

Resilience from diversification

Annual report and accounts 2022

abrdn plc

abrdn.com



At abrdn, we are
reshaping our business
to serve a wider range
of clients to plan, save
and invest for the future.



By diversifying our business,
we are positioning ourselves
for growth in a changing
investment landscape.

This annual report and accounts 2022 for abrdn plc, and the strategic report and financial highlights 2022 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.



Certain measures such as adjusted operating profit, adjusted profit before tax, adjusted capital generation and cost/income ratio, 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 consolidated income statement, consolidated statement of financial position and consolidated statement of cash flows, which are presented in the Group financial statements section of this report. The revenue APM included within adjusted operating profit has been renamed from fee based revenue to net operating revenue. Further details on APMs are included in Supplementary information.

See Supplementary information for details on assets under management and administration (AUMA), net flows and the investment performance calculation. The calculation of investment performance has been revised to use a closing AUM weighting basis. 2021 comparatives have been restated. 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.

Adjusted operating profit 

£263m

2021: £323m

IFRS (loss)/profit before tax

(£615m)

2021: £1,115m

Full year dividend per share

14.6p

2021: 14.6p

Investment performance
(% of AUM above benchmark over three years)

65%

2021: 78%

Net flows
(Excl. liquidity and LBG)

**£10.3bn
outflow**

2021: £3.2bn outflow

MSCI ESG Rating

AAA

2021: AA

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This symbol indicates further information is available within this document or on our corporate website.



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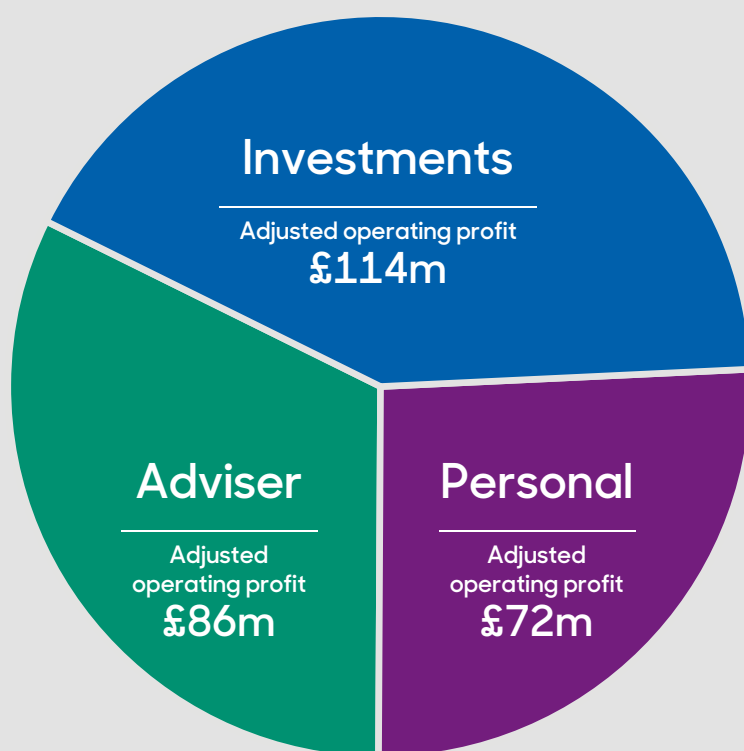
At a glance

Resilience from diversification

Our clients' worlds are changing, and so are we

Global investments		UK savings and wealth platforms	
Investments		Adviser	Personal
<ul style="list-style-type: none">– Insurance companies– Sovereign wealth funds– Independent wealth managers	<ul style="list-style-type: none">– Pension funds– Platforms– Banks– Family offices	<ul style="list-style-type: none">– Financial advisers– Discretionary fund managers	<ul style="list-style-type: none">– Individuals

As industry trends and client behaviours have evolved, so have we. We have focused on diversifying the earnings profile of our business – moving away from a reliance on the market-driven revenues of a traditional asset manager and, through the earnings potential of our Adviser and Personal vectors, positioning ourselves to leverage opportunities in areas that are being driven by attractive structural factors.



Note: Adjusted operating profit in 2022 is £263m, including a loss of £9m from Corporate/strategic which is excluded from the diagram above.

Our strategy is to deliver client-led growth

Our four strategic priorities are



Asia



Sustainability



Alternatives



UK savings
and wealth

Our three businesses are

Investments

Our capabilities in our Investments business are built on the strength of our insight – generated from wide-ranging research, worldwide investment expertise and local market knowledge.

AUM

£376bn

Cost/income
ratio

89%

Adviser

Our Adviser business provides financial planning solutions and technology for UK financial advisers, enabling them to create value for their businesses and their clients.

AUA

£69bn

Cost/income
ratio

54%

Personal

Powered by the UK's second largest direct-to-consumer investment platform, our Personal business enables individuals in the UK to plan, save and invest in the way that works for them.

AUMA

£67bn

Cost/income
ratio

64%

Our purpose is
to enable our clients to
be better investors

Progressing against our strategic priorities



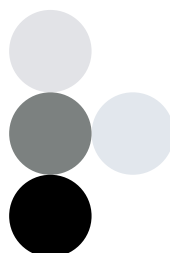
**This period has
provided a stress test
to economies,
financial markets and
indeed to our own
business; the learnings
are invaluable.**

Sir Douglas Flint Chair

2022 turned out to be a year like no other in recent memory, with a series of unexpected events across the globe.

Most significantly, the Russian invasion of Ukraine brought scenes of chaos, destruction and human suffering on a scale not seen in Europe since the Second World War. Already fragile geopolitical tensions intensified, in particular between the United States and China. Energy costs rocketed, impacting all sectors of the economy and requiring fiscal intervention to prevent business collapse and unacceptable hardship for people experiencing exceptionally high bills. Food supplies also faced disruption contributing to the high levels of cost inflation.

As inflation re-emerged from its dormancy, Central Banks increased policy interest rates across most of the major Western economies to temper inflationary expectations. Critical economic cross-border dependencies became apparent, precipitating an exhaustive global examination of supply chain resilience. China's unwinding of its zero-COVID policy at the end of 2022, while long encouraged in the West, may in the near term add to global supply chain uncertainties as its economy, health systems and population adjust to living with the virus.



And here in the UK we saw unprecedented political instability, with three Prime Ministers and four Chancellors within a four-month period to the end of October. We have entered 2023 facing strikes across much of the public sector, threatening both economic growth and higher inflation.

We adjusted our business model to meet our clients' needs

It was against this backdrop that we adjusted our business model and investment priorities to meet client and customer needs and to make our own business more sustainable and resilient for the future.

As we stand back to reflect, we observe this period has provided a stress test to economies, financial markets and indeed to our own business; the learnings are invaluable.

Embedding resilience as our three-vector model takes additional shape

Perhaps the most important lessons for us are the need for resilience in our business model and, as an investor, the enduring importance of fundamental analysis to deliver long-term value through our investment processes.

The unexpected and dramatic events noted above had understandable adverse impacts both on market levels at various points in the year and on flows as an unprecedented level of withdrawals was made from equity funds across the industry. We were not immune from these impacts. What was encouraging was that the impacts were largely seen across public markets in the Investments vector with real assets and our other two vectors in Personal and Adviser proving much more resilient – reinforcing the decisions made to direct more of our capital towards these businesses.

We made further progress against our priorities in 2022. The development of the three-vector model introduced in 2021 took additional shape during the year, most markedly through completion of the acquisition of interactive investor (ii). On top of this, the refocusing of the Investments vector to improve productivity and play to competitive advantage moved from the planning phase to execution with much more to come in 2023. Some examples include fund rationalisation, where we are on track to consolidate or close some 80 funds this year, having consolidated or closed 58 in 2022. Additionally, we are focusing our real assets business on areas such as the living sector (including residential and student), where we are one of Europe's largest residential fund managers, and on industrial and logistics real estate where our subsidiary Tritax has grown assets under management by over 40% post our acquisition. Activity to support repositioning has also included moving to distribution partnership models in Taiwan and Australia.

This report elaborates on the progress made in the Investments vector on pages 16–19.

Financial performance reflects expanded Personal and Adviser contributions

Adjusted operating profit at £263m was 19% lower than that achieved in the prior year (2021: £323m); the decline was concentrated in the Investments vector primarily for the reasons highlighted previously and reflects the further work required to refocus the Investments business. ii contributed £67m in its first seven months of our ownership, ahead of our business case modelling on acquisition, benefiting from the rise in interest rates on uninvested cash balances. Together our Personal and Adviser businesses contributed 60% of adjusted operating profit in the year, a contribution that is expected to grow taking into account the full year contribution from ii from now on. Our IFRS pre-tax loss amounted to £615m (2021: profit £1,115m) which included the impact of impairments of intangible assets mainly in the Investments business and lower share prices for our significant listed investments.

Stephen and Stephanie provide greater insights into performance across our vectors in their reports.

Continuing strong capital management discipline

Capital management discipline was strong during the year and remains a core philosophy of the company. We augmented capital resources outside of operating activity through further disposals of non-core stakes realising £0.8bn; we completed share buybacks amounting to £0.3bn and we invested c£1.5bn in the acquisition of ii. We declared an interim dividend of 7.3p per share which was paid on 27 September 2022 and the Board is recommending a final dividend also of 7.3p per share to be paid on 16 May 2023, subject to shareholder approval at the AGM in May. Our regulatory capital position remains strong. Stephanie covers all of this in more detail in her report.

Board matters

As foreshadowed in my statement last year Catherine Bradley, Mike O'Brien and Pam Kaur joined the Board during the course of 2022. They have made significant contributions to our discussions and we are delighted with how well they have integrated into the rhythm of our Board meetings which happily are now primarily in person again.

Cecilia Reyes advised us in September that she would not seek a second term when her first term concluded at the end of that month. Cecilia brought great insight and experience to the Board, Risk and Capital, and Remuneration Committees. We wish her well in her future endeavours.

Chairman's statement continued

Additionally, Brian McBride has advised that he will not seek re-election at our Annual General Meeting on 10 May 2023 and will stand down from that date as a Non-Executive Director and as a member of the Remuneration Committee. On behalf of the Board and all my colleagues, I would like to thank Brian for his significant contribution to abrdn. He served on the Board, several subsidiary boards and the Remuneration Committee. We will all miss Brian's insights and guidance. His direct experience of private market investments and consumer-facing businesses has brought significant value to our Board and Committee discussions. We wish him all the best as he pursues his many other interests.

Finally, I am sure shareholders will wish to join with the Board and our colleagues in congratulating our former CEO, Sir Keith Skeoch on his well-deserved knighthood in the recent New Year Honours.

Looking forward to a more sustainable world

Notwithstanding the severity and combined impact of the events noted in my opening paragraphs, they cannot compare to the existential threat that continues to grow relatively unabated from failure to make progress on constraining global warming to the agreed target of 1.5°C.

COP27 held last year in Sharm el-Sheikh largely failed to expand commitments made a year earlier, in our native Scotland, to phase out fossil fuels. The one major step forward was the agreement of a deal that has been sought for over 30 years to launch a fund for 'loss and damage' to support nations most exposed to the consequences of climate change, but details and financial funding remain to be agreed.

Already we can observe much greater incidence of extreme weather events which are having devastating effects on the impacted economies and are contributing to the risk of a steady but dramatically expanded flow of migrants towards more hospitable climates. Notwithstanding the imperative of reaching the agreed target, 2022 saw the resurgence of investment in hydrocarbon capacity to build resilience of supply – absent inflows from Russia. We also saw growing pushback by many US states dependent on oil and gas activity against financial firms restricting future investment to this sector. These actions make navigating our commitments to contribute to the net zero targets more challenging, but we remain resolute.

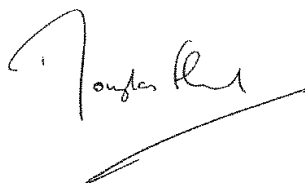
Against the many current challenges lie the opportunities – addressing climate change both in mitigation and solution requires trillions of dollars of investment annually for the next three decades at least; reconfiguring supply chains, building security of supply for energy and food, replacing inefficient infrastructure for transportation and energy supply and distribution, funding the science base and applied research needed to create the solutions not available today, rebuilding Ukraine – all of these add further billions of dollars of investment demand in the coming years. The

investment industry is better equipped than ever to steward capital into productive assets that meet society's expectations of it.

Policymakers are at last seeking to remove obstacles that constrain investment flows from long-term savings pools into infrastructure and early-stage science-based investments, both of which require patient capital. Industry leaders are prioritising capital investment over share buybacks, particularly in Europe and employment prospects are strong, particularly for younger workers as many older workers who were close to retirement brought that forward during the COVID-19 pandemic. In addition, many of the mega trends that have caused concern are forecast to improve in 2023: markets are discounting moderation in inflation and interest rate outlooks by the end of the current year; gas prices in Europe have fallen back to levels pre the invasion of Ukraine; wage levels are rising in most countries although below inflation; China's removal of most COVID-19 restrictions and the re-opening of its economy should in due course be positive for global growth and the alleviation of inflation; and all these factors should boost business and consumer confidence unlocking investment funds.

Well-positioned for 2023

As in prior years we enter the new year supported by a strong capital position, a committed leadership team and colleagues throughout the organisation energised by the many opportunities to make our business more relevant and valuable to our clients and customers as we support their ambition to become better investors.



Sir Douglas Flint
Chair

A stronger abrdn is emerging



Stephen Bird outlines the progress made during 2022, and how our strategy is positioning our business for growth

Key highlights

- Completed the acquisition of ii in May 2022.
- Delivered £0.8bn of value through divestments.
- Returned £0.6bn of capital to shareholders through buybacks and dividends.
- Strong progress on fund rationalisation in Investments, where overall costs were down 2%.
- Retained position as leading adviser platform.

The global economy changed dramatically during 2022

2022 was one of the hardest investing years in living memory. Almost all asset classes dropped in value as the cost of money soared to quell the rising tide of inflation. Although market conditions have had an impact on overall group performance, abrdn's more diversified model has proved resilient.

The world in which we and our clients are operating today is radically different from the environment of the past decade. The changing macro environment is resulting in the acceleration of key investment trends, notably the rise of Asia, a move to more sustainable offerings and, at an asset class level, the growth of alternatives and increasing client interest in fixed income.

We are also actively assessing the impact of these new market dynamics on pension funds and insurers, to ensure that we provide solutions to meet their complex needs. Each of these trends very much plays to our existing strengths, and we are well positioned to help our clients navigate this new investing world.

Building a stronger business model

Against this challenging backdrop, the company continued to progress as it completed the second year of its three-year strategy. We have transformed and built upon our asset management heritage and abrdn is now positioned for growth across its three businesses: Investments, Adviser and Personal.

The shape of the group is now settled following the 2022 acquisition of ii. This significantly expands our reach into the higher growth UK savings and wealth platform market, which is forecast to grow at a realistic rate of 11% by 2027. Leveraging the subscription-based model of ii, and the wider structural trends in the savings and wealth market, we benefit from income streams less exposed to market volatility. Looking ahead, we are set to exploit the synergies our new model offers.

2022 performance shows our growing resilience

The group's adjusted operating profit of £263m is 19% lower than in 2021. In line with the sector, the Investments vector faced headwinds in the market. Despite the progress made on its transformation journey, adjusted operating profit fell by £139m, principally due to a decline in revenue. Our focus on simplifying and streamlining the Investments business reduced its overall costs by 2%, although we know we have more to do to drive this down further.

The adjusted operating profit for Adviser and Personal combined increased by £76m including a £67m contribution from seven months of ii. With the Investments vector impacted by market conditions, these businesses contributed 76% of adjusted operating

Chief Executive Officer's review continued

profit in H2 2022, clearly demonstrating the benefits of the new abrdn model.

Overall, we are reporting an IFRS loss before tax of £615m reflecting the reduction of £187m in the value of the listed stakes held on our balance sheet, and impairments of £369m largely due to a fall in market levels, 2022 performance and lower projected revenues. However, with the strong discipline applied to our capital management, I'm pleased to report that our dividend for 2022 remains unchanged at 14.6p per share. Stephanie talks more about our performance in the Chief Financial Officer's overview.

Scaling-up our UK savings and wealth businesses

The acquisition of ii in 2022 delivered a substantial scaling-up of our presence in the UK savings and wealth market. This direct-to-consumer capability now sits alongside our established Adviser business, which I'm pleased to report remains the number one adviser platform in the UK by AUA, with 50% of the UK's advice businesses using our platforms. Customer satisfaction as at end 2022 was 95%. The recent delivery of technology enhancements to our platforms will further support advisers to unlock capacity and grow their client bases.

In the seven months since joining abrdn, ii delivered £114m in net operating revenue and £67m in adjusted operating profit, at a cost/income ratio of 41%. Based on the seven months profits, the £1.49bn purchase price represents a multiple of 16 times annualised post-tax adjusted earnings.

Reductions in gross and net flows in Personal Wealth this year include the impact of market uncertainty which has resulted in lower and more muted activity by individual investors. Looking ahead, we see substantial opportunities to evolve the newly combined Personal vector to deliver an end-to-end customer proposition, that stretches from simple online transactions to more complex financial advice.

At a societal level, individuals are having to take more responsibility for building and managing their own savings, investments and retirements, while at the same time becoming increasingly accustomed to using direct-to-consumer platforms and digital tools for financial transactions. The democratisation of financial services, supported by technology, is driving structural change in the investment market and we are now well positioned to serve this growing opportunity.

Refocusing Investments

After previously competing across a very broad waterfront, the Investments business is becoming much more focused on the areas in which we have both strength and scale.

We have a long heritage in public markets, including through our capabilities in Asia and emerging markets and our strong fixed income franchise. Although 2022

has been a challenging year, particularly for equities, we are well placed to benefit from evolving conditions in China and in the bond markets. Our already strong position in alternatives is growing. Here we manage around £87bn in assets in areas such as real estate, infrastructure, logistics and private credit. A highlight has been the performance of Tritax which saw c25% growth in average AUM last year.

By focusing on these areas of strength, all underpinned by our sustainability credentials, we believe we are in a better position to deliver products that are more closely aligned with current and future client demand.

In the Insurance sector, the changing approach to asset strategies represents a headwind for the margin of this business activity. We expect continued changes from certain active equity and fixed income strategies to passive quantitative strategies which, together with related pricing changes, is expected to lead to further margin contraction for our Insurance business in future periods. Stephanie discusses this in more detail on page 51.

Disciplined management and deployment of capital

Our strong capital position provides resilience in uncertain times and enables targeted investment to accelerate the growth of the group. As at 31 December 2022, our surplus regulatory capital was £0.7bn.

In 2022, we generated £1.1bn of capital through organic cash generation and efficient stake sales, investing £1.4bn in the acquisition of ii, and returning £0.6bn to shareholders in buybacks and dividends. Over the near term, as we continue to build capital through a focus on profitability and ongoing monetisation of listed stakes, we continue to expect to invest in inorganic opportunities where we see capabilities we need that offer compelling value. We are committed to returning a significant proportion of proceeds from further stake sales through share buybacks, and reconfirm our stated dividend policy of 14.6p per annum until at least 1.5x covered by adjusted capital generation from when it can grow. We will continue to 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.

Progress on climate

We have a critical role to play as stewards of our clients' capital, and the relationships we have with investee companies enable us to drive positive change through engagement.

We are targeting a 50% reduction in the carbon intensity of our portfolios by 2030 versus a 2019 baseline. We are on track with a 27% reduction across in-scope public market portfolios as at 31 December 2022 and a 31% reduction for in-scope real estate as at 31 December 2021. Assets in scope for our target represent 30% of our total AUM. This is driven by data availability, maturity of methodologies and control over

decision making (more on page 38). We recognise that methodologies may continue to evolve over time and we will review our approach as appropriate. We have also been developing our net zero solutions, including an Active Climate Transition proposition in equities and fixed income. In compliance with level one of the EU's Sustainable Finance Disclosures Regulation (SFDR), we have also been converting our range of SICAV funds to comply with SFDR Article 8 and 9 – reflecting the importance of ESG considerations in the investment opportunities we seek. In 2022 we converted 27 of our funds to Article 8 and 9. In Asia, one of our key growth markets, we launched our MyFolio Sustainable Index range of funds during 2022, and our Sustainability Institute is helping us hone our expertise to deliver for our clients.

We know that leading by example starts with our own operations. We have a corporate target to be net zero in our operations by 2040, and an ambitious interim target to achieve a 50% reduction in operational emissions by 2025, against our 2018 baseline. Colleague engagement remains critical to delivering on this.

While a significant amount of work remains to be done, I am proud of the progress we have made to date. We will continue to drive towards our commitments with a focus on transparency – through reporting and data disclosure – and by engaging with our clients, investee companies and wider stakeholders, with the aim of achieving a cleaner, greener future together.

Building a culture that supports colleagues and delivers for clients

Our culture and how it feels to work here are fundamental to our success. We want every one of our colleagues on board – believing in our purpose and focusing on our strategy and their role in delivering for clients.

Throughout 2022 our leaders worked with colleagues across the globe to create a new set of commitments and values that resonate with their collective beliefs, identifying these as Client First, Ambitious, Empowered and Transparent. We're creating a culture that gives talent the chance to thrive, and that empowers colleagues to take ownership of client outcomes. A culture of constant improvement is critical for success.

We ran our most recent all-colleague survey in January 2023 where it was pleasing to see a positive response from colleagues around areas like our people leaders and our strategy. Amid highly challenging market conditions and ongoing change within the business, employee engagement held steady, and we will continue our focus on driving progress in this area. For more information see pages 41 and 42.

It's critical that diverse perspectives have an active voice in decision-making processes. I'm pleased that we've reduced our gender pay gap for the fifth year in a row, and that we have more women on our Board, in senior leadership and in investment decision-making


roles. But there is still much more to do. Our industry and our wider talent pipeline need to be more representative of the diverse society we live in, and we're focused on facing up to this.

In a very challenging year for the sector, in which we have continued to go through significant change as a business, the commitment and professionalism shown by everyone across abrdn has been truly inspiring. Those qualities are what give me so much confidence about what lies ahead. On behalf of the senior leadership and my fellow Board members, I'd like to place on record our sincere thanks.

Focusing on the future

Although the external market environment remains challenging, we have the right strategy, and we have the team and the capital resources to execute it well. Diversification of revenue streams is putting the group on a sustainable growth trajectory.

In the Investments vector, there is further to go. This was always the longest-cycle transformation given the structural challenges and the nature of change in active asset management. We have taken the hard decisions and built the foundations for future growth. We're simplifying our product range and reducing cost and complexity so that we are focused on delivering higher margin products with the right performance. This work should deliver net cost savings of around £75m in the Investments vector in 2023.



Stephen Bird
Chief Executive Officer

Building a stronger business model



We are building a stronger business model which is designed to support the successful delivery of our growth strategy by harnessing the combination of strengths in our business.

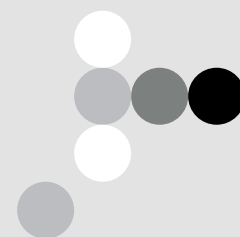
Our areas of strength	Global investment capabilities with expertise in a range of asset classes.	No.1 adviser platform by AUA in the UK powered by leading technology.	Broad capabilities in the UK wealth market including ii, the UK's second largest direct-to-consumer investment platform.
	Sustainable investment considerations integral to our investment process.	Enduring client relationships built on trust and experience.	Strong capital resources to drive shareholder value.

Channelled through our three businesses



How we make money

We earn money mainly from asset management and platform fees based on AUMA. We also earn revenue from subscription and trading fees, and earn an interest margin on client cash balances.



How we operate

Controlled processes

Our control environment helps us manage risk effectively, provide business security and maintain operational resilience.

Efficient operations

We are building our operating model for agility, speed and efficiency, supported by technology which aims to deliver the best possible experience.

Talent

Our talent model constantly strives for excellence, with diversity and inclusion at its core.

Delivering value for our stakeholders

For clients

We focus on delivering outcomes that truly matter to our clients. We draw on our expertise and insight with the aim of delivering long-term investment performance.

65%

Three-year investment performance

For our people

We aim to attract and develop the best people for leadership roles, and to offer clear pathways for career advancement.

50%

Employee engagement score

For society

We have important responsibilities to society and the environment. We combine the power of responsible investment with the positive impact we have through our operations.

No.1

Ranked asset manager by World Benchmarking Alliance

For shareholders

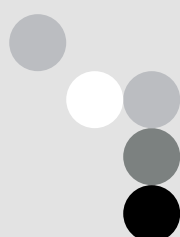
We aim to create sustainable shareholder value over the long term. We have a strong track record of returning value to shareholders.

14.6p

Full year dividend



Read more about how we have engaged with our stakeholders on pages 44 and 45.



Diversified client-led strategy for growth

As we diversify our business, our focus on four strategic priorities enables us to meet the changing needs of clients across a range of markets. They are also fundamental to the continued transformation and resilience of our business.



1. Asia

Asia remains a key market for our Investments business and we are well positioned to drive growth. In 2022 we celebrated the 30th year of our Investments business in Asia Pacific and we use this expertise to support clients in navigating this complex but vibrant market. Asia also holds strong opportunities as we aim to be a leader of sustainable investment solutions. This is supported by our strong Asia-specific research and insight capabilities.



2. Sustainability

Many of our clients seek more from their investments than simply financial returns. We have created a specific suite of sustainability-focused solutions to meet client needs. We also believe that the consideration of ESG factors is essential to more constructive engagement and better-informed investment decisions to help our clients achieve their financial goals. Insight through tools such as climate scenario analysis helps our clients to better identify investment risks and opportunities.

2022 progress

- Refreshed the leadership of our Client Group in Asia Pacific, with new heads of Wholesale, Institutional, Marketing and Client Servicing.
- Focused our regional footprint by exiting Taiwan and Australia and introducing distribution partnership models.
- Improved the performance of our flagship funds – including our Asia-ex Japan Equity funds, which have outperformed their benchmarks over three years; and our China A Sustainable Equity fund, which is top quartile over one, three and five years for funds in its sector.
- Launched our MyFolio Sustainable Index range in support of clients' ESG goals.
- Converted 27 funds within our SICAV range to meet the requirements for Article 8 and 9 funds under the Sustainable Finance Disclosure Regulation (SFDR).
- Emerging Markets Sustainable Development Corporate Bond fund passed through the \$100m mark in its first year.
- Initiated a two-year engagement programme with the highest-financed emitters in our equity holdings, identifying clear milestones.



3. Alternatives

The growing trends for urbanisation, digitalisation and decarbonisation create significant investment opportunities in real assets. Our Alternatives business includes our capabilities in real assets, which comprises real estate, infrastructure and commodities. Our Alternatives business also offers clients access to major areas of European private credit, as well as compelling opportunities in the hedge fund sector.



4. UK savings and wealth

As financial responsibility continues to move more towards individuals, we have successfully repositioned our business towards an increasingly attractive and growing UK savings and wealth market, as well as focusing on creating more capacity for advisers to serve more clients and reduce the savings and advice gap. We are now operating across the full client spectrum to help individuals in the UK plan, save and invest for the future.

2022 progress

- Within real assets, our logistics and industrials AUM has risen since the acquisition of Tritax to £16.9bn.
- Launched Inflation-Linked Infrastructure Debt fund in November 2022.
- Continued to grow our real estate footprint by partnering with the John Lewis Partnership to build 1,000 residential rental homes in the UK.
- Became largest external investor in regulated digital securities exchange Archax and joined the governing council of distributed ledger technology firm Hedera.
- Acquisition of ii transformed our position in the UK savings and wealth market, delivered a significant acceleration of group revenue diversification and brought over 400,000 new customers to the abrdn group.
- ii launched Investor Essentials, a part of its subscription service designed to appeal to investors with less to invest and those at the beginning of their investment lifecycles.
- Remained the only platform business 'A' rated for financial strength by leading independent consultancy firm AKG – with financial strength a key consideration for advisers when selecting their primary platform.

Performance impacted in a difficult macroeconomic environment

Our full year results largely reflect the challenging global economic environment and market turbulence that impacted across the industry. These impacts were largely seen in our Investments vector. The reduction in profitability in the Investments vector is disappointing, with detailed plans of work to improve the operating margin now underway. Performance in our Adviser and Personal vectors were more resilient to the market conditions.

Financial performance summary

£1,456m

Net operating revenue¹

reduced by 4% to £1,456m (2021: £1,515m) mainly reflecting adverse market movements which particularly impacted high revenue yielding equities.

(£615m)

IFRS loss before tax

of £615m (2021: profit £1,115m) was impacted by impairments of goodwill and intangibles in the Investments vector of £369m, restructuring and corporate transaction expenses of £214m and losses of £187m from the change in fair value of significant listed investments.

£263m

Adjusted operating profit

reduced by 19% to £263m (2021: £323m) due to the impact of adverse markets on revenue. The 2022 result includes seven months profit contribution from ii of £67m.

(£10.3bn)

Net outflows (excl. liquidity and LBG tranche withdrawals)

of £10.3bn (2021: £3.2bn), representing (2%) of opening AUMA, largely reflected lower gross inflows which included the impact of the uncertain market environment.

82%

Cost/income ratio

worsened to 82% (2021: 79%) as a result of the lower revenue. We acknowledge that costs in the Investments vector remain too high. Read about our actions to reduce costs on page 51.

1. The revenue measure included within adjusted operating profit has been renamed from fee based revenue to net operating revenue.

Our capital resources provide strength to allow investment in the business, support the dividend policy and enable capital returns. Now that the shape of the Group is largely settled following the acquisition of ii, we expect inorganic actions on a more modest scale.

Capital performance summary

£0.7bn

Surplus regulatory capital

remains strong at £0.7bn (2021: £1.8bn), with a reduction reflecting the ii acquisition.

£1.3bn

Value of listed stakes

of £1.3bn (2021: £2.3bn) excluded from the regulatory capital position. Reduction includes impact of further stake sales which generated net proceeds of £0.8bn (2021: £0.9bn).

£300m

Shareholder return programme

of £300m completed in December 2022. We are committed to returning a significant proportion of proceeds as further stake sales are realised.

£1.7bn

Cash and liquid resources

remained robust at £1.7bn (2021: £3.1bn) following the £1.5bn ii acquisition. These resources are high quality and mainly invested in cash, money market instruments and short-term debt securities.

14.6p

Full year dividend per share

was maintained at 14.6p (2021: 14.6p). Our dividend policy remains unchanged.



Read more about our financial and capital performance in the Chief Financial Officer's overview section of this report.

Refocusing our Investments business

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.



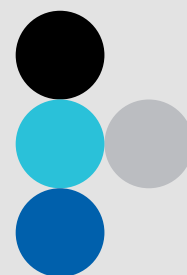
"We have refocused our offering to areas where we provide a differentiated proposition to our clients."

Chris Demetriou
CEO, UK, EMEA and Americas, Investments



"We aspire to be the go-to place for global investors seeking exposure to sustainable solutions across Asia, particularly in China. We are also focused on supporting clients across Asia as they seek to access global investment opportunities."

René Buehlmann
CEO, Asia Pacific, Investments



Highlights

Investment performance

£88bn

Leading active Asia and emerging markets manager¹

1 year

41%

(2021: 66%)³

£145bn

AUM from insurance clients

3 years

65%

(2021: 78%)³

£120bn

AUM from our fixed income capabilities²

5 years

58%

(2021: 77%)³



Read more about investment performance on page 55.

1. Refers to total assets invested in Africa & Middle East, Asia Pacific and Latin America.

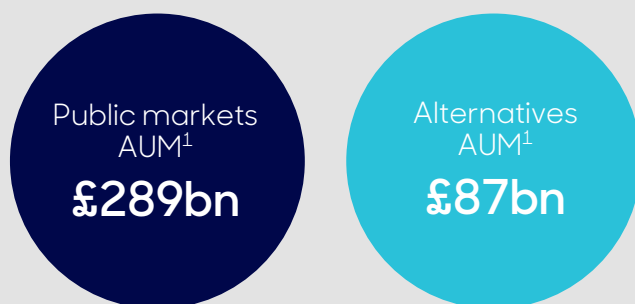
2. Includes Insurance assets.

3. The calculation of investment performance has been revised to use a closing AUM weighting basis. 2021 comparatives have been restated. See page 55 for more information.



Our investment capabilities

We have simplified and focused our investment capabilities on areas where we have both the skill and the scale to capitalise on the key themes shaping the market, through either public markets or alternative asset classes.



Our broad global reach and expertise²



1. Public markets and Alternatives AUM includes Insurance assets.

2. AUM is based on client domicile and revenue is allocated based on legal entity revenue recognition. Revenue is shown for the Investments business only, see Note 2(c) of the Group financial statements for a breakdown of total group revenue by geographical location.

Our capabilities

Public markets

Fixed income

We are one of the UK's leading global fixed income managers with £120bn of AUM across credit, government bond and money market funds in developed and emerging markets.

The outlook for fixed income is very positive following the 2022 reset of bond prices and years of operating in a low-yield environment. abrdn's deep and proven credit expertise positions the business well to support clients as flows into fixed income accelerate against a backdrop of economic recession and the resulting pressure on corporate earnings.

Equities

Our equities franchise is organised into two segments.

Our Asia and emerging markets capabilities, reinforced by robust investment performance in China A and Asia Pacific strategies, position abrdn well in this segment as China reopens.

Our Global Developed Markets team generates investment ideas aligned to three distinct outcomes: Sustainability, Income and Small Cap. Leveraging a globally-situated research capability, the team is becoming more focused on these specific areas of specialism, where we are able to offer both strength and scale.

Multi-asset

Our multi-asset team designs solutions to meet the needs of three client segments.

Through our historic expertise in insurance, we help to provide clients with solutions to their complex needs, most notably our strategic partner Phoenix Group.

Our breadth and depth of experience supporting pensions results in a broad range of solutions, including our UK Defined Benefit Master Trust, launched in 2022.

There are significant growth opportunities in the UK and Asian savings and wealth markets. In the UK we currently manage £16bn of AUM in packaged solutions, including MyFolio and Diversified Income and Growth, which, combined with the customer access afforded by our Adviser and Personal vectors, position us well in this space. We have also established our WealthTech Hub, a cross-team group focused on commercialising our market-leading UK investment technology solutions in Asia.

Alternatives

Real assets

We are a leader in UK and European real estate with notable specialisms in residential and logistics. This is evidenced by our recent partnership with John Lewis and our management of Tritax Big Box, the UK's largest listed investor in quality logistics warehouses and owner of the UK's largest logistics-focused land platform.

In 2022, we commenced fundraising for abrdn Core Infrastructure III, targeting a fund size of €1bn, and by 31 December 2022 the fund had raised over €400m. The fund aims to invest in opportunities across the utilities, energy, transportation and digital segments.

Private credit

We offer clients access to the major areas of European private credit, including commercial real estate debt, infrastructure debt, corporate private debt and fund financing among other areas.

Private equity

Our private equity and venture capital team operates as a bespoke business unit, providing capabilities in pooled and segregated vehicles to clients seeking diversified exposure to primary, secondary, venture and co-investment opportunities.

Hedge funds and ETFs

We use our global knowledge and access to hedge fund managers to identify and bring together the most compelling opportunities the sector can offer. We offer global hedge fund and diversification strategies across the liquidity spectrum. Using a disciplined and proven research-driven investment process, we create portfolios to target a range of investor outcomes and risk-reward requirements.

For the third straight year, abrdn's range of commodity ETFs generated positive inflows, finishing the year with £6bn of AUM.

Our progress in 2022

Achieving strategic clarity

In 2022, we made further progress on the refocusing of the Investments vector, away from a broad waterfront approach towards our goal of a simpler business that is concentrated on those areas where we have strength and scale. To achieve this, we have adopted a strategy designed to focus on our core competencies, across the two distinct public markets and alternatives groups.

Our Public markets business generated revenues of £746m in 2022. We have three clear strategic objectives with respect to the Public markets business:

- Narrow our focus to our core investments competencies.
- Improve investment performance to underpin a return to growth, reinforced by our recent appointment of Peter Branner as Chief Investment Officer, joining in Q2 2023.

- Increase operational efficiency through rationalising funds, improving systems and closing non-core capabilities and markets.

Demonstrating our continued commitment and confidence in the closed-end fund space, in December 2022 we announced that we were set to acquire and reorganise four funds from Macquarie Group subsidiary, Delaware Investments. This would see approximately \$750m merge into three existing abrdn closed-end funds, with minimal additional operating cost and estimated revenues of approximately \$10m.

Our Alternatives business generated revenues of £324m in 2022. Benefiting from market trends such as growth in urbanisation and infrastructure development, this business has strong track records across the significant majority of its AUM and has delivered resilient flows and revenue growth. Our strategic focus for this business is to accelerate asset raising.

Simplifying our business

In 2022 we undertook a review of our fund and product suite to ensure we continue to offer what our clients want. Having reviewed c550 funds, we concluded that only 20%, covering AUM of around £7bn, were sub-scale, inefficient or no longer aligned with our core strengths. We have taken steps to merge funds where viable to reduce duplication and simplify our offering. Globally we merged or closed 58 funds in 2022, primarily within equities, fixed income and multi-asset. In 2023, we intend to merge or close a further 80 funds. As funds are merged, we minimise decline in revenue associated with these funds while improving our cost/income ratio and continuing to deliver client outcomes.

As part of our commitment to exiting non-core businesses that no longer align to our overall strategy, we have taken steps to simplify our footprint in Asia Pacific. In July 2022, we announced the closure of our office in Taiwan, appointing Manulife Investment Management (Taiwan) as abrdn's Master Agent. We have also announced the closure of our Australia office and our intention to establish a strategic partnership with SG Hiscock. These partnerships help us to reconfigure global operations around our growth strategy and focus on our core markets.

Consolidating our middle office services onto a single arrangement is an important step towards increasing capacity and delivery of client service. We completed this consolidation in October 2022, which included migrating onto a single provider for performance and client reporting.

Further simplification steps are planned for 2023. A significant process execution event occurred during 2022 which resulted in a loss and has been thoroughly investigated. See Note 34 of the Group financial statements for further details.

Evolving our client proposition

During the year we accelerated fund development and launches in areas of growth, with net flows into products launched in 2022 exceeding £800m. We launched six new products in 2022, the same number as we did in 2021, including:

- Commercial Real Estate Debt fund II, with net flows of £205m.
- Eclipse HFRI 500 fund, with net flows of £115m.
- Global Risk Mitigation (GRM) fund, with net flows of £178m.

We are continuing to develop new funds to support clients' sustainability goals including the MyFolio Sustainable Index range launched in 2022. In compliance with level one of the EU's Sustainable Finance Disclosures Regulation (SFDR), we have also been converting our range of SICAV funds to comply with SFDR Article 8 and 9, which reflects the importance of ESG considerations in the investment opportunities we seek. In 2022 we converted 27 of our funds to Article 8 and 9.

The sustainable index strategies which we manage and developed in partnership with our client Phoenix are used for over 90% of the assets within Standard Life's new default workplace pension solution, raising over £10bn in assets in the year.



Read more about our strategic focus on sustainability on pages 28 to 39.

We are strengthening our position in the development of the digital assets ecosystem, establishing partnerships to help our clients benefit from the digital assets value chain. In becoming the largest external investor in Archax, the UK's first regulated exchange and trading platform designed to bring digital assets to capital markets, we are building important capabilities and knowledge. We are also the first asset manager to join the governing council of Hedera, which is at the forefront of enabling the migration of traditional investments onto distributed ledger technology.

Our strategic focus for 2023

- Complete the repositioning of our Public markets business to focus on core strengths.
- Improve investment performance, with clear structure and leadership.
- Accelerate growth in Alternatives franchise through dedicated and accountable leadership and resources.
- Continued focus on growth in Asia – on enabling our clients in Asia through our global offerings, and on growth of clients globally who invest into our capabilities managed in Asia.
- Delivery of net cost savings of c£75m are targeted in 2023 – read more on page 51.

Growing from a market-leading position

Our Adviser business provides financial planning solutions and technology for UK financial advisers enabling them to create value for their businesses and their clients. We offer a combination of tools and services personalised to their needs, including access to the full suite of investment solutions that abrdn offers as well as a wide range of open architecture investment options.



"We want to enable advisers to grow their businesses in line with their ambitions, by helping them to unlock capacity to serve more clients. We are building solutions that we believe make us the obvious choice for adviser businesses to partner with because we aim to make it as easy as possible for them to focus on what's most important, their clients."

Noel Butwell
CEO, Adviser

50%
of UK advice
businesses use our
platforms

430,000
customers

2,600
Adviser firms

**AKG A
rating**
for financial strength,
the only platform
business with this
rating

**No. 1 for
AUA**
13% market share

97%
client retention rate
for our primary
partners

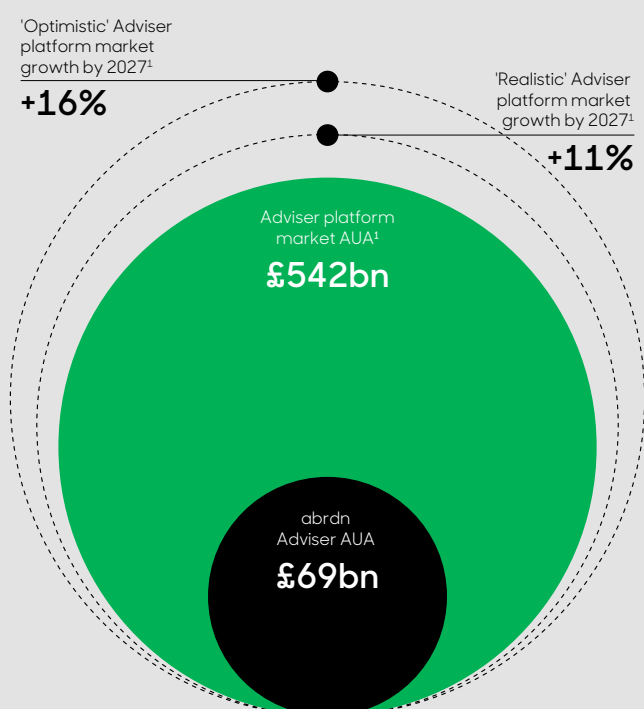
Platinum rated
by AdviserAsset
and
Gold rated
by Defaqto

Best platform
provider over
£40bn,
Schroders UK
Platform Awards
2022 – the ninth year
running



A compelling market opportunity

We are well-placed to drive growth in an attractive market for UK adviser platforms.



Performance overview

Performance and profit delivered in 2022 reflect our resilience in a challenging environment.

AUA

£69bn

'20	£67bn
'21	£76bn
'22	£69bn

Adjusted operating profit

£86m

'20	£48m
'21	£74m
'22	£86m

1. Source: Fundscape Q3/Q4 2022 releases.

A compelling market opportunity

The need for individuals to take on more personal financial responsibility continues to drive the demand for quality financial advice. The current macroeconomic environment has created uncertainty and, for customers, the need for advice in such environments increases in order to navigate volatility. However, as the demand for advice continues to far outpace supply, the savings and advice gap in the UK could run well beyond 20 million people. Advisers also remain capacity-constrained, the key constraint for which is fragmented technology for servicing clients through the whole cycle of onboarding, reporting and review.

Our technology solves that pain point for advisers. We put abrdn's strength to work for advisers, enabling them to look after their clients' data securely, while providing insight to make better decisions in areas ranging from regulation to taxation. We deliver client-led outcomes by building technology and investment solutions around advisers' and their clients' needs, delivering a personalised service to suit every type of business and client.

Our adviser platform is ranked number 1 in the UK with a leading share of AUA on our platform at £69bn. We partner with over 2,600 UK adviser firms with around 430,000 customers in total. This market for financial advice is compelling and we can see strong growth patterns. Over the last 10 years, the assets in the adviser platform market have grown at a 19% CAGR and the realistic forecasts from Fundscape for the period through to 2027 indicate growth at an 11% CAGR in spite of the current market conditions.

Growing from a market-leading position

Our leading position by AUA in the market places us right at the centre of this opportunity. Our focus is on expanding our service to our existing clients by creating capacity for them to further grow their business and to attract new clients of their own.

We are building solutions that we believe make us the best partner for advisory businesses. Our service proposition makes it as easy as possible for them to focus on their clients, reducing the administrative work and enabling them to focus on delivering high quality advice. We offer fast, self-serve solutions, along with live support that enables advisers to simplify the way they operate, increase capacity and therefore allow more time to focus on meeting their clients' needs.

We have focused our proposition on the top five things that advisory businesses tell us they value when they are selecting their primary platform. They want:

- good online functionality
- financial strength and stability
- lower overall cost
- efficient administration
- a full range of wrappers.

Today we have a strong position in this space, with tools and technology underpinning our operating model. Our Adviser Experience Programme is driving us further forward, with huge strides being made in these key areas. Despite some challenges around timescales, the recent delivery of technology enhancements to our platforms will further support advisers to unlock capacity and grow their client bases:

- Our online functionality continually evolves, from the basics of the look and feel moving to modern processes, to the rewiring of journeys to remove unnecessary steps or make them more intuitive.
- As we grow the functionality we further improve the value for money.
- We have invested in our service technology, with clients able to benefit from new contact centre tools, rich management information and tracking, and we are pushing this further with fully online processes and transaction tracking.
- We have added the Junior ISA, with more to come including the Junior SIPP and access to third-party products.
- We are the only platform A-rated for financial strength by AKG, an independent organisation offering assessments, information and support to the financial services industry.
- We are targeting world-class customer satisfaction scores, building on our end of 2022 Net Promoter Score of 57 and Customer Satisfaction Score of 95%.

According to research from Investment Trends, advisers want to increase client numbers by an average of 16%. Their challenge is to unlock capacity constraints in their businesses. This is the opportunity for us as our technology is cutting edge and solves that pain point for advisers. The more advisers who use our technology, the more customers we can serve.

Our progress in 2022

1 Putting our strength to work for advisers and their clients

Our Adviser Experience Programme has informed our investment decisions and we have enhanced our offering in 2022, which has included the launch of our Junior ISA and continued work to simplify our processes. We have invested in delivering a new contact centre and customer portal, and we committed to delivering in early 2023 a new adviser interface with increased personalisation.

We have partnered with industry leaders such as Salesforce and Amazon to drive cutting edge technology into client engagement. This technology measures and improves service in real time. It is therefore critical to improving the experience for advisers and their clients and freeing up advisers' capacity to take on new business. We answer more than 1,000 phone calls a day, with an average speed to answer of nine seconds on our Wrap platform, so efficiency is critical to client service.

We launched the Junior ISA in response to increasing demand from advisers for more family wealth planning solutions that can be managed alongside their existing client investments. The Junior ISA is the first step we are taking to create a family office environment on the platform and we will be developing a Junior SIPP as part of our overall solution.

We continued to support advisers with understanding and meeting their regulatory requirements. The Financial Conduct Authority's new Consumer Duty rules, for example, represent a significant piece of regulation for raising standards of consumer care across the financial services industry. We created practical guidance and materials to help advisers ensure that they were ready to take the immediate steps required in 2022, as well as to understand the longer-term impacts.

2 Performance and efficiency in a challenging environment

We are building on our Adviser Experience Programme to drive growth in gross and net flows, through a focus on three key pillars:

- Expanding wrappers per customer amongst our existing base.
- Increasing the number of primary firms we partner with (46% of AUA at the end of 2022 was from our primary partners).
- Growing our adviser base through advocacy and experience.

Flows have been impacted industry-wide in 2022 by economic pressures including rising inflation and higher interest rates. Despite this, the core drivers of medium-term flows remain and our Adviser business saw another year of net inflows at £1.6bn (2021: £3.9bn). Despite challenging market conditions and lower assets under administration, the Adviser vector's strong and higher-margin business model has also delivered another year of revenue and profit growth. Net operating revenue increased by 4% benefiting from rising interest rates and a broadly stable platform charge. Coupled with continued cost management, this has delivered an adjusted operating profit of £86m, up 16% compared to 2021.

Our long-term strategic relationship with FNZ to handle custody and administration of our platform leverages the scale of FNZ to secure an advantageous low-cost model.

3 Measuring our progress

Industry recognition can make an important difference when advisers choose who to partner with. As well as our 'A' rating by AKG for financial strength, which is one of the stated top reasons for advisers selecting their primary platform, we are 'platinum' rated by AdviserAsset and 'gold' rated by Defaqto. We also won the Schroders award for the best large platform for the ninth year running, which importantly is voted on by advisers throughout the UK.

We have continued to see an increase in the number of adviser firms using us as their primary partner. In 2022 there was a 1 percentage-point increase in primary users of abrdn Wrap, up to 11% from 10% in 2021. When advisers use our solutions as their primary platform, we see new business increase. Our research tells us that more than 70% of new business from an adviser firm goes on the primary platform, as our processes and capabilities become more embedded in their own business. As a result, client retention also improves.

Our strategic focus for 2023

- Continuing to focus on delivering new platform functionality through phase 2 of our Adviser Experience Programme, to maintain our market-leading position and deliver increased capacity for our clients.
- Launch of our new fully online abrdn SIPP and Junior SIPP products, creating new revenue streams with no additional cost to clients.
- Establishing new growth opportunities associated with model portfolios for advisers across the UK, more firmly integrated into our platform solutions.
- Increase in the number of products held by existing customers through the launch of a new SIPP, Junior SIPP and increased consolidation within existing wrappers.
- Extending our primary partnership penetration by leveraging our total offering to all sizes of IFAs in the UK.
- Preparing our clients for the successful and safe launch of the Consumer Duty later in 2023.

A leading direct-to-consumer business

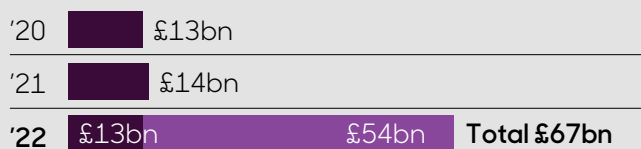
Powered by the UK's second largest direct-to-consumer investment platform, our Personal vector enables individuals in the UK to plan, save and invest in the way that works for them. The acquisition of interactive investor (ii) has transformed abrdn, positioning us for growth as one of the UK's leading personal wealth businesses in a market with strong long-term structural dynamics.



"The continuous evolution of our proposition will help us to deliver better customer outcomes. With ii joining the abrdn family, we are positioning the vector to serve customers at all life stages, harnessing abrdn's broader capabilities to develop and grow what is already one of the UK's leading direct-to-consumer wealth platforms."

Richard Wilson
CEO, Personal

AUMA £67bn



Adjusted operating profit £72m



● Personal Wealth
● ii (7 months)

interactive investor

Personal Wealth





Focus on ii

We completed our acquisition of ii, the UK's second largest investment platform for private investors and the number one subscription-based provider, in May 2022. The acquisition has transformed our position in the UK savings and wealth market. ii's platform enables retail investors to access a broad range of investment and savings products and its simple subscription-based pricing model helps to set ii apart. ii brings additional growth opportunities and diversification to abrdn's revenue streams and its subscription-based model and efficient operating model provide a high degree of financial resilience.

As well as helping us to build a leading position in the UK direct investing market, ii complements and adds strength to our existing offering for individual investors where our financial planning capabilities support clients with larger, more complex financial needs.

Challenging market conditions in 2022 have impacted short-term investor confidence and customer acquisition has decreased from the highs seen in 2021 as a result. However, ii's leading proposition and platform have led to ii continuing to increase its market share of AUA compared to prior year (Source: Compeer Q3 2022 report) and deliver strong growth in both revenue and operating profit.

Financial performance

Results for ii are included within abrdn's full year 2022 results only for the seven-month period to 31 December 2022 following the completion of the acquisition.

For comparative purposes, ii's results for the 12 months to 31 December 2021 and 2022 are set out below:

	FY 2022 12 months £m	FY 2021 12 months £m excl Share ²	Change
Net operating revenue ³	£176m	£128m	38%
Adjusted operating expenses	(£82m)	(£83m)	(1%)
Adjusted operating profit	£94m	£45m	109%
Cost/income ratio	47%	65%	(18ppts)

1. Includes double count of clients of both the discretionary and financial planning businesses.

2. Adjusted operating profit for FY 2021 has been presented to exclude losses relating to Share Limited ('Share') to provide a more meaningful comparison to the go-forward position. The FY 2021 adjusted operating profit of £45m excludes losses relating to Share of £9m while part of this business was wound down. Including losses from Share, the FY 2021 adjusted operating profit was £36m. The FY 2022 impact was £nil. See Section 9.1.4 of Supplementary information for further details.

3. Net operating revenue includes trading transactions, subscription fees and treasury income. See Section 9.1.4 of Supplementary information.

4. Cash dividends which are retained on the ii platform are included in net flows for the ii business. See the Glossary for further details.



Key operational metrics:

	FY 2022 12 months	FY 2021 12 months
AUA	£54bn	£59bn
Net flows ⁴	£3.6bn	£5.8bn
Total customers at period end	402k	403k
Total customers excluding EQi and Share Centre migrated customers	300k	292k
New customers	29.2k	47.4k
AUA per customer	£134k	£145k
Daily average retail trading volumes	17.3k	21.9k

ii performance highlights (full 12 months)

- ii has performed ahead of our original expectations and is on track to deliver the planned double-digit earnings accretion in 2023.
- Revenue was up 38%, with a reduction from lower trading transactions being more than offset by an increase in treasury income as interest rates recovered from the historic lows seen in 2021.
- ii's operational leverage achieving an efficiency ratio of 15bps/AUA means this translates into a 109% increase in adjusted operating profit with cost/income ratio improving to 47%.
- Total customer numbers were 402,000 at 31 December 2022, compared with 403,000 at December 2021. Over the year ii added 29.2k new customers. This was offset by the loss of mainly less active customers who had been brought onto the platform through historic customer book acquisitions. Excluding the tail run-off of the two most recently acquired books, Share Centre and EQi, net customer growth for the year was 3%.
- Net flows remain strongly positive at £3.6bn albeit down from the record levels seen in 2021.
- AUA per customer of £134,000 is industry-leading.

Transforming our position in the UK savings and wealth market

More and more people are now investing independently of the institutions they previously relied on. With improved direct-to-consumer technology and lower costs to investment many are now accustomed and confident to operate self-service for investments and other financial transactions. Better tools continue to be developed to help these consumers make informed investment decisions for themselves and to enable participation of many others in the market. This notwithstanding, we see an enduring need for the reassurance of financial guidance, support and advice, demand for which, we believe, will continue to grow.

Within our Personal vector, we empower clients to be better investors at all stages of their financial journey. To maximise growth synergies, we realigned our existing Personal Wealth business – discretionary, digital advice and financial planning – to sit under Richard Wilson's leadership when he was appointed CEO of our entire Personal vector in August 2022. Richard joined the abrdn group in May 2022 as CEO of ii.

We aim to leverage the deep knowledge within the Personal vector and its digital operating platform to transform ii from the UK's leading subscription-based self-directed platform into the UK's leading D2C wealth platform.

Together, the high-tech, high-touch models of ii and abrdn offer a range of propositions to enable clients to become better investors. Richard is evolving the newly combined Personal vector to deliver an end-to-end client proposition, from simple online transactions to more complex financial advice, ensuring its offerings and scale are appropriate to deliver growth in revenue and operating profits.

The Group has agreed the sale of abrdn Capital, its discretionary fund management (DFM) business, to LGT. The sale is expected to complete in the second half of 2023, following satisfaction of certain conditions, including receipt of customary regulatory approvals.

In order to succeed in the longer term in the DFM market, abrdn's view is that this part of the business would need to build much greater scale. With abrdn's strategy for its Personal vector focused on integrating the high-tech, high-touch model of ii with financial planning, abrdn has concluded that another owner would be better placed to invest to deliver greater scale in the DFM business.

abrdn's Managed Portfolio Service (MPS) business, which is currently part of the DFM business, is better aligned to its group strategy and will be carved out and retained prior to completion of the transaction. abrdn views MPS as an important growth channel that aligns well to the way that the UK personal investment market is developing. The MPS team will be moved to sit within abrdn's Adviser vector in order to maximise opportunities available through that business' distribution model.

A resilient operating model benefiting from strong operational leverage

The current economic environment in the UK remains challenging for all industry participants. Volatile market conditions and increasing economic uncertainties have impacted the rate of new customer acquisition and, since the first half of 2022, the levels of customers' trading activity.

ii has diverse sources of income which continue to record strong overall growth in continually changing market conditions. This is underpinned by its subscription-based model which means ii is less dependent than others on stock market levels. This model is favoured by customers because customers' costs do not increase with the value of their investments, which means more money working for them.

Revenue from subscriptions has continued to grow, increasing by 17% to £56m for the full 12 months, reflecting growth in average numbers and quality of customers. Despite flat year-on-year total customers, the number of customers holding a SIPP account increased by 17% to 51.5k.

Although ii's share of the UK cash market trades increased by 2 ppts to 25% (Source: Compeer Q3 2022 report), ii's daily average retail trades reduced to 17.3k as a result of the reduction in investor confidence, leading to a drop of 30% in revenue from trading transactions to £55m. Whilst down from the peak experienced in 2021, they remained above the levels seen pre-COVID.

Revenue benefited from interest rates rising significantly throughout 2022 following the exceptionally low levels in 2021. Treasury income contributed £71m compared with £9m for 2021. Over the year ii's average cash margin was 120bps and the indicative ii average cash margin for 2023 is 160-170bps. Customer cash balances at 31 December 2022 were £6.0bn, around 11% of AUA.

ii's operating model also benefits from strong operational leverage. This is combined with a focus on cost effectiveness which is embedded across the organisation. This means that ii has delivered a net operating revenue increase of 38%.

Our progress in 2022

In 2022 we made significant progress towards our objective of becoming the UK's leading direct-to-consumer wealth platform. This has been driven by ii, which is the largest part of our Personal business. Its growth is underpinned by three drivers: strength of the platform, compelling pricing and scale of the customer base.

1 Strengthening our platform

ii already has a highly scalable platform powered by future-fit digital and data infrastructure that will support substantial further growth. The ii platform was further strengthened over the past year:

- Expanded its pension offering, launching a low-cost, standalone Pension Builder SIPP.
- Upgrades delivered to its mobile trading application, with enhancements to information on transaction history, cash withdrawals and regular investments.
- Core website improvements implemented in January 2023.

The strength of the platform has also been recognised externally:

- Consistently rated 'Excellent' on Trustpilot, with more five-star ratings than the combined total of the rest of the D2C sector.
- Platform of the Year and Best Low-Cost SIPP at the Celebration of Investment Awards, as voted by readers of Investors Chronicle.
- ii's SIPP is recommended by Which? and gives people choice and flexibility to support a wide range of direct pension investors.
- ii's Stocks and Shares ISA was rated the best low-cost ISA over £50,000 by Boring Money.

2 Compelling pricing

ii continues to innovate its subscription-based pricing bundles. The Friends and Family pricing bundle is designed to attract younger customers and those with smaller investment portfolios. It enables up to five friends and family of existing customers to each join ii without paying a monthly subscription fee.

In February 2023 ii launched Investor Essentials, an entry-level addition to its subscription service. Through this service plan customers can now invest up to £30,000 for £4.99 a month. They benefit from free regular investing and competitive trading fees of £5.99 for funds, investment trusts and UK/ US shares, all with the same choice of investments.

3 Evolving the customer base

An important focus during 2022 has been on growth through ii's existing customer base:

- ii has substantially increased the scale of our Personal vector, adding over 400,000 customers.
- While the impact of market conditions and increasing economic uncertainties meant that customer numbers remained relatively flat during 2022, ii has seen a continuing trend for a reduction in customer lapse rates – the rate at which customers choose not to renew their accounts – across all segments. In 2022, ii added 29.2k new customers. This was offset by customer lapses. After several years of acquiring customers through customer book acquisitions, ii's customer lapsing rates remained inflated in 2022 from the natural lapsing and inactivity of some low value acquired customers. Acquired customers were migrated from Share Centre and EQi in 2021 and in 2022 books had lapse rates of 12%,

compared to the wider customer base where lapsing was 5%.

- ii's focus on its SIPP continues. ii has 51.5k SIPP customers, which represents 13% of ii's customer base, and there is potential for that to increase significantly to peer levels which are around 25–30%. SIPP customer lapse rates are significantly lower than non-SIPP holding customers.
- The launch of Investor Essentials allows ii to attract a new customer demographic. This plan is designed to appeal to investors with less to invest and those at the beginning of their investment lifecycles. This product is well positioned to deliver strong customer growth and we also expect ii to be able to upsell these customers to its full offering during their investment journey.

As we move ahead, there is an increasing focus on diversifying the client base through the connectivity within the vector and our three-vector model:

- We are increasing the digital content and online capability for clients through online tools and resources in addition to the support they receive from an adviser.
- We are exploring how we connect ii and abrdn clients so that they can benefit from all of our offerings. This ranges from simple online transactions, advice and support with investing, to wealth management for private clients, including tax, trust and estate planning.

The need for financial advice is increasing. In November 2022 the FCA outlined plans to create a new regime aimed at giving 'mass market' consumers access to simplified advice. This presents an opportunity for ii to explore new customer segments, as the wider financial services industry looks to find simple solutions that can break down barriers to advice, increase customer confidence in accessing investment markets and thereby, crucially, reduce the advice gap.

Our strategic focus for 2023

- Integrate our Personal vector and ii, and leverage abrdn capabilities in investments and advice.
- Focus on organic growth with targeted investment in brand, marketing and product.
- Introduce auto-investing solution.



Strategic focus on sustainability

Delivering for our clients, our people, and supporting a credible transition toward a better world.

While a significant amount of work remains to be done, I am proud of the progress we have made to date.

Stephen Bird
Chief Executive Officer

The existential challenges the world is facing are evolving at an unprecedented rate and continue to increase in complexity. The pressures on businesses to take stronger stances and help solve these crises have also increased. Our role is to enable our clients to navigate the sustainability impact of their investments, lead by example in our own operations and by collaborating with partners and third sector programmes to drive societal change.

Climate change continued to dominate the sustainability landscape in 2022, with extreme weather devastating many parts of the globe. At the same time, it is estimated that over 90% of global GDP has been committed to net zero¹. However, there is increasing scepticism around the credibility of decarbonisation actions towards net zero by 2050. COP27 was an important milestone focused on addressing climate justice and adaptation but did little to provide the credible policy incentives needed to limit warming to 1.5°C. However, we saw encouraging progress in moving action forward to preserve natural capital through the Global Biodiversity Framework.

2022 was also a year in which the spotlight has been put on transparency, with some progress being made towards disclosure standardisation. Expected changes to mandate clear, comparable disclosures from companies across jurisdictions and a focus on greenwashing mean the landscape has, and will continue to, evolve awareness, and increase expectations. We are supportive of consistent mandatory disclosures as we believe they will provide decision-useful information for investors and drive positive change from a corporate perspective. That said, it is acknowledged that international standards are yet to coalesce and there are uncertainties related to interoperability between jurisdictions. This will be a challenge to manage both as a corporate, and as investors as we assess the relative risks and opportunities of the companies we invest in on behalf of our clients.

Evolving our transparency

We continue to evolve our governance frameworks, most notably in 2022 through increased collaboration with our finance and audit functions. We are focused on this in readiness for the emerging global standards for sustainability disclosure.

In 2022, a new phrase entered the sustainability vocabulary – ‘greenhushing’, as the antithesis of ‘greenwashing’, is used to label companies lacking transparency as to their sustainability-related actions, and intentions. The introduction of greenhushing highlights the delicate balance between overstating our actions and being transparent about our activities. To help manage this, we have increased our efforts to drive education across our business and evolve our marketing and communication approval process.

Taking collective action

If 2022 was the year of transparency, 2023 must be a year of collaborative action. A significant acceleration of activity – individually, collectively, and globally is required to address material sustainability topics.

We are focused on addressing our material sustainability topics and our public targets address the issues commonly considered material for our business – as we look to reduce the impact we have on the climate and support a fairer and more inclusive society.

The evolving sustainability landscape means periodic assessments of material sustainability topics are more relevant than ever to ensure we understand the potential impacts to our business, communities, and the natural world. Our most recent assessment, completed in early 2023, reflects our latest understanding and will support our thinking as we increasingly integrate sustainability into our business and strategy. We detail the process, and outcome of our assessment in our Sustainability and TCFD report on pages 83 to 86. Our strategic focus on sustainability is a commitment to invest in our own capabilities, follow our view of best practice, and enable better investment for our clients.

1. Net Zero Tracker. Energy and Climate Intelligence Unit, Data-Driven EnviroLab, NewClimate Institute, Oxford Net Zero. 2022.



Environment Progress and ambition

Our focus	<ul style="list-style-type: none"> Reducing the carbon intensity of our portfolios and absolute emissions from our direct operations. Acting as a positive catalyst for the net zero transition and influencing real-world decarbonisation.
Our targets	<ul style="list-style-type: none"> Reduction of the carbon intensity of assets we invest in by 50% by 2030 from a 2019 benchmark. In-scope assets for this target represent 30% of our total AUM with Phoenix accounting for 30% of the total public market assets in-scope as at 31 December 2022. Read more on page 38. We are targeting net zero¹ by 2040 in our direct operations, with an interim target of a 50% emissions reduction by 2025 versus our 2018 base year. Read more on page 39.
Our progress	<ul style="list-style-type: none"> We set our target for the reduction of the carbon intensity of assets we invest in 2021 and report our first progress against this target. As at 31 December 2022, in-scope public market portfolios achieved a carbon intensity reduction of 27% versus a 2019 baseline. As at 31 December 2021, in-scope real assets achieved a 31% reduction in carbon intensity versus a 2019 baseline. We have reduced our operational emissions by 56% since 2018 (2021: 62%), with emissions from business travel increasing in 2022 following the easing of travel-related restrictions associated with the COVID-19 pandemic.



Our Task Force on Climate-related Financial Disclosures (TCFD) summary report is on pages 30 to 39 and our full TCFD disclosure is included in the Sustainability and TCFD report, available at www.abrdn.com/annualreport



Social Inclusivity and opportunity

Our focus	<ul style="list-style-type: none"> Increasing diversity, equity, and inclusion at all levels, and in all areas, of our business. Supporting a fairer and more inclusive society and creating opportunities for our communities.
Our targets	<ul style="list-style-type: none"> Board and senior leadership targets of 40% women, 40% men and 20% any gender by 2025. Equal gender representation in our global workforce by 2025 (+/-3% tolerance). One additional board member who identifies as ethnic minority by 2025.
Our progress	<ul style="list-style-type: none"> Board comprised 45% women, 55% men and Senior Leadership comprised 39% women, 61% men at 31 December 2022. Gender representation of global workforce was 43% women, 57% men at 31 December 2022. We have reduced our UK gender pay gap for the fifth year in a row and are listed as having the highest percentage of female fund managers of any large firm in Citywire's Alpha Female Report. 52% of graduates joined abrdn from a diversity partnership in 2022 (up from 37% in 2021). We continued to support tomorrow's generation through our charitable giving. More on this on page 43 and in our Sustainability and TCFD report at www.abrdn.com/annualreport



You can find out more about our people strategy, including more detail on our targets, on pages 40 to 43.



Governance Integrity and transparency

Our focus	<ul style="list-style-type: none"> Operating with integrity and transparency at all levels of our business. Continuing to integrate sustainability risks and opportunities into our strategy and decision-making.
Our progress	<ul style="list-style-type: none"> In 2022 we integrated climate-related performance metrics into our executive remuneration scorecard. The scorecard continues to include people metrics. Read more on pages 103 to 130. We received a AAA MSCI ESG Rating in April 2022 and continue as constituents of the Dow Jones Sustainability Indices (DJSI) in the 2022 assessment year.



Read about our stakeholder engagement and Section 172 statement on pages 44 to 47.

1. See the Glossary for definitions of key climate-related terms including net zero.

Our commitment to tackling climate change

Last year, we outlined our net zero-aligned ambitions and continue our progress, with a focus on enabling clients to achieve their climate goals through real world impact.

To achieve a credible and just net zero transition, we all need to do more. Globally, 2022 was another year of rising emissions and limited progress for climate policy that provides effective incentives to decarbonise at the pace and scale needed to achieve net zero by 2050.

Our ambition is to be a catalyst for net zero, in support of Paris Agreement objectives, and we can report progress against our target to reduce the carbon intensity of the assets we invest in on behalf of our clients. We are targeting a 50% reduction in the carbon intensity of our portfolios by 2030 versus a 2019 benchmark and we are on track with a 27% reduction across in-scope public market portfolios as at 31 December 2022 and 31% reduction for in-scope real estate as at 31 December 2021. Assets in-scope for our target represent 30% of our total AUM. This is driven by data availability, maturity of methodologies and control over decision-making (more on page 38).

It is important to reflect that this process will not be linear and that a credible transition requires real-world decarbonisation, not just in portfolios. Our climate strategy therefore centres on active investments in transition leaders and backing firms on paths from high to low carbon intensity. It is not enough to simply divest from carbon intensive companies, which is why a focus on transition credibility is key to our process. We assess this through proprietary analysis and through direct engagement with our highest-financed emitters where we believe we can actively influence decision-making¹.

In our own operations, we are targeting net zero by 2040, with an interim target of a 50% emissions reduction by 2025 (versus our 2018 base year). We continue our progress towards this target and a 56% reduction as at 31 December 2022. Our own transition to net zero is underway and we will outline our pathway in line with the UK Transition Plan Taskforce Disclosure Framework in 2023.

The 27th United Conference of the Parties on Climate Change (COP27) took place in Egypt in 2022 and we joined others in advocating for binding policy commitments to address the implementation and credibility gaps we have observed. Alongside highlighting the role investors can play in achieving real-world decarbonisation, which we believe requires an enabling policy environment with the right incentives for capital allocation.

1. Highest-financed emitters refers to the absolute tonnes of CO₂ equivalent that are financed across both equity and credit holdings. The metric attributes ownership of emissions based on the percentage of enterprise value including cash (EVIC) owned by the investor.

Statement of the extent of consistency with the TCFD framework

We continue to support disclosure against the recommendations of the TCFD framework. This is critical for us as investors as we assess our exposure to climate-related risks and opportunities beyond our physical operations.

We believe our own disclosure is consistent with the 11 recommendations of the TCFD framework. In line with our 2021 approach, we provide disclosure at two levels of granularity. The following 9 pages of this report provide a concise overview against the 4 recommended pillars, and the full required disclosure is provided as a discrete section of our Sustainability and TCFD report. We believe this approach is currently necessary to reflect the detailed and technical nature of the recommendations.

The availability of climate-related data continues to be a challenge, with inconsistent disclosures by region. We recognise that methodologies and our internal data processes may continue to evolve over time and we will review our approach as appropriate. This may lead to changes in our metrics and our reporting of progress in future periods. However, we advanced our capabilities in 2022, with the introduction of expanded metrics related to our investments that align with the recommendations of the Partnership for Carbon Accounting Financials (PCAF), which we have joined. We will continue to evolve and enhance our TCFD reporting, in line with data and industry developments.

	Location in this report	Location in Sustainability and TCFD report
Governance	Page 31	Page 9-10
Strategy	Page 32-34	Page 11-21
Risk management	Page 35-37	Page 22-27
Metrics and targets	Page 38-39	Page 28-37

What is net zero?

It is generally accepted that net zero is the target of completely negating the amount of greenhouse gases produced by human activity. The following pages outline our ambition to decarbonise in line with this view, and in support of the objectives of the Paris Agreement. We do not yet have all the data required to determine what 'completely negating' means for abrdn, but we do have sufficient data to monitor our progress against specific interim milestones, which are outlined in this report. Our next milestone will be to produce a Transition Plan, in 2023, which will build on our existing objectives and consolidate our long-term approach.

Governance

Our approach

In line with the recommendations of the TCFD, we have an established climate governance framework with defined responsibilities for our Board and Committees, alongside management's role in assessing climate-related risks and opportunities.

We are also taking a forward-looking view and are advancing our governance beyond climate and towards sustainability as a whole. This approach is aligned to emerging global standards for sustainability disclosure and will strengthen our governance due to the interlinked nature of sustainability topics. Related risks and opportunities can manifest differently across our diverse business and this approach will leverage the strength of our vector model as we apply diverse perspectives, and expertise, to emergent sustainability topics. Our intention in 2023 is to establish a group-wide sustainability decision-making forum to ensure a cohesive abrdn view.



Our Sustainability and TCFD report illustrates our approach in more detail.

The Board's role in oversight

Climate change is a material issue for our business and this is reflected in strategy, risk management, and company culture. The Board and Directors oversee these matters and provide challenge and approval to management recommendations on both defined and emergent issues.

Our Chief Executive Officer takes responsibility for climate-related risks and opportunities and is incentivised, alongside our Chief Financial Officer, through climate-related remuneration targets in variable bonus scorecards, which is aligned to company objectives and set by our Remuneration Committee (more detail on pages 103 to 130).

Our Board and Board Committees oversee a number of climate-related issues and reports. The Board provides oversight for our Sustainability and TCFD report and the Audit Committee provides challenge to management to support readiness for future disclosure requirements.

During 2022, Board agenda items included discussion on progress against our climate commitments, the challenges we face in achieving them, challenges in data quality and availability, and how we engage with our clients on climate change.

Management's role in assessment

Our Chief Executive Officer delegates authority from the Board to our Executive Leadership Team, and in turn to our climate working groups, to support the assessment of climate-related risks and opportunities and to provide related recommendations.

We continue to benefit from the capability of our two climate change working groups – covering both our operations and investments respectively. These groups are key to our climate-related governance structure and consist of subject matter experts from across the business. The groups meet quarterly to review and discuss material climate risks and opportunities and shape strategic approaches to climate change. These groups are key forums for identifying material matters to be escalated through the Executive Leadership Team and to the Board for consideration.

In 2021, a primary focus for the groups was the development of our targets and ambitions – in 2022 the natural focus for our investments working group has therefore been the implementation of our net zero directed investing strategy. With specific focus on net zero aligned investment solutions, climate research and tooling, as well as active ownership.

Our wider sustainability expertise

In early 2022 we announced the evolution of our sustainable investing approach with the appointment of a Chief Sustainability Officer for the Investments Vector alongside a newly established leadership team. The team takes a global view and leads on sustainable investing, active ownership, climate strategy, and sustainability research capabilities. This is further supported by our Sustainability Institutes in APAC and Americas, which provide relevant regional capabilities for our clients and wider reporting obligations. Our abrdn Research Institutes also deliver sustainability research including our climate scenario analysis.

Our operational activity is supported by a distinct sustainability team, which includes a dedicated Environment Manager with focus on climate and advancing our operational net zero ambitions.

These teams support our climate working groups through subject matter expertise – providing insight to enable effective assessment of risks and opportunities and as dedicated resources to support Board oversight.



Our Sustainability and TCFD report includes a visual to illustrate our sustainability governance framework.

Overview of climate-related risks and opportunities

Our sector is exposed to material climate-related risks and opportunities. We continue to assess the potential impacts and monitor this with a view to the resilience of our operations and investment strategies.

The two types of climate-related risks – transition and physical – are linked but will manifest differently. The transition to a low-carbon economy will reflect in markets, policy, and corporate reputation. The physical consequences of climate change will be far-reaching and impact individual operations and communities without discretion. Our day-to-day business is predominantly exposed to transition risk (and opportunity) in the short, and medium term as markets, policy, and reputations come to terms with alignment to a net zero world. This is something we monitor through our climate risk and opportunity radar to ensure we are positioned to realise opportunities and mitigate risks.

The focus of the radar is likelihood and impacts of material risks and opportunities to our business in the short, and medium term. Our climate scenario analysis enables a long-term view of potential implications for our investments and the resilience of our strategies (page 33).

One of the most material transition risks for us relates to enhanced reporting regulations and costs of analysing and gathering climate-related data. We expanded our capability in 2022 but this remains an area of focus as we build out more advanced tools and analysis. Our most material opportunity is the anticipated need for low-carbon financial products and services in line with global economic transitions. This also represents a significant risk should we not be positioned to respond to shifting client preferences. We have outlined sustainability as a strategic focus for abrdn, with further detail on page 12.

Climate-related risks			Potential financial impact to abrdn
Transition	Policy and legal	Enhanced reporting regulations	Cost of analysis, data gathering and publication Cost of inadvertent non-compliance due to volume of regulation
	Market	Significant shifts on consumer preferences	Reduced revenue from decreased demand for products Research highlights a high appetite for sustainable investing but education on the topic is a barrier and can create missed opportunities
		Lack of public policy means emissions still increasing	Uncertainty of pace and direction of public policy evolution creates uncertainty for investing
		Climate-related risks impact the market	Lower AUMA, impacting clients and reducing revenue
	Reputational	Increased stakeholder concern or negative feedback	Reduced revenue from decreased demand for products Growing litigation risk – both direct and from divestment decisions
Physical	Acute	Increased severity of extreme weather events	Cost associated with damage to office facilities Costs associated with transport and power disruptions Costs associated with damage to IT networks and infrastructure
Climate-related opportunities			Potential financial impact to abrdn
Transition	Products and services	Development of lower carbon products and services	Revenue opportunity from demand for lower-carbon products and services and products with enhanced sustainability performance
	Resource efficiency	Move to more efficient buildings	Reduced operational costs, increased quality of working environment
		Use of more efficient modes of transport	Reduced operating costs
		Use of more efficient technology	Reduced operational costs of technology



Additional detail in our Sustainability and TCFD report.

Building a more resilient strategy using climate scenario analysis

Taking a long-term view

It is vital that investors understand how climate change may affect the investment return of the companies and markets they invest in. The impacts of climate change will be felt across generations. Our climate scenario analysis takes this long-term view to better understand the impacts of physical and transition risks at sector, regional, and individual security levels.

We have been developing our scenario analysis platform for three years and consider this to be an integral part of our climate strategy. We use a combination of bespoke and industry standard scenarios across a range of temperature rises (between 1.3 and 3.2°C by 2100) and transition pathways up to a time horizon of 2050. This includes a mean probability-weighted scenario that captures our view of the most plausible energy transition.

This year we have expanded our scenario analysis to incorporate company targets. It reflects that companies have the opportunity to proactively alter their strategies and take advantage of transition opportunities. Many companies have set ambitious targets, but some are more credible than others. In response, we have built a bespoke credibility assessment framework to assess target credibility, which will enable us to value securities more accurately and draw finer conclusions from our scenario analysis. We will publish more detail on the application of the credibility framework during 2023.

Climate scenario analysis is a strategic platform for abrdn and we are committed to updating our insights year-on-year. Our analysis is also expanding in 2023 to look in detail at the physical and transition risk for our real assets. It is however important to reflect the output cannot be applied mechanically to investment decisions due to a range of limitations and uncertainties. Key uncertainties are present in relation to policy, technology, and the modelling is reliant on high-quality emissions data at company level.

Our insights from climate scenario analysis are supporting key stages of our investment processes across research, engagement, strategic asset allocation, and investment product solutions.

Resilience of our strategy against climate scenarios

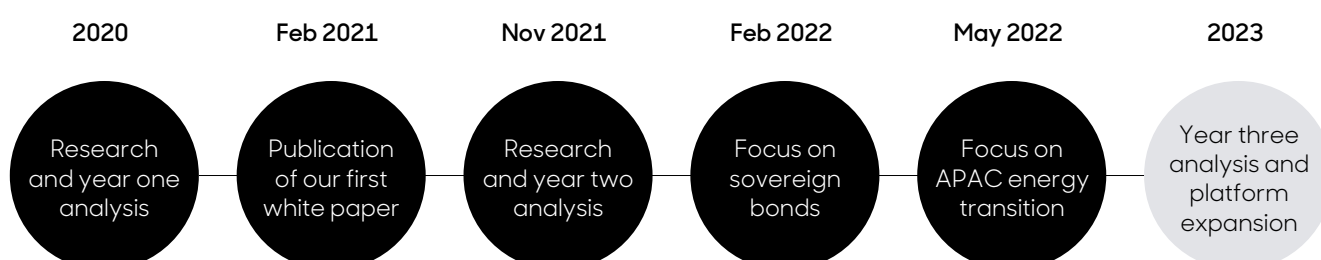
We use scenario analysis to understand how resilient our portfolios are to uncertain future transition pathways. Our core insight is that there is a large dispersion of risks and opportunities both within and between sectors but relatively little impact at the aggregate index level. In general, downward revisions to long-term fair valuations are more common than upward revisions, so greater discrimination in stock selection is required to capture opportunities.

At fund level, our tools enable fund managers to use scenario analysis results to test the valuation impact under different scenarios and against the benchmark. It is important to reflect that this is applicable to in-scope asset classes and the use of the platform is not mandatory for fund managers. Our climate scenario analysis has focused on asset classes in which valuations are largely derived from future corporate earnings streams: listed equities and corporate bonds – our analysis focuses on the financial impacts of climate-transition and physical risk, though in most sectors the financial impact is largely determined by transition drivers.



Our Sustainability and TCFD report includes more detail and initial conclusions from our year three analysis.

Our climate scenario analysis journey to date



Strategic decarbonisation

Our strategy of net zero directed investing is our commitment to enable clients to achieve their climate goals

Sustainability is a strategic focus for abrtn and climate change is near universally recognised as a material issue. We have therefore developed a clear investments strategy of net zero directed investing, which drives our mitigation of climate risk and our intended realisation of climate opportunity for our business.

Our commitment is to influence real world decarbonisation by developing the right products for our clients and using our influence to support credible transition pathways. Our strategy is therefore underpinned by four core beliefs:

- Understanding climate risks and opportunities will improve long-term return for our clients.
- We can support a net zero transition by directing capital to companies and assets with ambition and credibility.
- Our influence as active owners is powerful and we will challenge companies on their transition strategies.
- More ambitious climate policy is needed from governments and we are advocates for action.

Our business is diverse and we have developed approaches for different client needs and outcome expectations. Climate considerations are incorporated to varying levels across mandates and we have been developing specific net zero directed solutions. In 2021 we launched four climate investments strategies and the long-term insights from our scenario analysis platform support our assessment of climate-related risks and opportunities across in-scope asset classes. Our largest client, Phoenix Group, has set a net zero 2050 goal and we are developing strategies to match this ambition – for abrtn, realising the opportunity from the climate transition requires us to be proactive in developing solutions that meet client needs in the near term and we are proactive in our approach.

Our operational climate strategy

Our exposure to climate risk and opportunity as a corporate entity is predominately transition based as our actions must mirror our high expectations of the companies we invest in, and reflect the ambition of our clients. We are also subject to increasingly significant reporting obligations with a significant focus on climate metrics. Our intention is to lead by example and we have set an ambitious operational target to reach net zero by 2040 (more detail on page 39) and have invested in our reporting capabilities to ensure we are able to meet the expectations of our stakeholders.

We are not complacent to physical risks – most likely to manifest as extreme weather events – but we operate with a blended working model, which embeds the necessary agility needed to mitigate risks from disruption. This was tested during the COVID-19 pandemic and we remain confident that the short-term risk is mitigated.

We aim to deliver on our commitment via three pillars of action:

1	2	3
Decarbonisation	Providing net zero solutions	Active ownership
We are committed to tracking and reducing the average carbon intensity of our portfolios where data is available. That means continuing to incorporate carbon analysis into our investment process and supporting credible transition leaders and climate solutions. We have set decarbonisation targets for our investments and operations, which we report on in pages 38 to 39.	We are committed to increasing the proportion of assets flowing into our climate solutions. Around 30% of our AUM is currently expected to be managed in line with net zero 2050. This has still to be reflected in mandates and we aim to increase this by continuing actively engage with our clients, developing capacity to identify climate solutions and supporting net zero goals with our fund range.	We engage with our highest-financed emitters in our equity holdings and seek transparency against transition milestones, which are assessed against relevant standards and our own credibility assessment framework. We support credible transition and use our influence via regular engagement and voting, where we have voting rights.

Climate-related risk management

Identifying and assessing climate-related risks and opportunities

Our approach to identifying climate-related risk is long standing and remains consistent with prior year reporting. We have two climate change working groups – covering both our operations and investments – that monitor climate-related risk to the business. Our assessment of climate-related risk is reflected through our climate risk and opportunity radar (page 32) that is developed using our risk and control self-assessment process. This process assesses the inherent risk against:

- Likelihood, or the percentage chance of an event occurrence in the next 12 months.
- Impacts, including: financial, customer, regulatory and legal, reputational, and process.

Inherent risks are then scored with due consideration to mitigation strategies and associated controls. Where we identify material risks to the business within the radar we escalate this through our governance structure (page 31). The management process determines whether we mitigate, transfer, accept or control risks.

Acknowledging the accelerating scrutiny

Our assessment of climate-related risk highlights a predominant exposure to transition risk. The material climate-related risks we face are tied closely to our climate-related opportunity. Our ability to meet deemed client demand for lower carbon products and services is linked to our reputation and credibility in the market. Our sector is subject to increased scrutiny and enhanced standards of disclosure.

Our goal is to lead by example – however, international standards are yet to coalesce and there are uncertainties related to interoperability between jurisdictions. This will provide challenge to us as a corporate entity, but also to our ability as investors to assess the relative risks and opportunities of the companies we invest in on behalf of our clients. We are supporters of efforts to establish a global framework and – as early, voluntary, adopters of the TCFD framework – we have demonstrated our support through our actions and disclosure. We continue to invest in our capabilities and have identified sustainability as a strategic priority for the business.

Our management in practice

One operational example of managing climate-related risk during the reporting year relates to the integration of emissions data from ii into our environmental management systems to ensure relative completeness and accuracy of emissions reporting for the group. We opted to take the additional step to include the full year of ii emissions in-scope for our annual voluntary external assurance of this data to prioritise consistency of this data and mitigate the risk of material misstatement.

Managing climate-related risks

Our governance framework (page 31) supports the management of climate-related risks and we address asset manager-specific TCFD guidance for products and engagement on pages 36 and 37.

Looking ahead toward a changing landscape

Our assessment of the regulatory landscape and developing stakeholder expectations is that, though climate change will remain material, other thematic sustainability will emerge as points of material focus. This is already true to an extent, but climate-related disclosure has led the first wave of regulatory sustainability standards. We are alert to the shifting landscape and completed our sustainability materiality assessment in early 2023 to better inform our future priorities and understand how our stakeholders view climate versus other emergent topics.



Our Sustainability and TCFD report details the results of our latest sustainability materiality assessment.

Integration into overall risk management

We operate 'three lines of defence' in the management of risk with clearly defined roles and responsibilities (page 64). Climate-related risk is included within our Enterprise Risk Management (ERM) framework, which is subject to Board oversight. Climate-related risk is therefore considered amongst the principal risks and uncertainties for our business (pages 65 to 67). We do not define climate as a singular principal risk due to its close association with other risk categories. In other words, we view climate risk to be material, but it is better perceived through financial or regulatory and legal risk categories when considered at enterprise level.



Investment integration

We manage climate-related risks through our research processes, data, and decision-making

Research is the foundation of our approach to understanding and managing climate-related risks and opportunities. Our research 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 Sustainability Insights Team. Our scenario analysis platform enables us to take a forward-looking view and we can use the results to test the valuation impact on individual funds. Our insights are shared with investment desks and often published publicly, in the form of research papers, articles, and webinars. Our catalogue of original research is extensive and this expertise supports our decision-making and effective management of climate-related risks.



Our Sustainability and TCFD report provides more detail, with reference to key publications from 2022.

Our climate change toolkit

We have developed a range of tools to help integrate climate-related risk into our decision-making for our active investment process and we continue to build our capabilities year-on-year. The underlying data is drawn from a range of vendors with different levels of data coverage.

Data coverage is limited by various factors including lack of uniform disclosure and methodological standardisations. This is a common challenge, as best practice remains emergent despite accelerated efforts toward global disclosure frameworks.

It is important to be clear that climate considerations are not integral to every investment decision and form part of a wider decision-making process. Our Sustainability and TCFD report, page 24, provides further detail as to the applicability of our climate toolkit across asset classes.

Our existing toolkit:

Carbon metrics

This enables portfolio managers to understand the carbon intensity and absolute emissions of their portfolios and holdings and it provides a baseline for benchmarking and decarbonisation. In 2021 we expanded carbon metric capabilities to sovereign bonds. In 2022 we introduced two EVIC-based carbon metrics: Financed Emissions and Economic Emissions Intensity, in line with Partnership for Carbon Accounting Financials (PCAF) methodologies. In 2022 we joined PCAF to support industry best practice. We report Financed Emissions metrics in our Sustainability and TCFD report, page 33.

Climate policy index

We have developed an index which builds on the Institutional Investors Group on Climate Change (IIGCC) recommended Climate Change Policy Index, incorporating it into our in-house climate policy expertise and adding a weighting to reflect the central role of policy action in the energy transition.

Climate scenario analysis platform

Used to assess impact by geography, sector, and individual company level. This enables us to assess the financial impact of different climate scenarios and embed this into our thinking so we can deliver two main objectives:

- Climate resilient portfolio construction: make current investment portfolios more resilient to different climate transition pathways by incorporating the risks and opportunities identified in the climate scenario analysis into our portfolio construction process.
- Climate driven solution development: develop new climate driven products and benchmarks to enable clients with climate specific goals to achieve these in a research-founded, measurable manner.

ESG House Score

We developed a scorecard for companies using over 100 key performance indicators (KPIs) arranged in categories aligned with industry frameworks. This supports our analysis of the possible adverse impact of our investment and the impact on client portfolios. The scorecard includes climate change and provides carbon data to assess a company's response to its climate risks.

Credibility assessments

We use a number of tools and data sources to assess whether companies have credible transition strategies. In 2023 we intend to launch our full credibility assessment framework.

Our role as active owners

Engagement with companies and assets helps to identify and manage climate risk and opportunities

We have a duty to our clients, which necessitates consideration of all material risks to our investments on their behalf. Active ownership is one way for us to manage climate-related risks and to improve the financial resilience and performance of investments.

Our net zero directed investments strategy is focused on investments in transition leaders, with credible pathways to long-term decarbonisation. Understanding this credibility is key and active ownership is a tool to enable this. We expect companies to be able to demonstrate effective management of their own climate-related risks and opportunities and we are able to explore this through independent and collaborative engagements.

Our climate-related engagement strategy is focused on the highest-financed emitters in equities, and their relative commitment to decarbonisation towards net zero. We have developed a framework, which we are using to drive our climate-related engagement strategy with the highest-financed emitters in equities. This framework is based on a set of factors, including the Climate Action 100+ Net Zero Company Benchmark, the scope and coverage of greenhouse gas reduction targets, and a focus on governance such as, climate-related KPIs reflected in the LTIP and social impact of the energy transition. Our expectation is that companies are alert to the long-term risks from climate change and we have outlined a clear process for escalation should we see insufficient progress. In specific terms, we would initially take voting action if sufficient progress is not made, but we will ultimately recommend divestment if the company has not shown sufficient progress over a period of engagements.

Detail in relation to highest finance emitters is included in the Sustainability and TCFD report at www.abrdn.com/annualreport

We are signatories to the UK Stewardship Code and report annually on the actions we take in regards to the 12 principles.

Our full report provides specific detail on our engagement and escalation processes. See www.abrdn.com/annualreport

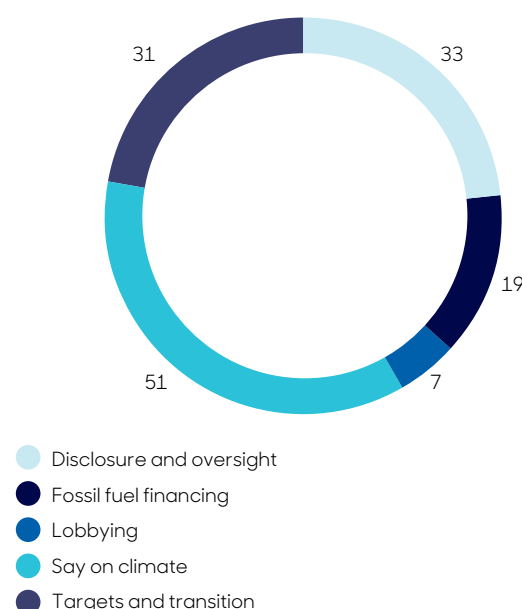
Exercising voting and ownership rights

We believe that voting at company meetings is one of our most important activities when investing on behalf of our clients. We are committed to transparency and disclose all listed company voting decisions we make on our website, the day after a general meeting.

Voting is a powerful tool to influence individual companies toward a more credible transition to a low carbon world. We updated our voting policy to use CDP indicators to identify companies that may not be fulfilling their climate commitments in 2023. This, in conjunction with our own analysis, enables us to hold climate inaction to account through votes against company annual reports, or alternative resolutions.

We are also seeing increasing volumes of climate specific resolutions being tabled at general meetings. In 2022 we voted on a total of 141 climate resolutions (2021: 99). Our decisions are based on analysis of the specific proposals and include our assessment of proposal credibility and transition progress.

Climate change resolutions 2022



	2022	2021
Resolutions voted	141	99
Votes in favour	56%	55%
Votes against management	26%	29%

Collaboration and influence

We work with industry associations, regulators and policymakers globally to drive change, including through improving standards, encouraging best practice, influencing regulation and developing capital allocation strategies. This is a way for us to exercise our influence through our industry voice. Notable examples from 2022 are our attendance at COP27 and response to the International Sustainability Standards Board (ISSB) consultation, in support of stronger climate policy and global sustainability disclosure standards. Policy advocacy is an important part of our strategy given the critical importance of policy incentives to enable capital allocation in line with net zero goals. We are signatories to the Investor statement to Governments on strengthening climate policy.

Decarbonisation of investments

We are targeting the reduction of the carbon intensity of the assets we invest in to support the transition to net zero

In November 2021, we made a commitment to reduce the carbon intensity of the in-scope assets we invest in by 50% by 2030 versus a 2019 baseline.

Assets in-scope for our target represent 30% of our total AUM, with Phoenix accounting for 30% of the total public market assets in-scope as at 31 December 2022. The reported coverage is driven by data availability (Scope 1 & 2) for the underlying assets. We track our decarbonisation target with focus on revenue-based Weighted Average Carbon Intensity (WACI), which is in line with the original 2017 TCFD recommendations for our sector and applicable to public markets asset classes. For in-scope real assets, we currently use a carbon intensity metric that normalises emissions by gross asset value. Looking ahead, we plan to complement this metric with data that supports the calculation of emissions intensity by floor space (CO_2/m^2), which is less volatile due to floor space being a static denominator. Public markets and real asset decarbonisation progress is therefore calculated separately as the asset classes utilise different carbon metrics. There is also a time lag associated with the bottom-up collection, and calculation, of emissions data for real assets. Therefore, data for real assets is reported as at 31 December 2021. We recognise that methodologies may continue to evolve over time, and we will review our approach as appropriate. We also monitor and report additional portfolio-level metrics based on enterprise value including cash (EVIC) (as opposed to revenue). This is in line with evolving industry frameworks. However, it is important to reflect that each metric tells a different story – and indeed can move in opposite directions – so therefore must be interpreted with clear understanding of such implications. We outline the implications in detail in a separate paper and these metrics are out of scope for our existing decarbonisation target. More detail at www.abrdn.com/annualreport

Updating on our progress

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. This includes rigorous research into net zero trajectories, developing net zero-directed investment solutions and active ownership to influence corporates and policy makers. We monitor our progress in aggregate using our decarbonisation target.

We have a duty to our clients to consider climate risks and opportunities, which we believe is part of long-term performance, but we will not impose carbon targets on funds unless desired by our clients. Therefore, some asset classes and funds may contribute more towards our reported target than others. Investing in transition leaders may also include carbon-intensive sectors, with some industries vital to enabling a credible transition. It is important to note that we do not expect our 2030 target to be achieved through linear annual decarbonisation progress, but we have set an interim milestone of achieving at least 20–30% WACI reduction by 2025.

We report our first progress against our decarbonisation target this year. As at 31 December 2022, in-scope public market portfolios achieved a carbon intensity reduction of 27% versus a 2019 baseline. As at 31 December 2021, in-scope real estate achieved a 31% reduction in carbon intensity versus a 2019 baseline. Our Sustainability and TCFD report provides further commentary as to our progress.

Using metrics to support daily decision-making

Decarbonisation targets look backwards to annual performance. We also take a forward-looking view and have developed the tools to support our actively managed products and company engagement. This toolkit is available on-desk to our fund managers and we continue to invest in our key capabilities, such as our bespoke scenario analysis platform. We use climate metrics from a range of industry vendors and are building a unified data platform to support investment integration.

WACI ($\text{tCO}_2\text{e}/\$m$ Revenue) Scope 1 & 2: Public markets decarbonisation (28% AUM)			Carbon Intensity ($\text{kgCO}_2\text{e}/\pounds\text{GAV}$) Scope 1 & 2: Real estate decarbonisation (2% AUM) ¹		
'19 Baseline		234.4	'19 Baseline		0.0041
'22		171.5	'21		0.0028
Weighted Average Carbon Intensity (WACI) Calculates the weighted average emissions of a portfolio normalised by revenue.			Carbon Intensity Calculates the emissions of a portfolio normalised by gross asset value.		
$\left(\frac{\text{Investment in the company}}{\text{Portfolio value}} \right) \times \left(\frac{\text{Company emissions}}{\text{Company revenue}} \right)$			$\frac{\text{Real estate emissions}}{\text{Gross asset value}}$		

1. The proportion of assets in-scope is expected to increase over time through improved data coverage. The reported metrics may be revised as we continue to collect a more complete dataset from our assets across Europe for 2021 and subsequent reporting periods. Such data could positively or negatively impact the portfolio emissions intensity.

Our operational targets and emissions

We are targeting net zero by 2040 and have set out clear milestones to measure our progress

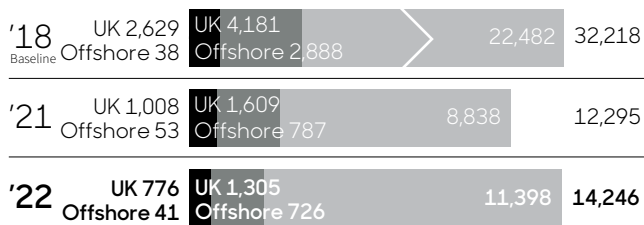
We aim to lead by example and believe that our actions must mirror our high expectations of the companies we invest in and reflect the ambition of our clients. In 2021 we set out our goal to reach operational net zero by 2040 and our interim target is to achieve a 50% reduction in emissions by 2025 versus our 2018 base year. Our operational impacts reflect the nature of our business. We keep offices as collaboration spaces for colleagues and to enable us to better deliver for our global clients. Our material reported impacts are therefore the energy use in our offices (Scope 1 & 2), business travel, and estimated homeworking emissions (Scope 3). This means we have focused our efforts on finding efficiencies in our estate and remaining alert to our impacts from travel. We have consolidated our office locations and developed more agile ways of working in recent years, which has enabled significant progress towards our targets. Achieving our targets requires a focus on absolute emissions reductions – but we also recognise and support other measures such as: renewable energy, credible offsetting, and new technologies. We will further outline the long-term role we see for these measures in our Transition Plan, which we expect to publish in line with the UK Transition Plan Taskforce Disclosure Framework in 2023.

Emissions intensity per full-time employee equivalent (FTE)¹: Scope 1 & 2



Total CO₂ emissions (tonnes)²

14,246



- **Scope 1:** Refrigerant gases, natural gas, oil and company-owned vehicles
- **Scope 2:** Electricity and district heating
- **Scope 3:** Working from home, business travel, waste, and transmission and distribution

1. Based on FTE at 31 December 2022 of 5,130 (2021: 4,964).

2. Scope 1, 2, and some Scope 3 categories have been independently assured by Bureau Veritas. Bureau Veritas assurance is included in the Sustainability and TCFD report at www.abrdn.com/annualreport

We have a supplementary target to procure 100% renewable electricity in our global offices, which we are close to achieving with 99.6% of energy procured on green tariffs during 2022. (2021: 99.5%). Our partnership with the eco app Pawprint also continues and we are working closely with them to engage our colleagues to learn more about their personal carbon footprint. We also see the potential in using the app as a tool to develop our understanding of our homeworking emissions. Critical to our long-term progress is the support of our colleagues and the accountability of our leaders. In 2022 we included climate-related incentives in our executive remuneration scorecards (read more on pages 103 to 130).

Year-on-year commentary

In 2021 we reported a 62% reduction in our operational emissions versus our 2018 base year, noting material reductions, influenced by the pandemic, to business travel and energy use in our offices. Our expectation was that these emissions would increase as colleagues spent more time in offices and travel restrictions eased. We found this to be the case for business travel in 2022 and now report an 56% reduction versus our base year. Our view is that we continue to be on track to meet our 2025 target and reflect that blended working models supports a more travel-conscious working culture in the long term.

Our methodology and future intent

Our reporting methodology aligns with the Greenhouse Gas Protocol and we use an operational control boundary. We report material Scope 3 emissions where data is available, however notable exclusions include estimated supply chain impact and investments recorded on our balance sheet. We also reported our estimated impacts from homeworking in 2020 and 2021 but the independent methodology lacks standardisation and requires further refinement for long-term utility. We provide an estimate again for 2022 but note our intention to reflect on our approach. Further detail is provided in our Sustainability and TCFD report at www.abrdn.com/annualreport

Total energy consumption (kWh '000s)²

13,027



- UK
- Offshore

Diverse leaders

We have set 2025 targets to improve diversity across abrdn

Our diversity targets have been in place since 2020 and our gender representation targets extend beyond our Board to both our senior leadership and global workforce. The diversity of our Board is consistent with the expectations outlined by the FCA reporting requirements and we were also on target in the prior year.

Building an inclusive and equitable workplace is plainly the right thing to do and we also believe it supports our long-term success, as diversity of thought promotes new perspective that help lead to better decision-making. We serve global clients and our diversity is a strength as we aim to deliver better experiences and outcomes for our clients.

Our commitment is part of our purpose – learn more about our actions and progress on the following page and in our Sustainability and TCFD report.

Statement of the extent of consistency with the FCA Listing Rules requirements for reporting Board diversity

We are committed to creating a diverse, equitable and inclusive abrdn and support the principle of increased transparency on progress. Our policy applies to our Board Committees and is available publicly.

Our disclosure is consistent with the FCA Listing Rules requirements and the following statements reflect our compliance.

The data below is our reference taken at 31 December 2022 and there have been no changes to the composition of our Board in the interim period to publication. The disclosed data is volunteered and subject to a limited level of external assurance, alongside other diversity KPIs.

Over 40% of our Board are women, including our Chief Financial Officer, and one member identifies as minority ethnic. We do not anticipate any risks meeting Board diversity targets in 2023.

Board and executive management gender representation¹

	Number of Board members	Percentage of the Board	Number of senior positions on the Board ²	Number in executive management ³	Percentage of executive management
Men	6	55%	3	12	86%
Women	5	45%	1	2	14%

Board and executive management ethnic representation⁴

	Number of Board members	Percentage of the Board	Number of senior positions on the Board	Number in executive management	Percentage of executive management
White British, or other White (including minority-white groups)	10	91%	4	10	72%
Asian/Asian British	1	9%	-	1	7%
Not specified/prefer not to say ⁵	-	-	-	3	21%

Global representation against targets

Target	31 December 2022	31 December 2021	Target by 2025
Women at plc Board	45% (5 of 11)	45% (5 of 11)	40% women; 40% men; 20% any gender
Women in senior leadership ⁶	39% (52 of 132)	36% (62 of 171)	40% women; 40% men; 20% any gender
Women in subsidiary Director roles ⁷	48% (12 of 25)	35% (7 of 20)	N/A
Women in global workforce ⁸	43% (2,226 of 5,147)	46% (2,297 of 5,033)	50% (+/- 3% tolerance)
Ethnic minority representation at plc Board – No. of Directors who identify as ethnic minority	9% (1 of 11)	9% (1 of 11)	2 Directors

Our diversity data is voluntarily collected either through the onboarding process or through our management information system, Workday, for employees. For Non-Executive Board members, we collect data voluntarily through an offline system. Data measuring progress against gender targets for 31 December 2022 has been independently assured by Bureau Veritas. Bureau Veritas assurance can be found at www.abrdn.com/annualreport

1. Gender data for Board is self-reported, and for executive management is obtained from existing employee data set and includes Executive Leadership Team and Company Secretary, excluding administration roles.

2. Senior positions on Board are Chief Executive Officer, Chief Financial Officer, Senior Independent Director and Chair.

3. Relates to the Executive Leadership Team including Company Secretary and excluding administration roles.

4. Ethnicity data for Board and executive management including Company Secretary and excluding administration is self-reported (using local census data categories and collected where legally possible).

5. Includes one individual based in a country where we do not collect diversity data.

6. Relates to leaders one and two levels below CEO, excluding administration roles.

7. Relates to Directors of the Company's direct subsidiaries as listed in Note 45 (a) of the Group financial statements and not classified above as Board Directors or senior leadership.

8. 60 colleagues without gender data on our people system are excluded from the headcount data.

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 make a difference in what they do

Our progress against targets

Creating opportunities for our people starts with identifying where we need to take action to tackle underrepresentation at different levels across our business. Our public targets address gender and ethnic representation at Board level and enhanced gender representation for our senior leaders and global workforce (page 40). Our approach aligns with best practice and our performance is incentivised through our executive director scorecard (pages 103 to 130).

Our targets are important indicators, but our focus is on making abrdn an equitable and inclusive environment for all our colleagues. Our latest UK gender pay gap report available at www.abrdn.com/annualreport outlined our progress for the fifth consecutive year; a driver of our pay and bonus gaps is that we have more men in senior roles and more women in more junior roles. That is why many of our actions – from recruitment, development, and succession planning – look to address this imbalance.

Identifying, attracting and retaining talent

Segmenting the approach we take for talent at early, mid and senior levels helps us focus on specific diversity, equity, and inclusion priorities for each career stage.

At early career stages, we have had great success improving the diversity of candidates attracted to us globally and continue to use partnerships to help us reach diverse talent. An example of this in action is that 61% of our graduate intake identify as women (2021: 45%) and 47% of our UK interns went to a non-Russell Group university (2021: 38%).

At mid-career stage, we aim to identify a strong talent pipeline and demonstrate the value of growing our internal talent. Our development programme, Accelerate, is available to all mid-career colleagues globally, and includes courses that are run specifically for women. Equally, we can demonstrate success in our returners programme as we have retained 75% of our 2021 women returners cohort in permanent roles and welcomed five new returners in 2022.

We also ensure that our Executive Leadership Team succession pipeline has the breadth of experience and diversity to bring the thought leadership required in an effective team. Identifying and working with individuals with the medium to long-term potential to be part of our Executive Leadership Team has shaped our inclusive Advance programme. Advance is an 18-month selective programme, which includes learning components tailored to areas of strategic importance to our business – leadership, clients and futurist mindsets.

Our Academies framework is well established, providing dedicated support to develop skills for the future, including digital, data and change. We will continue to extend our senior talent programme focusing on the future leaders of our business. In 2023, we will launch our Leadership Academy, supporting leadership behaviours at all levels of abrdn.

Our way of working

Our priority is to make sure that our people feel connected and involved, that opportunities and progression are equitable for all, and that managers lead in a way that builds inclusive ways of working in hybrid teams. Blended working is now our standard way of working across abrdn. We are focused on what we do, and what our clients need from us and our teams, rather than where we do it.

Networks: inclusive safe spaces

Our networks are run by colleagues, for colleagues, delivering DEI events and activities across a wide range of topics. They also have direct engagement with our Board and our most senior leaders.

Members from the networks can influence our business processes and help shape design through bi-monthly insights sessions. In 2021–22 teams including workplace, talent acquisition and brand have all sought the diverse perspectives our networks provide.

In the US, our networks have been supporting the regional theme of 'Self-Education and Brave Conversations' in 2022 with a wide range of activities and colleague engagement. Alongside our colleague-led networks, in 2022 we set up more informal peer-to-peer 'sharing communities' where colleagues can connect, share and learn from others in a safe space. So far, we have communities covering topics relating to menopause, neurodiversity and Christianity.



You can read more about our networks in our 2022 Diversity, equity and inclusion report.



Listening to feedback and responding with action

Listening to our colleagues is at the heart of our people strategy. We have a comprehensive plan in place which allows us to hear from our people, whether that be through leadership engagement activity or our more formal survey tool, which we run throughout the year to ensure we keep in tune with what is on the minds of our colleagues and can take appropriate action. This is complemented by our board engagement activity which is run throughout the year by our designated Non-Executive Director and our Board Employee Engagement Plan.



Our latest engagement survey

Our annual engagement survey provides all colleagues the opportunity to share their feedback and tell us what it is like to work at abrdn.

Over 80% of colleagues took part in the survey with nearly 14,000 verbatim comments giving us a rich picture of where we are seeing improvements and the areas we need to continue to focus. 2022 saw us develop our cultural commitments and focus on the overall colleague experience through what has been an incredibly challenging year for markets, the business and for our colleagues.

Through 2022 we saw improvements in our areas of focus – career and talent, inclusion and both transparency and communications. Our people leaders and team relationships continue to be an area of strength, which we will build on in 2023. We reported that engagement levels at the beginning of the year were at 51% and our most recent survey in January 2023 shows we have held that score at 50% through this year of transformational change. Whilst we are not where we need to be, we are moving in the right direction, have clear plans in place and are committed to continued listening through the year with more regular check-ins on progress.

Building our culture

As a people business we want our colleagues to feel empowered to drive the changes we need to make, to feel involved and trusted, to strive for exceptional performance and to always be led by our clients' needs.

In 2022 we started a piece of work to define our culture and alongside our Executive team, we worked with

hundreds of colleagues across the global business to build a set of cultural commitments. These are aspirational statements which will help us create a business that all our people want to work for, to shape what it feels like to be a colleague at abrdn and create an environment where everyone can fulfil their full potential. We also trained a group of internal facilitators to help support conversations and the embedding of our commitments across the organisation.

Our commitments

- We put the **client first**. From every seat in our business, we understand our unique role in enabling our clients to be better investors, regardless of where we fit in the organisation.
- We are **empowered**. We speak up, challenge and act. We take ownership for our work, we accept accountability for our successes and, when they happen, our failures too.
- We are **ambitious**. We strive for exceptional performance. We also know when to balance pace with perfection to get things done. We are passionate about the positive impact we can have on our business.
- We are **transparent**. We have the honest and important conversations that fuel our performance and build trusted relationships.



Our company behaviours underpin our commitments and guide our day-to-day actions

- **Think and act like an owner:** We think 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:** We are continuously learning what our clients and customers need, so they are at the heart of our decisions.
- **Get it done together:** By executing at pace and working across teams to deliver better outcomes, faster.
- **Build the future now:** We are being bold in building today what stakeholders need tomorrow by challenging the status quo and adapting quickly.

Our role in our communities

We can make a positive impact through our values, conduct, and charitable contribution

Our role in society extends beyond how we deliver for our clients as we work with others, amplify our values, and support our communities through powerful partnerships. We outline the standards of behaviour we expect in our business and third-party relationships in our global code of conduct (page 46). Our minimum expectation is that we act with integrity and prioritise socially inclusive outcomes for both our internal and external relationships.

Supporting tomorrow's generation

One of the most tangible ways we support our communities and provide our people with the opportunity to make a wider difference, is through our charitable giving strategy and related partnerships. Our giving strategy is embedded in our corporate sustainability function and is focused on creating more impact for tomorrow's generation. We aim to create fair and impactful charity partnerships and prioritise projects that provide access to opportunity for people and address negative impacts on the planet. Our role is to partner with organisations with whom significant funding will enable new capabilities and meaningful positive impacts. Our giving strategy is governed through the abrdn Charitable Foundation, who meet quarterly to consider new partnerships and ensure we measure progress.

In 2021, we announced our partnership with Hello World, whose mission is to bridge the digital divide by improving connectivity for disconnected communities. Hello World partners with communities to build 'Hello Hubs' – solar powered internet kiosks, fitted with eight screens loaded with leading educational software, so that children can learn, access digital educational resources and improve their future by connecting globally.

Our initial funding of £1 million is supporting the build of 64 abrdn 'Hello Hubs', which could provide up to 80,000 people with access to internet and digital education content. Our investment as at 31 December 2022 has enabled Hello World to operate at new scales and work with 26 local communities who now have access to internet through an abrdn Hello Hub. Our partnership with Hello World demonstrates support for tomorrow's generation and we extended our commitment with a further £1 million donation in 2022 – and we look forward to sharing more on the evolution of our partnership in 2023.



More detail on our charitable partnerships, including with UNESCO and MyBnk in our Sustainability and TCFD report.

Focus on volunteering

Enabling our colleagues to support causes close to them is a key part of our giving strategy. All colleagues¹ have the opportunity to take up to three volunteering days annually and we enhance their support through company matching initiatives, including payroll matched giving for UK colleagues. We want to encourage our people to be part of our local communities, so our volunteering leave policy extends to time spent outside of usual working hours. We have set a goal to increase the proportion of colleagues engaging with charitable causes and prioritise partnerships with clear opportunities to develop meaningful connections.

1. This does not include ii, who did not have a volunteering policy as at 31 December 2022.

The abrdn Yearbook

Our partnership with Sarabande supports artists with great talent, as we lend our financial support and expertise to help creative talent build financial security. We brought our colleagues together in celebration through the launch of the abrdn Yearbook and exhibition. Over 70 colleagues from our global offices shared stories to answer the question 'What inspires you?', which in turn formed the inspiration for painted portraits by a Sarabande artist. The project is a powerful statement that we are all part of something bigger, connected to others, and shaped by our experiences. We unlocked some incredible stories, which confirm that our strength as abrdn comes from the diversity of our perspective and the personal experiences that shape each of us. Our business is built on nearly 200 years of history and the abrdn Yearbook is a timely reminder of who we are today, and what inspires us to create more tomorrow.



Stakeholder engagement

Our responsibility to engage with all our stakeholders plays a crucial role in the long-term decisions we make

Our stakeholders are central to our strategy and critical to the long-term success of our business, our Board oversees our approach to engagement as we seek feedback and make decisions toward the long-term benefit of key stakeholders.

Identifying our stakeholders

In our pursuit of delivering against our client-led growth strategy, we recognise that our pool of stakeholders is growing and evolving with us. Their needs and wants are also changing all the time. Recent additions to our key stakeholder group include colleagues and customers of ii and Finimize since their acquisition. We continue to group our key stakeholders into our clients, our communities, our people and our shareholders – and are committed to positioning them as a central factor in our decision-making.

Our clients	See page 45
Our communities	See page 43
Our people	See page 41–42
Our shareholders	See page 45

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 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 78.

The Board’s decision-making considers both risk and reward as our business aims to deliver long-term value for all of our stakeholders, and protect their interests. Awareness and understanding of the current and 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.



You can read more about how the Board engaged with and considers the interest of stakeholders on pages 74 to 78.

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 wide ranging expertise and diverse perspectives.

As individuals take greater responsibility for their own savings needs, ii and Finimize continue to help us respond to this trend. Both Finimize and ii are helping us to build a bigger picture of data and insights of our customer base.

In 2022 we have continued to build on our awareness programme around our brand and celebrated 365 days of abrdn in July. We are continuing with the next phase of our advertising campaign.

Showcasing our ESG insights

A notable aspect of our awareness campaign is a partnership with Bloomberg. Through a series of micro-documentaries featuring internal and external ESG experts, we address the most pressing issues around ESG and how the finance sector can support credible solutions. The series is hosted on both Bloomberg and abrdn channels, with the first episode going live in November 2022 to coincide with COP27.

The campaign showcases our capabilities, expertise and insight across ESG factors, while helping our clients to understand how we can help them navigate this complex yet globally important topic.

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 offer shareholders the opportunities to interact directly with our Chair and Board, and importantly share their views. We also use regular mailings to keep shareholders informed about dividend payments, financial results and shareholder meetings with institutional investors and analysts.

In 2022, we also held a General Meeting to invite shareholders to vote on the acquisition of ii. This was accompanied by shareholder mailings.

At this year's AGM, we will be using a new voting mechanism which will allow shareholders to vote on resolutions remotely, live during the webcast.





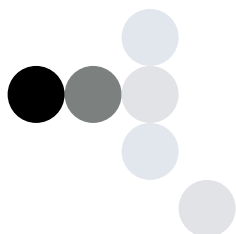
Non-financial information

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. 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 risk proportionate basis, we carry out due diligence of our third parties, covering key social issues.



Measuring our progress

Global code of conduct

Each year, colleagues complete an online training module to confirm they understand and will comply with our global code of conduct. This module also included training on modern slavery issues. The completion rate in 2022 was 99% and our 2023 module launched in February this year. This percentage is reported in aggregate and includes individuals out of the business on extended leave, for example, who are exempt from training until returning to work. Where employees fail to complete mandatory training, we have taken steps to ensure that managers and HR are made aware.

Respect for human rights

We are committed 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. In our investments, 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 engagements with investee companies, including engagements on human rights matters in our annual Stewardship Report. 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 are particularly alert to the human-rights risks from interconnected supply chains and our annual statement reports additional information on the actions we are taking, as we take steps to enhance our due diligence, track specific metrics, and support third party suppliers with fair and inclusive practices. More detail at www.abrdn.com/annualreport

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 multi-year transformation programme in 2021 focused on implementing ongoing enhancements to the framework, and carried out extensive work to define and implement consistent anti-money laundering standards across the company.

Mandatory compliance training

abrdn provides mandatory training to colleagues to ensure clear understanding of critical regulatory and legal obligations on the organisation and individuals. Training is tailored to individuals depending on their role and location, with topics including Anti-financial crime, Conflicts of interest, and Privacy and Data Protection. The content is refreshed annually and delivered via e-learning modules, and we maintain an associated compliance training policy to outline requirements, and disciplinary actions linked to failure to complete the learning. 99% of mandatory training had been completed by abrdn colleagues globally as at 31 December 2022.

Non-financial and sustainability 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 overview	Sustainability overview (pages 28 and 29) Sustainability – Environment (pages 30 to 39)
Employees	Global code of conduct ¹	Sustainability – Governance (page 46)
	Employee policies	Sustainability – Social (pages 40 to 43)
Human rights	Global code of conduct ¹	Sustainability – Governance (page 46)
	Modern slavery statement ²	Sustainability – Governance (page 46)
Social matters	Our people and communities	Sustainability – Social (pages 40 to 43)
	Global third-party code of conduct ¹	Sustainability – Governance (page 46)
Other matters	Anti-bribery and corruption	Sustainability – Governance (page 46)
	Business model	Our business model (pages 10 and 11)
	Non-financial KPIs	Sustainability – Environment (pages 38 and 39) Sustainability – Social (pages 40 and 42)

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

2. Group statement published on our website at www.abrdn.com/annualreport



Our key performance indicators

Net operating revenue¹ KPI APM £1,456m



This measure is a component of adjusted operating profit and includes revenue we generate from asset management charges, platform charges and other transactional/advice charges and treasury income.

Adjusted operating profit KPI APM £263m



Adjusted operating profit is our key alternative performance measure and is how our results are measured and reported internally.

IFRS (loss)/profit before tax KPI (£615m)



IFRS profit/loss 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 KPI APM £259m



This measure aims to show how adjusted profit contributes to regulatory capital.

Cost/income ratio KPI APM 82%



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

Adjusted diluted earnings per share KPI APM 10.5p



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

Full year dividend per share KPI 14.6p



The total annual dividend (interim and final) is an important part of the returns that we deliver to shareholders and is assessed each year in line with our stated policy to hold at 14.6p until it is covered at least 1.5 times by adjusted capital generation.

Investment performance² KPI

(Percentage of AUM above benchmark over three years)

65%

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 KPI**50%**

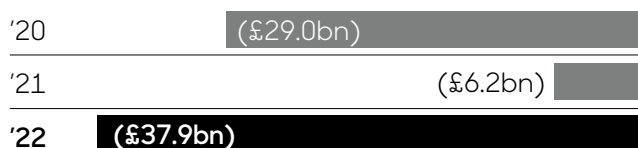
This measure is important in gauging the engagement and motivation of our people in their roles. It also enables our managers at all levels to take local action in response to what their teams are telling them.

Other indicators

AUMA

£500bn

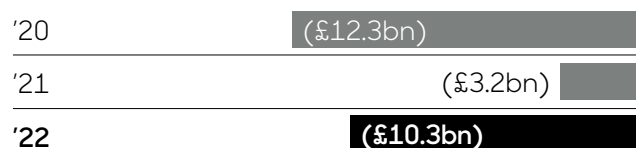
Net flows – Total

(£37.9bn)

IFRS diluted earnings per share

(26.8p)

Gross inflows

£69.0bnNet flows – excl. liquidity and LBG
tranche withdrawals**(£10.3bn)**

Alternative performance measures

We assess our performance using a variety of performance measures including APMs such as 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.

1. The revenue measure included within adjusted operating profit has been renamed from fee based revenue to net operating revenue. See page 53 for more information.
2. The calculation of investment performance has been revised to use a closing AUM weighting basis. 2021 comparatives have been restated. See page 55 for more information.

Chief Financial Officer's overview



Stephanie Bruce Chief Financial Officer

Performance impacted in a difficult macroeconomic environment

The impact and confluence of the challenging events of 2022 could not have been predicted. The IFRS result is a loss before tax of £615m (2021: profit £1,115m) including the impact of lower market levels on revenue, impairment of intangible assets in the Investments vector, and lower values for our significant listed investments.

Our diversification of the business in order to harness the changing market trends and improve the resilience of the financial performance has proved beneficial in these markets and has delivered results in 2022. While adjusted operating profit of £263m (2021: £323m) is 19% lower, this comprises a reduction of £139m in Investments, principally due to the decline in revenue, which is significantly offset by the increase of £76m in profits from Adviser and Personal, including seven months of ii and both businesses growing revenue and profits.

The contribution from Adviser and Personal, both operating in the UK savings and wealth arena, represented 60% of the group's adjusted operating profit in 2022. The shape of the group has been transformed following the acquisition of ii which completed in May 2022 and marked an important step forward in delivering the strategy. Following the ii acquisition in May, Adviser and Personal vectors contributed 76% of adjusted operating profit in H2 2022.

Our discipline on both targeting cost savings and reinvesting in areas of growth has continued. Following gross cost savings of £267m in 2020 and 2021, further savings of £84m or 7% benefited the results in 2022. All vectors reduced costs over 2022 (assuming 12 months of ii) although in Investments, responding to inflationary pressures on staff costs contributed to the lower reduction of 1% in the second half of 2022. The weak operating margin in Investments reinforces why the simplification of the operating model is underway and is now expected to deliver net c£75m savings in 2023.

Acquisitions of ii, Tritax and Finimize which are all generating revenue, increased costs for the group by £65m (5%) in 2022. Foreign exchange impacts of c£20m were notably higher in the second half of 2022 but were more than offset by the benefits in revenue.

Our disciplined approach to capital management continues, resulting in £1.1bn of capital resources generated in 2022, including £0.8bn of capital from listed stake sales. We redeployed £1.4bn for the purchase of ii which has been immediately earnings accretive. We returned £0.6bn to shareholders by way of £0.3bn in dividends and £0.3bn in share buybacks. At 31 December 2022, our capital position remains strong, with cash and liquid resources of £1.7bn and surplus regulatory capital of £0.7bn.

Drivers of revenue performance in 2022

Assets under management and administration (AUMA) have been impacted by three key factors in 2022: market levels, the final withdrawals of LBG assets and the acquisition of ii. At 31 December 2022, AUMA was £500bn, 8% lower than prior year and average AUMA in 2022 was £478bn (excluding ii), 10% lower than 2021. This decrease is concentrated in Investments. While there had been some signs of markets improving in July, the second half of the year saw continued volatility, with the main global market indices ending the year lower, with the exception of the FTSE 100. abrdn's investment bias in Asia and emerging markets increased the impact suffered in revenue during 2022 as those indices experienced double digit losses.

Given the reliance on market levels, the impact on net operating revenue of lower AUMA is most marked in Investments, contributing c£95m of the £161m reduction in Investments' revenue. Average AUM in Investments declined by 11%, largely driven by LBG tranche withdrawals and adverse market movements, particularly in equities. In combination, this reversed the progress seen in 2021, resulting in 13% lower Investments revenue in 2022. Within the asset classes, revenue in Public markets (equities, fixed income, multi-asset, quantitatives and liquidity) declined by 18% to £746m, while in Alternatives asset classes (real assets, alternatives, private equity and private credit) revenue of £324m, was 2% higher, benefiting from a full year contribution from Tritax.

While AUMA as a driver has been negative for Investments in 2022, our focus on diversification of the group's revenues has benefited performance. ii's subscription model does not rely on market levels and account fees, together with higher net interest margin on customer cash balances (treasury income) in 2022, more than offset lower trading activity by customers. For the period since acquisition, ii contributed £114m to revenue in 2022. While Adviser is impacted by market levels, continued net positive inflows in 2022, combined with the benefit from higher treasury income, increased revenue by 4% to £185m. Treasury income totalled £69m across the Personal and Adviser vectors due to increased interest rate levels throughout 2022.

Overall, the diversification that now drives our sources of revenue has helped to mitigate the impact of the market volatility in 2022, with an overall reduction in net operating revenue of £59m (4%), to £1,456m.

Changing nature of our flows during 2022

Excluding LBG tranche withdrawals and liquidity, total net outflows were £10.3bn, representing 2% of opening AUMA, compared with c0.5% last year. Total net outflows were £37.9bn (2021: £6.2bn) reflecting the final LBG tranche withdrawal of £24.4bn.

Client and customer activity and resulting flows varied by vector in these volatile markets.

In Investments, net outflows of £13.4bn (2021: outflows £7.6bn) (excluding LBG tranche withdrawals and liquidity) represent 3% of opening AUM, reflecting the uncertain market environment which impacted the wider industry.

Insurance flows are now largely represented by Phoenix after the final LBG exits were completed this year. Insurance activity benefited from £2.9bn of gross inflows from bulk purchase annuities and £5.4bn of gross inflows into low margin quantitatives which were offset in the last quarter by the withdrawal of £6.3bn of actively managed equity funds reflecting Phoenix's change in investment approach. Reflecting the annualised revenue reduction of this withdrawal of £9m, a one-off contractual payment was received in the last quarter, equivalent to a year's revenue.

Within the insurance sector more broadly, the changing approach to asset strategies represents a headwind for the margin of this business activity. We expect continued changes in this area from certain active equity and fixed income strategies to passive quantitative strategies which, together with related pricing changes, will result in further contraction of yields. The impact in 2023 will be dependent on the timing of these changes during the year.

Overall, gross inflows in Investments (excluding liquidity) were 14% lower in 2022, reflecting lower client demand for equities and fixed income funds. Redemptions (excluding LBG tranche withdrawals and liquidity) were 3% lower.

Our UK wealth and savings businesses continue to deliver net positive inflows, although lower than 2021 due to overall muted levels of retail customer activity in the second half of the year. Within Adviser, net inflows of £1.6bn are 59% lower than 2021 reflecting lower client activity across the industry due to ongoing market uncertainty. Activity in Personal is dominated by ii where net flows remain robust, while lower than the record levels seen in 2021.

Continued reshaping of operating expenses

We have focused on what we can control. We have made further improvements in the shape of our cost base by investing in areas of growth through the acquisition of ii and Tritax, together with introducing further variability into the cost base by outsourcing specific activities across the group and reducing FTE (excluding ii) by 14% over 2022. Operating margins in both Adviser and Personal are efficient, while in Investments, the operating margin continues to be inefficient for the AUM and revenue generated in this vector, reinforcing the activity required to simplify the operating model.

Overall adjusted operating expenses were flat compared with last year. Cost savings were 7% in 2022, largely driven by disposals and staff and technology reductions, while other cost actions were lower than anticipated due to increased staff cost inflation in Investments in the second half of the year. This was offset by 5% higher costs due to investments into revenue generating acquisitions, and adverse foreign exchange movements which increased reported costs by 2%.

Our ambition of a 70% cost/income ratio for the group remains, however this requires us to significantly improve the cost/income ratio in the Investments vector. In 2022, Investments costs were 2% lower as a result of lower staff and variable compensation levels. With the investment platform integration completed in 2022, the simplification of Investments' operating model commenced achieving small early successes. This informed the expected savings profile. With the detailed work on simplification now well underway, delivery of net cost savings of c£75m in the Investments vector are now targeted in 2023. This excludes any cost reductions that may arise from non-core disposals in the vector. While non-core disposals are an important component of the plan, given the unpredictable nature of the timing of any non-core disposals, these are excluded from our expectations on costs movements until such time as these transactions occur.

In Adviser, costs reduced by 5%, reflecting reduced headcount as some of our colleagues transferred to our major supplier under an improved outsourcing arrangement.

Within Personal, ii's costs of £47m reflected the period since acquisition. Costs in both Adviser and Personal are expected to grow in 2023 reflecting growth in revenue, benefiting the group from their efficient cost models.

The overall group cost/income ratio (CIR) increased to 82% from 79% in 2021. At a vector level, Adviser and Personal, CIRs were 54% (2021: 58%) and 64% (2021: 91%) respectively, while Investments CIR at 89% (2021: 79%) reflects lower revenue levels.

Disciplined approach to capital allocation delivers shareholder value

Adjusted capital generation of £259m is 29% lower than 2021. During 2022, we completed a further buyback of £300m at an average cost of £1.68 per share and reducing the number of shares by 179m, benefiting earnings per share by 3%. Reflecting the lower profit in 2022, adjusted diluted earnings per share reduced to 10.5p (2021: 13.7p) and the IFRS diluted earnings per share was a loss of 26.8p (2021: profit 46.0p).

We also redeemed £92m of debt in December 2022 which had a rate of 5.5% and due to reset at a higher rate. We now have in issue £210m of AT1 debt paying fixed interest of 5.25% which was issued in December 2021 and Tier 2 debt of £569m swapped into sterling and fixed at 3.2%. The debt stack is now optimised for our funding needs, with interest rates locked in prior to the rate increases experienced in 2022.

Following actions taken in recent years to reduce risk in abrdn's principal defined benefit pension plan, we are working with the trustee on next steps. In connection with this de-risking work, the trustee expects to submit a petition to the Court of Session during H1 2023 that will seek direction on the destination of any residual surplus assets that remain after all plan-related obligations are settled or otherwise provided for. Any such residual surplus would be determined on a different basis to the IAS 19 or funding measures of the plan surplus. The IAS 19 defined benefit plan asset is not included in abrdn's regulatory capital surplus.

Restructuring expenses of £169m (2021: £224m) comprised severance, platform transformation and specific costs to effect savings in Investments, which reflected additional costs to complete platform transformation and the acceleration of staff exits compared to previous expectations. Corporate transaction costs of £45m (2021: £35m) are higher than 2021 largely in relation to ii.

During 2022, we returned £0.6bn to shareholders, £0.3bn through buybacks and £0.3bn in dividends. The dividend cost has reduced to £295m, and cover at 0.9x on an adjusted capital generation basis equates to a net impact on capital of c£35m. Our dividend policy for 2022 remains unchanged at a total annual dividend of 14.6p per share until such time as the dividend is covered 1.5x by adjusted capital generation.

The IFRS loss before tax of £615m reflects principally the reduction of £187m in the value of the listed stakes in HDFC Life, HDFC Asset Management and Phoenix and impairments of £369m, comprising £328m in Investments and £41m for Finimize which was purchased in 2021. These impairments reflect lower projected revenues as a result of the lower markets, macroeconomic conditions and 2022 results being below previous expectations. For Investments, the key impairment drivers also include the expected reduction in Phoenix revenue from asset strategy and related pricing changes, and the further work required to reduce the cost/income ratio and to improve net flows.

Our strong capital position provides us with resilience during periods of economic uncertainty and volatility. We have a disciplined approach to generation and allocation of our capital:

- Our major capital investment in ii was completed at a time when the impact of the current economic conditions could not have been envisaged. ii is performing ahead of our expectations, including a stronger performance in treasury income. It is evident that ii will be double digit earnings enhancing for the group in the first full year of ownership. Based on the last seven months of 2022, the £1.49bn purchase price represents a multiple of 16 times annualised post tax adjusted earnings.
- We will redeploy the proceeds from non-core disposals into the business to support growth, including covering future restructuring costs to improve the efficiency of the business. Restructuring costs (excluding corporate transaction costs) are expected to be c£0.2bn in 2023, primarily related to the continued reshaping of the Investments vector.
- Subject to economic conditions, we will continue to explore inorganic investments that are bolt-on in nature and we expect to allocate capital to support such opportunities.
- Our capital strength also benefits from the value of our listed stakes in HDFC Asset Management, HDFC Life and Phoenix, which at 31 December 2022 had a total value of £1.3bn and is additional to the regulatory capital surplus.
- As part of our approach to allocating capital, the buffer of £0.5bn provides a level of management flexibility and capital strength and resilience during periods of volatility.
- We are committed to return a significant proportion of capital generated from further stake sales by way of further share buybacks which will continue to reduce the share count, benefiting earnings per share and lowering the absolute cost of the dividend.

Looking forward

The outlook for global markets remains uncertain and while this presents risks, we are taking actions to put our Investments business on a better footing through both focusing on our key areas of strength to drive revenue growth and simplifying the operating model to enable an efficient cost base. In the short term, additional headwinds arise from changing client demand and preferences. The benefits of diversification are already evident with our Adviser and Personal vectors on a stronger trajectory of growth with more efficient operating margins.

We will continue to be disciplined in our allocation of capital to invest in the business in order to drive growth and to support continued returns to shareholders. We understand the importance of dividend income to a large portion of our shareholder base and are committed to our stated dividend policy, together with returning a significant proportion of proceeds from further stake sales through share buybacks. We returned £0.6bn of capital to shareholders by way of dividends and buybacks in 2022, and intend to return a similar level in 2023.

Results summary

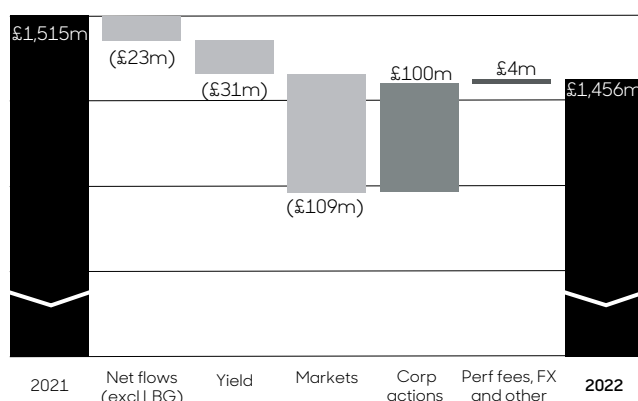
Analysis of profit	2022 £m	2021 £m
Net operating revenue ¹	1,456	1,515
Adjusted operating expenses	(1,193)	(1,192)
Adjusted operating profit	263	323
Adjusted net financing costs and investment return	(10)	-
Adjusted profit before tax	253	323
Adjusting items including results of associates and joint ventures	(868)	792
IFRS (loss)/profit before tax	(615)	1,115
Tax credit/(expense)	66	(120)
IFRS (loss)/profit for the year	(549)	995

The IFRS loss before tax was £615m (2021: profit £1,115m) largely due to adjusting items of £868m:

- Impairments of goodwill and customer intangibles were £369m (2021: £nil). See page 59 for more details.
- Losses of £187m (2021: losses £298m) from the change in fair value of significant listed investments (HDFC Asset Management, HDFC Life and Phoenix) as a result of the fall in the share price of these companies in 2022.
- Restructuring expenses were £169m (2021: £224m). Corporate transaction expenses were £45m (2021: £35m) reflecting principally the acquisition of ii.
- Adjusting items in 2021 benefited from a profit on disposal of interests in associates of £1,236m.

Adjusted operating profit was 19% lower than 2021, largely due to 4% lower revenue as a result of lower market levels which particularly impacted high yielding equities. The 2022 results include a contribution from ii for the seven months to 31 December 2022 which benefited net operating revenue by £114m and adjusted operating profit by £67m.

Net operating revenue¹



Net operating revenue reduced by 4% reflecting:

- Impact from net outflows² excluding LBG of 2% (2021: 4%), and adverse yield movements.
- Significant c£109m impact of adverse markets on AUMA.
- Net benefit from corporate actions of c£100m mainly due to £114m from ii. This was partly offset by the net impact of other corporate actions during 2021 and 2022 relating to the disposals of Parmenion, Nordics and Bonaccord, and acquisitions of Tritax and Finimize.
- Other includes a benefit from FX movements of c£24m and the £9m one-off Phoenix payment, partly offset by the impact of lower LBG revenue following the final tranche withdrawals. Performance fees were £30m (2021: £46m) from Asia, real assets and insurance.

Adjusted operating expenses

	2022 £m	2021 £m
Staff costs excluding variable compensation	527	517
Variable compensation	85	126
Staff and other related costs ³	612	643
Non-staff costs	581	549
Adjusted operating expenses	1,193	1,192

Adjusted operating expenses were broadly flat after the inclusion of £47m of ii expenses for the post acquisition period, reflecting:

- 3% lower staff costs (excluding variable compensation and ii), with the benefit of lower FTEs (14%), partly offset by wage inflation.
- Lower variable compensation in line with Investments vector performance.
- 6% increase in non-staff costs, principally due to ii. Excluding ii, non-staff costs increased by 1% with cost savings offset by the impact of inflation, IT costs associated with regulatory change and c£20m from adverse FX movements.

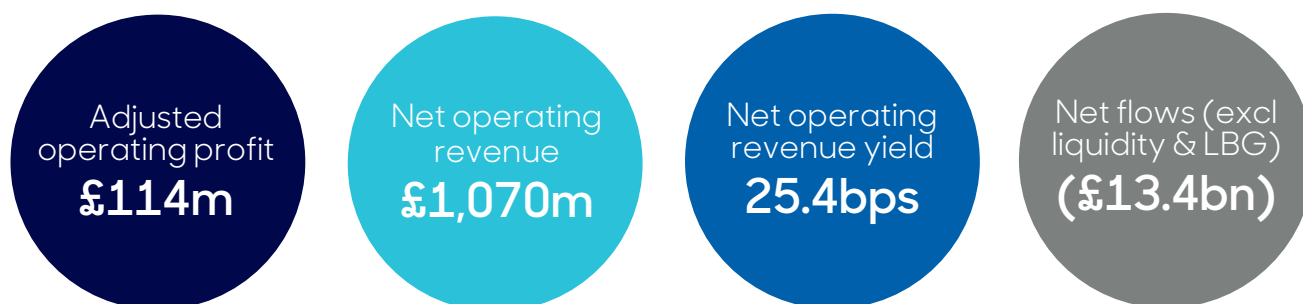
The cost/income ratio increased to 82% (2021: 79%) as a result of the lower revenue in Investments.

1. The revenue metric included within adjusted operating profit has been renamed from fee based revenue to net operating revenue. For 2022 this measure is aligned to net operating revenue as presented in the IFRS consolidated income statement. For 2021 this measure of segmental revenue excludes £28m of net operating revenue as presented in the IFRS consolidated income statement which was classified as adjusting items. See page 177 for more information.

2. This reflects the estimated impact on net operating revenue of net outflows in both current and prior years, as a percentage of prior year revenue.

3. See Supplementary information for a reconciliation to IFRS staff and other employee related costs.

Investments



	Total		Institutional and Wholesale		Insurance	
	2022	2021	2022	2021	2022	2021
Net operating revenue ¹	£1,070m	£1,231m				
Adjusted operating expenses	(£956m)	(£978m)				
Adjusted operating profit	£114m	£253m				
Cost/income ratio	89%	79%				
Net operating revenue yield	25.4bps	25.9bps	36.1bps	38.8bps	10.5bps	10.0bps
AUM	£376bn	£464bn	£231bn²	£253bn	£145bn²	£211bn
Gross flows	£59.3bn	£63.4bn	£36.5bn	£41.9bn	£22.8bn	£21.5bn
Redemptions	(£100.3bn)	(£74.0bn)	(£48.1bn)	(£47.0bn)	(£52.2bn)	(£27.0bn)
Net flows	(£41.0bn)	(£10.6bn)	(£11.6bn)	(£5.1bn)	(£29.4bn)	(£5.5bn)
Net flows excluding liquidity ³	(£37.8bn)	(£7.6bn)	(£8.4bn)	(£2.1bn)	(£29.4bn)	(£5.5bn)
Net flows excluding liquidity and LBG ^{3,4}	(£13.4bn)	(£7.6bn)	(£8.4bn)	(£2.1bn)	(£5.0bn)	(£5.5bn)

Investments vector faced market headwinds

Adjusted operating profit

- £139m (55%) reduction compared to 2021, reflecting 13% lower revenue and 2% lower costs.
- Cost reduction driven by lower staff costs, reflecting lower FTEs and lower variable compensation. This is partly offset by the impact of staff cost inflation in H2 2022 and higher IT costs associated with regulatory change and the adverse impact of FX.

Net operating revenue

- 13% lower than 2021 largely due to lower market performance impacting average AUM, particularly in equities.
- Performance fees of £30m (2021: £46m) including strong performance fees from real assets, albeit the overall total is lower than the level seen in 2021.
- Revenue in 2022 includes £9m one-off benefit as compensation for the £6.3bn Phoenix asset withdrawal.

Institutional and Wholesale

Net operating revenue

- 13% lower at £878m (2021: £1,012m) due to £14bn reduction in average AUM to £236bn (2021: £250bn). This reflects lower market values in equities, fixed income and multi-asset AUM, partly offset by a full year of revenue in Tritax, compared with nine months in 2021, and c25% growth in Tritax average AUM.

Revenue yield

- 2.7bps lower to 36.1bps largely due to the decrease in the higher margin equities average AUM impacting the asset mix. Equities are 24% (2021: 28%) of average AUM at a yield of 62.5bps while real assets accounted for 18% (2021: 14%) at 44.4bps.
- Multi-asset revenue yield has declined as in 2022 MyFolio accounts for the majority of AUM in this asset class.

Gross flows

- Excluding liquidity, £9.0bn (25%) lower at £26.3bn (2021: £35.3bn) mainly in fixed income and equities. This reflected the client response to the uncertain market environment which impacted the wider industry, as many clients delayed investment decisions.

Net flows

- Net outflows were £6.3bn higher than 2021 at £8.4bn (excluding liquidity), largely due to the lower level of gross inflows partly offset by a £2.7bn improvement in redemptions.
- Excluding liquidity, net outflows represent 4% of opening AUM compared with 1% in 2021.

1. Includes performance fees of £30m (2021: £46m).

2. Following completion of the LBG tranche withdrawals, the remaining LBG AUM of c£7.5bn which has been retained was reallocated to quantitatives in Institutional/Wholesale.

3. Institutional and Wholesale liquidity net flows excluded.

4. Flows excluding LBG do not include the tranche withdrawals of £24.4bn (2021: £nil) relating to the settlement of arbitration with LBG.

Insurance

Net operating revenue

- 12% lower in 2022 at £192m (2021: £219m), including the impact of LBG tranche withdrawals and lower average AUM, offset by the £9m one-off Phoenix compensation in 2022.

Revenue yield

- Net operating revenue yield improved slightly to 10.5bps. Excluding the one-off Phoenix compensation of £9m, the yield was flat at 10.0bps.

AUM

- LBG AUM within Insurance is £nil (2021: £33.6bn). This reflects the final tranche withdrawal of £24.4bn in H1 2022 with c£7.5bn of assets retained under a new quantitatives mandate included within Institutional to better reflect how the relationship is now being managed.
- Phoenix AUM decreased £32bn or 18% largely due to £28bn of adverse market movements.

Gross flows

- £1.3bn higher than 2021, with £5.4bn of gross inflows into low margin quantitatives partly offset by lower bulk purchase annuity inflows of £2.9bn (2021: £5.2bn).

Net flows

- Net outflows of £5.0bn (2021: outflows £5.5bn) excluding LBG tranche withdrawals of £24.4bn.
- Net outflows include withdrawal by Phoenix of £6.3bn of UK equities in Q4 2022 due to a change in Phoenix's approach to asset allocation strategies. This is partly offset by the higher gross inflows into low margin quantitatives highlighted above.

Investment performance

% of AUM ahead of benchmark ¹	1 year		3 years		5 years	
	2022	2021	2022	2021	2022	2021
Equities	30	37	63	74	65	65
Fixed income	65	58	72	79	79	81
Multi-asset	13	72	50	73	22	70
Real assets	57	86	63	58	52	62
Alternatives	88	87	100	98	100	98
Quantitative	17	99	27	15	29	42
Liquidity	84	89	97	92	97	92
Total	41	66	65	78	58	77

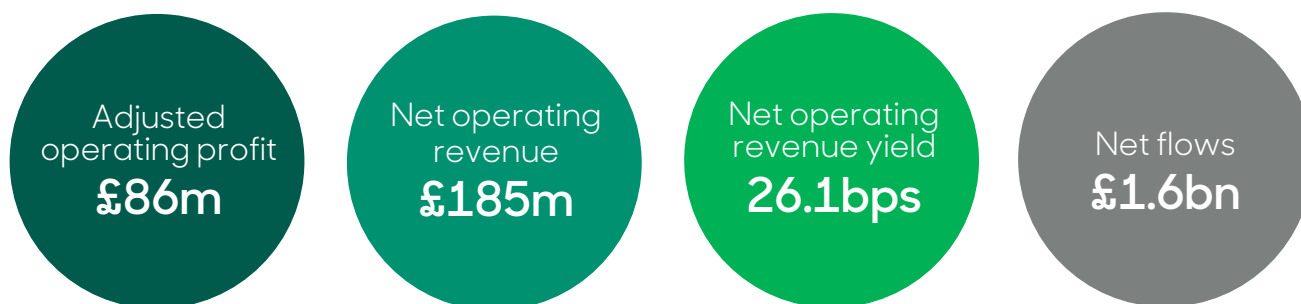
Investment performance over the key three-year time period has weakened, with 65% of AUM covered by this metric ahead of benchmark (2021: 78%). The sharp rotation in equities from growth to value in late 2021 and H1 2022 impacted many of our equity strategies which focus on quality and growth outcomes. One-year performance was particularly impacted, however longer term equities performance remains robust.

Over the key three-year time period, we have consistently delivered strong performance in alternatives as well as fixed income in the unprecedented interest rate environment. Multi-asset performance over one, three and five years was weaker with absolute return strategies relying on traditional portfolio diversification, primarily equities and fixed income, suffering negative returns.

Real assets valuation yields have weakened given the higher interest rate backdrop which has impacted one-year performance, however, long-term sector conviction remains strong.

1. The calculation of investment performance has been revised to use a closing AUM weighting basis. 2021 comparative has been restated. We believe that this approach provides a more representative view of current investment performance. Calculations for investment performance are made gross of fees except where the stated comparator is net of fees. 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. Further details about the calculation of investment performance including the revised methodology are disclosed in the Supplementary information section.

Adviser



	2022	2021
Net operating revenue	£185m	£178m
Adjusted operating expenses	(£99m)	(£104m)
Adjusted operating profit	£86m	£74m
Cost/income ratio	54%	58%
Net operating revenue yield	26.1bps	24.9bps
AUA	£69bn	£76bn
Gross flows	£6.6bn	£9.1bn
Redemptions	(£5.0bn)	(£5.2bn)
Net flows	£1.6bn	£3.9bn

Resilient performance from leading Adviser platforms

Adjusted operating profit

- Profit increased to £86m, against a backdrop of challenging market conditions.
- Cost/income ratio improved to 54% with lower operating expenses benefiting from outsourcing activity in 2022.

Net operating revenue

- 4% higher than 2021 with net interest margin on client cash balances increasing to £11m (2021: £1m), reflecting the rise in interest rates. This was partly offset by the impact of lower average AUA.
- The average margin earned on client cash balances during 2022 was c85bps. The indicative Adviser average cash margin for 2023 is 160–180bps.

Revenue yield

- Increased to 26.1bps. due to the higher revenue explained above.
- Average AUA of £71bn is 1% lower than 2021.

AUA

- 10% decrease in 2022 due to adverse markets, partly offset by net inflows.
- Retained our number one position in UK adviser platform market by AUA¹.

Gross flows

- Sales activity reduced by 27% in 2022, reflecting muted client activity across the industry due to ongoing market uncertainty and focus on short term spending goals amongst the UK consumer base.

Net flows

- Reduction in net inflows to £1.6bn reflects lower gross flows and included a £0.2bn impact from a client exit in H1 2022 due to the acquisition by a consolidator.

1. Source: UK Adviser platform, Fundscape Q3 2022.

Personal

Adjusted
operating profit
£72m

Net operating
revenue
£201m

Net operating
revenue yield
59.2bps

Net flows
£1.9bn

	Total		interactive investor ³		Personal Wealth	
	2022	2021	7 months to 31 Dec 2022	N/A	2022	2021
Net operating revenue	£201m	£92m	£114m		£87m	£92m
Adjusted operating expenses	(£129m)	(£84m)	(£47m)		(£82m)	(£84m)
Adjusted operating profit	£72m	£8m	£67m		£5m	£8m
Cost/income ratio	64%	91%	41%		94%	91%
Net operating revenue yield ¹					59.2bps	61.0bps
AUMA	£67.1bn	£14.4bn	£54.0bn		£13.1bn	£14.4bn
Gross flows	£5.6bn	£1.7bn	£4.1bn		£1.5bn	£1.7bn
Redemptions	(£3.7bn)	(£1.1bn)	(£2.5bn)		(£1.2bn)	(£1.1bn)
Net flows ²	£1.9bn	£0.6bn	£1.6bn		£0.3bn	£0.6bn

Accelerating revenue diversification with acquisition of ii

Adjusted operating profit

- Higher profit reflects the inclusion of £67m for the seven months results for ii.
- ii has continued to perform well against an uncertain market environment, with profit performance remaining ahead of our expectations.
- Personal Wealth's adjusted operating profit in 2021 included a one-off benefit of c£3m which when excluded highlights stable underlying performance in 2022 at £5m.
- Cost/income ratio improved to 64% as a result of ii's efficient operating leverage.

Net operating revenue

- The increase in revenue reflects inclusion of £114m from ii.
- ii revenue continues to benefit from diverse revenue streams. Treasury income for the seven months contributed £58m, benefiting from interest rates rising significantly throughout H2 2022. Revenue from subscriptions continued to grow, including the benefit from increased average customer numbers compared with 2021. Trading revenue was impacted by muted levels of customer activity given the uncertain market conditions.
- Personal Wealth revenue reduced by £5m due to adverse market movements impacting AUMA and lower margins from pricing and product mix.

Revenue yield

- Personal Wealth revenue yield decreased to 59.2bps resulting from pricing pressure and changes in product mix. Average AUMA was £13.5bn, 4% lower than 2021.

AUMA

- ii's AUM of £55bn at acquisition was reported as a corporate action in the year. As at 31 December 2022, ii's AUA of £54bn reflects the benefit from net inflows offset by adverse market movements and includes customer cash balances of £6.0bn.
- Personal Wealth AUMA decreased to £13.1bn reflecting lower markets through 2022.
- Total discretionary clients increased by 4% to c16,600 (2021: c16,000).
- ii customer numbers were broadly stable at c402,000 (2021: c403,000). Excluding the tail run-off of the two most recently acquired books (Share Centre and EQi), net customer growth for the year was 3%.
- Number of ii customers holding a SIPP account increased by 17% to c51,500 (2021: c43,900).

Gross and net flows

- Total net flows of £1.9bn included £1.6bn for the seven months of ii flows.
- Reductions in gross and net flows for Personal Wealth include the impact of market uncertainty which has resulted in lower and more muted activity by individuals across the industry. This included a more modest tax year-end period.

1. Net operating revenue yield is shown for Personal Wealth only. Revenue for interactive investor is not aligned with AUA and therefore revenue yield is not presented.

2. Cash dividends which are retained on the ii platform are included in net flows for the ii business. See the Glossary for further details.

3. Results for interactive investor included following the completion of the acquisition on 27 May 2022.

Overall performance



Segmental summary	Adjusted operating profit		AUMA		Net flows	
	2022 £m	2021 £m	2022 £bn	2021 £bn	2022 £bn	2021 £bn
Investments ¹	114	253	376	464	(13.4)	(7.6)
Adviser	86	74	69	76	1.6	3.9
Personal	72	8	67	14	1.9	0.6
Corporate/strategic ²	(9)	(12)	-	-	-	0.3
Eliminations	-	-	(12)	(12)	(0.4)	(0.4)
Total	263	323	500	542	(10.3)	(3.2)
Liquidity net flows					(3.2)	(3.0)
LBG tranche withdrawals					(24.4)	-
Total net flows (including liquidity and LBG)					(37.9)	(6.2)

Analysis of profit	2022 £m	2021 £m
Net operating revenue	1,456	1,515
Adjusted operating expenses	(1,193)	(1,192)
Adjusted operating profit	263	323
Adjusted net financing costs and investment return	(10)	-
Adjusted profit before tax	253	323
Adjusting items including results of associates and joint ventures	(868)	792
IFRS (loss)/profit before tax	(615)	1,115
Tax credit/(expense)	66	(120)
IFRS (loss)/profit for the year	(549)	995

Adjusted net financing costs and investment return

Adjusted net financing costs and investment return resulted in a loss of £10m (2021: £nil):

- Investment losses, including from seed capital and co-investment fund holdings, were £34m (2021: gain £4m) due to adverse market conditions in the year.
- Reduced net finance costs of £5m (2021: £21m) reflecting a higher rate of interest on cash and liquid assets.
- Higher net interest credit relating to the staff pension schemes of £29m (2021: £17m) reflecting an increase in the opening discount rate due to a rise in corporate bond yields.

1. Investments net flows exclude Institutional/Wholesale liquidity and LBG tranche withdrawals.

2. Adjusted operating loss consists of net operating revenue £nil (2021: £14m) and adjusted operating expenses £9m (2021: £26m). 2022 comprises of only certain corporate costs. 2021 also included the Parmenion business which was held for sale. The sale of Parmenion completed in June 2021.

Adjusting items

	2022 £m	2021 £m
Profit on disposal of interests in associates	6	1,236
Profit on disposal of subsidiaries and other operations	-	127
Restructuring and corporate transaction expenses	(214)	(259)
Amortisation and impairment of intangible assets acquired in business combinations and through the purchase of customer contracts	(494)	(99)
Change in fair value of significant listed investments	(187)	(298)
Dividends from significant listed investments	68	71
Share of profit or loss from associates and joint ventures	2	(22)
Loss on impairment of interests in associates	(9)	-
Other	(40)	36
Total adjusting items including results of associates and joint ventures	(868)	792

Profit on disposal of interests in associates of £6m relates to the sale of our stake in Origo Services Limited in May 2022. The 2021 profit of £1,236m primarily related to one-off accounting gains of £965m following the reclassification of our HDFC Asset Management and Phoenix shareholdings from associates to investments measured at fair value. 2021 also included a £271m gain from the sale of a 5% stake in HDFC Asset Management.

Profit on disposal of subsidiaries and other operations in 2021 primarily related to the sales of Parmenion and Bonaccord.

Restructuring and corporate transaction expenses were £214m, comprising restructuring costs of £169m in severance, platform transformation and specific costs to effect savings in Investments, and £45m of corporate transaction costs largely in relation to the ii acquisition. Further details are included in the Supplementary information section.

Amortisation and impairment of intangible assets acquired in business combinations and through the purchase of customer contracts increased to £494m, mainly due to the impairment of goodwill and customer intangibles of £369m (2021: £nil). The impairments comprise £328m in Investments and £41m for Finimize which was purchased in 2021. These impairments reflect lower projected revenues as a result of lower markets, macroeconomic conditions and 2022 results being below previous expectations; and for Investments the expected reduction in Phoenix revenue from asset strategy and related pricing changes, and further work being required to reduce costs and grow to a net inflow position. Further details are provided in Note 13 of the Group financial statements.

Change in fair value of significant listed investments of negative £187m from market movements is analysed in the table below:

	2022 £m	2021 £m
Phoenix	(44)	(82)
HDFC Asset Management	(105)	(164)
HDFC Life	(38)	(52)
Change in fair value of significant listed investments	(187)	(298)

Dividends from significant listed investments relates to our shareholdings in Phoenix (£52m), HDFC Asset Management (£15m) and HDFC Life (£1m). In 2021, dividends received from Phoenix were £69m (prior to the reduction in our shareholding from 14.4% to 10.4% in January 2022) and £2m from HDFC Life.

Share of profit or loss from associates and joint ventures increased to a profit of £2m. Phoenix and HDFC Asset Management were classified from associates in 2021. The reduction in HASL reflects mainly lower investment returns in 2022. Other relates principally to the share of loss from our shareholding in Tenet Group Ltd.

	2022 £m	2021 £m
HASL	7	19
Virgin Money UTM	-	(6)
Phoenix	-	(56)
HDFC Asset Management	-	21
Other	(5)	-
Share of profit or loss from associates and joint ventures	2	(22)

Loss on impairment of interests in associates of £9m relates to an impairment of Tenet Group Ltd.

Other adjusting items in 2022 primarily relates to a single process execution event provision of £41m. See Notes 11 and 34 for further details. Other adjusting items in 2021 included a one-off £25m net release of deferred income following the transfer of workplace pensions marketing staff to Phoenix.



See pages 172 and 186 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 credit attributable to the loss for the year was £66m (2021: expense £120m), including a tax credit attributable to adjusting items of £88m (2021: expense £94m), resulting in an effective tax rate of 11% on the total IFRS loss (2021: 11%). The difference to the UK Corporation Tax rate of 19% is mainly driven by:


- Goodwill impairments that are not deductible for tax purposes.
- Movements in the fair value of our investment in HDFC Asset Management being tax effected at the Indian long-term capital gains tax rate, which is lower than the UK Corporation Tax rate.
- Fair value movements relating to our investments in Phoenix and HDFC Life not being subject to tax.
- Offset by dividends from significant listed investments not being subject to tax in the UK.

The tax expense attributable to adjusted profit is £22m (2021: £26m), an effective tax rate of 9% (2021: 8%). This is lower than the 19% UK rate primarily due to the benefit of certain deferred tax assets being expected to arise after the UK Corporation Tax rate increases to 25% in 2023.

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 £443m (2021: £447m). Of the total, £186m (2021: £190m) was borne by abrdn whilst £257m (2021: £257m) represents tax collected by abrdn 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.

'20	£484m
'21	£447m
'22	£443m

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

Earnings per share

- Adjusted diluted earnings per share decreased to 10.5p (2021: 13.7p) due to the lower adjusted profit after tax and the interest payment on the AT1 debt. This was partially offset by a benefit from the share buyback.
- Diluted earnings per share was a loss of 26.8p (2021: profit 46.0p) reflecting the factors above, impairments and fair value losses of significant listed investments.

Dividends

The Board has recommended a final dividend for 2022 of 7.3p (2021: 7.3p) per share. This is subject to shareholder approval and will be paid on 16 May 2023 to shareholders on the register at close of business on 31 March 2023. The dividend payment is expected to be £142m.

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.

As a result of the decline in revenue in the year, dividend cover on an adjusted capital generation basis was 0.9 times.

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

'20	£262m	0.84x
'21	£366m	1.18x
'22	£259m	0.88x

It remains 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.

Return of capital

On 6 July 2022, we commenced a £300m return of capital to shareholders which completed on 12 December 2022. A total of 179m shares were repurchased at an average price of £1.68 per share.

Capital and liquidity

Adjusted capital generation

Adjusted capital generation, which shows how adjusted profit contributes to regulatory capital, decreased by 29% to £259m.

	2022 £m	2021 £m
Adjusted profit after tax	231	297
Less net interest credit relating to the staff pension schemes	(29)	(17)
Less AT1 debt interest	(11)	-
Add dividends received from associates, joint ventures and significant listed investments	68	86
Adjusted capital generation	259	366

Net movement in IFPR surplus regulatory capital

The indicative surplus regulatory capital at 31 December 2022 was £0.7bn (2021: £1.8bn) following the acquisition of ii. Disposal of part of our Phoenix, HDFC Asset Management and HDFC Life stakes in January 2022, August 2022 and September 2022 respectively generated sale proceeds of £0.8bn.

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

Analysis of movements in surplus regulatory capital (IFPR basis)	2022 £bn	2021 £bn
Opening surplus regulatory capital ¹	1.8	1.2
Sources of capital		
Adjusted capital generation	0.3	0.4
HDFC Life, HDFC Asset Management and Phoenix sale proceeds	0.8	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)	(0.2)
Dividends	(0.3)	(0.3)
Acquisition of interactive investor ²	(1.4)	-
Acquisitions of Tritax and Finimize	-	(0.3)
Share buyback	(0.3)	-
Other	-	(0.2)
Closing surplus regulatory capital	0.7	1.8

1. The Group reported capital under CRD IV until 31 December 2021. 2021 figures are therefore indicative.

2. Acquisition price of £1.5bn less capital resources acquired.

The full value of the Group's significant listed investments is excluded from the capital position under IFPR and represents additional value for shareholders.



Note 43 of the Group financial statements includes a reconciliation between IFRS equity and surplus regulatory capital and details of our capital management policies.

Cash and liquid resources and distributable reserves

Cash and liquid resources remained robust at £1.7bn at 31 December 2022 (2021: £3.1bn) following the £1.5bn ii acquisition. 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 2022, distributable reserves were £3.2bn (2021: £2.8bn), benefiting in July 2022 from a £1.1bn transfer from the capital redemption reserve.

IFRS net cash flows

- Net cash inflows from operating activities were £110m (2021: inflows £14m) which includes outflows from restructuring costs net of tax of £111m (2021: £179m) and corporate transaction costs, net of tax, of £38m (2021: £11m). 2021 inflows were reduced by working capital movements.
- Net cash outflows from investing activities were £86m (2021: inflows £755m), primarily reflecting a £1.4bn outflow for acquisition of ii (net of cash acquired) offset by £1.3bn net proceeds from the sale of financial investments (mainly £0.8bn from the Phoenix and HDFC stake sales and £0.4bn from the net sale of money market instruments primarily related to ii transaction funding).
- Net cash outflows from financing activities were £761m (2021: £243m). The higher outflows reflected the 2022 £0.3bn share buyback and the £0.1bn repayment of subordinated liabilities. 2021 included the £0.2bn proceeds from the Additional Tier 1 debt issue.

The cash inflows and outflows described above resulted in closing cash and cash equivalents of £1,166m as at 31 December 2022 (2021: £1,875m).

IFRS net assets

IFRS net assets attributable to equity holders decreased to £5.7bn (2021: £7.6bn) mainly due to the IFRS loss before tax, the reduced pension scheme surplus discussed below and dividends paid in the year:

- Intangible assets increased to £1.6bn (2021: £0.7bn) as a result of the ii acquisition (see Note 1), partly offset by impairments of intangibles (see Note 13).
- The principal defined benefit pension scheme, which is closed to future accrual, continues to have a significant surplus of £0.8bn (2021: £1.6bn). The reduction in surplus in 2022 is primarily due to higher yields and other market movements, and reflects that the investment strategy aims to protect the surplus on a different basis to the IAS 19 accounting basis.
- Financial investments decreased to £2.9bn (2021: £4.3bn) primarily due to the £0.8bn stakes sales, £0.2bn reduced values in our significant listed investments and £0.4bn net sale of money market instruments. At 31 December 2022, financial investments included £1.3bn (2021: £2.3bn) in relation to significant listed investments (Phoenix £634m, HDFC Asset Management £477m and HDFC Life £203m).

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. These prospects have been enhanced as a result of actions taken during the year, in particular the acquisition of interactive investor.

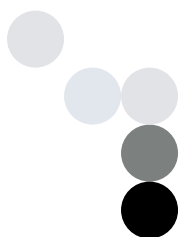
The assessment reflects the Group's focus on its strategic priorities as set out on pages 12 to 13 and how this is expected to drive client-led growth in abrdn's three vectors.

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

- The Group's capital position as set out on page 61.
- The Group's substantial holdings of cash and liquid resources as well as holdings in listed equity investments, as set out on page 61.
- The Group's principal and emerging risks as set out on pages 64 to 67.

Assessment of prospects

The Directors consider the Group's focus on its strategic priorities will deliver growth while allowing the Group to maintain its strong regulatory capital position and the dividend policy described on page 60.



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 thorough assessment of the Group's principal risks in order to understand potential vulnerabilities for the business. In addition to this, the Directors assessed the Group's viability taking into account:

- Output from the Group's business planning process.
- Results from the Group's stress testing and scenario analysis programme.
- Results from the Group's reverse stress testing exercise.
- Work performed in connection with the UK's FCA and PRA rules on operational resilience.

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 which reflect various factors including the changing market conditions following the significant geopolitical and economic developments of 2022.

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 234.

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 (i) exploring the impacts of market-wide stresses, (ii) stresses that are specific to abrdn, and (iii) stresses that combine both these elements. Whilst all of the Group's principal risks could potentially impact on the Group's financial resilience, our combined stress testing scenarios focused on those risks expected to have the most significant impact:

- Financial risk was considered under a range of stresses to market levels, flows, and margins. The scenarios that were explored included revenue reductions due to (i) equity markets falling approximately 22% in Q1 2023 and net outflows occurring over the planning horizon reducing the year end AUMA by up to 11% and (ii) the UK Base rate falling to 0.1% by Q1 2024.
- Operational risks were considered in the context of the Group incurring £40m of operational losses which were assumed to represent the cumulative impact of a number of severe losses across a range of principal risk categories, such as: process execution and trade errors, technology risk, security and resilience risk, or fraud and financial crime risks.

All the scenarios explored 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.

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.

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 it would be able to take, including a number of sizeable management actions wholly within the Group's control. This includes drawing down on the revolving credit facility, reducing discretionary expenditure, and dividend management actions.

During the year, additional stress testing and scenario analysis was performed to support the Group's capital management activity. The results of this were also taken into consideration in the Directors' assessment of viability.

The Group is considered to be resilient to adverse climate change over the three year horizon; the stresses to market levels and flows explored under the stress testing and scenario analysis programme are deemed to capture the possible consequences of climate change over this period.

Reverse stress testing involves exploring the quantitative and/or qualitative impacts of extreme scenarios which could threaten the viability of our business model. For this year's exercise, we investigated possible economic conditions that could lead to non-viability. This involved exploring more extreme versions of the scenarios developed under the stress testing and scenario analysis programme, focusing on increasing the size of the equity market shock in Q1 2023.

The reverse stress testing exercise highlighted how the Group's risk appetite monitoring processes, including defined escalation processes, support the early identification of possible issues and provide time for actions to be taken before these issues crystallise.

The exercise found that equity market falls required to threaten viability were viewed as being very remote. 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.

Over recent years the Group has also explored reverse stress tests including the failure of a critical third party administrator in the Investments vector, the loss of critical staff and a significant cyber attack. The work performed concluded that these events had a low likelihood of occurrence and were not

considered likely to threaten the Group's viability. These conclusions are considered to remain valid.

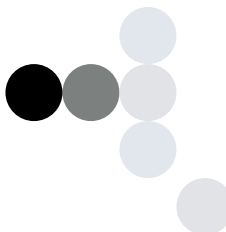
Operational resilience reflects the ability of firms and the financial sector as a whole to prevent, adapt and respond to, and recover and learn from operational disruptions. In addition to causing potential harm to customers and threatening market integrity, such operational disruptions and the unavailability of important business services have the potential to threaten viability.

The UK's FCA and PRA introduced new regulations on 31 March 2022 requiring that by March 2025 abrdn is able to operate the important business services it provides to its clients and customers within set impact tolerances in order to avoid causing 'intolerable harm'.

The Group has identified the important business services that it provides to clients and customers and, during 2022, performed operational stress testing against a severe but plausible operational scenario to determine whether the Group could remain within the set impact tolerances. This work highlighted that the Group's important business services could operate within the set impact tolerances and there was no threat to the Group's 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 clear and effective Enterprise Risk Management (ERM) framework underpins our commitment to put clients and customers first and safeguard the interests of our shareholders. Our Board has ultimate responsibility for risk management and oversees the effectiveness of our ERM framework.

ERM framework

We operate 'three lines of defence' with defined roles and responsibilities. There is ongoing evolution in our ERM framework to ensure that we meet the changing needs of the company and to make sure it keeps pace with industry best practice. In 2022, improvements to the framework included:

- Refinements to risk appetites.
- Extending our risk taxonomy.
- Enhancing our Conflicts of Interest framework.
- Reviewing our policy register.

We commenced a review of our Risk and Control Self Assessments during 2022, and this will continue during 2023.

Business risk environment

The commercial environment was challenging during 2022 as the Russian/Ukraine conflict led to a surge in energy prices, higher inflation and a rapid tightening of monetary policy by central banks thereby putting pressure on asset prices. These conditions impacted market levels and client flows over the year.

The acquisition of interactive investor in the first half of 2022 helped to diversify our earnings drivers away from ad valorem fee revenues. The incorporation of ii into our risk governance framework was handled smoothly.

Though we started 2022 dealing with the effects of Omicron, the impact of COVID-19 on our operating environment was much less pronounced as 'blended working' became the default arrangement for our people.

Client and customer interests are at the heart of our business. We keep close focus on the outcomes which we deliver across our businesses. During 2022, we progressed the company-wide programme to implement the FCA's new Consumer Duty within the relevant regulatory timelines.

A significant process execution event occurred during 2022. This has been thoroughly investigated and appropriate remedial actions are being taken.

We continue to manage a lot of change across the business which creates operational stretch on top of our core client servicing activities. We have also put a strong emphasis on simplification of our operating environment and greater automation.

An additional challenge in this area is an uptick in staff turnover across various skillsets in the financial services industry post-COVID. That said, this also creates opportunities in the management and development of talent.

We maintain heightened vigilance over risks to our operations from financial crime and cyber intrusion. Given the complexity of our business, we have rolled out a comprehensive and consistent suite of financial crime standards that are in-line with jurisdictional requirements and we continue to strengthen our operating models to understand the risk profiles of our clients and customers effectively and efficiently.

Evolving and emerging risks

We are vigilant to risks that could crystallise over different horizons and impact our strategy and operations. These risks vary in nature as they cover geopolitical, economic, societal, technological, legal, regulatory and environmental themes. We distil internal and external research to consider how risks could emerge and evolve

Some notable risks (and opportunities) for our business include tightness in labour markets, rising input costs, evolving cyber threats, disruptive financial technologies, unprecedented market shifts and climate change.

Sustainability risks¹

We have a responsibility to shareholders, clients, customers and all stakeholders to assess, report on, manage and mitigate our sustainability risks. As a FTSE100 investment firm, we need to consider both the impact of our corporate activities and the impact of the investments that we are making on behalf of our clients. We continue to deepen our understanding of these risks for the benefit of all stakeholders and use these insights to advocate for positive policy change.

Against a backdrop of a complex and challenging regulatory environment, during 2022 we made good progress against a number of key milestones, including EU SFDR deliverables; enhancing our climate and carbon analytical tools; completing the integration of ESG data into our investment data platform for 2023 regulatory reporting; and the use of the ESG screening and exclusion tool.

1. See Note 35 for disclosure relating to the financial impact of climate-related risk on the 2022 financial statements.

Principal risks and uncertainties

We categorise our risks across 12 principal risk categories which have both internal and external drivers. Within our ERM framework, we have developed a more detailed taxonomy of risks under these principal risk categories. This allows us to systematically monitor the risk profile of our business. Principal and emerging risks are subject to active oversight and robust assessment by the Board. These risks are described in the following table.

Risk to our business	How we manage this risk
1 Strategic risk	
<ul style="list-style-type: none"> – 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 or failure to adapt. 	<p>We continued to develop our single global brand during 2022. As well as materially diversifying our revenue base, the acquisition of interactive investor further strengthened our position in the marketplace.</p> <p>Each of our vectors has a clear organic growth strategy. Inorganic growth, such as through acquisitions, is rigorously assessed, drawing on market intelligence, for its contribution to our core strategy and the opportunities it presents to help us better understand different client needs.</p>
2 Financial risk	
<ul style="list-style-type: none"> – 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 enabled the acquisition of interactive investor and the launch of a share buyback programme during the year while still maintaining a strong capital position. 	<p>Business planning and stress testing is used to project our financial resources under a range of scenarios and confirm the financial resilience of our business. During 2022 we had the first year of operation of the UK Investment Firms Prudential Regime which determines regulatory capital and liquidity requirements for the group and a number of its key entities. We monitor the adequacy of our financial resources in line with regulatory requirements and also taking into account risk events which either occur or are classed as near misses.</p> <p>Our Treasury Policy includes minimum standards for managing liquidity, market and counterparty risks, including the credit quality of our counterparties.</p>
3 Conduct risk	
<ul style="list-style-type: none"> – Our business relies on our ability to deliver good service and fair client and customer outcomes, and there is a risk that we fail to achieve this through our operational activities and the implementation of our change programmes. – This could lead to customer and client harm, reputational damage and loss of income. 	<p>Being client and customer-led is an essential aspect of our culture. This means having a continuous focus on client and customer outcomes in all that we do.</p> <p>Our ERM framework supports the management of conduct risk with clear expectations around conduct goals and responsibilities. In 2022 we refreshed our framework for managing conflicts of interest and launched a programme to implement the FCA's new Consumer Duty.</p>
4 Regulatory and legal risk	
<ul style="list-style-type: none"> – High volumes of regulatory change can create interpretation and implementation risks. – Compliance failures can lead to poor customer and client outcomes, sanctions, reputation damage and income loss. – During 2022 the company managed a heavy programme of regulatory implementation, including in relation to ESG investment, anti-money laundering, operational resilience, fund liquidity risk management and the new Consumer Duty. 	<p>We monitor the regulatory landscape globally using an automated scanning tool. This allows us to identify potential areas of change early and communicate internally as required. We also invest in compliance and monitoring activity across the business. The evolution of regulatory divergence between the UK and EU rulebooks is a particular focus for the group in view of our business footprint.</p> <p>Our relationships with key regulators are based on trust and transparency while our compliance and legal teams support senior managers across our business.</p>

Operational risks (5-12)

Risk to our business

How we manage this risk

5 Process execution and trade errors

- This is the risk that processes, systems or external events could produce operational errors. Some of these errors can arise from operational complexity and manual activity.
- During 2022 there was continued management focus on process execution and trade errors.

We have well-established disciplines for managing incidents, risk events and issues. We monitor underlying causes of error to identify areas for action, promoting a culture of accountability and continuously improving how we address issues. Any systems outages were dealt with using established incident management processes.

Many of our business improvement initiatives are aimed at reducing complexity and where possible eliminating manual activity.

Incidents that adversely impact our clients are investigated and appropriate remedial actions taken.

6 People

- In line with the wider economy, employee turnover has increased in all regions as a consequence of tight labour markets conditions, increases in the cost of living and continued labour market adjustment following the pandemic.
- The risk associated with increased turnover includes knowledge loss, operational inefficiencies and the potential for fraud.
- Engaging with our people, and supporting their wellbeing, is critical to our strategy and the success of our business.

We have responded to increased competition for talent in our industry, using targeted approaches to support retention and recruitment for our key business functions.

Since the onset of the pandemic we have successfully adapted, providing online tools to support collaboration and moving our learning and development offering online.

7 Technology

- There is a risk that our technology may fail to keep pace with business needs. There is also the significant risk of unauthorised access of our systems and cyber-attack.
- These risks are relevant to a wide range of potential threats to the business including internal failure, external intrusion, supplier failure and weather events.
- Our current IT estate is complex and there are dependencies on third party suppliers that need 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 and further investment.

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 Security and resilience

- 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.

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 of hybrid working has shifted over the year. We completed our programme to implement FCA/PRA Operational Resilience regulations, which came into force during 2022.

Risk to our business

How we manage this risk

9 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.

Processes are in place to identify client activity linked with financial crime, globally. These include controls for anti-money laundering, anti-bribery, fraud and other areas of financial crime. A company-wide programme to invest in systems, controls and processes to improve our management of these risks is in progress.

During 2022 significant work was carried out globally to revise and implement consistent anti-money laundering and sanctions policies and standards. This included a targeted remediation, to these standards, of the due diligence information held for high risk customers.

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

10 Change management

- As a diverse, global investment firm, we are continually implementing change to improve our business or meet regulatory expectations. As well as being costly, failure to deliver change effectively can lead to poor client and customer outcomes and/or regulatory non-compliance.

For major change projects, we have established governance processes with ring-fenced project resources and clearly defined roles across the three lines of defence.

11 Third party management

- We outsource various activities to third party suppliers who specialise in the delivery of certain services. While managing resource, specialisation and cost risks in this way, we are exposed to a variety of delivery, regulatory and reputational risks as a result.

Our Third Party Risk Management framework is well embedded and continues to evolve in line with external developments, industry practice and regulatory developments. We monitor the quality of third party oversight and take actions where weaknesses are identified.

We actively monitor delivery from third parties and take action where we have concerns.

12 Financial management process

- We have extensive financial reporting obligations to clients, customers, shareholders, regulators and other stakeholders. Failures in these processes could impact decision-making and lead to regulatory and litigation risk.

Our financial reporting activities align to external reporting standards and industry best practice. These activities are subject to extensive Internal control and appropriate governance.

The cover to page 67 constitute the Strategic report which was approved by the Board and signed on its behalf by:



Stephen Bird
Chief Executive Officer
abrdn plc
(SC286832)
28 February 2023

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 2023 are listed below.



**Sir Douglas Flint CBE –
Chairman**

Appointed to the Board	Age
November 2018	67
Nationality	Shares
British	200,000
Board committees:	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 wide-ranging 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.

In other current roles, Sir Douglas is chairman of IP Group plc, chairman of the Royal Marsden hospital and charity and is a member of a number of advisory boards and trade associations through which he keeps abreast of industry, regulatory and international affairs of relevance to his public company responsibilities.

Previously, Sir Douglas served as Group 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. He has extensive experience of business in Asia, having been a member of both the Mayor of Shanghai and Mayor of Beijing's Advisory Boards. He also served as HM Treasury's Special Envoy for Financial and Professional Services to China's Belt and Road Initiative between 2017 and 2022.

Sir Douglas was awarded the CBE in 2006 and his knighthood in 2018, both in recognition of his service to the finance industry. In June 2022, he was awarded an honorary degree by the University of Glasgow, his alma mater, in recognition of his services to the business community.



**Stephen Bird –
Chief Executive Officer**

Appointed to the Board	Age
July 2020	56
Nationality	Shares
British	782,355

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

Stephen joined the Board in July 2020 as Chief Executive-Designate, becoming Chief Executive Officer in September 2020. He is 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, and operations and technology supporting these businesses. Prior to this, he was chief executive for Citigroup's Asia Pacific business across 17 markets, including India and China. Stephen joined Citigroup in 1998. Over 21 years he held leadership roles in banking, operations and technology across its Asian and Latin American businesses. Before this, he held management positions at GE Capital, where he was director of UK operations from 1996 to 1998, and at British Steel.

Stephen is a member of the Investment Association's board of directors, the Confederation of British Industry's President's Committee, and the Financial Services Growth and Development Board in Scotland. He holds an MBA in Economics and Finance from University College Cardiff and is an Honorary Fellow.



**Stephanie Bruce –
Chief Financial Officer**

Appointed to the Board	Age
June 2019	54
Nationality	Shares
British	545,960

Stephanie joined the Board of abrdn plc in June 2019 as Chief Financial Officer. Stephanie is also our representative director on the Board of Phoenix Group Holdings.

Stephanie is a highly experienced financial services practitioner with significant sector knowledge, both commercial and technical. She brings wide ranging experience of working with boards and management teams of financial institutions in respect of specialist areas that include capital, financial and commercial management, reporting, risk and control frameworks and regulatory requirements.

Before joining abrdn, Stephanie was a partner at PwC from 2002, where she led the financial services assurance practice and was a member of the Assurance Executive. Her responsibilities comprised strategy and business growth, client service, product development, operations and talent management across the UK business. Previously, she led various business areas in PwC, with the primary responsibilities being for clients, business growth and people.

During her career, she has specialised in the financial services sector working extensively with organisations across asset management, insurance and banking, with national and international operations. She has also undertaken directorships with HDFC Life and Virgin Money Investments.

Stephanie is a member of the Institute of Chartered Accountants of Scotland and served as chair of the Audit Committee. She is an associate of the Association of Corporate Treasurers and holds a Bachelor of Laws (LLB) from the University of Edinburgh. She is also a trustee of the digital education charity Hello World.

Key to Board committees

R	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	66
Nationality	Shares
British	153,714
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 Collier Capital Limited. He is also a non-executive director of BFlexion Group Holdings SA, the parent company of Swiss private investment firm BFlexion, and a number of its subsidiaries including Capital Four Holding A/S and Vantage Infrastructure Holdings. Previously, he has been deputy chairman of 3i Group plc and chairman of Citigroup Global Markets Limited, Citibank International Limited, Dexion Capital PLC and AXA Investment Managers. He has also been a non-executive 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 an executive 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**

Appointed to the Board	Age
January 2022	63
Nationality	Shares
British and French	12,181
Board committees:	A NC RC

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 also senior independent director of Kingfisher plc.

Previously, Catherine has served on the boards of leading industrial and consumer-facing 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. Between 2021 and 2022 she was also a board member of the Value Reporting Foundation, where she co-chaired the audit committee.

In her executive career, Catherine has 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	64
Nationality	Shares
British	28,399
Board committees:	RC A NC

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.

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 non-executive 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 an MBA in Banking from Bangor University, is a Fellow of the Chartered Institute of Public Finance and Accounting and a member of the Chartered Banker Institute.

2. Board of Directors continued



**Hannah Grove –
Non-executive Director**

Appointed to the Board	Age
September 2021	59
Nationality	Shares
British and American	33,000
Board committees:	NC R

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, and sits as a non-executive director on the boards of Standard Life Savings Limited and Elevate Portfolio Services Limited.

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.

In other current roles, Hannah is a member of the advisory board of Irrational Capital. She 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.



**Pam Kaur –
Non-executive Director**

Appointed to the Board	Age
June 2022	59
Nationality	Shares
British	Nil
Board committees:	A RC

Pam has more than 20 years' experience of leadership roles in business, risk, compliance and internal audit within several of the world's largest and most complex financial institutions, during periods of significant change and public scrutiny. She brings considerable expertise in leading the development and implementation of compliance, audit and risk frameworks and adapting these to changing regulatory expectations.

Pam currently holds the role of Group Chief Risk and Compliance Officer at HSBC. Between 2019 and 2022, she served as a non-executive director on the board of Centrica, where she was also a member of the audit and risk committee, the nomination committee and the safety, environment and sustainability committee.

Since qualifying as a chartered accountant with Ernst & Young, Pam has progressed through a range of technical, compliance, anti-fraud and risk roles with Citigroup, Lloyds TSB, Royal Bank of Scotland, Deutsche Bank and HSBC. These positions have given her extensive insight into the benefits of effective internal control systems that recognise external regulatory requirements.

She holds an MBA and B.Comm in Accountancy from Punjab University, and is a Fellow of the Institute of Chartered Accountants of England and Wales.



**Brian McBride –
Non-executive Director**

Appointed to the Board	Age
May 2020	67
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 consumer-facing businesses, in rapidly evolving markets, is of great benefit to the Board's discussions.

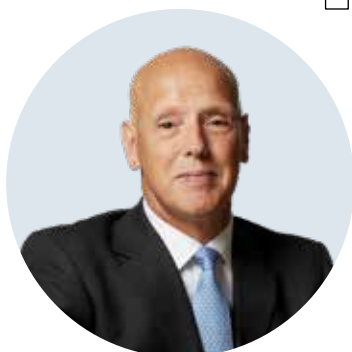
Brian is currently chair of Trainline PLC and the lead non-executive director on the board of the UK Ministry of Defence. He is also a senior adviser to Scottish Equity Partners. In June 2022 he was appointed as president of the Confederation of British Industry, having held the role of vice president since February 2022.

In his executive career, Brian has 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, Kinnevik AB and S3 PLC, and as chair of ASOS PLC. He has also served as a non-executive director on the boards of Standard Life Savings Limited and Elevate Portfolio Services Limited.

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

Key to Board committees

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



**Michael O'Brien –
Non-executive Director**

Appointed to the Board	Age
June 2022	59
Nationality	Shares
Irish	Nil
Board committees:	A RC

Mike has held executive leadership roles within a number of leading global asset managers in London and New York. He brings extensive asset management experience, with a key focus throughout his career on innovation and technology-driven change in support of better client outcomes. A qualified actuary, during his executive career with JP Morgan Asset Management, BlackRock Investment Management and Barclays Global Investors, he was responsible for developing and leading global investment solutions, distribution and relationship management strategies.

Mike is a non-executive director of Carne Global Financial Services Limited, and he is a senior adviser to Osmosis Investment Management. He is also an investment adviser to the British Coal Pension Funds.

Previously, Mike served on the board of the UK NAPF and was a member of the UK NAPF Defined Benefit Council. He retired in 2020 from his role as Co-Head, Global Investment Solutions at JP Morgan Asset Management. Prior to his move to BlackRock in 2000, Mike qualified as an actuary with Towers Watson, where he served as an investment and risk consultant.

Mike graduated from Limerick University with a BSc in Applied Mathematics. He is also a Chartered Financial Analyst and a Fellow of the Institute of Actuaries.



**Cathleen Raffaeli –
Non-executive Director**

Appointed to the Board	Age
August 2018	66
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.

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 2022, 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, with one minor exception as noted below¹. The statement also explains the relevant compliance with the FCA's Disclosure Guidance and Transparency Rules Sourcebook. The table on page 136 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.

(i) Board leadership and company purpose Purpose and Business model

The Board ratifies the Company's purpose set out on page 3 of the Strategic report, and oversees implementation of the Group's business model, which it has approved, and which is set out on pages 10 and 11. Pages 2 to 67 show how the development of the business model in 2022 supports the protection and generation of shareholder value over the long term, as well as underpinning our strategy for growth. A significant development in 2022 supporting these objectives was the diversification of the business model through sharpening the focus of the Investments vector, continued investment in the Adviser vector and the acquisition of ii. The Board's consideration of current and future risks to the success of the Group is set out on pages 64 to 67, complemented by the report of the Risk and Capital Committee on pages 95 to 98.

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 Group's culture. Through engagement surveys and the Board Employee Engagement programme, the Board acquires a clear view on the culture evident within the Group's businesses and how successfully expected behaviour is being embedded across the group in ways that will contribute to our success.

The Board hold management to account for a range of engagement and diversity, equity and inclusion outcomes, which are seen as important indicators of culture, and which form a key part of the executive scorecard.

The Board and the executive leadership team (ELT) have defined a set of Commitments – Client First, Empowered, Ambitious and Transparent – which embody our cultural aspirations at abrdn and are designed to create the best working environment for our colleagues, so contributing to better customer experience and outcomes. Our culture is defined by these Commitments and the behaviours which underpin them, which are set out on page 42.

Stakeholder engagement

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 customers, employees, suppliers, the community and the environment, all within the context of promoting the success of the Company. The table on pages 76 and 77 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.

Engaging with investors

The Group's Investor Relations and Secretariat teams support the direct investor engagement activities of the Chairman, Senior Independent Director (SID), CEO, CFO and, as relevant, Board Committee chairs. During 2022, we carried out an extensive programme of meetings with domestic and international investors, with greater face-to-face contacts as Covid restrictions were lifted. The wide range of issues discussed included progress on the integration of ii into the Group, the delivery of transformation to drive revenue growth and productivity, business strategy, financial performance and share price, capital allocation and strategy for returns to shareholders, the realisation of the value from stakes in HDFC Asset Management and HDFC Life, the relationship with Phoenix and the role of the share stake, the plans for refocusing the Investments vector, and corporate governance, including diversity, equity and inclusion. The Chairman, SID, CEO and CFO bring relevant feedback from this engagement to the attention of the Board.

1. Jutta of Rosenborg and Martin Pike stood down from the Audit Committee and the Board on 18 May 2022. Mike O'Brien and Pam Kaur were appointed to the Committee on their appointment to the Board on 1 June 2022. Consequently, for the period 19 May to 31 May the Audit Committee consisted of two members, rather than three as required under Provision 24 of the Code. The Committee did not meet nor consider any matters during this period.

The Board ensures its outreach activities encompass the interests of the Company's circa 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 400,000 shareholders receive all communications this way. The Company actively promotes self service via the share portal, and more than 180,000 shareholders have signed up to this service. Shareholders have the option to hold their shares in the abrdrn 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 from the Investors' section of the Company's website. During 2023, we intend to publish regular online versions of our Shareholder News to give shareholders access to Company updates in an easily accessible format.

The 2022 Annual General Meeting (AGM) was held in Edinburgh on 18 May 2022. 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 Chairman and CEO presentations addressed the main themes of the questions which had been submitted prior to the meeting. 48% of the shares in issue were voted and all resolutions were passed by at least 80% of votes cast.

Our 2023 AGM will be held on 10 May in Edinburgh. The AGM Guide 2023 will be published online at www.abrdrn.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.abrdrn.com after the meeting.

Engaging with employees

Hannah Grove continued as our designated non-executive Director to support workforce engagement. The Board Employee Engagement (BEE) programme, led by Hannah, is designed to both ensure that views from employees are heard and understood by the Directors and help to inform their decision-making, and that employees understand the role of the Board. During 2022, the programme comprised four primary pillars: (i) Listening Sessions to engage employees across all levels of the organisation in informal gatherings – both virtual and in person – and gather feedback on matters including culture, strategy, engagement and business trends; (ii) 'Meet the NEDs' events for employees to meet with Board members and ask questions about everything from business to markets to career paths; (iii) Employee Resource Group/Network gatherings – focused on abrdrn's

six employee networks/affinity groups to garner feedback as well as to show appreciation for the role the networks play in abrdrn's overall culture; and lastly (iv) floor walks and informal office visits to meet as many team members as possible. Based on this strategy, below is a summary of activity:

- Ten 'Listening sessions' were held spanning all businesses and geographies. A major outcome of these sessions was to ramp up overall abrdrn executive visibility and communications, particularly at a time of significant change both within abrdrn as well as in the broader market.
- Three 'Meet the NEDs' sessions were held: (i) with abrdrn's 'Future Leaders' cohort – a new programme to help drive greater internal development and mobility and to help nurture top talent; (ii) with Finimize colleagues, who joined abrdrn as a result of acquisition; and (iii) a panel Q&A for Edinburgh-based employees.
- Meetings were held with all six Network Chairs individually to understand priorities, challenges and how the Board can better support diversity, equity and inclusion: a mid-year Network appreciation event was held; and lunch with Diversity, Equity and Inclusion Networks in Philadelphia.
- Quarterly meetings with the Employee Forum leads to understand employee issues and provide another lens into sentiment.
- Lastly, office visits and floor walks were carried out in Boston, Edinburgh, London, New York and Philadelphia.

Hannah provided regular updates on the BEE programme to the Board throughout the year, including on the issues that had been raised through the discussions, and the Board considered how abrdrn's ELT were actioning the points raised. This included particular attention being paid to the process and outcomes from cost of living salary adjustments as well as the impacts of the Company's ongoing transformation on our colleagues.

The programme will continue to evolve in 2023 to take account of feedback received over the year. As well as continuing to do regular 'Listening sessions', Hannah plans to further increase NED visibility, for example with plans for her to visit local offices such as Tokyo and the ii office in Manchester, and provide more frequent updates on the programme to employees.

3. Corporate governance statement continued

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. The table below illustrates direct and indirect Board engagement with various stakeholders. More details of stakeholder engagement activities can be found on pages 41 to 45.

Key stakeholders	Direct Board engagement	Indirect Board engagement	Outcomes
Clients	<ul style="list-style-type: none"> – The CEO meets with key clients as required and reports to the Board on such meetings. – The CEO takes part in key client pitches to hear directly from clients on their requirements. – The Chairman meets with peers and key clients at conferences and industry membership and advisory boards where he represents the Group. – Board members feed into Board discussions any feedback received directly from clients. 	<ul style="list-style-type: none"> – The CEOs of the Vectors report at Board meetings on key client engagement, support programmes and client strategies. – Market share data and competitor activity are reported to the Board. – Results of client perceptions survey/customer sentiment index are reported. 	<ul style="list-style-type: none"> – Engagement supported the development of the key client management process, and our client solutions and ESG approaches. – The Vectors position the business around client needs with performance accountability measured on that basis. – Investment processes are driven by understanding client needs and designing appropriate solutions taking into account client risk appetite and sophistication.
Our people	<ul style="list-style-type: none"> – 'Meet the NEDs' BEE sessions for a diverse mix of staff at all levels allows direct feedback in informal settings. – Employee engagement NED in place and active with the employee diversity networks as well as with employees through their representatives. The BEE NED reports regularly to the CEO and the Board. – Each year, the Chairman and NEDs all mentor one or two CEO-1 or -2 level emerging talent. – The CEO and CFO run 'Town Hall' sessions. 	<ul style="list-style-type: none"> – The Chief People Officer (CPO) reports to the Nomination and Governance Committee meeting on key hires and employee issues including development needs to support succession planning. – The CPO produces reporting for the Board drawing out key factors influencing staff turnover, morale and engagement. – Viewpoints and employee surveys collect aggregate, regional and functional trend data which is reported to the Board. 	<ul style="list-style-type: none"> – Engagement feedback recognised in Board discussions on new ways of working. – Engagement feedback is a key input to talent and development programmes and the design of reward philosophy.

Key stakeholders	Direct Board engagement	Indirect Board engagement	Outcomes
Community	Business partners/supply chain <ul style="list-style-type: none"> – CEO oversees the Phoenix, FNZ and Citigroup relationships and meets with his opposite numbers as required. – CFO representation on the Phoenix board and the Virgin Money Unit Trust Managers Limited Board. – ED direct meetings with core suppliers. – The Risk and Capital Committee reviews the dependency on critical suppliers and how they are managed. – The Audit Committee leads an assessment of external audit performance and service provision. – The Board received detailed papers supporting the outsourcing of technology and business services. 	<ul style="list-style-type: none"> – The Board hears reports on first line key supplier relationships and their role in transition and transformation activities. – Supplier due diligence surveys are undertaken. – Tendering process includes smaller level firms. – Access and audit rights in place with key suppliers. – Modern slavery compliance process in place. – Procurement/payment principles and policies in place. – Certain key suppliers regularly discussed at Audit Committee, Risk and Capital Committee and Board. – Oversight of key outsourcing arrangements reported to the Board. 	<ul style="list-style-type: none"> – The development of our business through our relationships with partners is a critical element of the Board's strategy. – Transformation discussions have included a focus on the quality, service provision, availability and costs of relevant suppliers. – The overriding guidelines for business partnerships have been established as working for both parties and creating efficient operations. – The Board sought executive assurance on the operation and working practice of key suppliers.
	Communities <ul style="list-style-type: none"> – Board members present at relevant events and conferences. – Chairman/CEO/CFO represent the Group on public policy and industry organisations. – Board is kept up to date with the activities of the abrdn Financial Fairness Trust. 	<ul style="list-style-type: none"> – Stewardship/sustainability teams report regularly to the Board and Committees. – Feedback on annual Stewardship and TCFD reports. – Review of charitable giving strategy. – ESG presentations to the Board. 	<ul style="list-style-type: none"> – Considered as input to the Group's charitable giving programmes. – Engagement drives the expression of our purpose.
	Regulators/policymakers/governments <ul style="list-style-type: none"> – Regular engagement by CEO, CFO, Chairman and Committee Chairs. – FCA has access to the Board. – 'Dear Board/CEO' letters issued from regulators. – Relevant engagement with regulators in overseas territories. 	<ul style="list-style-type: none"> – CFO and Chief Risk Officer (CRO) update the Board regularly. – Board hears reports on the results of active participation through industry groups. 	<ul style="list-style-type: none"> – Relevant Board decisions recognise regulatory impact and environment.
Shareholders	Shareholders <ul style="list-style-type: none"> – Results, AGM presentations and Q&A. – Chairman, CEO and CFO meetings with investors. – Chairman, Committee Chairs, Senior Independent Director and BEE NED round table with governance commentators. – Remuneration Committee Chair meetings with institutional investors. – Chairman/CEO direct shareholder correspondence. 	<ul style="list-style-type: none"> – Regular updates from the EDs/ Investor Relations Director/ Chairman/Chair of Remuneration Committee summarising the output from their programmes of engagement. – Analyst/Investor reports distributed to the Board. – As relevant, feedback from corporate brokers. – Publication of Shareholder News. – Dedicated mailbox and shareholder call centre team. 	<ul style="list-style-type: none"> – In advance of recommending the remuneration policy to shareholders as part of the business at the 2023 AGM, the chair of the Remuneration Committee undertook direct consultation with our top 15 institutional shareholders and relevant proxy/ shareholder representatives to gather their views on the terms of the proposed policy.

3. Corporate governance statement continued

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 Chair's role to report to the Board on whistleblowing matters is covered in the Audit Committee report on page 86.

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 charity partners, on fund boards where abrdn is the appointed investment manager or on industry bodies such as the Investment Association. For part of 2022, Stephanie Bruce served as a director on one of our joint venture boards (VMUTM) and, since July 2022, as a result of the strategic partnership agreement, she has been a shareholder representative director on the board of Phoenix Group Holdings plc.

Any proposed additional appointments of the non-executive Directors are firstly discussed with the Chairman and then reported to the Nomination and Governance Committee prior to being considered for approval. The Senior Independent Director takes that role in relation to the Chairman's outside appointments. 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 70 to 73. These appointments form part of the Chairman's annual performance review of individual non-executive Directors' contribution and time commitment, and similarly that of the Senior Independent Director of the Chairman.

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 and in the event a declaration is made, conflicted Directors can be excluded from receiving information, taking part in discussions and making decisions that relate to the potential or actual conflict.

(ii) Division of responsibilities

The Group operates the following governance framework.

Governance framework

Board

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 2022, the Board's key activities included approving, overseeing and challenging:

- The updated strategy and the 2023 to 2025 business plan to implement the strategy.
- Capital adequacy and allocation decisions including the decision to sell stakes in Phoenix, HDFC Life and HDFC Asset Management.
- Oversight of culture, our standards and ethical behaviours.
- Dividend policy including the decision framework governing when to return the dividend to growth.
- Financial reporting.
- 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 blended working including working from home.
- Significant corporate transactions including the acquisition of interactive investor.
- Succession planning, in particular in the Investments vector in relation to the appointment of a Chief Investment Officer.
- The quarterly performance of the Investments vector.
- The ESG approach, both as a corporate and as an asset manager.
- Significant external communications.
- The work of the Board Committees.
- 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 financial market and global economic conditions. There are also regular presentations from the Vector CEOs and business functional leaders.

Chairman

- Leads the Board and ensures that its principles and processes are maintained.
- Promotes high standards of corporate governance.
- Together with the Company Secretary, sets agendas for meetings of the Board.
- Ensures Board members receive accurate, timely and quality information on the Group and its activities.
- Encourages open debate and constructive discussion and decision-making.
- Leads the performance assessments and identification of training needs for the Board and individual Directors.
- Speaks on behalf of the Board and represents the Board to shareholders and other stakeholders.

Chief Executive Officer (CEO)

The CEO operates within authorities delegated by the Board to:

- Develop strategic plans and structures for presentation to the Board.
- Make and implement operational decisions.
- Lead the other executive Director and the ELT in the day-to-day running of the Group.
- Report to the Board with relevant and timely information.
- Develop appropriate capital, corporate, management and succession structures to support the Group's objectives.
- Together with the Chairman, represent the Group to external stakeholders, including shareholders, customers, suppliers, regulatory and governmental authorities, and the local and wider communities.

Senior Independent Director (SID)

The SID is available to talk with our shareholders about any concerns that they may not have been able to resolve through the channels of the Chairman, the CEO or Chief Financial Officer, or where a shareholder was to consider these channels as inappropriate. The SID leads the annual review of the performance of the Chairman.

Non-executive Directors (NEDs)

The role of our NEDs is to participate fully in the Board's decision-making work including advising, supporting and challenging management as appropriate.

Nomination and Governance Committee (N&G)

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

Audit Committee (AC)

- Financial reporting.
- Internal audit.
- External audit.
- Whistleblowing.
- Regulatory financial reporting.
- Non-financial reporting (ESG).

Remuneration Committee (RC)

- Development and implementation of remuneration philosophy and policy.
- 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.
- Anti-financial crime.

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.

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, Technology, Legal and Finance ELT members, including the CFO, 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.

3. Corporate governance statement continued

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 find 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 2023, the Board comprises the Chairman, eight independent non-executive Directors and two executive Directors. The Board is made up of six men (55%) and five women (45%) (2021: men 50%, women 50%).

Cecilia Reyes stepped down from the Board on 30 September 2022. As announced, Brian McBride will retire on 10 May 2023 and will not offer himself 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. 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 non-executive Directors.

Jonathan Asquith served as Senior Independent Director throughout 2022. 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 79. 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.

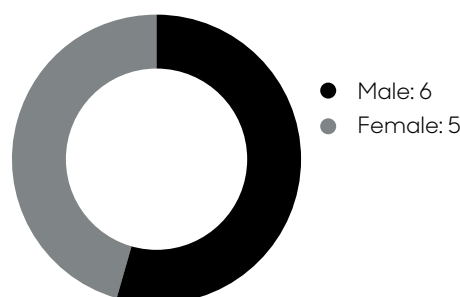
 You can find out more about our Directors in their biographies in Section 2.

(iii) Board composition, succession, diversity and evaluation

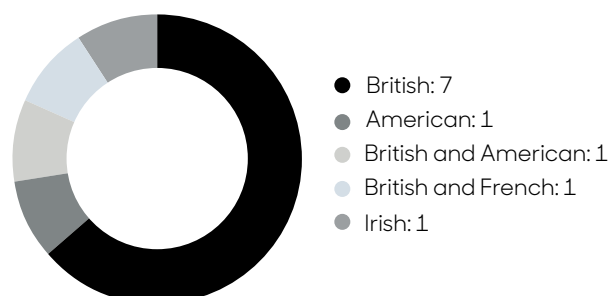
The Board's policy is to appoint and retain non-executive Directors who bring relevant expertise as well as a wide perspective to the Group and its decision-making framework. The Board continues to support its Board Diversity statement which states that the Board:

- 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



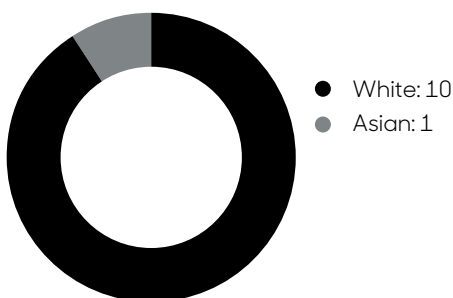
Nationality



Diversity activities and progress to meet our targets are covered in the Our people section of the Strategic report on page 41. The ELT's diversity policy is covered in the Diversity, equity and inclusion section of the Directors' report on page 134.

Board changes during the period are covered above and in the Directors' report on page 133.

Ethnicity



Board appointment process, terms of service and role

Board appointments are overseen by the Nomination and Governance Committee and more information can be found on page 101.

Each non-executive Director is appointed for a three-year fixed term and shareholders vote on whether to elect/re-elect them at every AGM. Once a three-year term has ended, a non-executive Director can continue for a maximum of two further terms, if the Board is satisfied with the non-executive Director's performance, independence and ongoing time commitment. Taking account of their appointment dates the current average length of service of the non-executive Directors is three years. For any non-executive Directors who have already served two three-year terms, the Nomination and Governance Committee considers any factors which have the potential to impact their independence or time commitment prior to making any recommendation to the Board. During 2022, the Committee reviewed and supported the recommendation that Jonathan Asquith and John Devine's appointments be continued for a second and third term respectively. When considering John Devine's continued appointment in particular, the Committee discussed and agreed that the knowledge and experience he had gained from his time on the Board would be very beneficial to the newer board members, and there were no indications that his six years of service had impacted the independence of his views in any way. They also reviewed his other appointments and time commitments, and based on this, agreed that it was appropriate to recommend his continued appointment to the Board.

External search consultants may be used to support Board appointments. As disclosed in last year's report, MWM Consulting was engaged to support the appointments of Mike O'Brien and Pam Kaur. The Group has additionally used the services of MWM Consulting to support other senior management searches. MWM Consulting has no other connection to the Group or the Directors.

Time commitment

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.

When appointing a non-executive Director, the Nomination and Governance Committee carefully considers time commitments, investor guidelines and voting policies and

their application on current directorships. The Committee also reviews in detail the planned changes to a non-executive Director's portfolio and overall capacity, including the balance of listed and non-listed non-executive Director roles. Having carefully reviewed each non-executive Director's contribution and capacity in 2022, the Committee concluded that all non-executive Directors continue to have sufficient time to dedicate to their role as independent non-executive Directors of abrdn plc.

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 2023 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.

Director election and re-election

At the 2023 AGM, all of the Directors will retire and stand for re-election. As announced, Brian McBride will stand down from the Board on 10 May 2023. As well as in Section 2, the AGM Guide 2023 includes background information about the Directors, including the reasons why the Chairman, following the Directors' annual reviews, believes that their individual skills and contribution support their election or re-election.



Details of Directors' outside appointments can be found 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. With the exception of professional advice obtained by the Remuneration Committee, as detailed in page 118, no independent professional advice was sought in 2022.

Board effectiveness

Review process

The Board commissions externally facilitated reviews regularly. Following two internally facilitated reviews in 2020 and 2021, Independent Board Evaluation (IBE) was appointed as the external facilitator and carried out the 2022 review. IBE has no other connection to the Group or the Directors.

To carry out the review, a senior representative of IBE was in attendance and observed a Board meeting and a meeting of each Board Committee in December 2022. They also had access to the papers for each of these meetings. In addition to this observation and analysis, they held individual meetings with each Board member, members of the ELT who are regular attendees at Board meetings and the key members of the Board and Committee support teams. Following this, IBE prepared a

3. Corporate governance statement continued

draft report for review and discussion. A representative of IBE presented the report and recommendations at a standalone session attended by a number of the Directors, ahead of it being reviewed and discussed at the Board.

The main report covered the Board and its Committees. The tone of the feedback received was positive overall, recognising the effective Board dynamics and Committee structure, and the knowledge and experience of recent appointments to the Board. The report noted the number of changes to the Board since the last external review, the current macroeconomic environment and the continued transformation and reshaping of the Group. In this context, the report highlighted the need to continue to evolve management information and reporting to support Board and Committee oversight as well as the effective delegation to Committees. This work is in train, with information flows supported by the appointment of abrdn plc directors to the boards of certain principal subsidiaries.

As part of its conclusions, the report noted the strong levels of Board engagement and participation, both in formal meetings and other Board initiatives, such as Board mentoring involving certain senior management and the BEE programme.

Chairman

The review of Sir Douglas's performance as Chairman was led by the SID, Jonathan Asquith, supported by IBE. It was based on feedback given in individual interviews between the external facilitator and each Director as well as focused discussions between the SID and the other non-executive Directors. The feedback was summarised into a report which was reviewed by the SID and distributed to all non-executive Directors, except Sir Douglas. The Directors, led by Jonathan Asquith and without Sir Douglas being present, met to consider the report. They concluded that the Chairman's industry experience, style and development of the Board continued to be of significant benefit to the Group. Jonathan Asquith met with Sir Douglas to pass feedback from the review directly to him.

Directors

As part of the review, IBE prepared an individual evaluation of each member of the Board to support the Chairman's annual round of feedback to Directors and to assist him in leading the Nomination and Governance Committee's ongoing succession planning. Sir Douglas discussed the individual results with each Director. These discussions also considered overall time commitment and capacity and individual training, development and engagement opportunities.

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 Vectors, regulatory reporting, ESG, conduct risk, risk and capital management, and financial reporting.
- Visits to business areas 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.
- Meetings 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:

- Enterprise Technology strategy.
- Cyber resilience.
- abrdn's Internal Capital and Risk Assessment (being a risk management process introduced by the Investment Firm Prudential Regime).
- Operational resilience self-assessment.

(iv) 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, presents an assessment of the Company's position and prospects and presents the necessary information for shareholders to assess the business and strategy. They also recognise their responsibility to establish procedures to manage risk and oversee the internal control framework. The Directors' responsibilities statement is on page 137. The reports from the Audit Committee and the Risk and Capital Committee

Chairs show how the Committees 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 64 to 67.

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 2022.

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 2022; 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. Where the review identified weaknesses in the system of controls, the relevant root causes have been investigated and actions are in train to strengthen the relevant controls and to reinforce the application of the ERM framework.

2022 has seen the business continue to strengthen controls within its operating model through better definition of accountability and processes. Technology advances and regulatory developments such as IFPR, the Operational Resilience regulation and UK SoX continue to drive 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, 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 136 and the Board's viability statement is on page 62.

(v) Remuneration

The Directors' remuneration report (DRR) on pages 103 to 130 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 114 of the DRR. The Board believes that its remuneration policies and practices are designed to support the Company's strategy and long-term sustainable success. More information about the policies and practices can be found in the DRR. An updated Remuneration Policy will be put to shareholders for their approval at the Company's Annual General Meeting on 10 May 2023.

Other information

You can find details of the following, as required by FCA 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.

3. Corporate governance statement continued

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. 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 2022. An additional Board meeting was called in 2022 in relation to Board decisions regarding 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 did not meet during 2022.

The Chairman is not a member of the Audit, Risk and Capital, or Remuneration Committees. He is invited to attend meetings of all Committees, by invitation, in order to keep abreast of their discussions and routinely does so. The table below reflects the composition of the Board and Board Committees during 2022 and records the number of meetings and members' attendance.

	Board	Group Audit Committee	Nomination and Governance Committee	Remuneration Committee	Risk and Capital Committee
Chairman					
Sir Douglas Flint	10/10	-	4/4	-	-
Executive Directors					
Stephanie Bruce	10/10	-	-	-	-
Stephen Bird	10/10	-	-	-	-
Non-executive Directors					
Jonathan Asquith	10/10	-	4/4	8/8	-
Brian McBride	10/10	-	-	7/8	-
John Devine	9/10	6/7	4/4	-	8/8
Hannah Grove ¹	10/10	-	4/4	3/3	-
Pam Kaur ²	6/6	4/4	-	-	4/4
Cathleen Raffaeli	10/10	-	-	8/8	8/8
Catherine Bradley ³	10/10	7/7	2/2	-	2/2
Mike O'Brien ⁴	6/6	4/4	-	-	4/4
Former members					
Jutta af Rosenborg (stood down on 18 May 2022)	4/4	3/3	-	3/3	-
Martin Pike (stood down on 18 May 2022)	4/4	3/3	2/2	-	4/4
Cecilia Reyes (stood down on 30 September 2022)	7/8	-	-	5/5	6/6

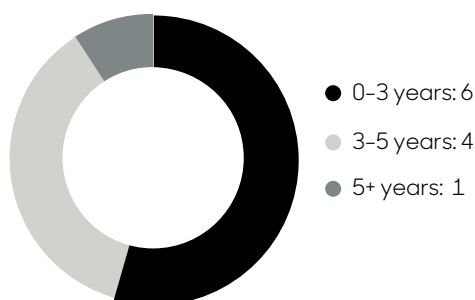
1. Hannah Grove was appointed to the Remuneration Committee on 1 October 2022.

2. Pam Kaur was appointed to the Board and the Audit and Risk and Capital Committees on 1 June 2022.

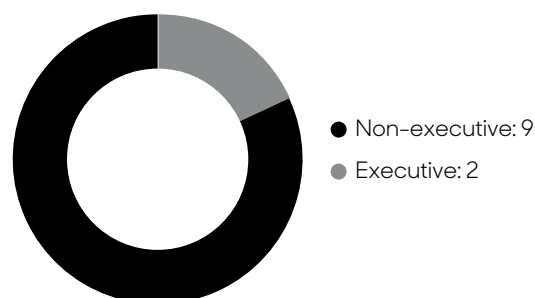
3. Catherine Bradley was appointed to the Nomination and Governance Committee on 18 May 2022 and the Risk and Capital Committee on 1 October 2022. The Board appointed Catherine Bradley as Chair of the Audit Committee, effective from 18 May 2022.

4. Mike O'Brien was appointed to the Board and the Audit and Risk and Capital Committees on 1 June 2022.

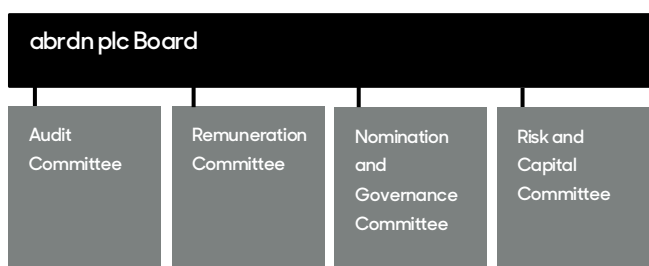
Tenure as at February 2023



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 chairs 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 Chair of the Audit Committee on any whistleblowing incidents which have been escalated to them. 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. With the exception of fees paid to external advisers of the Remuneration Committee, as detailed on page 118, no such expense was incurred during 2022.

Committee reports

This statement includes reports from the chairs 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 Chairs are happy to engage with you on their reports. Please contact them via questions@abrdnshares.com

3. Corporate governance statement continued



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 first report as Audit Committee (the Committee) Chair, having taken on the role from John Devine in May 2022. John remains a member of the Audit Committee and has taken on the role of Chair of the Risk and Capital Committee, of which I am also a member. This ensures a high degree of connectivity between the Audit and Risk responsibilities of the Board.

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 ii acquisition, having assessed the financial information required to be included in the related Class 1 Circular.
- Considered the impact on the internal audit function of Chief Internal Auditor changes.
- Reviewed the plans for sustainability and ESG reporting.
- Reviewed reporting on financial crime and anti-money laundering controls. (Duty now transferred to the RCC).
- Received reports on compliance with the FCA Client Assets Sourcebook (CASS) rules in the Company's CASS permitted regulated legal entities.

The Committee also continued to focus on the quality of financial reporting. In July 2022 we received a letter from the FRC informing us that they had carried out a review of our Annual report and accounts 2021. I am pleased to report that the FRC letter noted there were no questions or queries they wished to raise with us at this stage, and did not require a substantive response to their letter. The FRC asked us to make clear the inherent limitations of their review, which we have set out in the financial reporting section of this report.

The report is structured in four parts:

1. Governance
2. Report on the year
3. Internal audit
4. External audit

A handwritten signature in black ink, appearing to read 'C Bradley'.

Catherine Bradley
Chair, Audit Committee

3.1.1 Governance

Membership

All members of the Audit Committee are independent non-executive Directors. For their names, the number of meetings and committee member attendance during 2022, please see the table on page 84.

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. Catherine Bradley is a non-executive director of Johnson Electric Holdings Limited and of easyJet plc, where she chairs the finance committee. She is also senior independent director of Kingfisher plc. Catherine has previously chaired the audit committees of Groupe Peugeot Citroen and of the Financial Conduct Authority. John Devine is a member of the Chartered Institute of Public Finance and Accounting. Pam Kaur is a qualified chartered accountant. Mike O'Brien is a fellow of the Institute and Faculty of Actuaries. The Committee members are also members of audit committees related to their other non-executive Director 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 Audit Officer 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 Audit Officer. 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 certain Group prudential external disclosures.

- Internal controls over financial reporting.
- ESG disclosures relating to financial and quantitative information.
- Outcomes of investigations resulting from whistleblowing.
- The appointment or dismissal of the Chief Internal Audit Officer, 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 non-audit 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 Chair 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 Chair met regularly with the Chief Internal Auditor, the Chief Sustainability Officer – Investments and the Global Head of Corporate Sustainability to discuss their work, findings and current developments.

Committee effectiveness

The effectiveness review was conducted externally by IBE.

The review included observation of a meeting, access to papers and interviews with Committee members. A representative of IBE provided feedback on the performance of the Committee directly to the Chair and the report and recommendations were discussed by the Committee. Details of the 2022 review are on page 81 and reflect the themes raised across the Board and its Committees.

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 2021.
- Strategic report and financial highlights 2021.
- Discussed the financial information required to be included in the Class 1 Circular in relation to the proposed acquisition of ii.
- 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.
- CASS reporting update.
- Financial crime and whistleblowing.



- Internal audit findings.
- Regulatory reporting including Pillar 3.
- Initial financial reporting matters for Half year 2022.
- Financial crime and whistleblowing.
- External auditors' management letter, and audit strategy including fees.



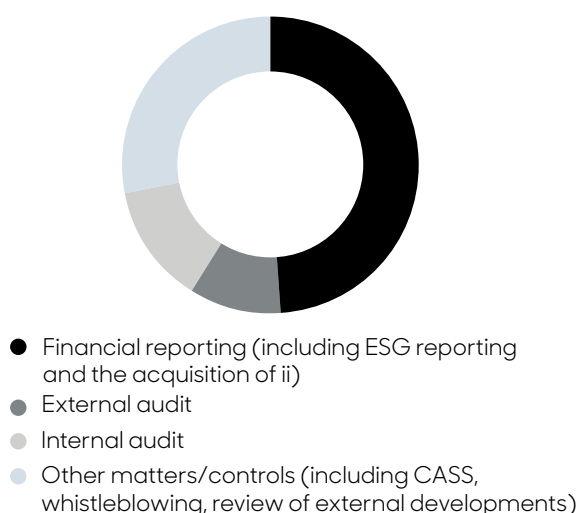
- Half year results 2022.
- External auditors' review of Half year results.
- External auditors' independence.
- Internal audit findings.
- Sustainability and ESG reporting.
- Whistleblowing.



- Initial financial reporting matters for Full year 2022, including pension scheme assumptions.
- 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.
- Whistleblowing.
- Sustainability and ESG reporting.
- Risk management and internal control system annual review and future plans.
- CASS reporting update.

3. Corporate governance statement continued

The indicative proportion of time spent on the business of the Committee is illustrated below:



Detail of work

The focus of work in respect of 2022 is described below.

Financial and non-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 2022 Group financial statements. This year there were no new accounting standards which had a significant impact on the Group accounting policies.

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 2022, the Committee reviewed the Annual report and accounts 2021 and the Half year results 2022. For both periods it received written and/or oral reports from the Chief Financial Officer, the Company Secretary, the Chief Internal Audit Officer 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.

In July 2022 we received a letter from the FRC informing us that they had carried out a full scope review of our Annual report and accounts 2021 and there were no questions or queries they wished to raise with us at this stage. The FRC asked us to note that their letter provides no assurance that our report and accounts are correct in all material respects, and that the FRC's role is not to verify the information provided but to consider compliance with reporting requirements. The FRC noted that their review is based on our report and accounts and does not benefit from detailed knowledge of our business or an understanding of the underlying transactions entered into.

The Committee recognises the importance of sustainability and ESG reporting. During 2022 the Committee discussed and reviewed the sustainability reporting landscape and the related governance framework at a number of meetings. In particular, as part of the review of the Annual report and accounts 2022, the Committee reviewed Task Force on Climate-Related Financial Disclosures (TCFD). The Committee's review focused on ensuring metrics and outcomes were appropriately explained and validated.

Accounting estimates and judgements

The Audit Committee considered all estimates and judgements that Directors understood could be material to the 2022 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 2022	How the Audit Committee addressed these significant accounting estimates and assumptions
<p>Acquisition of interactive investor (ii)</p> <p>On 27 May 2022 abrdn completed the acquisition of ii. The identification and valuation of intangible assets arising from the acquisition and determination of the related useful lives is a key area of judgement.</p>	<p>The Committee spent time discussing the acquisition and the related purchase price allocation at two meetings. The most significant area of judgement related to the valuation of the customer relationships intangible asset relating to ii's customer base at the date of acquisition. The Committee challenged the underlying assumptions, including those related to revenue per customer growth, and market interest rate assumptions which impact ii's expected treasury income. The Committee agreed that the assumptions were within a reasonable range and supported the disclosure of these assumptions. See Notes 1 and 13 for further details.</p>
<p>Goodwill impairment reviews</p> <p>Goodwill is required to be tested annually for impairment and the determination of recoverable amounts for this impairment assessment is a key area of estimation. The impairment assessment is performed by comparing the carrying amount of each cash-generating unit (CGU) with its recoverable amount, being the higher of its value in use (VIU) and fair value less costs of disposal (FVLCD). In 2022 impairments of goodwill were recognised in relation to the asset management group of CGUs in the Investments segment (impairment of £299m) and in relation to the Finimize CGU in the Investments segment (impairment of £41m) and therefore the determination of the recoverable amount for these CGUs was a key judgement which directly impacted the amount of the impairment. The impairments reflect lower projected revenues as a result of the lower markets, macroeconomic conditions and 2022 results being below previous expectations. For Investments, the key impairment drivers also include the expected reduction in Phoenix revenue from asset strategy and related pricing changes, and further work being required to reduce costs given the level of revenue and to grow to a net inflow position.</p> <p>The recoverable amount for the asset management group of CGUs was determined based on FVLCD, with the primary approach being a discounted cash flow approach. The recoverable amount for Finimize was also determined based on FVLCD, with the primary approach being a revenue multiple valuation approach.</p> <p>Goodwill relating to the interactive investor CGU was also required to be tested for impairment following the acquisition during 2022 and the recoverable amount, based on FVLCD, indicated that no impairment was required. Goodwill relating to the abrdn financial planning business CGU was also tested with no impairment arising, but with no headroom in relation to future downside sensitivities.</p>	<p>The Committee spent time reviewing and challenging recoverable amount assumptions at three meetings. For asset management the Committee considered a number of different valuation approaches and discussed that the key assumptions related to the FVLCD discounted cash flow approach were future earnings forecasts and the discount rate. The Committee considered that these assumptions and the resulting goodwill impairment were within the range of reasonable outcomes. The Committee noted that the asset management VIU was significantly reduced by the IFRS requirement to exclude cost savings related to future restructuring, and therefore that the VIU was less than the FVLCD.</p> <p>For Finimize the Committee noted that the business is inherently difficult to value as there are few directly comparable companies and therefore there are a range of reasonable valuations. The Committee discussed the valuation assessment with management and agreed that recoverable amount was within the reasonable range.</p> <p>The Committee agreed with management's view that the goodwill for interactive investor and the abrdn financial planning CGUs was not impaired. The Committee noted the inherent sensitivity of the recoverable amounts and supported the disclosure of appropriate sensitivities.</p> <p>Further details on goodwill impairment reviews are disclosed in Note 13 of the Group financial statements.</p>

3. Corporate governance statement continued

Significant accounting estimates, judgements and assumptions for the year ended 31 December 2022

How the Audit Committee addressed these significant accounting estimates and assumptions

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 2022 management noted that the Company's net assets attributable to shareholders of £4.9bn (post impairments) were higher than the Company's market capitalisation of £3.8bn. This, together with lower projected future asset management earnings, was considered to be an indicator of impairment of the Company's investment in its asset management subsidiaries, abrdn Holdings Limited (formerly named Aberdeen Asset Management PLC) and abrdn Investment Holdings Limited (aIHL). All other material investment in subsidiaries (with the exception of abrdn Financial Planning Limited) were supported by financial assets or other relevant analysis.

The Committee discussed the investment in subsidiaries impairment assessment with management and noted that the judgements in relation to these assessments were materially the same as the judgements relating to the goodwill impairment reviews. The Committee supported that relevant disclosures were made in the Company only accounts including disclosure that appropriate consideration had been given to the Company net assets being higher than the abrdn market capitalisation. The Committee noted that the Company's distributable profits were £3.2bn following the 2022 impairments which continued to provide support for the dividend policy.

Further details on the impairment assessment of investments in subsidiaries are set out in Note A of the Company financial statements in Section 8.

Impairments were recognised in 2022 in relation to the Company's investment in its subsidiaries abrdn Holdings Limited (impairment of £847m), aIHL (impairment of £51m) and abrdn Financial Planning Limited (impairment of £25m).

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.

The Committee considered the proposed assumptions taking into account market data and information from pension scheme advisors. 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.

For the principal UK defined benefit pension plan, the Committee reviewed the assumptions for mortality, discount rate and inflation.

Note 31 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 31 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.

Tritax contingent consideration fair value

In 2021, the abrdn group purchased 60% of the membership interests in Tritax Management LLP. 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 respect of 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 2026 through exercising a call option.

The Committee analysed and discussed management's assumptions underlying the fair value of the contingent consideration at 31 December 2022 and agreed that the fair value was within the reasonable range. The Committee reviewed and supported that disclosure of sensitivities to key assumptions should be provided given the inherent uncertainties in the valuation. See Note 37 for further details.

The contingent consideration liability is required to be recognised at fair value, which is primarily dependant on future earnings projections.

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 management's continued aim to compile the Annual report and accounts to be 'fair, balanced and understandable'.

abrdn's principles

To create clarity on fair, balanced and understandable for abrdn a set of principles is applied, as set out below:

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.'	<ul style="list-style-type: none"> – The narrative contained in the Annual report and accounts is honest, accurate and comprehensive. – 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.'	<ul style="list-style-type: none"> – 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.'	<ul style="list-style-type: none"> – 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, Internal Audit, Communications and Strategy.

The key points discussed by the IRG covered:

- The impact of markets on profitability, particularly in relation to the Investments vector.
- The balance of reporting relating to financial and strategic performance across the group.
- How previously reported matters had been updated.

Fair, balanced and understandable guidance was provided to relevant stakeholders involved in the Annual report and accounts production process.

The 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 2022 were reviewed by the Audit Committee at three meetings. The Committee complemented its knowledge with that of executive management and internal audit. An interactive process allowed each draft to embrace contributions.

The 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 the rationale for using 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. 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 interactive investor related costs, the Committee specifically reviewed the proposed treatments and ensured that the Annual report and accounts provided appropriate disclosures.

The Audit Committee agreed to recommend to the Board that the Annual report and accounts 2022, 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 2022 abrdn published 2021 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 IFPR (Investment Firm Prudential Regime) results included in the Strategic report and notes sections of the Annual report and accounts and half year reporting, together with related assurance over these disclosures.

3. Corporate governance statement continued

Internal controls

As noted earlier, the Directors have overall responsibility for abrdn'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 Committee focuses on ensuring appropriate sign-offs on financial results are provided, and a mechanism for the escalation of issues from major regulated subsidiary Boards is in place.

The control environment around financial reporting will continue to be monitored closely.

In early 2023, the Committee discussed the implications of a significant process execution event. The Committee were satisfied that this was appropriately reflected in 2022 financial reporting. See Note 34 of the financial statements for further details.

Financial crime and whistleblowing

After May 2022, oversight of anti-Financial Crime compliance moved to the Risk and Capital Committee. Until this point the Committee received 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.

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 Chair 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 Chair 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 assesses the independence and quality assurance practices of the Internal Audit function and agrees the effectiveness of the function, aligned to the Group's objectives. 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 2022 was positive and supports the continuous evolution and enhancement of the function.

The Committee Chair meets the Chief Internal Audit Officer periodically, without management being present.

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 2023 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. This is currently considered to be in the best interests of the Company taking into account the results of the formal review of the effectiveness of the KPMG audit discussed in this section. The audit was last subject to a tender for the financial year ended 31 December 2017. The audit for the year ended 31 December 2022 is therefore KPMG's 6th year as auditor. The Senior Statutory Auditor is Richard Faulkner who succeeded Jonathan Mills, as the lead audit partner for the year ended 31 December 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 non-audit services are permitted. It also ensures that where fees for approved non-audit services are significant, they are subject to the Committee Chair'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 and TCFD report audits/reviews.
- Fund merger assurance engagements, where the engagement is with the manager and the external auditor is also the auditor of the fund.

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 2022 was £6.2m (2021: KPMG £5.1m). In addition, £2.3m (2021: £2.0m) 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 Committee Chair is required.

Non-audit fees amounted to £1.3m (2021: £2.1m), of which £1.0m (2021: £1.2m) related to other assurance services and £0.3m (2021: £0.9m) related to other non-audit fee services. Other assurance services in 2022 primarily related 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. Other non-audit fee services fees in 2022 all related to residual Reporting Accountant work on the interactive investor Class 1 Circular as discussed in the prior year report. 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 15% (2021: 30%). The total of audit related assurance fees (£2.3m) and non-audit fees (£1.3m) is £3.6m, and the ratio of these audit related assurance fees and non-audit fees to audit fees is 58%

3. Corporate governance statement continued

(2021: 80%). 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 Chair 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.

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 £14m (2021: £19m) based on revenue (as set out in the KPMG independent auditors' report). 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 £0.7m (2021: £0.95m). The aggregated net difference between the reported pre-tax profit and the auditor's judgement of pre-tax profit was less than £9m 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.

Audit reform

The Committee reviewed the Government's response to the consultation on strengthening the UK's audit, corporate reporting and corporate governance systems, published in May 2022, and the intended establishment of the Audit, Reporting and Governance Authority (ARGA) and associated frameworks. The Committee will remain engaged in the audit reform discussion during 2023.



3.2 Risk and Capital Committee report

I am pleased to present my report as Chair of the Risk and Capital Committee (the "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 clients, shareholders and regulators.

During 2022 the Committee placed particular focus on two areas: (i) the financial and strategic implications of the challenging market and economic environment, amplified by the impact of the Russia-Ukraine war; and (ii) prudential matters, with the first year of operation of the UK's Investment Firms Prudential Regime (IFPR).

Throughout 2022 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 ICARA and the Group's capital and liquidity.
- Conduct risks across our three vectors and implementation of the FCA's new Consumer Duty.
- Key project updates from the transformation activity across the Group.
- The framework for anti-financial crime and anti-money laundering activity across the Group.
- Work to develop our approach to managing cyber resilience in line with the US National Institute of Standards and Technology (NIST) framework.
- The expansion of the direct to customer proposition through the acquisition of interactive investor (ii).
- 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 progressed their regulatory agendas, including the areas of ESG, operational resilience and liquidity.

Further details on these and other activities carried out by the Committee during the year can be found in the report that follows.

On behalf of the Board I wish to record our gratitude to Martin Pike, my predecessor as Chair of the Risk and Capital Committee, who stood down in May 2022.

John Devine

Chair, 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 2022, please see the table on page 84.

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, the Group General Counsel and the Chief Internal Auditor, as well as the External auditors.

Regular private meetings of the Committee's members were held during the year, providing an opportunity to raise any issues or concerns with the Chair of the Committee. The Committee's members also held regular private meetings with the Chief Risk Officer and were 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 exposures 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 following:

- The Group's current risk strategy, material risk exposures and their impacts on the levels and allocations of capital.
- The structure and implementation of the Group's ERM framework and its ability 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 and product developments, as well as 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 addition, in January 2022 the Committee also took on responsibility to act as the board risk committee for the Group's two main UK investment companies, abrdn

3. Corporate governance statement continued

Investment Management Limited (aIML) and abrdn Investments Limited (aIL).

In carrying out its duties, the Committee is authorised by the Board to obtain any information it requires 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 2022

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 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
- Risks including operational and investment risk
- Conduct including client and customer outcomes
- Capital adequacy
- Other

The key recurring items which were considered by the Committee are:

- The 'Views on Risk' report – this 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 them.
- Ongoing activity to enhance and develop abrdn's ERM framework, for example the Risk Appetite and Policy frameworks.
- Performance of the Group's ICARA processes in accordance with IFPR, including the firm's stress and scenario testing programme. The ICARA supports the Committee in understanding changes to both the risk profile of the Group and the capital position over time.

Through these recurring activities the Committee was able to challenge management's assessment of risks and 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 2022. This included consideration of:



- Advice provided to the Remuneration Committee regarding the delivery of performance in 2021 relative to risk appetites
- 2021 findings from the abrdn Investment Management vector Internal Controls Report
- 2022 deliverables from the ICARA process
- Emerging risks to the Group
- Operational resilience programme activity
- Review of abrdn's principal risks and risk disclosures for the annual report and accounts



- Conduct risks for the Personal vector
- Conduct risks for the Adviser vector
- Corporate and reputational risks for the Group
- Anti-financial crime-related activity
- Contingency planning process in the event of the failure of a critical third-party supplier



- Investment risk and related reporting
- Proposed changes to the risk appetite framework
- Finance strategy for the Group
- Cyber risks, including the Group's resilience maturity against the NIST framework



- The Group ICARA documents
- Management of IT obsolescence
- The remit of the Risk & Compliance function
- Implementation of the new Consumer Duty
- The Senior Managers and Certification Regime
- abrdn wind-down plan and triggers
- Data privacy management
- 2023 combined second- and third-line Assurance Plan

After each meeting, the Committee Chair 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 enables 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. This includes 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 limits reflected changes to the risk profile in view of the external environment and ongoing transformation of the business. Notable changes to the risk appetite framework in 2022 include new appetites on operational resilience; and revised appetites relating to anti-financial crime risks.

Through reviewing the 'Views on Risk' 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:

- The risks associated with the delivery of the business plan.
- Enhancements to components of the Group's risk appetite framework.
- The delivery of the abrdn ICARA document.
- Improvements to anti-financial crime processes.
- The strengthening of the conduct risk framework.
- The management of cyber risk and operational resilience across the Group.

Stress testing and scenario analysis has also supported the Committee in understanding, monitoring and managing the capital and liquidity risk profile of the business under stressed conditions. This has provided the Committee with a forward-looking assessment of the Group's financial resilience in response to potentially significant adverse events affecting key risk exposures. The information presented to the Committee included combined stress scenarios which looked at simultaneous stresses impacting on economic conditions, flows and idiosyncratic factors specific to the Group.

Reverse stress testing analysis – i.e. considering extreme but plausible events that have the potential to cause the business to become unviable – has also been provided to the Committee to allow it to consider the ability of the Group to prevent and mitigate the risk of business failure. This year's reverse stress testing explored the possible economic conditions that could lead to non-viability, augmenting previous reverse stress testing which explored operational, conduct and reputational risks.

The Committee reviewed the results of the stress testing exercise and noted that the possible economic conditions that could lead to non-viability were extremely remote.

Based on the stress testing and scenario analysis results and the reverse stress testing exercise, the Committee concluded there was no requirement for the business to reduce its risk exposures. The business was resilient to extreme events given 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

To ensure the consistent focus on the delivery of client outcomes, during 2022, 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 the 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. This sets 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.

In relation to the significant process execution event mentioned earlier, the RCC has thoroughly considered how the ERMF operated and what remedial actions need to be taken.

Regulatory developments and compliance

The Committee reviews and assesses regulatory compliance plans which detail 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 plans 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 geopolitical risks and their operational implications, notably in relation to sanctions and anti-

3. Corporate governance statement continued

financial crime. The Committee has also closely followed regulatory developments and implementation activity in relation to the new Consumer Duty, operational resilience and new sustainability regulations globally.

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 abrdrn 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. In addition to the Committee reviewing reporting from the subsidiary risk committees, arrangements also exist for the Committee's Chair to attend these subsidiary risk committees on request.

In its capacity since January 2022 as the board risk committee to the Group's two main UK investment firms, the Committee routinely considered the implications of Group risk management activities for these two firms and identified any significant risk concerns to be brought to the attention of the respective Boards. The Chair of the two investment firm Boards has a standing invitation to attend the Risk and Capital Committee.

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 to ensure that 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 effectiveness review was conducted externally by IBE.

The review included observation of a meeting, access to papers and interviews with Committee members. A representative of IBE provided feedback on the performance of the Committee directly to the Chair and the report and recommendations were discussed by the Committee. Details of the 2022 review are on page 81 and reflect the themes raised across the Board and its Committees.



3.3 Nomination and Governance Committee report

I am pleased to present the Nomination and Governance Committee (the Committee) report for the year ended 31 December 2022.

The Committee's key priorities this year were to support the succession planning for the Board and the executive, maintain effective board governance processes and continue to oversee initiatives supporting the development of talent, leadership and diversity, equity and inclusion. Also, during the year, the remit of the Committee was expanded to include oversight of culture, recognising this as an important enabler of the Company's transformation. The Committee and the Board held deep-dives on engagement survey results, action plans and the development of the Company's cultural commitments. Further detail on this can be found on pages 41 to 42.

Governance Framework

We have continued to review our governance framework against the Code principles and provisions. The framework in place effectively supported the review, completion and integration of the ii acquisition and no material changes were proposed to its operation during 2022.

Board evaluation

Having conducted internally-facilitated reviews in 2020 and 2021 our 2022 Board review was facilitated externally and more information about what the process involved and its outcomes can be found on page 81.

Culture, Diversity, Equity and Inclusion

Continuing to build on transformation activity across our businesses, the Committee has received regular updates on the work being done to implement the Group's culture, diversity, equity and inclusion programmes and considered the ELT's initiatives to implement these throughout the organisation. Diversity, Equity and Inclusion remains a key focus and commitment of the Board, especially in areas such as fund management, which, as an industry, is typically underrepresented. There is more

detail about this below and on pages 41 and 42. The Committee wants to use this opportunity to pay tribute to Lynne Connolly who headed our Diversity, Equity and Inclusion (DEI) programmes for six years and sadly passed away in early 2023 after living with incurable cancer for many years. The Group plans to establish an award scheme in Lynne Connolly's name to recognise the foundations for DEI that Lynne created and the inspiration she represented to all of our colleagues.

Talent and Leadership

The Committee received regular reports from teams involved with Talent and Organisation Effectiveness, overseeing their plans to deliver effective leadership, talent and performance management across the Group. During the year we have spent particular time on the talent pipeline. It is particularly pleasing that following the launch of a new future leaders programme this has already led to the role expansion/promotion of 20% of the introductory cohort. Enterprise-wide, significant improvements in the diversity of early talent, senior leaders and in our talent pipelines as well as reduction in our UK gender pay and bonus gaps for the fifth consecutive year continue to demonstrate the success of our programmes.

Board composition

The Committee, on behalf of the Board, assesses the balance of executive and non-executive Directors, and the composition of the Board in terms of skills, experience, diversity and capacity. These factors are important to the Board in reviewing overall composition and during the year were reviewed by the Committee, covered in my 1:1 discussions with Directors, and considered by the external Board effectiveness review.

As I have covered already in my Chairman's statement, I was pleased to welcome Catherine Bradley, Pam Kaur and Mike O'Brien to the Board during 2022. We said farewell to Cecilia Reyes during 2022 and I want to record here our gratitude for her strong contribution during her three years on the Board. The Board's practice of succession planning over time was reflected in Committee appointments and movements during the year, with Catherine Bradley assuming the Chair of the Audit Committee on appointment and John Devine, moving from Audit to take on the Chair of the Risk and Capital Committee.

Brian McBride has advised that he will not seek re-election at the Company's Annual General Meeting on 10 May 2023 and will stand down from that date. I and all my colleagues will miss Brian's insights and guidance and I would like to thank Brian for his contribution to the Board and to the subsidiary boards he served on.

The Board believes strongly in the importance of strong governance to successful value creation and I look forward to demonstrating this in future reports.

Sir Douglas Flint

Chairman and Chair of the Nomination and Governance Committee

3. Corporate governance statement continued

Membership

The members of the Committee are the Chairman, the Chairs of Board Committees and the NED responsible for Employee Engagement. For their names, the number of meetings and committee member attendance during 2022, please see the table on page 84.

Stephen Bird, in his CEO role, is invited to Committee meetings to discuss relevant topics, such as the roles within and membership of the ELT, talent development and management succession.

Key responsibilities

The Committee's primary role is to support the composition and effectiveness of the Board, and to oversee the Group's activities to strengthen its talent pipeline. It also oversees ongoing development and implementation of the Group's governance framework and its work to embed appropriate diversity and inclusion policies.

The Committee's key responsibilities are:

- Identifying and recommending Directors to be appointed to the Board and the Board Committees and ensuring relevant training is provided on appointment and throughout their tenure.
- Reviewing and assisting in the development and implementation of initiatives to embed the Board's desired outcomes for diversity, equity and inclusion within the Group and to define, monitor and performance manage the behaviours expected of all employees that will be seen to represent the Group's culture.
- 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 2022

An indicative breakdown as to how the Committee spent its time is shown below:



- Reviewed compliance with the UK Corporate Governance Code for the 2021 ARA.
- Reviewed the results of the Committee Effectiveness Review and reviewed the Board Charter and Committees' terms of reference.
- Reviewed progress on Talent and Leadership development activities.
- Recommended the appointments of Mike O'Brien and Pam Kaur.
- Reviewed approach to ESG external reporting, and reviewed TCFD report and Sustainability report.



- Reviewed the recommendations to shareholders to re/elect Directors at the AGM.
- Reviewed and recommended the continued appointment of John Devine and Jonathan Asquith at the end of their three-year terms.
- Reviewed the group's Culture and Talent Strategy plan.
- Received an update on Diversity, Equity and Inclusion progress and action plans.
- Reviewed ELT succession planning.
- Reviewed the Group's annual Stewardship Code Report.



- Reviewed executive succession plan and talent pipeline.
- Approved proposed executive leadership changes.
- Received an update on abrdn's cultural commitments.
- Received an update on Diversity, Equity and Inclusion progress and action plans.
- Reviewed the process to oversee Board skills analysis and considered Board succession planning.



- Received an update on 2023 plans to further embed cultural commitments.
- Received an update on Diversity, Equity and Inclusion progress and 2023-24 priorities.
- 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 and committee appointments and composition

The Committee keeps under constant review 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 non-executive Directors. In addition, it also recognises the skills which the Board will need as it moves forward to oversee the implementation of the Group's approved strategy and takes account of the Group's commitments to achieve and maintain its published Board diversity targets.

Where Board augmentation is needed, 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 existing or planned external commitments of candidates to assess their ability to meet the necessary time commitment and whether there are any conflicts of interest to address.

In light of the Committee's review of the Board composition and skills analysis carried out in 2021, and following the process as outlined above to identify and consider potential candidates, the Committee was pleased to recommend Mike O'Brien and Pam Kaur be appointed to the Board, each as a member of the Audit and Risk and Capital Committees. Both Mike and Pam were appointed as Non-executive Directors and members of the Audit and Risk and Capital Committees with effect from June 2022.

The Committee also recommended the appointments of John Devine as Chair of the Risk and Capital Committee and Catherine Bradley as Chair of the Audit Committee, which took effect, following Board approval, from conclusion of the AGM on 18 May 2022.

The Committee believes that, as well as strengthening the collective skills and experience of the Board, these

appointments build resilience into the membership of the Board Committees, aid succession planning for Committee Chair roles, and support our commitment to Board diversity.

The Committee also oversees the process that recommends continuation of appointments; members of the Committee do not, however, take part in discussions when their own performance – or continued appointment – is being considered. John Devine and Jonathan Asquith'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 further terms.

Succession planning and talent management activities

The Committee regularly reviews succession planning activities, including identifying key person and retention risk, and talent development programmes across the Group.

During 2022, in particular, the Committee discussed the future leadership and talent needs of the Group and how the current programmes could be revised to take account of the skills and expertise required by both the Board and the ELT. These programmes are designed to recognise the changing shape of the Group, and also to identify both the talent available within the Group and the need/benefits of external recruitment. Diversity was considered as a core part of these discussions, and progress was reviewed against our diversity goal to achieve minimum 40% women on ELT succession plans.

The Talent and Change agenda is led by the CPO, in conjunction with the CEO.

The Committee spent time during 2022 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.

The Committee 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 discussed the inclusive design of the initiatives such as early careers, talent acquisition and future talent and considered the diversity of talent this achieved.

The Committee reviewed the effectiveness of its NED mentoring programme which allows each NED to get to know 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 2023.

During the year, the Committee reviewed and approved a number of proposed changes to the Group's ELT. Following the acquisition of ii, the Group took the opportunity to consolidate its personal wealth propositions

3. Corporate governance statement continued

under a single vector and leadership team. Given the scale and importance of it to the Group strategy, the Committee approved the appointment of Richard Wilson to the position of CEO, Personal from August 2022. Following an assessment of the Group's strategic requirements, the role of Chief Enterprise Technology Officer was created. David Scott (formerly Chief Security and Resilience Officer) was promoted to the role, effective from August 2022, and took on responsibility for building and maintaining a technology infrastructure which is commensurate to the Group's growth plans. The Committee also approved the appointment of Sarah Moody to Chief Corporate Affairs and Investor Relations Director, effective January 2023.

Board evaluation

The Committee has a key role in supporting the Board evaluation process. Details of the 2022 review are on page 81.

Culture, Diversity, Equity and inclusion

In recognition of the oversight activities already undertaken by the Committee relating to the Group's culture, in January 2022 the Committee determined that it should have oversight of the metrics in place to help to assess and monitor culture across the Group.

The Committee and the Board spent time with both the CEO and the Chief People Officer understanding their plans to strengthen meaningful measurement and reporting of culture across the Group. The Board and the ELT have defined a set of commitments which define the Group's culture – Client First, Empowered, Ambitious and Transparent. Details of the cultural commitments and the behaviours that underpin them can be found on page 42. We have a comprehensive plan in place to embed our commitments across the colleague experience and track progress in 2023. We measure overall progress against our cultural ambitions through our listening strategy and our employee engagement online platform.

The Committee also received the annual update from the Chairman and the CEO of the abrdn Financial Fairness Trust and discussed how grants were made and how these were contributing to informing public policy choices.

The Board's diversity statement is on page 80. The Committee has a key role in supporting publication of this statement through its oversight of DEI activities. The DEI Team attends the Committee at least twice a year to report on progress to deliver against Committee-approved framework, action plans and initiatives. The Committee reviewed progress against the Group's DEI framework priorities, being:

- 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.

ESG reporting

During the year, the Committee supported the Group's ESG external reporting by reviewing the various reports in advance of their publication. The ESG reports issued were:

- UK Stewardship report – this shows how the Group has applied the UK Stewardship Code as an investor. The Group is a signatory to the Stewardship Code.
- TCFD report – this includes a summary of the Group's approach to climate change, including our approach to scenario analysis, refreshed net zero goals and case studies.
- Sustainability report – this is an annual report with ESG data, activity and achievements across the Group's operations and vectors, to bring to life our brand values and our ESG priorities.

The Committee members considered these reports in terms of their quality, consistency and alignment with other relevant information.

Committee effectiveness

The effectiveness review was conducted externally by IBE.

The review included observation of a meeting, access to papers and interviews with Committee members. A representative of IBE provided feedback on the performance of the Committee directly to the Chair and the report and recommendations were discussed by the Committee. Details of the 2022 review are on page 81 and reflect the themes raised across the Board and its Committees.



3.4 Directors' remuneration report

Remuneration Committee Chair's statement

This report sets out what the Directors of abrdn were paid in 2022 together with an explanation of how the Remuneration Committee reached its recommendations.

Also set out are the proposed updates to our Directors' Remuneration Policy ('Policy') and its implementation from 2023. 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 and corresponding page numbers:

	Page
At a glance – 2022 remuneration outcomes	106
At a glance – 2023 proposed Policy summary and implementation in 2023	107
2022 annual remuneration report	108
Shareholdings and outstanding share awards	110
Executive Directors' remuneration in context	113
Remuneration for non-executives	116
The Remuneration Committee	118
The proposed Directors' Remuneration Policy	120

Approval

The Directors' Remuneration Report was approved by the Board and signed on its behalf by:

Jonathan Asquith

Chair of the Remuneration Committee

28 February 2023

Dear shareholder

On behalf of the Board I am pleased to present the Directors' Remuneration Report for the year ended 31 December 2022 and the proposed updated Policy to commence in 2023.

Introduction

Our Directors' Remuneration Report for 2021 received a 96% vote in favour at the 2022 AGM. I would like to thank our shareholders for their continued strong support of our approach to remuneration matters and their ongoing dialogue on these issues. I would also like to thank Cecilia Reyes for her contributions to the Committee's work over the last three years and welcome Hannah Grove who joined in October.

As you will no doubt be aware, our Policy is due for renewal at the 2023 AGM. This has given the Committee a chance to reflect on the current Policy and how it has been operating. We concluded collectively that the Policy has worked well and continues to support an appropriate level of alignment between the interests of shareholders, executive management and other stakeholders in the Group.

In this context, we do not propose any material changes to the structure or the quantum of incentives. Within that unchanged envelope we are, however, proposing a limited change of emphasis in our annual bonus measures. This change comprises an increase in the maximum weighting allocated to non-financial measures from 25% to 35% to allow the Board greater flexibility to target the delivery of strategic change in the business, the results of which may not be immediately reflected in its financial results. The majority, at least 65%, will remain weighted towards financial measures. More detail can be found in the section titled Key features of our new Policy on page 105.

In what has been one the toughest investment markets for many years, we have continued to drive our Remuneration Philosophy. Our end-of-year processes incorporated careful consideration of financial and non-financial performance, reflecting the growing resilience of our diversified model, the strides achieved in addressing sustainability issues and our continued focus on our people, culture and customers in a challenging market environment.

How our Policy was applied in 2022

Significant advances at a strategic level in the year, including the acquisition of ii, were balanced by shortfalls in the Group's financial performance in a hostile market environment. With 40% of the annual bonus and 100% of the LTIP driven directly by profit and total shareholder return measures, the reduction in executive Director rewards mirrored subdued returns for shareholders and other stakeholders.

Annual bonus (detail on pages 108 to 109)

Financial performance (75%)

Financial targets were set with reference to the Board-approved plan including measures on net flows, investment performance and adjusted operating profit before tax. Against the backdrop of weak investment markets and significant macro and geopolitical headwinds, financial performance was necessarily held back.

Investment performance: Our longer term equities performance remains robust, while over a three-year time

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period we have consistently delivered strong performance in alternatives as well as fixed income. Real asset valuations have weakened, given the higher interest rate backdrop, although long-term sector conviction remains strong. The overall outcome was between threshold and target.

Net flows: Negative market sentiment had an adverse impact on flows, with significant number of withdrawals experienced from equity funds across the industry. The impacts were largely felt across public markets in the Investments vector, with real assets and our other two vectors Personal and Adviser proving to be much more resilient. Aggregate performance on net flows nonetheless fell below the threshold required to qualify for payouts under the annual bonus plan.

Adjusted operating profit before tax: This was 19% lower than the prior year, at £263m (£196m excluding ii). Performance in the Personal and Adviser vectors was strong, contributing over 50% of adjusted operating profit in the year, with the aggregate decline concentrated in the Investments vector. Overall, performance did not meet the threshold required.

The outcomes for the financial element of the 2022 annual bonus are summarised below.

Financial performance measure	Weighting (% of total scorecard)	2022 outcome (% of total scorecard)
Investment performance	20%	8.25%
Net flows	15%	0%
Adjusted operating profit before tax	40%	0%

This resulted in an overall assessment of 8.25% out of a maximum of 75% on financial measures.

Non-financial performance (25%)

In 2022 we assessed non-financial performance against two baskets of measures, ESG (comprising Environment and Social categories) and Customer.

Environment: There have been material advances in the delivery of our global climate solutions, where we have identified our clients with net zero goals and have a Climate product strategy group shaping our net zero offering. We are building the tools to track carbon intensity and we have a clear stance on our climate priorities as investors. For our own operational net zero, we are firmly on track to meet our long term net zero carbon emission target of 50% less than our 2018 baseline by 2025. Full details of our progress on these matters are disclosed in our Sustainability and TCFD report, available on our website. The Committee took into account more than 10 qualitative and quantitative performance indicators in assessing that performance in this area was strong with the outcome being agreed as 5% out of 5%.

Social: Despite the challenges posed by enacting a major change agenda against the backdrop of difficult markets, engagement levels at the end of 2022 held up at 50% (2021: 51%). Whilst we are not where we need to be, we have clear plans in place and are committed to continued efforts to build engagement through 2023. 2022 has been a year of transformation on culture coupled with meaningful achievement across our DEI levers of change. Our culture change programme has been designed and rolled out,

engaging over 600 of our global leaders. There has been an increase in female representation in senior leadership roles and succession plans as well as an increase in ethnic minorities in early career roles. Taking into account more than 20 qualitative and quantitative performance indicators, the Committee determined the final outcome of 6% out of 8%.

Customer: In the Investments vector, independent client survey feedback covering global clients across all asset classes rated abrdn favourably on a number of areas across the various client experience steps. Overall client service and trust were amongst the areas of noteworthy recognition. The Committee also noted improved RFP hit rate conversions and, more importantly, no increase in redemptions. In the Adviser vector, the Net Promoter Score was particularly high relative to other leading technology household names and came with improved Customer Satisfaction scores over the year. The Committee also noted the external accolades received by the abrdn Wrap platform. For the Personal vector, the Committee reviewed the total customer numbers, noting an increase in the active and engaged customer segment. There were also positive customer survey outcomes on satisfaction with relationship managers and the wider team. The Committee concluded the appropriate outcome for the Customer category was 11% out of 12%.

Considering all components together, this resulted in an overall assessment of 22% out of a maximum of 25% on non-financial measures.

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. Details on the Committee's considerations are set out on page 109. The Committee concluded that the outcomes of the scorecard were fair and balanced and no adjustment to them was needed or made.

The overall outcome recognises the hard work to deliver the critical milestones that were achieved in 2022 against the backdrop of a challenging external environment. This was evidenced in our assessment of performance against non-financial measures including the recognition of progress in delivering a more diversified, more resilient, organisation that should be equipped to weather challenging conditions and rebound when cycles turn.

Summarising these results, the Remuneration Committee approved the following outcomes based on performance against targets:

	Final outcome (% of max)	2022 total bonus (£000s)
Executive Director		
Stephen Bird	30.25%	662
Stephanie Bruce	30.25%	244

Long-term incentives (detail on pages 109 to 112)

Vesting of the 2020 LTIP granted to the current executive Directors is based on performance over the three-year period ending on 31 December 2022. After reviewing the relevant metrics the Committee concluded that the

performance had not met the stretching targets set and therefore the award will not vest.

As already disclosed in an RNS announcement on 11 August 2022, following an assessment of performance against its specific performance conditions relating to efficiency targets, the final tranche of the one-off deferred award made to Stephanie Bruce was determined to vest at 100% of maximum.

Finally, the 2019 EIP award was granted to Stephanie Bruce and certain former executive Directors. Performance was measured against the underpin hurdles for the period ending 31 December 2022. Final vesting was assessed at 25% of the maximum award. Full details of the vesting outcome can be found on page 111.

Forward looking LTIP awards were made to Stephen Bird and Stephanie Bruce in April 2021 and 2022, as disclosed in the 2020 and 2021 Annual reports and accounts. The performance conditions attached to these awards will be measured over three-year periods finishing on 31 December 2023 and 2024 respectively.

Key features of our new Policy

The Committee is comfortable that the current Policy supports the strategic direction of the Company, and the Policy therefore remains fit for purpose. However the Committee proposes to make a limited change in emphasis in the annual bonus plan, adjusting the minimum weighting of financial components to 65% (from 75%). This ensures that financial elements still maintain an overall majority but gives scope to increase non-financial metrics to 35% of the overall award.

The Committee acknowledges the view of some shareholders that non-financial metrics can prove harder to quantify for performance assessment purposes. However, there are a wide range of strategic actions in progress which are crucial to the long-term success of the Group and the Committee strongly believes that it is in shareholders' interests for management to be held accountable for delivery of these actions. Accordingly, the Committee intends that the additional 10% weighting in the non-financial segment should be targeted against specific strategic Group and vector priorities which have quantifiable and reportable success metrics.

No change is proposed to the design of the LTIP or the structure of performance metrics for the 2023 award. Performance metrics for awards under future LTIP awards will continue to be reviewed on an annual basis and set within the parameters of the Policy.

Policy implementation in 2023

Following a review no change has been made to salaries for the executive Directors or fees for the non-executives for 2023.

In line with previous practice, we will continue to set stretch 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 2023 annual bonus is detailed on page 107 and the targets, which are commercially sensitive, will be

disclosed at the end of this performance year in the 2023 Annual report and accounts. The scorecard retains the structure of focusing a majority of the opportunity on the achievement of financial targets as set out in our Policy (65%) with the balance measured against non-financial performance including ESG and Customer objectives and progress on strategic initiatives. 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. Details on these metrics, including how the Committee assessed performance against them, will be disclosed retrospectively.

The 2023 LTIP will again consist of two equally weighted targets, Adjusted Diluted Capital Generation per share CAGR and Relative TSR. The three-year Adjusted Diluted Capital Generation per share target range has been maintained at 5%-15% Compound Annual Growth Rate (CAGR), which remains aligned with the business plan agreed with the Board. The Committee also reviewed the TSR peer group for the Relative TSR metric. In line with its policy of adjusting the peer group to match the changing composition of the Group's business, the peer group will be adjusted for the 2023 grant to exclude M&G, Franklin Resources, Affiliated Managers, Invesco and SEI Investments. AJ Bell, IntegraFin Holdings, Rathbones Group and Liontrust Asset Management will be added to the peer group. Details of the 2023 LTIP grant can be found on page 107.

Wider workforce

The effective date of the salary review was brought forward to October 2022 (compared to April 2023) for around 40% of our global population. To support the colleagues who are most at risk during the cost of living challenges, this review focused on those who earned less than £75k (or local country equivalent). The review resulted in an average increase of 6% for those individuals. In addition to this, annual reviews have been completed in early 2023 as part of the normal remuneration review cadence.

To help you navigate the report effectively, I would like to draw your attention to the sections on pages 106 to 107 which summarise both the outcomes for 2022 and also how the remuneration policy will be implemented in 2023. Further detailed information is then set out in the rear section of the report for your reference as required. The Policy report, which will be subject to a binding shareholder vote at the 2023 AGM is set out on pages 120 to 130.

On behalf of the Board, I invite you to read our remuneration report. As always, the Committee and I are open to hearing your views on this year's report and our remuneration policy in general.

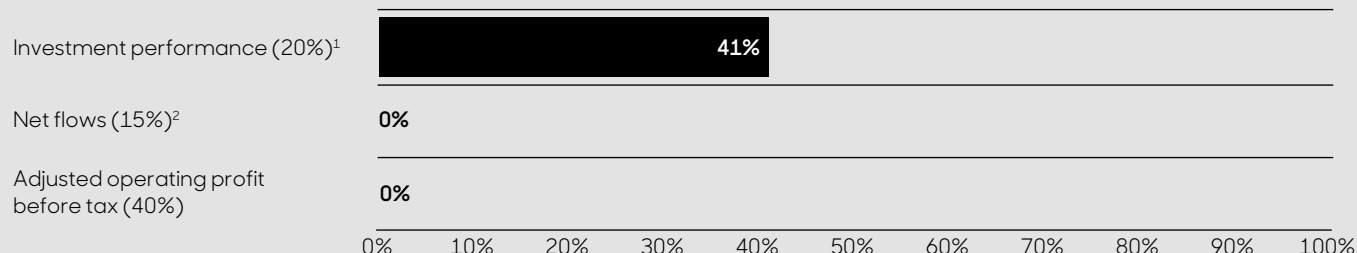
3. Corporate governance statement continued

At a glance – 2022 remuneration outcomes

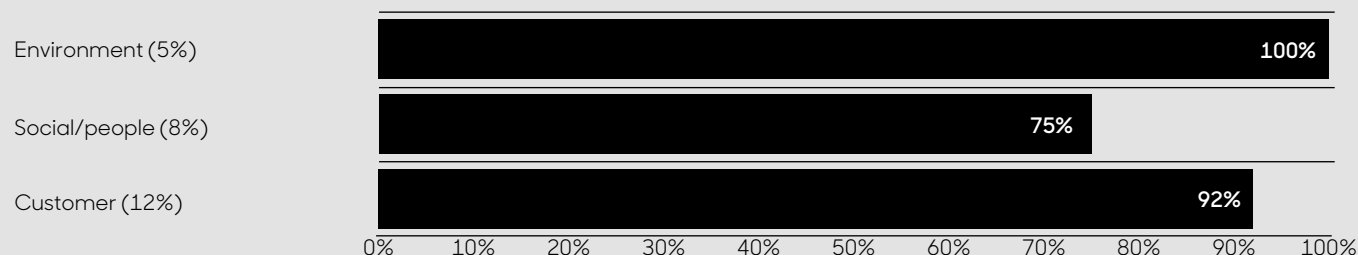
Outcome of performance measures ending in the financial year

The following charts show performance against the target range for the annual bonus and commentary on the 2020–2022 Long-Term Incentive Plan (LTIP). Further detail on the assessment of the performance conditions can be found on pages 108 to 109.

Performance vs Maximum (%) – Financial measures



Performance vs Maximum (%) – Non-financial measures



1. % AUM above benchmark average of three-year and five-year for all asset classes.

2. Excl. LBG tranche withdrawals, cash/liquidity and ii.

2022 annual bonus scorecard outcome

The following table sets out the final outcome for the 2022 annual bonus. A detailed breakdown of performance can be found on pages 108 to 109.

	Bonus Scorecard Outcome			Total Bonus Outcome			
	Financial metrics (maximum 75%)	Non-financial metrics (maximum 25%)	Board approved outcome (% of maximum)	Annual salary (£000s)	Maximum opportunity (% of salary)	Total award (% of salary)	Total award (£000s)
Stephen Bird	8.25%	22%	30.25%	875	250%	75.6%	662
Stephanie Bruce	8.25%	22%	30.25%	538	150%	45.4%	244

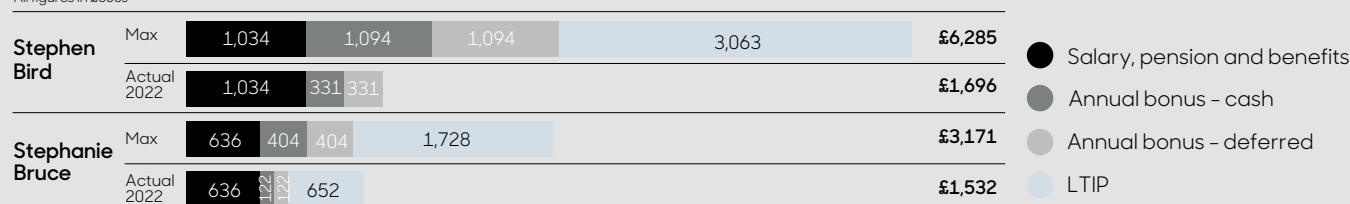
2020-2022 LTIP outcome

The performance period for the 2020–2022 LTIP concluded on 31 December 2022. Performance was assessed against two measures: Capital Generation per share (CAGR) and Relative TSR performance. Performance against both measures was assessed to be below the threshold required and therefore the award will not vest. Detail of the performance assessment for the 2020–2022 LTIP can be found on page 109.

Total remuneration outcomes in 2022

The chart below shows the remuneration outcomes for each executive Director in 2022 based on performance compared to the maximum opportunity.

All figures in £000s



At a glance – 2023 remuneration policy implementation

This section sets out how we propose to implement our remuneration policy in 2023. The full remuneration policy can be found on pages 120 to 130.

Element of remuneration	Key features of operation	2023 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 Stephen Bird: £875,000 Stephanie Bruce: £538,125
Pension		
Competitive retirement benefit	Aligned to the current maximum employer contribution available to the UK wider workforce (18% of salary).	No change to quantum Stephen Bird: 18% of salary 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 to quantum
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 65% 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 Stephen Bird: 250% of salary Stephanie Bruce: 150% of salary See below for 2023 performance conditions
Long-term incentive plan		
To align with our shareholders and reward the delivery of long-term 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 to quantum Stephen Bird: 350% of salary Stephanie Bruce: 200% of salary 2023 performance metrics are set out below
Shareholding requirements	Executive Directors are required to build up a substantial interest in Company shares. The share ownership policy for executive Directors requires shares up to the value of the shareholding requirement to be held for a period of two years following departure from the Board.	No change to quantum Stephen Bird: 350% of salary Stephanie Bruce: 300% of salary

Performance conditions for 2023 annual bonus

Financial (65% weighting)	Investment performance (15%), Adjusted operating profit (35%), Net flows excluding liquidity (15%)
Non-financial (35% weighting)	Performance against Customer (10%) and ESG objectives (incorporating people engagement and diversity metrics, and environmental measures) (15%) and progress on key strategic initiatives (10%)

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.

Performance conditions for 2023 Long-term incentive plan

	Target range ¹
Adjusted Diluted Capital Generation per share (50% weighting)	5% – 15% CAGR
Relative TSR ² (50% weighting)	Equal to median – equal to upper quartile

1. Straight line vesting occurs between threshold and maximum. 25% vesting for threshold performance.

2. The peer group is made up of the following global asset management peers: AJ Bell, Alliance Bernstein, Amundi, Ashmore Group, DWS Group, Hargreaves Lansdown, IntegraFin Holdings, Janus Henderson Group, Jupiter Fund Management, Liontrust Asset Management, Man Group, Ninety One, Quilter, Rathbones Group, St James's Place, Schroders.

3. Corporate governance statement continued

Directors' remuneration in 2022

This section reports remuneration awarded and paid at the end of 2022 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 2022:

Executive Directors		Basic salary for year £000s	Taxable benefits in year £000s ¹	Pension allowance paid in year £000s	Bonus paid in cash £000s	Bonus deferred £000s ²	LTIP with period ending in the year £000s	2019 EIP £000s	Total for the year £000s	Total fixed £000s	Total variable £000s
Stephen Bird	2022	875	1	158	331	331	–	–	1,696	1,034	662
	2021	875	1	158	880.5	880.5	–	–	2,795	1,034	1,761
Stephanie Bruce ³	2022	538	1	97	122	122	791	(139)	1,532	636	896
	2021	538	1	97	321	321	–	–	1,278	636	642

1. This includes the taxable value of all benefits paid in respect of the relevant year. Included for 2022 are medical premiums at a cost to the group of £606 for executive Directors.

2. This represents 50% of the total bonus award and is delivered in shares which will vest in equal tranches over a three-year period.

3. The final outcome of Stephanie Bruce's one off award is included in the column titled 'LTIP with period ending in the year', for the three tranches which vested in 2020, 2021 and 2022. This figure includes dividends awarded over the performance period and is calculated on the basis of the share price on date of exercise as previously disclosed in RNS announcements. Stephanie Bruce is the only current Director who participated in the 2019 Executive Incentive Plan (EIP). The vesting outcome was determined to be 25% (details can be found on page 111). The final outcome was therefore calculated as \$46k (and so £139k lower than stated in the 2019 Annual report and accounts). This adjustment is reflected in the table above.

Base Salary (audited)

There was no change to the base salaries of executive Directors in 2022.

Pension (audited)

Under the Directors' Remuneration Policy approved at the 2020 AGM, and consistent with the proposed policy for 2023, 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 2022 to 31 December 2022 against each of the elements of the executive Director bonus scorecard.

Financial performance metrics – 75% of total scorecard outcome

	Weighting (% of overall scorecard)	Threshold (25% of maximum)	Target (50% of maximum)	Stretch (100% of maximum)	Actual	Result (% of overall outcome)
Investment performance – % AUM above benchmark average of three-year and five-year for all asset classes	20%	55%	65%	70%	61.5%	8.25%
Net flows ^{1,2} (£bn)	15%	(3.2)	7.2	28	(12)	0%
Adjusted operating profit before tax ² (£m)	40%	323	336	363	196	0%

1. Excluding LBG tranche exits and cash/liquidity.

2. Excludes ii as financial targets were set prior to acquisition.

Non-financial performance metrics – 25% of total scorecard outcome

Category	Highlights from assessment	Result (% of overall outcome)
Environment (5%): Improvement on decarbonisation and progress on Operational Net Zero	<p>The environmental measures we selected focused on the important contribution our Company has to make as a global institutional investor and a responsible company. The Committee considered more than ten quantitative and qualitative measures. Our Sustainability and TCFD report, available on our website, contains detail on our performance in this area. Key factors in the determination were:</p> <ul style="list-style-type: none"> – The range of climate solutions developed across the asset classes globally, noting the Climate product strategy group which shapes our climate and net zero offering. – We are building the tools to track carbon intensity and we have a clear stance on our climate priorities as investors. There has been proactive engagement with clients and companies we invest in, including a stated policy on voting action. – Reduction in the carbon footprint for 2022, significantly less than the 2018 baseline. The Committee noted the ongoing trends that point to abrdn meeting our published target of 50% less than the 2018 baseline by 2025. 	5%

Category	Highlights from assessment	Result (% of overall outcome)
Social/people (8%): Improvements from baseline on People engagement, sustained progress on gender representation and ethnicity diversity targets	<p>abrdn is a people business and we believe that in order to succeed it needs to embed diversity, equity and inclusion within a strong and shared cultural framework, enabling us to continue to attract and maintain an engaged and diverse talent base. The Committee considered 10 quantitative and additional qualitative measures, including data points relating to gender representation across the workforce, employee engagement, ethnicity data and new hire statistics.</p> <ul style="list-style-type: none"> Increased female representation in senior leadership roles (to 39% from 36% in 2021) and ELT succession plans (up 50% on 2021). Our Gender Pay Gap has been reduced for the fifth consecutive year. 35% of early career roles were filled by ethnic minorities (which is above the 2025 target), helping to improve the diversity of our talent pipeline. Improved CEO and ELT visibility across the organisation, with clarity on strategy and improved two-way communication via new channels. 30 Culture Champions across the business and over 600 leaders have been engaged with the local roll out of our Commitments, helping to embed this culture throughout the organisation and the colleague lifecycle. Despite the challenges posed by enacting a major change agenda, engagement levels at the end of 2022 held up at 50% (2021: 51%). Whilst we are not where we need to be, we have clear plans in place to build engagement through 2023. 76% of employees rated abrdn as an Inclusive organisation (up from 70% in 2021). 	6%
Customer (12%): Measured across the Adviser, Personal and Investments vectors	<p>Our three vector model gives us an extremely diverse customer base, from institutional to adviser to retail. We therefore measure our success in delivering for our customers with reference to vector specific quantitative and qualitative metrics that holistically capture the experience of our different client groups. The Committee considered more than 25 quantitative and qualitative measures from internal and external sources. Key factors in the determination were:</p> <ul style="list-style-type: none"> For the Investments vector positive feedback was noted via the Voice of the Client survey, covering global clients across all asset classes, rating abrdn favourably on a number of areas across the various client experience steps. Overall client service and trust where amongst the areas of noteworthy recognition. There was also a strong RFP hit rate relative to prior year and no increase in redemptions in spite of the toughest investment year in half a century. Net promoter score (NPS) for the Adviser vector of 57% (which compared favourably relative to other leading companies) and was significantly up on the baseline from 2021. Significant improvement in customer satisfaction scores for the Adviser vector as well as improved survey responses to the question indicating intent for "more business" and external accolades received by the abrdn Wrap platform. Within the Personal vector, ii reported a 4% increase from the prior year in their Active and Engaged customer segment as well as attracting numerous market awards including Which? Recommended SIPP Provider 2022 and a Trust Pilot score of 4.7. 	11%

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 from the Audit Committee and the Risk and Capital Committee on material accounting, reporting and disclosure matters and the management of risk within the business. They also considered factors including the shareholder experience and pay for the wider workforce. In light of these, and noting 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.

2020-2022 Long-term Incentive Plan (LTIP) outcome

The following table details the targets and assessment of outcomes for the 2020-2022 LTIP award. The performance period for this award concluded on 31 December 2022. The Committee concluded that the award had not met the required threshold performance and the shares will therefore lapse.

	Threshold	Maximum	Actual outcome	% vesting
Capital Generation per share (CAGR)	11%	23 %	(4%)	0%
Relative TSR	Median	Upper quartile	Below median	0%

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.

3. Corporate governance statement continued

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 107. The Directors' Remuneration Policy requires executive Directors to accumulate and maintain a material long-term investment in abrdn 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:

	Total number of shares owned at 1 January 2022	Shares acquired during the period 1 January 2022 and 31 December 2022	Total shares owned as at 31 December 2022 ¹	Options exercised during the period 1 January 2022 and 31 December 2022	Vested but unexercised share options	Unvested shares		Shares lapsed
						Subject to performance conditions ²	Not subject to performance conditions ³	
Stephen Bird ⁴	700,000	82,355	782,355	32,355	-	3,426,584	475,399	-
Stephanie Bruce ⁵	360,000	246,633	606,633	139,924	-	1,462,891	194,265	-

1. There were no changes to the number of shares held by executive Directors between 31 December 2022 and 27 February 2023.

2. Includes: the 2020 LTIP and 2021 LTIP awards and the 2022 LTIP awards granted in 2022 disclosed below (awards subject to performance targets over the three-year period ending 31 December 2024), 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 11 April Stephen Bird exercised the first tranche of the deferred portion of his 2020 annual bonus award. The share price used for exercise was 205.70 pence. This resulted in a gain of £66,554.

5. On 9 August Stephanie Bruce exercised the final tranche of her one-off award and the first tranche of the deferred portion of her 2020 annual bonus award. The share price used for exercise was 161.15 pence. This resulted in a gain of £225,488.

The following table shows the number of qualifying awards included in assessing achievement towards the shareholding requirement, as at 31 December 2022. The total Qualifying holding includes shares held outright (which derive from vested and exercised awards plus any purchased shares) as well as Qualifying unvested awards. Purchased shares are valued at the higher of the cost of the purchase as disclosed in RNS announcements or the closing market price on 30 December 2022. Qualifying unvested awards include 50% of the value (as a proxy for the payment of tax due on the exercise of the awards) of awards not subject to performance conditions and which have not yet vested.

	Qualifying unvested awards		Total Qualifying holding (shares held from table above and 50% of Qualifying unvested awards) ¹	Value of holding ²	Shareholding requirement (as % salary)	Basic salary	Total of the value of shares owned and 50% of the value of qualifying awards at 31 December 2022 as a % of salary	Shareholding requirement met?
	Number of shares under the deferred share plan which are not subject to performance conditions	Number of shares under option under long-term incentive plans which are no longer subject to performance conditions						
Stephen Bird	475,399	-	1,020,055	£2,216,023	350%	£875,000	253%	In progress
Stephanie Bruce	194,265	-	703,766	£1,139,485	300%	£538,125	259%	In progress

1. Of the total number of shares shown, Stephen Bird purchased 750,000 shares at a total cost of £1,705k and Stephanie Bruce purchased 238,571 shares at a total cost of £515k.

2. The closing market price at 30 December 2022 used to determine the value of non-purchased shares was 189.25 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 third anniversary of the award was 3 June 2022 and vesting of the final tranche was determined based on performance up to that date. The award had a maximum value at grant of £750,000, and tranches one and two of the award vested at 100% in 2020 and 2021 respectively.

As previously disclosed, the vesting level of the third tranche was considered based on the final achievement against the efficiency targets. The outcome would 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.

The Remuneration Committee reviewed the outcome against the £1.75m (baseline target) and £230m (maximum target) in June 2022. As at 31 December 2021, actions had been taken which delivered £400m of annualised synergies, benefiting 2021 operating expenses by £320m (2020: £287m) (as published on page 50 of our 2021 ARA). Group Internal Audit reviewed and verified the data in relation to these efficiency targets for the period of the CFO's tenure, and the Remuneration Committee concluded that the final outcome was in excess of the stretch target of £230m required for maximum vesting. Performance was further assessed by the Committee taking into account the CFO's personal performance and conduct. Following checks with the Audit Committee and the Risk and Capital Committee to ensure there were no other matters which the Committee should take into account when determining this outcome, the Remuneration Committee approved the vesting level of the final tranche of the Award at 100% and the award vested on 3 June 2022. Ms Bruce exercised these shares on 9 August 2022 and they remain subject to Clawback terms for a period of up to five years from the date of award, as set out in the Remuneration Policy.

Executive Incentive Plan (EIP) outcome (audited)

Awards granted under the 2019 EIP to Stephanie Bruce and former executive Directors, set out in full on page 87 of the Annual report and accounts 2019, and summarised below, completed their performance period on 31 December 2022. 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	65%	25%
Flows	Gross new business flows underpin of £235bn ¹ Net new business flows underpin of £30bn ²	£175bn (£8bn)	0%
Return on adjusted equity	At least 17%	12%	0%
Cost/Income ratio	73% ³	82%	0%

1. Flows exclude investment in cash & liquidity funds and total Lloyds.

2. Flows exclude investment in cash & liquidity funds and strategic insurance partners.

3. The Cost/Income ratio was restated from 65% to 73% to remove the impact of JVs & Associates from the 2022 target and outcome following the change to how these are accounted for in 2021.

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. Note the figure for Stephanie Bruce is disclosed as part of the single total figure of remuneration on page 108.

Participant	Total EIP value deferred (£000s)	EIP value following performance outcome (£000s)	Original single total figure disclosure for 2019 (£000s)	Adjusted single total figure disclosure for 2019 (£000s)
Martin Gilbert	374	93.5	1,219	938.5
Keith Skeoch	563	141	1,472	1,050
Rod Paris	462	115.5	1,158	811.5
Bill Rattray	97	24	352	279

Awards granted in 2022 (audited)

The table below shows the key details of the LTIP and deferred awards granted in 2022:

Participant	Type of award	Basis of award	% of salary	Face value at grant ¹	Number of shares awarded	% payable for threshold performance	Details on performance conditions
Stephen Bird	Nil-cost option	LTIP	350%	£3,062,500	1,447,169	25%	Awards are subject to performance against targets measured over three years as set out on page 104 of the Annual report and accounts 2021.
Stephanie Bruce	Nil-cost option	LTIP	200%	£1,076,250	508,576		
Stephen Bird	Nil-cost option	Deferred Bonus	Not applicable	£880,466	416,060	Not applicable	Not applicable
Stephanie Bruce	Nil-cost option	Deferred Bonus	Not applicable	£320,856	151,619		

1. The share price used to calculate the number of shares for the awards was 211.62 pence (the five day average price from 31 March 2022).

3. Corporate governance statement continued

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 2022, the Company's standing against these dilution limits was 0.22% where the guideline is no more than 5% in any 10 years under all discretionary share plans in which the executive Directors participate and 0.71% 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, the abrdn Discretionary Plan, the deferred elements of the abrdn plc annual bonus plan, the Aberdeen Asset Management deferred plans and the abrdn all-employee plans. On 31 December 2022 the trusts held 65,858,129 shares acquired to satisfy these awards. Of these shares, 10,716,059 are committed to satisfying vested but unexercised awards. The percentage of share capital held by the employee trusts is 3.29% 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 UK employees (our largest jurisdiction) to buy abrdn plc shares directly from earnings.
A similar tax-approved plan is used in Ireland. At 31 December 2022, 1,552 individuals in the UK and Ireland were actively making monthly contributions averaging £72. At 31 December 2022, 1,694 individuals were abrdn plc shareholders through participation in the Plan.
- The Sharesave Plan which was offered in 2022 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 2022, 1,861 individuals were saving towards one or more of the Sharesave offers.

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. Significant external positions held during the year are set out below.

Executive Director	Role and Organisation	2022 Fees
Stephen Bird	Member of the Financial Services Growth & Development Board ¹ Board member at the Investment Association ²	£nil £nil

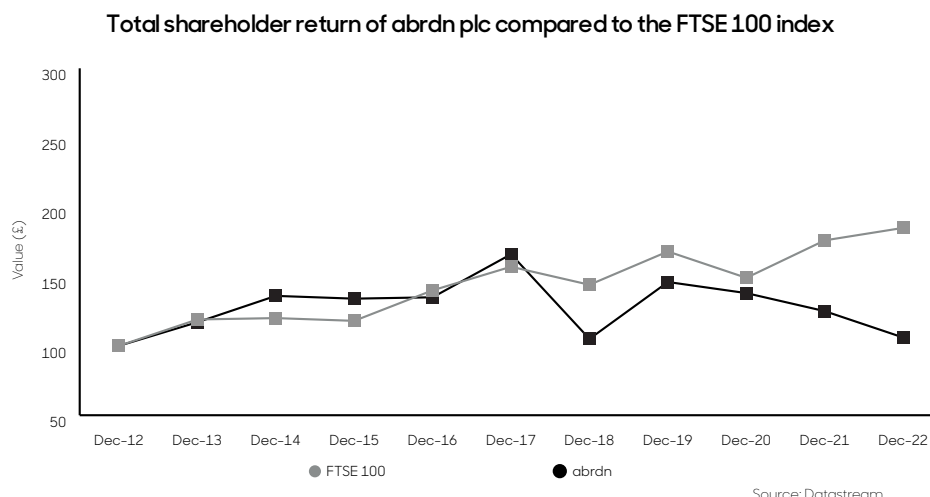
1. Appointed on 11 May 2022.

2. Appointed on 27 April 2022.

Executive Directors' remuneration in context

Pay compared to performance

The graph shows the difference in the total shareholder return at 31 December 2022 if, on 1 January 2013, £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 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 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 (%)
2022	Stephen Bird	1,696	30	0
2021	Stephen Bird	2,795	80.5	–
2020	Stephen Bird	1,044	48	–
	Keith Skeoch	1,075	48	–
2019 ¹	Keith Skeoch	1,050	9	–
2018 ^{1,2}	Keith Skeoch	814	10	–
	Martin Gilbert	814	10	–
2017 ²	Keith Skeoch	3,028	82	70
	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

1. The outcome has been updated to reflect the EIP vesting.

2. Co-CEOs.

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:

	2022	% change	2021
Remuneration payable to all Group employees (£m) ¹	549	-9%	604
Dividends paid in respect of financial year (£m)	295	-4%	308
Share buybacks and return of capital (£m)	302	637%	41
Adjusted profit before tax (£m)	253	-22%	323

1. In addition, staff costs and other employee related costs of £88m (2021: £97m) and £11m (2021: £53m) 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.

3. Corporate governance statement continued

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 in the relevant year 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. Year on year movement on base salaries or Director fees is primarily attributable to part-year appointment changes.

		% Base salary/fee			Annual bonus outcome			% Benefits ¹		
		2022	2021	2020	2022	2021	2020	2022	2021	2020
Executive Directors	Stephen Bird ²	-	100%	-	-62%	234%	-	-	-	-
	Stephanie Bruce	-	-	74%	-62%	69%	54%	-	-	100%
Non-executive Directors ^{3,4}	Sir Douglas Flint	-	-	-	-	-	-	-	-	-
	Jonathan Asquith	-	-	202%	-	-	-	-	-	-
	Catherine Bradley	-	-	-	-	-	-	-	-	-
	John Devine	6%	-3%	-2%	-	-	-	-100%	-	-100%
	Hannah Grove	334%	-	-	-	-	-	-	-	-
	Pam Kaur	-	-	-	-	-	-	-	-	-
	Brian McBride	-13%	59%	-	-	-	-	-	-	-
	Michael O'Brien	-	-	-	-	-	-	-	-	-
	Martin Pike	-60%	-	-3%	-	-	-	-	-	-100%
	Cathleen Raffaelli	10%	-	-	-	-	-	-	-	-100%
	Jutta af Rosenborg	-55%	-	-	-	-	-	-	-	-
	Cecilia Reyes	-14%	-	292%	-	-	-	-100%	-	-
UK-based employees ⁵		-	-	2.5%	-47%	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 116.

4. Martin Pike and Jutta af Rosenborg stepped down from the Board with effect 18 May 2022. Cecilia Reyes stepped down from the Board with effect 30 September. Catherine Bradley, Pam Kaur and Michael O'Brien were all appointed to the Board in 2022 and therefore no year on year comparison can be made on their fees.

5. Disclosure is made on the basis of a 1 April 2021 to 1 April 2022 comparison and so does not include the increases made in 2022 with effect from 1 October 2022 (as referred to in the section below).

How pay was set across the wider workforce in 2022

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 increase.

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. In 2022, a Group-wide decision was made not to carry out a salary review and, as disclosed in the Annual report and accounts 2021, the same approach was applied to executive Directors for 2022 where no increases were applied.

Over the course of 2022 global inflationary pressures impacted our colleagues and in response the Company decided to bring forward the 2023 salary review to have an effective date of 1 October 2022 (rather than 1 April 2023) for individuals who earned less than £75,000 per annum (or local country equivalent) on a full time equivalent basis and who had not had a material increase in the previous 18 months. This captured approximately 40% of our population. The average increase for those eligible employees was 6%, with the highest percentage increases typically at the most junior job levels.

The eligibility criteria for participation in variable pay plans is set so that more senior individuals have a greater proportion of their pay linked to performance. Some colleagues at more junior levels are not eligible to participate in the bonus plan, with their package instead consisting of only fixed pay, including a higher salary and therefore higher salary linked benefits (such as pension), ensuring certainty of outcome for these individuals compared to peers who are eligible to participate in the bonus plan.

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 2022 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 (BEE) programme continued with a variety of ways to connect with and gather feedback from employees globally including listening sessions, network engagement and 'meet the NEDs' sessions. These provide opportunities to have direct communication between employees and NEDs on a wide range of topics, including remuneration. The representative NED is able to provide updates and insights at each Board meeting ensuring that employee views are understood and can be taken into account. The representative NED also shares updates with employees via the BEE programme sessions.

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, 25th and 75th percentile total remuneration of full-time equivalent UK employees. We have identified the relevant employees for comparison using our gender pay gap data set (snapshot data from 5 April 2022), referred to as Methodology B in the legislation. 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 individuals identified at the 25th percentile and the 50th percentile had since left the business, therefore the next identified individuals were selected. The individual identified at the 75th percentile had been promoted in the year, 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 decreased from 2021, 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 2022, the bonus for the CEO paid out at 30.25% of maximum, compared to 80.5% of maximum in 2021. Consistent with that, the trend for bonus payments across all employees has also reduced, but not as materially as is the case for the CEO. The Committee is comfortable that the pay ratio reflects the pay and progression policies and Remuneration Philosophy across the Company as set out above. Further detail on the make up of workforce pay is set out below.

	Year	Method	25 th percentile	50 th percentile	75 th percentile
Stephen Bird	2022	Option B	35	25	16
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 (£000s)	Total pay (£000s)
CEO remuneration	875	1,696
25 th percentile employee	40	48
50 th percentile employee	55	69
75 th percentile employee	82	107

3. Corporate governance statement continued

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 2022. 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 31 December £000s	Taxable benefits in year ended 31 December £000s	Total remuneration for the year ended 31 December £000s
Sir Douglas Flint ¹	2022	475	-	475
	2021	475	-	475
Jonathan Asquith	2022	139	-	139
	2021	139	-	139
Catherine Bradley ²	2022	109	-	109
John Devine	2022	131	-	131
	2021	124	2	126
Hannah Grove ²	2022	126	-	126
	2021	29	-	29
Pam Kaur ³	2022	63	-	63
Brian McBride ⁴	2022	105	-	105
	2021	121	-	121
Michael O'Brien ³	2022	63	-	63
Martin Pike ⁵	2022	50	-	50
	2021	124	-	124
Cathleen Raffaeli ⁶	2022	164	-	164
	2021	149	-	149
Jutta af Rosenberg ⁵	2022	42	-	42
	2021	94	-	94
Cecilia Reyes ⁷	2022	81	-	81
	2021	94	9	103

1. Sir Douglas Flint is eligible for life assurance of 4x his annual fee. This is a non-taxable benefit.

2. Appointed to the Board with effect from 4 January 2022.

3. Appointed to the Board with effect from 1 June 2022.

4. Total fees include subsidiary Board fees of £30,000 p.a. as a member of the Standard Life Savings Limited and Elevate Portfolio Services Limited Boards.

5. Stepped down from the Board with effect from 18 May 2022.

6. Total fees include subsidiary Board fees of £55,000 p.a. as Chair of the Standard Life Savings Limited and Elevate Portfolio Services Limited Boards.

7. Stepped down from the Board with effect from 30 September 2022.

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 page 130. 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 296) and at the 2023 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		
Catherine Bradley	4 January 2022	AGM 2022
John Devine	4 July 2016	AGM 2017
Hannah Grove	1 September 2021	AGM 2022
Brian McBride	1 May 2020	AGM 2020
Cathleen Raffaeli	1 August 2018	AGM 2019
Pam Kaur	1 June 2022	AGM 2022
Michael O'Brien	1 June 2022	AGM 2022

Implementation of policy for non-executive Directors in 2023

The following table sets out abrdn non-executive Director fees to be paid in 2023. Fees for 2023 remain at the current level.

Role	2023 fees ¹	2022 fees
Chairman's fees ²	£475,000	£475,000
Non-executive Director fee ³	£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	£17,500
Committee membership (Nomination Committee)	£10,000	£10,000
Employee engagement	£15,000	£15,000

1. The core fee of £73,500 paid to each non-executive Director (including the Chairman) is expected to total £662k for 2023 (2022: £735k). 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 £1,408k for 2023 (2022: £1,407k).
2. 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.
3. 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.

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 at 1 January 2022 or date of appointment if later	Shares acquired during the period 1 January 2022 to 31 December 2022	Total number of shares owned at 31 December 2022 or date of cessation if earlier ⁵
Sir Douglas Flint	179,617	20,383	200,000
Jonathan Asquith	102,849	50,865	153,714
Catherine Bradley ¹	10,000	2,181	12,181
John Devine	28,399	-	28,399
Hannah Grove	33,000	-	33,000
Pam Kaur ²	-	-	-
Brian McBride	-	-	-
Michael O'Brien ²	-	-	-
Martin Pike ³	69,476	-	69,476
Cathleen Raffaeli	9,315	-	9,315
Jutta af Rosenborg ³	8,981	-	8,981
Cecilia Reyes ⁴	-	-	-

1. Appointed to the Board with effect from 4 January 2022.
2. Appointed to the Board with effect 1 June 2022.
3. Stepped down from the Board with effect 18 May 2022.
4. Stepped down from the Board with effect 30 September 2022.
5. There were no changes to the number of shares held by the reportable Directors noted above between 31 December 2022 and 27 February 2023.

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 2022 he purchased 20,383 abrdn plc shares. The total investment cost of Sir Douglas Flint's shareholding was £495k, equivalent to 104% of his annual fee. Based on the share price at 31 December 2022 (189.85 pence), his shareholding is valued at 80% of his annual fee.

3. Corporate governance statement continued

The Remuneration Committee

Membership





During 2022 the Remuneration Committee was made up of independent non-executive Directors. For their names, the number of meetings and committee member attendance during 2022, please see the table on page 84.

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 2022

	<ul style="list-style-type: none">– 2021 Directors' remuneration report.– Approve performance for the 2021 bonus targets, 2019 LTIP targets and 2018 EIP underpins.– Set 2022 annual bonus scorecard targets and 2022 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.
	<ul style="list-style-type: none">– Conduct retender process for external advisors to the Remuneration Committee.– Review Remuneration disclosures required by regulations.– Review Material Risk Taker identification principles with regard to the relevant regulations.– Review and approve changes to the Share Plan rules to ensure all plans meet best practice.
	<ul style="list-style-type: none">– Agree outcome of the final tranche of the CFO's one-off award.– Review and update the Group Remuneration Policy to reflect regulatory changes.– Review the Directors Remuneration Policy in light of the Company's strategy and market best practice.– Mid-year review of performance against target for annual bonus for the executive Directors.– Review gender pay gap data.– Update the Remuneration Committee and Compensation Committee's Terms of Reference.
	<ul style="list-style-type: none">– Refine the Directors Remuneration Policy, including consultation with largest shareholders.– Finalise bonus pool allocation principles.– Review 2023 remuneration proposals relating to all-employee remuneration.

At various points throughout the year the Committee also:

- Made remuneration decisions for the executive leadership team and other senior employees within the Remuneration Committee's remit, including approving the design of one-off incentive plans linked to specific projects.
- Received updates relating to regulatory changes and market best practice.
- Reviewed minutes of subsidiary Committee meetings and their governance documents.

External advisers

During the year, the Remuneration Committee took advice from Deloitte LLP (a member of the Remuneration Consultants Group (RCG)) who were appointed by the Remuneration Committee in 2017. Given the length of their tenure, and to ensure the Committee is receiving the best quality advice and value for money, a retender process was conducted at the start of the year. Following this review, PwC were appointed as external advisers to the Remuneration Committee, effective June 2022. PwC, who are also a member of the RCG, demonstrated detailed knowledge of our sector throughout the process and set out a competitive fee structure which ensures value for money. The Remuneration Committee is satisfied that the advice given from both advisers during the year was objective and independent.

A representative from our external adviser 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 abrdn (SLSPS) Pension Scheme. Fees paid to Deloitte LLP during 2022 for professional advice to the Remuneration Committee were £89,850.

As well as advising the Remuneration Committee, PwC also provided tax, risk management and consultancy services to the Company during the year. Fees paid to PwC during 2022 for professional advice to the Remuneration Committee were £100,000.

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.

Remuneration Committee effectiveness

The Committee reviews its remit and effectiveness each year. The effectiveness review was conducted externally by IBE.

The review included observation of a meeting, access to papers and interviews with Committee members. A representative of IBE provided feedback on the performance of the Committee directly to the Chair and the report and recommendations were discussed by the Committee. Details of the 2022 review are on page 81 and reflect the themes raised across the Board and its Committees.

Shareholder voting

We remain committed to ongoing shareholder dialogue and take an active interest in voting outcomes.

The remuneration policy was last 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 2022 AGM on 18 May 2022 and the following table sets out the outcome.

2021 Directors' remuneration report	For	Against	Withheld
% of total votes	96.23%	3.77%	
No. of votes cast	1,009,839,204	39,512,722	8,058,523

3. Corporate governance statement continued

Future remuneration policy

This section sets out the remuneration policy for executive Directors and non-executive Directors, which is subject to a binding vote of shareholders and will, if approved, take effect from the date of the 2023 AGM.

The Remuneration Committee agreed the following core principles designed to support our strategy, culture and values which guided the design of the remuneration framework going forward:

- Simple and easy to understand for participants and wider stakeholders alike.
- Aligns executive remuneration with the overall performance of the Company.
- Rewards executives for the delivery of both short-term plans and long-term returns to shareholders.
- Takes into consideration the external landscape relating to executive reward.
- Is market competitive to ensure that the Company is able to attract and retain the right talent to deliver the Company's strategic ambitions.

In determining the new remuneration policy, the Committee followed a robust process which included detailed discussions on the content of the policy at multiple Committee meetings. The Committee considered input from management (although decisions were taken by the Committee alone to avoid conflicts of interest), shareholders and its independent advisers.

Remuneration policy for executive Directors

Base salary - there is no change in the operation of this element of pay compared to the previous policy

Purpose and link to strategy

To provide a core reward for undertaking the role, commensurate with the individual's role, responsibilities and experience.

Maximum opportunity

Salaries for executive Directors are set at an appropriate level to attract and retain individuals of the right calibre and with the experience required.

Whilst no maximum is set, when considering annual incremental increases the Remuneration Committee is guided by the general increase for the broader employee population.

The Remuneration Committee may determine larger increases in certain circumstances, such as: development in role; change in responsibility; where a new or promoted employee's salary has been set lower than the market level for such a role and larger increases are justified as the individual becomes established in the role.

Operation

Normally reviewed annually, taking into account a range of factors including: (i) the individual's skills, performance and experience; (ii) increases for the broader employee population; (iii) external market data and other relevant external factors; (iv) the size and responsibility of the role; and (v) the complexity of the business and geographical scope.

Performance metrics

Not applicable.

Pension - there is no change in the operation of this element of pay compared to the previous policy

Purpose and link to strategy

To provide a competitive, flexible retirement benefit in a way that does not create an unacceptable level of financial risk or cost to the Company.

Maximum opportunity

Maximum employer contribution aligned to the maximum employer contribution available to the wider workforce in the relevant jurisdiction.

The current maximum employer contribution available to the UK wider workforce is 18% of salary.

Operation

Employee contributions are made to the Company's defined contribution pension arrangement, or equivalent cash allowances are paid.

Performance metrics

Not applicable.

The level of contribution/cash equivalent is reviewed periodically taking into account the pension opportunity offered to other employees within the Company.

Benefits – there is no change to the operation of this element of pay compared to our previous policy

Purpose and link to strategy

To provide market competitive and cost effective benefits.

Maximum opportunity

There is no maximum value of the core benefit package. The costs associated with benefits provision are monitored and controlled by the Remuneration Committee.

Maximum contributions under 'all-employee' share plans will be set in line with other employees and within the limits set by the relevant tax authority.

Operation

In line with other employees, executive Directors are provided with a package of core benefits, which include (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. Executive Directors are also eligible to participate in the Company's flexible benefits programme.

Executive Directors are provided with a health screening assessment.

Specific benefit provision may be subject to change from time to time. Additional benefits may be provided on recruitment or to support relocation with the Remuneration Committee's agreement.

Performance metrics

Not applicable.

Annual Bonus – financial performance measures account for a minimum of 65% of the maximum opportunity (previously 75%). The optionality to include personal performance measures has been removed.

Purpose and link to strategy

To reward the delivery of the Company's business plan in a range of financial and non-financial areas and to align executives' interests to those of shareholders and our customers and clients.

Maximum opportunity

The maximum award opportunity in respect of any financial year is based on role and is up to 300% of salary.

Operation

An annual incentive programme in respect of which the performance measures, and their respective weightings and targets, are normally set annually by the Remuneration Committee.

Normally 50% of the award will be paid in cash. No less than 50% will be deferred into shares vesting in equal tranches over a three-year period. A retention period may be applied, as required by relevant regulations.

Where required for regulatory purposes, deferred awards may be made in a combination of share awards and notional fund awards (which are conditional rights to receive a cash sum based on the value of a notional investment in a range of abrdn funds).

Deferred awards may include the right to receive (in cash or shares) the value of the dividends that would have accrued during the vesting period.

Awards are subject to malus and clawback.

The Remuneration Committee may adjust and amend awards in accordance with the rules.

Performance metrics

Performance is assessed against a range of key financial and non-financial measures.

At least 65% will be based on financial performance measures.

For threshold performance, the award opportunity is 25%, with 100% of the award payable for maximum performance. Payouts between threshold and maximum (100%) are determined on an annual basis. Details of the payout schedule will be disclosed in the relevant DRR.

The Remuneration Committee exercises its judgement to determine awards at the end of the performance period, which in normal circumstances will be one financial year, and will use its discretion to amend them if material change is required to ensure that the outcome is fair in the context of overall Company and individual performance and conduct. The Risk and Capital Committee and the Audit Committee advise the Remuneration Committee as part of this process to ensure that the performance outcomes have not been achieved by assuming inappropriate levels of risk.

3. Corporate governance statement continued

Long-Term Incentive Plan – there is no change to the operation of this element of pay compared to our previous policy

Purpose and link to strategy

To align with our shareholders and promote sustainability of our performance by rewarding the delivery of long-term growth in shareholder value.

Maximum opportunity

The maximum award opportunity in respect of any financial year is based on role and is up to 500% of salary.

However, when combined with the annual bonus, the total incentive opportunity may not exceed 700% of salary. This means that in financial years where the annual bonus opportunity is set at the maximum (300% of salary), the maximum LTIP award would be 400% of salary.

Up to 25% of the award vests for threshold performance.

Operation

An annual award of performance shares, normally subject to a three-year performance period, with a subsequent two-year holding period.

Performance targets are normally set annually for each three-year cycle by the Remuneration Committee.

Awards are subject to review by the Remuneration Committee at the end of the three-year performance period to confirm that vesting of the award is appropriate in the context of overall performance of the Company and the individual. The Committee may take advice from the Risk and Capital Committee and the Audit Committee to determine appropriate vesting.

Awards may include the right to receive (in cash or shares) the value of the dividends that would have accrued over the performance and holding period.

The Remuneration Committee may adjust and amend awards in accordance with the LTIP rules.

Awards are subject to malus and clawback.

Performance metrics

Performance metrics are set by the Remuneration Committee and are linked to the achievement of the Company's long-term strategic priorities and the creation of long-term shareholder value.

LTIP awards are subject to at least two performance metrics, with at least one being absolute in nature (e.g. an earnings based metric) and one being a relative metric (e.g. a shareholder return based metric, relative to the market or competitors).

Subject to these restrictions, the Committee retains the discretion to introduce other or additional performance metrics for future awards. Were the Committee to intend to introduce any such alternative or additional metric(s) for future awards, it would expect to consult with the Company's largest institutional shareholders in advance.

For 2023, the LTIP award will be based on the following metrics:

- Growth in Adjusted Diluted Capital Generation per share (50%).
- Relative total shareholder return measured against a bespoke competitor peer group (50%) (the peer group to be used for the 2023 LTIP is set out on page 107).

The Remuneration Committee retains the discretion to amend the final vesting level of awards if material change is required to ensure that they reflect fairly the performance of individuals or the Company.

Other features

Malus and clawback

Malus and clawback provisions apply to annual bonus and LTIP awards.

Under the malus and clawback provisions, the Remuneration Committee has the ability to reduce awards that have not yet vested (malus) and can require repayment of an award (clawback) for a period of up to five years from the date of award.

The circumstances in which malus or clawback would apply include, but are not limited to:

- A material misstatement of the Group's audited financial statements prior to the end of the Recovery Period.
- Any failure of risk management, fraud or other material financial irregularity.
- Material corporate failure.
- An error in the information or assumptions on which the award was granted, vests or is released, as a result of erroneous or misleading data or otherwise.
- Serious misconduct by a participant.
- Failure by a participant to meet or maintain appropriate standards of fitness and propriety.
- Any deliberate or severely negligent act or omission by a participant which has resulted in significant losses or material reputational damage to the Company (or any member of the Company's group).
- A material downturn in the financial performance of the Company, the Company's group, or any member or business unit of the Company for which the relevant participant works or has responsibility or accountability.
- Misbehaviour or material error by a participant.

Share ownership

Executive Directors are required to build up a substantial interest in Company shares.

The shareholding requirement for executive Directors remains at 350% of salary for the CEO and 300% of salary for other executive Directors. The Committee retains the discretion to reduce this requirement for new joiners to align it with the higher of their maximum LTIP opportunity or 200% of salary.

The post cessation of employment share ownership policy for executive Directors requires shares up to the value of the shareholding requirement to be held for a period of two years following departure from the Board.

Shares received as a result of employment must be accumulated (including dividend shares) until the shareholding requirements are met.

Vested and unvested shares which are not subject to performance conditions will count towards the total at 50% (on a notional net of tax basis). Shares received/exercised will count towards the total of shareholding requirements at 100%.

Voluntary purchases of shares will count towards the shareholding requirement and will be only released for sale in exceptional circumstances at the discretion of the Company Chairman and the Chair of the Remuneration Committee.

Voluntary purchases of shares will count towards totals at the higher of cost and market. However, voluntary purchases of shares will not be subject to post-employment retention rules.

3. Corporate governance statement continued

How our proposed remuneration structure supports our long-term strategy and strategic drivers

Our remuneration policy is designed to support our long-term strategy of delivering shareholder value, by aligning the interests of our executive Directors with our stakeholders – including our customers, our shareholders and our people. The performance goals that are set for the short-term element of variable remuneration reward the delivery of the Company's business plan, while the long-term element promotes sustainability and alignment by rewarding the delivery of long-term growth in shareholder value. A significant proportion of variable remuneration is delivered in the form of shares and deferred over a period of time, ensuring our Directors are further aligned to the shareholder experience.

Our overall strategy is to deliver diversified client-led growth. Our remuneration policy supports this objective by including investment performance as part of the financial measures, incentivising best in class impact and growth and incorporating customer and client metrics for satisfaction as part of the annual bonus non-financial assessment. The four strategic priorities are specifically supported by the remuneration policy as follows:

Our priorities	How our remuneration structure supports our priorities
Asia A key market for our Investments vector and an area where we are well-positioned to drive growth.	<ul style="list-style-type: none">– By ensuring our performance metrics are focused on Company performance and KPIs, individuals are incentivised to deliver strong performance across all Company activity globally.– Investment performance and net flows are measured as part of the annual bonus assessment, incentivising best in class impact and growth.– The achievement of strategic milestones will be recognised within the annual bonus assessment.
Sustainability Consideration of ESG factors is essential to more constructive engagement and better-informed investment decisions.	<ul style="list-style-type: none">– ESG factors are included as part of the annual bonus non-financial assessment, incorporating objectives against Environmental (via sustainability and decarbonisation metrics) and Social (via employee engagement and diversity metrics).– Our remuneration structure is weighted to long-term success, ensuring that executive Directors are incentivised to focus on sustainable outcomes.
Alternatives The growing trends for urbanisation, digitisation and decarbonisation create significant investment opportunities in real assets. Our Alternatives business also offers clients access to major areas of European private credit, as well as compelling opportunities in the hedge fund sector.	<ul style="list-style-type: none">– Investment performance and net flows are measured as part of the annual bonus assessment, incentivising best in class impact and growth.– By ensuring our performance metrics are focused on Company performance and KPIs, individuals are incentivised to deliver strong performance across all Company activity globally.– The achievement of strategic milestones will be recognised within the annual bonus assessment.– The focus on long-term outcomes via the LTIP incentivises and rewards future sustainable success and the creation of shareholder value.
UK savings and wealth As financial responsibility continues to move more towards individuals, we have successfully re-positioned our business towards an increasingly attractive and growing UK savings and wealth market.	<ul style="list-style-type: none">– By ensuring our performance metrics are focused on Company performance and KPIs, individuals are incentivised to deliver strong performance across all Company activity globally.– The achievement of strategic milestones will be recognised within the annual bonus assessment.– The focus on long-term outcomes via the LTIP incentivises and rewards future sustainable success and the creation of shareholder value.

The remuneration framework appropriately addresses the following principles as set out in the 2018 Corporate Governance Code.

Code provision	abrdn approach
Clarity	Incentive arrangements are based on clearly defined financial and non-financial metrics which are aligned with the Company's strategy for sustainable long-term growth. The Policy is materially unchanged, providing further clarity to participants through using a consistent approach.
Simplicity	<p>Remuneration arrangements are simple, while still complying with regulatory requirements. They comprise the following key elements:</p> <ul style="list-style-type: none"> – Fixed element: comprises base salary, benefits and pension, which are aligned to those offered to the majority of the workforce. – Short-term incentive: annual bonus which incentivises the delivery of financial and non-financial performance metrics aligned to the Plan for the year agreed with the Board. Half of the bonus is paid in cash with the balance deferred over a period of three years. – Long-term incentive: LTIP which incentivises financial performance over a three-year period, promoting long-term sustainable value creation for shareholders tied to established and transparent shareholder value metrics. Awards are subject to a two-year holding period post vesting.
Risk	<p>In line with regulatory requirements, remuneration arrangements across the Company are designed to ensure that they do not encourage excessive risk taking. Performance targets for incentive arrangements are set to reward delivery of the Company's business plan which is set in line with the Company's risk appetite statement. Variable remuneration for the executive Directors is delivered predominantly via shares. The executive Directors are subject to the shareholding requirements, including a post-cessation requirement (as set out in the shareholding requirement section on page 123), ensuring they remain exposed to and aligned with the risk profile of the Company.</p> <p>The Remuneration Committee retains the flexibility to review and amend formulaic outcomes to ensure that they are appropriate in the context of overall performance of the Company, including adherence to risk appetite limits. The Remuneration Committee takes advice from the Risk and Capital Committee and Audit Committee as part of this review.</p>
Predictability	The Remuneration scenario charts, set out on page 129, provide estimates on the potential future reward opportunity in a range of scenarios, including below threshold, target and maximum performance (including share price appreciation). Conditions around vesting are clear and understandable.
Proportionality	<p>Variable remuneration is directly aligned to the Company's strategic priorities (through the selection of key financial and non-financial performance metrics), with targets calibrated to ensure that payments are only made where strong performance is delivered.</p> <p>As noted above, the Remuneration Committee retains the flexibility to review formulaic outcomes to ensure that they are appropriate in the context of overall performance of the Company.</p>
Alignment with culture	The remuneration policy at abrdn has been set to be appropriate for the nature, size and complexity of the Company, recognising variances in markets and geographies. It has been designed to support the delivery of the Company's key strategic priorities and is in the best interests of the Company and its stakeholders, as set out on page 124. A shared culture and values by employees of the Company is critical to delivery of the Company's strategic priorities. This is recognised through alignment of the remuneration policy with the wider workforce whenever possible.

Notes to the policy table

Performance measures and approach to target setting

Performance targets for the Company's incentive arrangements are set on an annual basis by the Remuneration Committee. The Committee takes into account a range of factors including business forecasts, prior year performance, degree of stretch against the performance targets in the business plan, the economic environment, market conditions and expectations.

The following table sets out details on why the performance measures for the purpose of the annual incentive plan were chosen. These metrics and the balance between them may vary over time, but financial metrics will be weighted no less than 65% of the total.

3. Corporate governance statement continued

Financial metrics (overall at least 65% of the maximum opportunity)	Non-financial metrics (overall no more than 35% of the maximum opportunity)
<p>Measures to support the delivery of performance in each area are set as part of the Company's annual business plan. For reasons of commercial confidentiality detailed measures will be disclosed annually in arrears as part of the remuneration policy implementation report.</p> <p>2023 measures and their weighting are set out below:</p> <ul style="list-style-type: none"> – Adjusted profit before tax (35%). – Investment performance (15%). – Net flows (15%). <p>These measures were chosen to ensure a strong alignment with shareholders (via profitability measure) and a direct link to future financial performance as set out in the business plan (investment performance and net flows).</p>	<p>Non-financial metrics chosen to focus management on the delivery of the business strategic priorities for the financial year.</p> <p>Metrics may be linked to factors including, but are not limited to:</p> <ul style="list-style-type: none"> – ESG (15%) Performance against Environmental objectives (including sustainability commitments and carbon reduction programmes) and Social objectives (including gender and ethnicity targets) may be used to focus management on developing organisational capability and meeting our publicly stated commitments. – Customer (10%) Customer objectives (including customer feedback and satisfaction scores, NPS rankings and net new business scores) may be used to measure our success in ensuring that customers remain at the forefront of our sustainable strategy. – Strategic Initiatives (10%) Key strategic objectives will be used to focus executives on specific strategic priorities for the Company which they can deliver in order to drive improved performance in future years.

The following table sets out details on why the performance measures for the purpose of the Long-term Incentive Plan (LTIP) were chosen for the 2023 awards.

Growth in Adjusted diluted capital generation per share	Relative total shareholder return
<p>Captures a broad measure of the rate of increase in the company's ability to generate capital to sustain investment and dividend flows. Adjusted Capital Generation is closely aligned to the measurement of management's performance in generating sustainable increases in shareholder value from its growth vectors and strategic relationships, while excluding one-off items and mark-to-market changes in the fair value of significant listed investments, which are beyond management's direct control.</p>	<p>Aligns executive reward with the creation of shareholder value and provides an external assessment of Company performance against relevant peers which is less influenced by market effects.</p>

Remuneration Committee discretion in relation to existing commitments

The Remuneration Committee reserves the right to make any remuneration payments and payments for loss of office, notwithstanding that they are not in line with the policy set out above where the terms of the payment were agreed: (i) before the policy set out above, or (ii) at a time when a previous policy, approved by shareholders, was in place provided the payment is in line with the terms of that policy, or (iii) at a time when the relevant individual was not a Director of the Company and the payment was not in consideration for the individual becoming a Director of the Company. For these purposes, payments include the Remuneration Committee satisfying awards of variable remuneration. This means making payment in line with the terms that were agreed at the time the award was granted.

All awards are subject to malus and clawback provisions.

Remuneration Committee discretion in relation to future operation of the remuneration policy

The Committee will operate variable remuneration plans according to the respective rules of the plans. The Committee will retain flexibility in a number of areas regarding the operation and administration of these plans, including (but not limited to): change of control, changes in regulatory requirements, variation of share capital, demerger, special dividend, fund merger, winding up or similar events.

The Committee also retains the discretion within the remuneration policy to adjust targets and/or set different measures and weightings if events happen that cause it to determine that the original targets or conditions are no longer appropriate and that amendment is required so that the targets or conditions achieve their original purpose. Revised targets/measures will be, in the opinion of the Committee, no less difficult to satisfy than the original conditions.

Share awards, under the Company's share plans, may be granted as conditional share awards, nil cost options or forfeitable shares at the discretion of the Committee. Awards may at the Committee's discretion be settled in cash (for example, where required for local legal/regulatory purposes).

The Committee may accelerate the vesting and/or the release of awards if an executive Director moves jurisdictions following grant and there would be greater tax or regulatory burdens on the award in the new jurisdiction.

Remuneration policy for new executive Director appointments

Area	Policy
Principles	<p>In determining remuneration arrangements for new executive appointments to the Board (including internal promotions), the Committee applies the following principles:</p> <ul style="list-style-type: none"> – The Committee takes into consideration all relevant factors, including the calibre of the individual, local market practice and existing arrangements for other executive Directors, adhering to the underlying principle that any arrangements should reflect the best interests of the Company and its shareholders. – Remuneration arrangements for new appointments will typically align with the remuneration policy. – In the case of internal promotions, the Committee will honour existing commitments entered into before promotion.
Components and approach	<p>The remuneration package offered to new appointments may include any element of remuneration included in the remuneration policy set out in this report, or any other element which the Committee considers is appropriate given the particular circumstances but not exceeding the maximum level of variable remuneration set out below.</p> <p>In considering which elements to include, and in determining the approach for all relevant elements, the Committee will take into account a number of different factors, including (but not limited to) typical market practice and existing arrangements for other executive Directors and internal relativities.</p> <p>The maximum level of variable remuneration which may be awarded to a new executive Director, at or shortly following recruitment, shall be limited to 700% of salary. This limit excludes buyout awards which are in line with the policy as set out below.</p>
Buyouts	<p>To facilitate recruitment, the Committee may make an award to buy out remuneration terms forfeited on leaving a previous employer. In doing so, the Committee will adhere to regulatory guidance in relation to the practice of buyout awards to new recruits.</p> <p>In considering buyout levels and conditions, the Committee will take into account to the best of their ability the type of award, performance measures and the likelihood of performance conditions being met in setting the quantum of the buyout. The buyout award will reflect the foregone award in amount and terms (including any deferral or retention period) as closely as possible.</p> <p>Where appropriate, the Committee retains the discretion to utilise Listing Rule 9.4.2 for the purpose of making an award to buy out remuneration terms forfeited on leaving a previous employer or to utilise any other incentive plan operated by the Company.</p>

3. Corporate governance statement continued

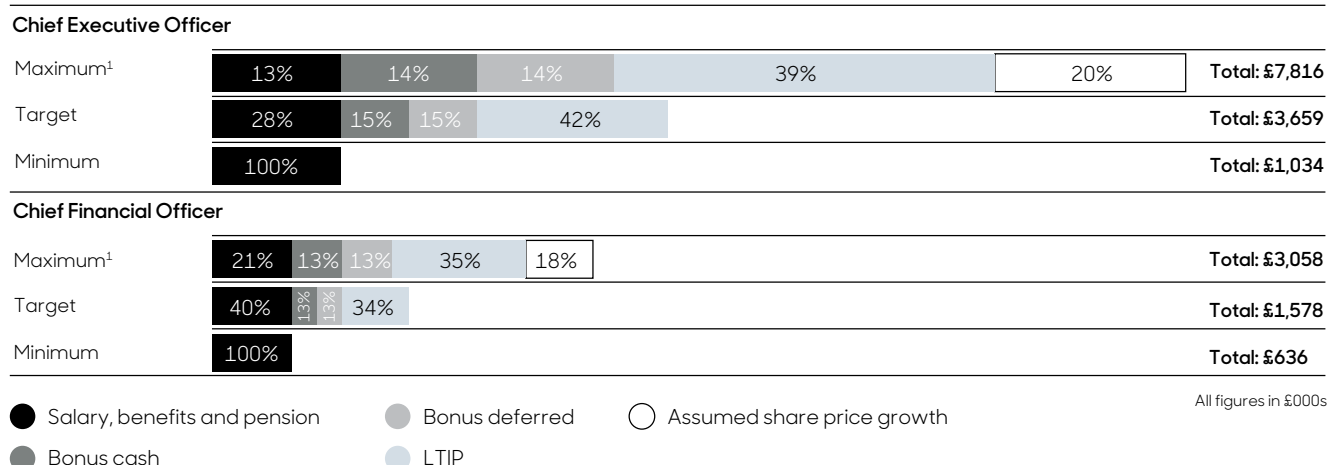
Service Contracts and loss of office policy for executive Directors

Within executive service contracts, the Committee aims to strike the right balance between the Company's interests and those of the executive Directors, whilst ensuring that the contracts comply with best practice, legislation and the agreed remuneration principles. Contracts are not for a fixed term, but set out notice periods in line with the executive Director's role.

Area	Policy
Notice period	<p>Our standard notice policy is:</p> <ul style="list-style-type: none"> – Six months by the executive Director to the employer. – Up to 12 months by the employer to the executive Director. <p>Executive Directors may be required to work during the notice period or take a period of 'garden leave' or may be provided with pay in lieu of notice if not required to work the full notice period.</p>
Termination payments	Any payment in lieu of notice will be made up of up to 12 months' salary, pension contributions and the value of other contractual benefits. The payment may be made in phased instalments (this will be standard policy for notice periods of over six months). A duty to mitigate applies.
Non-compete clauses	Apply during the contract and for up to 12 months after leaving, at the Company's choice.
Treatment of incentive awards	For the purpose of awards under the annual bonus, long-term incentive plan and Executive Incentive Plan, approved leavers are defined as those whose office or employment comes to an end because of death, ill-health, injury or disability, redundancy, or retirement with the agreement of the employing company; the sale of the individual's employing company or business out of the Group or any other reasons at the discretion of the Committee.
<p>Annual bonus plan</p> <p><i>Leavers during the award year</i></p> <p>For approved leavers, rights to awards under the annual bonus will typically be pro-rated as a proportion of the performance period, and will be paid at the normal time in the normal manner (i.e. in cash/ deferred awards as appropriate and subject to performance), unless the Committee determines that payments should be accelerated (e.g. on death). For other leavers, rights to awards under the annual bonus will be forfeit.</p> <p><i>Leavers during the deferral period</i></p> <p>For approved leavers, outstanding deferred awards under the annual bonus will typically vest and be released at the scheduled vesting date. The Committee retains the discretion to apply time pro-rating (over the deferral period) for approved leavers and to accelerate the vesting and/or release of awards if it considers it appropriate. For other leavers, rights to deferred awards will be forfeited.</p> <p>Awards under the Long-Term Incentive Plan</p> <p><i>Leavers during the performance period</i></p> <p>For approved leavers, outstanding awards under the LTIP will typically be pro-rated as a proportion of the performance period and will be released at the scheduled vesting date subject to performance. Subsequent holding periods will apply. The Committee retains the discretion to dis-apply time pro-rating for approved leavers. For other leavers, rights to outstanding awards will be forfeited.</p> <p><i>Leavers during the holding period</i></p> <p>Vested awards subject only to a holding period will be retained and released at the scheduled date.</p> <p>Legacy awards under the Executive Incentive Plan</p> <p><i>Leavers during the deferral period</i></p> <p>Outstanding deferred awards under the EIP will typically be paid at the normal time, subject to performance against the Underpin performance conditions. The Committee retains the discretion to apply time pro-rating (over the deferral period) for approved leavers and to accelerate the vesting and/or release of awards if it considers it appropriate. For other leavers, rights to deferred awards will be forfeited.</p>	
Other payments	The Committee reserves the right to make any other payments (including appropriate legal fees) in connection with an executive Director's cessation of office or employment where the payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of settlement of any claim arising in connection with the cessation of that executive Director's office or employment.
Change of control	Outstanding awards will be treated in line with the terms of the respective plans.

Scenario charts

The following chart illustrates how much the current executive Directors could receive under a range of different scenarios along with a comparison to our current policy:



1. There is no change to the maximum opportunity available under the proposed policy compared to the current policy.

Outcomes for the 2023 scenario chart are based on the following:

- Minimum – fixed pay, consisting of salary and pension effective 1 April 2023 (18% of salary), and benefits (the value of taxable benefits are as shown in the Single Total Figure of Remuneration table for 2022 on page 108).
- Target – fixed pay, 50% of the maximum bonus award, 50% of LTIP vesting.
- Maximum – fixed pay, 100% of maximum bonus award, 100% of LTIP vesting plus share price growth.

Maximum + share price growth assumes share price growth of 50% for the LTIP element (calculated by applying a 50% uplift to the face value at grant of the LTIP shares).

Remuneration arrangements throughout the Company

When setting the policy for executive Directors' remuneration, the Committee takes into account the pay and employment conditions elsewhere in the Company, recognising international variance and jurisdictional differences, where appropriate. The Committee is informed about the approach to salary increases, Company-wide benefits offerings including pensions, the structure of incentive arrangements and distribution of outcomes throughout the wider organisation, as well as the take-up of all-employee share plans, employee engagement survey results and employee morale, although it does not directly consult employees in the Company on the remuneration policy for executive Directors.

The Company applies a consistent remuneration philosophy for employees. In particular all employees receive a base salary and are eligible to receive benefits and pensions. The annual bonus cascades throughout the organisation with quantum and measures set appropriately for each individual's role. The LTIP, as set out above, is only received by the executive Directors. However there are different long-term incentives in use throughout the business that are relevant and in line with regulatory requirements for each business area. The remuneration philosophy is reviewed at least annually by the Remuneration Committee and may be updated to ensure that this remains aligned to business strategy and regulatory requirements as well as being appropriately structured to attract, retain and incentivise our employees.

Consideration of stakeholder views

The Remuneration Committee values the opportunity to engage in meaningful dialogue with its investors.

Prior to the 2023 AGM, as detailed in the Committee Chairman's cover letter, the Committee consulted with key institutional shareholders on the proposed policy and the changes that were being made. The proposed policy reflects the discussions with shareholders during the consultation process.

The Company does not explicitly consult with employees when making decisions pertaining to executive remuneration given the complex nature of these roles and the global nature of the business. However, via the Board Employee Engagement programme, employees have the opportunity for direct communication with the NEDs on a wide range of topics, including remuneration. The representative NED is able to provide updates and insights at each Board meeting ensuring that employee views are understood and can be taken into account.

3. Corporate governance statement continued

Remuneration policy for non-executive Directors

No changes are being proposed to the remuneration policy for the Chairman and non-executive Directors. The policy remains as follows:

Area	Policy
Approach to fees	<ul style="list-style-type: none">– Fees for the Chairman and non-executive Directors are set at an appropriate level to reflect the time commitment, responsibility and duties of the position and the contribution that is expected from non-executive Directors.– Board membership fees are subject to a maximum cap which is stated in the Company's articles of association. Any changes to the cap would be subject to shareholder approval.
Operation	<ul style="list-style-type: none">– The remuneration policy for non-executive Directors is to pay: (i) Board membership fees; and (ii) further fees for additional Board duties such as chairmanship or membership of a committee, the Senior Independent Director, and service on subsidiary boards, in each case to take into account the additional responsibilities and time commitments of the roles. Additional fees may be paid in the exceptional event that non-executive Directors are required to commit substantial additional time above that normally expected for the role.– The Chairman receives an aggregate fee, which includes the chairmanship of any appropriate Board committee(s).– The Board annually sets the fees for the non-executive Directors, other than the fee for the Chairman of the Company which is set by the Committee.– Fees are set at a market rate with reference to the level of fees paid to other non-executive Directors of FTSE100/FTSE250 financial services companies.– The Board retains discretion to remunerate the non-executive Directors in shares rather than cash where appropriate.
Other items	<ul style="list-style-type: none">– The Chairman and non-executive Directors are not eligible to participate in any incentive arrangements.– Additional fees or benefits may be provided at the discretion of the Committee in the case of the Chairman, and the Board in the case of the other non-executive Directors, to reflect, for example, life assurance, housing, healthcare, office, transport and other business-related expenses incurred in carrying out their role.

Non-executive Directors, including the Chairman, have letters of appointment that set out their responsibilities. The key terms are:

- Period of appointment: a three-year term, which can be extended by mutual consent and is subject to re-election by shareholders in line with the Company's articles of association and the UK Corporate Governance Code.
- Notice periods: six months for the Chairman. No notice period for other non-executive Directors.
- Termination payment: there is no provision for compensation payments for loss of office for non-executive Directors.

If a new Chairman or non-executive Director is appointed, the remuneration arrangements will normally be in line with those detailed in the remuneration policy for non-executive Directors above.

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 2022.

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 67, as the Board considers they fit better within that report. Specifically, these are:

- Future business developments.
- Risk management.
- Our approach to managing, and reporting, on our global greenhouse gas emission impact(s).
- Information on how the Directors have had regard for the Company's stakeholders (also covered in the Corporate governance statement on pages 76 and 77).
- 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 80).

Reporting for the year ended 31 December 2022

During 2022, the Group operated primarily in the UK, rest of Europe, Asia and the Americas. More information about the relevant activities of the Company's principal subsidiary undertakings are in the Strategic report on pages 2 to 67.

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 2022 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 74 to 130 is submitted by the Board.

The results of the Group are presented in the Group financial statements on pages 156 to 264. 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 18 and Note 35 to the Group financial statements. These notes are incorporated into this report by reference.

This report 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 2022 of 7.30p per ordinary share. This will be paid on 16 May 2023 to shareholders whose names are on the register of members at the close of business on 31 March 2023.

The total payment is estimated at £142m for the final dividend and together with the interim dividend of 7.30p per share totalling £153m paid on 27 September 2022, the total dividend for 2022 will be 14.60p per share (2021: 14.60p) totalling £295m (2021: £308m).

Share capital

The Company's issued share capital as at 31 December 2022 comprised a single class of ordinary share. Full details of the Company's share capital, including movements in the Company's issued ordinary share capital during the year, are in Note 24 to the Group financial statements, which is incorporated into this report by reference. An analysis of registered shareholdings by size, as at 31 December 2022, can be found in the Shareholder information section on page 296.

On 6 July 2022, the Company announced the commencement of a share buyback programme of the Company's ordinary shares up to a maximum aggregate consideration of £300m. The programme completed on 8 December 2022. The purpose of this programme was to return value to shareholders, reduce the share capital of the Company and increase the earnings per share as a result. A share buyback was considered the most efficient method to achieve this. All shares purchased have been cancelled. In total 178,835,268 shares were cancelled through this programme.

As at 31 December 2022, there were 2,001,891,899 ordinary shares in issue held by 89,155 registered members. The abrdn Share Account (the Company-sponsored nominee) held 648,559,822 of those shares on behalf of 914,644 participants. No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

4. Directors' report continued

Between 1 January 2022 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 voting rights following the transaction	Percentage of voting rights following the transaction
Silchester International Investors LLP	19 January 2022	Acquisition of voting rights	109,500,722	5.02%
M&G Plc	17 March 2022	Acquisition of voting rights	110,293,454	5.06%
M&G Plc	21 April 2022	Disposal of voting rights	104,256,375	4.78%
M&G Plc	14 September 2022	Acquisition of voting rights	109,161,748	5.08%
Blackrock Inc	30 November 2022	Acquisition of voting rights	203,451,402	10.03%

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.

Similarly, in accordance with the terms of The Aberdeen Asset Management Employee Benefit Trust 2003 and The abrdn Employee Benefit Trust 2019 (formerly named 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.

A copy of the Articles can be obtained 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.



The Articles are on our website at 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 passu* rights 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 2022 Annual General Meeting (AGM), shareholders granted the Directors limited powers to:

- Allot ordinary shares in the Company up to a maximum aggregate amount of £101,536,408.
- Disapply, up to a maximum total nominal amount of £15,230,461 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 218,072,513 of its issued ordinary shares which represented 10% of the share capital at the time.

During 2022, under the authority granted at the 2022 AGM, the Company purchased 178,835,268 of its ordinary shares of 13⁶¹/₆₃ pence each, paying an aggregate amount of £299,584,946. As at 31 December 2022, the percentage of share capital represented by these purchased shares was approximately 9%.

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 £400m 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.

Mike O'Brien and Pam Kaur were appointed as non-executive Directors on 1 June 2022.

Cecilia Reyes stepped down from the Board on 30 September 2022.

As announced, Brian McBride will not stand for re-election at the 2023 AGM on 10 May 2023 and will stand down from the Board from that date.

All remaining Directors as at the date of the 2023 AGM, will retire and stand for re-election.

The powers of the Directors can also be found in the Articles.

4. Directors' report continued

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)	
Stephen Bird	Hannah Grove
Stephanie Bruce	Martin Pike ¹
Jonathan Asquith	Cathleen Raffaeli
Catherine Bradley ³	
Brian McBride	Cecilia Reyes ²
John Devine	
Pam Kaur ⁴	
Mike O'Brien ⁴	Jutta af Rosenborg ¹

1. Retired 18 May 2022.

2. Retired 30 September 2022.

3. Appointed 4 January 2022.

4. Appointed 1 June 2022.

 Biographies of the current Directors can be found on pages 70 to 73.

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 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 2022, 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.



More on our people strategy can be found in the Strategic report section of this report.

Communicating with and engaging employees

We have an extensive programme of communication and engagement activity that aims to inform and involve colleagues, from our purpose-led strategy through to day-to-day activity that supports our business and clients. We have balanced the sharing of clear, transparent messaging on key topics with listening closely to our colleagues – via our regular Pulse surveys and anecdotal feedback – continuously shaping our activity as we progressed through 2022.

We have intentionally focused on building a tone of openness and honesty where we talk to our people, hear their questions and respond in real time. We continue to engage with our Employee Forum in the UK, and networks outside the UK, not only on matters of organisational change, but also prior to introducing new channels or initiatives.

Getting our colleagues closer to our leaders to build mutual understanding, encourage two-way discussion and focus on our goals was a key objective of this year. We introduced CEO-channels such as team visits, coffee sessions, our new 'As It Is' video channel and townhalls across the world that together achieved high levels of interaction and engagement throughout the company. This was complemented by our ELT-led channels of local townhalls and our new, company-wide 'Let's Hear It' bi-monthly events.

Colleague recognition is playing more and more of a role in how it feels to work at abrdn. Mid-year we launched thank you cards and our 'Praise Board' on abi (our intranet) and thousands of colleagues have taken time out to shout out their peers and teams for the great work they are doing. Recently we also added the ability to recognise in line with our culture Commitments, building greater momentum and supporting positive change.

We continue to support our performance culture – by giving leaders and colleagues new and simple tools to support meaningful conversations, as well through our mid and end of year reviews. We also simplified the review process and introduced a new goal aligned to our culture Commitments which will see every colleague globally set a goal directly related to their role in making abrdn a great place to work.

Diversity, equity and inclusion

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. In 2022 we reviewed our recruitment process and realised

that although we had always offered candidates the ability to make adjustments they needed to our recruitment process for their disability, this wasn't often used or very obvious. We revised the diversity statement on our interview letters and templates to include specific wording and guidance for candidates with a disability or who are neurodivergent. We also ran workshops in 2022 to make clearer for colleagues how they can benefit from assistance or an adjustment if they are neurodivergent, or have any physical, sensory, cognitive, mental, visible or invisible disability.

DEI policy, how it is implemented, progress made against it
To complement the Board's formal diversity statement www.abrdn.com/corporate/about-us/governance, the executive leadership team put in place a Global Diversity, Equity and Inclusion policy in 2019 www.abrdn.com/corporate/about-us/diversity-and-inclusion. It affirms that diversity, equity 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, enabling them to thrive and aiming for inclusion, we can empower our people to be innovative and passionate about creating value for our clients and communities.

We are making good progress against our DEI objectives and are focused on building on this because we know there is more to do at abrdn and across our industry. Our 2022 Diversity, Equity and Inclusion report describes our progress and how the objectives of our policy are implemented. Our 2022 report can be found on our website at www.abrdn.com/corporate/about-us/diversity-and-inclusion. Progress against our diversity, equity and inclusion framework is reviewed twice a year by the Nomination and Governance Committee.

Gender representation

Gender Diversity	31 December 2022	Target by 2025
Women at plc Board	45% (5 of 11)	40% women 40% men 20% any gender
Women in senior leadership ¹	39% (52 of 132)	40% women 40% men 20% any gender
Women in global workforce	46% (2226 of 5147)	50% (+/- 3% tolerance)

1. 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. More details about how the business is run sustainably can be found throughout the Strategic report. The non-financial information statement on page 46 summarises where key information on the approach can be found. For details of greenhouse gas emissions, please see page 39.

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, 2022 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 2023 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 2023 AGM is scheduled to take place on 10 May 2023 in Edinburgh. Details of the meeting content can be found in our AGM guide 2023. 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

In January 2023 the Group decided to exit a leased US property and an impairment of £1.3m was recognised on the right-of-use property asset.

On 26 February 2023, the Group agreed the sale of abrdn Capital Limited (aCL), its discretionary fund management business, to LGT. aCL is part of the Personal segment. The sale is expected to complete in the second half of 2023, following satisfaction of certain conditions including receipt of customary regulatory approvals. The sale involves the transfer of approximately £6.1bn in assets under management (as at 31 December 2022) and approximately 140 employees. The agreed purchase price to be paid at completion is £140m, subject to certain adjustments, principally reflecting activity in the period to completion. The sale is expected to result in an IFRS profit on disposal of subsidiaries of approximately £60m and an IFRS regulatory capital benefit of approximately £120m.

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.

Topic	Location		
	Directors' report	Directors' remuneration report	None/ 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			x
Details of long-term incentive schemes		x	
Waiver of emoluments by a Director			x
Waiver of future emoluments by a Director			x
Non pre-emptive issues of equity for cash			x
Non pre-emptive issues of equity for cash in relation to major subsidiary undertakings			x
Parent participation in a placing by a listed subsidiary			x
Contracts of significance			x
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. 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 2026. 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:



Julian Baddeley
Company Secretary

28 February 2023

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 UK-adopted international accounting standards 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*.

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 UK-adopted 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.
- Assess 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. In accordance with Disclosure Guidance and Transparency Rule 4.1.14R, the financial statements will form part of the annual financial report prepared using the single electronic reporting format under the TD ESEF Regulation. The auditor's report on these financial statements provides no assurance over the ESEF format.

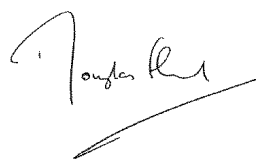
Responsibility statement of the Directors in respect of the annual financial report

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

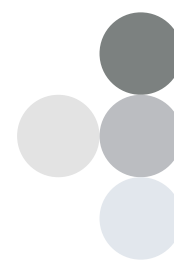
28 February 2023



Stephanie Bruce
Chief Financial Officer

28 February 2023

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 auditor's report to the members of abrdn plc

1. Our opinion is unmodified

In our opinion:

- The financial statements of abrdn plc give a true and fair view of the state of the Group's and of the parent company's affairs as of 31 December 2022, and of the Group's loss 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.
- The Group and parent company financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

What our opinion covers

We have audited the Group and parent company financial statements of abrdn plc ('the parent company' or 'the Company') for the year ended 31 December 2022 (FY22) included in the Annual report and accounts, which comprise:

Group	Parent company (abrdn plc)
Consolidated income statement	Company statement of financial position
Consolidated statement of comprehensive income	Company statement of changes in equity
Consolidated statement of financial position	Notes A to R to the parent company financial statements, including the accounting policies in the Company accounting policies section.
Consolidated statement of changes in equity	
Consolidated statement of cash flows	
Notes 1 to 45 to the Group financial statements, including the accounting policies within those notes and in the Presentation of consolidated financial statements section.	

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 and matters included in this report are consistent with those discussed and included in our reporting to the Audit Committee (AC).

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.

2. Overview of our audit

Factors driving our view of risks		Key audit matters	vs FY21	Item
<p>Following our FY21 audit and considering developments affecting the abrdn plc Group since then, we have updated our risk assessment.</p> <p>There has been increased uncertainty in the macro-economic environment, including increased market turbulence which has adversely impacted the Group's fee-based revenue over the financial year, in addition to the wider performance challenges faced by the Group (in particular within the Investments vector).</p> <p>The resultant impact on loss before tax has impacted our determination of the appropriate materiality benchmark and wider risk assessment. Our materiality levels are reduced from the prior year and this has affected our Key Audit Matters identified which are explained below.</p> <ul style="list-style-type: none"> – The significance of the acquisition of Interactive Investor in May 2022 has resulted in the recognition of a new Key Audit Matter over the related accounting implications, specifically the identification of intangible assets to be recognised with a corresponding impact on the goodwill recognised and the allocation of that goodwill to the relevant cash generating units. This replaces the event driven Key Audit Matter relating to the Tritax acquisition that was reported in the prior year. – Given the challenging global economic environment as well as the Group's wider financial performance, we identified that the risks around the recoverability of certain of the Group's goodwill balances and certain of the parent company's investments in subsidiaries have increased. As a result, the recoverability of certain goodwill was added to the Key Audit Matter on the recoverability of certain investments in subsidiaries that we had identified as a Key Audit Matter in the prior year. We identified the risks associated with the key assumptions used in determining the estimated recoverable amount for the applicable cash generating units supporting recognised goodwill and the estimated recoverable amount of investments in subsidiaries (including forecast cash flows, market multiples (and applicable premiums/discounts) and discount rates (as applicable)) as significant. – As part of our risk assessment, we maintained our focus on future economic and operational assumptions used by the Group in estimates. The most significant area that these could impact the financial statements (outside of goodwill and investment in subsidiaries as noted above) is in the valuation of the defined benefit pension obligation. As a result, this was maintained as a Key Audit Matter. – We identified a new Key Audit Matter in respect of recognition of management fee revenue from contracts with customers. Our assessment is that the risk is increased from 2021. In our view, the nature and complexity of management fee calculations has increased year on year, at the same time as market volatility and uncertainty has driven increased revenue focus. <p>While not reported as Key Audit Matters, we also identified that the Group's ongoing cost control transformation programme and corporate transactions would have financial reporting implications that would require consideration in the Group and parent company financial statements, including judgments around the classification of assets as held for sale and the presentation of expenses as restructuring expenses.</p>		Accounting implications of the acquisition of Interactive Investor	+	4.1
		Recoverability of certain goodwill and of certain of the parent company's investments in subsidiaries	↑	4.2
		Valuation of the UK defined benefit pension scheme present value of funded obligation	↔	4.3
		Revenue recognition: management fee revenue from contracts with customers	+	4.4

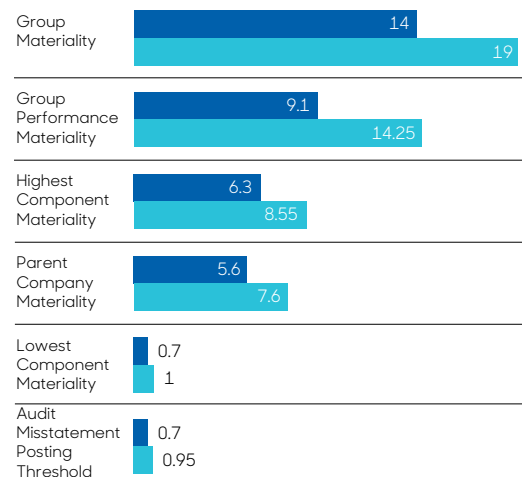
Audit Committee interaction	During the year, the AC met 7 times. KPMG are invited to attend all AC meetings and are provided with an opportunity to meet with the AC in private sessions without the Executive Directors being present. The Group engagement partner met with the Audit Committee Chair privately before each AC and also attended all Risk and Capital Committee meetings held during the year. For each Key Audit Matter, we have set out communications with the AC in Section 4, including matters that required particular judgment for each.
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The matters included in the Audit Committee Chair's report on page 86 are materially consistent with our observations of those meetings.

Our Independence	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.	Total audit fee	£6.2m
	We have not performed any non-audit services during FY22 or subsequently which are prohibited by the FRC Ethical Standard.	Audit related fees (including interim review)	£2.3m
	We were first appointed as auditor by the shareholders for the year ended 31 December 2017. The period of total uninterrupted engagement is for the six financial years ended 31 December 2022.	Other services	£1.3m
	The Group engagement partner is required to rotate every 5 years. As these are the first set of the Group's financial statements signed by Richard Faulkner, he will be required to rotate off after the FY26 audit.	Non-audit fee as a % of total audit and audit related fee %	15%
	The average tenure of partners and directors responsible for component audits as set out in Section 7 below is 3 years, with the shortest being the first year of involvement and the longest being five years.	Date first appointed	16 May 2017
		Uninterrupted audit tenure	6 years
		Next financial period which requires a tender	FY27
		Tenure of Group engagement partner	1 year
		Average tenure of component signing partners and directors	3 years

Materiality (item 6 below)	<p>The scope of our work is influenced by our view of materiality and our assessed risk of material misstatement.</p> <p>We have determined overall materiality for the Group financial statements as a whole at £14m (FY21: £19m) and for the parent company financial statements as a whole at £5.6m (FY21: £7.6m).</p> <p>For FY22, we determined that total revenue is the benchmark for Group. In previous years we have based our materiality on a normalised profit benchmark, however as the Group's underlying performance is lower year on year, we assessed that using a normalised profit measure would indicate a materiality which is inappropriate for the size and scale of the wider business.</p> <p>As such, we based our Group materiality on total revenue of which it represents 0.9% (FY21: 5% of normalised profit before tax).</p> <p>Materiality for the parent company financial statements was set as 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% (FY21: 0.1%).</p>
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Materiality levels used in our audit



● FY22 £m
● FY21 £m

Group Scope (Item 7 Below)

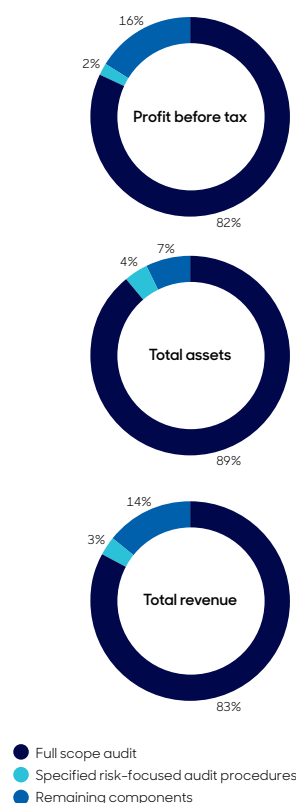
We have performed risk assessment and planning procedures to determine which of the Group's components are likely to include risks of material misstatement to the Group financial statements, the type of procedures to be performed at these components and the extent of involvement required from our component auditors around the world.

Of the Group's 311 (FY21: 301) reporting components, we subjected 19 (FY21: 17) to full scope audits for Group purposes, and 2 (FY21: 4) 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. The components within the scope of our work accounted for the percentages illustrated opposite.

In addition, we have performed Group level analysis on the remaining components to determine whether further risks of material misstatement exist in those components.

We consider the scope of our audit, as communicated to the Audit Committee, to be an appropriate basis for our audit opinion.

Coverage of Group financial statements



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 and accounts.

As disclosed in Note 35, the Group's direct exposure to climate change in the financial statements is primarily through its 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. 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. As such, the impact of climate change was limited to the valuation of level 3 investment holdings; 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 did not consider the potential impact of climate change on the sustainability of earnings or cashflow forecasts to be material.

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 and accounts as set out on pages 28 to 47 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.

3. Going concern, viability and principal risks and uncertainties

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the parent company or to cease their operations, and as they have concluded that the Group's and the parent 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).

Going Concern

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's and the parent 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 parent company's available financial resources over this period was increased market volatility.

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 parent company's current and projected cash and facilities (a reverse stress test). We also assessed the completeness of the going concern disclosure.

Accordingly, based on those procedures, we found the Directors' use of the going concern basis of accounting without any material uncertainty for the Group and parent company to be acceptable. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgments that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the parent company will continue in operation.

Our conclusions

- 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 parent 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)(v) 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's and the parent company's use of that basis for the going concern period, and we found the going concern disclosure in Note (a)(v) to be acceptable.
- The related statement under the Listing Rules set out on page 136 is materially consistent with the financial statements and our audit knowledge.

Disclosures of emerging and principal risks and longer-term viability

Our Responsibility

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 on page 62 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 Evolving and emerging risks and Principal risks and uncertainties disclosures describing these risks and how emerging risks are identified and explaining how they are being managed and mitigated.
- 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 62 under the Listing Rules.

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 judgments 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 parent company's longer-term viability.

Our Reporting

We have nothing material to add or draw attention to in relation to these disclosures.

We have concluded that these disclosures are materially consistent with the financial statements and our audit knowledge.

4. Key audit matters

What we mean

Key audit matters are those matters that, in our professional judgment, 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.
- Directing the efforts of the engagement team.

We include below the Key Audit Matters in decreasing order of audit significance, 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 for the purpose of our audit of the financial statements as a whole. We do not provide a separate opinion on these matters.

4.1 Accounting implications of the acquisition of Interactive Investor (group)

Financial Statement Elements	Our assessment of risk vs FY21		Our findings
	FY22		
Goodwill:	£993m	✦ 2022 event driven Key Audit Matter	FY22: Balanced
Intangible assets:	£469m		

Description of the Key Audit Matter	Our response to the risk
<p>Subjective judgment and estimate</p> <p>In May 2022, abrdn completed the acquisition of Interactive Investor (ii). There are a number of accounting estimates and judgments associated with the acquisition accounting for this transaction.</p> <p>On acquisition, separate intangible assets must be identified and valued. Both the identification of intangible assets to be recognised and the valuation of these assets are subjective, and involve judgment (e.g. determination of the useful economic life of acquired intangible assets) and estimation uncertainty (e.g. the determination of the discount rate or cash flow forecasts to be used in their valuation).</p> <p>The recognition of intangible assets, and other acquired assets/ liabilities, have a corresponding impact on the goodwill recognised on acquisition. In addition, the allocation of total recognised goodwill to the relevant cash generating units (CGUs) is also subjective and involves judgement.</p> <p>The effect of these matters is that, as part of our risk assessment, we determined that the fair value of the identified intangible assets and the related goodwill recognised on acquisition 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 and possibly many times that amount.</p>	<p>We performed the procedures 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.</p> <p>Our procedures to address the risk included:</p> <p>Our business combination and sector expertise: We considered the rationale for the acquisition, reviewed the terms of the acquisition, including Board papers and other available information and challenged the Group, and their third party experts, on the identification of intangible assets.</p> <p>Our valuation expertise: Using our own valuation specialists, we challenged the identification and valuation analysis prepared by the Group (and the third party valuations experts who assisted the Group), 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 used in the valuation analysis, including performing a critical assessment of the reliability of the Group's forecasts and comparing the discount rate assumption used with our own expected range.</p> <p>Our sector expertise: We critically assessed the methodology and input assumptions (in respect of forecast earnings, including synergies) used by the Group in determining the allocation of recognised goodwill to relevant CGUs.</p> <p>Sensitivity analysis: We 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 the separately identifiable intangible assets and corresponding allocation of the purchase price to goodwill.</p> <p>Assessing transparency: We assessed the Group's disclosures in respect of the acquisition, including the determination of applicable input assumptions.</p>

Communications with the abrdn plc Audit Committee

Our discussions with and reporting to the Audit Committee included:

- Our definition of the key audit matter relating to the accounting implications of the acquisition of Interactive Investor.
- Our audit response to the key audit matter which included the use of specialists to challenge key aspects of the Group's identification and valuation of intangible assets.
- The findings of our procedures.

Areas of particular auditor judgment

We identified the following as the areas of particular auditor judgment:

- Subjective and complex auditor judgment was required in evaluating the key assumptions used by the Group (including the discount rate and cash flow forecasts) and in assessing the judgment in respect of separate intangibles identified and the allocation of goodwill to the relevant CGUs.

Our findings

In determining the allocation of goodwill to the relevant CGUs and the useful economic life of identified intangibles there is room for judgement and we found that within that, the Group's judgement was balanced (FY21: n/a). We also found the Group's valuation of the fair value of the intangible assets and goodwill recognised on the acquisition of ii to be balanced (FY21: n/a) with proportionate (FY21: n/a) disclosures of the related assumptions.

Further information in the Annual report and accounts: See the Audit Committee Report on page 89 for details on how the Audit Committee considered the accounting implications of the acquisition of ii as an area of significant attention, page 167 for the accounting policy on the accounting implications of the acquisition of ii, and Note 1 for the financial disclosures.

4.2 Recoverability of certain goodwill (group) and of certain of the parent company's investments in subsidiaries (parent)

Financial Statement Elements			Our assessment of risk vs FY21	Our findings
Included within Goodwill of:	FY22 £935m	FY21 £331m	Our assessment is that the risk has increased compared to FY21. This reflects the increased market volatility and the resulting impact on the performance of the Group, in addition to the wider performance challenges faced by the Group (in particular within the Investments vector). The recoverability of certain goodwill has been added to the Key Audit Matter as a result of this increase in the risk.	FY22: Balanced FY21: Balanced
Impairment of goodwill:	(£340m)	-		
Investment in subsidiaries:	£3,843m	£5,065m		
Impairment of investments in subsidiaries:	(£923m)	(£45m)		
Description of the Key Audit Matter			Our response to the risk	
<p>As noted in the Strategic report, the results in the Investments vector have been impacted by the external market environment in addition to wider performance challenges and businesses and subsidiaries aligned to that vector experienced indicators of impairment.</p> <p>In addition to the Investments vector, there is focus on the following businesses:</p> <ul style="list-style-type: none">– Interactive Investor, given the size of the acquisition which occurred in the period prior to the largest market volatility.– Finimize, given the underperformance of 2022 revenue against forecast.– The financial planning business, given its performance. <p>These factors increased the risk associated with the recoverability of the goodwill allocated to these cash generating units (CGUs) or groups of CGUs and the investments in the associated subsidiaries.</p> <p>Investments in subsidiaries – subjective judgment</p> <p>As a result of the factors identified above, and additionally as the net assets attributable to equity holders of the parent company exceeded the Group's market capitalisation at the balance sheet date, the parent company applied judgment to identify which subsidiaries were at risk of impairment. As a result, it subjected the investments in abrdn Holdings Limited, abrdn Investments (Holdings) Limited and abrdn Financial Planning Limited to an impairment review.</p> <p>Goodwill and Investment in Subsidiaries – subjective estimate</p> <p>Goodwill is tested for impairment at least annually whether or not indicators of impairment exist.</p> <p>For goodwill the impairment assessment is performed by comparing the carrying amount of each CGU or group of CGUs to which goodwill is allocated with its recoverable amount being the higher of its value in use (VIU) or fair value less costs of disposal (FVLCD). Similarly for investments in subsidiaries the carrying value of the investment in the subsidiaries is compared with recoverable amount of that investment being the higher of its VIU or FVLCD.</p> <p>In determining the VIU, which is calculated using a discounted cash flow method, the key assumptions are forecast cash flows and discount rates. In determining the FVLCD the key assumptions are forecast cash</p>			<p>We performed the procedures 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.</p> <p>Our procedures included:</p> <p>Our sector expertise: We critically assessed the Group's assessment of whether there were any impairment indicators for the parent company's investment in subsidiaries, including comparing the carrying value of parent company's net assets with the Group's market capitalisation and considering the subsidiaries' business performance.</p> <p>Our sector expertise: We assessed the appropriateness of the Group's conclusion that the recoverable amount of goodwill and investment in subsidiaries should be based on FVLCD.</p> <p>Our valuation expertise: Using our own valuation specialists, we assessed the appropriateness of the Group's FVLCD methodology and the appropriateness of the input assumptions used in calculating the FVLCD of the CGUs or groups of CGUs to which certain goodwill is allocated and of certain of the parent company's investment in subsidiaries.</p> <p>Benchmarking assumptions: We compared the Group's assumptions to externally derived data in relation to key inputs such market multiples and discount rates.</p> <p>Sensitivity analysis: We performed our own sensitivity analysis which included assessing the effect of reasonable alternative assumptions in respect of forecast cash flows, market multiples (and applicable premiums/discounts) and</p>	

flows, market multiples (including applicable premiums/discounts) and discount rates (as applicable).

The resulting recoverable amounts, in particular for the CGUs, groups of CGUs and investments in subsidiaries set out above, are subjective due to the inherent uncertainty in determining these assumptions and are therefore also susceptible to management bias.

The effect of these matters is that, as part of our risk assessment, we determined that the recoverable amount of certain goodwill and of certain investments in subsidiaries 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 and possibly many times that amount. The financial statements (Note 13 and A) disclose the sensitivity estimated by the Group and parent company.

discount rates (as applicable) to evaluate the impact on the FVLCD of the CGUs or groups of CGUs to which certain goodwill is allocated and of certain of the parent company's investment in subsidiaries.

Assessing transparency: We assessed whether the Group's disclosures (in respect of goodwill) and the parent company's disclosures (in respect of investment in subsidiaries) about the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflect the risks inherent in the recoverable amount of goodwill and investment in subsidiaries.

Communications with the abrdn plc Audit Committee

Our discussions with and reporting to the Audit Committee included:

- Our definition of the key audit matter relating to the recoverability of certain goodwill and certain investments in subsidiaries.
- Our audit response to the key audit matter which included the use of specialists to challenge key aspects of the Group's and parent company's determination of the recoverable amount and level of impairment.
- The findings of our procedures.

Areas of particular auditor judgment

We identified the following as the areas of particular auditor judgment:

- Subjective and complex auditor judgment was required in evaluating the key assumptions used by the Group and parent company (including forecast cash flows, market multiples (and applicable premiums/discounts) and discount rates (as applicable)).

Our findings

We found Group's carrying value of goodwill and the related impairment charges to be balanced (FY21: balanced) with proportionate (FY21: proportionate) disclosures of the related assumptions and sensitivities.

We found parent company's carrying value of its investments in subsidiaries and the related impairment charges to be balanced (FY21: balanced) with proportionate (FY21: proportionate) disclosures of the related assumptions and sensitivities.

Further information in the Annual report and accounts: See the Audit Committee Report on pages 89 to 90 for details on how the Audit Committee considered the Group's goodwill and the parent company's investments in subsidiaries as areas of significant attention, pages 188 to 193 for the goodwill accounting policy and financial disclosures, page 268 for the investment in subsidiaries accounting policy and pages 270 to 272 for the investment in subsidiaries financial disclosures.

4.3 Valuation of the UK defined benefit pension scheme present value of funded obligation (group)

Financial Statement Elements	Our assessment of risk vs FY21		Our findings
	FY22	FY21	
Present value of funded obligation:	£1,755m	£2,899m	<p>↔</p> <p>Our assessment is that the risk is similar to FY21. While there has been increased market volatility compared to the prior year, the risk associated with the selection of economic assumptions remains similar to FY21.</p> <p>FY22: Balanced FY21: Balanced</p>

Description of the Key Audit Matter	Our response to the risk
<p>Subjective valuation</p> <p>The present value of the Group's funded obligation for the UK defined benefit pension scheme is an area that involves significant judgment 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 assumptions.</p> <p>The key operating assumptions are base mortality and mortality improvement. The key economic assumptions are the discount rate and inflation. The risk is that</p>	<p>We performed the procedures 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 procedures described below.</p> <p>Our procedures to address the risk included:</p> <p>Assessing actuaries' credentials: 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.</p>

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 determined 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 31) disclose the sensitivity estimated by the Group.

Benchmarking assumptions: We considered, with the support of our own 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 our own 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 our own actuarial specialists, we considered whether the Group's disclosures in relation to the assumptions used in the calculation of the present value of the funded obligation appropriately represent the sensitivities of the obligation to the use of alternative assumptions.

Communications with the abrdn plc Audit Committee

Our discussions with and reporting to the Audit Committee included:

- Our identification of the key audit matter relating to the valuation of the defined benefit pension obligation.
- Our audit response to the key audit matter which included the use of specialists to challenge key aspects of the Group's actuarial valuation.
- The findings of our procedures.

Areas of particular auditor judgment

We identified the following as the areas of particular auditor judgment:

- Subjective and complex auditor judgment was required in evaluating the key assumptions used by the Group (including the discount rate, inflation and mortality assumptions).

Our findings

We found the Group's valuation of the UK defined benefit pension scheme obligation to be balanced (FY21: balanced) with proportionate (FY21: proportionate) disclosures of the related assumptions and sensitivities.

Further information in the Annual report and accounts: See the Audit Committee Report on page 90 for details on how the Audit Committee considered the valuation of the UK defined benefit pension scheme obligation as an area of significant attention, page 218 for the accounting policy on the valuation of the UK defined benefit pension scheme obligation, and Note 31 for the financial disclosures.

4.4 Revenue recognition: management fee revenue from contracts with customers (group)

Financial Statement Elements		Our assessment of risk vs FY21		Our findings
Revenue recognition: management fee revenue from contracts with customers:	FY22 £1,068m	FY21 £1,243m	+	Our assessment is that the risk is increased from 2021 and so this should be included as a new Key Audit Matter. In our view, the nature and complexity of management fee calculations has increased year on year, at the same time as market volatility and uncertainty has driven increased revenue focus.
				FY22 and FY21: We found no significant items, either unadjusted or adjusted for.

Description of the Key Audit Matter	Our response to the risk
Data capture and calculation error Revenue from contracts with customers is the most significant item in the consolidated statement of comprehensive income and represents one of the areas that had the greatest effect on the overall group audit. In addition, market volatility and uncertainty has driven increased revenue focus. The balance comprises various different revenue streams as outlined in Note 3a. As a result of the revenue diversification in the period, notably the acquisition of ii, there are new revenue streams in the period. However, the area of revenue which had the greatest effect on our overall group audit and audit effort in the current period is management fee income (institutional, wholesale and insurance) which is the most significant and, in certain areas, for example for segregated account	Our procedures included: Procedures in relation to fee rates We performed the detailed procedures below in relation to fee rates rather than seeking to rely on the Group's controls as our knowledge indicated that we would be unlikely to obtain the required evidence to support reliance on the controls. Test of details: We agreed a selection of fee rates used in the calculation to the investment management agreements (IMAs), fee letters or fund prospectuses outlining the effective fee rates. Procedures in relation to AUM Control design and operation: We tested the design and operating effectiveness of controls at third party service providers over the production of AUM data that is used in calculating management fees. This included inspecting the internal controls reports prepared by relevant outsourced service organisations covering the design and

management fee calculations, complex item. In our view, the nature and complexity of management fee calculations has increased year on year.

The two key components in calculating management fee income are fee rates to be applied and the amount of assets under management (AUM) resulting in the following key risks:

- Fee rates: There is a risk that fee rates have not been entered appropriately into the fee calculation and billing systems when clients are onboarded or agreements are amended.
- AUM: There is a risk that AUM data from third-party service providers or client appointed administrators and/or custodians does not exist and is not accurate.
- Calculation: There is a risk that management fee income, including accrued income balances, is incorrectly calculated.

operation of key controls over the production of AUM data used in the calculation of management fees.

Enquiry of clients: Where AUM data is produced by a client appointed administrator and/or custodian we obtained AUM data directly from the client or custodian and used this in our management fee recalculations and tests of detail below.

Calculation Procedures

Tests of details and substantive analytical procedures: Where AUM data was obtained from third party service organisations (and where we had tested the controls over the AUM data) we independently recalculated in-scope management fees. Where AUM data was obtained from a client appointed administrator and/or custodian (and so we could not test controls over the AUM data) we independently recalculated in-scope management fees and/or agreed a selection of amounts billed and received to invoice and bank statements.

Communications with the abrdn plc Audit Committee

Our discussions with and reporting to the Audit Committee included:

- Our definition of the key audit matter relating to revenue recognition: management fee revenue from contracts with customers.
- Our audit response to the key audit matter which included use of data and analytics technology to complete certain of the recalculations.
- The findings of our procedures.

Areas of particular auditor judgment

We identified the following as the areas of particular auditor judgment:

- We performed an assessment of whether the matters identified in respect of management fee revenue from contracts with customers were material.

Our findings

- We found no significant items, either unadjusted or adjusted for, in the Group's management fee revenue from contracts with customers (FY21: no significant items either unadjusted or adjusted for).

Further information in the Annual report and accounts: See the page 175 for the accounting policy on revenue from contracts with customers, and Note 3 for the financial disclosures.

We continue to perform procedures over the fair value of the contingent consideration liability recognised on the acquisition of Tritax Management LLP (Tritax). However, as the acquisition occurred in the prior year we do not need to perform procedures over the fair value of intangible assets recognised on the acquisition of Tritax and taking into account the relative size of the contingent consideration liability, 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.

5. Our ability to detect irregularities, and our response

Fraud – identifying and responding to risks of material misstatement due to fraud

Fraud risk assessment	<p>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:</p> <ul style="list-style-type: none"> – Enquiring of the 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 Capital Committee meetings. – Considering the findings of Group Internal Audit's reviews in the period. – Considering remuneration incentive schemes and performance targets for management and the Directors.
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Risk communications	<p>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 audit team 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.</p>
Fraud risks	<p>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 judgments such as impairment and pension assumptions.</p> <p>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.</p> <p>We also identified fraud risks related to:</p> <ul style="list-style-type: none"> – The recoverability of certain of the Group's goodwill and certain of the parent company's investment in subsidiaries in response to the high degree of estimation uncertainty due to increased market volatility and business performance in the year, and the impact of these on the profit of the Group, and the susceptibility of these estimates to management bias. – The classification of expenses as restructuring, given the extent of restructuring in the Group's cost base, and the level of market interest in the delivery of both transformation programmes and cost savings, the impact of these on both the incentive to classify items as restructuring expenses and the consequences of an error in classification.
Link to KAMS	<p>Further detail in respect of the risk of fraud over the recoverability of certain of the Group's goodwill and certain of the parent company's investment in subsidiaries, including our procedure to compare certain key input assumptions to external market data, is set out in the key audit matter disclosures in section 4.2 of this report.</p>
Procedures to address fraud risks	<p>Our audit procedures included evaluating the design, implementation, and where relevant operating effectiveness of internal controls relevant to mitigate these risks.</p> <p>To address the risk of fraud over the classification of restructuring expenses we tested a sample of expenses, and challenged management in relation to the classification of those selected expenses against the Group's adjusted profit methodology. Based on the evidence obtained, we assessed whether each sampled expense related to a transaction or event met the definition of restructuring or adjusting, to determine whether there were indications of inconsistent classification or indicators of management bias. We also performed substantive audit procedures including:</p> <ul style="list-style-type: none"> – 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. – Evaluating the business purpose of significant unusual transactions. – Assessing significant accounting estimates for bias, including whether the judgments made in making accounting estimates are indicative of a potential bias.
Laws and regulations - identifying and responding to risks of material misstatement relating to compliance with laws and regulations	
Laws and regulations risk assessment	<p>We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements. For this risk assessment matters considered included the following:</p> <ul style="list-style-type: none"> – Our general commercial and sector experience. – Discussion with the Directors and other management (as required by auditing standards). – Inspection of the Group's regulatory and legal correspondence. – Inspection of the policies and procedures regarding compliance with laws and regulation. – Relevant discussions with the Directors and other management. <p>As the Group and many of its subsidiaries are 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.</p>
Risk communications	<p>We communicated identified laws and regulations throughout the audit team and remained alert to any indications of non-compliance throughout the audit. This included communication from the Group audit team to full scope component audit teams of relevant laws and regulations identified at Group level, and a request for full scope component auditors to report to the Group audit team any instances of non-compliance with laws</p>

	and regulations that could give rise to a material misstatement at Group level. The potential effect of these laws and regulations on the financial statements varies considerably.
Direct laws context and link to audit	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.
Most significant indirect law/ regulation areas	<p>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.</p> <p>We identified the following areas as those most likely to have such an effect:</p> <ul style="list-style-type: none"> – Specific areas of regulatory capital and liquidity. – Conduct, including Client Assets. – Anti-money laundering, and market abuse regulations. – Certain aspects of company legislation recognising the financial and regulated nature of the Group's activities and its legal form. <p>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.</p>
Known actual or suspected matters	We assessed the disclosure of provisions in Note 34 and contingent liabilities in Note 39 in light of our understanding gained through the procedures above.
Actual or suspected breaches discussed with AC	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.
Context	
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 fraud 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.

6. Our determination of materiality

The scope of our audit was influenced by our application of materiality. We set quantitative thresholds and overlay qualitative considerations to help us determine the scope of our audit and the nature, timing and extent of our procedures, and in evaluating the effect of misstatements, both individually and in the aggregate, on the financial statements as a whole.

£14m (FY21: £19m)	What we mean A quantitative reference for the purpose of planning and performing our audit.
Materiality for the group financial statements as a whole	<p>Basis for determining materiality and judgments applied</p> <p>Materiality for the Group financial statements as a whole was set at £14m (FY21: £19m). This was determined with reference to a benchmark of revenue.</p> <p>We determined that revenue is the appropriate benchmark for the Group given the performance of the entity, the sector in which the entity operates, its ownership and financing structure, and the focus of users. In previous years we have based our materiality on a normalised profit before tax benchmark, however, as the Group's underlying performance is lower year on year, we assessed using a normalised profit measure would indicate a materiality which is inappropriate for the size and scale of the wider business.</p> <p>Our Group materiality of £14m, was determined by applying a percentage to the Group revenue (FY21: Group normalised profit before tax). When using a revenue benchmark to determine overall materiality, KPMG's approach for listed entities considers a guideline range 0.5% to 1% (FY21: 3% to 5%) of the measure. In setting</p>

overall Group materiality, we applied a percentage of 1% (FY21: 3.5% of Group normalised profit before tax which equated to 1.7% of Group profit before tax) to the projected benchmark at planning, which equates to 0.9% of the full year benchmark.

Materiality for the parent company financial statements as a whole was set at £5.6m (FY21: £7.6m), which is component materiality for the parent company determined by the Group audit engagement team (FY21: same). This is lower than the materiality we would otherwise have determined with reference to parent company total assets, of which it represents 0.1% (FY21: 0.1%).

£9.1m (FY21: £14.25m) Performance materiality	What we mean
	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.
	Basis for determining performance materiality and judgments applied
	We have considered performance materiality at a level of 65% (FY21: 75%) of materiality for abrdn plc's Group financial statements as a whole to be appropriate.
£0.7m (FY21: £0.95m) Audit misstatement posting threshold	The parent company performance materiality was set at £3.6m (FY21: £5.7m), which equates to 65% (FY21: 75%) of materiality for the parent company financial statements as a whole.
	We applied this reduced percentage in our determination of performance materiality for the Group and parent company financial statements in the current year as we identified specific factors indicating an elevated level of aggregation risk. These factors included the ongoing level of restructuring and change impacting the Group.
	What we mean
	This is the amount below which identified misstatements are considered to be clearly trivial from a quantitative point of view. We may become aware of misstatements below this threshold which could alter the nature, timing and scope of our audit procedures, for example if we identify smaller misstatements which are indicators of fraud.
	This is also the amount above which all misstatements identified are communicated to abrdn plc's Audit Committee.
	Basis for determining the audit misstatement posting threshold and judgments applied
	We set our audit misstatement posting threshold at 5% (FY21: 5%) of our materiality for the Group financial statements. We also report to the Audit Committee any other identified misstatements that warrant reporting on qualitative grounds.

The overall materiality for the Group financial statements of £14m (FY21: £19m) compares as follows to the main financial statement caption amounts:

	Total Group revenue		Group profit/(loss) before tax		Total Group assets	
	FY22	FY21	FY22	FY21	FY22	FY21
Financial statement caption	£1,538m	£1,685m	(£615m)	£1,115m	£9,247m	£11,418m
Group materiality as % of caption	0.9%	1.1%	2.3%	1.7%	0.2%	0.2%

7. Scope of our audit

Group Scope	What we mean
	How the Group audit team determined the procedures to be performed across the Group.
	The Group has 311 (FY21: 301) reporting components. In order to determine the work performed at the reporting component level, we identified those components which we considered to be of individual financial significance, those which were significant due to risk and those remaining components on which we required procedures to be performed to provide us with the evidence we required in order to conclude on the group financial statements as a whole.
	We determined individually financially significant components as those contributing at least 10% (FY21: 10%) of Group total revenue, Group net assets or total profits and losses that made up Group profit before tax. We selected these metrics because these are the most representative of the relative size of the components. We identified 7 (FY21: 7) components as individually financially significant components and performed full scope audits on all of these components (FY21: 6). In FY21 specific risk-focused audit procedures included procedures

over one component that became financially significant due to the gains recognised on an investment, and the year end carrying value of this investment.

In addition to the individually financially significant components, we identified 2 (FY21: 2) components as significant, owing to significant risks of material misstatement affecting the group financial statements. Of the 2 (FY21: 2) components identified as significant due to risk, we performed full scope audits for 2 components (FY21: 2).

In addition, to enable us to obtain sufficient appropriate audit evidence for the group financial statements as a whole, we selected 12 (FY21: 12) further components on which to perform procedures. Of these components, we performed full scope audits for 10 components (FY21: 9) and performed specific risk-focused audit procedures over revenue on 1 component (FY21: 1) and investment valuation and fair value gains and losses on 1 component (FY21: 2).

The components within the scope of our work accounted for the following percentages of the Group's results, with the prior year comparatives indicated in brackets:

Scope	Number of components	Range of materiality applied	Group revenue	Total profits and losses that made up Group PBT	Group net assets
Full scope audits	19 (17)	£0.7m – £6.3m (£1m – £8.6m)	83% (73%)	82% (63%)	89% (84%)
Specific risk-focused audit procedures	2 (4)	£1.4m – £2.8m (£19m)	3% (16%)	2% (26%)	4% (6%)
Total	21 (21)		86% (90%)	84% (89%)	93% (90%)

Specific risk-focused procedures over total profits and losses that made up Group profit before tax for FY21 included those procedures performed by the Group team in respect of the gains recognised on an investment.

The remaining 14% (FY21: 10%) of total Group revenue, 16% (FY21: 11%) of total profits and losses that made up Group profit before tax and 7% (FY21: 10%) of net Group assets is represented by 290 (FY21: 280) reporting components, none of which individually represented more than 2% (FY21: 5%) of any of total Group revenue, total profits and losses that made up Group profit before tax or net Group assets. For these 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.

The work on 17 of the 21 components (FY21: 8 of the 21 components) was performed by component auditors and the rest, including the audit of the parent company, was performed by the Group team.

Testing over all KAMs included in Section 4 was performed by the Group team, with the exception of testing over management fee revenue from contracts with customers, which is performed by our component auditors. In addition, the Group team has also performed audit procedures on the following areas on behalf of the components:

- Testing of IT Systems in those instances where Group and components use common systems.
- Testing over the completeness of journal postings in the period in those instances where Group and components use common systems.

These items were audited by the Group team because the consistency of these systems and processes meant that this was the most effective way to obtain audit evidence. The Group team communicated the results of these procedures to the component teams.

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, as detailed in the table above, having regard to the mix of size and risk profile of the Group across the components.

The scope of the audit work performed was predominately substantive as we placed limited reliance upon the Group's internal control over financial reporting.

Group audit team oversight

What we mean

The extent of the Group audit team's involvement in component audits.

In working with component auditors, the Group audit team:

- Held a virtual global planning and risk assessment meeting led by the Group audit engagement partner to discuss key audit risks and obtain input from component teams.

- Held planning calls and meetings with component audit teams to discuss the significant areas of the audit relevant to the components, including the key audit matter identified in respect of recognition of management fee revenue from contracts with customers.
- Issued Group audit instructions to component auditors, on the scope of their work, including specifying the minimum procedures to perform in their audit of revenue within the Investments vector and cash.
- Visited three (FY21: zero) of the four component teams not located in the UK (FY21: four), to assess the audit risk and strategy. Video and telephone conference meetings were also held with these component auditors (in Luxembourg and Singapore) and the other component (in the United States) not located in the UK that was not physically visited. At these subsequent virtual meetings, the findings reported to the Group team were discussed in more detail, and any further work required by the Group team was then performed by the component audit teams.
- Inspection of component audit team's key working papers within component audit files (using remote technology capabilities) to understand and challenge the audit approach and audit findings of each component.

8. 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.

All other information

Our responsibility

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.

Our reporting

Based solely on that work we have not identified material misstatements or inconsistencies in the other information.

Strategic report and Directors' report

Our responsibility and reporting

Based solely on our work on the other information described above we report to you as follows:

- 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.
- In our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' remuneration report

Our responsibility

We are required to form an opinion as to whether the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

Our reporting

In our opinion the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

Corporate governance disclosures

Our responsibility and reporting

We are required to perform procedures to identify whether there is a material inconsistency between the financial statements and our audit knowledge, and:

- 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 and accounts 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.
- The section of the Annual report and accounts that describes the review of the effectiveness of the Group's risk management and internal control systems.

Our reporting

Based on those procedures, we have concluded that each of these disclosures is materially consistent with the financial statements and our audit knowledge.

We are also required to review the part of the 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.

Other matters on which we are required to report by exception

Our responsibility

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; or
- The parent company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- Certain disclosures of Directors' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit.

Our reporting

We have nothing to report in these respects.

9. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 137, 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

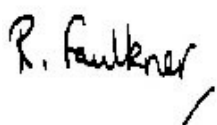
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit 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.

The Company is required to include these financial statements in an annual financial report prepared using the single electronic reporting format specified in the TD ESEF Regulation. This auditor's report provides no assurance over whether the annual financial report has been prepared in accordance with that format.

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.



Richard Faulkner (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG
28 February 2023

7. Group financial statements

Consolidated income statement

For the year ended 31 December 2022

	Notes	2022 £m	2021 £m
Revenue from contracts with customers	3	1,538	1,685
Cost of sales	3	(82)	(142)
Net operating revenue		1,456	1,543
Restructuring and corporate transaction expenses	5	(214)	(259)
Impairment of intangibles acquired in business combinations and through the purchase of customer contracts	5	(369)	-
Amortisation of intangibles acquired in business combinations and through the purchase of customer contracts	5	(125)	(99)
Staff costs and other employee-related costs	5	(549)	(604)
Other administrative expenses	5	(662)	(594)
Total administrative and other expenses		(1,919)	(1,556)
Net gains or losses on financial instruments and other income			
Fair value movements and dividend income on significant listed investments	4	(119)	(227)
Other net gains or losses on financial instruments and other income	4	(3)	44
Total net gains or losses on financial instruments and other income		(122)	(183)
Finance costs		(29)	(30)
Profit on disposal of subsidiaries and other operations	1	-	127
Profit on disposal of interests in associates	1	6	1,236
Loss on impairment of interests in associates	14	(9)	-
Share of profit or loss from associates and joint ventures	14	2	(22)
(Loss)/profit before tax		(615)	1,115
Tax credit/(expense)	9	66	(120)
(Loss)/profit for the year		(549)	995
Attributable to:			
Equity shareholders of abrdn plc		(561)	994
Other equity holders	28	11	-
Non-controlling interests – ordinary shares	28	1	1
		(549)	995
Earnings per share			
Basic (pence per share)	10	(26.8)	46.8
Diluted (pence per share)	10	(26.8)	46.0



The Notes on pages 163 to 264 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

For the year ended 31 December 2022

	Notes	2022 £m	2021 £m
(Loss)/profit for the year		(549)	995
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement (losses)/gains on defined benefit pension plans	31	(793)	117
Share of other comprehensive income of associates and joint ventures	14	-	12
Equity holder tax effect of items that will not be reclassified subsequently to profit or loss	9	-	3
Total items that will not be reclassified subsequently to profit or loss		(793)	132
Items that may be reclassified subsequently to profit or loss:			
Fair value gains on cash flow hedges	18	85	19
Exchange differences on translating foreign operations		36	(2)
Share of other comprehensive income of associates and joint ventures	14	(28)	(4)
Items transferred to the consolidated income statement			
Fair value (gains) on cash flow hedges	18	(78)	(10)
Realised foreign exchange losses	1	-	18
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	(2)	(3)
Total items that may be reclassified subsequently to profit or loss		13	9
Other comprehensive income for the year		(780)	141
Total comprehensive income for the year		(1,329)	1,136
Attributable to:			
Equity shareholders of abrdn plc		(1,341)	1,135
Other equity holders	28	11	-
Non-controlling interests – ordinary shares	28	1	1
		(1,329)	1,136



The Notes on pages 163 to 264 are an integral part of these consolidated financial statements.

7. Group financial statements continued

Consolidated statement of financial position

As at 31 December 2022

	Notes	2022 £m	2021 £m
Assets			
Intangible assets	13	1,619	704
Pension and other post-retirement benefit assets	31	831	1,607
Investments in associates and joint ventures accounted for using the equity method	14	267	274
Property, plant and equipment	15	201	187
Deferred tax assets	9	212	168
Financial investments	17	2,939	4,316
Receivables and other financial assets	19	907	680
Current tax recoverable	9	7	2
Other assets	20	92	105
Assets held for sale	21	87	-
Cash and cash equivalents	22	1,133	1,904
		8,295	9,947
Assets backing unit linked liabilities	23		
Financial investments		924	1,430
Receivables and other unit linked assets		5	8
Cash and cash equivalents		23	33
		952	1,471
Total assets		9,247	11,418

	Notes	2022 £m	2021 £m
Liabilities			
Third party interest in consolidated funds	29	242	104
Subordinated liabilities	30	621	644
Pension and other post-retirement benefit provisions	31	12	38
Deferred income	32	3	5
Deferred tax liabilities	9	211	165
Current tax liabilities	9	11	27
Derivative financial liabilities	29	1	5
Other financial liabilities	33	1,198	1,046
Provisions	34	97	49
Other liabilities	34	8	8
Liabilities of operations held for sale	21	14	-
		2,418	2,091
Unit linked liabilities	23		
Investment contract liabilities		773	1,088
Third party interest in consolidated funds		173	378
Other unit linked liabilities		6	5
		952	1,471
Total liabilities		3,370	3,562
Equity			
Share capital	24	280	305
Shares held by trusts	25	(149)	(171)
Share premium reserve	24	640	640
Retained earnings	26	5,021	5,775
Other reserves	27	(129)	1,094
Equity attributable to equity shareholders of abrdn plc		5,663	7,643
Other equity	28	207	207
Non-controlling interests - ordinary shares	28	7	6
Total equity		5,877	7,856
Total equity and liabilities		9,247	11,418



The Notes on pages 163 to 264 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 156 to 264 were approved by the Board and signed on its behalf by the following Directors:

Sir Douglas Flint
Chairman

28 February 2023

Stephanie Bruce
Chief Financial Officer

28 February 2023

7. Group financial statements continued

Consolidated statement of changes in equity

For the year ended 31 December 2022

	Notes	Share capital £m	Shares held by trusts £m	Share premium reserve £m	Retained earnings ¹ £m	Other reserves ¹ £m	Total equity attributable to equity shareholders of abrdn plc £m	Other equity £m	Non- controlling interests - ordinary shares £m	Total equity £m
1 January 2022		305	(171)	640	5,775	1,094	7,643	207	6	7,856
Loss for the year		-	-	-	(561)	-	(561)	11	1	(549)
Other comprehensive income for the year		-	-	-	(821)	41	(780)	-	-	(780)
Total comprehensive income for the year	26,27	-	-	-	(1,382)	41	(1,341)	11	1	(1,329)
Issue of share capital	24	-	-	-	-	-	-	-	-	-
Dividends paid on ordinary shares	12	-	-	-	(307)	-	(307)	-	-	(307)
Interest paid on other equity	28	-	-	-	-	-	-	(11)	-	(11)
Share buyback	24, 26, 27	(25)	-	-	(302)	25	(302)	-	-	(302)
Cancellation of capital redemption reserve	26, 27	-	-	-	1,059	(1,059)	-	-	-	-
Other movements in non- controlling interests in the year	28	-	-	-	-	-	-	-	-	-
Reserves credit for employee share-based payments	27	-	-	-	-	24	24	-	-	24
Transfer to retained earnings for vested employee share-based payments	26, 27	-	-	-	63	(63)	-	-	-	-
Transfer between reserves on disposal of subsidiaries		-	-	-	1	(1)	-	-	-	-
Transfer between reserves on impairment of subsidiaries		-	-	-	207	(207)	-	-	-	-
Shares acquired by employee trusts	25	-	(46)	-	-	-	(46)	-	-	(46)
Shares distributed by employee and other trusts and related dividend equivalents	25, 26	-	68	-	(70)	-	(2)	-	-	(2)
Other movements ¹	26, 27	-	-	-	(23)	17	(6)	-	-	(6)
31 December 2022		280	(149)	640	5,021	(129)	5,663	207	7	5,877

1. Other movements include the transfer of (£17m) previously recognised in the foreign currency translation reserve (which is part of Other reserves) to Retained earnings. In prior years we have considered the functional currency of an intermediate subsidiary holding the Group's investment in HDFC Life to be US Dollars. We now consider that the functional currency should have been GBP, resulting in the current period transfer between reserves. Prior periods have not been restated as the impact on prior periods is not considered material. There is no impact on net assets for any period presented.

	Notes	Share capital £m	Shares held by trusts £m	Share premium reserve £m	Retained earnings £m	Other reserves £m	Total equity attributable to equity shareholders of abrdn plc £m	Other equity £m	Non-controlling interests - ordinary shares £m	Total equity £m
1 January 2021		306	(170)	640	4,970	1,064	6,810	–	3	6,813
Profit for the year		–	–	–	994	–	994	–	1	995
Other comprehensive income for the year		–	–	–	119	22	141	–	–	141
Total comprehensive income for the year	26,27	–	–	–	1,113	22	1,135	–	1	1,136
Issue of share capital	24	–	–	–	–	–	–	–	–	–
Issue of other equity	28	–	–	–	–	–	–	207	–	207
Dividends paid on ordinary shares	12	–	–	–	(308)	–	(308)	–	–	(308)
Share buyback	24, 26, 27	(1)	–	–	–	1	–	–	–	–
Other movements in non-controlling interests in the year	28	–	–	–	6	–	6	–	2	8
Reserves credit for employee share-based payments	27	–	–	–	–	43	43	–	–	43
Transfer to retained earnings for vested employee share-based payments	26,27	–	–	–	36	(36)	–	–	–	–
Shares acquired by employee trusts	25	–	(41)	–	–	–	(41)	–	–	(41)
Shares distributed by employee and other trusts and related dividend equivalents	25, 26	–	40	–	(42)	–	(2)	–	–	(2)
31 December 2021		305	(171)	640	5,775	1,094	7,643	207	6	7,856



The Notes on pages 163 to 264 are an integral part of these consolidated financial statements.

7. Group financial statements continued

Consolidated statement of cash flows

For the year ended 31 December 2022

	Notes	2022 £m	2021 £m
Cash flows from operating activities			
(Loss)/profit before tax		(615)	1,115
Change in operating assets	38	916	214
Change in operating liabilities	38	(725)	(209)
Other non-cash and non-operating items	38	570	(1,099)
Dividends received from associates and joint ventures	14	-	15
Taxation paid ¹		(36)	(22)
Net cash flows from operating activities		110	14
Cash flows from investing activities			
Purchase of property, plant and equipment		(21)	(12)
Acquisition of subsidiaries and unincorporated businesses net of cash acquired	1(b)	(1,378)	(145)
Disposal of subsidiaries net of cash disposed of	38	-	112
Acquisition of investments in associates and joint ventures	14	(20)	(11)
Proceeds in relation to contingent consideration ²	37	18	54
Payments in relation to contingent consideration	37	(7)	(28)
Disposal of investments in associates and joint ventures	1(c)	6	304
Taxation paid on disposal of investments in associates and joint ventures ¹		-	(33)
Purchase of financial investments		(297)	(368)
Proceeds from sale or redemption of financial investments	17	1,633	938
Taxation paid on sale or redemption of financial investments ¹		(28)	-
Prepayment in respect of potential acquisition of customer contracts	1(c)(iii)	14	(56)
Acquisition of intangible assets		(6)	-
Net cash flows from investing activities		(86)	755
Cash flows from financing activities			
Proceeds from issue of perpetual subordinated notes		-	208
Repayment of subordinated liabilities	30	(92)	-
Payment of lease liabilities – principal		(46)	(27)
Payment of lease liabilities – interest		(6)	(6)
Shares acquired by trusts		(46)	(41)
Interest paid on subordinated liabilities and other equity		(34)	(28)
Other interest paid		(2)	-
Cash received relating to collateral held in respect of derivatives hedging subordinated liabilities		74	-
Share buyback	24	(302)	(41)
Ordinary dividends paid	12	(307)	(308)
Net cash flows from financing activities		(761)	(243)
Net (decrease)/increase in cash and cash equivalents		(737)	526
Cash and cash equivalents at the beginning of the year		1,875	1,358
Effects of exchange rate changes on cash and cash equivalents		28	(9)
Cash and cash equivalents at the end of the year	22	1,166	1,875
Supplemental disclosures on cash flows from operating activities			
Interest paid		-	1
Interest received		38	22
Dividends received		110	122
Rental income received on investment property		2	2

1. Total taxation paid was £64m in 2022 (2021: £55m).

2. Proceeds in relation to contingent consideration for the year ended 31 December 2021 included £34m in relation to discontinued operations (2022: £nil).



The Notes on pages 163 to 264 are an integral part of these consolidated financial statements.

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 for annual periods beginning on or after 1 April 2021 and 1 January 2022.

Amendments to existing standards

- COVID-19 – Related Rent Concessions beyond 30 June 2021 – Amendment to IFRS 16.
- Reference to the Conceptual Framework – Amendments to IFRS 3.
- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16.
- Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37.
- Annual Improvements 2018-2020 cycle.

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 2022. 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*. The standard was endorsed by the UK Endorsement Board on 16 May 2022. 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 material 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, and the related adoption by HASL of IFRS 9, with a resulting restatement of the carrying value of the joint venture as at 1 January 2022. The amount of the restatement is not currently known.

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.

7. Group financial statements continued

(a)(iii) 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	Critical judgements in applying accounting policies	Related note
Defined benefit pension plans	Assessment of whether the Group has an unconditional right to a refund of the surplus. Treatment of tax relating to the surplus.	Note 31
Intangible assets	Identification, valuation and allocation to cash generating units of intangible assets arising from business combinations, and the determination of useful lives.	Note 13
Provisions	Determining whether a provision is required for separation costs.	Note 34

The following changes have been made to the Group's critical judgements:

- Determining whether the investments in Phoenix and HDFC Asset Management should continue to be classified as associates is no longer a critical judgement for the Group, following their reclassifications during 2021 (refer Note 1(c)(iii)).
- 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 is also no longer a critical judgement for the Group, following the reclassification of Phoenix during 2021.
- In relation to the acquisition of ii (refer Note 1(b)(i)), the allocation to cash generating units of goodwill arising from the acquisition was a critical judgement during 2022 in addition to identification and valuation of the intangible assets.

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
Intangible assets	Determination of the recoverable amount in relation to the impairment of goodwill	Note 13
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 37
Defined benefit pension plans	Determination of principal UK pension plan assumptions for mortality, discount rate and inflation	Note 31

The following changes have been made to the Group's critical estimates and assumptions:

- As a result of market and macroeconomic conditions and acquisitions in the period the determination of the recoverable amount in relation to the impairment of goodwill is now considered a critical accounting estimate.

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)(iv) 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 or losses 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.

(a)(v) 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 impacts of the macroeconomic environment and higher inflation, the Ukraine conflict and COVID-19 on these principal risks. In addition, these financial statements include notes on the Group's subordinated liabilities (Note 30), management of its risks including market, credit and liquidity risk (Note 35), its contingent liabilities and commitments (Notes 39 and 40), and its capital structure and position (Note 43).

In preparing these financial statements on a going concern basis, the Directors have considered the following matters and have taken into account market uncertainty.

- The Group has cash and liquid resources of £1.7bn at 31 December 2022. In addition, the Company has a revolving credit facility of £400m as part of our contingency funding plans which is due to mature in 2026 and remains undrawn.
- The Group's indicative regulatory capital surplus on an IFPR basis was £0.7bn in excess of capital requirements at 31 December 2022. 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 2022 Viability statement. 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.

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.

7. Group financial statements continued

(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.

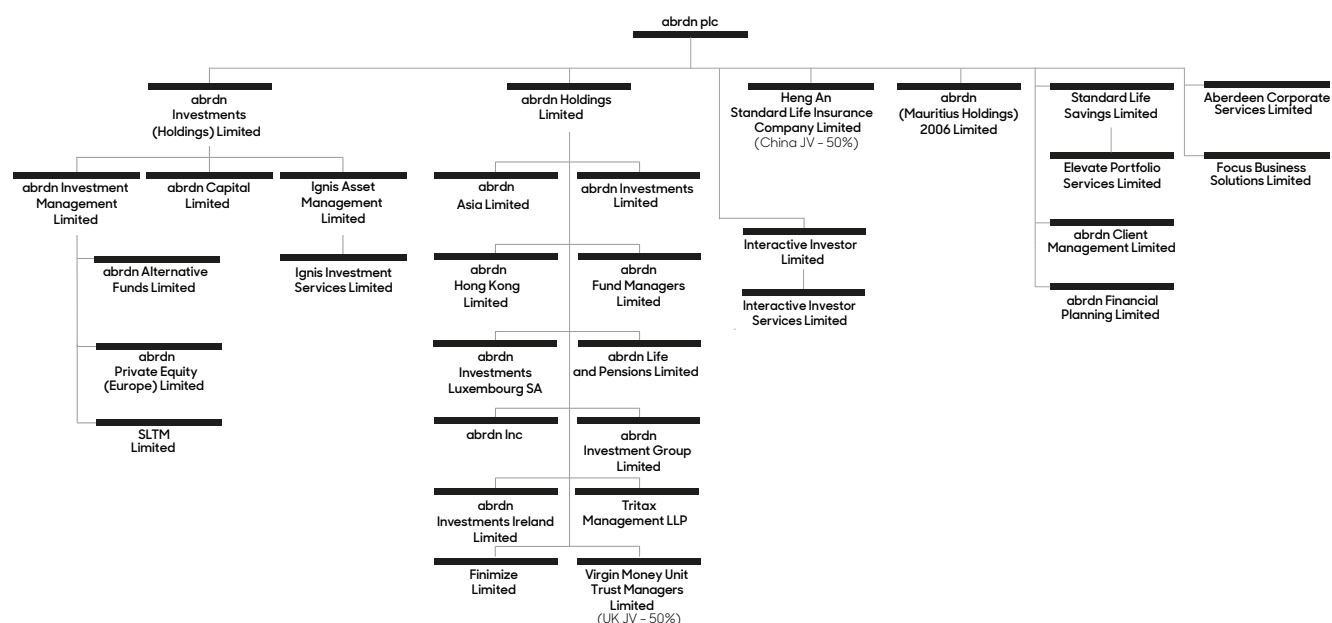
When the Group acquires or disposes of a subsidiary, the profits and losses of the subsidiary are included from the date on which control was transferred to the Group until the date on which it ceases, with consistent accounting policies applied across all entities throughout.

Notes to the Group financial statements

1. Group structure

(a) Composition

The following diagram is an extract of the Group structure at 31 December 2022 and gives an overview of the composition of the Group.



A full list of the Company's subsidiaries is provided in Note 45.

(b) Acquisitions

(b)(i) Current year acquisitions of subsidiaries

Interactive Investor (ii)

On 27 May 2022, abrdn plc purchased 100% of the issued share capital of Antler Holdco Limited (Antler), the parent company for the Interactive Investor group of companies. ii is the no.1 UK subscription-based trading platform and the no.2 UK direct investing platform, by assets under administration. The cash outflow at the completion of the acquisition was £1,496m, which comprised consideration of £1,485m and payments of £11m made by abrdn to fund the settlement of ii transaction liabilities as part of the transaction. The acquisition of ii provides abrdn with direct entry to the high-growth digitally enabled direct investing market, accessing new customer segments and capabilities. This will allow abrdn customers to choose from a wide spectrum of wealth services, spanning self-directed investing through to high-touch financial advice, depending on their specific needs over their financial life.

7. Group financial statements continued

At the acquisition date the consideration, net assets acquired and resulting goodwill were as follows:

27 May 2022	£m
Cash consideration ^{1,2}	1,485
Fair value of net assets acquired	
Intangible assets	
Customer relationships	421
Brand	16
Technology and other intangibles	32
Property, plant and equipment	8
Deferred tax assets	5
Receivables and other financial assets ³	411
Other assets	7
Cash and cash equivalents	107
Total assets	1,007
Other financial liabilities	(400)
Provisions	(1)
Deferred tax liabilities	(114)
Total liabilities	(515)
Goodwill	993

1. Cash consideration includes £61m paid by abrdn to redeem discount notes issued by Antler as part of the acquisition transaction. Not included in the cash consideration is £11m of payments made by abrdn to fund the settlement of ii transaction liabilities. These liabilities are included within other financial liabilities of ii at the acquisition date.

2. Cash consideration includes £10m paid to Richard Wilson the CEO of ii which is subject to a Reinvestment Agreement. Under the Reinvestment Agreement Mr Wilson was required to invest at least £5m in abrdn shares and at least a further £3m in abrdn shares or funds managed by the abrdn group. The Reinvestment Agreement contains restrictions on the sale of abrdn shares and fund units acquired which fall away in three equal tranches over a three-year period following completion.

3. The estimated contractual cash flow not expected to be collected is not material and therefore the gross contractual amounts receivable is materially in line with the fair value.

The cash outflow shown in the consolidated statement of cash flows of £1,378m comprises cash consideration of £1,485m less cash and cash equivalents acquired of £107m.

Intangible assets acquired in the business combination consist of customer relationships, brand and technology and other intangibles. Refer Note 13 for details of the key assumptions used in measuring the fair value of these intangibles at the acquisition date.

The goodwill arising on acquisition of ii is mainly attributable to expected future cash flows from new customers, the quality and experience of the ii executive team and employees, and revenue synergies in our Investments and Personal segments. The goodwill is not expected to be deductible for tax purposes. The goodwill has been primarily allocated to the ii cash-generating unit in the Personal segment (£819m), with £132m and £42m allocated to the asset management group of cash-generating units in the Investments segment and a cash-generating unit in the Personal segment respectively for the revenue synergies noted above.

The revenue from contracts with customers and post tax profit contributed to the Group's consolidated income statement for the year ended 31 December 2022 from the acquired ii business were £117m and £41m respectively. The profit contributed excludes amortisation of intangible assets acquired through business combinations. If the acquisition had occurred on 1 January 2022, the Group's total revenue from contracts with customers for the period would have increased by £65m to £1,603m and the loss would have increased by £4m to £553m. This increase in the loss includes increased amortisation of intangible assets acquired through business combinations (net of deferred tax) of £24m.

As part of the transaction, abrdn plc has also agreed the following retention incentive schemes which are not recognised as part of the business combination:

- A retention scheme for senior ii executives. These are awards over abrdn plc shares with a vesting period of up to 3 years and are subject to pre-determined performance metrics. The value of abrdn plc shares subject to these awards was c£25m at date of grant. The awards are accounted for as post completion share based payments and spread over the relevant vesting periods and will be recognised in Restructuring and corporate transaction expenses in the consolidated income statement.
- Cash and share incentive retention awards to the wider ii workforce with vesting periods of up to c3 years. These awards are funded by the proceeds received by the ii employee benefit trust as part of the transaction. These are accounted for as post completion share based payments and remuneration and are spread over the relevant vesting periods and will be recognised in Restructuring and corporate transaction expenses in the consolidated income statement.

Corporate transaction deal costs amounted to £27m of which £13m and £14m were included within Restructuring and corporate transaction expenses in the year ended 31 December 2022 and 31 December 2021 respectively.

On 1 September 2022, Antler made a dividend in specie to abrdn plc of its investment in Interactive Investor Limited which is now a direct subsidiary of abrdn plc. Refer Note A of the Company financial statements for further details.

(b)(ii) Prior year acquisitions of subsidiaries

On 1 April 2021, abrdn Holdings Limited (formerly named Aberdeen Asset Management PLC)(aHL) 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 is 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 is 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. Refer Note 37(a)(iv) for further details on the contingent consideration liability.

In addition, on 29 October 2021, aHL purchased 100% of the issued share capital of the investing insights platform 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. Refer Note 13 for details of the goodwill impairment in 2022.

(c) Disposals

(c)(i) Prior year disposal of subsidiaries and other operations

During 2021, the Group made two material disposals of subsidiaries and other operations:

- On 30 June 2021, the Group completed the sale of Parmenion Capital Partners LLP (Parmenion) to Preservation Capital Partners.
- On 30 September 2021, the Group completed the sale of its Bonaccord US private market business (Bonaccord) to P10 Holdings Inc. (P10).

Other disposals included the sale of the Nordics real estate business to DEAS Asset Management A/S on 31 May 2021, and the sale of Hark Capital US private market business to P10 on 30 September 2021.

Profit on disposal of subsidiaries and other operations in prior periods have been summarised below.

	2021 £m
Disposal of Parmenion	73
Disposal of Bonaccord	39
Other disposals	15
Profit on disposal of subsidiaries and other operations for the year ended 31 December 2021	127

On disposal, a loss of £1m was recycled from the translation reserve and was included in determining the profit on disposal of subsidiaries and other operations for the year ended 31 December 2021.

(c)(ii) Current year disposal of associates

Profit on disposal of interests in associates for the year ended 31 December 2022 of £6m relates to the sale of the Group's interest in Origo Services Limited in May 2022.

(c)(iii) Prior period disposal and reclassification of associates

Profit on disposal of associates in prior periods have been summarised below.

	2021 £m
Reclassification of Phoenix Group Holdings plc (Phoenix)	68
Sale of equity shares in HDFC Asset Management and reclassification	1,168
Profit on disposal of interests in associates for the year ended 31 December 2021	1,236

7. Group financial statements continued

On disposal and reclassification, a loss of £17m was recycled from the translation reserve and was included in determining the profit on disposal of interests in associates for the year ended 31 December 2021. In addition, other comprehensive income gains of £9m were recycled from retained earnings and were included in determining the profit on disposal of interests in associates for the year ended 31 December 2021.

Phoenix

On 23 February 2021, the Group announced details of the simplification and extension of the strategic partnership between the Group and Phoenix. Following the changes to the commercial agreements, in particular in relation to the licencing of the 'Standard Life' brand, our judgement was 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.

As part of the agreement, 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 transaction is not expected to complete before 2024 and is subject to regulatory and court approvals. The upfront consideration paid by the Group in February 2021 was £62.5m, which is 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 is included in prepayments in the consolidated statement of financial position with cash movements in relation to the consideration included in prepayment in respect of potential acquisition of customer contracts in the consolidated statement of cash flows.

HDFC Asset Management

On 29 September 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 gain on sale and the gain on reclassification from an associate to an equity investment can be summarised as follows:

	2021 £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

Following the sale, the Group's shareholding in HDFC Asset Management was 34,578,305 equity shares or 16.22% and HDFC Asset Management was therefore 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.

The Group's shareholdings in Phoenix and HDFC Asset Management are considered, along with HDFC Life, as significant listed investments for the purpose of determining the Group's adjusted profit. Refer Note 11(a) for changes in the Group's significant listed investments in the year ended 31 December 2022.

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 ended 31 December 2021.

Adviser

Our market-leading UK financial adviser business which provides platform services to wealth managers and advisers.

Personal

Our Personal business comprises Personal Wealth (which combines our financial planning business abrdn Financial Planning, our digital direct-to-consumer services and discretionary fund management services provided by abrdn Capital) and Interactive Investor following the completion of the acquisition on 27 May 2022. Refer Note 1(b)(i) for further details.

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. The comparative period also includes a business held for sale (Parmenion, the sale of which completed on 30 June 2021).

The segments are reported to the level of adjusted operating profit.

7. Group financial statements continued

(b) Reportable segments – adjusted profit and revenue information

(b)(i) Analysis of adjusted profit

Adjusted operating profit is presented by reportable segment in the table below.

31 December 2022	Notes	Investments £m	Adviser £m	Personal £m	Corporate/ strategic £m	Total £m
Net operating revenue ¹		1,070	185	201	-	1,456
Adjusted operating expenses		(956)	(99)	(129)	(9)	(1,193)
Adjusted operating profit		114	86	72	(9)	263
Adjusted net financing costs and investment return						(10)
Adjusted profit before tax						253
Tax on adjusted profit						(22)
Adjusted profit after tax						231
Adjusted for the following items						
Restructuring and corporate transaction expenses	8					(214)
Amortisation and impairment of intangible assets acquired in business combinations and through the purchase of customer contracts	5					(494)
Profit on disposal of interests in associates	1					6
Change in fair value of significant listed investments	4					(187)
Dividends from significant listed investments	4					68
Share of profit or loss from associates and joint ventures ²	14					2
Impairment of interests in associates	14					(9)
Other	11					(40)
Total adjusting items including results of associates and joint ventures						(868)
Tax on adjusting items						88
Profit attributable to other equity holders						(11)
Profit attributable to non-controlling interests – ordinary shares						(1)
Loss for the year attributable to equity shareholders of abrdn plc						(561)
Profit attributable to other equity holders						11
Profit attributable to non-controlling interests – ordinary shares						1
Loss for the year						(549)

1. The Group's measure of segmental revenue has been renamed from fee based revenue to net operating revenue.

2. Share of associates' and joint ventures' profit or loss primarily comprises the Group's share of results of HASL, Virgin Money Unit Trust Managers (Virgin Money UTM) and Tenet.

Net operating 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 2022, transactions with one external customer amounted to more than 10% of net operating revenue (2021: one). This net operating revenue of £180m (2021: £195m) is included in the Investments segment.

Adjusted operating expenses includes depreciation and amortisation of £41m (2021: £47m); £36m (2021: £37m) for the Investments segment; £2m (2021: £4m) for the Adviser segment; £3m (2021: £4m) for the Personal segment; and £nil (2021: £2m) for Corporate/strategic. Interest income, interest expense and income tax expense are not analysed by segment in the information provided to the executive leadership team.

Assets and liabilities by segment is not required to be presented as such information is not presented on a regular basis to the executive leadership team.

31 December 2021	Notes	Investments £m	Adviser £m	Personal £m	Corporate/ strategic £m	Total £m
Net operating revenue ¹		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						–
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 contracts	5					(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	4					(298)
Dividends from significant listed investments	4					71
Share of profit or loss from associates and joint ventures ²	14					(22)
Other	11					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

1. The Group's measure of segmental revenue has been renamed from fee based revenue to net operating revenue. This measure of segmental revenue excludes £28m of net operating revenue as presented in the IFRS consolidated income statement for the year ended 31 December 2021 which was classified as adjusting items. The adjusting items primarily relate to the net release of deferred income of £25m. Refer Note 32.

2. Share of associates' and joint ventures' profit or loss comprises the Group's share of results of HASL, Virgin Money UTM, Phoenix (until 22 February 2021) and HDFC Asset Management (until 29 September 2021).

(b)(ii) Reconciliation to the IFRS consolidated income statement

Net operating revenue

The reconciliation of net operating 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.

7. Group financial statements continued

	2022 £m	2021 £m
Total administrative and other expenses as presented in the IFRS consolidated income statement	(1,919)	(1,556)
Restructuring and corporate transaction expenses included in adjusting items	214	259
Amortisation and impairment of intangible assets acquired in business combinations and through the purchase of customer contracts included in adjusting items	494	99
Administrative and other expenses relating to the unit linked business	1	3
Other differences	17	3
Adjusted operating expenses as presented in the analysis of Group adjusted profit by segment	(1,193)	(1,192)

Other differences relate to items presented in adjusted net financing costs and investment return for segment reporting (see commentary under table below) and other items classified as adjusting items (refer Note 11).

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 or losses on financial instruments and other income, as presented in the IFRS consolidated income statement.

	2022 £m	2021 £m
Net gains or losses on financial instruments and other income as presented in the IFRS consolidated income statement	(122)	(183)
Finance costs separately disclosed in the IFRS consolidated income statement	(29)	(30)
Change in fair value of significant listed investments included in adjusting items	187	298
Dividends from significant listed investments included in adjusting items	(68)	(71)
Net gains or losses on financial instruments and other income relating to the unit linked business	(5)	(7)
Other differences	27	(7)
Adjusted net financing costs and investment return as presented in the analysis of Group adjusted profit by segment	(10)	–

Other differences primarily relate to amounts presented in a different line item of the IFRS consolidated income statement and other items classified as adjusting items. This includes the net interest credit relating to the staff pension schemes of £29m (2021: £17m) which is presented in total administrative and other expenses in the IFRS consolidated income statement and in adjusted net financing costs and investment return in the analysis of Group adjusted profit by segment.

(c) Total net operating revenue by geographical location

Total net operating revenue¹ split by geographical location is as follows:

	2022 £m	2021 £m
UK	1,041	1,015
Europe, Middle East and Africa	114	132
Asia Pacific	164	209
Americas	137	159
Total	1,456	1,515

1. Net operating revenue is allocated based on legal entity revenue recognition.

(d) Non-current non-financial assets by geographical location

	2022 £m	2021 £m
UK	1,745	808
Europe, Middle East and Africa	10	9
Asia Pacific	8	13
Americas	57	61
Total	1,820	891

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 32).

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.

	2022 £m	2021 £m
Investments		
Management fee income – Institutional and Wholesale ¹	901	1,043
Management fee income – Insurance ¹	167	200
Performance fees and carried interest	41	99
Other revenue from contracts with customers	38	54
Revenue from contracts with customers for the Investments segment	1,147	1,396
Adviser		
Platform charges	176	179
Treasury income	11	1
Revenue from contracts with customers for the Adviser segment	187	180
Personal		
Fee income – Advice and Discretionary	87	92
Account fees	32	–
Trading transactions	27	–
Treasury income	58	–
Revenue from contracts with customers for the Personal segment	204	92
Corporate/strategic – Parmenion fund platform fee income	–	17
Total revenue from contracts with customers	1,538	1,685

1. In addition to revenues earned as a percentage of AUM, management fee income includes certain other revenues such as registration fees.

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.

7. Group financial statements continued

In addition, Adviser receives treasury income for providing management and administration of cash held in platform cash accounts. The performance obligation for cash management and administration is performed over time with the revenue recognised as the obligation is performed. The customer receives interest on their cash balances after deduction of a cash management administration charge which is generally calculated as a percentage of their cash held in relevant accounts. The percentage varies depending on the interest received from the banks used to provide the cash accounts. There are no significant payment terms.

Personal

Through a number of its subsidiaries, the Group also 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. 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 deducted from assets. Deducted fees are generally calculated, recognised and collected on a daily basis.

Through its subsidiary Interactive Investor Services Limited (ii), the Group offers a subscription-based trading and direct investing platform. The services that ii offers are provided on both a point in time and an over time basis.

Customers pay monthly account fees as part of ii's subscription model. Account fees are invoiced monthly and are payable immediately from the customer's account, with receivables recognised if there are insufficient funds available. The account fees cover the performance obligation to provide the customer with access to the platform and custody services. For certain subscription levels, the account fee also entitles the customer to receive trading credits which can be redeemed against future trades. For these subscription levels, the account fees also cover ii's performance obligation to perform these future trades. In accordance with IFRS 15, the account fees are allocated to the two performance obligations. Access to the platform and custody services is provided over time and the account fees revenue allocated to this performance obligation is recognised over the calendar month as the customer receives the benefit of these services. Trading credits need to be used by the customer within 31 days of the credit arising, therefore the revenue is recognised over the calendar month as a reasonable approximation of when the performance obligation is satisfied at a point in time within the month.

In addition, ii performs additional trades and foreign exchange transactions for its customers. These are performed at a point in time with the revenue recognised at the trade date of the transaction. Trading fees for transactions not covered by trading credits are generally charged on a flat fee basis with larger international share trades charged based on a percentage of the trade value. These are added to the cost of purchasing shares or deducted from the proceeds from the sale of shares with receivables recognised for unsettled trades. For foreign exchange trades, ii receives a margin (varying depending on the size of the transaction) via a third party in the month following the transaction, with receivables recognised prior to the payment.

In addition, ii is entitled to receive treasury income in relation to its performance obligations to the customer. Treasury income is the interest earned on cash balances less the interest paid to customers based on the client money balances held with third party banks and by reference to the applicable interest rates. Treasury income is recognised on an over time basis with accrued income recognised for unpaid interest.

(b) Cost of sales

The following table provides a breakdown of total cost of sales.

	2022 £m	2021 £m
Cost of sales		
Commission expenses	66	87
Other cost of sales	16	55
Total cost of sales	82	142

Other cost of sales includes amounts payable to employees and others relating to carried interest and performance fee revenue. Cost of sales for each of the Group's reportable segments is disclosed in Section (c) below.

(c) Reconciliation of revenue from contracts with customers to net operating revenue as presented in the analysis of adjusted operating profit

The following table provides a reconciliation of revenue from contracts with customers as presented in the consolidated income statement to net operating revenue as presented in the analysis of adjusted operating profit (see Note 2(b) for each of the Group's reportable segments).

2022	Investments £m	Adviser £m	Personal £m	Corporate/strategic £m	Total £m
Revenue from contracts with customers	1,147	187	204	-	1,538
Cost of sales	(77)	(2)	(3)	-	(82)
Net operating revenue	1,070	185	201	-	1,456

2021	Investments £m	Adviser £m	Personal £m	Corporate/strategic £m	Total £m
Revenue from contracts with customers	1,396	180	92	17	1,685
Cost of sales	(137)	(2)	-	(3)	(142)
Net operating revenue as presented in the IFRS consolidated income statement	1,259	178	92	14	1,543
Other differences	(28)	-	-	-	(28)
Net operating revenue as presented in the analysis of Group adjusted profit by segment	1,231	178	92	14	1,515

There are no differences between net operating revenue as presented in the IFRS consolidated income statement and the analysis of Group adjusted profit by segment for the year ended 31 December 2022. Other differences for the year ended 31 December 2021 primarily related to the net release of deferred income of £25m which was classified as an adjusting item (refer Note 32).

(d) Contract receivables, assets and liabilities

The Group has recognised the following receivables, assets and liabilities in relation to contracts with customers.

	Notes	31 December 2022 £m	31 December 2021 £m	1 January 2021 £m
Amounts receivable from contracts with customers	19	161	135	115
Accrued income from contracts with customers	19	273	260	221
Cost of obtaining customer contracts	13	27	37	49
Deferred acquisition costs	20	1	3	4
Total contract receivables and assets		462	435	389

	Notes	31 December 2022 £m	31 December 2021 £m	1 January 2021 £m
Deferred Income	32	3	5	73
Total contract liabilities		3	5	73

The increase in amounts receivable from contracts with customers and accrued income from contracts with customers is primarily due to the inclusion of balances relating to ii which was acquired during the year ended 31 December 2022. Refer Note 1(b)(i) for further details.

Refer Note 32 for details of the release of £57m of deferred income in the year ended 31 December 2021.

7. Group financial statements continued

4. Net gains or losses 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 and fair value movements in contingent consideration.

	Notes	2022 £m	2021 £m
Fair value movements and dividend income on significant listed investments			
Fair value movements on significant listed investments (other than dividend income)		(187)	(298)
Dividend income from significant listed investments		68	71
Total fair value movements and dividend income on significant listed investments		(119)	(227)
Non-unit linked business – excluding significant listed investments			
Net gains or losses on financial instruments at fair value through profit or loss		(83)	20
Interest and similar income from financial instruments at amortised cost		25	10
Foreign exchange gains or losses on financial instruments at amortised cost		9	(1)
Other income		41	8
Net gains or losses on financial instruments and other income – non-unit linked business – excluding significant listed investments		(8)	37
Unit linked business			
Net gains or losses on financial instruments at fair value through profit or loss			
Net gains or losses on financial assets at fair value through profit or loss		(130)	174
Change in non-participating investment contract financial liabilities		112	(124)
Change in liability for third party interests in consolidated funds		23	(43)
Total net gains or losses on financial instruments at fair value through profit or loss		5	7
Net gains or losses on financial instruments and other income – unit linked business¹	23	5	7
Total other net gains or losses on financial instruments and other income		(3)	44
Total net gains or losses on financial instruments and other income		(122)	(183)

1. In addition to the Net gains or losses on financial instruments and other income – unit linked business of £5m (2021: £7m), there are administrative expenses and policyholder tax of £1m (2021: £3m) and £4m (2021: £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 (2021: £nil). Refer Note 23 for further details.

Fair value movements on significant listed investments (other than dividend income) of losses of £187m (2021: losses of £298m) comprises losses of £38m relating to HDFC Life (2021: losses of £52m), losses of £105m relating to HDFC Asset Management (2021: losses of £164m) and losses of £44m relating to Phoenix (2021: losses of £82m).

Dividend income from significant listed investments of £68m (2021: £71m) comprises £52m (2021: £69m) relating to Phoenix, £15m (2021: £nil) relating to HDFC Asset Management and £1m (2021: £2m) relating to HDFC Life.

5. Administrative and other expenses

	Notes	2022 £m	2021 £m
Restructuring and corporate transaction expenses	8	214	259
Impairment of intangibles acquired in business combinations and through the purchase of customer contracts			
Impairment of intangibles acquired in business combinations	13	368	–
Impairment of intangibles acquired through the purchase of customer contracts	13	1	–
Total impairment of intangibles acquired in business combinations and through the purchase of customer contracts		369	–
Amortisation of intangibles acquired in business combinations and through the purchase of customer contracts			
Amortisation of intangibles acquired in business combinations	13	115	87
Amortisation of intangibles acquired through the purchase of customer contracts	13	10	12
Total amortisation of intangibles acquired in business combinations and through the purchase of customer contracts		125	99
Staff costs and other employee-related costs	6	549	604
Other administrative expenses ^{1,2}		662	594
Total administrative and other expenses³		1,919	1,556

1. Other administrative expenses includes expense relating to a single process execution event provision, refer Note 34.

2. Other administrative expenses includes interest expense of £2m (2021: £1m). In addition, interest expense of £23m (2021: £24m) was incurred in respect of subordinated liabilities and the related cash flow hedge (refer Note 18) and interest expense of £6m (2021: £6m) in respect of lease liabilities (refer Note 16) which are included in Finance costs in the consolidated income statement.

3. Total administrative and other expenses includes £1m (2021: £3m) relating to unit linked business. Refer Note 23 for further details.

6. Staff costs and other employee-related costs

	Notes	2022 £m	2021 £m
The aggregate remuneration payable in respect of employees:			
Wages and salaries		452	469
Social security costs		50	56
Pension costs			
Defined benefit plans		(29)	(17)
Defined contribution plans		56	53
Employee share-based payments and deferred fund awards	41	20	43
Total staff costs and other employee-related costs		549	604

In addition, wages and salaries of £25m (2021: £27m), social security costs of £3m (2021: £3m), pension costs – defined benefit plans of less than £1m (2021: less than £1m), pension costs – defined contribution plans of £1m (2021: £1m), employee share-based payments and deferred fund awards relating to transformation, leavers and corporate transactions of £6m (2021: £16m) and termination benefits of £53m (2021: £50m) have been included in restructuring and corporate transaction expenses. Refer Note 8. A further £11m (2021: £53m) 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. The average number of staff for the year ended 31 December 2021 included roles classified as Operations, IT and support functions which from 1 January 2022 have been allocated directly to the reportable segment as a result of changes to reporting lines.

	2022	2021
Investments	2,344	1,683
Adviser	658	136
Personal	928	626
Operations, IT and support functions	1,369	3,018
Total employees	5,299	5,463

Information in respect of Directors' remuneration is provided in the Directors' remuneration report on pages 103 to 130.

7. Group financial statements continued

7. Auditors' remuneration

The following table shows the auditors' remuneration during the year.

	2022 £m	2021 £m
Fees payable to the Company's auditors for the audit of the Company's individual and consolidated financial statements	1.5	1.0
Fees payable to the Company's auditors for other services		
The audit of the Company's consolidated subsidiaries pursuant to legislation	4.7	4.1
Audit related assurance services	2.3	2.0
Total audit and audit related assurance fees	8.5	7.1
Other assurance services	1.0	1.2
Other non-audit fee services	0.3	0.9
Total non-audit fees	1.3	2.1
Total auditors' remuneration	9.8	9.2

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 2022 no audit fees were payable in respect of defined benefit plans to the Group's principal auditor (2021: £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 during the year were £214m (2021: £259m). Restructuring expenses of £169m (2021: £224m) mainly relate to transformation costs including severance, platform transformation and specific costs to effect savings in Investments. Corporate transaction expenses were £45m (2021: £35m) and include deal costs relating to acquisitions for the year ended 31 December 2022 of £14m (2021: £16m).

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 it is probable that the tax deduction will be capable of being offset against taxable profits and gains in future periods. 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. Any tax consequences of distributions on other equity instruments are credited to the statement in which the profit distributed originally arose.

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 are 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

	2022 £m	2021 £m
Current tax:		
UK	5	5
Overseas	45	60
Adjustment to tax expense in respect of prior years	(8)	11
Total current tax	42	76
Deferred tax:		
Deferred tax (credit)/expense arising from the current year	(104)	36
Adjustment to deferred tax in respect of prior years	(4)	8
Total deferred tax	(108)	44
Total tax (credit)/expense¹	(66)	120

1. The tax credit of £66m (2021: tax expense of £120m) includes a tax expense of £4m (2021: £4m) relating to unit linked business. Refer Note 23 for further details.

In 2022 unrecognised tax losses from previous years were used to reduce the current tax expense by £3m (2021: £15m).

Current tax recoverable and current tax liabilities at 31 December 2022 were £7m (2021: £2m) and £11m (2021: £27m) respectively. In addition current tax recoverable and current tax liabilities in relation to unit linked business were less than £1m (2021: £1m) and less than £1m (2021: £1m) respectively. Current tax assets and liabilities are expected to be recoverable or payable in less than 12 months at both 31 December 2022 and 31 December 2021.

7. Group financial statements continued

(a)(ii) Reconciliation of tax expense

	2022 £m	2021 £m
(Loss)/profit before tax	(615)	1,115
Tax at 19% (2021: 19%)	(117)	212
Remeasurement of deferred tax due to rate changes	(15)	(24)
Permanent differences ¹	1	1
Non-taxable dividends from significant listed investments ¹	(13)	(14)
Non-taxable fair value movements on significant listed investments	21	7
Tax effect of accounting for Share of profit or loss from associates and joint ventures	(1)	4
Tax effect of distributions on other equity instruments	(2)	-
Impairment losses on goodwill	65	-
Impairment of investment in associates and joint ventures	2	-
Differences in overseas tax rates	5	(70)
Adjustment to current tax expense in respect of prior years	(8)	11
Recognition of previously unrecognised deferred tax credit	(3)	(15)
Deferred tax not recognised	4	2
Adjustment to deferred tax expense in respect of prior years	(4)	8
Non-taxable profit or loss on sale of subsidiaries, associates and significant listed investments	(5)	(5)
Other	4	3
Total tax (credit)/expense for the year	(66)	120

1. 2021 figures were previously disclosed as a single line – permanent differences (£1.3m).

The standard UK Corporation Tax rate for the accounting period is 19%. The rate of UK Corporation Tax will increase from 19% to 25% with effect from 1 April 2023. The increased rate for future periods has been taken into account in the calculation of UK deferred tax balances.

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:

- Dividends from significant listed investments not being subject to tax in the UK.
- Losses on fair value movements on HDFC Life and Phoenix not deductible for tax purposes.
- Goodwill impairments that are not deductible for tax purposes.
- Certain profits are taxed at rates which differ from the UK Corporation Tax rate. The difference in overseas tax rates includes a reconciling item relating to the fair value movements and gain on sale of our investment in HDFC Asset Management. This arises because the Indian rate of tax on long-term capital gains is less than the UK Corporation Tax rate.

(b) Tax relating to components of other comprehensive income

Tax relating to components of other comprehensive income is as follows:

	2022 £m	2021 £m
Tax relating to defined benefit pension plan deficits	-	(3)
Equity holder tax effect relating to items that will not be reclassified subsequently to profit or loss	-	(3)
Tax relating to fair value gains and losses recognised on cash flow hedges	21	6
Tax relating to cash flow hedge gains and losses transferred to consolidated income statement	(19)	(3)
Equity holder tax effect relating to items that may be reclassified subsequently to profit or loss	2	3
Tax relating to other comprehensive income	2	-

All of the amounts presented above are in respect of equity holders of abrdn plc.

(c) Deferred tax assets and liabilities

(c)(i) Analysis of recognised deferred tax

	2022 £m	2021 £m
Deferred tax assets comprise:		
Losses carried forward	170	129
Depreciable assets	33	25
Employee benefits	26	30
Provisions and other temporary timing differences	5	4
Gross deferred tax assets	234	188
Less: Offset against deferred tax liabilities	(22)	(20)
Deferred tax assets	212	168
Deferred tax liabilities comprise:		
Unrealised gains on investments	60	104
Deferred tax on intangible assets acquired through business combinations	162	72
Other	11	9
Gross deferred tax liabilities	233	185
Less: Offset against deferred tax assets	(22)	(20)
Deferred tax liabilities	211	165
Net deferred tax asset at 31 December	1	3

A deferred tax asset of £170m (2021: £129m) has been recognised by the Group in respect of losses of the parent company and various subsidiaries. The increase in this deferred tax asset in 2022 largely reflects the effect of restructuring expenses incurred during the year.

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. The financial forecasts considered were consistent with those used for the assessment of the Group's intangible assets (refer Note 13). 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 four and six years.

Deferred tax liabilities relating to unrealised gains on investments of £60m (2021: £104m) include £52m (2021: £92m) relating to our investment in HDFC Asset Management which was reclassified from an associate during 2021.

Deferred tax assets and liabilities are expected to be recovered or settled after more than 12 months.

7. Group financial statements continued

(c)(ii) Movements in deferred tax assets and liabilities

	Losses carried forward £m	Depreciable assets £m	Employee benefits £m	Provisions and other temporary timing differences £m	Unrealised gains on investments £m	Deferred tax on intangible assets acquired through business combinations £m	Other £m	Net deferred tax asset £m
At 1 January 2022	129	25	30	4	(104)	(72)	(9)	3
Acquired through business combinations	-	5	-	-	-	(114)	-	(109)
Amounts (expensed) in/credited to the consolidated income statement	41	3	(5)	1	44	24	-	108
Tax on cash flow hedge	-	-	-	-	-	-	(2)	(2)
Other	-	-	1	-	-	-	-	1
At 31 December 2022	170	33	26	5	(60)	(162)	(11)	1

	Losses carried forward £m	Depreciable assets £m	Employee benefits £m	Provisions and other temporary timing differences £m	Unrealised gains on investments £m	Deferred tax on intangible assets acquired through business combinations £m	Other £m	Net deferred tax asset £m
At 1 January 2021	89	12	28	2	(4)	(52)	(10)	65
Acquired through business combinations	-	-	-	-	-	(19)	-	(19)
Amounts (expensed) in/credited to the consolidated income statement	40	13	(1)	2	(100)	(2)	4	(44)
Tax on defined benefit pension plan deficits	-	-	3	-	-	-	-	3
Tax on cash flow hedge	-	-	-	-	-	-	(3)	(3)
Other	-	-	-	-	-	1	-	1
At 31 December 2021	129	25	30	4	(104)	(72)	(9)	3

(d) Unrecognised deferred tax

Due to uncertainty regarding recoverability, deferred tax assets have not been recognised in respect of the following:

- Cumulative losses carried forward of £81m in the UK and cumulative losses and other temporary differences of £318m overseas (2021: £78m, £361m respectively).

Of these unrecognised deferred tax assets, certain losses have expiry dates as follows:

- US losses of £79m with expiry dates between 2027-2037 (2021: £104m).
- Other overseas losses of £27m with expiry dates between 2022-2036 (2021: £43m).

The following table provides an analysis of the losses with expiry dates for unrecognised deferred tax assets.

	2022 £m	2021 £m
Less than 1 year	5	17
Greater than or equal to 1 year and less than 5 years	11	13
Greater than or equal to 5 years and less than 10 years	11	13
Greater than 10 years	79	104
Total losses with expiry dates	106	147

There is no unrecognised deferred tax relating to temporary timing differences associated with investments in subsidiaries, branches and associates and interests in joint arrangements (2021: none).

10. Earnings per share

Basic earnings per share is calculated by dividing profit or loss attributable to ordinary equity holders by the weighted average number of ordinary shares in issue during the period 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 period to assume the conversion of all dilutive potential ordinary shares, such as share options granted to employees. Details of the share options and awards issued under the Group's employee plans are provided in Note 41.

Adjusted earnings per share is calculated on adjusted profit after tax attributable to ordinary equity holders of the Company.

Basic earnings per share was (26.8p) (2021: 46.8p) and diluted earnings per share was (26.8p) (2021: 46.0p) for the year ended 31 December 2022. The following table shows details of basic, diluted and adjusted earnings per share.

	2022 £m	2021 £m
Adjusted profit before tax	253	323
Tax on adjusted profit	(22)	(26)
Adjusted profit after tax	231	297
Attributable to:		
Other equity holders	(11)	-
Non-controlling interests – ordinary shares	(1)	(1)
Adjusted profit after tax attributable to equity shareholders of abrdn plc	219	296
Total adjusting items including results of associates and joint ventures	(868)	792
Tax on adjusting items	88	(94)
(Loss)/profit attributable to equity shareholders of abrdn plc	(561)	994

	2022 Millions	2021 Millions
Weighted average number of ordinary shares outstanding	2,094	2,123
Dilutive effect of share options and awards	16	36
Weighted average number of diluted ordinary shares outstanding	2,110	2,159

In accordance with IAS 33, no share options and awards have been treated as dilutive for the year ended 31 December 2022 due to the loss attributable to equity holders of abrdn plc in that period. This resulted in the adjusted diluted earnings per share being calculated using a weighted average number of ordinary shares of 2,094 million.

	2022 Pence	2021 Pence
Basic earnings per share	(26.8)	46.8
Diluted earnings per share	(26.8)	46.0
Adjusted earnings per share	10.5	13.9
Adjusted diluted earnings per share	10.5	13.7

7. Group financial statements continued

11. 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 (a) 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) Significant listed investments

During 2021, the Group's investments in Phoenix and HDFC Asset Management were reclassified from associates to equity securities. Refer Note 1(c)(iii) for further details. The Group's investment in HDFC Life was similarly reclassified in 2020 and all three are now considered significant listed investments of the Group. Fair value movements on these investments are included as adjusting items, which 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 these result in fair value movements.

During the year ended 31 December 2022:

- The Group's holding in Phoenix reduced by 4% to 10.4% following the sale of 39,981,442 ordinary shares on 28 January 2022. The total consideration net of taxes and expenses was £263m.
- The Group's holding in HDFC Asset Management reduced by 6% to 10.2% following the sale of 12,800,000 million equity shares through a Bulk Sale on 16 August 2022. The total consideration net of taxes, expenses and related foreign exchange hedging was £229m.
- The Group's holding in HDFC Life reduced by 2% to 1.7% following the sale of 43,000,000 equity shares through a Bulk Sale on 13 September 2022. The total consideration net of taxes, expenses and related foreign exchange hedging was £261m.

(b) Other

Other adjusting items in 2022 primarily relates to a single process execution event provision of £41m, refer Note 34. Other adjusting items for the year ended 31 December 2022 also includes a net gain on fair value movements in contingent consideration of £35m (2021: loss of £3m). The net gain primarily relates to a £37m gain from a reduction in the fair value of the contingent consideration liability relating to the Tritax acquisition in 2021 and reflects lower revenue expectations as a result of logistic market falls and a higher discount rate due to higher market interest rates. Further information on the valuation of this contingent consideration liability and related sensitivities is included in Note 37.

Other adjusting items for the year ended 31 December 2022 also includes a fair value loss of £11m (2021: £nil) on a financial instrument liability related to a prior period acquisition and a loss of £13m (2021: profit of £10m) in relation to market losses on the investments held by the abrdn Financial Fairness Trust which is consolidated by the Group. The assets of the abrdn Financial Fairness Trust are restricted to be used for charitable purposes.

Other adjusting items for the year ended 31 December 2021 also included a net release of deferred income of £25m (2022: £nil) following the transfer of workplace pensions marketing staff to Phoenix in May 2021 (refer Note 32).

12. 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.

	2022		2021	
	Pence per share	£m ¹	Pence per share	£m
Prior year's final dividend paid	7.30	154	7.30	154
Interim dividend paid	7.30	153	7.30	154
Total dividends paid on ordinary shares		307		308
Current year final recommended dividend	7.30	142	7.30	154

1. Estimated for current year final recommended dividend.

The final recommended dividend will be paid on 16 May 2023 to shareholders on the Company's register as at 31 March 2023, subject to approval at the 2023 Annual General Meeting. After the current year final recommended dividend, the total dividend in respect of the year ended 31 December 2022 is 14.60p (2021: 14.60p).

7. Group financial statements continued

13. 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							Total £m
	Goodwill £m	Brand £m	Customer relationships and investment management contracts £m	Technology and other £m	Internally developed software ¹ £m	Purchased software and other £m	Cost of obtaining customer contracts £m	
Gross amount								
At 1 January 2021	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
Reclassified as held for sale during the year	(49)	-	(28)	-	-	-	-	(77)
Disposals and adjustments	-	-	2	-	-	-	1	3
Additions - ii	993	16	421	32	-	-	-	1,462
Additions - other	-	-	-	-	6	-	-	6
At 31 December 2022	4,665	110	1,483	101	137	5	105	6,606
Accumulated amortisation and impairment								
At 1 January 2021	(3,390)	(63)	(717)	(61)	(114)	(2)	(55)	(4,402)
Disposals and adjustments	-	-	10	(2)	2	-	-	10
Amortisation charge for the year ²	-	(19)	(67)	(1)	(7)	(2)	(12)	(108)
Impairment losses recognised ³	-	-	-	-	(8)	-	-	(8)
At 31 December 2021	(3,390)	(82)	(774)	(64)	(127)	(4)	(67)	(4,508)
Reclassified as held for sale during the year	-	-	19	-	-	-	-	19
Amortisation charge for the year ²	-	(14)	(91)	(10)	(3)	(1)	(10)	(129)
Impairment losses recognised ³	(340)	-	(28)	-	-	-	(1)	(369)
At 31 December 2022	(3,730)	(96)	(874)	(74)	(130)	(5)	(78)	(4,987)
Carrying amount								
At 1 January 2021	85	30	314	3	17	3	49	501
At 31 December 2021	331	12	314	5	4	1	37	704
At 31 December 2022	935	14	609	27	7	-	27	1,619

1. Included in the internally developed software of £7m (2021: £4m) is £5m (2021: £nil) relating to intangible assets not yet ready for use.

2. For the year ended 31 December 2022, £125m (2021: £99m) of the amortisation charge is recognised in Amortisation of intangibles acquired in business combinations and through the purchase of customer contracts with £4m (2021: £9m) recognised in Other administrative expenses.

3. For the year ended 31 December 2022, £369m (2021: £nil) of impairment is recognised in Impairment of intangibles acquired in business combinations and through the purchase of customer contracts with £nil (2021: £8m) recognised in Restructuring and corporate transaction expenses.

At 31 December 2022, there was £nil (2021: £167m) of goodwill attributable to the asset management group of cash-generating units and £31m (2021: £72m) of goodwill attributable to the Finimize cash-generating unit, both in the Investments segment. There was £819m (2021: £nil) of goodwill attributable to the ii cash generating unit in the Personal segment. Refer Note 1(b)(i) for further details on the acquisition of ii. The remaining goodwill of £85m (2021: £92m) is attributable to a number of smaller cash-generating units in the Personal segment. Goodwill of £49m relating to the Personal segment was classified as held for sale at 31 December 2022 (refer Note 21).

ii intangible assets

On acquisition of ii, customer relationships, brand and technology and other intangibles of £421m, £16m and £32m respectively were recognised. Identification and valuation of intangible assets acquired in business combinations is a key judgement. The description of the individually material intangible asset including the estimated useful life at the acquisition date of 27 May 2022 was as follows:

Customer relationship intangible asset	Description	Useful life at acquisition date	Fair value on acquisition date £m	Carrying value 2022 £m	Carrying value 2021 £m
Customer base	ii's customer base at the date of acquisition	15 years	421	390	N/A

The key assumptions in measuring the fair value of this intangible asset at acquisition date were as follows:

- Revenue per customer growth – comprises expected growth in account fees, treasury income and trading transactions revenue from ii business plans. Treasury income is the interest earned on cash balances less the interest paid to customers and was assumed to grow in line with assets under administration. Market interest rates were assumed to remain at or above 1%.
- Customer attrition – customer attrition represents the expected rate of existing customers leaving ii. This assumption was primarily based on historical attrition rates and was assumed to remain constant over time.
- Operating margin – this assumption was based on the current operating margins adjusted for marketing costs which are not attributable to the servicing of existing customers. Expected future operating margins are adjusted to take into account that increased treasury income does not result in higher costs.
- Discount rate – this assumption was based on a market participant weighted average cost of capital.

The above assumptions, and in particular the customer attrition assumption, were also used to determine the 15 year useful economic life at the acquisition date. There has been no change to the useful life and therefore the residual useful life of the customer relationships intangible asset is 14.4 years. The reducing balance method of amortisation is considered appropriate for this intangible, consistent with the attrition rate being constant over time.

The technology intangible asset relates to ii's internally generated technology which has been valued based on the replacement cost method. The brand intangible asset relates to the ii brand and has been valued based on applying an assumed royalty rate to revenue forecasts.

As set out in Note 1(b)(i) following the valuation of the ii intangibles discussed above goodwill of £993m was recognised. The allocation of this goodwill to cash-generating units was a key judgement in 2022. The goodwill was allocated to cash-generating units based on expected earnings contribution, including in relation to revenue synergies, at the time of the transaction. We considered an earnings contribution method of allocation to be appropriate as earnings multiples are a primary valuation method for businesses such as ii. This resulted in the goodwill being primarily allocated to the ii cash-generating unit in the Personal segment (£819m), with £132m and £42m allocated to the asset management group of cash-generating units in the Investments segment and a cash-generating unit in the Personal segment respectively.

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 acquisition date	Fair value on acquisition date £m	Carrying value 2022 £m	Carrying value 2021 £m
Tritax Big Box REIT plc	Investment management contract with Tritax Big Box REIT plc	13 years	50	43	47

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.

7. Group financial statements continued

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 11.25 years.

abrdn Holdings Limited (formerly named Aberdeen Asset Management PLC (aHL)) intangibles

On the acquisition of aHL 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 aHL 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 aHL and open ended fund customers, rather than an intangible asset relating to investment management agreements between aHL and aHL'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 acquisition date	Fair value on acquisition date £m	Carrying value 2022 £m	Carrying value 2021 £m
Open ended funds	Separate vehicle group – open ended investment vehicles	11 years	223	45	62
Segregated and similar	All other vehicle groups dominated by segregated mandates which represent 75% of this group	12 years	427	63	83

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 5.6 years and the residual life of the Segregated and similar customer relationship intangible asset is 6.6 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 the asset management and Finimize cash-generating units was a key estimate in relation to these 2022 accounts. However, following the impairments in 2022, including the full impairment of asset management goodwill, the determination of the recoverable amount for these cash-generating units is not considered a source of estimation uncertainty at 31 December 2022 with a significant risk of resulting in material adjustments to the carrying amount in the next financial year.

The determination of the recoverable amount of the interactive investor and the abrdn financial planning business cash-generating units is a key area of estimation, and further details of assumptions and sensitivities are disclosed in this section.

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 or FVLCD measured using a discounted cash flow approach, expected future cash flows are discounted to their present value using a pre-tax discount rate for VIU or a post-tax discount rate for FVLCD. 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

In 2022 impairments of goodwill of £340m (2021: £nil) have been recognised. The goodwill impairment comprises £299m relating to the asset management group of cash generating units and £41m relating to the Finimize cash-generating unit. Both impairments relate to assets included in the Investments segment. The impairments are included within Impairment of intangibles acquired in business combinations and through the purchase of customer contracts in the consolidated income statement.

Asset management

The asset management group of cash generating units comprises the Investments segment (excluding Finimize) which is the lowest group of cash generating units to which asset management goodwill has been allocated. The impairment of £299m (2021: £nil) resulted from lower future revenue projections and further work being required to reduce Investments costs given this level of revenue. The lower future revenue projections primarily resulted from the impact of lower equity market levels during 2022 and forecast equity market falls in 2023 on assets under management, net outflows in 2022 particularly in the equity asset class and lower forecasts of net inflows in future periods reflecting both macroeconomic conditions and business performance, and the expected reduction in Phoenix revenue as a result of certain active equity and fixed income strategies moving to lower yielding passive quantitative strategies and related pricing changes. Following the impairment the goodwill allocated to the asset management group of cash generating units was £nil (2021: £167m). The goodwill prior to impairment of £299m included additions of £132m allocated to the asset management group of cash generating units for revenue synergies in our Investments segment in relation to the acquisition of ii. Refer Note 1(b)(i) for further details.

The recoverable amount of this group of cash-generating units at 31 December 2022 was £1,532m which was based on FVLCD. This was also the carrying value of this group of cash-generating units at 31 December 2022. The FVLCD considered a number of valuation approaches, with the primary approach being a discounted cash flow approach. This is a level 3 measurement as it is measured using inputs which are not based on observable market data. 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 and assume institutional and wholesale flows move to a net inflow position over the business plan cycle. Market assumptions assume equity market falls in 2023 with recovery during 2024 and 2025. Fee revenue yield assumptions are adjusted to take into account an expected contraction in the yield on Phoenix assets.

7. Group financial statements continued

- Expenses in the management forecasts were based on past experience adjusted for planned expense savings and inflation impacts and take into account related restructuring costs.

Cash flow projections were extrapolated using a 5% revenue growth in years 4 and 5, and then a 2% terminal rate profit growth based on long-term inflation forecasts. A post tax discount rate of 15.35% was used based on the Group/peer companies cost of equity adjusted for forecasting risk.

The recoverable amount at 31 December 2021 was based on VIU. The reason for the change in 2022 was that, at 31 December 2022, FVLCD was assessed by management as being higher than VIU. The VIU is significantly reduced by the IFRS requirement to add back certain staff and property expense savings to management's expectation of the level of future operating expenses, where these expense savings require provisions to be made in future years.

Finimize

The impairment of goodwill allocated to the Finimize cash-generating unit, which comprises the Finimize business, was £41m. The impairment resulted from a significant fall in market multiples and lower projected revenues as a result of macroeconomic conditions and 2022 revenues being lower than previous expectations. Following the impairment the goodwill allocated to the Finimize cash-generating unit was £31m (2021: £72m).

The recoverable amount of the Finimize cash-generating unit at 31 December 2022 was £35m which was based on FVLCD. This was also the carrying value of the Finimize cash-generating unit at 31 December 2022. 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 key assumptions used in determining the revenue multiple valuation were future revenue projections, which were based on management forecasts and assumed a continued level of revenue growth, and market multiples. Market multiples were based on comparable listed companies, with appropriate discounts applied to take into account profitability, track record, revenue growth potential, and net premiums for control.

Following the impairment the residual goodwill allocated to the Finimize cash-generating unit is not significant in comparison to the total carrying amount of goodwill.

interactive investor

Goodwill of £819m (2021: £nil) is allocated to the interactive investor cash generating unit which comprises the interactive investor business in the Personal segment. The recoverable amount of this cash-generating unit was determined based on FVLCD. The FVLCD was based on an earnings multiple approach. This is a level 3 measurement as it is measured using inputs which are not based on observable market data.

The key assumptions used in determining the earnings multiple valuation were future post tax adjusted earnings, which were based on management's business plan projections and reflected past experience and market price to earnings multiples, which were based on multiples of a peer group of comparable listed direct-to-consumer investment platform providers.

Sensitivities of key assumptions

The business plan projections used to determine the future earnings are based on macroeconomic forecasts including interest rates and inflation, and forecast levels of client activity, market pricing, the percentage of client funds held in cash and expenses. The projections are therefore sensitive to these assumptions. The interactive investor treasury income forecast is sensitive to interest rate levels and the level of interest paid to customers and would be expected to reduce if market interest rates fell below 1% and returned to the historic lows seen in 2021. The business plan projections were based on market forward interest rates and assumed that market interest rates remained above 1% over the plan period. Given current macroeconomic uncertainties a 20% reduction in forecast earnings has been provided as a sensitivity.

The market price to earnings multiple used in the valuation is 20x based on multiples of a peer group of comparable listed direct-to-consumer investment platform providers. This assumption is sensitive to general equity market fluctuations and to market views on UK direct-to-consumer investment platform companies. Taking into account historic equity market fluctuations a 25% sensitivity to an earnings multiple has been provided as a sensitivity.

The recoverable amount at 31 December 2022 exceeds the carrying amount of the cash-generating unit by £400m. The impact of sensitivities to a single variable and the change required to reduce headroom to zero are shown in the tables below.

Reduction in headroom for illustrative sensitivities	£m
20% reduction in forecast post tax adjusted earnings	(335)
25% reduction in market multiple	(419)

Change required to reduce headroom to zero	%
Change in forecast post tax adjusted earnings	(24)
Reduction in market multiple	(24)

We consider the 24% reduction in market multiple assumption to 15x to reduce the headroom to zero to be a reasonably possible change.

Other goodwill

Goodwill of £85m (2021: £92m) is attributable to a number of smaller cash-generating units in the Personal 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.

Included in this balance is £60m of goodwill allocated to the abrdn financial planning business cash-generating unit. The year end carrying value of this cash-generating unit is equal to the recoverable amount. The recoverable amount was based on FVLCD which 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 peer companies. Revenue and AUAdv were based on 2022 results. 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. As the year end carrying value is the recoverable amount any downside sensitivity will lead to a further impairment loss. A 20% reduction in recurring revenue and AUAdv would result in an impairment of £17m. A 20% reduction in market transaction multiples for similar businesses, adjusted to be appropriate to the abrdn financial planning business, would also result in an impairment of £17m.

Customer relationship and investment management contract intangibles

In 2022 an impairment of £28m (2021: £nil) has been recognised in relation to customer relationship and investment management contract intangibles. The impairment is included within Impairment of intangibles acquired in business combinations and through the purchase of customer contracts in the consolidated income statement. The impairment relates to the Phoenix Life business intangible asset which was recognised on the acquisition of Ignis Asset Management in 2014, and is part of the Investments segment. The assets under management relating to this Phoenix Life intangible are c£34bn at 31 December 2022 and are therefore less than 25% of the total assets managed for Phoenix. The impairment resulted from the expected reduction in revenue from these Phoenix assets as a result of certain active equity and fixed income strategies moving to lower yielding passive quantitative strategies and related pricing changes. Following the impairment the recoverable amount of the asset is £nil based on FVLCD. This is also the carry value at 31 December 2022 (2021: £31m). FVLCD was based on a discounted cash flow approach based on expected future cashflows for the Phoenix Life business and a post tax discount rate of 15.35%. This is a level 3 measurement as it is measured using inputs which are not based on observable market data. The key assumption related to expected future profitability and was based on management forecasts.

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 15 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 and other intangibles acquired through business combinations – between 1 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

There was no impairment of internally developed software in 2022. In 2021, an impairment of internally developed software of £8m 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.

7. Group financial statements continued

14. 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

	2022			2021		
	Associates £m	Joint ventures £m	Total £m	Associates £m	Joint ventures £m	Total £m
At 1 January	10	264	274	1,134	237	1,371
Exchange translation adjustments	-	8	8	-	7	7
Additions	18	2	20	-	11	11
Disposals	-	-	-	(29)	-	(29)
Profit/(loss) after tax	(5)	7	2	(35)	13	(22)
Other comprehensive income	-	(28)	(28)	12	(4)	8
Impairment	(9)	-	(9)	-	-	-
Distributions of profit	-	-	-	(15)	-	(15)
Reclassified to equity securities and interests in pooled investments funds	-	-	-	(1,057)	-	(1,057)
At 31 December	14	253	267	10	264	274

The following joint venture is considered to be material to the Group as at 31 December 2022.

Name	Nature of relationship	Principal place of business	Measurement method	Interest held by the Group at 31 December 2022	Interest held by the Group at 31 December 2021
Heng An Standard Life Insurance 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.

(b) Investments in associates accounted for using the equity method

	2022		2021			
	Other £m	Total £m	Phoenix £m	HDFC Asset Management £m	Other £m	Total £m
Carrying value of associates accounted for using the equity method	14	14	–	–	10	10
Dividends received	–	–	–	15	–	15
Share of profit/(loss) after tax	(5)	(5)	(56)	21	–	(35)

The Group's investments 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). The Group continues to have no material associates at 31 December 2022.

Other primarily relates to the Group's interests in Archax Holdings Limited and Tenet Group Limited. During the year ended 31 December 2022, the Group recognised an impairment of £9m in relation to its interest in Tenet Group Limited.

HDFC Asset Management

HDFC Asset Management manages a range of mutual funds and provides portfolio management and advisory services.

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 was 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 considered 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 was 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.

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.

Phoenix

Phoenix is the largest life and pensions consolidator in Europe.

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%. 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.

7. Group financial statements continued

On 23 February 2021, the Group announced a simplification and extension of the strategic partnership between the Group and Phoenix. Refer Note 1(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 was 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.

(c) Investments in joint ventures

	HASL		Other		Total	
	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m
Carrying value of joint ventures accounted for using the equity method	245	258	8	6	253	264
Dividends received	-	-	-	-	-	-
Share of profit/(loss) after tax	7	19	-	(6)	7	13

For the years ended 31 December 2022 and 2021, the carrying value of joint ventures accounted for using the equity method for Other primarily relates to the Group's interest in Virgin Money UTM.

HASL

The Group has a 50% share in HASL, one of China's leading life insurance companies offering life and health insurance products. HASL is an investment which gives the Group access to one of the world's largest markets.

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.

	HASL	
	2022 £m	2021 £m
Summarised financial information of joint venture:		
Revenue	861	612
Depreciation and amortisation	6	4
Interest income	93	68
Interest expense	2	2
Income tax credit/(expense)	5	(3)
Profit after tax	14	39
Other comprehensive income	(56)	(11)
Total comprehensive income	(42)	28
Total assets ¹	4,482	3,787
Total liabilities ¹	3,992	3,271
Cash and cash equivalents	130	102
Net assets	490	516
Attributable to investee's shareholders	490	516
Interest held	50%	50%
Share of net assets	245	258

1. 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.

HASL will adopt IFRS 9 and IFRS 17 for the purposes of the preparation of the Group's consolidated financial statements from 1 January 2023. Refer Section (a)(ii) of the basis of preparation for further details.

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 2022 that remain under IAS 39 for equity accounting purposes and the change in fair value during the year ended 31 December 2022 are as follows:

	Fair value as at 31 December 2022 £m	Fair value as at 31 December 2021 £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 ^{1,2}	2,544	2,384
Financial assets other than those above ²	1,114	562
Total	3,658	2,946

1. 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 2022 is £2,444m (2021: £2,320m). No securities are rated below BBB (2021: none).

2. The change in fair value in the year to 31 December 2022 for financial assets that are SPPI (excluding those held for trading or managed on a fair value basis) is a gain of £22m (2021: £136m). The change in fair value for all other financial assets is a loss of £97m (2021: gain of £45m).

(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 17) at 31 December 2022 is £46m (2021: £63m) none of which are considered individually material to the Group.

7. Group financial statements continued

15. 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 16 below for the accounting policies for right-of-use assets.

	Owner occupied property £m	Equipment £m	Right-of-use assets - property £m	Right-of-use assets - equipment £m	Total £m
Cost or valuation					
At 1 January 2021	2	108	370	3	483
Additions	-	12	4	-	16
Disposals and adjustments ¹	-	(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
Reclassified as held for sale during the year	-	-	(1)	-	(1)
Additions	-	24	36	1	61
Disposals and adjustments ¹	-	(11)	(41)	-	(52)
Derecognition of right-of-use assets relating to subleases classified as finance leases	-	-	(6)	-	(6)
Foreign exchange adjustment	-	3	11	-	14
At 31 December 2022	2	120	321	4	447
Accumulated depreciation and impairment					
At 1 January 2021	(1)	(49)	(195)	(2)	(247)
Depreciation charge for the year ²	-	(18)	(21)	-	(39)
Disposals and adjustments ¹	-	13	42	-	55
Derecognition of right-of-use assets relating to subleases classified as finance leases	-	-	1	-	1
Impairment ³	-	-	(15)	-	(15)
Foreign exchange adjustment	-	-	1	-	1
At 31 December 2021	(1)	(54)	(187)	(2)	(244)
Reclassified as held for sale during the year	-	-	1	-	1
Depreciation charge for the year ²	-	(18)	(20)	(1)	(39)
Disposals and adjustments ¹	-	10	38	-	48
Derecognition of right-of-use assets relating to subleases classified as finance leases	-	-	3	-	3
Impairment ³	-	-	(7)	-	(7)
Foreign exchange adjustment	-	(3)	(5)	-	(8)
At 31 December 2022	(1)	(65)	(177)	(3)	(246)
Carrying amount					
At 1 January 2021	1	59	175	1	236
At 31 December 2021	1	50	135	1	187
At 31 December 2022	1	55	144	1	201

1. For the year ended 31 December 2022, £1m (2021: £8m) of disposals and adjustments relates to equipment with net book value of £nil which is no longer in use.

2. Included in other administrative expenses.

3. 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 2022 is £14m (2021: £21m). This comprises a gross carrying value of £49m (2021: £81m) and accumulated depreciation and impairment of £35m (2021: £60m). During the year to 31 December 2022 there were no transfers to investment property (2021: £19m), depreciation of (£2m) (2021: (£2m)), derecognition related to new subleases classified as finance leases of (£1m) (2021: (£6m)), impairments of (£3m) (2021: (£15m)) and disposals and adjustments of (£1m) (2021: £nil) related to these assets. Rental income received and direct operating expenses incurred to generate that rental income in the year to 31 December 2022 were £3m (2021: £2m) and £3m (2021: £3m) respectively. In addition, there were direct expenses of £1m (2021: £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 2022 is £14m (2021: £21m). 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 37.

If owner occupied property was measured using the cost model, the historical cost before impairment would be £1m (2021: £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 16 below.

7. Group financial statements continued

16. 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 15). 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 33) 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 19) 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 16 years (2021: less than 1 year to 17 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 committed to two leases at 31 December 2022 which had not commenced at this date. The expected lease liability for these leases is not significant to the Group.

The Group has recognised the following assets and liabilities in relation to these leases where the Group is a lessee:

	2022 £m	2021 £m
Right-of-use assets:		
Property	144	135
Equipment	1	1
Total right-of-use assets	145	136
Lease liabilities	(224)	(225)

Details of the movements in the Group's right-of-use assets including additions and depreciation are included in Note 15.

The interest on lease liabilities is as follows:

	2022 £m	2021 £m
Interest on lease liabilities	6	6

The total cash outflow for lease liabilities recognised in the consolidated statement of cash flows for the year ended 31 December 2022 was £52m (2021: £33m). Refer Note 38(f) for further details.

The following table provides a maturity analysis of the contractual undiscounted cash flows for the lease liabilities.

	2022 £m	2021 £m
Less than 1 year	29	28
Greater than or equal to 1 year and less than 2 years	24	28
Greater than or equal to 2 years and less than 3 years	23	24
Greater than or equal to 3 years and less than 4 years	24	23
Greater than or equal to 4 years and less than 5 years	23	21
Greater than or equal to 5 years and less than 10 years	99	93
Greater than or equal to 10 years and less than 15 years	38	33
Greater than or equal to 15 years	4	7
Total undiscounted lease liabilities	264	257

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 2022 were £3m (2021: £2m). The Group lease commitment for short-term leases was £nil at 31 December 2022 (2021: £nil).

(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 2022, the Group had a net investment in finance leases asset of £29m (2021: £30m) 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.

(b)(i) Finance leases

During the year ended 31 December 2022, the Group received finance income on the net investment in finance leases asset of less than £1m (2021: less than £1m). The Group recorded an initial gain of £1m in relation to new subleases entered into during the year ended 31 December 2022 (2021: £8m).

7. Group financial statements continued

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.

	2022 £m	2021 £m
Less than 1 year	3	3
Greater than or equal to 1 year and less than 2 years	3	3
Greater than or equal to 2 years and less than 3 years	4	3
Greater than or equal to 3 years and less than 4 years	4	3
Greater than or equal to 4 years and less than 5 years	4	3
Greater than or equal to 5 years and less than 10 years	12	14
Greater than or equal to 10 years and less than 15 years	2	3
Total contractual undiscounted cash flows under finance leases	32	32
Unearned finance income	(3)	(2)
Total net investment in finance leases	29	30

(b)(ii) Operating leases

During the year ended 31 December 2022, the Group received property rental income from operating leases of £3m (2021: £2m).

The following table provides a maturity analysis of the future contractual undiscounted cash flows for subleases classified as operating leases.

	2022 £m	2021 £m
Less than 1 year	1	3
Greater than or equal to 1 year and less than 2 years	1	1
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	1
Total contractual undiscounted cash flows under operating leases	4	6

17. 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 or losses 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 18.

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 ¹ test satisfied?	Business model	Classification
Yes	A: Objective is to hold to collect contractual cash flows	Amortised cost ²
Yes	B: Objective is achieved by both collecting contractual cash flows and selling	Fair value through other comprehensive income (FVOCI) ²
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 37.

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 always equal to the lifetime expected credit loss.

The table below sets out an analysis of financial assets excluding those assets backing unit linked liabilities which are set out in Note 23.

	Notes	At fair value through profit or loss ¹		Cash flow hedge ²		At amortised cost		Total	
		2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m
Derivative financial assets	18	19	6	85	8	–	–	104	14
Equity securities and interests in pooled investment funds	37	2,033	3,115	–	–	–	–	2,033	3,115
Debt securities	37	592	961	–	–	210	226	802	1,187
Financial investments		2,644	4,082	85	8	210	226	2,939	4,316
Receivables and other financial assets	19	19	31	–	–	888	649	907	680
Cash and cash equivalents	22	–	–	–	–	1,133	1,904	1,133	1,904
Total		2,663	4,113	85	8	2,231	2,779	4,979	6,900

1. 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.

2. Changes in fair value are recognised in the Cash Flow Hedges Reserve (refer Note 27) but may be reclassified subsequently to profit or loss.

7. Group financial statements continued

The amount of debt securities expected to be recovered or settled after more than 12 months is £2m (2021: £63m). 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 £669m (2021: £1,947m).

Included in Proceeds from sale or redemption of financial investments of £1,633m (2021: £938m) within the consolidated statement of cash flows are £789m (2021: £655m) in relation to sales of significant listed investments. Refer Note 11 for further details of the sales in 2022.

18. 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.

	Notes	2022			2021		
		Contract amount £m	Fair value assets £m	Fair value liabilities £m	Contract amount £m	Fair value assets £m	Fair value liabilities £m
Cash flow hedges	17,29	623	85	–	554	8	–
FVTPL	17,29	638	19	1	889	6	5
Derivative financial instruments	37	1,261	104	1	1,443	14	5
Derivative financial instruments backing unit linked liabilities	23	258	1	2	399	7	3
Total derivative financial instruments		1,519	105	3	1,842	21	8

Derivative assets of £85m (2021: £8m) are expected to be recovered after more than 12 months. Derivative liabilities of £nil (2021: £nil) are expected to be settled after more than 12 months.

(a) 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.

(a)(i) 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 cross-currency 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 £85m (2021: £8m asset). During the year ended 31 December 2022 fair value gains of £85m (2021: gains of £19m) were recognised in other comprehensive income in relation to the cross-currency swap. Gains of £70m (2021: gains of £5m) were transferred from other comprehensive income to Net gains or losses 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 (2021: £6m) and gains of £2m (2021: losses of £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.

	2022			2021		
	Contract amount £m	Fair value assets £m	Fair value liabilities £m	Contract amount £m	Fair value assets £m	Fair value liabilities £m
Equity derivatives:						
Futures	137	3	-	336	3	4
Variance swaps	-	-	-	6	6	-
Interest rate derivatives:						
Swaps	18	1	-	11	-	-
Futures	-	-	-	40	-	-
Foreign exchange derivatives:						
Forwards	678	16	3	806	4	3
Other derivatives:						
Inflation rate swaps	-	-	-	-	-	-
Credit default swaps	63	-	-	89	-	1
Derivative financial instruments at FVTPL	896	20	3	1,288	13	8

(b) Maturity profile

The maturity profile of the contractual undiscounted cash flows in relation to derivative financial instruments is as follows:

	Within 1 year		1-5 years		5-10 years		10-15 years		15-20 years		Greater than 20 years		Total	
	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m
Cash inflows														
Derivative financial assets	569	66	107	94	637	589	-	-	-	-	-	-	1,313	749
Derivative financial liabilities	138	13	-	-	-	-	-	-	-	-	-	-	138	13
Total	707	79	107	94	637	589	-	-	-	-	-	-	1,451	762
Cash outflows														
Derivative financial assets	(541)	(60)	(91)	(73)	(578)	(596)	-	-	-	-	-	-	(1,210)	(729)
Derivative financial liabilities	(141)	(13)	-	-	-	-	-	-	-	-	-	-	(141)	(13)
Total	(682)	(73)	(91)	(73)	(578)	(596)	-	-	-	-	-	-	(1,351)	(742)
Net derivative financial instruments cash inflows	25	6	16	21	59	(7)	-	-	-	-	-	-	100	20

7. Group financial statements continued

Included in the above maturity profile are the following cash flows in relation to cash flow hedge assets:

	Within 1 year		1-5 years		5-10 years		10-15 years		15-20 years		Greater than 20 years		Total	
	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m
Cash inflows	26	24	106	94	637	589	-	-	-	-	-	-	769	707
Cash outflows	(18)	(18)	(91)	(73)	(578)	(596)	-	-	-	-	-	-	(687)	(687)
Net cash flow hedge cash inflows	8	6	15	21	59	(7)	-	-	-	-	-	-	82	20

Cash inflows and outflows are presented on a net basis where the Group is required to settle cash flows net.

19. Receivables and other financial assets

	Notes	2022 £m	2021 £m
Amounts receivable from contracts with customers	3(d)	161	135
Accrued income		278	263
Amounts due from counterparties and customers for unsettled trades and fund transactions ¹		317	113
Net investment in finance leases		29	30
Collateral pledged in respect of derivative contracts	35	14	26
Contingent consideration assets	37	19	31
Other		89	82
Receivables and other financial assets		907	680

1. The 2021 figure was previously disclosed as cancellation of units awaiting settlement.

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 £34m (2021: £35m).

Accrued income includes £273m (2021: £260m) of accrued income from contracts with customers (refer Note 3(d)).

20. Other assets

	2022 £m	2021 £m
Prepayments	89	100
Deferred acquisition costs	1	3
Other	2	2
Other assets	92	105

The amount of other assets expected to be recovered after more than 12 months is £21m (2021: £48m).

Prepayments includes £43m (2021: £56m) relating to the Group's future purchase of certain products in the Phoenix Group's savings business offered through abrdn's adviser platforms 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 for the year was £2m (2021: £1m).

21. 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.

	2022 £m	2021 £m
Assets of operations held for sale abrdn Capital Limited	87	–
Assets held for sale	87	–
Liabilities of operations held for sale abrdn Capital Limited	14	–
Liabilities of operations held for sale	14	–

(a) abrdn Capital Limited

abrdn Capital Limited, in the Personal segment, was classified as an operation held for sale at 31 December 2022 as at that point a sale of the business was considered highly probable. Refer Note 44 for details of the agreed sale.

	2022 £m
Assets of operations held for sale	
Intangible assets	58
Property, plant and equipment	–
Receivables and other financial assets	15
Other assets	1
Cash and cash equivalents	13
Total assets of operations held for sale	87
Liabilities of operations held for sale	
Other financial liabilities	14
Total liabilities of operations held for sale	14
Net assets of operations held for sale	73

Net assets of operations held for sale are net of intercompany balances between abrdn Capital Limited and other group entities, the net assets of abrdn Capital Limited on a gross basis as at 31 December 2022 are £70m.

7. Group financial statements continued

22. 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.

	2022 £m	2021 £m
Cash at bank and in hand	783	638
Money at call, term deposits, reverse repurchase agreements and debt instruments with less than three months to maturity from acquisition	236	1,122
Money market funds	114	144
Cash and cash equivalents	1,133	1,904

	Notes	2022 £m	2021 £m
Cash and cash equivalents		1,133	1,904
Cash and cash equivalents backing unit linked liabilities	23	23	33
Cash and cash equivalents classified as held for sale	21	13	–
Bank overdrafts	33	(3)	(62)
Total cash and cash equivalents for consolidated statement of cash flows		1,166	1,875

Cash at bank, money at call and short notice and deposits are subject to variable interest rates.

At 31 December 2022, the Group has no cash and cash equivalents and bank overdrafts within a cash pooling facility or similar arrangement. Included in cash and cash equivalents and bank overdrafts at 31 December 2021 were £82m and £62m respectively relating to balances within a cash pooling facility in support of which cross guarantees were 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.

23. Unit linked liabilities and assets backing unit linked liabilities

The Group operates unit linked life assurance businesses through an insurance subsidiary. This subsidiary provides 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 or loss 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

	Notes	2022 £m	2021 £m
Net gains or losses on financial instruments and other income	4	5	7
Other administrative expense	5	(1)	(3)
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 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.

7. Group financial statements continued

(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 37. Refer Note 37 for details of valuation techniques used.

	Level 1		Level 2		Level 3		Not at fair value		Total	
	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m
Financial investments	601	974	322	455	1	1	-	-	924	1,430
Receivables and other financial assets	-	-	-	-	-	-	5	7	5	7
Cash and cash equivalents	-	-	-	-	-	-	23	33	23	33
Total financial assets backing unit linked liabilities	601	974	322	455	1	1	28	40	952	1,470
Investment contract liabilities	-	-	772	1,087	1	1	-	-	773	1,088
Third party interest in consolidated funds	-	-	173	378	-	-	-	-	173	378
Other unit linked financial liabilities	-	1	2	2	-	-	4	1	6	4
Total unit linked financial liabilities	-	1	947	1,467	1	1	4	1	952	1,470

In addition to financial assets backing unit linked liabilities and unit linked financial liabilities shown above there is a current tax asset of less than £1m (2021: £1m) included in unit linked assets and a current tax liability of less than £1m (2021: £1m) included in unit linked liabilities.

The financial investments backing unit linked liabilities comprise equity securities and interests in pooled investment funds of £811m (2021: £1,232m), debt securities of £112m (2021: £191m) and derivative financial assets of £1m (2021: £7m).

The fair value of financial instruments not held at fair value approximates to their carrying value at both 31 December 2022 and 31 December 2021.

There were transfers of £52m (2021: £nil) from level 1 to level 2 during the year ended 31 December 2022. The Group now considers government bonds not issued by the G7 countries or the European Union as level 2. There were no significant transfers from level 2 to level 1 during the year ended 31 December 2022 (2021: £nil).

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		Investment contract liabilities	
	31 Dec 2022 £m	31 Dec 2021 £m	31 Dec 2022 £m	31 Dec 2021 £m
At start of period	1	18	(1)	(18)
Total gains/(losses) recognised in the consolidated income statement	-	-	-	-
Purchases	-	1	-	(1)
Sales	-	(18)	-	18
Transfers in to level 3 ¹	-	-	-	-
At end of period	1	1	(1)	(1)

1. 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:

	2022 £m	2021 £m
At 1 January	1,088	1,042
Contributions	36	119
Account balances paid on surrender and other terminations in the year	(237)	(195)
Change in non-participating investment contract liabilities recognised in the consolidated income statement	(112)	124
Recurring management charges	(2)	(2)
At 31 December	773	1,088

(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 35. The following table presents the impact of master netting agreements and similar arrangements for derivatives backing unit linked liabilities.

	Related amounts not offset on the consolidated statement of financial position							
	Gross amounts of financial instruments as presented on the consolidated statement of financial position		Financial instruments		Financial collateral pledged/(received)		Net position	
	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m
Financial assets								
Derivatives ¹	1	4	-	(1)	-	-	1	3
Total financial assets	1	4	-	(1)	-	-	1	3
Financial liabilities								
Derivatives ¹	(1)	(2)	-	1	-	-	(1)	(1)
Total financial liabilities	(1)	(2)	-	1	-	-	(1)	(1)

1. Only OTC derivatives subject to master netting agreements have been included above.

7. Group financial statements continued

24. 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:

	2022			2021		
	Ordinary share capital 13 61/63p each	Share premium £m	Share premium £m	Ordinary share capital 13 61/63p each	Share premium £m	Share premium £m
Issued shares fully paid						
At 1 January	2,180,724,786	305	640	2,194,115,616	306	640
Shares issued in respect of share incentive plans	2,381	-	-	2,032	-	-
Share buyback	(178,835,268)	(25)	-	(13,392,862)	(1)	-
At 31 December	2,001,891,899	280	640	2,180,724,786	305	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 6 July 2022 the Company announced that it would commence a £300m return to shareholders. During the year ended 31 December 2022, the Company bought back and cancelled 178,835,268 shares. The total consideration was £302m which includes transaction costs.

During the year ended 31 December 2021, the Company completed its 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. The total consideration was £41m which included transaction costs.

The share buyback has resulted in a reduction in retained earnings of £302m (2021: £nil). In relation to the share buyback completed in 2021, there was an irrevocable contractual obligation at 31 December 2020 with a third party to purchase the Company's own shares of £40m and consequently the 2021 consideration had already been recognised as a part of the share buyback reduction to retained earnings of £402m for the year ended 31 December 2020.

In addition, an amount of £25m (2021: £1m) 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 41.

25. Shares held by trusts

Shares held by trusts relates to shares in abrdn plc that are held by the abrdn Employee Benefit Trust (formerly named the Standard Life Aberdeen Employee Benefit Trust) (abrdn EBT), Standard Life Employee Trust (ET) and the Aberdeen Asset Management Employee Benefit Trust 2003 (AAMEBT).

The abrdn EBT, ET and AAMEBT 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. Where new shares are issued to the abrdn EBT, ET or AAMEBT 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:

	2022	2021
Number of shares held by trusts		
abrdn Employee Benefit Trust	36,112,240	39,630,532
Standard Life Employee Trust	22,629,035	22,688,815
Aberdeen Asset Management Employee Benefit Trust 2003	2,264,591	2,647,359

26. Retained earnings

The following table shows movements in retained earnings during the year.

	Notes	2022 £m	2021 £m
At 1 January		5,775	4,970
Recognised in comprehensive income			
Recognised in (loss)/profit for the year attributable to equity holders		(561)	994
Recognised in other comprehensive income			
Remeasurement (losses)/gains on defined benefit pension plans	31	(793)	117
Share of other comprehensive income of associates and joint ventures		(28)	(1)
Equity holder tax effect of items that will not be reclassified subsequently to profit or loss	9	-	3
Total items recognised in comprehensive income		(1,382)	1,113
Recognised directly in equity			
Dividends paid on ordinary shares		(307)	(308)
Other movements in non-controlling interests in the year	28	-	6
Share buyback	24	(302)	-
Cancellation of capital redemption reserve	27	1,059	-
Transfer for vested employee share-based payments		63	36
Transfer between reserves on disposal of subsidiaries		1	-
Transfer between reserves on impairment of subsidiaries	27	207	-
Shares distributed by employee and other trusts		(70)	(42)
Other movements ¹		(23)	-
Aggregate tax effect of items recognised directly in equity		-	-
Total items recognised directly in equity		628	(308)
At 31 December		5,021	5,775

1. Other movements in 2022 include the transfer of (£1.7m) previously recognised in the foreign currency translation reserve (which is part of Other reserves) to Retained earnings. In prior years we have considered the functional currency of an intermediate subsidiary holding the Group's investment in HDFC Life to be US Dollars. We now consider that the functional currency should have been GBP, resulting in the current period transfer between reserves. Prior periods have not been restated as the impact on prior periods is not considered material.

27. 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 Aberdeen Asset Management 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 Aberdeen Asset Management 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 the capital redemption reserve was created. Additional capital redemption reserve is created by subsequent buybacks (refer Note 24). See below for the cancellation of the capital redemption reserve as at 1 July 2022.

7. Group financial statements continued

The following tables show the movements in other reserves during the year.

Notes	Cash flow hedges £m	Foreign currency translation £m	Merger reserve £m	Equity compensation reserve £m	Special reserve £m	Reserve arising on Group reconstruction £m	Capital redemption reserve £m	Total £m
1 January 2022	18	17	483	87	115	(685)	1,059	1,094
Recognised in other comprehensive income								
Fair value gains on cash flow hedges	85	-	-	-	-	-	-	85
Exchange differences on translating foreign operations	-	36	-	-	-	-	-	36
Items transferred to profit or loss	(78)	-	-	-	-	-	-	(78)
Aggregate tax effect of items recognised in other comprehensive income	(2)	-	-	-	-	-	-	(2)
Total items recognised in other comprehensive income	5	36	-	-	-	-	-	41
Recognised directly in equity								
Share buyback 24	-	-	-	-	-	-	25	25
Cancellation of capital redemption reserve	-	-	-	-	-	-	(1,059)	(1,059)
Reserves credit for employee share-based payments	-	-	-	24	-	-	-	24
Transfer to retained earnings for vested employee share-based payments	-	-	-	(63)	-	-	-	(63)
Transfer between reserves on disposal of subsidiaries	-	-	(1)	-	-	-	-	(1)
Transfer between reserves on impairment of subsidiaries	-	-	(207)	-	-	-	-	(207)
Other movements ¹	-	17	-	-	-	-	-	17
Total items recognised directly within equity	-	17	(208)	(39)	-	-	(1,034)	(1,264)
At 31 December 2022	23	70	275	48	115	(685)	25	(129)

1. Other movements include the transfer of (£17m) previously recognised in the foreign currency translation reserve to Retained earnings. In prior years we have considered the functional currency of an intermediate subsidiary holding the Group's investment in HDFC Life to be US Dollars. We now consider that the functional currency should have been GBP, resulting in the current period transfer between reserves. Prior periods have not been restated as the impact on prior periods is not considered material. There is no impact on net assets for any period presented.

The merger reserve includes £263m (2021: £470m) in relation to the Group's asset management businesses. Following the impairment of the Company's investments in abrdn Holdings Limited and abrdn Investments (Holdings) Limited (refer Section 8), £207m (2021: £nil) was transferred from the merger reserve to retained earnings.

On 1 July 2022, the Company's capital redemption reserve at this date was cancelled in accordance with section 649 of the Companies Act 2006 resulting in a transfer of £1,059m to retained earnings.

	Notes	Cash flow hedges £m	Foreign currency translation £m	Merger reserve £m	Equity compensation reserve £m	Special reserve £m	Reserve arising on Group reconstruction £m	Capital redemption reserve £m	Total £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 operations		-	(2)	-	-	-	-	-	(2)
Items transferred to profit or loss		(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	24	-	-	-	-	-	-	1	1
Reserves credit for employee share-based 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

7. Group financial statements continued

28. 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.

(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'). These were classified as other equity and initially recognised at £207m (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 five 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 profit for the year attributable to other equity was £11m (2021: £nil).

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 every five years thereafter. The Notes are convertible to ordinary shares in abrdn plc at a conversion price of £1.6275 (fixed subject to adjustment for share corporate actions e.g. share consolidations 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 2022 was 408% (2021: 774%).

(b) Non-controlling interests – ordinary shares

Non-controlling interests – ordinary shares of £7m were held at 31 December 2022 (2021: £6m). The profit for the year attributable to non-controlling interests – ordinary shares was £1m (2021: £1m).

29. 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 or losses 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 18.

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 37.

The table below sets out an analysis of financial liabilities excluding unit linked financial liabilities which are set out in Note 23.

	Notes	At fair value through profit or loss ¹		At amortised cost		Total	
		2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m
Third party interest in consolidated funds		242	104	-	-	242	104
Subordinated liabilities	30	-	-	621	644	621	644
Derivative financial liabilities	18	1	5	-	-	1	5
Other financial liabilities	33	143	165	1,055	881	1,198	1,046
Total		386	274	1,676	1,525	2,062	1,799

1. 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.

30. 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.

	Notes	2022		2021	
		Principal amount	Carrying value	Principal amount	Carrying value
Subordinated notes					
4.25% US Dollar fixed rate due 30 June 2028		\$750m	£621m	\$750m	£552m
5.5% Sterling fixed rate due 4 December 2042		-	-	£92m	£92m
Total subordinated liabilities	37		£621m		£644m

A description of the key features of the Group's subordinated liabilities as at 31 December 2022 is as follows:

	4.25% US Dollar fixed rate ¹
Principal amount	\$750m
Issue date	18 October 2017
Maturity date	30 June 2028
Callable at par at option of the Company from	Not applicable
If not called by the Company interest will reset to	Not applicable

1. 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 18 for further details.

The difference between the fair value and carrying value of the subordinated liabilities is presented in Note 37. A reconciliation of movements in subordinated liabilities in the year is provided in Note 38.

The principal amount of the subordinated liabilities is expected to be settled after more than 12 months. There is no accrued interest on the subordinated liabilities at 31 December 2022 (2021: less than £1m).

During the year ended 31 December 2022, the Group redeemed subordinated liabilities with the following key features:

	5.5% Sterling fixed rate
Principal amount	£92m
Issue date	4 December 2012
Maturity date	4 December 2042
Callable at par at option of the Company from	4 December 2022 and on every interest payment date (semi-annually) thereafter
If not called by the Company interest will reset to	4.85% over the five-year gilt rate (and at each fifth anniversary)

The 5.5% Sterling fixed rate subordinated notes with a principal amount of £92m were redeemed on 4 December 2022.

7. Group financial statements continued

31. 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, any UK surplus is recognised net of this tax charge rather than the tax charge being included within deferred taxation.

For the principal defined benefit plan (abrdn UK 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 RPI inflation assumption is derived from market-implied RPI inflation with an adjustment to remove the inflation risk premium believed to exist within market prices, with an additional deduction required to derive the IAS 19 CPI inflation assumption (to reflect differences between RPI and CPI).

The trustees set the plan investment strategy to protect the ratio of plan assets to the trustees' measure of the value of assets needed to meet the trustees' objectives. 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.

abrdn UK Group (SLSPS) plan ¹ (principal plan)	<p>This is the Group's principal defined benefit plan. The plan closed to new membership in 2004 and changed from a final salary basis to a revalued career average salary basis in 2008. Accrual ceased in April 2016.</p> <p>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 2022. 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 2022.</p> <p>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.</p> <p>Following actions taken in recent years to reduce risk in abrdn's principal defined benefit pension plan, we are working with the trustee on next steps. In connection with this de-risking work, the trustee expects to submit a petition to the Court of Session during H1 2023 that will seek direction on the destination of any residual surplus assets that remain after all plan-related obligations are settled or otherwise provided for. Any such residual surplus would be determined on a different basis to the IAS 19 or funding measures of the plan surplus. The IAS 19 defined benefit plan asset is not included in abrdn's regulatory capital surplus.</p>
Other UK plans	<p>The Group also operates two UK defined benefit plans as a result of the acquisition of Aberdeen Asset Management PLC (now renamed abrdn Holdings Limited) 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 (the 30 June 2022 statutory valuation is in progress). At 31 December 2022, one of the two schemes is in surplus on an IAS 19 basis.</p>
Other plans	
abrdn ROI plan ¹	<p>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.</p> <p>At the last funding valuation, effective 1 January 2022, the plan was 73% funded on an ongoing basis.</p>
Other	The Group operates smaller funded and unfunded defined benefit plans in other countries.

1. Previously included as UK Standard Life Group plan and Ireland Standard Life plan respectively.

7. Group financial statements continued

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:

	2022 £m	2021 £m
Current service cost	56	53
Net interest income	(32)	(21)
Administrative expenses	3	4
Expense recognised in the consolidated income statement	27	36

Contributions made to defined contribution plans are included within current service cost.

Contributions to defined benefit plans in the year ended 31 December 2022 comprised £14m (2021: £14m) to the Other UK plans and the abrdn ROI plan. Contributions are expected to be £8m in 2023 and are expected to further reduce in the two subsequent 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

	2022			2021		
	Principal plan £m	Other £m	Total £m	Principal plan £m	Other £m	Total £m
Present value of funded obligation	(1,755)	(228)	(1,983)	(2,899)	(350)	(3,249)
Present value of unfunded obligation	-	(3)	(3)	-	(3)	(3)
Fair value of plan assets	3,001	251	3,252	5,337	349	5,686
Net asset/(liability) before the limit on plan surplus	1,246	20	1,266	2,438	(4)	2,434
Effect of limit on plan surplus ¹	(436)	(11)	(447)	(853)	(12)	(865)
Net asset/(liability)	810	9	819	1,585	(16)	1,569

1. UK recoverable surpluses are reduced to reflect an authorised surplus payments charge of 35% that would arise on a refund. This applies to both the principal plan surplus and the defined benefit plan within Other which has a net asset of £21m at 31 December 2022 (2021: £22m).

Other comprises a defined benefit plan asset of £21m (2021: £22m) and a number of other defined benefit plans with a total liability of £12m (2021: £38m).

A pension plan surplus is considered to be recoverable where an unconditional right to a refund exists. The principal plan surplus has reduced significantly in 2022 due to market movements, primarily driven by the increase in UK high quality bond yields with a smaller impact from UK inflation changes during 2022.

(c) Movement in the net defined benefit asset

	Present value of obligation		Fair value of plan assets		Total		Effect of limit on plan surpluses		Total	
	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m
At 1 January	(3,252)	(3,394)	5,686	5,596	2,434	2,202	(865)	(783)	1,569	1,419
Total expense										
Current service cost	-	-	-	-	-	-	-	-	-	-
Interest (expense)/income	(65)	(48)	115	80	50	32	(18)	(11)	32	21
Administrative expenses	(3)	(4)	-	-	(3)	(4)	-	-	(3)	(4)
Total (expense)/income recognised in consolidated income statement	(68)	(52)	115	80	47	28	(18)	(11)	29	17
Remeasurements										
Return on plan assets, excluding amounts included in interest income	-	-	(2,473)	120	(2,473)	120	-	-	(2,473)	120
Gain from change in demographic assumptions	5	-	-	-	5	-	-	-	5	-
Gain from change in financial assumptions	1,450	144	-	-	1,450	144	-	-	1,450	144
Experience losses	(211)	(78)	-	-	(211)	(78)	-	-	(211)	(78)
Change in effect of limit on plan surplus	-	-	-	-	-	-	436	(69)	436	(69)
Remeasurement (losses)/gains recognised in other comprehensive income	1,244	66	(2,473)	120	(1,229)	186	436	(69)	(793)	117
Exchange differences	(6)	10	5	(7)	(1)	3	-	-	(1)	3
Employer contributions	-	-	14	14	14	14	-	(2)	14	12
Benefit payments	96	118	(95)	(117)	1	1	-	-	1	1
At 31 December	(1,986)	(3,252)	3,252	5,686	1,266	2,434	(447)	(865)	819	1,569

7. Group financial statements continued

(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 37. 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	
	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m
Assets measured at fair value based on level 1 inputs						
Derivatives	9	8	-	-	9	8
Equity securities	55	-	-	-	55	-
Debt securities	2,186	4,557	93	-	2,279	4,557
Total assets measured at fair value based on level 1 inputs	2,250	4,565	93	-	2,343	4,565
Assets measured at fair value based on level 2 or 3 inputs						
Derivatives	(7)	43	(3)	18	(10)	61
Equity securities	55	100	-	-	55	100
Interests in pooled investment funds						
Debt	284	440	16	12	300	452
Equity	-	-	6	18	6	18
Multi-asset private markets	224	194	-	-	224	194
Property	95	139	12	12	107	151
Absolute return	-	77	24	92	24	169
Cash	39	15	41	37	80	52
Debt securities	581	415	12	99	593	514
Qualifying insurance policies	2	3	45	76	47	79
Total assets measured at fair value based on level 2 or 3 inputs	1,273	1,426	153	364	1,426	1,790
Cash and cash equivalents	160	138	5	2	165	140
Liability in respect of collateral held	(682)	(792)	-	(17)	(682)	(809)
Other	-	-	-	-	-	-
Total	3,001	5,337	251	349	3,252	5,686

Further information on risks is provided at Section (g) of this Note. The £2,872m (2021: £5,071m) of debt securities includes £2,550m (2021: £4,884m) of government bonds (including conventional and index-linked). Of the remaining £322m (2021: £187m) debt securities, £190m (2021: £108m) are investment grade corporate bonds or certificates of deposit.

Included in the qualifying insurance policy asset of £47m (2021: £79m) 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 £682m liability in respect of collateral held (2021: £809m) consists of repurchase agreements of £652m (2021: £786m), margins on derivatives of (£10m) (2021: (£10m)) and collateral of £40m (2021: £33m).

One Other UK plan has a contract in place to hedge longevity risk for pensioners. The fair value of this derivative is a liability of £1m at 31 December 2022 (2021: £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:

	2022 %	2021 %
Discount rate	4.85	2.05
Rates of inflation		
Consumer Price Index (CPI)	2.75	2.85
Retail Price Index (RPI)	3.10	3.25

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 discount rate assumption for 2022 adopts a new yield curve projection method, which involves an earlier flattening of the curve compared to the previous approach – the impact of this change on 2022 remeasurement losses is an increase of c£17m. 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:

2022 Table	Improvements	Normal Retirement Age (NRA)	Expectation of life from NRA			
			Male age today		Female age today	
			NRA	40	NRA	40
Plan specific basis (calibrated by Club Vita) reflecting membership 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

2021 Table	Improvements	Normal Retirement Age (NRA)	Expectation of life from NRA			
			Male age today		Female age today	
			NRA	40	NRA	40
Plan specific basis (calibrated by Club Vita) reflecting membership 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

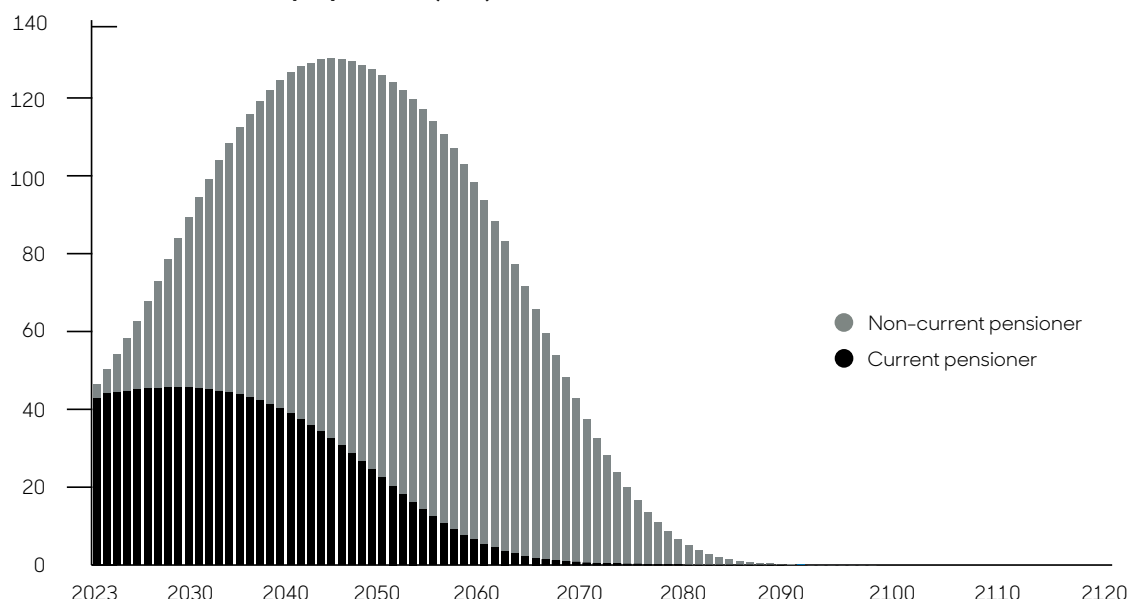
These assumptions reflect a cautious allowance for the recently observed slowdown in longevity improvements. The mortality assumptions have not been updated for COVID-19 at this point as the impact on long-term mortality rates for pension scheme members is not clear.

7. Group financial statements continued

(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)



Weighted average duration	2022 years	2021 years
Current pensioner	11	14
Non-current pensioner	22	27

The weighted average duration is calculated based on discounted benefit payments so is impacted by changes in the discount rate used (Refer Section (e)).

(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 having offered 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. abrdn and the trustees are working together to determine the most appropriate de-risking strategy to best protect against the risk that this plan strength deteriorates in the future.

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 relevant plan basis in order to meet the trustee's objectives, 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 relevant plan basis in order to meet the objectives, 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.

Climate

The principal plan adopts a low-risk strategy to investment, with the majority of plan assets invested in UK government bonds. The trustees have assessed the principal plan's exposure to severe climate change as being minimal, as a result of the low-risk investment strategy alongside the plan's strong funding level.

(g)(ii) Sensitivity to key assumptions

The sensitivity of the principal plan's obligation and assets to the key assumptions is disclosed below.

Change in assumption		2022		2021	
		(Increase)/decrease in present value of obligation	Increase/(decrease) in fair value of plan assets	(Increase)/decrease in present value of obligation	Increase/(decrease) in fair value of plan assets
		£m	£m	£m	£m
Yield/discount rate	Decrease by 1% (e.g. from 4.85% to 3.85%)	(341)	698	(735)	1,584
	Increase by 1%	268	(525)	586	(1,185)
Rates of inflation	Decrease by 1%	235	(445)	498	(1,029)
	Increase by 1%	(305)	591	(670)	1,402
Life expectancy	Decrease by 1 year	60	N/A	99	N/A
	Increase by 1 year	(60)	N/A	(99)	N/A

7. Group financial statements continued

32. 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.

	2022 £m	2021 £m
At 1 January	5	73
Additions during the year	9	2
Released to the consolidated income statement as revenue from contracts with customers	(11)	(70)
At 31 December	3	5

The amount of deferred income expected to be settled after more than 12 months is £nil (2021: £nil).

Deferred income at 1 January 2021 included deferred income recognised in 2018 following the sale of the UK and European insurance business to Phoenix for future services to be provided to Phoenix relating to certain client propositions. As part of the simplification and extension of the strategic partnership between the Group and Phoenix (refer 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 the related deferred income of £57m in May 2021. The release of deferred income was recognised in revenue from contracts with customers for the year ended 31 December 2021 in the consolidated income statement net of the £32m payment.

33. Other financial liabilities

	Notes	2022 £m	2021 £m
Accruals		326	377
Amounts due to counterparties and customers for unsettled trades and fund transactions ¹		300	112
Lease liabilities	16	224	225
Cash collateral held in respect of derivative contracts	35	109	15
Bank overdrafts	22	3	62
Contingent consideration liabilities	37	132	165
Outstanding contractual obligation for share buyback	24	-	-
Other		104	90
Other financial liabilities		1,198	1,046

1. The 2021 figure was previously disclosed as creation of units awaiting settlement (£107m) and outstanding purchases of investment securities (£5m).

The amount of other financial liabilities expected to be settled after more than 12 months is £318m (2021: £303m).

34. 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		Process execution		Other provisions		Total provisions	
	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m
At 1 January	35	68	–	–	14	25	49	93
Reclassified as held for sale during the year	–	–	–	–	(2)	–	(2)	–
Charged/(credited) to the consolidated income statement								
Additional provisions	–	–	41	–	18	7	59	7
Release of unused provision	–	(25)	–	–	(1)	(1)	(1)	(26)
Used during the year	(2)	(8)	–	–	(6)	(17)	(8)	(25)
At 31 December	33	35	41	–	23	14	97	49

The provision for separation costs of £33m (2021: £35m) 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. 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 costs during the year, less than £1m (2021: £25m) was released from the provision. The remaining costs covered by the provision are expected to be incurred in the next year.

The process execution provision of £41m relates to a payment required to compensate an asset management client relating to the provision of certain services. Subsequent to the year end the matter has been sufficiently clarified such that the amount and timing are no longer uncertain. The Group has in place liability insurance and expects to recover £36m being the cost of the compensation, net of a £5m excess. No insurance recovery asset has been recognised in these financial statements.

Other provisions primarily relates to restructuring and dilapidations on leased properties. Restructuring provisions are generally expected to be settled within 12 months. Dilapidations are generally expected to be settled after more than 12 months. Refer Note 16 for further details of the Group's leases.

The amount of provisions expected to be settled after more than 12 months is £3m (2021: £10m).

(b) Other liabilities

As at 31 December 2022, other liabilities totalled £8m (2021: £8m). The amount of other liabilities expected to be settled after more than 12 months is £3m (2021: £3m).

7. Group financial statements continued

35. Financial instruments risk management

(a) Overview

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 AUMA 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.
- 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 23 and the risks relating to the Group's principal defined benefit pension plan are explained in Note 31.

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, derivative financial instruments and receivables and other financial assets.
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 continue to assess the potential impacts on our business with a view to the resilience of our operations and investment strategies. This is monitored through our climate risk and opportunity radar to ensure we are well positioned to realise opportunities and mitigate risks. Our day-to-day business is predominantly exposed to transition risk as markets, policy, and reputations come to terms with alignment to net zero. We have a critical role to play as stewards of clients capital and this is reflected in our business strategy and our commitment to reduce the carbon intensity of our portfolios and absolute emissions from our direct operations. We have considered the implications of climate related risk, including transition risks, for the 2022 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).

(b) 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. 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.

	Notes	2022 £m	2021 £m
Equity securities and interests in pooled investment funds at FVTPL		213	239
Debt securities		76	76
Total seed capital		289	315
Equity securities and interests in pooled investment funds at FVTPL		107	96
Total co-investments		107	96

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 37.

(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 2022 the shareholder exposure to equity markets was £1,577m (2021: £2,584m) in relation to equity securities. This primarily relates to the Group's investments in Phoenix of £634m (2021: £941m), HDFC Life of £203m (2021: £508m) and HDFC Asset Management of £477m (2021: £840m), seed capital investments of £171m (2021: £188m), and equity securities held by the abrdn Financial Fairness Trust of £61m (2021: £69m).

The Group is also exposed to adverse market price movements on its interests in pooled investment funds. The shareholder exposure of £268m (2021: £456m) to pooled investment funds primarily relates to £149m (2021: £147m) of seed capital and co-investments, corporate funds held in absolute return funds of £50m (2021: £218m), 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 £37m (2021: £56m) and pooled investment funds held by the abrdn Financial Fairness Trust of £25m (2021: £31m).

The Equities and interests in pooled investment funds at FVTPL included in the consolidated statement of financial position includes £188m (2021: £75m) 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 through 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.

7. Group financial statements continued

(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.

	Notes	UK Sterling		Indian Rupee		Euro		US Dollar		Singapore Dollar		Other currencies		Total	
		2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m
Financial assets	17	3,237	4,606	680	1,348	219	212	585	552	48	56	210	126	4,979	6,900
Financial liabilities	29	(1,202)	(1,044)	-	-	(53)	(25)	(776)	(692)	(8)	(15)	(23)	(23)	(2,062)	(1,799)
Cash flow hedges		(623)	(554)	-	-	-	-	623	554	-	-	-	-	-	-
Non-designated derivatives		296	330	-	(1)	(68)	(79)	(182)	(203)	-	(1)	(46)	(46)	-	-
		1,708	3,338	680	1,347	98	108	250	211	40	40	141	57	2,917	5,101

The Indian Rupee exposure primarily relates to the Group's investments in HDFC Life and HDFC Asset Management. Other currencies include assets of £85m (2021: £8m) and liabilities of £1m (2021: liabilities of £1m) 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 14. 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/loss 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 loss 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.

Profit/loss after tax and equity sensitivity to market risk

		31 December 2022		31 December 2021	
		A reasonable change in the variable within the next calendar year %	Increase/(decrease) in post-tax profit £m	A reasonable change in the variable within the next calendar year %	Increase/(decrease) in post-tax profit £m
Equity prices	Increase	10	148	10	246
	Decrease	10	(148)	10	(246)
Indian Rupee against Sterling	Strengthen	10	70	10	139
	Weaken	10	(57)	10	(114)
US Dollar against Sterling	Strengthen	10	14	10	22
	Weaken	10	(11)	10	(18)
Euro against Sterling	Strengthen	10	11	10	12
	Weaken	10	(9)	10	(10)

The equity prices sensitivities primarily relate to the Group's investments in HDFC Life, HDFC Asset Management and Phoenix. The Indian Rupee sensitivities primarily relate to the Group's investments in HDFC Life and HDFC Asset Management.

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 either 2022 or 2021.

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.

7. Group financial statements continued

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.

At 31 December 2022 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 in its Investments and Adviser segments. Historically, default levels have been insignificant for the Group's customers within these segments. Trade debtors past due but not in default at 31 December 2022 for these segments were £84m (2021: £77m) the majority of which were less than 90 days past due (2021: less than 90 days). Of amounts greater than 90 days at 31 December 2022, less than £1.9m had not been received at the date of this report of which no single counterparty represented more than £4m. The expected credit losses recognised were less than £1m (2021: 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.

With the acquisition of ii (refer Note 1(b)(i)), the Group is exposed to an increased level of credit risk within its Personal segment. Trade debtors past due for the Personal segment at 31 December 2022 were £5m (2021: less than £1m), the majority of which were considered to be credit impaired. A lifetime loss allowance of £3m (2021: less than £1m) has been recognised based on expected recovery. This primarily relates to ii and is in line with the loss allowance recognised at the date of acquisition.

(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.

	Fair value through profit or loss		Cash flow hedge		Amortised cost				Total	
					12 month ECL		Lifetime ECL ¹			
	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m
AAA	-	-	-	-	89	134	-	-	89	134
AA+ to AA-	164	241	-	-	162	396	-	-	326	637
A+ to A-	327	618	85	8	953	1,446	-	-	1,365	2,072
BBB	76	82	-	-	126	131	-	-	202	213
BB	-	-	-	-	-	-	-	6	-	6
Not rated	21	32	-	-	429	241	463	418	913	691
Gross carrying amount	588	973	85	8	1,759	2,348	463	424	2,895	3,753
Loss allowance	-	-	-	-	-	-	(3)	-	(3)	-
Carrying amount	588	973	85	8	1,759	2,348	460	424	2,892	3,753
Derivative financial assets	19	6	85	8	-	-	-	-	104	14
Debt securities	550	936	-	-	210	221	-	5	760	1,162
Receivables and other financial assets	19	31	-	-	428	231	460	418	907	680
Cash and cash equivalents	-	-	-	-	1,121	1,896	-	1	1,121	1,897
Carrying amount	588	973	85	8	1,759	2,348	460	424	2,892	3,753

1. As noted in Section (c) above, Lifetime ECL balances include trade debtors with a gross carrying value of £5m (2021: £nil) which are credit impaired for which a loss allowance of £3m (2021: £nil) has been recognised. All other Lifetime ECL balances are not credit impaired.

In the table above debt securities exclude debt securities relating to third party interests in consolidated funds of £42m (2021: £25m). Cash and cash equivalents exclude cash and cash equivalents relating to third party interests in consolidated funds of £12m (2021: £7m). 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 2022, the Group had pledged £14m (2021: £26m) of cash and £nil (2021: £nil) of securities as collateral for derivative financial liabilities. At 31 December 2022, the Group had accepted £109m (2021: £15m) of cash and £nil (2021: £50m) 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.

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 not offset on the consolidated statement of financial position							
	Gross amounts of financial instruments as presented on the consolidated statement of financial position		Financial instruments		Financial collateral pledged/(received)		Net position	
	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m
Financial assets								
Derivatives ¹	102	8	(1)	-	(100)	(8)	1	-
Reverse repurchase agreements	-	50	-	-	-	(50)	-	-
Total financial assets	102	58	(1)	-	(100)	(58)	1	-
Financial liabilities								
Derivatives ¹	(1)	(2)	1	-	-	-	-	(2)
Total financial liabilities	(1)	(2)	1	-	-	-	-	(2)

1. Only OTC derivatives subject to master netting agreements have been included above.

7. Group financial statements continued

(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 managing liquidity risk.

This framework ensures that liquidity risks are identified across the Group and, where relevant, mitigation measures are put in place. Stress testing of the residual 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 2022.

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.

A contingency funding plan is 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 resources 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 under contractual maturity at the reporting date for all financial liabilities, other than those related to unit linked funds which are discussed in Note 23.

	Within 1 year		1-5 years		5-10 years		10-15 years		15-20 years		Greater than 20 years		Total	
	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m
Subordinated liabilities	24	29	94	114	577	627	-	26	-	26	-	97	695	919
Other financial liabilities	891	701	198	244	105	93	48	40	6	-	15	-	1,263	1,078
Total	915	730	292	358	682	720	48	66	6	26	15	97	1,958	1,997

Refer Note 18 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 2022 (refer Note 40) with a contractual maturity of within one year, between one and five years and over five years of £3m, £32m and £37m respectively (2021: £35m, £7m and £63m). The commitments may generally be requested anytime up to the contractual maturity.

36. 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 2022 and 31 December 2021, 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 2022 and 31 December 2021, 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.

	2022 £m	2021 £m
Financial investments		
Equity securities and interests in pooled investment funds	558	851
Debt securities	–	36
Total financial investments	558	887
Receivables and other financial assets	215	244
Other financial liabilities	95	121

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 23 and Note 35.

The total assets under management of unconsolidated structured entities are £126,019m at 31 December 2022 (2021: £135,007m). The fees recognised in respect of these assets under management during the year to 31 December 2022 were £566m (2021: £670m).

As at 31 December 2022, the Group had no investments in unconsolidated structured debt securitisation vehicles. The total issuance balance relating to unconsolidated structured debt securitisation vehicles in which the Group is invested as at 31 December 2021 was £1,741m.

7. Group financial statements continued

37. 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 17, 23 and 29 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 ^{1,2}	Debt securities	Derivatives ³
Level 1	Equity instruments listed on a recognised exchange valued using prices sourced from their primary exchange.	Debt securities listed on a recognised exchange valued using prices sourced from their primary 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 ⁴ .	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. Other unlisted equity securities are generally valued at indicative share prices from off market transactions.	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 ⁴ .	N/A

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 2022 and 31 December 2021, 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 23 for fair value analysis in relation to assets backing unit linked liabilities).

	Fair value hierarchy							
	Total		Level 1		Level 2		Level 3	
	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m
Owner occupied property	1	1	-	-	-	-	1	1
Derivative financial assets	104	14	3	-	101	14	-	-
Equity securities and interests in pooled investment vehicles ¹	2,033	3,115	1,621	2,600	181	409	231	106
Debt securities	592	961	2	1	588	959	2	1
Contingent consideration assets	19	31	-	-	-	-	19	31
Total assets at fair value	2,749	4,122	1,626	2,601	870	1,382	253	139

1. Includes £634m (2021: £941m), £477m (2021: £840m) and £203m (2021: £508m) 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 11).

There were no significant transfers from level 1 to level 2 during the year ended 31 December 2022 (2021: none). There were also no significant transfers from level 2 to level 1 during the year ended 31 December 2022 (2021: none). Transfers generally relate to assets where changes in the frequency of observable market transactions resulted in a change in whether the market was considered active and are deemed to have occurred at the end of the calendar quarter in which they arose.

Refer Section (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 hierarchy							
	Total		Level 1		Level 2		Level 3	
	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m
Liabilities in respect of third party interest in consolidated funds	242	104	-	-	242	104	-	-
Derivative financial liabilities	1	5	-	3	1	2	-	-
Contingent consideration liabilities	132	165	-	-	-	-	132	165
Other financial liabilities ¹	11	-	-	-	-	-	11	-
Total liabilities at fair value	386	274	-	3	243	106	143	165

1. Excluding contingent consideration liabilities.

There were no significant transfers between levels 1 and 2 during the year (2021: none). Refer Section (a)(iii) below for details of movements in level 3.

7. Group financial statements continued

(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.

	Owner occupied property		Equity securities and interests in pooled investment funds		Debt securities	
	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m
At 1 January	1	1	106	101	1	1
Total gains recognised in the consolidated income statement	-	-	2	8	(2)	-
Purchases	-	-	139	24	3	-
Sales and other adjustments	-	-	(16)	(27)	-	-
Transfers in to level 3 ¹	-	-	-	-	-	-
At 31 December	1	1	231	106	2	1

1. Transfers are deemed to have occurred at the end of the calendar quarter in which they arose.

	Contingent consideration assets		Contingent consideration liabilities		Other financial liabilities ¹	
	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m
At 1 January	31	28	(165)	(6)	-	-
Total amounts recognised in the consolidated income statement	3	-	32	(3)	(11)	-
Additions	1	31	(6)	(155)	-	-
Settlements	(18)	(34)	7	8	-	-
Other movements	2	(3)	-	-	-	-
Transfer to contingent consideration liability	-	9	-	(9)	-	-
At 31 December	19	31	(132)	(165)	(11)	-

1. Excluding contingent consideration liabilities.

The significant additions in the year ended 31 December 2021 primarily related to the disposals of Parmenion and Bonaccord and the acquisition of Tritax. Refer Note 1 for further details.

For the year ended 31 December 2022, gains of £24m (2021: gains of £5m) were recognised in the 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 £24m (2021: gains of £5m) were recognised in Net gains or losses on financial instruments and other income.

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 2022 with a fair value of £231m (2021: £106m).

	Fair value		Valuation technique	Unobservable input	Range (weighted average)
	2022 £m	2021 £m			
Private equity, real estate and infrastructure funds	219	91	Net asset value	Net asset value statements provided for a large number of funds including seven significant funds (fair value >£5m).	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	12	15	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 and other financial instrument liabilities categorised as level 3 instruments at 31 December 2022 with a fair value of (£124m) (2021: (£134m)).

	Fair value		Valuation technique	Unobservable input	Input used
	2022 £m	2021 £m			
Contingent consideration assets and liabilities and other financial instrument liabilities	(124)	(134)	Probability weighted cash flow and where applicable discount rates	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 liability related to the acquisition of Tritax of £112m (2021: £156m). 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 between 2024, 2025 and 2026 (refer Note 1(b)(ii)) 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 31 March 2022 to 31 March 2026 of 14% (2021: CAGR from 31 March 2021 to 31 March 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 c52% (2021: 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 4.5% (2021: 1.9%).

(a)(v) Sensitivity of the fair value of level 3 instruments to changes in key assumptions

At 31 December 2022 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 consolidated structured entities. See Note 23 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 loss 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, £219m relates to private equity, real estate and infrastructure funds (2021: £91m) 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 £22m (2021: £9m).

7. Group financial statements continued

(a)(v)(ii) Contingent consideration assets and liabilities and other financial instrument 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
		2022 £m
Revenue compound annual growth rate (CAGR) from 31 March 2022 to 31 March 2026	Decreased by 10%	(43)
	Increased by 10%	40
Cost/income ratio	Decreased by 5%	13
	Increased by 5%	(14)
Discount rate	Decreased by 2%	7
	Increased by 2%	(6)

(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.

Notes	As recognised in the consolidated statement of financial position line item		Fair value		Level 1		Level 2		Level 3	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Assets										
Debt securities	210	226	211	230	-	12	210	218	1	-
Liabilities										
Subordinated liabilities	30	644	550	683	-	-	550	683	-	-

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.

38. 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.

Movements in cash collateral held in relation to derivative contracts hedging subordinated debt are presented as cash flows arising from financing activities.

The tables below provide further analysis of the balances in the consolidated statement of cash flows.

(a) Change in operating assets

	2022 £m	2021 £m
Equity securities and interests in pooled investment funds	680	137
Debt securities	89	23
Derivative financial instruments	(11)	9
Receivables and other financial assets and other assets	174	26
Assets held for sale	(16)	19
Change in operating assets	916	214

Change in operating assets includes related non-cash items.

(b) Change in operating liabilities

	2022 £m	2021 £m
Other financial liabilities, provisions and other liabilities	(180)	(128)
Pension and other post-retirement benefit provisions	(44)	(31)
Deferred income	1	(68)
Investment contract liabilities	(315)	46
Change in liability for third party interest in consolidated funds	(196)	(17)
Liabilities held for sale	9	(11)
Change in operating liabilities	(725)	(209)

Change in operating liabilities includes related non-cash items.

(c) Other non-cash and non-operating items

	2022 £m	2021 £m
Gain on sale of subsidiaries and other operations	-	(127)
Profit on disposal of interests in associates	(6)	(1,236)
Loss on disposal of property, plant and equipment	7	(4)
Depreciation of property, plant and equipment	39	39
Amortisation of intangible assets	129	108
Impairment losses on intangible assets	369	8
Loss on impairment of associates	9	-
Impairment losses recognised on property, plant and equipment	7	15
Impairment losses on disposal group held for sale	-	-
Movement in contingent consideration assets/liabilities	(35)	3
Equity settled share-based payments	24	43
Finance costs	29	30
Share of profit or loss from associates and joint ventures accounted for using the equity method	(2)	22
Other non-cash and non-operating items	570	(1,099)

7. Group financial statements continued

(d) Disposal of subsidiaries and other operations

	Notes	2021 ¹ £m
Equity securities and interests in pooled investment funds		15
Other assets of operations disposed of		34
Other liabilities of operations disposed of		(18)
Net assets disposed of		31
Items transferred to profit or loss on disposal of subsidiaries	1	(1)
Fair value of earn-out payments and retained interest		(32)
Other non-cash consideration		(9)
Gain on sale	1	127
Transaction costs		7
Total cash consideration		123
Cash and cash equivalents disposed of		(11)
Cash inflow from disposal of subsidiary		112

1. Relates to the number of 2021 disposals. Refer Note 1(c)(i) for further details.

There were no operations disposed of in the year ended 31 December 2022.

(e) Movement in subordinated liabilities

The following table reconciles the movement in subordinated liabilities in the year, split between cash and non-cash items.

	2022 £m	2021 £m
At 1 January	644	638
Cash flows from financing activities		
Repayment of subordinated liabilities	(92)	–
Interest paid ¹	(31)	(28)
Cash flows from financing activities	(123)	(28)
Non-cash items		
Interest expense	30	28
Foreign exchange adjustment	70	6
At 31 December	621	644

1. Interest paid on subordinated liabilities and other equity in the consolidated statement of cash flows of £34m (2021: £28m) includes an inflow of £8m (2021: £nil) in relation to the related cash flow hedge (refer Note 18) and an outflow of £11m (2021: £nil) in relation to other equity (refer Note 28). Other movements in the fair value of the cash flow hedge relate to non-cash movements. Cash collateral held in respect of derivative contracts of £109m (2021: £15m) in Other financial liabilities (refer Note 33) includes collateral held in respect of the cash flow hedge of £89m (2021: £15m).

(f) Movement in lease liabilities

The following table reconciles the movement in lease liabilities in the year, split between cash and non-cash items.

	2022 £m	2021 £m
At 1 January	225	249
Cash flows from financing activities		
Payment of lease liabilities – principal	(46)	(27)
Payment of lease liabilities – interest	(6)	(6)
Cash flows from financing activities	(52)	(33)
Non-cash items		
Additions	46	6
Disposals and adjustments	(8)	(3)
Interest capitalised	6	6
Foreign exchange adjustment	7	–
At 31 December	224	225

39. 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 2022, there are no identified contingent liabilities expected to lead to a material exposure.

40. 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 2022, the Group has committed to investing an additional £72m (2021: £105m) into funds in which it holds a co-investment interest.

(b) Capital commitments

As at 31 December 2022, the Group has capital commitments other than in relation to financial instruments of £2m (2021: £2m). In addition, commitments relating to future acquisitions are disclosed in Note 1(c)(iii).

7. Group financial statements continued

41. 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 2022:

Plan	Options	Conditional awards	Restricted shares	Typical vesting period (years)	Contractual life for options	Recipients	Conditions which must be met prior to vesting
abrdn plc Deferred Share Plan/Discretionary Share Plan/Executive LTIP Plan¹	Yes	Yes	No	1-3 years (3 years for Executive LTIP)	Up to 10 years from date of grant	Executives and senior management	Service, or service and performance conditions. These can be tailored to the individual award.
Sharesave (Save-as-you-earn)	Yes	No	No	3 or 5	Up to six months after vesting	UK and Irish employees	Service only
Share incentive plan	No	No	Yes	3 years	Not applicable	UK and Irish employees	Service only

1. 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 2022 (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 2022:

Plan	Options	Conditional awards	Restricted shares	Typical vesting period (years)	Contractual life for options	Recipients	Conditions which must be met prior to vesting
Aberdeen Asset Management Deferred Share Plan 2009¹	Yes	No	No	1-3 (3-5 for executive management)	Up to 10 years from date of grant	Executives and senior management	Service only. There are no outstanding performance conditions at date of grant.
Aberdeen Asset Management USA Deferred Share Award Plan	No	Yes	No	1-3 (3-5 for executive management)	Not applicable	US based executives and senior management	Service only. There are no outstanding performance conditions at date of grant.

1. 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 2022 and for which all outstanding awards were exercised by 31 December 2022:

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 Restricted stock plan (RSP)	Yes	No	No	1-3	Up to six months after vesting	Executives (other than executive Directors) and senior management	Service, or service and performance conditions. These are tailored to the individual award.

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 Long-Term Incentive Plan	Yes	No	No	3 (5 for executive Directors)	Up to six months after vesting	Executives and senior management	Service and performance conditions as set out in the prior years' Directors' remuneration reports
Standard Life Investments Long-Term Incentive Plan	Yes	No	No	3	Up to six months after vesting	Executives and senior management	Service and performance conditions
Standard Life Group Short-term incentive plan¹	Yes	No	No	3	Up to six months after vesting	Executives and senior management	Service only. There are no outstanding performance conditions at date of grant.

1. Included in Annual bonus deferred share options. Refer 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:

	2022 £m	2021 £m
Share options and share awards granted under deferred and discretionary share plans ¹	22	41
Share options granted under long-term incentive plans	-	-
Share options granted under Sharesave	1	1
Matching shares granted under share incentive plans	1	1
Equity-settled share-based payments	24	43
Cash-settled deferred fund awards ²	2	16
Total expense	26	59

1. Includes expense for annual bonus deferred share options and conditional awards.

2. The expense for cash-settled deferred fund awards includes £2m (2021: £4m) for awards related to funds which are consolidated.

7. Group financial statements continued

Included in the expense above is £6m (2021: £16m) which is included in Restructuring and corporate transaction expenses in the consolidated income statement.

(b) Options and conditional awards granted

(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:

	2022		2021	
	Deferred and discretionary share plans	Annual bonus deferred share options	Deferred and discretionary share plans	Annual bonus deferred share options
Outstanding at 1 January	37,133,812	6,604,504	46,077,386	10,670,331
Granted	45,752,914	-	4,582,659	-
Forfeited	(3,540,675)	-	(4,028,599)	(47,887)
Exercised	(18,228,674)	(1,030,082)	(9,497,634)	(4,017,940)
Outstanding at 31 December	61,117,377	5,574,422	37,133,812	6,604,504
Exercisable at 31 December	3,907,131	5,418,292	1,591,628	5,920,543
Remaining contractual life of options outstanding (years)¹	6.45	3.56	7.97	4.59
Options exercised during the year			-	-
Share price at time of exercise ¹	194p	189p	291p	287p

1. Weighted average.

The options granted under the deferred and discretionary share plans were made throughout the year ended 31 December 2022 with a main grant date of 8 April 2022 and had a £nil exercise price. The weighted average option term was 2.23 years. The weighted average share price at grant date was 171p and the weighted average fair value at grant date was 168p. 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, 2,464,050 nil cost conditional awards were also granted under the deferred and discretionary share plans (2021: 556,569) with a weighted average share price at grant date of 174p 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:

	2022	2021	
	RSP	Long-term incentive plans (excluding RSP)	RSP
Outstanding at 1 January	3,372	16,202,527	268,897
Granted	-	-	-
Forfeited	-	(16,178,183)	(153,176)
Exercised	(3,372)	(24,344)	(112,349)
Outstanding at 31 December	-	-	3,372
Exercisable at 31 December	-	-	-
Remaining contractual life of options outstanding (years)¹	-	-	0.57
Options exercised during the year			
Share price at time of exercise ¹	241p	286p	288p

1. 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:

	2022		2021	
	Sharesave	Weighted average exercise price for Sharesave	Sharesave	Weighted average exercise price for Sharesave
Outstanding at 1 January	7,862,031	203p	8,734,919	210p
Granted	6,997,665	118p	1,081,098	206p
Forfeited	(165,551)	191p	(500,343)	216p
Exercised	(46,727)	200p	(272,103)	210p
Expired	(759,965)	235p	(531,108)	274p
Cancelled	(3,905,890)	197p	(650,432)	225p
Outstanding at 31 December	9,981,563	143p	7,862,031	203p
Exercisable at 31 December	1,390,636	206p	563,903	249p
Remaining contractual life of options outstanding (years)¹	3.12		2.36	
Options exercised during the year				
Share price at time of exercise ¹	223p		265p	

1. Weighted average.

The Sharesave options were granted on 12 October 2022 with an exercise price of 118p. The weighted average option term was 3.63 years. The weighted average share price at grant date was 133p and the weighted average fair value at grant date was 20p. 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.

	2022 Number of options outstanding	2021 Number of options outstanding
117p-188p	6,930,983	–
189p-199p	2,390,606	6,060,069
200p-327p	587,801	1,685,559
328p-345p	72,173	116,403
Outstanding at 31 December	9,981,563	7,862,031

(c) Matching shares granted under share incentive plans

During the year ended 31 December 2022, 490,814 matching shares were granted under the share incentive plan (2021: 345,476). The weighted average share price at grant date was 181p 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 2022, the liability recognised for cash-settled deferred fund awards was £44m (2021: £58m). The liability includes £9m (2021: £10m) 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 (2021: £6m).

(d)(ii) Cash settled share based payments

At 31 December 2022, the liability recognised for cash-settled share based payments was £nil (2021: £nil).

7. Group financial statements continued

42. 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. In the year ended 31 December 2022, there have been no changes in the nature of these transactions.

During the year, the Group recognised management fees of £3m (2021: £4m) from the Group's defined benefit pension plans. The Group's defined benefit pension plans have assets of £847m (2021: £1,138m) invested in investment vehicles managed by the Group.

During the year, there were no sales to associates accounted for using the equity method in relation to management fees (2021: £36m) and no purchases in relation to services received (2021: £2m). Purchases and sales in 2021 related to Phoenix prior to its reclassification (refer Note 1(c)(iii) for further details). Management fees included sales where the selection of the Group as the asset manager was made by the underlying policyholder.

During the year ended 31 December 2022, there were sales to joint ventures accounted for using the equity method of £4m (2021: £4m) and no purchases from joint ventures (2021: £nil). During the year ended 31 December 2022, the Group contributed capital of £2m (2021: £11m) to a joint venture. At 31 December 2022, there was no outstanding funding commitment to this joint venture (31 December 2021: £2m).

The Group had no balances due to or from associates accounted for using the equity method as at 31 December 2022 (2021: £nil). The Group had balances of £1m due from joint ventures (2021: £1m) as at 31 December 2022. There were no balances due to joint ventures (2021: £nil). During the year ended 31 December 2022, the Group contributed capital of £3m to an associate. At 31 December, the Group also has a commitment to make a capital contribution of £2m to an associate.

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.

(b) 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:

	2022 £m	2021 £m
Salaries and other short-term employee benefits	11	12
Post-employment benefits	-	-
Share-based payments and deferred fund awards	6	7
Termination benefits	2	1
Total compensation of key management personnel	19	20

(c) 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.

43. 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 treasury and capital management policy, which is subject to review at least annually, 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. Ongoing monitoring of investments is incorporated into the Group's established performance management process. 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. Information on financial instruments risk is also provided in Note 35.

(b) Regulatory capital

(b)(i) Regulatory capital framework

From 1 January 2022, the Group has been supervised under the Investment Firms Prudential Regime (IFPR). Prior to this date, the Group was supervised under the CRD IV regulatory regime. The Group's regulatory capital position under IFPR 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 the Own Funds Requirement and the Own Funds Threshold Requirement described below in complying with the Overall Financial Adequacy Rule.

Own Funds Requirement

The Own Funds Requirement focuses on the Group's permanent minimum capital requirement, its fixed overhead requirement and its K-factor requirement with the own funds requirement being the highest of the three. At 31 December 2022, the Group's indicative Own Funds Requirement was £0.3bn.

Own Funds Threshold Requirement

The Own Funds Threshold Requirement supplements the own funds requirement via the Internal Capital Adequacy and Risk Assessment (ICARA), 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, taking into account potential periods of financial stress during the economic cycle as well as a potential wind-down scenario with the own funds threshold requirement being the highest of the two, as per the Overall Financial Adequacy Rule. The results of the Group's ICARA process will be subject to periodic review by the FCA under the Supervisory Review and Evaluation Process (SREP).

Under IFPR the Group fully excludes the value of its holding in significant listed investments from its capital resources. IFPR also includes constraints on the proportion of the minimum capital requirement that can be met by each tier of capital. As a result, approximately £0.3bn of Tier 2 capital, whilst continuing to be reported within the Group's capital resources, is not available to meet the minimum capital requirement.

7. Group financial statements continued

(b)(ii) IFPR (unaudited)

	2022 ¹ £bn	2021 ² £bn
IFRS equity attributable to equity holders of abrdn plc	5.7	7.6
Deductions for intangibles and defined benefit pension assets, net of related deferred tax liabilities	(2.3)	(2.2)
Deductions for significant investments in financial sector entities	(1.4)	(2.0)
Deductions for non-significant investments in financial sector entities	(0.2)	(0.5)
Other deductions and adjustments, including provision for foreseeable dividend	(0.5)	(0.5)
Common Equity Tier 1 capital resources	1.3	2.4
Additional Tier 1 capital resources	0.2	0.2
Total Tier 1 capital resources	1.5	2.6
Tier 2 capital resources	0.6	0.6
Total regulatory capital resources	2.1	3.2
Subordinated debt restriction	(0.3)	(0.3)
Total regulatory capital resources available to meet total regulatory capital requirements	1.8	2.9
Total regulatory capital requirements	(1.1)	(1.1)
Surplus regulatory capital	0.7	1.8
CET1 ratio	408%	774%

1. 2022 draft position on 28 February 2023 following finalisation of the Annual report and accounts.

2. Indicative regulatory capital position under IFPR at 31 December 2021 if the Group had been supervised under IFPR at this date.

The Group has complied with all externally imposed capital requirements during the year.

44. Events after the reporting date

In January 2023 the Group decided to exit a leased US property and an impairment of £13m was recognised on the right-of-use property asset.

On 26 February 2023, the Group agreed the sale of abrdn Capital Limited (aCL), its discretionary fund management business, to LGT. aCL is part of the Personal segment. The sale is expected to complete in the second half of 2023, following satisfaction of certain conditions including receipt of customary regulatory approvals. The sale involves the transfer of approximately £6.1bn in assets under management (as at 31 December 2022) and approximately 140 employees. The agreed purchase price to be paid at completion is £140m, subject to certain adjustments, principally reflecting activity in the period to completion. The sale is expected to result in an IFRS profit on disposal of subsidiaries of approximately £60m and an IFPR regulatory capital benefit of approximately £120m.

45. 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 2022 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 and limited liability companies in which the Group has no interest but whose general partner or manager is controlled by the Group are not consolidated. However such limited partnerships are considered to be subsidiaries under Companies Act 2006 and therefore are listed below. Where the Group has no interest in a limited partnership or limited liability company 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 2022 is £90m (2021: £104m) 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 ¹	% interest held ²
30 STMA 1 Limited ³	Ordinary shares	100%
30 STMA 2 Limited ³	Ordinary shares	100%
30 STMA 3 Limited ³	Ordinary shares	100%
30 STMA 4 Limited ³	Ordinary shares	100%
30 STMA 5 Limited ³	Ordinary shares	100%
6 SAS 3 Limited ³	Ordinary shares	100%
Aberdeen Corporate Services Limited	Ordinary shares	100%
abrdn Charitable Foundation ⁴	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 ³	Ordinary shares	100%
abrdn Holdings Limited ⁴	Ordinary shares	100%
abrdn Investments (Holdings) Limited	Ordinary shares	100%
abrdn (Mauritius Holdings) 2006 Limited ⁵	Ordinary shares	100%
Antler Holdco Limited ⁶	Ordinary shares	100%
Interactive Investor Limited ⁷	Ordinary shares	100%
Focus Business Solutions Limited ⁸	Ordinary shares	100%
Standard Life Aberdeen Trustee Company Limited	Ordinary shares	100%
Standard Life Savings Limited	Ordinary shares	100%
The abrdn Company 2006	N/A	100%
Threesixty Services LLP ⁹	Limited Liability Partnership	100%
Threesixty Support LLP ⁹	Limited Liability Partnership	100%

(b) Other subsidiaries

Name of related undertaking	Share class ¹	% interest held ²
6 SAS 1 Limited	Ordinary shares	100%
6 SAS 2 Limited	Ordinary shares	100%
Aberdeen ACM Team LP ⁴	Limited Partnership	0%
Aberdeen ACP LLP ⁴	Limited Liability Partnership	100%
Aberdeen Asia IV (General Partner) S.a.r.l. ¹⁰	Ordinary shares	100%
Aberdeen Asia Pacific Fund, LP ¹¹	Limited Partnership	0%
Aberdeen Asia Pacific Fund II, LP ¹¹	Limited Partnership	0%
Aberdeen Asia Pacific II (Offshore), LP ¹¹	Limited Partnership	0%
Aberdeen Asia Pacific III Ex-Co-Investment (Offshore), LP ¹¹	Limited Partnership	0%
Aberdeen Asia Pacific III Ex-Co-Investment, LP ¹¹	Limited Partnership	0%
Aberdeen Asia Pacific III, LP ¹¹	Limited Partnership	0%

7. Group financial statements continued

Name of related undertaking	Share class ¹	% interest held ²
Aberdeen Asia Partners III, LP ¹²	Limited Partnership	0%
Aberdeen ASIF Carry LP ⁴	Limited Partnership	25%
Aberdeen Asset Management (Thailand) Ltd ¹³	Ordinary shares	100%
Aberdeen Asset Management Cayman Limited ¹¹	Ordinary shares	100%
Aberdeen Asset Management Denmark A/S ¹⁴	Ordinary shares	100%
Aberdeen Asset Management Finland Oy ¹⁵	Ordinary shares	100%
Aberdeen Asset Management US GP Control LLC ¹²	Limited Liability Company	100%
Aberdeen Asset Middle East Limited ¹⁶	Ordinary shares	100%
Aberdeen Capital Management LLC ¹²	Limited Liability Company	100%
Aberdeen Capital Managers GP LLC ¹⁷	Limited Liability Company	100%
Aberdeen Claims Administration, Inc. ¹⁸	Ordinary shares	100%
Aberdeen Co-Investment Mandate LP ⁴	Limited Partnership	0%
Aberdeen Direct Property (Holding) Limited ³	Ordinary shares	100%
Aberdeen Emerging Asia Fund, LP ¹¹	Limited Partnership	0%
Aberdeen Emerging Asia Pacific II (Offshore), LP ¹¹	Limited Partnership	0%
Aberdeen Emerging Asia Pacific III Ex-Co-Investments, LP ¹¹	Limited Partnership	0%
Aberdeen Energy & Resource Company IV, LLC ¹²	Limited Liability Company	73%
Aberdeen Energy & Resources Company V, LLC ¹²	Limited Liability Company	93%
Aberdeen Energy & Resources Partners II, LP ¹²	Limited Partnership	0%
Aberdeen Energy & Resources Partners III, LP ¹²	Limited Partnership	0%
Aberdeen Energy & Resources Partners IV, LP ¹²	Limited Partnership	1%
Aberdeen Energy & Resources Partners V, LP ¹²	Limited Partnership	2%
Aberdeen European Infrastructure Carry GP Limited ⁴	Ordinary shares	100%
Aberdeen European Infrastructure Carry Limited ⁴	Ordinary shares	100%
Aberdeen European Infrastructure Co-Invest II LP ³	Limited Partnership	0%
Aberdeen European Infrastructure GP Limited ³	Ordinary shares	100%
Aberdeen European Infrastructure GP II Limited ³	Ordinary shares	100%
Aberdeen European Infrastructure GP III Limited ³	Ordinary shares	100%
Aberdeen European Infrastructure III A Limited ³	Ordinary shares	100%
Aberdeen European Infrastructure III B Limited ³	Ordinary shares	100%
Aberdeen European Infrastructure IV Ltd ³	Ordinary shares	100%
Aberdeen European Infrastructure Partners Carry LP ⁴	Limited Partnership	25%
Aberdeen European Infrastructure Partners Carry II LP ⁴	Limited Partnership	25%
Aberdeen European Infrastructure Partners Carry III LP ⁴	Limited Partnership	25%
Aberdeen European Infrastructure Partners LP ³	Limited Partnership	3%
Aberdeen European Infrastructure Partners II LP ³	Limited Partnership	3%
Aberdeen European Infrastructure Partners III LP ³	Limited Partnership	5%
Aberdeen European Opportunities Property Fund of Funds LLC ¹⁸	Limited Liability Company	3%
Aberdeen European Residential Opportunities Fund SCS ¹⁹	Limited Partnership	0%
Aberdeen Fund Distributors LLC ¹⁸	Limited Liability Company	100%
Aberdeen Fund Management II Oy ¹⁵	Ordinary shares	100%
Aberdeen General Partner 1 Limited ⁴	Ordinary shares	100%
Aberdeen General Partner 2 Limited ⁴	Ordinary shares	100%
Aberdeen General Partner CAPELP Limited ¹¹	Ordinary shares	100%
Aberdeen General Partner CGPLP Limited ¹¹	Ordinary shares	100%
Aberdeen General Partner CMENAPELP Limited ¹¹	Ordinary shares	100%
Aberdeen General Partner CPELP II Limited ¹¹	Ordinary shares	100%
Aberdeen General Partner CPELP Limited ¹¹	Ordinary shares	100%
Aberdeen Global ex-Japan FoF's LP ¹¹	Limited Partnership	5%
Aberdeen Global ex-Japan GP Limited ¹¹	Ordinary shares	100%
Aberdeen Global Infrastructure Carry GP Limited ⁴	Ordinary shares	100%
Aberdeen Global Infrastructure GP Limited ²⁰	Ordinary shares	100%
Aberdeen Global Infrastructure GP II Limited ²⁰	Ordinary shares	100%
Aberdeen Global Infrastructure Partners II Carry LP ⁴	Limited Partnership	25%
Aberdeen Global Infrastructure Partners II LP ²⁰	Limited Partnership	0%

Name of related undertaking	Share class ¹	% interest held ²
Aberdeen Global Infrastructure Partners III Carry LP	Limited Partnership	25%
Aberdeen Global Infrastructure Partners LP ²⁰	Limited Partnership	0%
Aberdeen Global Partners, LP ¹²	Limited Partnership	0%
Aberdeen GP 1 LLP ⁴	Limited Liability Partnership	100%
Aberdeen GP 2 LLP ⁴	Limited Liability Partnership	100%
Aberdeen GP 3 LLP ⁴	Limited Liability Partnership	100%
Aberdeen Infrastructure Feeder GP Limited ⁴	Ordinary shares	100%
Aberdeen Infrastructure Finance GP Limited ²⁰	Ordinary shares	100%
Aberdeen Infrastructure GP II Limited ³	Ordinary shares	100%
Aberdeen Infrastructure Partners II Carry LP ⁴	Limited Partnership	25%
Aberdeen Infrastructure Partners II LP ³	Limited Partnership	0%
Aberdeen Infrastructure Partners LP Inc ²⁰	Limited Partnership	0%
Aberdeen International Partners II, LP ¹²	Limited Partnership	0%
Aberdeen International Partners II (Offshore), LP ²¹	Limited Partnership	0%
Aberdeen International Partners III, LP ¹²	Limited Partnership	0%
Aberdeen International Partners III (Offshore), LP ²¹	Limited Partnership	0%
Aberdeen Investment Company Limited ⁴	Ordinary shares	100%
Aberdeen Investment Solutions Limited ²²	Ordinary shares	100%
Aberdeen Keva Asia IV Property Partners SCSp ¹⁰	Limited Partnership	1%
Aberdeen Next Generation Partners V, LP ¹²	Limited Partnership	0%
Aberdeen Pension Trustees Limited ⁴	Ordinary shares	100%
Aberdeen Pooling II GP AB ²³	Ordinary shares	100%
Aberdeen Private Equity Company VII, LLC ¹²	Limited Liability Company	67%
Aberdeen Private Equity Company VIII, LLC ¹²	Limited Liability Company	77%
Aberdeen Property Fund Management (Jersey) Limited ²⁴	Ordinary shares	100%
Aberdeen Property Fund Management Estonia Ou ²⁵	Ordinary shares	100%
Aberdeen Property Investors (General Partner) S.a.r.l. ²⁶	Ordinary shares	100%
Aberdeen Property Investors Estonia Ou ²⁵	Ordinary shares	100%
Aberdeen Property Investors Limited Partner Oy ¹⁵	Ordinary shares	100%
Aberdeen Property Investors The Netherlands BV ²⁷	Ordinary shares	100%
Aberdeen Property Secondaries Partners II ¹⁹	Limited Partnership	2%
Aberdeen Real Estate Fund Finland II LP ²⁸	Limited Partnership	100%
Aberdeen Real Estate Partners II, LP ¹²	Limited Partnership	0%
Aberdeen Real Estate Partners III, LP ¹²	Limited Partnership	0%
Aberdeen Secondaries II GP S.a.r.l. ¹⁹	Ordinary shares	100%
Aberdeen Sidecar LP Inc ²⁰	Limited Partnership	0%
Aberdeen Standard 2019 European PE A Carry LP	Limited Partnership	40%
Aberdeen Standard 2019 European PE B Carry LP	Limited Partnership	40%
Aberdeen Standard Carlsbad Carry LP ⁴	Limited Partnership	25%
Aberdeen Standard Carlsbad GP Limited ²⁰	Ordinary shares	100%
Aberdeen Standard Carlsbad LP ²⁰	Limited Partnership	0%
Aberdeen Standard Global Infrastructure Partners III LP ²⁰	Limited Partnership	0%
Aberdeen Standard Core Infrastructure III LTP LP	Limited Partnership	100%
Aberdeen Standard Core Infrastructure III SCSp ¹⁹	Limited Partnership	1%
Aberdeen Standard ECF II GP LP	Limited Partnership	0%
Aberdeen Standard European Infrastructure GP IV Limited ³	Ordinary shares	100%
Aberdeen Standard European Infrastructure Partners Carry IV LP	Limited Partnership	25%
Aberdeen Standard European Infrastructure Partners Co-invest IV LP ³	Limited Partnership	0%
Aberdeen Standard European Infrastructure Partners IV LP ³	Limited Partnership	5%
Aberdeen Standard European Long Income Real Estate Fund SCSp ¹⁹	Limited Partnership	0%
Aberdeen Standard European Property Growth Fund LP ³	Limited Partnership	0%
Aberdeen Standard Global Infrastructure GP III Ltd ²⁰	Ordinary shares	100%
Aberdeen Standard Global Infrastructure Partners I (2021) Carry LP	Limited Partnership	25%
Aberdeen Standard Global Infrastructure Partners III (2021) Carry LP ⁴	Limited Partnership	25%
Aberdeen Standard Global Risk Mitigation Fund (Australia) ²⁹	Unit Trust	19%
Aberdeen Standard Gulf Carry GP Limited ⁴	Ordinary shares	100%
Aberdeen Standard Gulf Carry LP ⁴	Limited Partnership	10%

7. Group financial statements continued

Name of related undertaking	Share class ¹	% interest held ²
Aberdeen Standard Investments ETFs – abrdn Bloomberg Industrial Metals Strategy K-1 Free ETF ³⁰	ETF	80%
Aberdeen Standard Investments Sweden AB ²³	Ordinary shares	100%
Aberdeen Standard Investments Taiwan Limited ³¹	Ordinary shares	100%
Aberdeen Standard Liquidity Fund (Lux) – Seabury Sterling Liquidity 1 Fund ¹⁹	SICAV	100%
Aberdeen Standard MSPC General Partner S.a.r.l. ¹⁹	Ordinary shares	100%
Aberdeen Standard Multi-Sector Private Credit Fund SCSp ¹⁹	Limited Partnership	3%
Aberdeen Standard Pan European Residential Property Fund SICAV-RAIF ¹⁹	Limited Partnership	0%
Aberdeen Standard Private Equity Company IX, LLC ¹²	Limited Liability Company	80%
Aberdeen Standard Private Real Assets Co-Investment Fund I GP, LLC ¹²	Limited Liability Company	80%
Aberdeen Standard Private Real Assets Co-Investment Fund I, LP ¹²	Limited Partnership	1%
Aberdeen Standard Secure Credit LP	Limited Partnership	0%
Aberdeen Standard SICAV I – Asian Credit Sustainable Bond Fund ¹⁹	SICAV	55%
Aberdeen Standard SICAV I – Asian Sustainable Development Equity Fund ¹⁹	SICAV	98%
Aberdeen Standard SICAV I – ASI-CCBI Belt & Road Bond Fund ¹⁹	SICAV	32%
Aberdeen Standard SICAV I – China Next Generation Fund ¹⁹	SICAV	73%
Aberdeen Standard SICAV I – Climate Transition Bond Fund ¹⁹	SICAV	55%
Aberdeen Standard SICAV I – Emerging Markets Sustainable Development Corporate Bond Fund ¹⁹	SICAV	7%
Aberdeen Standard SICAV I – Global Climate & Environment Equity Fund ¹⁹	SICAV	84%
Aberdeen Standard SICAV I – Global Mid-Cap Equity Fund ¹⁹	SICAV	38%
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 ³	Limited Partnership	100%
Aberdeen Standard U.S. Private Equity IX, LP ¹²	Limited Partnership	0%
Aberdeen Standard Venture Company XII, LLC ¹²	Limited Liability Company	91%
Aberdeen Trust Limited ⁴	Ordinary shares	100%
Aberdeen UK Infrastructure Carry GP Limited ⁴	Ordinary shares	100%
Aberdeen UK Infrastructure Carry Limited ⁴	Ordinary shares	100%
Aberdeen Unit Trust Managers Limited ⁴	Ordinary shares	100%
Aberdeen U.S. Private Equity III (Offshore), LP ²¹	Limited Partnership	0%
Aberdeen U.S. Private Equity IV, LP ¹²	Limited Partnership	0%
Aberdeen U.S. Private Equity IV (Offshore), LP ²¹	Limited Partnership	0%
Aberdeen U.S. Private Equity IV SPV-A, LP ¹²	Limited Partnership	0%
Aberdeen U.S. Private Equity V, LP ¹²	Limited Partnership	0%
Aberdeen U.S. Private Equity V (Offshore), LP ²¹	Limited Partnership	0%
Aberdeen U.S. Private Equity V SPV-A, LP ¹²	Limited Partnership	0%
Aberdeen U.S. Private Equity VI, LP ¹²	Limited Partnership	0%
Aberdeen U.S. Private Equity VI (Offshore), LP ²¹	Limited Partnership	0%
Aberdeen U.S. Private Equity VI SPV-A, LP ¹²	Limited Partnership	0%
Aberdeen U.S. Private Equity VII, LP ¹²	Limited Partnership	0%
Aberdeen U.S. Private Equity VII (Offshore), LP ²¹	Limited Partnership	0%
Aberdeen U.S. Private Equity VIII, LP ¹²	Limited Partnership	0%
Aberdeen U.S. Private Equity VIII (Offshore), LP ²¹	Limited Partnership	0%
Aberdeen Venture Company X, LLC ¹²	Limited Liability Company	60%
Aberdeen Venture Company XI, LLC ¹²	Limited Liability Company	87%
Aberdeen Venture Partners VII, LP ¹²	Limited Partnership	0%
Aberdeen Venture Partners VII (Offshore), LP ²¹	Limited Partnership	0%
Aberdeen Venture Partners VII SPV-A, LP ¹²	Limited Partnership	0%
Aberdeen Venture Partners VIII, LP ¹²	Limited Partnership	0%
Aberdeen Venture Partners VIII (Offshore), LP ²¹	Limited Partnership	0%
Aberdeen Venture Partners VIII SPV-A, LP ¹²	Limited Partnership	0%
Aberdeen Venture Partners VIII SPV-B, LP ¹²	Limited Partnership	0%
Aberdeen Venture Partners VIII SPV-C, LP ¹²	Limited Partnership	0%

Name of related undertaking	Share class ¹	% interest held ²
Aberdeen Venture Partners IX, LP ¹²	Limited Partnership	0%
Aberdeen Venture Partners IX (Offshore), LP ²¹	Limited Partnership	0%
Aberdeen Venture Partners X, LP ¹²	Limited Partnership	1%
Aberdeen Venture Partners X (Offshore) LP ²¹	Limited Partnership	0%
Aberdeen Venture Partners X SPV-A, LP ¹²	Limited Partnership	0%
Aberdeen Venture Partners X SPV-B, LP ¹²	Limited Partnership	0%
Aberdeen Venture Partners XI, LP ¹²	Limited Partnership	1%
Aberdeen Venture Partners XI (Offshore), LP ²¹	Limited Partnership	0%
Aberdeen Venture Partners XI SPV-A, LP ¹²	Limited Partnership	0%
Aberdeen Venture Partners XI SPV-B, LP ¹²	Limited Partnership	0%
Aberdeen Venture Partners XII, LP ¹²	Limited Partnership	1%
Aberdeen Venture Partners XIII LP ¹²	Limited Partnership	1%
abrdn – Emerging Markets Equity ADR Fund ⁴²	Ordinary shares	100%
abrdn – International Equity ADR Fund ⁴²	Ordinary shares	100%
abrdn – US Equity Impact Fund ¹²	Ordinary shares	100%
abrdn – US SMID Cap Equity Fund ¹²	Ordinary shares	100%
abrdn ACS I – abrdn Sustainable Index UK Equity Fund ³	OEIC	23%
abrdn Alternative Funds Limited	Ordinary shares	100%
abrdn Alternative Holdings Limited ⁴	Ordinary shares	100%
abrdn Alternative Investments Limited ³	Ordinary shares	100%
abrdn Asia Limited ³²	Ordinary shares	100%
abrdn Australia Ltd ²⁹	Ordinary shares	100%
abrdn Brasil Investimentos Ltda ³³	Limited Liability Company	100%
abrdn Canada Funds – Global Smaller Companies Equity Fund ³⁴	Private Commingled Fund	100%
abrdn Canada Limited ³⁴	Ordinary shares	100%
abrdn Capital (CI) Limited ³⁵	Ordinary shares	100%
abrdn Capital International Limited ³⁵	Ordinary shares	100%
abrdn Capital Limited	Ordinary shares	100%
abrdn Capital Partners LLP	Limited Liability Partnership	100%
abrdn Colombia SAS ³⁶	Ordinary shares	100%
abrdn Commercial Real Estate Debt II LP	Limited Partnership	0%
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 ²²	Ordinary shares	100%
abrdn Eclipse HFRI 500 SP ¹¹	Private Commingled Fund	36%
abrdn ETFs Advisors LLC ¹²	Limited Liability Company	100%
abrdn ETFs Sponsor LLC ¹²	Limited Liability Company	100%
abrdn Financial Planning & Advice Limited ³	Ordinary A Shares Ordinary B Shares	100%
abrdn Founder Co Limited	Ordinary shares	100%
abrdn Fund Managers Limited ³	Ordinary shares	100%
abrdn Global Absolute Return Strategies Master Fund Limited ¹¹	Ordinary shares	100%
abrdn Global Absolute Return Strategies Offshore Feeder Fund Limited ¹¹	Ordinary shares	100%
abrdn Global Absolute Return Strategies Onshore Feeder Fund, LP ¹²	Limited Partnership	0%
abrdn Hong Kong Limited ³⁷	Ordinary shares	100%
abrdn (IL Infrastructure Debt) GP Limited ³	Ordinary shares	100%
abrdn Inc. ¹²	Ordinary shares	100%
abrdn Inflation-Linked Infrastructure Debt LP ³	Limited Partnership	0%
abrdn Investment Management Limited	Ordinary shares	100%
abrdn Investments Beteiligungs GmbH ³⁸	Limited Liability Company	90%
abrdn Investments Deutschland AG ³⁸	Ordinary shares	90%
abrdn Investments Group Limited ³	Ordinary shares	100%
abrdn Investments Holdings Europe Limited ³	Ordinary shares	100%
abrdn Investments Ireland Limited ³⁹	Ordinary shares	100%
abrdn Investments Jersey Limited ³⁵	Ordinary shares	100%
abrdn Investments Limited ⁴	Ordinary shares	100%

7. Group financial statements continued

Name of related undertaking	Share class ¹	% interest held ²
abr dn Investments Luxembourg Corporate Manager S.a r.l. ¹⁹	Ordinary shares	100%
abr dn Investments Luxembourg S.A. ¹⁹	Ordinary shares	100%
abr dn Investments Switzerland AG ⁴⁰	Ordinary shares	100%
abr dn Islamic Malaysia Sdn. Bhd. ⁴¹	Ordinary shares	100%
abr dn Japan Limited ⁴²	Ordinary shares	100%
abr dn Jersey Limited ⁴³	Ordinary shares	100%
abr dn Korea Co. Limited. ⁴⁴	Ordinary shares	100%
abr dn Korea GP 2 Pte. Ltd ⁴⁵	Ordinary shares	100%
abr dn Korea Separate Account 2 LP ⁴⁵	Limited Partnership	1%
abr dn Life and Pensions Limited ³	Ordinary shares	100%
abr dn Malaysia Sdn. Bhd. ⁴¹	Ordinary shares, Irredeemable non-convertible preference shares	100%
abr dn Nominees Services HK Limited ³⁷	Ordinary shares	100%
abr dn OEIC I – abr dn China A Share Equity Fund ³	OEIC	45%
abr dn OEIC I – abr dn Sterling Long Dated Government Bond Fund ³	OEIC	57%
abr dn OEIC III – abr dn MyFolio Sustainable I Fund ³	OEIC	45%
abr dn OEIC III – abr dn MyFolio Sustainable II Fund ³	OEIC	23%
abr dn OEIC III – abr dn MyFolio Sustainable V Fund ³	OEIC	29%
abr dn OEIC III – abr dn MyFolio Sustainable Index I Fund ³	OEIC	100%
abr dn OEIC III – abr dn MyFolio Sustainable Index II Fund ³	OEIC	88%
abr dn OEIC III – abr dn MyFolio Sustainable Index III Fund ³	OEIC	94%
abr dn OEIC III – abr dn MyFolio Sustainable Index IV Fund ³	OEIC	99%
abr dn OEIC III – abr dn MyFolio Sustainable Index V Fund ³	OEIC	100%
abr dn OEIC V – abr dn Multi-Asset Climate Solutions Fund ³	OEIC	76%
abr dn Pan European Residential Property Feeder S.C.A. SICAV RAIF ¹⁹	Limited Partnership	0%
abr dn Poinsettia GP Ltd ¹¹	Ordinary shares	100%
abr dn Portfolio Investments abr dn Asia-China Bond ³²	Corporate Fund	100%
abr dn Portfolio Investments Limited	Ordinary shares	100%
abr dn Portfolio Investments US Inc. ¹²	Ordinary shares	100%
abr dn Premises Services Limited	Ordinary shares	100%
abr dn Private Equity (Europe) Limited	Ordinary shares	100%
abr dn Private Fund Management (Shanghai) Company Limited ⁴⁶	Ordinary shares	100%
abr dn Property Investors France SAS ⁴⁷	Ordinary shares	100%
abr dn Real Estate Operations Limited ⁴	Ordinary shares	100%
abr dn SICAV II – Multi Asset Climate Opportunities ⁴⁸	SICAV	99%
abr dn Si Yuan Private Fund Management (Shanghai) Company Limited ⁴⁶	Ordinary shares	100%
abr dn (SLSPS) Pension Trustee Company Ltd	Ordinary shares	100%
abr dn SPV 2021 A GP, LLC ¹²	Limited Liability Company	79%
abr dn Unit Trust I – abr dn Diversified Growth Fund ³	Unit trust	51%
abr dn (USA) Limited	Ordinary shares	100%
abr dn Venture Company XIII, LLC ¹²	Limited Liability Company	46%
ACM Carry LP ⁴	Limited Partnership	40%
AEROF (Luxembourg) GP S.a.r.l. ¹⁹	Ordinary shares	100%
AERP V-A Master, LP ¹²	Limited Partnership	0%
AIA Series T Holdings LLC ⁴⁹	Limited Liability Company	0%
AIPP Folksam Europe II Kommanditbolag ⁵⁰	Limited Partnership	1%
AIPP Pooling I SA ¹⁹	Ordinary shares	100%
Airport Industrial GP Limited ³	Ordinary shares	100%
Airport Industrial Limited Partnership ³	Limited Partnership	0%
Aldwych Capital Partners, LP	Limited Partnership	0%
Alliance Trust Savings Limited	Ordinary shares	100%
Andean Social Infrastructure (No. 1) Limited ³	Ordinary shares	100%
Andean Social Infrastructure Fund I LP ¹¹	Limited Partnership	5%
Andean Social Infrastructure GP Limited ¹¹	Ordinary shares	100%
Arden Garden State NJ Fund, LP ⁴⁹	Limited Partnership	0%
Arden Institutional Advisers, LP ⁴⁹	Limited Partnership	0%

Name of related undertaking	Share class ¹	% interest held ²
Arthur House (No.6) Limited ³	Ordinary shares	100%
Artio Global Investors Inc. ¹⁸	Ordinary shares	100%
ASI Core Private Equity Fund GP, LLC ¹²	Limited Liability Company	94%
ASI Direct RE GP LLP	Limited Liability Partnership	100%
ASI European Private Equity 2019 BLP ¹²	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.l. ¹⁹	Ordinary shares	100%
ASI (General Partner 2019 European PE B) Limited	Ordinary shares	100%
ASI (General Partner 2019 European PE B) LLC ¹²	Ordinary shares	0%
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.l. ¹⁹	Ordinary shares	100%
ASI (General Partner SOF IV) Limited	Ordinary shares	100%
ASI (Gold) Limited ⁵¹	Ordinary shares	100%
ASI Han Co-Investment LP	Limited Partnership	93%
ASI (KFAS) RE GP LLP	Limited Liability Partnership	100%
ASI Little Mill Carry LP ⁴	Limited Partnership	0%
ASI Little Mill Co-Invest LP ⁴	Limited Partnership	0%
ASI Little Mill LP ⁴	Limited Partnership	0%
ASI Mid-Market 1 LP ⁴	Limited Partnership	0%
ASI MM Executive Co Investment LP ⁴	Limited Partnership	0%
ASI (NWPE 2021) Carry LP	Limited Partnership	0%
ASI PE 1 Carry LP ⁴	Limited Partnership	40%
ASI (PGPE III) GP LP	Limited Partnership	40%
ASI Phoenix Fund Financing SCSp ¹⁹	Limited Partnership	0%
ASI Phoenix Global Private Equity III LP	Limited Partnership	0%
ASI Phoenix Venture Capital Partners LP	Limited Partnership	0%
ASI Private Equity 1 LP ⁴	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 LLP ⁴	Limited Liability Partnership	100%
ASI Shin Co-Investment LP ⁴	Limited Partnership	100%
ASI Shin Global Investment GP Limited ¹¹	Ordinary shares	100%
ASI (SOF E GP) Limited	Ordinary shares	100%
ASIF Sidecar Carry LP ⁴	Limited Partnership	25%
ASPER (Luxembourg) GP S.a.r.l. ¹⁹	Ordinary shares	100%
Ballentine Core Private Equity Fund, LP ¹²	Limited Partnership	25%
BOSEMP Feeder LP ⁴	Limited Partnership	0%
Brain Co-Invest General Partner LLP	Limited Liability Partnership	100%
Brain Co-Invest LP	Limited Partnership	0%
C.C. U.S. Private Equity Fund GP, LLC ¹²	Limited Liability Company	81%
C.C. U.S. Private Equity Fund GP II, LLC ¹²	Limited Liability Company	84%
C.C. U.S. Private Equity Fund, LP ¹²	Limited Partnership	1%
C.C. U.S. Private Equity Fund II, LP ¹²	Limited Partnership	0%
Coutts Asian Private Equity Limited Partnership ¹¹	Limited Partnership	0%
Coutts Global Property Limited Partnership ¹¹	Limited Partnership	0%
Coutts Middle East and North Africa Private Equity Limited Partnership ¹¹	Limited Partnership	0%
Coutts Private Equity Limited Partnership ¹¹	Limited Partnership	0%
Coutts Private Equity Limited Partnership II ¹¹	Limited Partnership	0%
CPP General Partner Limited Partnership	Limited Partnership	20%
Cumberland Place Financial Management Limited ³	Ordinary shares	100%
Edinburgh Fund Managers Group Limited ⁴	Ordinary shares	100%
Edinburgh Fund Managers Plc	Ordinary shares	100%
Edinburgh Unit Trust Managers Limited ⁴	Ordinary shares	100%
	Deferred shares	
Elevate Portfolio Services Limited ³	Ordinary shares	100%

7. Group financial statements continued

Name of related undertaking	Share class ¹	% interest held ²
ESF I Executive Co Investment Limited Partnership	Limited Partnership	0%
ESP 2004 Co Investment Limited Partnership	Limited Partnership	0%
ESP 2004 Conduit LP	Limited Partnership	0%
ESP 2004 General Partner Limited Partnership	Limited Partnership	0%
ESP 2006 Co Investment Limited Partnership	Limited Partnership	0%
ESP 2006 Conduit LP	Limited Partnership	0%
ESP 2006 General Partner Limited Partnership	Limited Partnership	20%
ESP 2008 Conduit LP	Limited Partnership	0%
ESP 2008 Executive Co Investment Limited Partnership	Limited Partnership	0%
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 II Co Investment Limited Partnership	Limited Partnership	0%
ESP II Conduit LP	Limited Partnership	0%
ESP II 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 ¹⁷	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 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 Scottish 'B'	Limited Partnership	0%
European Strategic Partners Scottish 'C'	Limited Partnership	0%
Finimize Limited ³	Ordinary shares	100%
Flag Asia Company III, LLC ¹²	Limited Liability Company	100%
Flag Asia Company III, LP ¹²	Limited Partnership	0%
Flag Energy & Resource Company II, LLC ¹²	Limited Liability Company	0%
Flag Energy & Resource Company III, LLC ¹²	Limited Liability Company	0%
Flag Global Company, LLC ¹²	Limited Liability Company	0%
Flag International Company, LLC ¹²	Limited Liability Company	0%
Flag International Company II, LLC ¹²	Limited Liability Company	0%
Flag International Company III, LLC ¹²	Limited Liability Company	0%
Flag International Company, LP ¹²	Limited Partnership	0%
Flag International Company II, LP ¹²	Limited Partnership	0%
Flag International Company III, LP ¹²	Limited Partnership	0%
Flag Offshore GP, Ltd ²¹	Ordinary shares	100%
Flag Private Equity Company III, LLC ¹²	Limited Liability Company	0%
Flag Private Equity Company IV, LLC ¹²	Limited Liability Company	0%
Flag Private Equity Company V, LLC ¹²	Limited Liability Company	0%
Flag Private Equity Company VI, LLC ¹²	Limited Liability Company	0%
Flag Private Equity Company III, LP ¹²	Limited Partnership	0%
Flag Private Equity Company IV, LP ¹²	Limited Partnership	0%
Flag Private Equity Company V, LP ¹²	Limited Partnership	0%
Flag Real Assets Company LLC ¹²	Limited Liability Company	0%
Flag Real Estate Company II, LLC ¹²	Limited Liability Company	0%
Flag Real Estate Company III, LLC ¹²	Limited Liability Company	0%

Name of related undertaking	Share class ¹	% interest held ²
Flag Squadron Asia Pacific III GP LP ¹¹	Limited Partnership	100%
Flag Venture Company V, LLC ¹²	Limited Liability Company	0%
Flag Venture Company VI, LLC ¹²	Limited Liability Company	0%
Flag Venture Company VII, LLC ¹²	Limited Liability Company	0%
Flag Venture Company VIII, LLC ¹²	Limited Liability Company	0%
Flag Venture Company IX, LLC ¹²	Limited Liability Company	0%
Flag Venture Company VI, LP ¹²	Limited Partnership	0%
Flag Venture Company VII, LP ¹²	Limited Partnership	0%
Flag Venture Company VIII, LP ¹²	Limited Partnership	0%
Fraser Heath Financial Management Limited ³	Ordinary shares	100%
FSA III EA SPV, LP ¹¹	Limited Partnership	0%
FSA III Pacific SPV, LP ¹¹	Limited Partnership	0%
Griffin Nominees Limited ³	Ordinary shares	100%
Ignis Asset Management Limited	Ordinary shares	100%
Ignis Cayman GP2 Limited ¹¹	Ordinary shares	100%
Ignis Cayman GP3 Limited ¹¹	Ordinary shares	100%
Ignis Investment Services Limited	Ordinary shares	100%
Ignis Private Equity Fund LP ¹¹	Limited Partnership	0%
Ignis Strategic Credit Fund LP ¹¹	Limited Partnership	0%
Interactive Investor Services Limited ⁷	Ordinary shares	100%
Interactive Investor Services Nominees Limited ⁷	Ordinary shares	100%
Investor Nominees (Dundee) Limited	Ordinary shares	100%
Investor Nominees Limited ⁷	Ordinary shares	100%
Investor SIPP Trustees Ltd ⁷	Ordinary shares	100%
KFAS Real Estate Limited Partnership	Limited Partnership	0%
Local2Local Limited ⁵²	Ordinary shares	60%
Moneywise Publishing Limited ⁷	Ordinary shares	100%
Murray Johnstone Holdings Limited ²²	Ordinary shares	100%
Murray Johnstone Limited ⁴	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 V, LLC ¹²	Limited Liability Company	0%
Next Generation Associates V, LP ¹²	Limited Partnership	0%
North American Strategic Partners GP, LP ⁵³	Limited Partnership	0%
North American Strategic Partners, LP ⁵³	Limited Partnership	0%
North American Strategic Partners 2006 LP ¹⁸	Limited Partnership	0%
North American Strategic Partners 2008 LP ¹⁸	Limited Partnership	0%
North American Strategic Partners Companion Fund LP ⁵³	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 ³	Ordinary A Shares Ordinary B Shares	100%
Orion Partners CLP Inc. ⁵⁴	Ordinary shares	100%
Orion Partners Services Inc. ⁵⁴	Ordinary shares	100%
Ostara China Real Estate Fund LP ⁵⁴	Limited Partnership	0%
Ostara Japan Fund 3 LP ⁵⁴	Limited Partnership	1%
Ostara Korea GP 2 Pte. Ltd ⁴⁵	Ordinary shares	100%
Ostara Korea Separate Account LP ⁴⁵	Limited Partnership	0%
Ostara Partners Inc. China ⁵⁴	Ordinary shares	100%
Ostara Partners Inc. Japan 3 ⁵⁴	Ordinary shares	100%
Parnell Fisher Child & Co. Limited ³	Ordinary shares	100%
Parnell Fisher Child Holdings Limited ³	Ordinary A Shares Ordinary B Shares	100%
PE1 LP ⁴	Limited Partnership	0%
PE1A LP ⁴	Limited Partnership	0%

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Name of related undertaking	Share class ¹	% interest held ²
PE2 Carry LP ⁴	Limited Partnership	40%
PE2 LP ⁴	Limited Partnership	0%
Pearl Private Equity LP	Limited Partnership	0%
Pearl Strategic Credit LP	Limited Partnership	0%
Pearson Jones & Company (Trustees) Limited ³	Ordinary shares	100%
Pearson Jones Nominees Limited ³	Ordinary shares	100%
Personal Retirement Account Limited ⁷	Ordinary shares	100%
PGB European Buy-out Fund I SCSp ¹⁹	Limited Partnership	0%
PGB European Co-Investment Fund I SCSp ¹⁹	Limited Partnership	0%
Poinsettia Holdco LP ¹¹	Limited Partnership	0%
PT Aberdeen Standard Investments Indonesia ⁵⁵	Limited Liability Company	99%
Regent Property Partners (Retail Parks) Limited ⁵¹	Ordinary shares	100%
SG Commercial LLP ⁵²	Limited Liability Partnership	60%
Share Limited ⁷	Ordinary shares	100%
Share Nominees Limited ⁷	Ordinary shares	100%
Sharesecure Limited ⁷	Ordinary shares	100%
Shin Global Investment Partners LP ¹¹	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 ILP	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 ¹⁹	Limited Partnership	0%
SL Capital Infrastructure I GP LP	Limited Partnership	100%
SL Capital Infrastructure ILP	Limited Partnership	0%
SL Capital Infrastructure II LTP LP	Limited Partnership	25%
SL Capital Infrastructure II SCSp ¹⁹	Limited Partnership	1%
SL Capital Infrastructure Secondary I GP LP	Limited Partnership	25%
SL Capital Infrastructure Secondary I LP	Limited Partnership	0%
SL Capital Infrastructure Secondary II LP	Limited Partnership	0%
SL Capital NASF I A LP	Limited Partnership	2%
SL Capital NASF I Carry LP	Limited Partnership	0%
SL Capital NASF I GP LP	Limited Partnership	0%
SL Capital NASF ILP ¹²	Limited Partnership	0%
SL Capital Partners (US) Limited ⁵⁶	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 I 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 SOF I LP	Limited Partnership	0%
SL Capital SOF II LP	Limited Partnership	0%
SL Capital SOF III LP	Limited Partnership	0%
SLCEC I Executive Co Investment Limited Partnership	Limited Partnership	0%
SLCI I 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 2016 Co-Investment LP	Limited Partnership	0%
SLCP (Founder Partner Ignis Private Equity) Limited	Ordinary shares	100%
SLCP (Founder Partner Ignis Strategic Credit) Limited	Ordinary shares	100%

Name of related undertaking	Share class ¹	% interest held ²
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 EC) Limited	Ordinary shares	100%
SLCP (General Partner Edcastle) Limited	Ordinary shares	100%
SLCP (General Partner ESF I) Limited	Ordinary shares	100%
SLCP (General Partner ESF II) Limited	Ordinary shares	100%
SLCP (General Partner ESP 2004) Limited	Ordinary shares	100%
SLCP (General Partner ESP 2006) Limited	Ordinary shares	100%
SLCP (General Partner ESP 2008 Coinvestment) Limited	Ordinary shares	100%
SLCP (General Partner ESP 2008) Limited	Ordinary shares	100%
SLCP (General Partner ESP CAL) 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 NASF I) Limited	Ordinary shares	100%
SLCP (General Partner NASP 2006) 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 Pearl Strategic 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 III) Limited	Ordinary shares	100%
SLCP (General Partner Tidal Reach) Limited	Ordinary shares	100%
SLCP (General Partner USA) Limited	Ordinary shares	100%
SLIPC (General Partner Infrastructure II LTP 2017) Limited	Ordinary shares	100%
SLIPC (General Partner Infrastructure II) S.a.r.l. ¹⁹	Ordinary shares	100%
SLIPC (General Partner Infrastructure III) S.à r.l. ¹⁹	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%
SOF I Executive Co Investment Limited Partnership	Limited Partnership	0%
SOF II Executive Co Investment Limited Partnership	Limited Partnership	0%
SOF III Executive Co Investment Limited Partnership	Limited Partnership	0%
SOF IV Carry LP	Limited Partnership	25%
SOF IV Executive Co Investment Limited Partnership	Limited Partnership	0%
Squadron Asia Pacific Fund, LP ¹¹	Limited Partnership	0%
Squadron Asia Pacific Fund II, LP ¹¹	Limited Partnership	0%
Squadron Capital Asia Pacific GP, LP ¹¹	Limited Partnership	100%
Squadron Capital Asia Pacific II GP LP ¹¹	Limited Partnership	100%
Squadron Capital Partners Limited ¹¹	Ordinary shares	100%
Squadron GP Participation, LP ¹¹	Limited Partnership	0%
Squadron GP Participation II, LP ¹¹	Limited Partnership	0%
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 ³	Limited Partnership	0%
Standard Life Investments European RE Club (Offshore Feeder) Ltd ¹¹	Ordinary shares	100%
Standard Life Investments European RE Club II (Offshore Feeder) Ltd ¹¹	Ordinary shares	100%
Standard Life investments European Real Estate Club LP ³	Limited Partnership	2%
Standard Life Investments European Real Estate Club II LP ³	Limited Partnership	1%
Standard Life Investments European Real Estate Club III LP ³	Limited Partnership	2%
Standard Life Investments (General Partner CRED) Limited ³	Ordinary shares	100%
Standard Life Investments (General Partner ELIREF) S.a.r.l. ¹⁹	Ordinary shares	100%
Standard Life Investments (General Partner EPGF) Limited	Ordinary shares	100%
Standard Life Investments (General Partner European Real Estate Club) Limited ³	Ordinary shares	100%

7. Group financial statements continued

Name of related undertaking	Share class ¹	% interest held ²
Standard Life Investments (General Partner European Real Estate Club II) Limited ³	Ordinary shares	100%
Standard Life Investments (General Partner European Real Estate Club III) Limited ³	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) 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 ³	Ordinary shares	100%
Standard Life Investments (Mutual Funds) Limited ²²	Ordinary shares	100%
Standard Life Investments UK Shopping Centre Feeder Fund Company Limited ⁵⁷	Ordinary shares	100%
Standard Life Savings Nominees Limited	Ordinary shares	100%
Tenon Nominees Limited ⁴	Ordinary shares	100%
The Lighthouse Living Co Limited	Ordinary shares	75%
The Munro Partnership Ltd	Ordinary shares	100%
The Share Centre (Administration Services) Ltd ⁷	Ordinary shares	100%
The Share Centre Limited ⁷	Ordinary shares	100%
Touchstone Insurance Company Limited ⁵⁸	Ordinary shares	100%
TPIF (No. 1) GP LLP ⁵⁹	Limited Liability Partnership	60%
TPIF (No. 1) LP ⁵⁹	Limited Partnership	0%
TPIF (Portfolio No. 1) GP LLP ⁵²	Limited Liability Partnership	60%
TPIF (Portfolio No. 1) LP ⁵²	Limited Partnership	0%
TPIF (Portfolio No. 1) Nominee Limited ⁵²	Ordinary shares	60%
Tritax Aberdeen HQ Office (General Partner) Limited ⁵²	Ordinary shares	60%
Tritax Aberdeen HQ Office Limited Partnership ⁶⁰	Limited Partnership	0%
Tritax abrdn Supply Chain GP LLP ⁵²	Limited Liability Partnership	60%
Tritax Assets LLP ⁵²	Limited Liability Partnership	60%
Tritax LMR Carry GP LLP ⁵⁹	Limited Liability Partnership	60%
Tritax LMR Carry Limited Partnership ⁵⁹	Limited Partnership	7%
Tritax Management LLP ³	Limited Liability Partnership	60%
Tritax PowerBox Limited ⁵²	Ordinary shares	60%
Tritax Securities LLP ⁵²	Limited Liability Partnership	60%
Two Rivers One Limited ²⁴	Ordinary shares	100%
Two Rivers Two Limited ²⁴	Ordinary shares	100%
UK PRS Opportunities General Partner Limited ³	Ordinary shares	100%
UK PRS Opportunities LP ³	Limited Partnership	0%
VZWL Bestandsimmobilien GmbH & Co geschlossene Investment KG ³⁸	Limited Partnership	0%
VZWL Private Equity GmbH & Co geschlossene Investment KG ³⁸	Limited Partnership	0%
Waverley Healthcare Private Equity Limited ⁴	Ordinary shares	100%

(c) Associates and joint ventures

Name of related undertaking	Share class ¹	% interest held ²
Aberdeen Standard SICAV I – Europe ex UK Sustainable Equity Fund ¹⁹	SICAV	25%
abrdn OEIC I – abrdn (AAM) Sterling Government Bond Fund ³	OEIC	25%
Archax Holdings Limited ⁶¹	Ordinary shares	10%
Concession Infrastructure Investments Manager Limited ⁶²	Ordinary shares	50%
Criterion Tec Holdings Ltd ⁶³	Ordinary shares	21%
Heng An Standard Life Insurance Company Limited ⁶⁴	Ordinary shares	50%
PURetail Luxembourg Management Company S.a.r.l. ⁶⁵	Class A shares	50%
Tenet Group Limited ⁶⁶	Ordinary B Shares	25%
Virgin Money Unit Trust Managers Limited ⁶⁷	Ordinary shares	50%

1. OEIC = Open-ended investment company

SICAV = Société d'investissement à capital variable

ETF = Exchange traded fund

2. Limited Partnerships or limited liability companies in which the Group has no interest but whose general partner or manager is controlled by the Group are considered subsidiaries under Companies Act 2006. Where the Group has no interest in a limited partnership or limited liability company that is considered a subsidiary, the interest held is disclosed as 0%.

7. Group financial statements continued

Registered offices

3. 280 Bishopsgate, London, EC2M 4AG
4. 10 Queens Terrace, Aberdeen, AB10 1XL
5. c/o IQ EQ Fund Services (Mauritius) Ltd, 33 Edith Cavell Street, Port Louis, 11324, Mauritius
6. PO Box 19, Martello Court, Admiral Park, St Peter Port, GY1 3HB, Guernsey
7. 201 Deansgate, Manchester, M3 3NW
8. Cranford House, Kenilworth Road, Blackdown, Leamington Spa, CV32 6RQ
9. 2nd Floor, The Royals, Altrincham Road, Sharston, Manchester M22 4BJ
10. 2-8 avenue Charles De Gaulle, L-1653 Luxembourg, Luxembourg
11. c/o Maples Corporate Services Limited, Uglend House, P.O. Box 309, Grand Cayman, KY1-1104, Cayman Islands
12. c/o Corporation Service Company, 251 Little Falls Drive, Wilmington, DE, 19808, USA
13. Bangkok City Tower, 28th Floor, 179 South Sathorn Road, Thungmahamek, Sathorn, Bangkok, 10120, Thailand
14. Strandvejen 171, 3, 2900 Hellerup, Denmark
15. c/o Aatsto DLA Piper Finland Oy, Fabianinkatu 23, FI-00130 Helsinki, Finland
16. Office Unit 8, 6th Floor, Al Khater Tower, Abu Dhabi Global Market Square, Al Marya Island, PO Box 764605, Abu Dhabi, United Arab Emirates
17. c/o The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, DE, 19801, USA
18. c/o Corporation Service Company, 2711 Centerville Road, Suite 400, Wilmington, DE, 19808, USA
19. 35a Avenue John F. Kennedy, L-1855 Luxembourg, Luxembourg
20. Western Suite, Ground Floor Mill Court, La Charroterie, St Peter Port, Guernsey, GY1 1EJ
21. c/o Mourant Governance Services (Cayman) Limited, 94 Solaris Avenue, Camana Bay, PO Box 1348, Grand Cayman KY1-1108, Cayman Islands
22. 7 Exchange Crescent, Conference Square, Edinburgh, EH3 8AN
23. Box 3039, Stockholm, 103 63, Sweden
24. Level 1, 1FC1, Esplanade, St Helier, JE2 3BX, Jersey
25. Harju maakond, Tallinn, Kesklinna linnaosa, Ahtri tn 6a, 10151, Estonia
26. 2 Boulevard de la Foire, L-1528 Luxembourg, Luxembourg
27. WTC, H-Tower, 20th Floor, Zuidplein 166, 1077 XV Amsterdam, Netherlands
28. One London Wall, London, EC2Y 5AB
29. Level 10, 255 George Street, Sydney, NSW 2000, Australia
30. 712 5th Ave, New York, NY 10019, USA
31. 8F-1, No. 101, Songren Road, Taipei City, 110, Taiwan, Republic of China
32. 21 Church Street, #01-01, Capital Square Two, 049480, Singapore
33. Rua Joaquim Floriano, 913 - 7th floor - Cj. 71, Itaim Bibi, São Paulo, 04534-013, Brasil
34. 1 First Canadian Place, 100 King Street West, Toronto, Ontario, Canada
35. 1st Floor, Sir Walter Raleigh House, Esplanade, St Helier, JE2 3QB, Jersey
36. AC 82 NO. 10 60 P 5 Bogota DC, Columbia
37. 6th Floor, Alexandra House, 18 Chater Road, Central, Hong Kong
38. Bockenheimer Landstrasse 25, 60325 Frankfurt am Main, Germany
39. 2-4 Merrion Row, Dublin 2, D02 WP23, Ireland
40. Schweizergasse 14, Zurich, 8001, Switzerland
41. Suite 1005, 10th Floor, Wisma Hamzah-Kwong Hing No.1, Leboh Ampang 50100 Kuala Lumpur, Malaysia
42. Otemachi Financial City Grand Cube 9F, 1-9-2 Otemachi, Chiyoda-ku, Tokyo, 100-0004, Japan
43. 44 Esplanade, St Helier, Jersey, JE4 9WG
44. 13th Fl, B Tower (Seocho-dong, Kyobo Tower Building), 465, Gangnam-daero, Seocho-gu, Seoul, Korea
45. 80 Robinson Road, #02-00, 068898, Singapore
46. West Area, 2F, No.707 Zhangyang Road, China (Shanghai) Pilot Free Trade Zone
47. 29 Rue De Berri, Paris, 75008, France
48. 2-4, Rue Eugène Ruppert, L-2453 Luxembourg, Luxembourg
49. 1900 Market St, Suite 200, Philadelphia, PA 19103, USA
50. Box 16285, Stockholm, 103 25, Sweden
51. 30 Finsbury Square, London, EC2A 1AG
52. 3rd Floor, 6 Duke Street St James's, London, SW1Y 6BN
53. RL&F Service Corp., 920 N King St Fl 2, Wilmington, New Castle, DE, 19801, USA
54. Campbells Corporate Services Limited, 4th Floor, Willow House, Cricket Square, Grand Cayman, KY1-9010, Cayman Islands
55. 16th Floor, Menara DEA Tower 2, 16th Floor, Kawasan Mega Kuningan, Jl Mega Kuningan Barat Kav. E4.3 No. 1-2, 12950 Jakarta, Indonesia
56. 7 Conference Square, Edinburgh, EH3 8AN
57. Ogier House, Esplanade, St Helier, JE4 9WG, Jersey
58. c/o Aon, PO Box 33, Maison Trinity, Trinity Square, St Peter Port, Guernsey GY1 4AT
59. 50 Lothian Road, Festival Square, Edinburgh, EH3 9WJ
60. DWF LLP, 110 Queen Street, Glasgow, G1 3HD
61. 4th Floor, 1 Old Jewry, London, EC2R 8DN
62. c/o Paget-Brown Trust Company Ltd, Boundary Hall, Cricket Square, P.O. Box 1111, Grand Cayman, KY1-1102, Cayman Islands
63. 7 Lochside View, Edinburgh, EH12 9DH
64. 18F, Tower II, The Exchange, 189 Nanjing Road, Heping District, Tianjin, People's Republic of China, 300051
65. 80, route d'Esch, L-1470 Luxembourg, Luxembourg
66. 5 Lister Hill, Horsforth, Leeds LS18 5AZ
67. Jubilee House, Gosforth, Newcastle-Upon-Tyne, NE3 4PL

8. Company financial statements

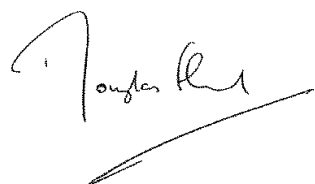
Company statement of financial position

As at 31 December 2022

	Notes	2022 £m	2021 £m
Assets			
Investments in subsidiaries	A	4,482	5,065
Investments in associates and joint ventures	B	196	206
Deferred tax assets	N	143	113
Loans to subsidiaries	C	110	70
Derivative financial assets	C	85	8
Equity securities and interests in pooled investment funds	C	709	1,187
Debt securities	C	211	227
Receivables and other financial assets	C	48	30
Other assets	F	48	83
Cash and cash equivalents	C	27	20
Total assets		6,059	7,009
Equity			
Share capital	G	280	305
Shares held by trusts	H	(145)	(167)
Share premium reserve	G	640	640
Retained earnings			
Brought forward retained earnings	I	3,301	2,631
(Loss)/profit for the year attributable to equity shareholders of abrdn plc ¹		(402)	990
Other movements in retained earnings		766	(320)
Total retained earnings		3,665	3,301
Other reserves	J	485	1,856
Equity attributable to equity shareholders of abrdn plc		4,925	5,935
Other equity	K	207	207
Total equity		5,132	6,142
Liabilities			
Subordinated liabilities	L	621	644
Derivative financial liabilities	D	1	-
Other financial liabilities	L	272	177
Provisions	P	33	35
Other liabilities	P	-	11
Total liabilities		927	867
Total equity and liabilities		6,059	7,009

1. The Company's total loss for the year was £391m (2021: profit of £990m) of which a profit of £11m was attributable to other equity holders (2021: £nil).

The financial statements on pages 265 to 278 were approved by the Board and signed on its behalf by the following Directors:



Sir Douglas Flint
Chairman

28 February 2023



Stephanie Bruce
Chief Financial Officer

28 February 2023

Company registered number: SC286832



The Notes on pages 268 to 278 are an integral part of these financial statements.

Company statement of changes in equity

For the year ended 31 December 2022

2022	Notes	Share capital £m	Shares held by trusts £m	Share premium reserve £m	Retained earnings £m	Other reserves £m	Total equity attributable to equity shareholders of abrdn plc £m	Other equity £m	Total equity £m
1 January		305	(167)	640	3,301	1,856	5,935	207	6,142
Loss for the year		-	-	-	(402)	-	(402)	11	(391)
Other comprehensive income for the year		-	-	-	-	5	5	-	5
Total comprehensive income for the year		-	-	-	(402)	5	(397)	11	(386)
Interest paid on other equity	K	-	-	-	-	-	-	(11)	(11)
Dividends paid on ordinary shares	I	-	-	-	(307)	-	(307)	-	(307)
Share buyback	G	(25)	-	-	(302)	25	(302)	-	(302)
Cancellation of the capital redemption reserve	J	-	-	-	1,059	(1,059)	-	-	-
Reserves credit for employee share-based payment	J	-	-	-	-	24	24	-	24
Transfer to retained earnings for vested employee share-based payment	J	-	-	-	63	(63)	-	-	-
Transfer between reserves on disposal of subsidiaries	J	-	-	-	1	(1)	-	-	-
Transfer between reserves on impairment of subsidiaries	J	-	-	-	302	(302)	-	-	-
Shares acquired by employee trusts	H	-	(46)	-	-	-	(46)	-	(46)
Shares distributed by employee and other trusts and related dividend equivalents	H	-	68	-	(69)	-	(1)	-	(1)
Other movements	I	-	-	-	19	-	19	-	19
31 December		280	(145)	640	3,665	485	4,925	207	5,132



The Notes on pages 268 to 278 are an integral part of these financial statements.

2021	Notes	Share capital £m	Shares held by trusts £m	Share premium reserve £m	Retained earnings £m	Other reserves £m	Total equity attributable to equity shareholders of abrdn plc £m	Other equity £m	Total equity £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	I	–	–	–	(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	H	–	(52)	–	–	–	(52)	–	(52)
Shares distributed by employee and other trusts and related dividend equivalents	H	–	46	–	(48)	–	(2)	–	(2)
31 December		305	(167)	640	3,301	1,856	5,935	207	6,142



The Notes on pages 268 to 278 are an integral part of these financial statements.

8. Company financial statements continued

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 2022 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.

(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 2022 were higher than the market capitalisation of the Company judgement was required to determine for which subsidiaries this was considered an indicator of impairment	Note A

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

8. Company financial statements continued

Notes to the Company financial statements

A. Investments in subsidiaries

	Notes	2022 £m	2021 £m
Investments in subsidiaries measured at cost		4,312	3,737
Investments in subsidiaries measured at FVTPL	C	170	1,328
Investments in subsidiaries		4,482	5,065

		2022 £m	2021 £m
At 1 January		5,065	4,013
Investment into existing subsidiaries measured at cost		139	210
Acquisition of subsidiaries at cost		1,380	–
Acquisition of subsidiaries via dividend in specie		–	4
Disposal of subsidiaries measured at cost		(18)	–
Impairment of subsidiaries measured at cost		(927)	(45)
Acquisition of subsidiaries at FVTPL		2	884
Disposal of subsidiaries at FVTPL		(1,158)	(2)
Gains/(losses) on subsidiaries at FVTPL		(1)	1
At 31 December		4,482	5,065

Details of the Company's subsidiaries are given in Note 45 of the Group financial statements.

(a) Acquisitions

During 2022, the Company made the following acquisitions of subsidiaries measured at cost:

- The Company acquired 100% of the issued share capital of Antler Holdco Limited (Antler), the parent company for the interactive investor (ii) group of companies for a cash consideration of £1,380.2m. Further details are provided in Note 1(b)(i) of the Group financial statements. The Company's consideration was lower than the £1,485m cash consideration recognised in the Group financial statements as it did not include funding of £118.8m provided to Antler to facilitate the acquisition of minority interests in Interactive Investor Limited (ILL) prior to the acquisition of Antler. The Company's consideration included transaction costs of £14m which were included in Restructuring and corporate transaction expenses in the Group Consolidated income statement.
- The Company subsequently increased its investment in Antler by £139.2m through the purchase of 139,163,986 ordinary shares.
- The Company then acquired ILL via a dividend in specie from Antler and recognised ILL at an amount of £1,512m, with the carrying value of Antler reduced correspondingly to £7m and therefore no impact on investment in subsidiaries in the Company Statement of financial position. The dividend in specie was recognised at £nil in the Company's total comprehensive income for the year due to the reduction in the Antler carrying value.

During 2021, the Company made the following acquisitions of subsidiaries measured at cost:

- The Company increased its investment in abrdn Financial Planning Limited (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 (now renamed abrdn Holdings Limited) 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 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.

See Section (d) below for details on investments in subsidiaries at FVTPL.

(b) Disposals

During 2022, the Company made the following disposals of subsidiaries measured at cost:

- Standard Life Oversea Holding (SLOH) was liquidated. Prior to liquidation, the carrying value of the Company's interest in SLOH was £18m and the Company received final liquidation proceeds of £20m in the form of a distribution in specie of its intercompany balance due to SLOH. Refer Note J for details of the transfer from the merger reserve to retained earnings in relation to the disposal of SLOH.

(c) Impairment

The Company's net assets attributable to shareholders of abrdn plc at 31 December 2022 of £4.9bn are higher than the Company's market capitalisation of £3.8bn. This, together with lower projected future asset management earnings, was considered to be an indicator of impairment of the Company's investment in its asset management subsidiaries, abrdn Holdings Limited (formerly named Aberdeen Asset Management PLC (aHL)) and abrdn Investments (Holdings) Limited (aIHL)). All other investments in subsidiaries (with the exception of aFPL and abrdn Client Management Limited (aCM) discussed below) were supported by financial assets, or other relevant analysis.

Asset management subsidiaries aHL and aIHL

The Company's investment in its subsidiaries, aHL and aIHL were impaired during 2022 by £847m (2021: £nil) and £51m (2021: £nil) respectively. The impairments primarily resulted from lower future revenue projections and further work being required to reduce Investments costs given this level of revenue. The lower future revenue projections primarily resulted from the impact of lower equity market levels during 2022 and forecast equity market falls in 2023 on assets under management, net outflows in 2022 particularly in the equity asset class and lower forecasts of net inflows in future periods reflecting both macroeconomic conditions and business performance, and the expected reduction in Phoenix revenue as a result of certain active equity and fixed income strategies moving to lower yielding passive quantitative strategies and related pricing changes. The impairment in aIHL also reflects the impact of dividends paid to abrdn plc of £286m during 2022 and fair value movements relating to the interest in HDFC Asset Management held by its subsidiary, abrdn Investment Management Limited.

The recoverable amount of aHL which is its fair value less costs of disposal (FVLCD) at 31 December 2022 was £1,258m. The approach and key assumptions in determining the FVLCD of both aHL and aIHL are primarily the same as used in the impairment review for asset management goodwill set out in Note 13 of the Group financial statements. The asset management group of cash generating units overseas business is performed by entities within the aHL group and the asset management group of cash generating units UK business is split between the aHL group and the aIHL group. The recoverable amount for aHL also includes the value of its subsidiaries, associates and joint ventures not included in the asset management group of cash generating units. These primarily include Finimize Limited (Finimize), Archax Holdings Limited and VMUTM. Details of the valuation of Finimize at 31 December 2022 is set out in Note 13 of the Group financial statements.

The recoverable amount of aIHL which is its FVLCD at 31 December 2022 was £988m. The recoverable amount for aIHL also includes the value of its subsidiaries not included in the asset management group of cash generating units. These primarily include abrdn Capital Limited (aCL). The valuation of aCL is based on FVLCD and is based on an estimated price from the current sale process (refer Note 21 of the Group financial statements). The recoverable amount also includes the fair value of the interest in HDFC Asset Management, which was £477m at 31 December 2022 based on the year end share price of this listed investment.

The recoverable amounts for aHL and aIHL are level 3 measurements as they are measured using inputs which are not based on observable market data.

Sensitivities of key assumptions

The business plan projections used to determine the future asset management earnings are based on macroeconomic forecasts including future equity market and interest rate levels, and forecast levels of net flows, fee revenue yields by asset class and expenses. For aIHL, fee revenue yield assumptions are adjusted to take into account an expected contraction in yield on Phoenix assets. Market assumptions assume equity market falls in 2023 with recovery during 2024 and 2025. The projections are therefore sensitive to these assumptions, and in particular future expected market levels. Given current macroeconomic uncertainties a 25% reduction in forecast asset management cash flows has been provided as a sensitivity.

A post tax discount rate sensitivity of 2% has been provided taking into account the impact of these market uncertainties on interest rates.

For aIHL a 25% reduction in the value of HDFC AMC has also been provided as a sensitivity given the inherent risk of equity market fluctuations.

The following table shows the consequence of these illustrative downside sensitivities of key assumptions on the carrying amount of the aHL and aIHL at 31 December 2022. As the year end carrying values are the recoverable amount any downside sensitivity will lead to a further future impairment loss.

	aHL £m	aIHL £m
25% reduction in future asset management cash flows	(273)	(64)
2% increase in post tax discount rate	(159)	(46)
25% reduction in the value of HDFC Asset Management (aIHL only)	N/A	(119)

8. Company financial statements continued

For the year ended 31 December 2021, the recoverable amount of aHL was determined based on value in use and based on this assessment no impairment of aHL was required at 31 December 2021. The reason for the change in valuation approach in 2022 was that, at 31 December 2022, FVLCD was assessed by management as being higher than VIU. The VIU is significantly reduced by the IFRS requirement to add back certain staff and property expense savings to management's expectation of the level of future operating expenses, where these expense savings require provisions to be made in future years.

aFPL

The Company's investment in its subsidiary aFPL was impaired during 2022 by £25m (2021: £45m).

The recoverable amount of aFPL which is its FVLCD at 31 December 2022 was £85m (2021: £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 and AUAdv were based on 2022 results. 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 the impact of macroeconomic conditions, markets and level of 2022 profitability and outflows on valuation expectations for the business. 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 £17m. A 20% reduction in market transaction multiples, adjusted to be appropriate to the abrdn financial planning business, would result in a further impairment of £17m.

The recoverable amount of aFPL at 31 December 2021 of £110m was also based on 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.

aCM

The Company's investment in its subsidiary aCM was impaired during 2022 by £4m. The impairment resulted from the payment of a dividend from aCM to the Company. The carrying amount of the Company's investment in aCM is £nil (2021: £4m).

ILL

No impairment was recognised on the Company's investment in ILL in 2022 and there were no indicators of impairment at 31 December 2022.

The recoverable amount of ILL was determined at 31 December 2022 based on FVLCD and used the same approach and key assumptions as used in the impairment review for interactive investor goodwill set out in Note 13 of the Group financial statements. The basis for sensitivities of key assumptions is also set out in Note 13 of the Group financial statements. The impact of these illustrative sensitivities on the carrying amount of ILL at 31 December 2022 is as follows:

Impact on carrying amount at 31 December 2022	£m
20% reduction in forecast post tax adjusted earnings	(127)
25% reduction in market multiple	(210)

(d) Investments in subsidiaries at FVTPL

Investments in subsidiaries at FVTPL, valued at £170m (2021: £1,328m), relate to holdings in funds over which the Company has control. This decrease primarily relates to lower holdings in a liquidity fund.

B. Investments in associates and joint ventures

	2022 £m	2021 £m
Investment in associates measured at cost	–	10
Investment in joint venture measured at cost	196	196
Investments in associates and joint ventures	196	206

(a) Investment in associates

The Company has an interest of 25.3% (2021: 25.3%) in Tenet Group Limited (Tenet), a company incorporated in England and Wales which is measured at cost less impairment. During the year ended 31 December 2022, the Company increased its interest in Tenet by £3.8m. The Company also recognised an impairment of £14m in its interest during 2022. The impairment resulted from losses incurred by the business during the year and the impact of this level of profitability on valuation expectations. The carrying amount of the Company's investment in Tenet is £nil (2021: £10m).

During the year ended 31 December 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 14 of the Group Financial Statements. The Company's 14.4% shareholding in Phoenix 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. The fair value on 22 February 2021 was £1,023m, which was higher than the previous carrying value as an associate of £1,010m. A reclassification gain of £13m was therefore recognised for the year ended 31 December 2021.

(b) Investment in joint ventures

The Company has a 50% (2021: 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 14 of the Group financial statements.

C. Financial investments

Notes	Fair value through profit or loss		Derivative financial instruments used for hedging		Amortised cost		Total	
	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m
Investments in subsidiaries measured at FVTPL	A	170	1,328	-	-	-	170	1,328
Loan to subsidiaries		-	-	-	110	70	110	70
Derivative financial assets	D	-	-	85	8	-	85	8
Equity securities and interests in pooled investment funds		709	1,187	-	-	-	709	1,187
Debt securities		1	1	-	-	210	211	227
Receivables and other financial assets	E	-	-	-	-	48	48	30
Cash and cash equivalents		-	-	-	-	27	27	20
Total		880	2,516	85	8	395	1,360	2,870

The amount of debt securities expected to be recovered or settled after more than 12 months is £1m (2021: £62m). The amount of loans to subsidiaries expected to be recovered or settled after more than 12 months is £110m (2021: £70m). The amount of equity securities and interests in pooled investment funds expected to be recovered or settled after more than 12 months is £25m (2021: £708m).

Under IFRS 9 the Company calculates expected credit losses (ECL) on financial assets which are measured at amortised cost (refer to Note 35 (c) of the Group financial statements), including loans to subsidiaries (which are unrated). At 31 December 2022 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 (2021: 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.

	2022			2021		
	Contract amount £m	Fair value assets £m	Fair value liabilities £m	Contract amount £m	Fair value assets £m	Fair value liabilities £m
Cash flow hedges	623	85	-	554	8	-
Foreign exchange forwards	48	-	1	64	-	-
Derivative financial instruments	671	85	1	618	8	-

The derivative asset of £85m (2021: derivative asset of £8m) 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 1 year		2-5 years		6-10 years		11-15 years		Total	
	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m
Cash inflows										
Cash flow hedges	26	24	106	94	637	589	-	-	769	707
Foreign exchange forwards	47	55	-	-	-	-	-	-	47	55
Total	73	79	106	94	637	589	-	-	816	762
Cash outflows										
Cash flow hedges	(18)	(18)	(91)	(73)	(578)	(596)	-	-	(687)	(687)
Foreign exchange forwards	(48)	(55)	-	-	-	-	-	-	(48)	(55)
Total	(66)	(73)	(91)	(73)	(578)	(596)	-	-	(735)	(742)
Net derivative financial instruments cash flows	7	6	15	21	59	(7)	-	-	81	20

E. Receivables and other financial assets

	2022 £m	2021 £m
Amounts due from related parties	45	14
Other financial assets	3	16
Total receivables and other financial assets	48	30

The carrying amounts disclosed above reasonably approximate the fair values at the year end.

Receivables and other financial assets of £nil (2021: £nil) are expected to be recovered after more than 12 months.

F. Other assets

	2022 £m	2021 £m
Prepayments	43	56
Other	5	27
Other assets	48	83

The amount of Other assets which are expected to be recovered after more than 12 months is £20m (2021: £48m).

Prepayments of £43m (2021: £56m) 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 £5m (2021: £27m) 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 24 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 abrdn Employee Benefit Trust (formerly named the Standard Life Aberdeen Employee Benefit Trust) (abrdn EBT) and Standard Life Employee Trust (ET). Further details of these trusts are provided in Note 25 of the Group financial statements.

I. Retained earnings

Details of the dividends paid on the ordinary shares by the Company are provided in Note 12 of the Group financial statements. Note 12 also includes information regarding the final dividend proposed by the Directors for the year ended 31 December 2022.

Refer Note J for details of the transfers from the capital redemption reserve and the merger reserve to retained earnings during the year ended 31 December 2022.

Retained earnings includes a movement of £19m relating to the interactive investor employee benefit trust becoming part of the abrdn employee benefit trust sponsored by the Company.

J. Movements in other reserves

The following tables show the movements in other reserves during the year:

2022	Merger reserve £m	Equity compensation reserve £m	Special reserve £m	Capital redemption reserve £m	Cash flow hedges £m	Total £m
At 1 January	578	86	115	1,059	18	1,856
Fair value gains on cash flow hedges	-	-	-	-	85	85
Realised gains on cash flow hedges transferred to income statement	-	-	-	-	(78)	(78)
Share buyback	-	-	-	25	-	25
Cancellation of the capital redemption reserve	-	-	-	(1,059)	-	(1,059)
Reserves credit for employee share-based payments	-	24	-	-	-	24
Transfer to retained earnings for vested employee share-based payments	-	(63)	-	-	-	(63)
Transfer between reserves on disposal of subsidiaries	(1)	-	-	-	-	(1)
Transfer between reserves on impairment of subsidiaries	(302)	-	-	-	-	(302)
Tax effect of items that may be reclassified subsequently to profit or loss	-	-	-	-	(2)	(2)
At 31 December	275	47	115	25	23	485

2021	Merger reserve £m	Equity compensation reserve £m	Special reserve £m	Capital redemption reserve £m	Cash flow hedges £m	Total £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

Following the impairment loss recognised in 2022 on the Company's investments in aHL and alHL (refer Note A), £302m (2021: £nil) was transferred from the merger reserve to retained earnings.

During 2022, £25m (2021: £1m) was recognised in the capital redemption reserve for the share buyback (refer Note 24 of the Group financial statements).

On 1 July 2022, the Company's capital redemption reserve at this date was cancelled in accordance with section 649 of the Companies Act 2006 resulting in a transfer of £1,059m to retained earnings.

K. Other Equity

5.25 % Fixed Rate Reset Perpetual Subordinated Contingent Convertible Notes

During the year ended 31 December 2021, the Company issued £210m of 5.25% Fixed Rate Reset Perpetual Subordinated Contingent Convertible Notes (the Notes). The Notes were classified as other equity and initially recognised at £207m (the proceeds received less issuance costs of £3m). Refer Note 28 (a) of the Group financial statements for further details.

The profit for the year attributable to other equity was £11m (2021: £nil).

8. Company financial statements continued

L. Financial liabilities

	Notes	Designated as at fair value through profit or loss		Amortised cost		Total	
		2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m
Subordinated liabilities	M	-	-	621	644	621	644
Derivative financial liabilities	D	1	-	-	-	1	-
Other financial liabilities	O	14	9	258	168	272	177
Total		15	9	879	812	894	821

M. Subordinated liabilities

	2022		2021	
	Principal amount	Carrying value	Principal amount	Carrying value
Subordinated notes:				
4.25% US Dollar fixed rate due 30 June 2028	\$750m	£621m	\$750m	£552m
5.5% Sterling fixed rate due 4 December 2042	-	-	£92m	£92m
Total subordinated liabilities		£621m		£644m

The principal amount of the subordinated liabilities is expected to be settled after more than 12 months. There is no accrued interest on the subordinated liabilities at 31 December 2022 (2021: less than £1m).

The 5.5% Sterling fixed rate due 4 December 2042 subordinated notes were redeemed during the year ended 31 December 2022.

Further information on the subordinated liabilities including the terms and conditions and the redemption is given in Note 30 of the Group financial statements.

N. Deferred tax assets and liabilities

	2022 £m	2021 £m
Deferred tax assets	143	113

The amount of deferred tax assets expected to be recovered or settled after more than 12 months are £143m (2021: £113m).

Recognised deferred tax

	2022 £m	2021 £m
Deferred tax assets comprise:		
Losses carried forward	151	120
Unrealised losses on cash flow hedges	-	-
Gross deferred tax assets	151	120
Less: Offset against deferred tax liabilities	(8)	(7)
Deferred tax assets	143	113
Deferred tax liabilities comprise:		
Unrealised gains on investments	-	1
Unrealised gains on cash flow hedges	8	6
Gross deferred tax liabilities	8	7
Less: Offset against deferred tax assets	(8)	(7)
Deferred tax liabilities	-	-
Net deferred tax asset at 31 December	143	113
Movements in net deferred tax assets comprise:		
At 1 January	113	77
Amounts credited to profit or loss	32	39
Amounts charged to other comprehensive income	(2)	(3)
At 31 December	143	113

The deferred tax assets and liabilities recognised are in respect of unused tax losses and unrealised gains on cash flow hedges respectively and include the impact of the revaluation of these 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)(i) of the Group financial statements).

There is no unrecognised deferred tax relating to temporary timing differences associated with investments in subsidiaries, branches and associates and interests in joint arrangements (2021: none).

Movements in deferred tax assets and liabilities

	Losses carried forward £m	Unrealised gains on investments £m	Unrealised gains or losses on cash flow hedges £m	Net deferred tax asset £m
At 1 January 2022	120	(1)	(6)	113
Amounts credited to the income statement	31	1	-	32
Tax on cash flow hedge	-	-	(2)	(2)
At 31 December 2022	151	-	(8)	143

	Losses carried forward £m	Unrealised gains on investments £m	Unrealised gains or losses on cash flow hedges £m	Net deferred tax asset £m
At 1 January 2021	80	(1)	(2)	77
Amounts credited to the income statement	40	-	-	40
Tax on cash flow hedge	-	-	(4)	(4)
At 31 December 2021	120	(1)	(6)	113

8. Company financial statements continued

O. Other financial liabilities

	2022 £m	2021 £m
Outstanding purchase of investment securities	-	5
Amounts due to related parties	161	137
Collateral held in respect of derivative contracts	89	15
Contingent consideration liability	14	9
Other	8	11
Other financial liabilities	272	177

Other financial liabilities of £nil (2021: £5m) are expected to be settled after more than 12 months.

P. Provisions and other liabilities

Of Provisions of £33m (2021: £35m), £nil are expected to be settled after more than 12 months (2021: £nil).

The provisions in both 2022 and 2021 relate to separation costs. Refer Note 34 of the Group financial statements for further information and details of the provisions.

Of Other liabilities at 31 December 2021 of £11m, £11m was expected to be settled within 12 months and was 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 2022, 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 abrdrn UK Group (SLSPS) 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 2022 (2021: 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 42 of the Group financial statements for further information.

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 consolidated income statement, consolidated statement of financial position and 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.

R Metric used for executive remuneration in 2023. See page 107 for more information.

Definition	Purpose
<p>Adjusted operating profit APM R</p> <p>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.</p> <p>It excludes the Group's adjusted net financing costs and investment return, and discontinued operations.</p> <p>Adjusted operating profit also excludes the impact of the following items:</p> <ul style="list-style-type: none"> – 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. <p>Further details are included in Note 11 of the Group financial statements.</p>	<p>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 items.</p> <p>Segment reporting used in management information is reported to the level of adjusted operating profit.</p>
<p>Net operating revenue APM</p> <p>Net operating revenue (previously named fee based revenue) includes revenue we generate from asset management charges (AMCs), platform charges, treasury income 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. Net operating revenue is shown net of costs of sale, such as commissions and similar charges.</p> <p>The revenue metric included within adjusted operating profit has been renamed from fee based revenue to net operating revenue. For 2022 this measure is aligned to net operating revenue as presented in the IFRS consolidated income statement. For 2021 this measure of segmental revenue excludes £28m of net operating revenue as presented in the IFRS consolidated income statement which was classified as adjusting items. See Note 3 of the Group financial statements for more information.</p>	<p>Net operating revenue is a component of adjusted operating profit and provides the basis for reporting of the revenue yield financial ratio. Net operating revenue is also used to calculate the cost/income ratio.</p>
<p>Adjusted operating expenses APM</p> <p>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.</p>	<p>Adjusted operating expenses is a component of adjusted operating profit and is used to calculate the cost/income ratio.</p>

9. Supplementary information continued

Definition	Purpose
Adjusted profit before tax APM In addition to the results included in adjusted operating profit above, adjusted profit before tax includes adjusted net financing costs and investment return.	Adjusted profit before tax is a key input to the adjusted earnings per share measure.
Adjusted net financing costs and investment return APM Adjusted net financing costs and investment return 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 net operating revenue in the period.	This ratio is used by management to assess efficiency and reported to the Board and executive leadership team.
Net operating revenue yield (bps) APM The net operating revenue yield (previously named fee revenue yield) is calculated as annualised net operating revenue (excluding performance fees, interactive investor and revenue for which there are no attributable assets) divided by monthly average fee based assets. interactive investor is excluded from the calculation of Personal and total net operating revenue yield as fees charged for this business are primarily from subscriptions and trading transactions.	The net operating revenue yield is a measure that illustrates the average margin being earned on the assets that we manage, administer or advise our clients on excluding interactive investor.
Adjusted diluted earnings per share APM 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 10 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 and interest paid on other equity 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 APM R 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. Cash collateral, cash held for charitable funds and cash held in employee benefit trusts are excluded from cash and liquid resources.	The purpose of this measure is to demonstrate how much cash and invested assets we hold and can be readily accessed.

9.1.1 Adjusted operating profit and adjusted profit

Reconciliation of adjusted operating profit and adjusted profit to IFRS profit by component

The components of adjusted operating profit are net operating 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 Net operating revenue to the IFRS item Revenue from contracts with customers is provided in Note 3 of the Group financial statements.

IFRS term 2022	IFRS £m	Presentation differences £m	Adjusting items £m	Adjusted profit £m	Adjusted profit term
Net operating revenue	1,456	-	-	1,456	Net operating revenue
Total administrative and other expenses	(1,919)	(35)	761	(1,193)	Adjusted operating expenses ¹
	(463)	(35)	761	263	Adjusted operating profit
Net gains or losses on financial instruments and other income	(122)	8	104	(10)	Adjusted net financing costs and investment return
Finance costs	(29)	27	2	-	N/A
Profit on disposal of interests in associates	6	-	(6)	-	N/A
Share of profit or loss from associates and joint ventures	2	-	(2)	-	N/A
Impairment of interests in associates	(9)	-	9	-	N/A
Loss before tax	(615)	-	868	253	Adjusted profit before tax
Total tax credit	66	-	(88)	(22)	Tax on adjusted profit
Loss for the year	(549)	-	780	231	Adjusted profit after tax

1. Adjusted operating expenses includes staff and other related costs of £612m compared with IFRS staff costs and other employee-related costs of £549m. The difference primarily relates to the inclusion of contractor, temporary agency staff and recruitment and training costs of £25m (IFRS basis: Reported within other administrative expenses) and losses on funds to hedge deferred bonus awards of £9m (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 £29m (Adjusted profit basis: Reported within adjusted net financing costs and investment return).

IFRS term 2021	IFRS £m	Presentation differences £m	Adjusting items £m	Adjusted profit £m	Adjusted profit term
Net operating revenue	1,543	-	(28)	1,515	Net operating revenue
Total administrative and other expenses	(1,556)	(9)	373	(1,192)	Adjusted operating expenses
	(13)	(9)	345	323	Adjusted operating profit
Net gains on financial instruments and other income	(183)	(20)	203	-	Adjusted net financing costs and 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	1,115	-	(792)	323	Adjusted profit before tax
Total tax expense	(120)	-	94	(26)	Tax on adjusted profit
Profit for the year	995	-	(698)	297	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:

	2022 £m	2021 £m
Restructuring and corporate transaction expenses	(214)	(259)
Amortisation and impairment of intangible assets acquired in business combinations and through the purchase of customer contracts	(494)	(99)
Profit on disposal of subsidiaries and other operations	-	127
Profit on disposal of interests in associates	6	1,236
Change in fair value of significant listed investments	(187)	(298)
Dividends from significant listed investments	68	71
Share of profit or loss from associates and joint ventures	2	(22)
Impairment of interests in joint ventures	(9)	-
Other	(40)	36
Total adjusting items including results of associates and joint ventures	(868)	792

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 outwith 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. The 2022 expenses mainly comprised of costs of £43m (2021: £35m) in respect of specific costs to effect savings in investments, investments re-platforming, and integration, £51m (2021: £64m) of other transformation costs such as finance and platform transformation, £66m (2021: £65m) of other headcount reduction related costs and property restructuring, £7m (2021: £27m) in respect of Phoenix separation costs, and £45m (2021: £35m) of corporate transaction costs primarily related to the acquisition of interactive investor. Platform transformation and Investment vector restructuring are significant multi-year programmes that are included in the restructuring expenses noted above, with further costs expected to be incurred in future periods. Total restructuring expenses (excluding corporate transaction costs) are expected to be £0.2bn in 2023, primarily relating to the Investments vector restructuring which is expected to complete in 2023. Restructuring expenses in 2023 will also include costs of c£0.05bn relating to Platform transformation which is expected to complete in 2024.
- 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 13 of the Group financial statements.
- Profit on disposal of subsidiaries and other operations in 2021 primarily related to the sales of Parmenion and Bonaccord. These items are excluded from adjusted profit as they are non-recurring in nature.
- Profit on disposal of interests in associates of £6m (2021: £1,236m) relates to the sale of our stake in Origo Services Limited in May 2022. The 2021 figure included the 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 14 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 £187m (2021: negative £298m) and represents the impact of market movements on our holdings in HDFC Life (£38m reduction in value including impact of stake sale in September 2022), in Phoenix (£44m reduction in value including impact of stake sale in January 2022) and in HDFC Asset Management (£105m reduction in value including impact of stake sale in August 2022). 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 £68m in 2022 relates to dividends received from Phoenix (£52m), HDFC Asset Management (£15m) and HDFC Life (£1m). 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 was a profit of £2m (2021: loss £22m). In 2022, this mainly comprises of the share of profit or loss from our holdings in HASL, Virgin Money UTM and Tenet. In 2021, prior to the reclassification noted above, share of profit or loss from associates and joint ventures also included Phoenix and HDFC Asset Management. Associate and joint venture results are excluded from adjusted profit to help in understanding the performance of our core business separately from these holdings.
- The impairment of associates and joint ventures in 2022 of £9m relates to our associate holding in Tenet.
- Details on items classified as 'Other' in the table above are provided in Note 11 of the Group financial statements. Other adjusting items in 2022 primarily relates to a single process execution event provision of £41m. 2022 also includes a net gain on fair value movements in contingent consideration of £35m primarily in relation to Tritax, fair value loss of £11m on a financial instrument liability related to a prior period acquisition, and a loss of £13m in relation to market losses on the investments held by the abrdn Financial Fairness Trust which is consolidated by the Group.

9.1.2 Cost/income ratio

	2022	2021
Adjusted operating expenses (£m)	(1,193)	(1,192)
Net operating revenue (£m)	1,456	1,515
Cost/income ratio (%)	82	79

9.1.3 Net operating revenue yield (bps)¹

	Average AUMA (£bn)		Net operating revenue (£m) ¹		Net operating revenue yield (bps) ¹	
	2022	2021	2022	2021	2022	2021
Institutional and Wholesale ²	236.2	250.1	861	979	36.1	38.8
Insurance	169.5	205.0	179	206	10.5	10.0
Investments ²	405.7	455.1	1,040	1,185	25.4	25.9
Adviser ²	70.8	71.5	185	178	26.1	24.9
Personal Wealth ²	13.5	14.0	87	92	59.2	61.0
Parmerion ³	-	3.9	-	14	-	38.1
Eliminations	(11.8)	(11.3)	N/A	N/A	N/A	N/A
Net operating revenue yield^{1,2}	478.2	533.2	1,312	1,469	27.1	27.3
interactive investor ⁴			114	-		
Performance fees			30	46		
Net operating revenue¹			1,456	1,515		

Analysis of Institutional and Wholesale by asset class²

	Average AUM (£bn)		Net operating revenue (£m)		Net operating revenue yield (bps)	
	2022	2021	2022	2021	2022	2021
Equities	57.3	69.5	357	449	62.5	64.5
Fixed income	41.2	46.6	115	132	27.9	28.3
Multi-asset	31.5	35.1	93	118	29.4	33.7
Private equity	12.4	11.2	52	58	42.2	51.8
Real assets	42.0	36.1	187	170	44.4	47.2
Alternatives	22.1	20.4	29	25	12.9	12.3
Quantitative	9.7	5.8	5	4	5.0	6.8
Liquidity	20.0	25.4	13	15	6.7	6.0
Institutional and Wholesale	236.2	250.1	851	971	36.1	38.8

1. Previously fee based revenue/yield. The Group's measure of segmental revenue has been renamed from fee based revenue to net operating revenue, with a corresponding change in name of the yield measure.

2. Institutional and Wholesale net operating revenue yield excludes revenue of £10m (2021: £8m) and Personal Wealth net operating revenue yield excludes revenue of £7m (2021: £7m) for which there are no attributable assets.

3. Parmerion was included in the Corporate/strategic vector. The sale of Parmerion completed on 30 June 2021 and the net operating revenue yield reflects the position as at the date of disposal.

4. interactive investor is excluded from the calculation of Personal and total net operating revenue yield as fees charged for this business are primarily from subscriptions and trading transactions.

9. Supplementary information continued

9.1.4 Additional ii information

The results for ii are included in the Group's results following the completion of the acquisition on 27 May 2022. The adjusted operating profit for ii for the seven months to 31 December 2022 of £67m is included in our overall 2022 adjusted operating profit of £263m.

The tables below provide detail of the performance of ii for the 7 months ended 31 December 2022 and the full 12 months ended 31 December for 2022 and 2021 to provide a fuller understanding of the performance of this business. Adjusted operating profit has also been presented excluding losses relating to Share Limited to provide a more meaningful comparison to the go-forward position.

	2022 7 months £m	2022 12 months £m	2021 12 months £m Excl Share ¹	2021 12 months £m Incl Share ¹
Analysis of ii profit				
Net operating revenue	114	176	128	135
Adjusted operating expenses	(47)	(82)	(83)	(99)
Adjusted operating profit	67	94	45	36

The 2021 adjusted operating profit of £36m included losses relating to Share Limited of £9m while part of this business was wound down. Excluding losses from Share Limited, the 2021 adjusted operating profit was £45m. The 2022 impact was £nil.

	2022 7 months £m	2022 12 months £m	2021 12 months £m Excl Share ¹	2021 12 months £m Incl Share ¹
Analysis of ii net operating revenue				
Trading transactions	27	55	79	84
Subscription/account fees	32	56	48	50
Treasury income	58	71	9	9
Less: Cost of sales	(3)	(6)	(8)	(8)
Net operating revenue	114	176	128	135

1. Losses were incurred in Share Limited and its subsidiaries (Share) as part of this business was wound down.

9.1.5 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 loss for the year is included earlier in this section.

	2022 £m	2021 £m
Adjusted profit after tax	231	297
Less net interest credit relating to the staff pension schemes	(29)	(17)
Less interest paid on other equity	(11)	–
Add dividends received from associates, joint ventures and significant listed investments	68	86
Adjusted capital generation	259	366

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.

Dividends received from associates, joint ventures and significant listed investments

An analysis is provided below:

	2022 £m	2021 £m
Phoenix	52	69
HDFC Life	1	2
HDFC Asset Management	15	15
Dividends received from associates, joint ventures and significant listed investments	68	86

The table below provides detail of dividend coverage on an adjusted capital generation basis.

	2022	2021
Adjusted capital generation (£m)	259	366
Full year dividend (£m)	295	309
Dividend cover on an adjusted capital generation basis (times)	0.88	1.18

9.1.6 Adjusted diluted capital generation per share

A reconciliation of adjusted capital generation to adjusted profit after tax is included in 9.1.5 above.

	2022	2021
Adjusted capital generation (£m)	259	366
Weighted average number of diluted ordinary shares outstanding (millions) ¹ – Note 10	2,094	2,159
Adjusted diluted capital generation per share (pence)	12.4	17.0

1. In accordance with IAS 33, no share options and awards have been treated as dilutive for the twelve months ended 31 December 2022 due to the loss attributable to equity holders of abrdn plc in that period. See Note 10 for further details.

9.1.7 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 35 (b) in the Group financial statements.

	2022 £bn	2021 £bn
Cash and cash equivalents per Note 22 of the Group financial statements	1.1	1.9
Bank overdrafts – Note 22	-	(0.1)
Debt securities excluding third party interests ² – Note 35 (c)(i)	0.7	1.1
Corporate funds held in absolute return funds – Note 35 (b)(i)(i)	0.1	0.2
Other ³	(0.2)	-
Cash and liquid resources	1.7	3.1

2. Excludes £76m (2021: £76m) relating to seeding.

3. Cash collateral, cash held for charitable funds and cash held in employee benefit trusts are excluded from cash and liquid resources.

9.2 Investment performance

Definition	Purpose
<p>Investment performance</p> <p>Investment performance has been aggregated using a money weighted average of our assets under management which are outperforming their respective benchmark. The calculation of investment performance has been revised to use a closing AUM weighting basis. In prior periods investment performance was weighted based on AUM at the start of the performance period. 2021 comparatives have been restated. We believe that this approach provides a more representative view of current investment performance, given the significant changes to business mix over the investment timeframe, and provides investment performance data which is more comparable with peers. 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 relevant 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 markets and execution only mandates, as well as replication tracker funds which aim to perform in line with a given index</p>	
<p>As an asset managing business this measure demonstrates our ability to generate investment returns for our clients.</p>	

% of AUM ahead of benchmark	1 year			3 years			5 years		
	2022	2021 restated ¹	2021 reported	2022	2021 restated ¹	2021 reported	2022	2021 restated ¹	2021 reported
Equities	30	37	36	63	74	72	65	65	61
Fixed income	65	58	59	72	79	82	79	81	87
Multi-asset	13	72	41	50	73	39	22	70	44
Real assets	57	86	83	63	58	52	52	62	50
Alternatives	88	87	87	100	98	98	100	98	98
Quantitative	17	99	98	27	15	44	29	42	68
Liquidity	84	89	88	97	92	87	97	92	84
Total	41	66	57	65	78	67	58	77	67

1. The calculation of investment performance has been revised to use a closing AUM weighting basis. In prior periods investment performance was weighted based on AUM at the start of the performance period. 2021 comparatives have been restated. We believe that this approach provides a more representative view of current investment performance.

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 net operating revenue that we receive.
AUM is a measure of the total assets that we manage on behalf of individual and institutional clients. AUM also includes fee generating assets managed for corporate purposes.	
AUA is a measure of the total assets we administer for clients through platform products such as ISAs, SIPPs and general trading accounts.	
AUAdv is a measure of the total assets we advise our clients on, for which there is an ongoing charge.	

Net flows

Net flows represent gross inflows less gross outflows or redemptions. Gross inflows are new funds from clients. Redemptions is the money withdrawn by clients during the period. Cash dividends which are retained on the ii platform are included in net flows for the ii business only. Cash dividends are included in market movements for other parts of the group including the Investments and Adviser platform businesses. We consider that this different approach is appropriate for the ii business as cash dividend payments which are retained result in additional income for ii, but are largely revenue neutral for the rest of the group.	The level of net flows that we generate directly impacts the level of net operating revenue that we receive.
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9.3.1 Analysis of AUMA

	Opening AUMA at 1 Jan 2022 £bn	Gross inflows £bn	Redemptions £bn	Net flows £bn	Market and other movements £bn	Corporate actions ² £bn	Closing AUMA at 31 Dec 2022 £bn
12 months ended 31 December 2022							
Institutional	174.0	20.1	(27.3)	(7.2)	(12.4)	7.5	161.9
Wholesale	79.1	16.4	(20.8)	(4.4)	(5.4)	-	69.3
Insurance	210.5	22.8	(52.2)	(29.4)	(28.7)	(7.5)	144.9
Investments	463.6	59.3	(100.3)	(41.0)	(46.5)	-	376.1
Adviser	76.2	6.6	(5.0)	1.6	(9.3)	-	68.5
interactive investor	-	4.1	(2.5)	1.6	(3.0)	55.4	54.0
Personal Wealth	14.4	1.5	(1.2)	0.3	(1.6)	-	13.1
Personal ¹	14.4	5.6	(3.7)	1.9	(4.6)	55.4	67.1
Eliminations ¹	(12.1)	(2.5)	2.1	(0.4)	1.7	(0.9)	(11.7)
Total AUMA	542.1	69.0	(106.9)	(37.9)	(58.7)	54.5	500.0

	Opening AUMA at 1 Jan 2021 £bn	Gross inflows £bn	Redemptions £bn	Net flows £bn	Market and other movements £bn	Corporate actions ³ £bn	Closing AUMA at 31 Dec 2021 £bn
12 months ended 31 December 2021							
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
interactive investor	-	-	-	-	-	-	-
Personal Wealth	13.3	1.7	(1.1)	0.6	0.5	-	14.4
Personal ¹	13.3	1.7	(1.1)	0.6	0.5	-	14.4
Parmenton	8.1	0.7	(0.4)	0.3	0.3	(8.7)	-
Eliminations ¹	(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

1. 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.

2. Corporate actions in 2022 relate to the acquisition of interactive investor on 27 May 2022 and also reflect the transfer of retained LBG AUM of c£7.5bn from Insurance into Institutional (quantitatives), to better reflect how the relationship is being managed. The eliminations are to remove the double count for the assets that are reflected in both interactive investor and Investments.

3. Corporate actions in 2021 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 Parmenton completed on 30 June 2021.

9.3.2 Quarterly net flows

15 months ended 31 December 2022	3 months to 31 Dec 22 £bn	3 months to 30 Sep 22 £bn	3 months to 30 Jun 22 £bn	3 months to 31 Mar 22 £bn	3 months to 31 Dec 21 £bn
Institutional	2.2	(0.3)	(7.8)	(1.3)	2.5
Wholesale	(2.0)	(0.5)	-	(1.9)	(0.8)
Insurance	(6.3)	3.2	(4.6)	(21.7)	(0.4)
Investments	(6.1)	2.4	(12.4)	(24.9)	1.3
Adviser	-	0.2	0.5	0.9	1.1
interactive investor	0.6	0.8	0.2	-	-
Personal Wealth	0.2	-	-	0.1	-
Personal	0.8	0.8	0.2	0.1	-
Eliminations	(0.1)	-	(0.1)	(0.2)	(0.2)
Total net flows	(5.4)	3.4	(11.8)	(24.1)	2.2

9.4 Institutional and Wholesale AUM

Detailed asset class split

12 months ended 31 December 2022	Opening AUM at 1 Jan 2022 £bn	Gross inflows £bn	Redemptions £bn	Net flows £bn	Market and other movements £bn	Corporate actions £bn	Closing AUM at 31 Dec 2022 £bn
Developed markets equities	17.0	2.1	(3.4)	(1.3)	(4.6)	-	11.1
Emerging markets equities	16.4	1.9	(2.9)	(1.0)	(2.9)	-	12.5
Asia Pacific equities	25.3	2.5	(4.8)	(2.3)	(2.5)	-	20.5
Global equities	10.3	1.2	(1.6)	(0.4)	(1.7)	-	8.2
Total equities	69.0	7.7	(12.7)	(5.0)	(11.7)	-	52.3
Developed markets credit	28.3	3.8	(5.8)	(2.0)	(3.8)	-	22.5
Developed markets rates	2.9	0.3	(0.6)	(0.3)	(0.6)	-	2.0
Emerging markets fixed income	12.2	2.4	(2.4)	-	(0.9)	-	11.3
Private credit	2.4	0.2	(0.1)	0.1	(0.7)	-	1.8
Total fixed income	45.8	6.7	(8.9)	(2.2)	(6.0)	-	37.6
Absolute return	10.0	0.4	(1.9)	(1.5)	(2.8)	-	5.7
Diversified growth/income	0.5	0.1	(0.2)	(0.1)	(0.1)	-	0.3
MyFolio	17.7	1.7	(2.0)	(0.3)	(1.8)	-	15.6
Other multi-asset	7.8	1.7	(1.1)	0.6	(1.7)	-	6.7
Total multi-asset	36.0	3.9	(5.2)	(1.3)	(6.4)	-	28.3
Total private equity	12.3	0.5	(1.1)	(0.6)	0.6	-	12.3
UK real estate	19.9	0.4	(1.7)	(1.3)	0.7	-	19.3
European real estate	10.3	0.8	(0.4)	0.4	3.6	-	14.3
Global real estate	1.8	0.3	(0.3)	-	(0.2)	-	1.6
Real estate multi-manager	1.2	0.2	(0.2)	-	0.2	-	1.4
Infrastructure equity	6.2	0.4	(0.9)	(0.5)	0.4	-	6.1
Total real assets	39.4	2.1	(3.5)	(1.4)	4.7	-	42.7
Total alternatives	20.8	2.2	(1.6)	0.6	0.8	-	22.2
Total quantitative¹	5.5	3.2	(1.7)	1.5	0.5	7.5	15.0
Total liquidity	24.3	10.2	(13.4)	(3.2)	(0.3)	-	20.8
Total¹	253.1	36.5	(48.1)	(11.6)	(17.8)	7.5	231.2

1. Corporate actions include the transfer of retained LBG AUM of c£7.5bn from Insurance into Institutional (quantitatives), to better reflect how the relationship is being managed.

9. Supplementary information continued

	Opening AUM at 1 Jan 2021 £bn	Gross inflows £bn	Redemptions £bn	Net flows £bn	Market and other movements £bn	Corporate actions £bn	Closing AUM at 31 Dec 2021 £bn
12 months ended 31 December 2021							
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	(0.8)	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

9.5 Analysis of Insurance

12 months ended 31 December 2022	Opening AUM at 1 Jan 2022 £bn	Gross inflows £bn	Redemptions £bn	Net flows £bn	Market and other movements £bn	Corporate actions £bn	Closing AUM at 31 Dec 2022 £bn
Phoenix	175.5	22.5	(26.6)	(4.1)	(27.7)	-	143.7
Lloyds ¹	33.6	0.3	(25.5)	(25.2)	(0.9)	(7.5)	-
Other	1.4	-	(0.1)	(0.1)	(0.1)	-	1.2
Total¹	210.5	22.8	(52.2)	(29.4)	(28.7)	(7.5)	144.9

12 months ended 31 December 2021	Opening AUM at 1 Jan 2021 £bn	Gross inflows £bn	Redemptions £bn	Net flows £bn	Market and other movements £bn	Corporate actions £bn	Closing AUM at 31 Dec 2021 £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

1. Following completion of the LBG tranche withdrawals in H1 2022, the remaining retained LBG AUM of c£7.5bn was reallocated to quantitatives in Institutional and is included in corporate actions in the table above.

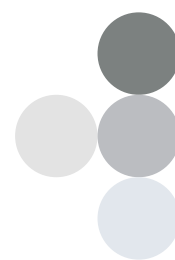
9.6 Investments AUM by geography

	31 Dec 2022			31 Dec 2021		
	Institutional and Wholesale £bn	Insurance £bn	Total £bn	Institutional and Wholesale £bn	Insurance £bn	Total £bn
UK	111.2	144.9	256.1	120.3	210.5	330.8
Europe, Middle East and Africa (EMEA)	57.5	-	57.5	62.5	-	62.5
Asia Pacific (APAC)	16.4	-	16.4	19.2	-	19.2
Americas	46.1	-	46.1	51.1	-	51.1
Total AUM	231.2	144.9	376.1	253.1	210.5	463.6

Other information

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10. Glossary

Adjusted net financing costs and investment return

Adjusted net financing costs and investment return 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'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.

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-to-revenue 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.

Carbon offsetting

Carbon offsetting is an internationally recognised way to take responsibility for carbon emissions. The aim of carbon offsetting is that for every one tonne of offsets purchased 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) to compensate for our operational carbon emissions. We have been reviewing our use of offsetting, and although we continue to use offsets as a means of addressing our residual emissions, our prime objective is always to reduce our environmental impact before compensating for it.

Chief Operating Decision Maker

The executive leadership team.

Company

abrdn plc.

Cost/income ratio

This is an efficiency measure that is calculated as adjusted operating expenses divided by net operating 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 (ELT)

Our ELT leads across our businesses 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.

Greenhouse gases

Greenhouse gases are the atmospheric gases responsible for causing global warming (i.e. the greenhouse effect) and climate change. These gases, both natural and anthropogenic in origin include carbon dioxide, methane and nitrous oxide. Other greenhouse gases which are less prevalent but with a greater Global Warming Potential include hydrofluorocarbons (HFCs), perfluorocarbons (PFCs) and sulphur hexafluoride (SF₆).

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 UK adviser platform business.
- **Personal:** Comprises of Personal Wealth which includes our financial planning business and our direct-to-consumer services, and interactive investor following the completion of the acquisition in May 2022.

Internal Capital Adequacy and Risk Assessment (ICARA)

The ICARA is the means by which the Group assesses the levels of capital and liquidity that adequately support 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. The calculation of investment performance has been revised to use a closing AUM weighting basis. In prior periods investment performance was weighted based on AUM at the start of the performance period. 2021 comparatives have been restated. We believe that this approach provides a more representative view of current investment performance, given the significant changes to business mix over the investment time frame, and provides investment performance data which is more comparable with peers. 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 relevant 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 markets 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. The final tranche withdrawal was completed in H1 2022.

10. Glossary continued

Market Disclosure

This IFPR disclosure complements the Own funds requirement and Own funds threshold requirement with the aim of improving market discipline by requiring companies to publish certain details of their risks, capital and risk management. Relevant disclosures are made in the abrdn plc consolidated annual report and accounts and in the accounts of the Group's individual IFPR-regulated entities, all of which can be found on the abrdn plc Group's website.

Net flows

Net flows represent gross inflows less gross outflows or redemptions. Gross inflows are new funds from clients. Redemptions is the money withdrawn by clients during the period. Cash dividends which are retained on the ii platform are included in net flows for the ii business only. Cash dividends are included in market movements for other parts of the group including the Investments and Adviser platform businesses. We consider that this different approach is appropriate for the ii business as cash dividend payments which are retained result in additional income for ii, but are largely revenue neutral for the rest of the group.

Net operating revenue

The Group's measure of segmental revenue has been renamed from fee based revenue to net operating revenue. There are no differences between Net operating revenue as presented in the IFRS consolidated income statement and the analysis of Group adjusted profit by segment for the year ended 31 December 2022. This measure of segmental revenue excludes £28m of net operating revenue as presented in the IFRS consolidated income statement for the year ended 31 December 2021 which was classified as adjusting items. The adjusting items primarily related to the net release of deferred income of £25m (refer Note 32).

Net operating revenue is a component of adjusted operating profit and includes revenue we generate from asset management charges (AMCs), platform charges, treasury income 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. Treasury income is the interest earned on cash balances less the interest paid to customers. Net operating 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.

Net operating revenue yield (bps)

The net operating revenue yield (previously named fee revenue yield) is a measure that illustrates the average margin being earned on the assets that we manage, administer or advise our clients on excluding interactive investor. It is calculated as annualised net operating revenue (excluding performance fees, interactive investor and revenue for which there are no attributable assets) divided by monthly average fee based assets. Interactive investor is excluded from the calculation of Personal and total net operating revenue yield as fees charged for this

business are primarily from subscriptions and trading transactions.

Net zero

It is generally accepted that 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 Directed 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' in alignment with the Greenhouse Gas Protocol. Corporate Accounting and Reporting Standard. 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 on Scope 1 and Scope 2 emissions, and a selection of Scope 3 categories, where deemed material, which includes our working from home emissions.

Own Funds Requirement

Under IFPR, the Own Funds Requirement is the higher of the permanent minimum capital requirement, the fixed overhead requirements, and the K-factor requirement. The K-factor requirement is the sum of: Risk-to-Client, Risk-to-Market, and Risk-to-Firm K-factors.

Own Funds Threshold Requirement

Under IFPR, the Own Funds Threshold Requirement is the higher of Own funds required on an ongoing basis and Own funds required on a wind-down basis. The firm identifies and measures risks of harm and determines the degree to which systems and controls alone mitigate those risks of harm (or risks of disorderly wind-down). Any additional own funds needed, over and above the Own funds requirement, to cover this identified residual risk is held under the Own Funds Threshold Requirement.

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.

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. The 5.25% Fixed Rate Reset Perpetual Subordinated Contingent Convertible Notes issued by the Company in December 2021 are classified as other equity as no contractual obligation to deliver cash exists.

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: Julian Baddeley

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

Full year results 2022	28 February
Ex-dividend date for 2022 final dividend	30 March
Record date for 2022 final dividend	31 March
Last date for DRIP elections for 2022 final dividend	26 April
Annual General Meeting – Edinburgh	10 May
Dividend payment date for 2022 final dividend	16 May
Half year results 2023	8 August
Ex-dividend date for 2023 interim dividend	17 August
Record date for 2023 interim dividend	18 August
Last date for DRIP elections for 2023 interim dividend	6 September
Dividend payment date for 2023 interim dividend	26 September

Analysis of registered shareholdings at 31 December 2022

Range of shares	Number of holders	% of total holders	Number of shares	% of total shares
1–1,000	58,446	65.56	23,403,697	1.17
1,001–5,000	26,027	29.19	54,067,044	2.70
5,001–10,000	2,732	3.06	18,432,881	0.92
10,001–100,000	1,495	1.68	35,094,093	1.75
#100,001+	455	0.51	1,870,894,184	93.46
Total	89,155	100.00	2,001,891,899	100.00

These figures include the Company-sponsored nominee – the abrdn Share Account – which had 914,644 participants holding 648,559,822 shares.

12. Forward-looking statements

This document may contain certain 'forward-looking statements' with respect to the financial condition, performance, results, strategies, 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 known and unknown 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', 'continues', '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.

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: UK domestic and global political, economic and business conditions, (such as the UK's exit from the EU and the ongoing conflict between Russia and Ukraine); 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, such as 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 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 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.

Neither 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.

Notes

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Contact us

Got a shareholder question? Contact our shareholder services team.

UK and overseas (excluding Germany and Austria)

phone	+44 (0)371 384 2464*
email	questions@abrdnshares.com
visit	www.abrdnshares.com
mail	abrdn Shareholder Services Aspect House Spencer Road Lancing, West Sussex BN99 6DA, United Kingdom

Germany and Austria

phone	+44 (0)371 384 2493*
email	fragen@abrdnshares.com
visit	www.abrdnshares.com
mail	abrdn Shareholder Services Aspect House Spencer Road Lancing, West Sussex BN99 6DA, United Kingdom

* Calls are monitored/recorded to meet regulatory obligations and for training and quality purposes. 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 2022 (unless otherwise indicated).

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