordinary shares in issue is adjusted during the period to assume the conversion of all dilutive potential ordinary shares, such as share options granted to employees.  Details on the calculation of adjusted diluted earnings per share are set out in Note 11 of the Group financial statements. | Earnings per share is a commonly used financial metric which can be used to measure the profitability and capital efficiency of a company over time. We also calculate adjusted diluted earnings per share to illustrate the impact of adjusting items on the metric. |
|  | This ratio is used by management to assess performance and reported to the Board and executive leadership team.   |
| Adjusted capital generation APM  |   |
| Adjusted capital generation is part of the analysis of movements in IFPR regulatory capital. Adjusted capital generation is calculated as adjusted profit after tax less returns relating to pension schemes in surplus, which do not benefit regulatory capital. It also includes dividends from associates, joint ventures and significant listed investments.   | This measure aims to show how adjusted profit contributes to regulatory capital, and therefore provides insight into our ability to generate capital that is deployed to support value for shareholders.  |
| Adjusted diluted capital generation per share  |   |
| Adjusted diluted capital generation per share is calculated as adjusted capital generation divided by the weighted average number of diluted ordinary shares outstanding.  | This ratio is a measure used to assess performance for remuneration purposes.   |
| Cash and liquid resources APM  |   |
| Cash and liquid resources are IFRS cash and cash equivalents (netted down for overdrafts), money market instruments and holdings in money market funds. It also includes surplus cash that has been invested in liquid assets such as high quality corporate bonds, gilts and pooled investment funds. Seed capital and co-investments are excluded.   | The purpose of this measure is to demonstrate how much cash and invested assets we hold and can be readily accessed.  |

are excluded.

### 9. Supplementary information continued

### 9.1.1 Adjusted operating profit and adjusted profit

Reconciliation of adjusted operating profit and adjusted profit to IFRS profit by component

The key components of adjusted operating profit are fee based revenue and adjusted operating expenses. These components provide a meaningful analysis of our adjusted results. The table below provides a reconciliation of movements between adjusted operating profit component measures and relevant IFRS terms.

A reconciliation of Adjusted operating expenses to the IFRS item Total administrative and other expenses, and a reconciliation of Adjusted net financing costs and investment return to the IFRS item Net gains on financial instruments and other income are provided in Note 2b(ii) of the Group financial statements. A reconciliation of Fee based revenue to the IFRS item Revenue from contracts with customers is provided in Note 3 of the Group financial statements.

| IFRS term                          | IFRS    | Presentation<br>differences | Adjusting items | Adjusted profit | Adjusted profit term                     |
|------------------------------------|---------|-----------------------------|-----------------|-----------------|--|
| 2021                               | £m      | £m                          | £m              | £m              |  |
| Net operating revenue              | 1,543   | -                           | (28)            | 1,515           | Fee based revenue                        |
| Total administrative and other     |         |                             |                 |                 |  |
| expenses                           | (1,556) | (9)                         | 373             | (1,192)         | Adjusted operating expenses <sup>1</sup> |
|                                    | (13)    | (9)                         | 345             | 323             | Adjusted operating profit                |
| Net gains on financial instruments |         |                             |                 |                 | Adjusted net financing costs and         |
| and other income                   | (183)   | (20)                        | 203             | -               | investment return                        |
| Finance costs                      | (30)    | 29                          | 1               | -               | N/A                                      |
| Profit on disposal of subsidiaries |         |                             |                 |                 |  |
| and other operations               | 127     | -                           | (127)           | -               | N/A                                      |
| Profit on disposal of interests in |         |                             |                 |                 |  |
| associates                         | 1,236   | -                           | (1,236)         | -               | N/A                                      |
| Share of profit or loss from       |         |                             |                 |                 |  |
| associates and joint ventures      | (22)    | -                           | 22              | -               | N/A                                      |
| Profit before tax from             |         |                             |                 |                 | Adjusted profit before tax from          |
| continuing operations              | 1,115   | -                           | (792)           | 323             | continuing operations                    |
| Total tax expense                  | (120)   | -                           | 94              | (26)            | Tax on adjusted profit                   |
| Profit for the year from           |         |                             |                 |                 | Adjusted profit after tax from           |
| continuing operations              | 995     | -                           | (698)           | 297             | continuing operations                    |
| Profit for the year from           |         |                             | -               |                 | Adjusted profit after tax from           |
| discontinued operations            | -       | -                           | -               | -               | discontinued operations                  |
| Profit for the year                | 995     | -                           | (698)           | 297             | Adjusted profit after tax                |

<sup>1.</sup> Adjusted operating expenses includes staff and other related costs of £604m. The difference primarily relates to the inclusion of contractor, temporary agency staff and recruitment and training costs of £27m (IFRS basis: Reported within other administrative expenses) and gains on funds to hedge deferred bonus awards (£5m) (IFRS basis: Reported within other net gains on financial instruments and other income) within staff and other related costs. IFRS staff costs and other employee-related costs includes the benefit from the net interest credit relating to the staff pension schemes of £17m (Adjusted profit basis: Reported within adjusted net financing costs and investment return).

| IFD0 :                             | IEDC       | Presentation      | Adjusting   | Adjusted     |                                  |
|------------------------------------|------------|-------------------|-------------|--------------|----------------------------------|
| IFRS term<br>2020                  | IFRS<br>£m | differences<br>£m | items<br>£m | profit<br>£m | Adjusted profit term             |
| Net operating revenue              | 1,423      | 2                 | _           | 1,425        | Fee based revenue                |
| Total administrative and other     |            |                   |             |              |                                  |
| expenses                           | (2,716)    | 9                 | 1,501       | (1,206)      | Adjusted operating expenses      |
|                                    | (1,293)    | 11                | 1,501       | 219          | Adjusted operating profit        |
| Net gains on financial instruments |            |                   |             |              | Adjusted net financing costs and |
| and other income                   | 146        | (41)              | (84)        | 21           | investment return                |
| Finance costs                      | (30)       | 30                | _           | _            | N/A                              |
| Profit on disposal of subsidiaries |            |                   |             |              |                                  |
| and other operations               | 8          | _                 | (8)         | _            | N/A                              |
| Profit on disposal of interests in |            |                   |             |              |                                  |
| associates                         | 1,858      | _                 | (1,858)     | _            | N/A                              |
| Share of profit or loss from       |            |                   |             |              |                                  |
| associates and joint ventures      | 194        | _                 | (194)       | _            | N/A                              |
| Impairment of associates and joint |            |                   |             |              |                                  |
| ventures                           | (45)       | _                 | 45          | -            | N/A                              |
| Profit before tax from             |            |                   |             |              | Adjusted profit before tax from  |
| continuing operations              | 838        | -                 | (598)       | 240          | continuing operations            |
| Total tax expense                  | 15         | _                 | (53)        | (38)         | Tax on adjusted profit           |
| Profit for the year from           |            |                   |             |              | Adjusted profit after tax from   |
| continuing operations              | 853        | -                 | (651)       | 202          | continuing operations            |
| Profit for the year from           |            |                   | -           |              | Adjusted profit after tax from   |
| discontinued operations            | (15)       | _                 | 15          | -            | discontinued operations          |
| Profit for the year                | 838        | -                 | (636)       | 202          | Adjusted profit after tax        |

Presentation differences primarily relate to amounts presented in a different line item of the consolidated income statement.

### 9. Supplementary information continued

### Analysis of adjusting items

The table below provides detail of the adjusting items made in the calculation of adjusted profit before tax:

| -                                       | Continuing o | perations | Discontinued | operations | Tot              | al      |
|---|--------------|-----------|--------------|------------|------------------|---------|
|   | 2021         | 2020      | 2021         | 2020       | 2020 <b>2021</b> |         |
|   | £m           | £m        | £m           | £m         | £m               | £m      |
| Restructuring and corporate             |              |           |              |            |                  |         |
| transaction expenses                    | (259)        | (316)     | -            | -          | (259)            | (316)   |
| Amortisation and impairment of          |              |           |              |            |                  |         |
| intangible assets acquired in business  |              |           |              |            |                  |         |
| combinations and through the            |              |           |              |            |                  |         |
| purchase of customer contracts          | (99)         | (1,180)   | -            | -          | (99)             | (1,180) |
| Profit on disposal of subsidiaries and  |              |           |              |            |                  |         |
| other operations                        | 127          | 8         | -            | _          | 127              | 8       |
| Profit on disposal of interests in      |              |           |              |            |                  |         |
| associates                              | 1,236        | 1,858     | -            | _          | 1,236            | 1,858   |
| Change in fair value of significant     |              |           |              |            |                  |         |
| listed investments                      | (298)        | 65        | -            | _          | (298)            | 65      |
| Dividends from significant listed       |              |           |              |            |                  |         |
| investments                             | 71           | -         | -            | -          | 71               | -       |
| Share of profit or loss from associates |              |           |              |            |                  |         |
| and joint ventures                      | (22)         | 194       | -            | -          | (22)             | 194     |
| Impairment of interests in joint        |              |           |              |            |                  |         |
| ventures                                | -            | (45)      | -            | -          | -                | (45)    |
| Other                                   | 36           | 14        | -            | (15)       | 36               | (1)     |
| Total adjusting items including results |              |           |              |            |                  |         |
| of associates and joint ventures        | 792          | 598       | -            | (15)       | 792              | 583     |

An explanation for why individual items are excluded from adjusted profit is set out below:

- Restructuring and corporate transaction expenses are excluded from adjusted profit. Restructuring includes the impact of major regulatory change. By highlighting and excluding these costs we aim to give shareholders a fuller understanding of the performance of the business. Restructuring and corporate transaction expenses include costs relating to the integration of businesses acquired and our transformation programme. Other restructuring costs excluded from adjusted profit relate to projects which have a significant impact on the way the Group operates. Costs are only excluded from adjusted profit where they are out with business as usual activities and the costs would not have been incurred had the restructuring project not taken place. For headcount related costs, where duplicate posts are identified as a result of an integration or transformation plan, the duplicated cost will be treated as a restructuring cost from the beginning of the process which eliminates the duplicate cost. Branding costs which relate to future benefits such as sponsorship, media and marketing are included in adjusted operating expenses, with operational elements such as system changes and fund renaming included in restructuring costs. The 2021 expenses mainly comprised of costs of £35m (2020: £79m) in respect of integration and related synergies, £27m (2020: £112m) in respect of Phoenix separation costs, £65m (2020: £30m) of other headcount reduction related costs and property restructuring, £64m (2020: £69m) of other transformation costs such as finance and platform transformation, and £35m (2020: £4m) of corporate transaction related costs including the proposed acquisition of interactive investor and the purchase of certain products from Phoenix announced in February 2021.
- Amortisation and impairment of intangible assets acquired in business combinations and through the purchase of
  customer contracts is included as an adjusting item. This is consistent with peers and therefore excluding these items
  aids comparability. Highlighting this as an adjusting item aims to give a fuller understanding of these accounting impacts
  which arise where businesses have been acquired but do not arise where businesses have grown organically. Further
  details are provided in Note 14 of the Group financial statements.
- Profit on disposal of subsidiaries and other operations of £127m (2020: £8m), primarily relates to the sales of Parmenion and Bonaccord which completed on 30 June 2021 and 30 September 2021 respectively. These items are excluded from adjusted profit as they are non-recurring in nature.
- Profit on disposal of interests in associates of £1,236m (2020: £1,858m), includes one-off accounting gains following the reclassification of HDFC Asset Management (£897m) and Phoenix (£68m) from investment in associates accounted for using the equity method to equity securities measured at fair value and £271m from the sale of 5% of shares in HDFC Asset Management. Details are provided in Note 15 of the Group financial statements. These items are excluded from adjusted profit as they are volatile and the accounting gains are non-recurring in nature.
- The change in fair value of significant listed investments was negative £298m (2020: positive £65m) and represents the impact of market movements on our holdings in HDFC Life (£52m reduction in value including impact of stake sale in June 2021), in Phoenix (£82m reduction) from February 2021 and in HDFC Asset Management (£164m reduction) from September 2021. Excluding fair value movements on significant listed investments for the purposes of adjusted profit is aligned with our treatment of gains on disposal for these holdings when they were classified as an associate, and reflects that the fair value movements are not indicative of the long-term operating performance of the Group.

- Dividends from significant listed investments relates to our shareholdings in HDFC Life, Phoenix and HDFC Asset Management that were previously associates and were reclassified on 3 December 2020, 23 February 2021 and 29 September 2021 respectively. Following the reclassification, dividends received are now recognised as income within our financial statements. The £71m in 2021 relates to dividends received from Phoenix (£69m) and HDFC Life (£2m). Dividends from significant listed investments are included in adjusting items, as such dividends result in fair value movements.
- Share of profit or loss from associates and joint ventures reduced to a loss of £22m (2020: profit £194m). Following the
  reclassifications noted above, only HASL and Virgin Money UTM are now classified as associates and joint ventures.
  Associate and joint venture results are excluded from adjusted profit to help in understanding the performance of our
  core business separately from our strategic holdings.
- The impairment of associates and joint ventures in 2020 of £45m relates to our joint venture with Virgin Money. More details are provided in Note 15 of the Group financial statements.
- Details on items classified as 'Other' in the table above are provided in Note 12 of the Group financial statements. In 2021 this includes a £25m net release of deferred income, related to the 23 February 2021 announcement of the simplification and extension of the strategic partnership with Phoenix.

# 9. Supplementary information continued

Reconciliation to previously disclosed information

| FY 2020 as previously disclosed   |         | Asset<br>management<br>associates and<br>joint ventures | Insurance<br>associates and<br>joint ventures |             | FY 2020 on revised basis  |
|---|---------|---|---|-------------|---|
|   | £m      | £m  | £m  | £m          |   |
| Fee based revenue   | 1,425   | -   | -   | 1,425       | Fee based revenue   |
| Adjusted operating expenses   | (1,206) | -   | _   | (1,206)     | Adjusted operating expenses   |
| Adjusted operating profit   | 219     |   |   | 219         | Adjusted operating profit   |
| Capital management  | 21      | -   | -   | 21          | Adjusted net financing costs and investment return  |
| Share of associates' and joint ventures' profit before tax  | 247     | (44)  | (203)   | _           | N/A   |
| Adjusted profit before tax  | 487     | (44)  | (203)   | 240         | Adjusted profit before tax  |
| Tax on adjusted profit  | (38)    | ( ' ' )   | (203)   | (38)        | Tax on adjusted profit  |
| Share of associates' and joint  | (00)    |   |   | (00)        | . a.v. o a a.j.acto a p. o  |
| ventures' tax expense   | (38)    | 12  | 26  | _           | N/A   |
| Adjusted profit after tax   | 411     | (32)  | (177)   | 202         | Adjusted profit after tax   |
| Adjusted for the following items  |         |   |   |             | Adjusted for the following items  |
| Restructuring and corporate   |         |   |   |             | Restructuring and corporate   |
| transaction expenses  | (355)   | 10  | 29  | (316)       | transaction expenses  |
| Amortisation and impairment of intangible assets acquired in business combinations and through the purchase of customer contracts | (1,287) | _   | 107   | (1,180)     | Amortisation and impairment of intangible assets acquired in business combinations and through the purchase of customer contracts |
| Profit on disposal of subsidiaries  | , ,     |   |   | , ,         | Profit on disposal of subsidiaries  |
| and other operations  | 8       | -   | _   | 8           | and other operations  |
| Profit on disposal of interests in associates   | 1,858   | -   | -   | 1,858       | Profit on disposal of interests in associates   |
| Impairment of associates and  | (AE)    | ΛE  |   |             | N1/A  |
| joint ventures<br>Change in fair value of   | (45)    | 45  | _   | _           | N/A<br>Change in fair value of  |
| significant listed investments Investment return variances  | 65      | -   | -   | 65          | significant listed investments  |
| and economic assumption changes   | 46      | -   | (46)  | -           | N/A   |
| N/A   | -       | -   | _   | -           | Dividends from significant listed investments   |
| NIZA  |         | 40  | 150   | 101         | Share of profit or loss from  |
| N/A<br>N/A  | _       | 42<br>(45)  | 152   | 194<br>(45) | associates and joint ventures<br>Impairment of joint ventures   |
| Other   | -<br>78 | (43)  | (64)  | 14          | Other   |
| Otriei  | 70      |   | (04)  | 74          | Total adjusting items including   |
|   |         |   |   |             | results of associates and joint   |
| N/A   | 368     | 52  | 178   | 598         | ventures  |
| Tax on adjusting items<br>Share of associates' and joint  | 53      | -   | -   | 53          | Tax on adjusting items  |
| ventures' tax expense on adjusting items  | 21      | (20)  | (1)   | _           | N/A   |
| Profit attributable to non-<br>controlling interests (preference  | 21      | (20)  | (1)   |             | Profit attributable to non-<br>controlling interests (preference  |
| shares)   | (5)     | _   | _   | (5)         | shares)   |
| Profit for the year attributable to equity shareholders of abrdn plc  | 848     | _   | _   | 848         | Profit for the year attributable to equity shareholders of abrdn plc  |
| Profit attributable to non-<br>controlling interests  |         |   |   |             | Profit attributable to non-<br>controlling interests  |
| Preference shares   | 5       | -   | _   | 5           | Preference shares   |
| Profit for the year   | 853     | _   | _   | 853         | Profit for the year   |

### 9.1.2 Cost/income ratio

|                                  | 2021    | 2020    |
|----------------------------------|---------|---------|
| Adjusted operating expenses (£m) | (1,192) | (1,206) |
| Fee based revenue (£m)           | 1,515   | 1,425   |
| Cost/income ratio (%)            | 79      | 85      |

## 9.1.3 Fee revenue yield (bps)

|  | Average AUMA (£bn) |        | Fee based revenue (£m) |       | Fee revenue yield (bps) |      |
|--|--------------------|--------|------------------------|-------|-------------------------|------|
|  | 2021               | 2020   | 2021                   | 2020  | 2021                    | 2020 |
| Institutional and Wholesale <sup>1</sup> | 250.1              | 235.1  | 979                    | 922   | 38.8                    | 38.8 |
| Insurance                                | 205.0              | 204.7  | 206                    | 224   | 10.0                    | 10.9 |
| Investments <sup>1</sup>                 | 455.1              | 439.8  | 1,185                  | 1,146 | 25.9                    | 25.8 |
| Adviser                                  | 71.5               | 61.5   | 178                    | 137   | 24.9                    | 22.3 |
| Personal <sup>1</sup>                    | 14.0               | 12.6   | 92                     | 80    | 61.0                    | 58.5 |
| Parmenion <sup>2</sup>                   | 3.9                | 7.3    | 14                     | 25    | 38.1                    | 34.2 |
| Eliminations                             | (11.3)             | (10.2) | N/A                    | N/A   | N/A                     | N/A  |
| Fee revenue yield <sup>1</sup>           | 533.2              | 511.0  | 1,469                  | 1,388 | 27.3                    | 26.9 |
| SL Asia                                  |                    |        | -                      | 7     |                         |      |
| Performance fees                         |                    |        | 46                     | 30    |                         |      |
| Fee based revenue                        |                    |        | 1,515                  | 1,425 |                         |      |

# Analysis of Institutional and Wholesale by asset class<sup>1,3</sup>

|                             | Average AUM (£bn) |       | Fee based revenue (£m) |      | Fee revenue yield (bps) |      |
|-----------------------------|-------------------|-------|------------------------|------|-------------------------|------|
|                             | 2021              | 2020  | 2021                   | 2020 | 2021                    | 2020 |
| Equities                    | 69.5              | 61.9  | 449                    | 403  | 64.5                    | 65.1 |
| Fixed income                | 46.6              | 47.4  | 132                    | 139  | 28.3                    | 29.3 |
| Multi-asset                 | 35.1              | 33.6  | 118                    | 125  | 33.7                    | 37.3 |
| Private equity              | 11.2              | 11.7  | 58                     | 57   | 51.8                    | 48.8 |
| Real assets                 | 36.1              | 31.5  | 170                    | 149  | 47.2                    | 47.6 |
| Alternatives                | 20.4              | 19.0  | 25                     | 20   | 12.3                    | 10.4 |
| Quantitative                | 5.8               | 6.6   | 4                      | 4    | 6.8                     | 5.6  |
| Liquidity                   | 25.4              | 23.4  | 15                     | 16   | 6.0                     | 6.8  |
| Institutional and Wholesale | 250.1             | 235.1 | 971                    | 913  | 38.8                    | 38.8 |

<sup>1.</sup> Institutional and Wholesale fee revenue yield excludes revenue of £8m (2020: £9m) and Personal fee revenue yield excludes revenue of £7m (2020: £7m) for which there are no attributable assets.

### Analysis of Adviser revenue yield

Fee based revenue (gross basis) includes revenue passed to Phoenix as shown below in other cost of sales. The cost of sales are netted against fee based revenue as presented in 9.1.3 above. The fee revenue yield presented on a gross basis in the table below represents the average bps charge payable by clients.

|  | Average AUMA (£bn) |      | Fee based revenue (£m) |      | Fee revenue yield (bps) |      |
|--|--------------------|------|------------------------|------|-------------------------|------|
|  | 2021               | 2020 | 2021                   | 2020 | 2021                    | 2020 |
| Fee based revenue (net of cost of sales)   | 71.5               | 61.5 | 178                    | 137  | 24.9                    | 22.3 |
| Add: Other cost of sales – Note 3 (c)      | N/A                | N/A  | 2                      | 27   | N/A                     | N/A  |
| Fee based revenue (gross of cost of sales) | 71.5               | 61.5 | 180                    | 164  | 25.1                    | 26.7 |

<sup>2.</sup> Parmenion is included in the Corporate/Strategic vector. The sale of Parmenion completed on 30 June 2021 and the fee revenue yield reflects the position as at the date of disposal.

Analysis by asset class has been revised following a strategic review of our private markets capabilities. The changes reflect the creation of a real assets
franchise, which brings together our real estate and infrastructure businesses, and consolidation of our private credit capabilities within fixed income.
Comparatives have been restated on this basis.

### 9. Supplementary information continued

## 9.1.4 Adjusted capital generation

The table below provides a reconciliation of movements between adjusted profit after tax and adjusted capital generation. A reconciliation of adjusted profit after tax to IFRS profit for the year is included earlier in this section.

|   | 2021 | 2020 |
|---|------|------|
|   | £m   | £m   |
| Adjusted profit after tax <sup>1</sup>  | 297  | 202  |
| Less net interest credit relating to the staff pension schemes                            | (17) | (20) |
| Add dividends received from associates, joint ventures and significant listed investments | 86   | 80   |
| Adjusted capital generation   | 366  | 262  |

<sup>1.</sup> FY 2020 restated to exclude the share of associates and joint ventures adjusted profit after tax.

### Net interest credit relating to the staff pension schemes

The net interest credit relating to the staff pension schemes is the contribution to adjusted profit before tax from defined benefit pension schemes which are in surplus and reconciled below:

|   | 2021 | 2020 |
|---|------|------|
|   | £m   | £m   |
| Total income recognised in the consolidated income statement per Note 33 (c) of the Group |      |      |
| financial statements  | 17   | 19   |
| Remove IFRS charge relating to schemes in deficit   | -    | 1    |
| Net interest credit relating to the staff pension schemes                                 | 17   | 20   |

# Dividends received from associates, joint ventures and significant listed investments An analysis is provided below:

|   | 2021 | 2020 |
|---|------|------|
|   | £m   | £m   |
| Phoenix   | 69   | 67   |
| HDFCLife  | 2    | _    |
| HDFC Asset Management   | 15   | 13   |
| Dividends received from associates, joint ventures and significant listed investments | 86   | 80   |

The table below provides detail of dividend coverage on an adjusted capital generation basis.

|  | 2021 | 2020 |
|--|------|------|
| Adjusted capital generation (£m)                               | 366  | 262  |
| Full year dividend (£m)  | 309  | 313  |
| Dividend cover on an adjusted capital generation basis (times) | 1.18 | 0.84 |

### 9.1.5 Adjusted diluted capital generation per share

A reconciliation of adjusted capital generation to adjusted profit after tax is included in 9.1.4 above.

|   | 2021  | 2020  |
|---|-------|-------|
| Adjusted capital generation (£m)  | 366   | 262   |
| Weighted average number of diluted ordinary shares outstanding (millions) - Note 11 | 2,159 | 2,239 |
| Adjusted diluted capital generation per share (pence)                               | 17.0  | 11.7  |

# 9.1.6 Cash and liquid resources

The table below provides a reconciliation between IFRS cash and cash equivalents and cash and liquid resources. Seed capital and co-investments are excluded. Details of seed capital and co-investments are provided in Note 37 (b) in the Group financial statements.

|   | 2021  | 2020  |
|---|-------|-------|
|   | £bn   | £bn   |
| Cash and cash equivalents per Note 23 of the Group financial statements       | 1.9   | 1.5   |
| Bank overdrafts – Note 23   | (0.1) | (0.2) |
| Debt securities excluding third party interests <sup>1</sup> – Note 37 (c)(i) | 1.1   | 1.0   |
| Corporate funds held in absolute return funds – Note 37 (b)(i)(i)             | 0.2   | 0.2   |
| Cash and liquid resources   | 3.1   | 2.5   |

<sup>1.</sup> Excludes £76m (2020: £54m) relating to seeding, see Note 37(b).

investment performance calculation covers all funds that aim to outperform a benchmark, with certain assets excluded where this measure of performance is not appropriate or expected, such as private markets and execution only mandates, as well

as replication tracker funds which aim to perform in line with a given index.

# 9.2 Investment performance

| Definition  | Purpose   |
|---|---|
| Investment performance R  |   |
| Investment performance has been aggregated using a money weighted average of our assets under management which are outperforming their respective benchmark. Calculations for investment performance are made gross of fees with the exception of those for which the stated comparator is net of fees. Benchmarks differ by fund and are defined in the investment management agreement or prospectus, as appropriate. The | As an asset managing business this measure demonstrates our ability to generate investment returns for our clients. |

|                             | 1 ye | 1 year |      | ars  | 5 years |      |
|-----------------------------|------|--------|------|------|---------|------|
| % of AUM ahead of benchmark | 2021 | 2020   | 2021 | 2020 | 2021    | 2020 |
| Equities                    | 36   | 73     | 72   | 74   | 61      | 62   |
| Fixed income                | 59   | 78     | 82   | 81   | 87      | 85   |
| Multi-asset                 | 41   | 61     | 39   | 33   | 44      | 36   |
| Real assets                 | 83   | 41     | 52   | 37   | 50      | 44   |
| Alternatives                | 87   | 95     | 98   | 95   | 98      | 93   |
| Quantitative                | 98   | 32     | 44   | 17   | 68      | 24   |
| Liquidity                   | 88   | 94     | 87   | 89   | 84      | 87   |
| Total                       | 57   | 71     | 67   | 66   | 67      | 68   |

## 9. Supplementary information continued

# 9.3 Assets under management and administration and flows

| Definition  | Purpose  |
|---|--|
| AUMA  |  |
| AUMA is a measure of the total assets we manage, administer or advise on behalf of our clients. It includes assets under management (AUM), assets under administration (AUA) and assets under advice (AUAdv).           | The amount of funds that we manage, administer or advise directly impacts the level of fee based revenue that we |
| AUM is a measure of the total assets that we manage on behalf of individual and institutional clients. AUM also includes captive assets managed on behalf of the Group including assets managed for corporate purposes. | receive.   |
| AUA is a measure of the total assets we administer for clients through platform products such as ISAs and SIPPs.  |  |
| AUAdv is a measure of the total assets we advise our clients on, for which there is an ongoing charge.  |  |
| Net flows R   |  |
| Net flows represent gross flows less redemptions. Gross flows are new funds from clients. Redemptions are the money withdrawn by clients during the period.   | The level of net flows that we generate directly impacts the level of fee based revenue that we receive.         |

## 9.3.1 Analysis of AUMA

| 12 months ended 31 December 2021 | Opening<br>AUMA at<br>1 Jan 2021<br>£bn | Gross inflows<br>£bn | Redemptions<br>£bn | Net flows<br>£bn | Market<br>and other<br>movements<br>£bn | Corporate<br>actions <sup>2</sup><br>£bn | Closing<br>AUMA at<br>31 Dec 2021<br>£bn |
|----------------------------------|---|----------------------|--------------------|------------------|---|--|--|
| Institutional                    | 171.7                                   | 22.5                 | (25.4)             | (2.9)            | 5.4                                     | (0.2)                                    | 174.0                                    |
| Wholesale                        | 80.0                                    | 19.4                 | (21.6)             | (2.2)            | 1.3                                     | ` -                                      | 79.1                                     |
| Insurance                        | 205.2                                   | 21.5                 | (27.0)             | (5.5)            | 10.8                                    | -  | 210.5                                    |
| Investments                      | 456.9                                   | 63.4                 | (74.0)             | (10.6)           | 17.5                                    | (0.2)                                    | 463.6                                    |
| Adviser                          | 67.0                                    | 9.1                  | (5.2)              | 3.9              | 5.3                                     | -  | 76.2                                     |
| Personal <sup>1</sup>            | 13.3                                    | 1.7                  | (1.1)              | 0.6              | 0.5                                     | -  | 14.4                                     |
| Parmenion                        | 8.1                                     | 0.7                  | (0.4)              | 0.3              | 0.3                                     | (8.7)                                    | -  |
| Eliminations <sup>1</sup>        | (10.7)                                  | (2.6)                | 2.2                | (0.4)            | (1.0)                                   | -  | (12.1)                                   |
| Total AUMA                       | 534.6                                   | 72.3                 | (78.5)             | (6.2)            | 22.6                                    | (8.9)                                    | 542.1                                    |

| 12 months ended 31 December 2020 | Opening<br>AUMA at<br>1 Jan 2020<br>£bn | Gross inflows<br>£bn | Redemptions<br>£bn | Net flows<br>£bn | Market<br>and other<br>movements<br>£bn | Corporate<br>actions<br>£bn | Closing<br>AUMA at<br>31 Dec 2020<br>£bn |
|----------------------------------|---|----------------------|--------------------|------------------|---|-----------------------------|--|
| Institutional                    | 160.6                                   | 26.6                 | (23.4)             | 3.2              | 7.9                                     | _                           | 171.7                                    |
| Wholesale                        | 76.1                                    | 23.2                 | (26.1)             | (2.9)            | 6.8                                     | _                           | 80.0                                     |
| Insurance                        | 235.8                                   | 17.6                 | (50.4)             | (32.8)           | 2.2                                     | _                           | 205.2                                    |
| Investments                      | 472.5                                   | 67.4                 | (99.9)             | (32.5)           | 16.9                                    | _                           | 456.9                                    |
| Adviser                          | 62.6                                    | 6.3                  | (4.4)              | 1.9              | 2.5                                     | _                           | 67.0                                     |
| Personal <sup>1</sup>            | 12.8                                    | 1.1                  | (1.1)              | -                | 0.5                                     | _                           | 13.3                                     |
| Parmenion                        | 6.9                                     | 1.5                  | (0.5)              | 1.0              | 0.2                                     | _                           | 8.1                                      |
| Eliminations <sup>1</sup>        | (10.2)                                  | (2.0)                | 2.6                | 0.6              | (1.1)                                   | _                           | (10.7)                                   |
| Total AUMA                       | 544.6                                   | 74.3                 | (103.3)            | (29.0)           | 19.0                                    | _                           | 534.6                                    |

<sup>1.</sup> Eliminations remove the double count reflected in Investments, Adviser and Personal. The Personal vector includes assets that are reflected in both the discretionary investment management and financial planning businesses. This double count is also removed within Eliminations.

<sup>2.</sup> Corporate actions relate to the acquisition of a majority interest in Tritax on 1 April 2021 (£5.8bn) and the disposals of our domestic real estate business in the Nordics region on 31 May 2021 (£3.3bn) and Bonaccord/Hark on 30 September 2021 (£1.5bn). Corporate actions also include the impact of the decision to exit the Total Return Bond strategy of £1.2bn. The sale of Parmenion completed on 30 June 2021.

# 9.3.2 Quarterly net flows

|                                  | 3 months to<br>31 Dec 21 | 3 months to<br>30 Sep 21 | 3 months to<br>30 Jun 21 | 3 months to<br>31 Mar 21 | 3 months to<br>31 Dec 20 |
|----------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| 15 months ended 31 December 2021 | <b>£</b> bn              | £bn                      | £bn                      | £bn                      | £bn                      |
| Institutional                    | 2.5                      | (2.0)                    | (0.7)                    | (2.7)                    | 1.4                      |
| Wholesale                        | (0.8)                    | (0.3)                    | (0.5)                    | (0.6)                    | (0.4)                    |
| Insurance                        | (0.4)                    | (1.3)                    | (1.5)                    | (2.3)                    | (2.6)                    |
| Investments                      | 1.3                      | (3.6)                    | (2.7)                    | (5.6)                    | (1.6)                    |
| Adviser                          | 1.1                      | 0.8                      | 0.9                      | 1.1                      | 0.5                      |
| Personal                         | -                        | 0.1                      | 0.3                      | 0.2                      | (0.1)                    |
| Parmenion                        | _                        | _                        | 0.2                      | 0.1                      | 0.2                      |
| Eliminations                     | (0.2)                    | (0.1)                    | -                        | (0.1)                    | 0.2                      |
| Total net flows                  | 2.2                      | (2.8)                    | (1.3)                    | (4.3)                    | (0.8)                    |

# 9.4 Institutional and Wholesale AUM<sup>1</sup>

# Detailed asset class split

|                                  | Opening<br>AUM at<br>1 Jan 2021 | Gross inflows | Redemptions | Net flows | Market<br>and other<br>movements | Corporate actions | Closing<br>AUM at<br>31 Dec 2021 |
|----------------------------------|---------------------------------|---------------|-------------|-----------|----------------------------------|-------------------|----------------------------------|
| 12 months ended 31 December 2021 | £bn                             | £bn           | £bn         | £bn       | £bn                              | £bn               | £bn                              |
| Developed markets equities       | 14.7                            | 3.0           | (3.6)       | (0.6)     | 2.9                              | -                 | 17.0                             |
| Emerging markets equities        | 19.0                            | 2.0           | (3.7)       | (1.7)     | (0.9)                            | -                 | 16.4                             |
| Asia Pacific equities            | 26.6                            | 4.8           | (5.7)       | (0.9)     | (0.4)                            | -                 | 25.3                             |
| Global equities                  | 8.9                             | 1.8           | (1.6)       | 0.2       | 1.2                              | -                 | 10.3                             |
| Total equities                   | 69.2                            | 11.6          | (14.6)      | (3.0)     | 2.8                              | -                 | 69.0                             |
| Developed markets credit         | 32.2                            | 5.9           | (6.6)       | (0.7)     | (2.0)                            | (1.2)             | 28.3                             |
| Developed markets rates          | 2.8                             | 0.6           | (0.6)       | -         | 0.1                              | -                 | 2.9                              |
| Emerging markets fixed income    | 12.2                            | 3.5           | (3.1)       | 0.4       | (0.4)                            | -                 | 12.2                             |
| Private credit                   | 1.0                             | 1.5           | -           | 1.5       | 0.8                              | (0.9)             | 2.4                              |
| Total fixed income               | 48.2                            | 11.5          | (10.3)      | 1.2       | (1.5)                            | (2.1)             | 45.8                             |
| Absolute return                  | 11.5                            | 0.8           | (2.0)       | (1.2)     | (0.3)                            | -                 | 10.0                             |
| Diversified growth/income        | 0.6                             | 0.1           | (0.2)       | (0.1)     | -                                | -                 | 0.5                              |
| MyFolio                          | 15.6                            | 2.1           | (2.5)       | (0.4)     | 2.5                              | -                 | 17.7                             |
| Other multi-asset                | 10.0                            | 1.2           | (1.4)       | (0.2)     | (2.0)                            | -                 | 7.8                              |
| Total multi-asset                | 37.7                            | 4.2           | (6.1)       | (1.9)     | 0.2                              | -                 | 36.0                             |
| Total private equity             | 10.9                            | 1.5           | (1.2)       | 0.3       | 1.7                              | (0.6)             | 12.3                             |
| UK real estate                   | 9.2                             | 0.9           | (8.0)       | 0.1       | 4.8                              | 5.8               | 19.9                             |
| European real estate             | 12.1                            | 1.0           | (0.4)       | 0.6       | 0.9                              | (3.3)             | 10.3                             |
| Global real estate               | 1.8                             | 0.3           | (0.4)       | (0.1)     | 0.1                              | -                 | 1.8                              |
| Real estate multi-manager        | 1.6                             | 0.1           | (0.1)       | -         | (0.4)                            | -                 | 1.2                              |
| Infrastructure equity            | 5.3                             | 1.0           | (0.4)       | 0.6       | 0.3                              | -                 | 6.2                              |
| Total real assets                | 30.0                            | 3.3           | (2.1)       | 1.2       | 5.7                              | 2.5               | 39.4                             |
| Total alternatives               | 19.5                            | 2.0           | (1.9)       | 0.1       | 1.2                              | -                 | 20.8                             |
| Total quantitative               | 6.4                             | 1.2           | (1.2)       | -         | (0.9)                            | -                 | 5.5                              |
| Total liquidity                  | 29.8                            | 6.6           | (9.6)       | (3.0)     | (2.5)                            | -                 | 24.3                             |
| Total                            | 251.7                           | 41.9          | (47.0)      | (5.1)     | 6.7                              | (0.2)             | 253.1                            |

<sup>1.</sup> Analysis by asset class has been revised following a strategic review of our private markets capabilities. The changes reflect the creation of a real assets franchise, which brings together our real estate and infrastructure businesses, and consolidation of our private credit capabilities within fixed income. Comparatives have been restated on this basis.

# 9. Supplementary information continued

|                                  | Opening<br>AUM at<br>1 Jan 2020 | Gross inflows | Redemptions | Net flows | Market<br>and other<br>movements | Corporate actions | Closing<br>AUM at<br>31 Dec 2020 |
|----------------------------------|---------------------------------|---------------|-------------|-----------|----------------------------------|-------------------|----------------------------------|
| 12 months ended 31 December 2020 | £bn                             | £bn           | £bn         | £bn       | £bn                              | £bn               | £bn                              |
| Developed markets equities       | 14.7                            | 3.6           | (3.8)       | (0.2)     | 0.2                              | -                 | 14.7                             |
| Emerging markets equities        | 21.6                            | 1.6           | (6.2)       | (4.6)     | 2.0                              | -                 | 19.0                             |
| Asia Pacific equities            | 23.3                            | 4.2           | (4.8)       | (0.6)     | 3.9                              | -                 | 26.6                             |
| Global equities                  | 9.4                             | 1.4           | (2.7)       | (1.3)     | 0.8                              | -                 | 8.9                              |
| Total equities                   | 69.0                            | 10.8          | (17.5)      | (6.7)     | 6.9                              | -                 | 69.2                             |
| Developed markets credit         | 32.2                            | 6.8           | (9.3)       | (2.5)     | 2.5                              | -                 | 32.2                             |
| Developed markets rates          | 3.3                             | 0.7           | (0.9)       | (0.2)     | (0.3)                            | -                 | 2.8                              |
| Emerging markets fixed income    | 10.9                            | 3.8           | (2.5)       | 1.3       | -                                | -                 | 12.2                             |
| Private credit                   | -                               | 0.6           | -           | 0.6       | 0.4                              | -                 | 1.0                              |
| Total fixed income               | 46.4                            | 11.9          | (12.7)      | (0.8)     | 2.6                              | _                 | 48.2                             |
| Absolute return                  | 12.7                            | 0.7           | (2.6)       | (1.9)     | 0.7                              | -                 | 11.5                             |
| Diversified growth/income        | 1.9                             | 0.2           | (0.4)       | (0.2)     | (1.1)                            | -                 | 0.0                              |
| MyFolio                          | 15.7                            | 2.4           | (2.9)       | (0.5)     | 0.4                              | -                 | 15.6                             |
| Other multi-asset                | 4.2                             | 1.0           | (1.0)       | -         | 5.8                              | -                 | 10.0                             |
| Total multi-asset                | 34.5                            | 4.3           | (6.9)       | (2.6)     | 5.8                              | -                 | 37.7                             |
| Total private equity             | 11.8                            | 1.6           | (1.0)       | 0.6       | (1.5)                            | -                 | 10.9                             |
| UK real estate                   | 13.4                            | 0.5           | (1.3)       | (0.8)     | (3.4)                            | -                 | 9.2                              |
| European real estate             | 12.1                            | 1.0           | (1.0)       | -         | -                                | -                 | 12.1                             |
| Global real estate               | 1.0                             | 0.3           | (0.3)       | -         | 0.8                              | -                 | 1.8                              |
| Real estate multi-manager        | 1.4                             | 0.3           | (0.1)       | 0.2       | _                                | -                 | 1.6                              |
| Infrastructure equity            | 4.2                             | 0.2           | -           | 0.2       | 0.9                              | _                 | 5.3                              |
| Total real assets                | 32.1                            | 2.3           | (2.7)       | (0.4)     | (1.7)                            | -                 | 30.0                             |
| Total alternatives               | 17.7                            | 2.4           | (1.1)       | 1.3       | 0.5                              | -                 | 19.5                             |
| Total quantitative               | 7.8                             | 1.3           | (1.6)       | (0.3)     | (1.1)                            | -                 | 6.4                              |
| Total liquidity                  | 17.4                            | 15.2          | (6.0)       | 9.2       | 3.2                              | -                 | 29.8                             |
| Total                            | 236.7                           | 49.8          | (49.5)      | 0.3       | 14.7                             | -                 | 251.7                            |

# 9.5 Analysis of Insurance

| 12 months ended 31 December 2021 | Opening<br>AUM at<br>1 Jan 2021<br>£bn | Gross inflows<br>£bn | Redemptions<br>£bn | Net<br>flows<br>£bn | Market<br>and other<br>movements<br>£bn | Corporate<br>actions<br>£bn | Closing<br>AUM at<br>31 Dec 2021<br>£bn |
|----------------------------------|--|----------------------|--------------------|---------------------|---|-----------------------------|---|
| Phoenix                          | 171.5                                  | 17.1                 | (20.3)             | (3.2)               | 7.2                                     | -                           | 175.5                                   |
| Lloyds                           | 31.8                                   | 4.4                  | (6.3)              | (1.9)               | 3.7                                     | -                           | 33.6                                    |
| Other                            | 1.9                                    | -                    | (0.4)              | (0.4)               | (0.1)                                   | -                           | 1.4                                     |
| Total                            | 205.2                                  | 21.5                 | (27.0)             | (5.5)               | 10.8                                    | -                           | 210.5                                   |

|                                  | Opening<br>AUM at<br>1 Jan 2020 | Gross inflows | Redemptions | Net<br>flows | Market<br>and other<br>movements | Corporate actions | Closing<br>AUM at<br>31 Dec 2020 |
|----------------------------------|---------------------------------|---------------|-------------|--------------|----------------------------------|-------------------|----------------------------------|
| 12 months ended 31 December 2020 | £bn                             | £bn           | £bn         | £bn          | £bn                              | £bn               | £bn                              |
| Phoenix                          | 169.7                           | 13.0          | (18.7)      | (5.7)        | 7.5                              | _                 | 171.5                            |
| Lloyds                           | 64.5                            | 4.2           | (31.5)      | (27.3)       | (5.4)                            | _                 | 31.8                             |
| Other                            | 1.6                             | 0.4           | (0.2)       | 0.2          | 0.1                              | _                 | 1.9                              |
| Total                            | 235.8                           | 17.6          | (50.4)      | (32.8)       | 2.2                              | -                 | 205.2                            |

# 9.6 Analysis of total AUM (excluding Parmenion)

# 9.6.1 AUM by geography

|  |                             | 31 Dec 2021      |                  |              |                             | 31 Dec 2020      |                              |              |  |
|--|-----------------------------|------------------|------------------|--------------|-----------------------------|------------------|------------------------------|--------------|--|
|  | Institutional and Wholesale | Insurance<br>£bn | Personal¹<br>£bn | Total<br>£bn | Institutional and Wholesale | Insurance<br>£bn | Personal <sup>1</sup><br>£bn | Total<br>£bn |  |
| UK                                       | 120.3                       | 210.5            | 8.9              | 339.7        | 116.5                       | 205.2            | 7.8                          | 329.5        |  |
| Europe, Middle East and Africa<br>(EMEA) | 62.5                        | -                | -                | 62.5         | 65.9                        | _                | _                            | 65.9         |  |
| Asia Pacific (APAC)                      | 19.2                        | -                | -                | 19.2         | 16.8                        | _                | _                            | 16.8         |  |
| Americas                                 | 51.1                        | -                | -                | 51.1         | 52.5                        | _                | -                            | 52.5         |  |
| Total AUM                                | 253.1                       | 210.5            | 8.9              | 472.5        | 251.7                       | 205.2            | 7.8                          | 464.7        |  |

# 9.6.2 AUM by asset class<sup>2</sup>

|                |                                 | 31 Dec 2         | 021              |              | 31 Dec 2020                           |                  |                              |              |
|----------------|---------------------------------|------------------|------------------|--------------|---------------------------------------|------------------|------------------------------|--------------|
|                | Institutional and Wholesale £bn | Insurance<br>£bn | Personal¹<br>£bn | Total<br>£bn | Institutional and<br>Wholesale<br>£bn | Insurance<br>£bn | Personal <sup>1</sup><br>£bn | Total<br>£bn |
| Equities       | 69.0                            | 53.4             | -                | 122.4        | 69.2                                  | 48.8             | -                            | 118.0        |
| Fixed income   | 45.8                            | 67.4             | -                | 113.2        | 48.2                                  | 69.0             | _                            | 117.2        |
| Multi-asset    | 36.0                            | 8.8              | 8.9              | 53.7         | 37.7                                  | 7.0              | 7.8                          | 52.5         |
| Private equity | 12.3                            | 1.6              | -                | 13.9         | 10.9                                  | 1.8              | -                            | 12.7         |
| Real assets    | 39.4                            | 8.3              | -                | 47.7         | 30.0                                  | 8.3              | -                            | 38.3         |
| Alternatives   | 20.8                            | -                | -                | 20.8         | 19.5                                  | -                | _                            | 19.5         |
| Quantitative   | 5.5                             | 50.8             | -                | 56.3         | 6.4                                   | 45.0             | -                            | 51.4         |
| Liquidity      | 24.3                            | 20.2             | -                | 44.5         | 29.8                                  | 25.3             | -                            | 55.1         |
| Total AUM      | 253.1                           | 210.5            | 8.9              | 472.5        | 251.7                                 | 205.2            | 7.8                          | 464.7        |

<sup>1.</sup> Excludes assets under advice of £5.5bn at 31 December 2021 (2020: £5.5bn).

<sup>2.</sup> Analysis by asset class has been revised following a strategic review of our private markets capabilities. The changes reflect the creation of a real assets franchise, which brings together our real estate and infrastructure businesses, and consolidation of our private credit capabilities within fixed income. Comparatives have been restated on this basis.

# Other Information

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# 10. Glossary

## Adjusted net financing costs and investment return

Adjusted net financing costs and investment return (previously named Capital management) is a component of adjusted profit and relates to the return from the net assets of the shareholder business, net of costs of financing. This includes the net assets in defined benefit staff pension plans and net assets relating to the financing of subordinated liabilities.

## Adjusted operating expenses

Adjusted operating expenses is a component of adjusted operating profit and relates to the day-to-day expenses of managing our business.

## Adjusted operating profit

Adjusted operating profit before tax is the Group's key APM. Adjusted operating profit includes the results of the Group three growth vectors: Investments, Adviser and Personal, along with Corporate/Strategic.

It excludes the Group's adjusted net financing costs and investment return, and discontinued operations.

Adjusted operating profit also excludes the impact of the following items:

- Restructuring costs and corporate transaction expenses. Restructuring includes the impact of major regulatory change.
- Amortisation and impairment of intangible assets acquired in business combinations and through the purchase of customer contracts.
- Profit or loss arising on the disposal of a subsidiary, joint venture or equity accounted associate.
- Change in fair value of/dividends from significant listed investments.
- Share of profit or loss from associates and joint
- Impairment loss/reversal of impairment loss recognised on investments in associates and joint ventures accounted for using the equity method.
- Fair value movements in contingent consideration.
- Items which are one-off and, due to their size or nature, are not indicative of the long-term operating performance of the Group.

### Adjusted profit before tax

In addition to the results included in adjusted operating profit above, adjusted profit before tax includes adjusted net financing costs and investment return.

# Assets under management and administration (AUMA)

AUMA is a measure of the total assets we manage, administer or advise on behalf of our clients. It includes assets under management (AUM), assets under administration (AUA) and assets under advice (AUAdv). AUMA does not include assets for associates and joint ventures.

AUM is a measure of the total assets that we manage on behalf of individual and institutional clients. AUM also includes assets managed for corporate purposes.

AUA is a measure of the total assets we administer for clients through our Platforms. AUAdv is a measure of the total assets we advise our clients on, for which there is an ongoing charge.

### **Board**

The Board of Directors of the Company.

### Carbon intensity

Weighted-Average Carbon Intensity (WACI) is calculated by summing the product of each company's weight in the portfolio or loan book with that company's carbon-torevenue intensity. Carbon-to-revenue intensity is calculated by dividing the sum of all apportioned emissions, with the sum of all apportioned revenues across an investment portfolio or loan book. This metric gives an indication of how efficient companies in a portfolio or loan book are at generating revenues per tonne of carbon emitted

### Carbon neutral

Being carbon neutral means that carbon released through our operational emissions is balanced by an equivalent amount being removed through carbon offsetting. For the purposes of offsetting, we include Scope 1, 2 and 3 emissions within our operational emissions.

### Carbon offsetting

Carbon offsetting is an internationally recognised way to take responsibility for unavoidable carbon emissions. Carbon offsetting means that for every one tonne of offsets there will be one less tonne of carbon dioxide in the atmosphere than there would otherwise have been. To offset emissions we purchase the equivalent volume of carbon credits (independently verified emissions reductions) equal to our carbon emissions to compensate for them. The payments we make to purchase these carbon credits (carbon finance) is what makes the emissions reductions projects which created them, financially viable and sustainable. We work with ClimateCare to offset our operational greenhouse gas emissions. We offset via two verified voluntary projects: The first is a Gold Standard wind turbine project in India. The second project is a Verified Carbon Standard Climate, Carbon and Community rainforest protection project in Gola. We chose offsets that we knew were verifiable and correctly accounted for and have a low risk of nonadditionality, reversal, and creating negative unintended consequences for people and the environment. ClimateCare helped create the voluntary carbon market and pioneered carbon finance for community development projects.

### **Chief Operating Decision Maker**

The executive leadership team.

### Company

abrdn plc. Standard Life Aberdeen plc was renamed abrdn plc on 2 July 2021.

### Cost/income ratio

This is an efficiency measure that is calculated as adjusted operating expenses divided by fee based revenue.

#### **CRD IV**

CRD IV is the European regulatory capital regime (comprising the Capital Requirements Directive and Capital Requirements Regulation) that applied to investment firms up to and including 31 December 2021. The new IFPR regime came into force on 1 January 2022.

### **Director**

A director of the Company.

# Earnings per share (EPS)

EPS is a commonly used financial metric which can be used to measure the profitability and strength of a company over time. EPS is calculated by dividing profit by the number of ordinary shares. Basic EPS uses the weighted average number of ordinary shares outstanding during the year. Diluted EPS adjusts the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares, such as share options awarded to employees.

### Effective tax rate

Tax expense/(credit) attributable to equity holders' profit divided by profit before tax attributable to equity holders' profits expressed as a percentage.

### **Executive leadership team**

Our executive leadership team (ELT) leads the business across our growth vectors and supporting functions globally and is responsible for executing and monitoring progress on the delivery of our business plans. The ELT also ensures we meet our obligations to our clients, people, shareholders, regulators and partners.

### Fair value through profit or loss (FVTPL)

FVTPL is an IFRS measurement basis permitted for assets and liabilities which meet certain criteria. Gains or losses on assets or liabilities measured at FVTPL are recognised directly in the income statement.

### **FCA**

Financial Conduct Authority of the United Kingdom.

### Fee based revenue

Fee based revenue is a component of adjusted operating profit and includes revenue we generate from asset management charges (AMCs), platform charges and other transactional charges. AMCs are earned on products such as mutual funds, and are calculated as a percentage fee based on the assets held. Investment risk on these products rests principally with the client, with our major indirect exposure to rising or falling markets coming from higher or lower AMCs. Fee based revenue is shown net of fees, costs of sale, commissions and similar charges. Costs of sale include revenue from fund platforms which is passed to the product provider.

### Fee revenue yield (bps)

The average revenue yield on fee based business is a measure that illustrates the average margin being earned on the assets under management, administration or advice. It is calculated as annualised fee based revenue (excluding performance fees and revenue for which there are no attributable assets) divided by monthly average fee based assets.

### Greenhouse gases

Greenhouse gases are those gaseous constituents of the atmosphere, both natural and anthropogenic, that absorb and emit radiation at specific wavelengths within the spectrum of thermal infrared radiation emitted by the earth's surface, the atmosphere itself, and by clouds. This property causes the greenhouse effect. Water vapour (H2O), carbon dioxide (CO2), nitrous oxide (N2O), methane (CH4) and ozone (O3) are the primary greenhouse gases in the earth's atmosphere. Moreover, there are a number of entirely human-made greenhouse gases in the atmosphere, such as halocarbons and other chlorine- and bromine-containing substances, dealt with under the Montreal Protocol. Beside CO2, N2O and CH4, the Kyoto Protocol deals with the greenhouse gases sulphur hexafluoride (SF6), hydrofluorocarbons (HFCs) and perfluorocarbons (PFCs).

### Group or abrdn

Relates to the Company and its subsidiaries.

### **Growth vectors**

We provide services across three growth vectors:

- Investments: Asset management investment solutions for institutional, wholesale and insurance clients.
- Adviser: Our Wrap and Elevate adviser platforms.
- Personal: Comprises our financial planning business and our direct-to-consumer services.

### **ICAAP**

Internal Capital Adequacy Assessment Process. The ICAAP is the means by which the Group assesses the level of capital that adequately supports all of the relevant current and future risks in its business.

# International Financial Reporting Standards (IFRS)

International Financial Reporting Standards are accounting standards issued by the International Accounting Standards Board (IASB).

### Investment Firms Prudential Regime (IFPR)

The Investment Firms Prudential Regime is the FCA's new prudential regime for MiFID investment firms. The regime came into force on 1 January 2022.

### Investment performance

Investment performance has been aggregated using a money weighted average of our assets under management which are outperforming their respective benchmark. Calculations for investment performance are made gross of fees with the exception of those for which the stated comparator is net of fees. Benchmarks differ by fund and are defined in the investment management agreement or prospectus, as appropriate. The investment performance calculation covers all funds that aim to outperform a benchmark, with certain assets excluded where this measure of performance is not appropriate or expected, such as private equity and execution only mandates, as well as replication tracker funds which aim to perform in line with a given index.

### LBG tranche withdrawals

On 24 July 2019, the Group announced that it had agreed a final settlement in relation to the arbitration proceedings between the parties concerning LBG's attempt to terminate investment management arrangements under which assets were managed by members of the Group for LBG entities. In its decision of March 2019, the arbitral tribunal found that LBG was not entitled to terminate these investment management contracts. The Group had continued to manage approximately £104bn (as at 30 June 2019) of assets under management (AUM) for LBG entities during the period of the dispute. Approximately two thirds of the total AUM (the transferring AUM) will be transferred to third party managers appointed by LBG through a series of planned tranches from 24 July 2019. During this period, the Group will continue to be remunerated for its services in relation to the transferring AUM.

### **Net flows**

Net flows represent gross inflows less gross outflows or redemptions. Gross inflows are new funds from clients. Gross outflows or redemptions is the money withdrawn by clients during the period.

#### Net zero

Net zero is the target of completely negating the amount of greenhouse gases produced by human activity, to be achieved by reducing emissions to the lowest possible amount and offsetting (see carbon offsetting) only the remainder as a last resort.

### **Net Zero Direct Investing**

Net Zero Directed Investing means moving towards the goal of net zero in the real world - not just in specific investment portfolios. At abrdn we seek to achieve this goal through a holistic set of actions, including rigorous research into net-zero trajectories, developing net-zero-directed investment solutions and active ownership to influence corporates and policy makers.

### **Operational emissions**

Operational emissions are the greenhouse gas emissions related to the operations of our business. They are categorised into three groups or 'scopes'. Scope 1 covers direct emissions from owned or controlled sources. Scope 2 covers indirect emissions from the generation of purchased electricity, steam, heating and cooling consumed by the reporting company. Scope 3 includes all other indirect emissions that occur in a company's value chain. At abrdn we report Scope 1, Scope 2, and Scope 3 emissions, which includes our working from home emissions.

### Paris alignment

'Paris alignment' refers to the alignment of public and private financial flows with the objectives of the Paris Agreement on climate change. Article 2.1c of the Paris Agreement defines this alignment as making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development. Alignment in this way will help to scale up the financial flows needed to strengthen the global response to the threat of climate change.

### Phoenix or Phoenix Group

Phoenix Group Holdings plc or Phoenix Group Holdings plc and its subsidiaries.

### Pillar 1

Under CRD IV, Pillar 1 focuses on fixed overhead requirements and the Group's exposure to credit and market risks in respect of risk-weighted assets, and sets a minimum requirement for capital based on these measures.

### Pillar 2

The requirement for companies to assess the level of additional capital held against risks not covered in Pillar 1.

#### Pillar 3

This complements Pillar 1 and Pillar 2 with the aim of improving market discipline by requiring companies to publish certain details of their risks, capital and risk management. The latest available Group's Pillar 3 disclosures are published at www.abrdn.com/annualreport

### Significant listed investments

Relates to our investments in HDFC Asset Management, HDFC Life and Phoenix. Fair value movements and dividend income relating to these investments are treated as adjusting items for the purpose of determining the Group's adjusted profit.

### Subordinated liabilities

Subordinated liabilities are debts of a company which, in the event of liquidation, rank below its other debts but above share capital.

# 11. Shareholder information

### Registered office

1 George Street Edinburgh EH2 2LL Scotland

Company registration number: SC286832

For shareholder services call: 0371 384 2464\*

\* Calls are monitored/recorded to meet regulatory obligations and for training and quality purposes. Call charges will vary.

Secretary: Kenneth A Gilmour

Registrar: Equiniti

Auditors: KPMG LLP

Solicitors: Slaughter and May

Brokers: JP Morgan Cazenove, Goldman Sachs

#### Shareholder services

We offer a wide range of shareholder services. For more information, please:

- Contact our registrar, Equiniti, who manage this service for us. Their details can be found on the inside back cover.
- Visit our share portal at www.abrdnshares.com

### Sign up for Ecommunications

Signing up means:

- You'll receive an email when documents like the annual report and accounts, Half year results and AGM guide are available on our website.
- Voting instructions for the Annual General Meeting will be sent to you electronically.

### Set up a share portal account

Having a share portal account means you can:

- Manage your account at a time that suits you.
- Download your documents when you need them.



To find out how to sign up, visit www.abrdnshares.com

### Preventing unsolicited mail

By law, the Company has to make certain details from its share register publicly available. As a result it is possible that some registered shareholders could receive unsolicited mail, emails or phone calls. You could also be targeted by fraudulent 'investment specialists', clone firms or scammers posing as government bodies e.g. HMRC, FCA. Frauds are becoming much more sophisticated and may use real company branding, the names of real employees or email addresses that appear to come from the company. If you get a social or email message and you're unsure if it is from us, you can send it to emailscams@abrdn.com and we'll let you know.

You can also check the FCA warning list and warning from overseas regulators, however, please note that this is not an exhaustive list and do not assume that a firm is legitimate just because it does not appear on the list as fraudsters frequently change their name and it may not have been reported yet.

www.fca.org.uk/consumers/unauthorised-firms-individuals

www.iosco.org/investor\_protection/?subsection=investor\_alerts\_portal

You can find more information about share scams at the Financial Conduct Authority website www.fca.org.uk/consumers/scams

If you are a certificated shareholder, your name and address may appear on a public register. Using a nominee company to hold your shares can help protect your privacy. You can transfer your shares into the Company-sponsored nominee – the abrdn Share Account – by contacting Equiniti, or you could get in touch with your broker to find out about their nominee services.

If you want to limit the amount of unsolicited mail you receive generally, please visit **www.mpsonline.org.uk** 

#### Financial calendar

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|--|--------------|
| Full year results 2021                                 | 1 March      |
| General Meeting - London                               | 15 March     |
| Ex-dividend date for 2021 final dividend               | 7 April      |
| Record date for 2021 final dividend                    | 8 April      |
| Last date for DRIP elections for 2021 final dividend   | 4 May        |
| Annual General Meeting – Edinburgh                     | 18 May       |
| Dividend payment date for 2021 final dividend          | 24 May       |
| Half year results 2022                                 | 9 August     |
| Ex-dividend date for 2022 interim dividend             | 18 August    |
| Record date for 2022 interim dividend                  | 19 August    |
| Last date for DRIP elections for 2022 interim dividend | 7 September  |
| Dividend payment date for 2022 interim dividend        | 27 September |

# Analysis of registered shareholdings at 31 December 2021

| 21 December 2021 |                   |                    |                  |                      |  |
|------------------|-------------------|--------------------|------------------|----------------------|--|
| Range of shares  | Number of holders | % of total holders | Number of shares | % of total<br>shares |  |
| 1-1,000          | 60,076            | 64.94              | 24,459,705       | 1.12                 |  |
| 1,001-5,000      | 27,550            | 29.78              | 56,631,157       | 2.60                 |  |
| 5,001-10,000     | 2,769             | 2.99               | 18,497,090       | 0.85                 |  |
| 10,001-100,000   | 1,574             | 1.70               | 38,775,420       | 1.78                 |  |
| #100,001+        | 538               | 0.59               | 2,042,361,414    | 93.65                |  |
| Total            | 92,507            | 100.00             | 2,180,724,786    | 100.00               |  |

These figures include the Company-sponsored nominee – the abrdn Share Account – which had 942,539 participants holding 642,153,852 shares.

# 12. Forward-looking statements

This document may contain certain 'forward-looking statements' with respect to the financial condition, performance, results, strategy, targets, objectives, plans, goals and expectations of the Company and its affiliates. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts.

Forward-looking statements are prospective in nature and are not based on historical or current facts, but rather on current expectations, assumptions and projections of management of the abrdn Group about future events, and are therefore subject to risks and uncertainties which could cause actual results to differ materially from the future results expressed or implied by the forward-looking statements.

For example but without limitation, statements containing words such as 'may', 'will', 'should', 'could', 'continue', 'aims', 'estimates', 'projects', 'believes', 'intends', 'expects', 'hopes', 'plans', 'pursues', 'ensure', 'seeks', 'targets' and 'anticipates', and words of similar meaning (including the negative of these terms), may be forward-looking. These statements are based on assumptions and assessments made by the Company in light of its experience and its perception of historical trends, current conditions, future developments and other factors it believes appropriate. Each forward-looking statement speaks only as of the date of particular statement and the events discussed herein may not occur.

By their nature, all forward-looking statements involve risk and uncertainty because they are based on information available at the time they are made, including current expectations and assumptions, and relate to future events and/or depend on circumstances which may be or are beyond the Group's control, including among other things: the direct and indirect impacts and implications of the COVID-19 (coronavirus) outbreak on the economy, nationally and internationally, and on the Group, its operations and prospects; UK domestic and global political, economic and business conditions, competitive, market and regulatory forces (such as the UK's exit from the EU); market related risks such as fluctuations in interest rates and exchange rates, and the performance of financial markets generally; the impact of inflation and deflation; the impact of competition; the timing, impact and other uncertainties associated with future acquisitions, disposals or combinations undertaken by the Company or its affiliates and/or within relevant industries; experience in particular with regard to mortality and morbidity trends, lapse rates and policy renewal rates; the value of and earnings from the Group's strategic investments and ongoing commercial relationships; default by counterparties; information technology or data security breaches (including the Group being subject to cyberattacks); operational information technology risks, including the Group's operations being highly dependent on its information technology systems (both internal and outsourced); natural or man-made catastrophic events; the impact of pandemics, including the COVID-19 (coronavirus) outbreak; climate change and a transition to a low-carbon economy (including the risk that the Group may not achieve its targets); exposure to third party risks including as a result of outsourcing; the failure to attract or retain necessary key personnel; the policies and actions of regulatory authorities (including changes in response to the COVID-19 (coronavirus) outbreak and its impact on the economy); and the impact of changes in capital, solvency or accounting standards, and tax and other legislation and regulations (including changes to the regulatory capital requirements that the Group is subject to or changes in connection with the COVID-19 (coronavirus) outbreak) in the jurisdictions in which the Company and its affiliates operate. As a result, the Group's actual future financial condition, performance and results may differ materially from the plans, goals, objectives and expectations set forth in the forward looking statements.

The Company, nor any of its associates, directors, officers or advisers, provides any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this document will actually occur. Persons receiving this document should not place reliance on forward-looking statements. All forward-looking statements contained in this document are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. Each forward-looking statement speaks only as at the date of the particular statement. Neither the Company nor its affiliates assume any obligation to update or correct any of the forward-looking statements contained in this document or any other forward-looking statements it or they may make (whether as a result of new information, future events or otherwise), except as required by law. Past performance is not an indicator of future results and the results of the Company and its affiliates in this document may not be indicative of, and are not an estimate, forecast or projection of, the Company's or its affiliates' future results.

# Contact us

# Got a shareholder question? Contact our shareholder services team.

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<sup>\*</sup> Calls may be monitored and/or recorded to protect both you and us and help with our training. Call charges will vary.

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Please remember that the value of shares can go down as well as up and you may not get back the full amount invested or any income from it. All figures and share price information have been calculated as at 31 December 2021 (unless otherwise indicated).

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