The Power of Investment

Strategic report and financial highlights 2021

abrdn.com

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

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

This is the power of investing with abrdn.

This Strategic report and financial highlights 2021 for abrdn plc contains extracts from the Group's Annual report and accounts (ARA) 2021, and is not the Group's statutory accounts. For further information and a fuller understanding of the results and the state of affairs of the Group, please refer to the full ARA 2021 which can be found on our website at www.abrdn.com/annualreport

Access to the website is available outside the UK, where comparable information may be different.

Standard Life Aberdeen plc was renamed abrdn plc on 2 July 2021.

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

APMs should be read together with the Group's IFRS consolidated income statement, IFRS consolidated statement of financial position and IFRS consolidated statement of cash flows, which are presented in the Group financial statements section of the ARA2021. Further details on APMs are included in Supplementary information in the ARA 2021.

See Supplementary information in the ARA 2021 for details on AUMA, net flows and the investment performance calculation. Net flows in the Highlights page excludes liquidity flows as they are volatile and lower margin. It also excludes Lloyds Banking Group (LBG) tranche withdrawals relating to the settlement of arbitration with LBG.

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

The auditors' report on the full accounts for the year ended 31 December 2021 was unqualified, and their statement under section 496 of the Companies Act 2006 (whether the Strategic Report and the Directors' Report are consistent with the accounts) was unqualified.

Highlights

Adjusted operating profit APM

£323m

2020: £219m

IFRS profit before tax

£1,115m

2020: £838m

Full year dividend per share

14.6p

2020: 14.6p

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

67%

2020: 66%

Net flows
(Excl. liquidity and LBG)

£3.2bn outflow

2020: £12.3bn outflow

Dow Jones Sustainability Indices (DJSI) ranking

Top 3%

of companies in our sector

2020: Top 2%

Contents

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

Download this report from: www.abrdn.com/annualreport

Our purpose

Enabling our clients to be better investors

Technology and insight help empower clients to make better decisions

Powerful partnerships help to enhance the expertise that we offer

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

Our connected global team

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

We manage and administer £542 billion of assets for clients

We have around 5,000 employees globally

We have 800 investment professionals in over 30 locations

Our business

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

Investments

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

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

Fee based revenue

£1,231m

£464bn AUM

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Adviser

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

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

Fee based revenue

£178m

£76bn AUA

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Personal

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

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

Fee based revenue

£92m

£14bn AUMA

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

Investments

52

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

131

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

And you invest in that

Adviser

‘A’ ratings

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

Gold award

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

Personal

4.9 out of 5

average rating from clients for our hybrid retirement advice service.

94%

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

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

Connecting expertise and perspectives

Wide-ranging research

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

Global expertise with local knowledge

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

Our transformed investment platform

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

Empowering better investment decisions

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

And you invest in that

Strength in our real estate capabilities

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

Harnessing technology

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

Improving the adviser experience

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

Making individual savings easy

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

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

Responsible business

Net zero[1] target in our operations by 2040 with an interim target of a 50% reduction by 2025.

Board and senior leadership level targets of 40% women, 40% men, 20% any gender by 2025.

AA score in MSCI ESG Ratings Index achieved, demonstrating our resilience to long-term ESG risks.

Reduced our operational emissions by 62% since 2018 including pandemic related reductions.

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

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

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

Responsible investing

ESG embedded across all of our actively managed portfolios.

Driving opportunities in Asian markets through our APAC Sustainability Institute.

Joined the Net Zero Asset Managers initiative to work collaboratively in support of decarbonisation towards net zero.

Majority of our SICAV funds will be converted to promote increased 'E' or 'S' characteristics or have specific goals (Article 8 & 9 funds) in next 12 months.

Target to reduce the carbon intensity[1] of the assets we invest in by 50% by 2030 vs a 2019 baseline.

Supporting client transparency and understanding via improved sustainability reporting.

Creating a better future

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

Our global brand

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

While not without its challenges, developing a single brand represented an important milestone in positioning ourselves for the future. We needed to have a brand name that was unique to us, one that we could protect and that worked well in the increasingly important digital world.

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

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

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

Strategic steps for building growth

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

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

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

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

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

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

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

Harnessing the power of investment

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

Nowhere was this more evident during 2021 than at COP26 in Glasgow. The landmark conference saw political leaders, policy makers, non-governmental organisations (NGOs), scientists, corporate leaders and individual citizens from all corners of the world, with a vast range of economic circumstances and climate vulnerabilities, come together with the goal of keeping alive the Paris Agreement's objective to keep warming below 2°C, and ideally 1.5 °C.

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

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

Maintaining the strength of our Board

The long-term success of our business relies heavily on the way the Board fulfils its responsibilities to its stakeholders. This means operating in the interests not only of clients and shareholders, but also in a way that acknowledges the role we must play in wider society. This includes matters concerning those in our employment and many groups and individuals more widely, from the need to foster the company's business relationships with suppliers, to the impact of our operations on our local communities. The Board discusses these obligations throughout the year, and you can read more about how stakeholder engagement is incorporated into our long-term decision-making on pages 74 to 75 in the ARA 2021.

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

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

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

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

Looking ahead

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

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

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

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

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

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

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

Douglas Flint

Sir Douglas Flint
Chairman

Chief Executive Officer's review

Delivering on our strategy for growth

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

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

In our new strategy, launched in March, we outlined how we will deliver value for our shareholders based on our purpose of enabling our clients to be better investors. Our business exists to meet and exceed our clients' expectations and that is why we have reorganised around our clients. Each vector is built to understand clients' needs, wants and aspirations and has the accountability and the tools to deliver on them. Our Investments vector is a leading active asset manager in over 30 locations globally with deep expertise across asset classes and a successful track record of investing in emerging markets. The Adviser vector is the UK's leading platform for financial advisers offering solutions that enable advisers to serve their clients efficiently and to run their businesses at scale. Our Personal vector is focused on digital investing, financial advice and discretionary investment management.

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

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

Our execution priorities

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

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

In January 2022, we announced the sale of approximately 4% of Phoenix's share capital. Our strategic partnership remains important to us and following completion of the sale, abrdn's holding will represent approximately 10.4% of Phoenix's issued share capital and abrdn will continue to appoint a director to Phoenix's Board. I'm pleased that through our disciplined management of capital, we are well positioned to return the proceeds of this sale to shareholders.

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

Leadership, accountability and a winning culture

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

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

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

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

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

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

Capital strength and strategic optionality

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

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

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

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

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

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

There is no Planet B

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

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

The biggest positive climate impact that we can have is, of course, through the portfolios that we manage on behalf of our clients. We expect that our AUM supporting client goals in ESG will double in 2022, based on our net zero commitment, funds conversions and expected new flows from existing clients and product launches, and in line with the climate commitments we shared in 2021 we anticipate that this will increase further. In 2021 we also launched the abrdn Sustainability Institute out of Singapore to further our leadership position in emerging markets. At abrdn we want to be measured by our actions and not just our words. You can read more about our activities in this important area on pages 30 to 37.

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

Focusing on the future

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

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

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

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

Stephen Bird
Chief Executive Officer

Global opportunities

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

Growth in Asia

The economic centre of gravity continues to move towards Asia and, building on our long and successful experience in the region, we are reinvigorating our Asia business for faster growth. With our deep knowledge of the Asia Pacific markets and with sustainable investing long-embedded in our investment practices, abrdn is well positioned to drive growth across the region. We aim to be a leading provider of sustainable investment solutions in a region which is facing both challenges from the impact of climate change but also significant opportunities for wealth creation through financing the transition to more sustainable economic infrastructure.

Progress in 2021

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

UK adviser and consumer markets

The world population is ageing. Providing for longer retirements is essential as people are living longer, healthier lives. The pandemic has also reinforced the importance of personal financial resilience to provide a buffer against unexpected events. Individuals need to save more and start earlier whenever possible. We want to be the easiest firm to do business with across our Adviser and Personal vectors, helping individuals to invest their savings to deliver the future they desire in both financial and lifestyle terms.

Progress in 2021

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

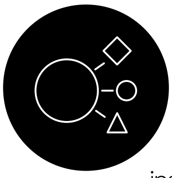
Technology

We have completed the integration of our investment platforms which will deliver the operational and cost benefits of a simplified technology infrastructure. We are committed to continuous improvement as agile technology development, advanced data analytics, machine learning and cloud computing provide essential capabilities for a modern, cost-efficient, client-driven investment and wealth company.

Progress in 2021

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

Solutions

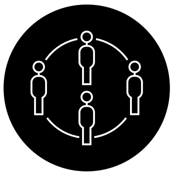


We understand that clients increasingly have needs that go beyond just financial returns. From pension funds needing to match income streams to liabilities, to insurance companies navigating regulatory capital constraints, to wealth managers wanting to digitise their client offerings, many organisations seek our expertise to deliver robust and multi-faceted outcomes. The abrdn Solutions group seeks to deliver tailored outcomes by drawing on the full range of capabilities across our business.

Progress in 2021

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

Ecosystems



Our technology ecosystem consists of strong, trusted partners, operates as a seamless extension of our own capabilities and is a key source of competitive advantage and customer trust. In today's well-designed ecosystems, it is no longer necessary to own all parts of the value chain and our strong partnerships provide increased capabilities and controls cost effectively. Building connections within our ecosystems allows us to access new and growing client segments efficiently.

Progress in 2021

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

Investing responsibly

In a rapidly changing world on a path to net zero, we believe that the consideration of ESG factors is essential to more constructive engagement and better informed investment decisions which help our clients to achieve their financial objectives. Thinking about the future desired by our customers is a priority and we are relentlessly curious, seeking to identify those technologies, companies and sectors that will thrive in the economy, environment and society of tomorrow. Our investment decision-making incorporates ESG factors to improve client outcomes and drive positive change.

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

Progress in 2021

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

Private markets

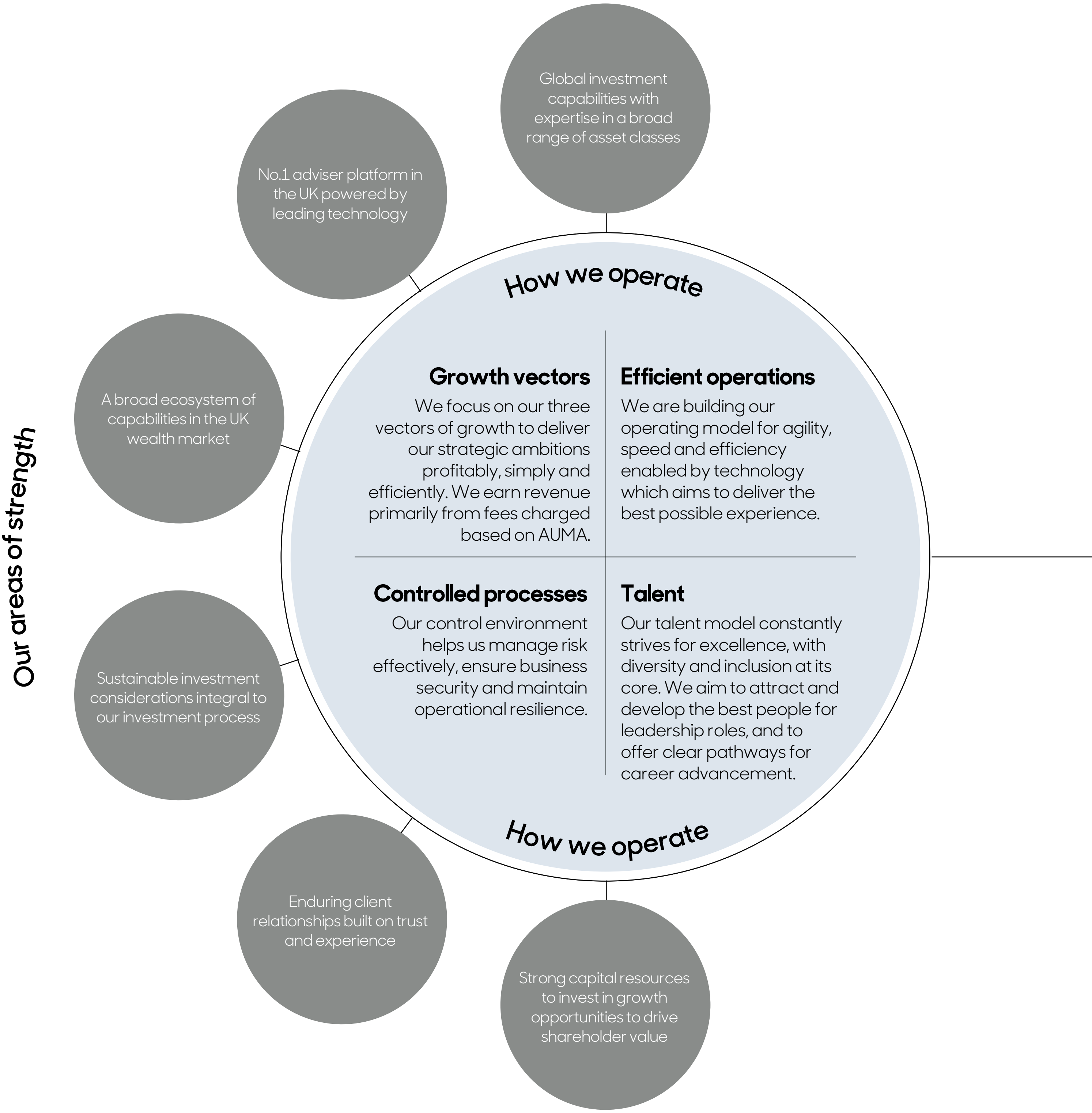
Opportunities in private markets are playing an increasingly important part in making our clients better investors as access to public markets is no longer required in many important sectors. We focus on the growth themes, such as real assets, logistics and infrastructure, which are better accessed by our clients via private market investments and we are strengthening and leveraging our business in this strategically important area.

Progress in 2021

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

How we run our business to deliver value for our stakeholders

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



Read more

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

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

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

The value we deliver for our stakeholders

For clients

- Broad range of solutions designed to meet clients' current and future needs
- Long-term investment performance
- Sustainable investment considerations integral to our investment processes

Three-year investment performance 67%

For our people

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

Overall employee engagement score 51%

For society

- Fair and inclusive employment, removing barriers to realising potential
- A response to the interlinked crises of climate change and biodiversity loss
- Sustainability/ESG focus running through our operations and our investments

DJSI World index top 3% for our sector

For shareholders

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

Full year dividend of 14.6p

Investments

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

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

Our clients include:

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

52
Strategies positively rated by consultants

Institutional

c2,000 clients, with average tenure of 10 years

131
Morningstar 4/5 star rated wholesale funds

Wholesale

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

£176bn
AUM of largest insurance client

Insurance

Providing insurance clients, largely our strategic partner Phoenix, with solutions to meet their complex needs

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

1 year
57%

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

3 years
67%

Broadly stable 5 year performance (2020: 68%)

5 years
67%

Read more about investment performance on page 52

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

Chris Demetriou - CEO, UK, EMEA and Americas

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

René Buehlmann - CEO, Asia Pacific

How we enable our clients to be better investors

Institutional

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

Wholesale

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

Insurance

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

Delivering forward-thinking investment outcomes for institutional and wealth clients

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

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

Accelerating growth in Asia

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

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

Market trends

1 Democratising financial services through technology

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

2 Shifting economic power towards Asia and emerging markets

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

3 Sustainable investing

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

4 Urbanisation and infrastructure development

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

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

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

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

Real assets

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

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

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

Sustainable investing

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

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

Solutions to clients' complex needs

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

UK wealth

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

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

Through the wholesale channel, we have over 100 highly rated funds across five themes:
- Asia, Emerging Markets and China.
- Small & Mid cap.
- Sustainability.
- Europe & UK.
- Outcome oriented.

Driving efficiency by optimising our investment platform

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

Our strategic focus for 2022

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

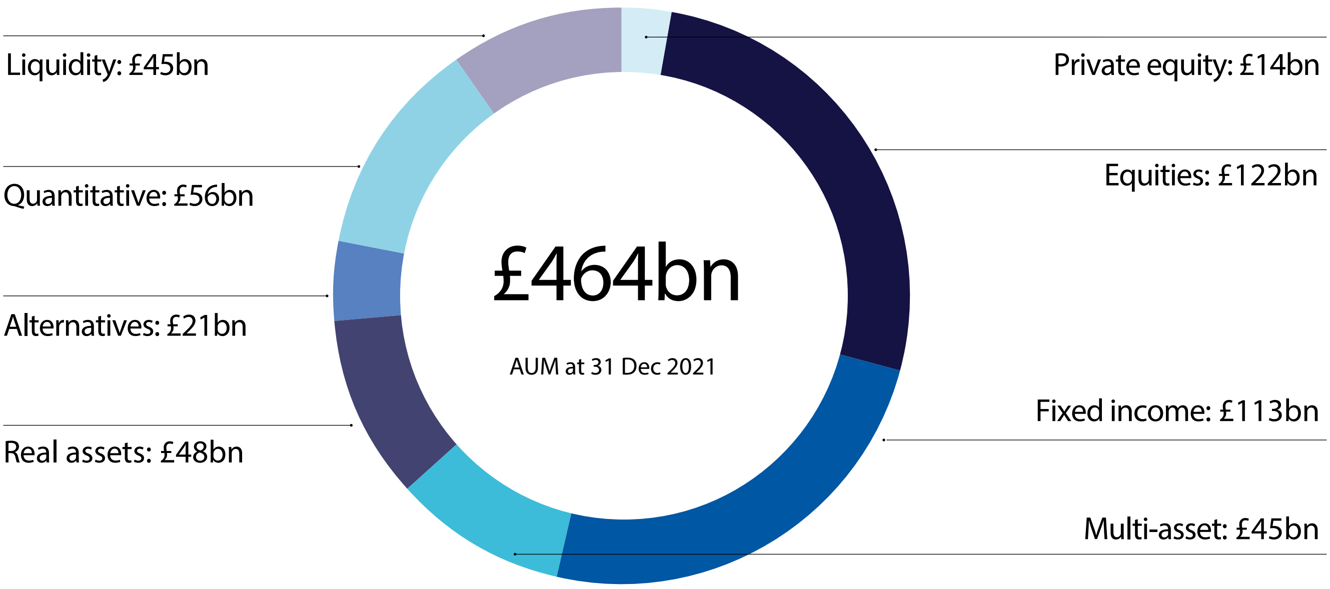
Our business depends on market levels and we have plans in place to be able to address counter-cyclical trends and efficiencies if market levels reduce significantly.

In 2022 we will:
- Continue to deliver our growth strategy for Asia.
- Further strengthen our real asset franchise by broadening, building out and evolving our capabilities.
- Build on our strong global sustainable investment capabilities by expanding our fund offering and innovating in the thematics space.
- Build on our established expertise in providing innovative solutions to clients' complex needs, including pensions and insurance, in particular supporting Phoenix to enhance its open book proposition.
- Reposition our product offering and capability mix to better align with the wholesale market demands.
- Seek to invest in areas of the market with attractive growth characteristics and modern asset classes.
- Continue to simplify the business through product rationalisation and exiting non-core activities.

Broad and growing range of investment capabilities

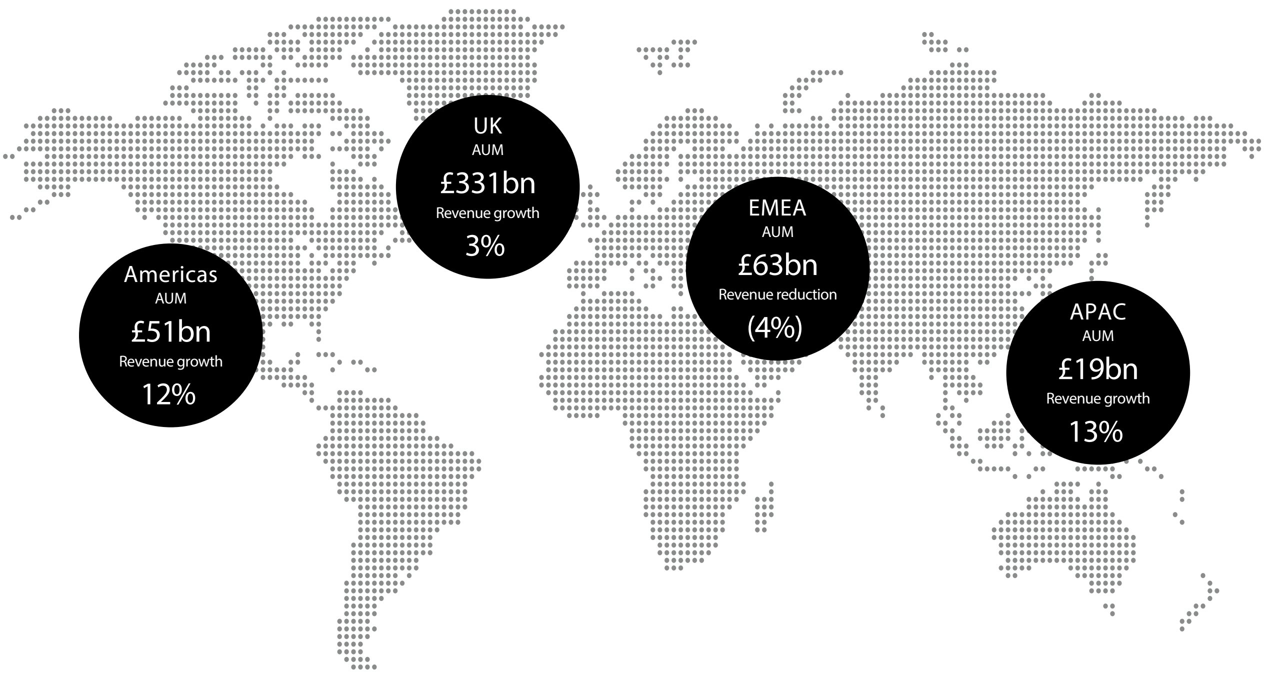
We offer investment expertise across all key asset classes, regions and markets so that our clients can capture investment potential wherever it arises.

Assets under management by asset class



Our broad global reach and expertise

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



AUM in the diagram above is based on client domicile and revenue is allocated based on where the revenue is earned. Revenue for our overseas businesses were impacted by adverse foreign exchange movements. See Note 2(c) of the Group financial statements in the ARA 2021 for a breakdown of revenue by geographical location.

Introducing Finimize

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

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

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

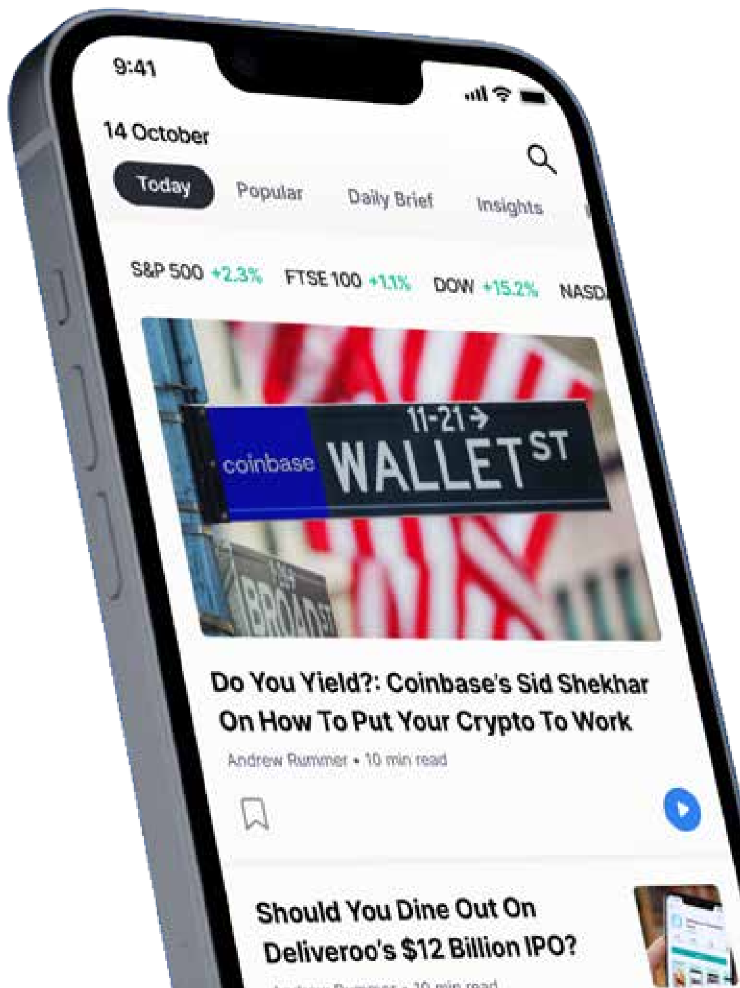
Finimize continues to operate as an independent brand and Finimize CEO, Max Rofagha, sits on abrdn's leadership team.

finimize
Top 10 finance app – Apple App Store

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

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

Max Rofagha
CEO of Finimize



Adviser

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

Our clients

- Regional and national financial advisers
- Discretionary fund managers

No. 1
for AUA and gross flows

A primary partner for advisers

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

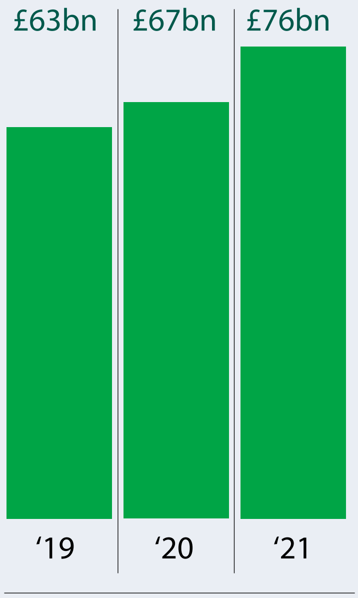
50%
of UK advice businesses use our platforms

Adviser Experience Programme

Brings a series of new features, advice solutions and technology developments

96%
client retention for our primary partners

AUA



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

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

Noel Butwell
CEO Adviser

How we enable our clients to be better investors

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

We partner with over 2,600 UK adviser firms and 11,000 individual advisers with 426,000 customers in total. We deliver the outcomes their clients need by:

Doing business their way

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

Making things easy

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

Putting our strength to work for advisers

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

Progress in 2021

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

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

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

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

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

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

Market trends

1 Advice business consolidation

Over the next 5-10 years the number of advice firms could reduce by up to 50%.

2 Democratisation of wealth

Around 70% of people choose to change their financial adviser when they inherit money.

3 Advisers and platforms remain key

84% of individual assets expected to be advised by 2023.
Complexity of needs drives demand for advice.

4 Platform M&A activity is forecast to continue

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

Our strategic focus for 2022

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

Personal

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

Our clients

- Individual clients
- Charities and trustees
- Intermediaries

94%
of discretionary AUM outperformed benchmark over three years[1]

Building scale

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

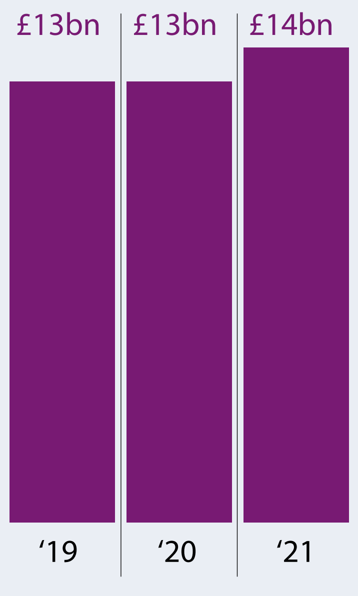
95%
client retention for our financial planning clients

Award-winning offering

Winner of the Sustainable Investment Solution category at the PAM Awards 2021, the most prestigious awards in the UK wealth management sector

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

AUMA



28,000
clients[2]
(2020: 24,500)

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

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

Caroline Connellan
CEO Personal Wealth

How we enable our clients to be better investors

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

Financial planning

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

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

Discretionary

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

Digital capabilities to enhance our offering

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

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

Progress in 2021

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

Our combined offering will aim to provide trust, confidence and compelling value for clients at all stages of their financial journeys. We will run interactive investor as a discrete business, with its own management team and operational platform, to ensure continued high-quality service for both existing and future customers.

Market trends

1 Changing client behaviours and needs

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

2 Democratisation of wealth

Increased personal responsibility for financial futures.

3 Digitalisation

Increased adoption of digital channels by retail investors.
Better technology and services improving accessibility.
Around half of all investments are managed by advisers, with digital acting as a complementary service and an enabler for strong face-to-face relationships.

4 Value for money

Increased price sensitivity among retail investors.
Newer pricing models gaining share in direct investing.

5 Wealth transfers

Shifts of capital from DB to DC retirement schemes.
Intergenerational wealth transfers.

Our strategic focus for 2022

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

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

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

Corporate investments

Valuable financial investments

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

Phoenix

Holding[1]
10.4%

Listing value of holding[1]
£0.6bn

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

HDFC Asset Management

Holding[1]
16.2%

Listing value of holding[1]
£0.7bn

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

HDFC Life

Holding[1]
3.7%

Listing value of holding[1]
£0.4bn

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

HASL

Holding[1]
50%

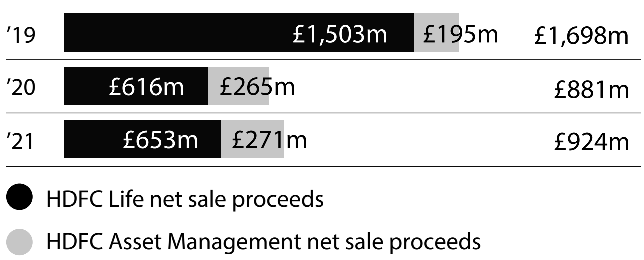
Unlisted

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

1. As at 25 February 2022.

Realising the value of our listed investments

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



Creating sustainable impact across our operations and investments

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

In 2021 we continued to focus our resource and activity on the ESG areas where we add the most value and make positive change. These are:
– Tackling the interlinked climate and biodiversity crises.
– Championing a fair and inclusive society.
– Integrity and transparency in how we, and our investee companies, operate.

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

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

Environment

Tackling the interlinked climate and biodiversity crises

Our focus	– Reducing the carbon intensity of our portfolios. – Improving biodiversity in our local greenspaces and investment real estate.
Our targets	– Reduction of the carbon intensity of the assets we invest in by 50% by 2030 from the 2019 baseline. – Net zero in our operations by 2040, with an interim target to reduce our emissions by 50% by 2025 from the 2018 baseline. – We are working with our top 50% of suppliers by spend, requesting they put net zero targets in place by 2025.
Our progress	– Reduced our operational emissions by 62% since 2018. This includes material reductions, influenced by the pandemic, to business travel and energy use in our offices, which helped us to exceed our 50% reduction target by 2025. We expect emission from these sources to increase again in 2022 as travel restrictions ease.

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

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

Key milestones

2018
Operational emissions baseline

2019
Investment assets emissions baseline

2025
Operational emissions reduced by 50%
Top 50% of suppliers have set net zero targets
40% men, 40% women and 20% any gender in Board and senior leadership
One additional Board member who identifies as ethnic minority

2030
Carbon intensity of the assets we invest in reduced by 50%[1]

2040
Net zero in our operations

1. Compared to 2019 baseline.

Social

Championing a fair and inclusive society

Our focus

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

Our targets

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

Our progress

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

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

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

Governance

Building trust and enhanced transparency

Our focus

- Integrity and transparency in how we, and our investee companies, operate.

Our progress

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

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

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

TCFD report overview

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

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

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

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

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

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

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

See the Glossary for definitions of key climate related terms.

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

Stephen Bird
Chief Executive Officer

Some of our 2021 highlights

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

We joined the Net Zero Asset Managers initiative

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

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

Governance

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

The Board's role in oversight

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

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

Management's role in assessment

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

Strategy

Climate related risks and opportunities

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

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

Impact of climate related risks and opportunities

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

Resilience of our strategy against climate scenarios

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

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

Our approach in our investments – Net Zero Directed Investing

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

Net Zero Directed Investing – Our six areas of focus

1

Investment integration

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

2

Research and data

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

3

Investment solutions

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

4

Transparency

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

5

Active ownership

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

6

Collaboration and advocacy

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

Climate Scenario Analysis – taking a forward looking view

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

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

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

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

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

Climate change is impacting how investors allocate capital

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

Journey to net zero

Driving the carbon transition	Building climate resilience	Accelerating change
Focusing on 'Leaders' Investing in companies that are either driving operational change or those transitioning and can demonstrate ambitious and credible plans	**'Adapting' to physical effects** Helping society to adapt to the physical effects of climate change by investing in climate resilience projects	**Identifying 'solution' opportunities** Investing capital in companies that are innovating to accelerate change and adopting green solutions

Investing in nature-based solutions

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

- The aim is to restore over 900 ha of woodland, planting over 1.5 million trees and to restore over 150 ha of degraded peatland.
- It is estimated the project will deliver up to 195,000 tonnes of claimable carbon to 2060 at a cost of £22 per tonne on a discounted cash flow basis. The fund will have valuable flexibility to hold the asset beyond 2060, with further carbon offsetting benefit if required.
- Biodiversity net gain will be monitored and independently reported to investors over time. This will be done using a leading science-based approach, carried out by a team of ecologists.
- Focusing on native broadleaf and Scots pine, the woodland creation element of the project will improve amenity, enhance biodiversity, mitigate flooding and improve air quality, while restoring the drained peatlands. This wider environmental net gain will also be measured.
- Local contractors and forestry consultants will be employed to deliver the project. Benefits for the local community will be promoted where possible, such as bird-watching huts and the restoration of bothies for hillwalkers.
- On areas of open land and unplanted land, nature will be left where possible to recover in a natural way with minimal intervention management practices to promote further biodiversity net gain benefit.

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

Our approach in our operations

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

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

Risk management

Process for identifying, managing and integrating climate risks and opportunities

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

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

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

Our approach in our investments

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

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

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

Active ownership

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

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

Collaboration and influence

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

Metrics and targets

In our operations

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

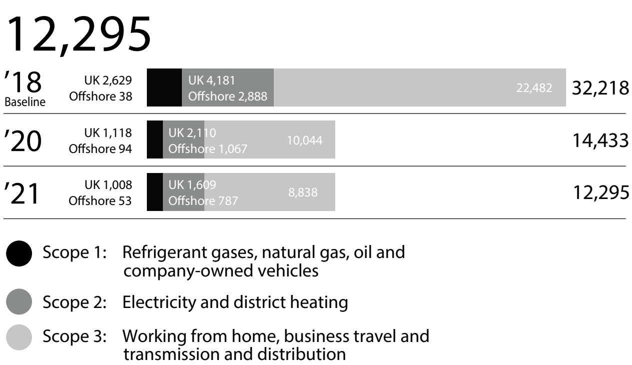
We have reduced our total greenhouse gas emissions by 62% compared to our 2018 baseline. Our emissions per full-time equivalent (FTE) employee have fallen by 55% from 1.57 to 0.70 tonnes of CO2e per FTE (Scopes 1 and 2). We have also reduced our energy use globally by 58% from 35,109 MWh to 14,910 MWh,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

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

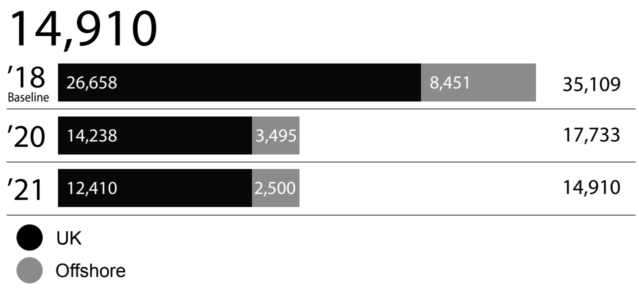
We have targeted net zero in our operations by 2040, with an interim target to achieve a 50% reduction in our operational emissions by 2025.

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

Total $C0_2$ emissions (tonnes)[1]



Total energy consumption (kWh '000s)[1]



In our investments

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

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

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

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

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

Our people

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

New ways of working

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

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

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

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

Helping colleagues to grow and develop

Developing our leadership

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

Our Future Leaders programme is our individualised development resource, to support colleagues to identify and achieve their future leadership potential. We encourage as many colleagues as possible to consider future leadership roles and we help bridge gaps in their knowledge and expertise. Following a successful pilot last summer, we expanded the programme in the fourth quarter of 2021 to mid-career colleagues across the business. By the end of 2021, 900 had completed the diagnostic questionnaire, receiving access to their individual results and personalised development resources.

Tools for self-development

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

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

Around
900
colleagues using our Future Leaders programme

19%
more colleagues engaging in personal or professional development compared to 2020

Mentoring

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

Identifying, attracting and retaining talent

A diverse and inclusive workplace

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

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

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

Young talent

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

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

Our targets

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

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

Our pay philosophy

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

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

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

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

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

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

1. Relates to percentage of women in roles within the different groups.
2. Relates to leaders one and two levels below CEO, minus administration roles.
3. Relates to Directors of the Company's direct subsidiaries as listed in Note 47 (a) of the Group financial statements in the ARA 2021 and not classified above as Board Directors or senior leadership.
4. Relates to percentage of Board members who identify as ethnic minority.

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

Society and communities

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

Building connection to support inclusion

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

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

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

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

Building connection through volunteering

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

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

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

Fair work

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

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

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

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

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

Promoting social mobility

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

Top 75
employer in the Social Mobility Employer Index

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

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

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

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

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

Stakeholder engagement

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

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, interactive investor and Finimize will help us respond to this trend. These acquisitions will generate additional insights to help us better understand customers' diverse requirements.

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

Our people

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

How we engage

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

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

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

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

Society and communities

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

How we engage

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

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

In 2021 we discussed ESG at 2,593 meetings, which included 298 engagements with shareholders focused specifically on ESG. We voted on resolutions relevant to our clients' shares at 7,304 shareholder meetings, and voted on 75,398 resolutions.

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

Shareholders

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

How we engage

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

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

Section 172 statement

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

Our Board has responsibility to consider matters that include the:

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

The Board has discussed these obligations throughout the year, including how stakeholder engagement is incorporated into our long-term decision-making. You can read further details on pages 74 to 75 in the ARA 2021.

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 current and the potential risks, including both financial and non-financial risks, are fundamental to how we manage the business.

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

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

You can read more about how the Board engages with and considers the interests of stakeholders on pages 74 to 75 in the ARA 2021.

Non-financial information

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

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

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

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

Measuring our progress

Global code of conduct

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

Modern slavery

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

Human rights policy

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

Financial crime prevention

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

Non-financial information statement

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

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

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

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

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

Topic	Accounting metric	Disclosure against the framework
Transparent Information & Fair Advice for Customers	(1) Number and (2) percentage of covered employees with a record of investment-related investigations, consumer-initiated complaints, private civil litigations, or other regulatory proceedings[1].	abrdn is aware of no employees subject to the proceedings described.
	Total amount of monetary losses as a result of legal proceedings associated with marketing and communication of financial product related information to new and returning customers[2].	abrdn sustained no monetary losses of this nature in the reporting period (based on the population of covered employees, as defined by SASB, on 31 December 2021).
	Description of approach to informing customers about products and services.	For all products we provide comprehensive product literature including the fund offering documents (Prospectus and Key Investor Information Document) as well as marketing materials such as fund factsheets.
Employee Diversity & Inclusion	Percentage of gender and racial/ethnic group representation for (1) executive management, (2) non-executive management, (3) professionals, and (4) all other employees[3].	The percentage of gender/ethnic representation at Board and Executive level is disclosed on page 39. We publish diversity data in our Diversity & Inclusion, and Sustainability reports, which also detail what we do to ensure diverse perspectives are represented among all employees.
Incorporation of Environmental, Social, and Governance Factors in Investment Management & Advisory	Amount of assets under management, by asset class, that employ (1) integration of ESG issues, (2) sustainability themed investing, and (3) screening.	
	Description of approach to incorporation of ESG factors in investment and/or wealth management processes and strategies.	We integrate ESG factors across all asset classes (apart from our Quantitative funds that track a market index).
	In addition, we run a number of sustainability funds, where we apply sustainability themes and screens to meet client sustainability demands. Find out more at www.abrdn.com/annualreport	

AUM in sustainability funds (including thematics and screening)

Measure	2021 (£bn)	2020 (£bn)[4]
Equity	**8.7**	8.1
Fixed income	**16.6**	20.1
Multi-asset	**0.3**	0.1
Quantitative equity	**-**	0.1
Alternatives	**4.4**	3.3
Total AUM	**30.0**	31.7

Topic	Accounting metric	Disclosure against the framework
Incorporation of Environmental, Social, and Governance Factors in Investment Management & Advisory	Description of proxy voting and investee engagement policies and procedures.	A detailed description of these policies and procedures, and definition of our approach to materiality is in our Stewardship report available at www.abrdn.com/annualreport
Business Ethics	Total amount of monetary losses as a result of legal proceedings associated with fraud, insider trading, anti-trust, anti-competitive behaviour, market manipulation, malpractice, or other related financial industry laws or regulations.[5]	abrdn sustained no monetary losses in the reporting period as a result of legal proceedings associated with financial industry laws or regulations.
	Description of whistleblower policies and procedures.	We offer colleagues an independently managed reporting process, including our Speak Up hotline, if they want to raise any concerns anonymously. Our suppliers can also use the service.

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

Our key performance indicators

Fee based revenue KPI APM

£1,515m

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

Cost/income ratio KPI APM

79%

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

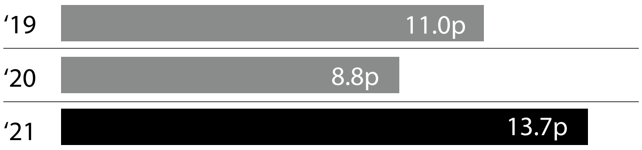
Adjusted operating profit KPI APM

£323m

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

Adjusted diluted earnings per share KPI APM

13.7p



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

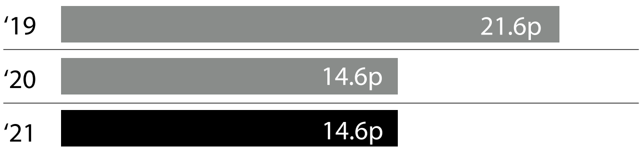
IFRS profit before tax KPI

£1,115m

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

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.

Adjusted capital generation KPI APM

£366m

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

Investment performance KPI

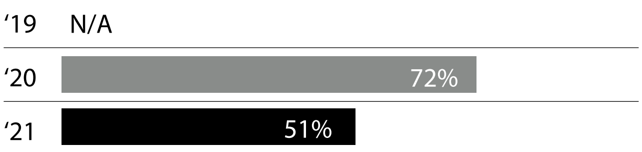
(Percentage of AUM above benchmark over three years)

67%

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

Employee engagement survey KPI

51%



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

Other indicators

AUMA

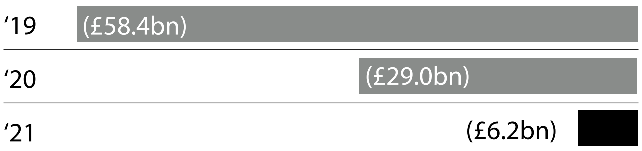
£542bn

Gross inflows

£72.3bn

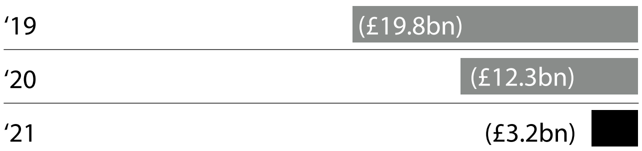
Net flows – Total

(£6.2bn)



Net flows – Excl liquidity and LBG tranche withdrawals

(£3.2bn)



IFRS diluted earnings per share

46.0p

APM **Alternative performance measures**
We assess our performance using a variety of performance measures including APMs such as fee based revenue, cost/income ratio, adjusted operating profit, adjusted profit before tax and adjusted capital generation. APMs should be read together with the Group's IFRS financial statements. Further details of all our APMs are included in Supplementary information in the ARA 2021.

Financial progress and capital discipline

Stephanie Bruce, Chief Financial Officer

Financial strength underpins delivery of our strategy

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

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

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

Our disciplined approach to capital management generated £1.6bn of capital during the year and we deployed £0.8bn, including returning £0.3bn to shareholders through dividends and investing £0.3bn in market opportunities that will help build long term sustainable growth.

Arresting the decline in revenue

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

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

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

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

Improving momentum in flows

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

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

Reshaping the cost base to improve margins

Our cost/income ratio improved in 2021 but we have more work to do as we progress to our 2023 exit target of around 70%. We achieved the £400m synergy targets set in the context of the two historic transactions at a cost of £550m. With our large integration migration programme complete in Investments and the separation programme from Phoenix completing in 2022, the reshaping of our cost base can move further and faster. In 2021, overall operating costs reduced by 1%. Lower Phoenix outsourcing costs and a 14% reduction in overall staff numbers generated the capacity to reward performance through variable compensation for colleagues contributing most to our improved performance and delivering on our strategic non-financial priorities.

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

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

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

Deploying our capital to deliver shareholder value

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

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

Supplementing our regulatory capital resources, we have significant further capital resources through our stakes in our listed financial investments. In January 2022, we successfully monetised a 4% holding in Phoenix, raising £0.3bn and intend to return this capital to shareholders. We have no plans to dispose of the remaining 10.4% holding in Phoenix, which remains our strategic partner. Over time, we plan, subject to market conditions, to monetise our Indian stakes which have a current value of approximately c£1.1bn[2]. Our capital allocation framework will continue to prioritise deployment of capital generated into business areas offering the best long-term sustainable value, with each opportunity being benchmarked against return of capital to shareholders. This will include strengthening our wholesale offering, ESG product suite and digital skills and capabilities. Over the period to 2023, we plan, subject to regulatory changes, to maintain a surplus of at least £0.5bn over our regulatory capital requirement.

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

Shaping the business for the future

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

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

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

1. Cash and liquid resources is an APM. See Supplementary information in the ARA 2021 for details.
2. As at 25 February 2022.

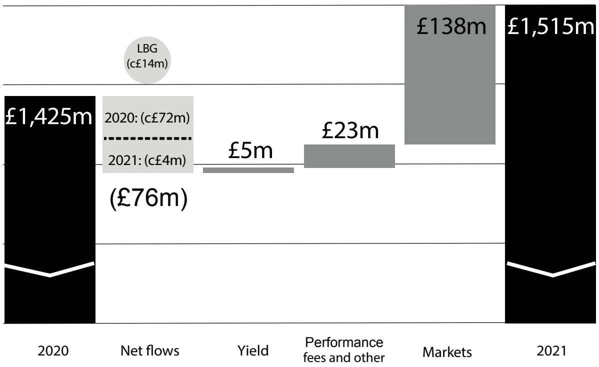
Analysis of profit	2021 £m	2020 £m
Fee based revenue	**1,515**	1,425
Adjusted operating expenses	**(1,192)**	(1,206)
Adjusted operating profit	**323**	219
Adjusted net financing costs and investment return[1]	**-**	21
Adjusted profit before tax[2]	**323**	240
Adjusting items including results of associates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

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

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

Improved operating leverage from revenue growth and management of costs

Fee based revenue



Fee based revenue increased by 6% reflecting:
- Positive impact from favourable markets.
- Performance fees 53% higher at £46m (2020: £30m).
- Diminishing impact from net outflows excluding LBG to 4% compared to 11% in 2020[3]. The revenue impact of current year net outflows reduced to less than 0.5% (2020: c2%).

Our continued focus on managing our costs is reflected in the £14m reduction in adjusted operating expenses:
- Overall staff and other related costs are flat at £643m, reflecting lower staff numbers, offset by increased accruals for variable compensation and pay inflation.
- Reductions in non-staff costs of £14m to £549m includes benefit from lower Phoenix outsourcing costs as we near completion of separation activity and savings following the rationalisation of premises.

Adjusted operating expenses

	2021 £m	2020 £m
Staff costs excluding variable compensation	**517**	531
Variable compensation	**126**	112
Staff and other related costs[4]	**643**	643
Non-staff costs	**549**	563
Adjusted operating expenses	**1,192**	1,206

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

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

Actions have now been taken which fully deliver against the commitment of achieving £400m of annualised synergies by the end of 2021:
- Synergies benefited 2021 operating expenses by £320m (2020: £287m) with further benefits expected in 2022. Additionally there are cost synergies which avoid cost increases not included in the £320m above.
- In line with our commitment, total costs incurred to deliver these annualised synergies were £550m, of which £35m were incurred in 2021 (2020: £79m) and are included within restructuring expenses.

1. Capital management has been renamed Adjusted net financing costs and investment return.
2. Adjusted profit before tax now excludes the share of profit from associates and joint ventures. Comparatives have been restated. See Supplementary information in the ARA 2021 for more information.
3. Reflects the estimated impact on fee based revenue as a result of net outflows in both the current and prior year, as a percentage of prior year revenue.
4. See Supplementary information in the ARA 2021 for a reconciliation to IFRS staff and other employee related costs.

Investments

Adjusted operating profit
£253m

Fee based revenue
£1,231m

Fee revenue yield
25.9bps

Net flows
(£10.6bn)

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

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

Adjusted operating profit

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

Fee based revenue

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

Institutional and Wholesale highlights

Fee based revenue

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

Revenue yield

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

Gross flows

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

Net flows

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

1. Includes performance fees of £46m (2020: £30m).
2. Institutional and Wholesale liquidity net flows excluded.
3. Flows excluding Lloyds Banking Group (LBG) do not include the tranche withdrawals of £nil (2020: £25.9bn) relating to the settlement of arbitration with LBG.

Insurance highlights

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

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

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

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

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

Investment performance (% of AUM ahead of benchmark)

1 year
57%
(2020: 71%)

3 years
67%
(2020: 66%)

5 years
67%
(2020: 68%)

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

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

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

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

1. Calculations for investment performance are made gross of fees except where the stated comparator is net of fees. Further details about the calculation of investment performance are included in the Supplementary information section in the ARA 2021.

Adviser

Adjusted operating profit **£74m**

Fee based revenue **£178m**

Fee revenue yield **24.9bps**

Net flows **£3.9bn**

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

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

Adjusted operating profit

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

Fee based revenue

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

Revenue yield

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

AUA

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

Gross flows

- Retained our number one position on gross flows[1] as sales activity increased by 44% on prior year.

Net flows

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

1. Source: Adviser platform gross flows, Fundscape Q3 2021.

Personal

Adjusted operating profit
£8m

Fee based revenue
£92m

Fee revenue yield
61.0bps

Net flows
£0.6bn

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

Personal highlights – Earnings contribution and record AUMA and net flows

Adjusted operating profit

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

Fee based revenue

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

Revenue yield

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

AUMA

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

Gross and net flows

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

Corporate/strategic

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

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

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

Overall performance

Adjusted operating profit £323m

IFRS profit before tax £1,115m

Adjusted capital generation £366m

Segmental summary	Adjusted operating profit[1] 2021 £m	2020 £m	AUMA 2021 £bn	2020 £bn	Net flows 2021 £bn	2020 £bn
Investments	**253**	186	**464**	457	**(10.6)**	(32.5)
Adviser	**74**	48	**76**	67	**3.9**	1.9
Personal	**8**	(5)	**14**	13	**0.6**	–
Corporate/strategic	**(12)**	(10)	**-**	8	**0.3**	1.0
Eliminations	**-**	–	**(12)**	(10)	**(0.4)**	0.6
Total	**323**	219	**542**	535	**(6.2)**	(29.0)
Net flows excluding liquidity					**(3.2)**	(38.2)
Net flows excluding liquidity and LBG					**(3.2)**	(12.3)

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

Adjusted net financing costs and investment return

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

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

1. Segmental performance in this report reflects revised segments and 2020 comparatives have been restated on this basis. See further details in Note 2 in the Group financial statements and in Supplementary information in the ARA 2021.

Adjusting items including results of associates and joint ventures

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

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

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

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

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

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

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

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

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

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

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

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

Other adjusting items of £36m include a £25m net release of deferred income. See Note 34 in the Group financial statements in the ARA 2021.

See pages 156 and 170 in the ARA 2021 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 in the ARA 2021.

Tax policy

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

Tax expense

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

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

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

Total tax contribution

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

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

Earnings per share

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

Dividends

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

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

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

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

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

Capital and liquidity

Adjusted capital generation

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

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

1. Adjusted profit after tax now excludes the share of profit or loss from associates and joint ventures. Comparatives have been restated. See Supplementary information in the ARA 2021 for more information.

Net movement in surplus regulatory capital

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

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

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

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

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

Note 45 of the Group financial statements in the ARA 2021 includes a reconciliation between IFRS equity and surplus regulatory capital and also details of our capital management policies.

Cash and liquid resources and distributable reserves

Cash and liquid resources remained robust at £3.1bn at 31 December 2021 (2020: £2.5bn). These resources are high quality and mainly invested in cash, money market instruments and short-term debt securities. Further information on cash and liquid resources, and a reconciliation to IFRS cash and cash equivalents, is provided in Supplementary information in the ARA 2021.

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

IFRS net cash inflows

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

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

IFRS net assets

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

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

Viability statement

Longer-term prospects

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

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

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

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

In forming their assessment of the longer-term prospects of the Group, the Directors have also taken into account:
- The Group's capital position as set out on page 58.
- The substantial holdings of Group cash and liquid resources as set out on page 58 as well as holdings in listed equity investments as set out on page 29.
- The Group's principal and emerging risks as set out on pages 61 to 64.

Assessment of prospects

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

Viability

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

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

The Group has no debt maturing over the next three years and, based on business planning projections, there is no expectation that the Group will need to draw down on its £400m revolving credit facility described on page 219 in the ARA 2021.

The Group's **stress testing and scenario analysis programme** applies severe stresses to the business plan to understand the Group's financial resilience. This includes exploring the impacts of market-wide stresses, stresses that are specific to abrdn, and stresses that combine both these elements. Whilst all of the Group's principal risks could potentially impact on the Group's financial resilience, our stress testing focused on those risks expected to have the most significant impact.
- Financial risk was explored through applying a range of stresses to market levels, flows, and margins. The scenarios that were explored included equity markets falling around 30% from year end levels, net outflows over the planning horizon reducing the year end AUMA by up to 15%, and the basis point fees charged to clients being 10% lower than in the business plan.
- Operational risk was explored through considering the impact of the Group incurring £100m of operational losses. This was considered to represent the potential impact of severe losses that might arise from one or more of the following principal risks crystallising: process execution and trade errors, technology risk, security and resilience risk, or fraud and financial crime risks.

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

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

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

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

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

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

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

Impact of COVID-19

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

Operational resilience

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

Assessment of viability

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

Managing risk for better outcomes

Our approach to risk management

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

Three lines of defence

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

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

ERM framework

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

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

Business risk environment

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

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

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

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

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

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

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

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

ESG risks

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

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

1. See Note 37 in the ARA 2021 for disclosure relating to the financial impact of climate related risk on the 2021 financial statements.

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

Emerging risks

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

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

Principal risks and uncertainties

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

Risk to our business and how this evolved in 2021	How we manage this risk
1 Strategic risk	
– These are risks that could prevent us from achieving our strategic aims and successfully delivering our business plans. – These could include failing to meet client expectations, poor strategic decision-making, poor implementation or failure to adapt.	The launch of our single global brand was an important step to clear up confusion that existed across our multiple brands previously. Our brand strategy review has been thorough and we developed stakeholder engagement plans to guide the transition to the new brand. Market and competitor intelligence has aided decision-making. Each of our vectors has a clear organic growth strategy. Any inorganic growth, such as through acquisitions, is rigorously assessed for its contribution to our core strategy and the opportunities it presents to help us better understand different client needs.
2 Financial risk	
– This is the risk of having insufficient financial resources, suffering losses from adverse markets or the failure or default of counterparties. It is impacted by our flows experience, global market conditions and the fees we charge on investment mandates, platforms and wealth management services. – Our strong capital and liquidity position has made possible the proposed acquisition of interactive investor. – The impact of COVID-19 and securing transformation milestones have enabled us to lower non-staff costs.	Business planning and stress testing is used to project our financial resources under a range of scenarios. This allows us to identify possible issues and take action to manage our financial position. This is supported by the risk limits on capital and liquidity monitored under our risk appetite framework. Our Treasury Policy includes minimum standards for managing liquidity, market and counterparty risks, including the credit quality of our counterparties. During 2021 we undertook detailed preparations for the introduction of the UK's new Investment Firms Prudential Regime which determines our regulatory capital and liquidity requirements.
3 Conduct risk	
– Our business relies on our ability to deliver fair client outcomes, and there is a risk that we fail to achieve this in our strategies, decisions and actions. – This could lead to customer and client harm, reputational damage and loss of income.	Our ERM framework supports the management of conduct risk with clear expectations around conduct goals and responsibilities. In 2021 we refreshed our Global Code of Conduct for all employees. In response to COVID-19 we prioritised running our business with minimal client impact while maintaining an effective control environment for remote working. Drawing on the UK Senior Managers and Certification Regime, we train our teams to understand how to apply our conduct rules in their roles.

Risk to our business and how this evolved in 2021	How we manage this risk
4 Regulatory and legal risk	
– High volumes of regulatory change can create risk by presenting implementation and interpretation challenges. – Failing to comply with, or meet changes in, legislation, contractual requirements or regulations, can lead to sanctions, reputation damage and income loss. – During 2021 the company managed a heavy programme of regulatory implementation, including in relation to ESG investment, operational resilience, LIBOR reform and the new UK and EU prudential frameworks.	We monitor the regulatory landscape globally so that we can engage in potential areas of change early. We also invest in compliance and monitoring activity across the business. Our relationships with key regulators are based on trust and transparency while our Legal team supports senior managers across our business.

Operational risks (5-12)

5 Process execution and trade errors	
– This is the risk that processes, systems or external events could produce operational errors. – During 2021 there was close management focus on this, and a reduction in events requiring investigation and remedy.	We monitor underlying causes of error to identify areas for action, promoting a culture of accountability and continuously improving how we address issues. We also continue to enhance the ERM framework. In addition, we have set up a taskforce to fast track issues that have the potential to impact clients. We dealt with potentially important systems outages using established incident management processes, and senior risk committees have been reviewing the impact of COVID-19 on these processes.
6 People	
– In line with the wider economy, employee turnover has increased in all regions as a consequence of disruption arising from the pandemic. – Engaging with our people, and supporting their wellbeing, is critical to our strategy and the success of our business. – However, there is a risk of resources and employment practices failing to align with strategic objectives.	Since the onset of the pandemic we have successfully adapted, providing online tools to support collaboration and moving our learning and development offering online. We have responded to increased competition for talent using targeted approaches to support retention and recruitment for our key business functions. We monitored and took steps to mitigate new risks that have continued to emerge over the course of pandemic, which have included impacts on people's physical and emotional wellbeing and impacts on the operation of teams. We have offered counselling, and asked colleagues to use their full leave allocation.
7 Technology	
– There is a risk that our technology may fail to adapt to business needs, as well as of unauthorised users accessing our systems and carrying out cyber attacks. – This risk is relevant to a wide range of potential threats to the business including weather events, internal failure, external intrusion and supplier failure. – Our current IT estate is complex, and dependence on third party suppliers needs to be managed in a dedicated way.	We have an ongoing programme to invest in, and enhance, our IT infrastructure controls. We benchmark our IT systems environment to identify areas for improvement. IT resilience is monitored at senior executive committees. 2021 saw only minor disruptions to service and improvement plans are in place. We maintain heightened vigilance for cyber intrusion, with dedicated teams monitoring and managing cyber security risks. We carry out regular testing on penetration and crisis management.
8 Business resilience and continuity	
– Incidents that can impact business resilience and continuity include environmental issues, terrorism, economic instabilities, cyber attacks and operational incidents. – The risk of disruption from inside the organisation is broadly stable. However, tools for exploiting IT vulnerabilities are becoming more widely available globally and are frequently used by criminal groups to enable ransomware attacks. – As COVID-19 has continued to test business resilience, the business has adapted effectively to blended working.	We continue to enhance our operational resilience framework and strengthen our response to disruption. Crisis management and contingency planning processes are regularly reviewed and tested, enabling us to minimise disruption as the balance between home and hybrid working has shifted over the year. We have also done extensive work to meet the requirements of the FCA/PRA Operational Resilience regulations that come into force on 31 March 2022.

Risk to our business and how this evolved in 2021	How we manage this risk
9 Fraud and financial crime	
– As a business that handles clients' money, we are exposed to the risk of fraudulent and dishonest activity. – As we engage with a wide number of external parties, we have to be vigilant to the risk that these parties are connected with criminal behaviour, or subject to sanctions by national or global authorities.	Sound processes are in place to identify client activity linked with financial crime, globally. These include controls for anti-money laundering (AML), anti-bribery, fraud and other areas of financial crime. We have a company-wide programme to invest in controls and processes to improve our monitoring of these risks. During 2021 we did extensive work to define and implement consistent AML standards across the company globally and in each of our growth vectors. We continue to work with the financial authorities and industry peers to assist those targeted by scams.
10 Change management	
– This is the risk of failing to manage strategic and operational change initiatives effectively. – We implemented major regulatory change during 2021 including embedding ESG principles and the discontinuation of LIBOR. – We delivered major milestones on the transformation of our investment platform, while maintaining a focus on managing the impact of our transformation activity and the associated costs.	We manage major change projects centrally, with clear governance processes and consolidation of our change workload. Second and third lines have clear roles in overseeing progress and we deliver projects in ways that help us to protect client outcomes.
11 Third party management	
– We outsource activities to suppliers with specialist capabilities which means we are exposed to the risk of third parties failing to deliver in line with contractual obligations. – It is our responsibility to make sure these firms deliver, so we continue to streamline delivery and reduce complexity.	Our aim is to maintain strong relationships with suppliers. During 2021 we completed our programme to rationalise our supplier base and strengthen our oversight of our suppliers. Our Third Party Code of Conduct requires third parties to acknowledge their best practice responsibilities. In 2021 we undertook extensive preparations to adopt the European Banking Authority's guidelines on outsourcing across our supplier base.
12 Financial management process	
– Sound financial reporting influences abrdn's performance, planning and disclosures to external stakeholders. – Failures in these processes would expose our business and shareholders to the risk of making poorly informed decisions.	Our financial reporting activities align to external reporting standards and industry best practice. Our Audit Committee reviews, and where necessary challenges, our reporting. Our Chief Risk Officer also provides an independent review of our business plan to support decision-making. In 2021 we concluded our programme to transform our Finance operations, which was delivered to plan while contending with disruption resulting from the pandemic.

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

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

Board of Directors

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

Sir Douglas Flint CBE – Chairman

Appointed to the Board	Age
November 2018	66
Nationality	**Shares**
British	179,617
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.

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

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

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

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

Stephen Bird – Chief Executive Officer

Appointed to the Board	Age
July 2020	55
Nationality	**Shares**
British	700,000

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

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

Previously, Stephen served as chief executive officer of global consumer banking at Citigroup from 2015, retiring from the role in November 2019. His responsibilities encompassed all consumer and commercial banking businesses in 19 countries, including retail banking and wealth management, credit cards, mortgages, and operations and technology supporting these businesses. Prior to this, Stephen was chief executive for all of Citigroup's Asia Pacific business lines across 17 markets, including India and China.

Stephen joined Citigroup in 1998. In 21 years with the company he held leadership roles in banking, operations and technology across its Asian and Latin American businesses. Before this, he held management positions in the UK at GE Capital, where he was director of UK operations from 1996 to 1998, and at British Steel.

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

Stephanie Bruce – Chief Financial Officer

Appointed to the Board	Age
June 2019	53
Nationality	**Shares**
British	360,000

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

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

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

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

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	65
Nationality	**Shares**
British	102,849
Board committees:	R NC

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

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

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

He holds an MA from the University of Cambridge.

Catherine Bradley CBE – Non-executive Director

Appointed to the Board	Age
January 2022	62
Nationality	**Shares**
British and French	12,181
Board committees:	A

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

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

Previously, Catherine has served on the boards of leading industrial and 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.

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

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

John Devine – Non-executive Director

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

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

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

He is non-executive chairman of Credit Suisse International and of Credit Suisse Securities (Europe) Limited, and a 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 a BA (Hons) from Preston Polytechnic and is a Fellow of the Chartered Institute of Public Finance and Accounting.

Hannah Grove – Non-executive Director

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

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

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

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

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

Brian McBride – Non-executive Director

Appointed to the Board May 2020	**Age** 66
Nationality British	**Shares** 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. He sits as a non-executive director on the boards of Standard Life Savings Limited and Elevate Portfolio Services Limited.

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

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

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

Martin Pike – Non-executive Director

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

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

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

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

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

Key to Board committees

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

Cathleen Raffaeli – Non-executive Director

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

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

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

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

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

Cecilia Reyes – Non-executive Director

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

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

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

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

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

Jutta af Rosenborg – Non-executive Director

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

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

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

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

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

Remuneration

Summary Directors' remuneration report

Remuneration Committee Chairman's statement

This summary report sets out what the Directors of abrdn were paid in 2021 and how we will pay them in 2022, together with an explanation of how the Remuneration Committee reached its recommendations. Where tables in this report have been replicated from the tables audited by KPMG LLP in the ARA 2021 we have marked them as 'audited' for clarity. This is a summary of the Directors' Remuneration Report. The full report is included on pages 100 to 116 of the ARA 2021.

Approval

The Directors' remuneration report was approved by the Board and signed on its behalf by:

Jonathan Asquith
Chairman, Remuneration Committee

28 February 2022

Dear Shareholder

On behalf of the Board I am pleased to present this summary of the Directors' Remuneration Report for the year ended 31 December 2021.

Introduction

Our Directors' Remuneration Report for 2020 received a 96% vote in favour from shareholders at the 2021 AGM. I would like to thank our shareholders for their continued strong support of our approach to remuneration matters and their continued dialogue on these issues. Our current Directors' Remuneration Policy ('Policy') was designed to drive the delivery of our strategy through a simple and transparent structure for executive remuneration with a focus on sustainable long-term performance. It is now in its final year of operation before being submitted to shareholders at the 2023 AGM. During 2022 the Committee will take time to review the policy with a view to identifying any areas where change would be desirable to ensure it remains fit for purpose for the next phase of our strategy.

2021 was a significant year for abrdn. Most visibly, we launched our abrdn brand, pulling together our expertise under a common external facing identity. This was a significant milestone on our journey and involved much collaborative work across the organisation. Alongside good progress on key financial metrics, steps were taken to remove complexity from the business, as set out in the Chief Executive Officer's review. There has also been a clear focus on sustainability issues, and we have reflected this by incorporating environmental targets in the executive Directors' bonus scorecards from 2022 to make sure this is an area where we hold ourselves to account.

In this year of ongoing challenge we have continued to drive forward our reward agenda. Our end-of-year processes incorporated careful consideration of remuneration outcomes to reflect the achievements and progress made during 2021 against our financial and non-financial KPIs. Consideration was also given to broader stakeholder interests and the complex regulatory and social landscape in which abrdn operates as we start to move to a post-pandemic world. Our pay decisions have focused on encouraging and rewarding contributions to the long term success and sustainability of our business.

Our performance in 2021 and alignment with remuneration

Against a mixed market background in 2021, financial performance has been strong:

- Fee based revenue growth of 6%.
- A reduction in our cost/income ratio to 79% (from 85% in 2020).
- An increase in adjusted operating profit of 47%.
- An increase in adjusted diluted earnings per share to 13.7p (from 8.8p in 2020).

Good customer performance was sustained across all three of our distinct client facing vectors, reflected in positive customer feedback in Investments, awards for our abrdn Wrap and Elevate Platforms and strong customer service ratings for our Personal and Discretionary propositions.

How our remuneration policy was applied in 2021

Annual bonus

The 2021 executive Director bonus plan was designed and operated in line with our Directors' Remuneration Policy to reward management for the efficient and timely execution of a stretching 12 month plan agreed with the Board with a majority focus (75%) on financial performance targets. General non-financial performance objectives (20%) made up most of the balance, concentrating on the achievement of desired outcomes in our relationships with our customers and our people. The remaining 5% was reserved to reward the achievement of specific personal targets set for each of the executive Directors. Full details on our bonus outcomes against targets can be found on pages 105 and 106 of the ARA 2021.

Financial performance (75%)

Financial targets were set with reference to the Board-approved plan. The 2021 scorecard was streamlined to focus on four key financial metrics to ensure the alignment of performance with achievement against strategic priorities. Within these measures, adjusted profit before tax was weighted at 35% of the total scorecard, investment performance was weighted at 20% and the remaining portion was equally split between net flows (10%) and transformation synergies (10%).

The outcomes against these financial targets can be summarised as follows:

- Adjusted profit before tax was above our stretch target.
- Investment performance was strong, with the outcome between target and stretch.
- Net flows were between threshold and target.
- Transformation synergies were fully realised, just above the stretch target.

This resulted in an overall assessment of 62.5% out of a maximum of 75% on financial measures.

Non-financial performance (25%)

The general non-financial measures focused on our Customers (12%) and our People (8%) both of which are important to the sustainability of our business.

- **Customer**: performance was assessed for each of our three distinct vectors: Investments, Adviser and Personal. The Committee took into account more than 20 performance indicators in determining that overall performance had been strong, with the outcome being agreed as 11.5% out of 12%.
- **People**: our performance against diversity targets improved compared to 2020 with a 1% increase in percentage female representation in our global workforce while maintaining target achievement for our female representation in CEO-1 and CEO-2 levels. Our employee engagement score fell short of threshold performance, reducing the overall People score to 1.5% out of 8%.

This yielded an overall assessment of 13% out of a maximum of 20% achievement on non-financial measures (excluding the personal performance outcome for each executive Director).

Details on the Committee's assessment of individual performance against personal objectives, which make up the final 5% of the bonus opportunity, are provided on page 106 of the ARA 2021. Stephen Bird was assessed to have met or exceeded his objectives across a range of deliverables with a maximum 5% vesting and Stephanie Bruce was judged to have met her objectives with a 4% outcome for this element.

Remuneration Committee assessment

To assess whether the awards generated by the scorecard were fair in the broader performance and risk context, the Committee reviewed the individual components which contributed to the delivery of this performance and the alignment of scorecard outcomes with the experience of a range of stakeholders. The Committee considered, amongst other things:

- Input from the Risk and Capital Committee and the Audit Committee. There were no items raised by these committees which warranted Remuneration Committee intervention in executive Director outcomes for 2021.
- The wider workforce context, including a material increase to the 2021 distributable bonus pool compared to 2020.
- The shareholder experience during 2021, noting that the disappointing performance of the share price during 2021 was already reflected in the significant proportion of executive Director remuneration dependent on three year Total Shareholder Return (TSR) via the Long Term Incentive Plan (LTIP).
- As in 2020, no application was made for government support to mitigate the effects of COVID-19 and dividend payments to shareholders were maintained.

Taking these and other considerations into account, the Committee concluded that the outcomes of the scorecard were fair and balanced and no adjustment to them was needed or made.

Remuneration continued

Summarising these results, the Remuneration Committee approved the following outcomes based on performance against targets:

Executive Director	Final outcome (% of max)	2021 total bonus (£000s)
Stephen Bird	**80.5%**	**1,761**
Stephanie Bruce	**79.5%**	**642**

Vesting of long term incentives

Stephanie Bruce –One-Off Deferred Award

As already disclosed in an RNS announcement on 11 August 2021, the Remuneration Committee assessed the performance condition around the vesting of the second tranche of the one-off deferred award made to Stephanie Bruce. The Committee approved the vesting level at 100% of maximum. Further detail is included on page 107of the ARA 2021.

No other long term incentive plans were due to vest for the current executive Directors as a result of performance in periods ending on 31 December 2021.

The EIP awards granted in 2019 to former executive Directors were measured against their underpin hurdles for the period ending 31 December 2021, with final vesting being assessed at 25% of the maximum award. Full details of the vesting outcome can be found on page 108 of the ARA 2021.

2021 LTIP Award

LTIP awards were made to Stephen Bird and Stephanie Bruce on 9 April 2021. Details of these awards are set out on page 108 of the ARA 2021.

Policy implementation in 2022

For the second year running the Committee decided not to increase the salaries for the executive Directors or the base fees for the non-executive Directors or the Chairman. As set out on page 114 of the ARA 2021, the supplementary fees for membership of the Audit, Remuneration and Risk and Capital Committees set in 2017 have been updated to take account of increases in workload.

In line with previous practice, we will continue to set stretching targets for the annual bonus and the LTIP to ensure that the maximum opportunity will only be earned for exceptional performance.

The scorecard for the 2022 annual bonus is detailed on page 74 and the targets, which are commercially sensitive, will be disclosed at the end of this performance year in the Annual report and accounts 2022. The scorecard retains the structure of focusing 75% of opportunity on the achievement of financial targets as set out in our Policy. As management has fully delivered against our commitment of achieving £400m of annualised synergies by the end of 2021, this target has been removed from the 2022 scorecard and the remaining metrics rebalanced.

We also decided to increase the weighting available to target ESG measures in the non-financial element of the bonus scorecard by eliminating the 5% allocation previously allocated to executive Directors' personal performance objectives. It is the Committee's view that the overall scorecard provides an appropriate basis for the assessment of the executive Directors' performance without the need for a formalised personal performance component.

Accordingly, the 25% of the 2022 bonus scorecard attributable to non-financial performance will be allocated between customer measures (12%) and ESG measures (13%).

ESG measures will include people engagement, diversity and environmental targets linked to both our impact as an investor (via reducing the carbon intensity of our portfolios) and the reduction of the environmental impact of our own operations towards net zero. The Committee has agreed a basket of key indicators in each of these areas which will allow a rounded assessment of performance to be made.

The threshold and maximum performance targets for the proposed grants under the 2022 Executive LTIP are detailed on page 104 of the ARA 2021. The three year Adjusted Diluted Capital Generation per share growth target range employed for the last reporting period was set at 8%-20% Compound Average Growth Rate (CAGR), somewhat above normal levels in the market, reflecting a low baseline in the previous year and the levels of surplus capital available in the Group. Strong financial performance in 2021 has lifted the baseline for this measure by 45%, while the capital actions undertaken over the last twelve months are expected to reduce considerably any surplus capital overhang. In light of the above, the Committee has revised the threshold and maximum levels for this measure to a three year CAGR range of 5%-15%, which is aligned with the updated business plan agreed with the Board.

The Committee also reviewed and decided to revise the TSR peer group for the Relative TSR metric, removing both T Rowe Price and Ameriprise on the basis of their different geographical focus and relatively much larger size compared to abrdn. They are replaced by Hargreaves Lansdown (given our strategic focus on Platforms) and Ninety One (reflecting our Investments vector activities), both of which are considered to be competitors for our business and talent.

The sections on pages 73 and 74 summarise both the outcomes for 2021 and also how the remuneration policy will be implemented in 2022.

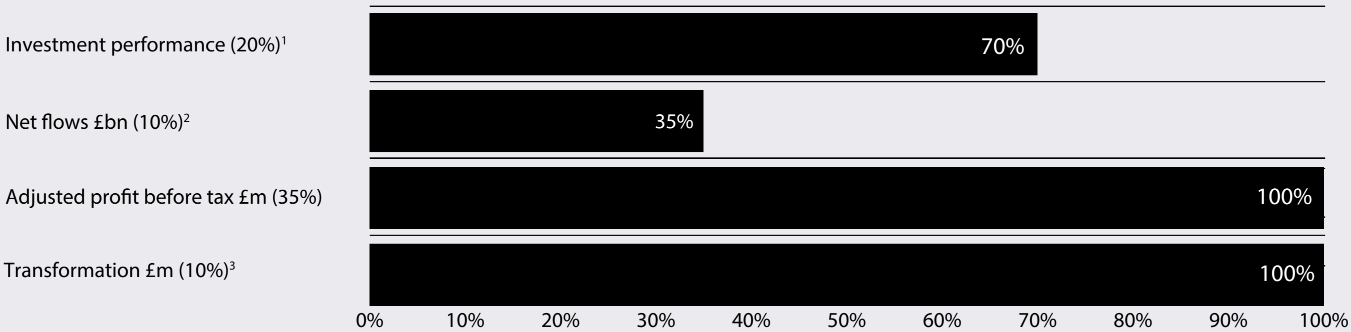
On behalf of the Board, I invite you to read our remuneration report. As always, the Committee and I remain open to hearing your views on this year's report and our remuneration policy in general.

At a glance – 2021 remuneration outcomes

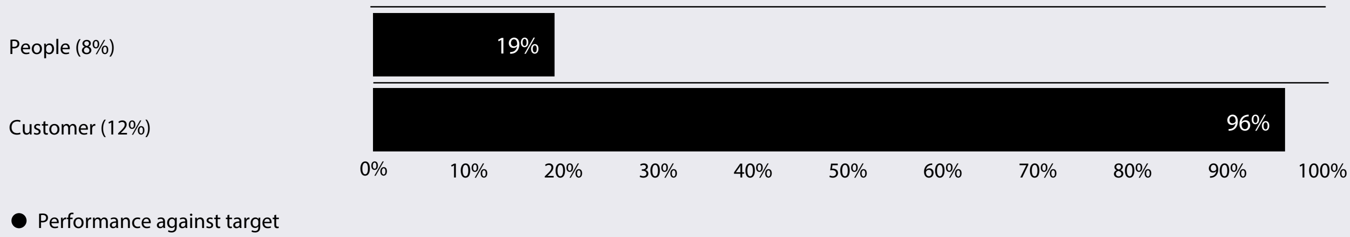
2021 Outcome of the financial and non-financial performance metrics

The following charts show performance against the target range for each of the financial and non-financial metrics which govern the annual bonus. Further detail on the assessment of the performance conditions can be found on pages 105-106 of the ARA 2021.

Performance vs Maximum (%) – Financial measures



Performance vs Maximum (%) – Non-financial measures



1. %AUM>average of 3 and 5 year benchmark for all asset classes
2. Excl. LBG tranche withdrawals and cash/liquidity
3. Annualised savings

Personal performance measures

The outcome of individual personal performance measures (5% weighting) is set out on page 106 of the ARA 2021.

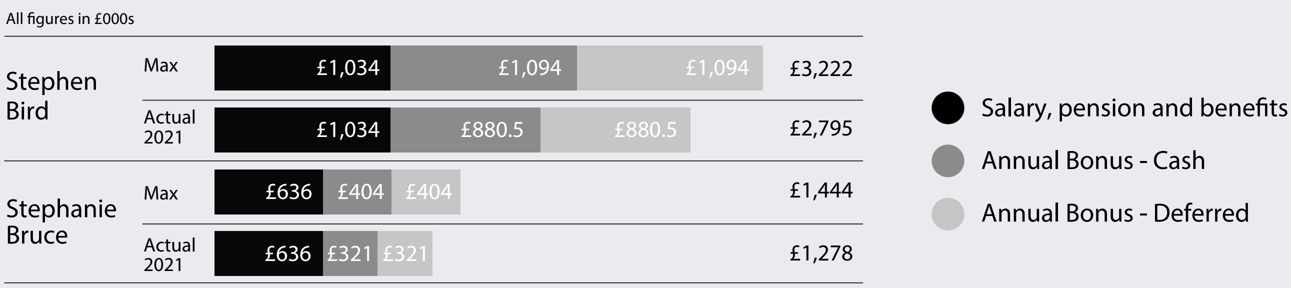
2021 annual bonus scorecard outcome

The following table sets out the final outcome for the 2021 annual bonus, including the personal performance assessment. A detailed breakdown of performance can be found on pages 105-106 of the ARA 2021.

<table>
<tr><th></th><th colspan="4">Bonus Scorecard Outcome</th><th colspan="4">Total Bonus Outcome</th></tr>
<tr><th></th><th>Financial metrics (maximum 75%)</th><th>Non-financial metrics (maximum 20%)</th><th>Personal performance (maximum 5%)</th><th>Board approved outcome (% of maximum)</th><th>Annual salary (£000s)</th><th>Maximum opportunity (% of salary)</th><th>Total award (% of salary)</th><th>Total award (£000s)</th></tr>
<tr><td>Stephen Bird</td><td rowspan="2">62.5%</td><td rowspan="2">13%</td><td>5%</td><td>80.5%</td><td>875</td><td>250%</td><td>201%</td><td>1,761</td></tr>
<tr><td>Stephanie Bruce</td><td>4%</td><td>79.5%</td><td>538</td><td>150%</td><td>119%</td><td>642</td></tr>
</table>

Total remuneration outcomes in 2021

The chart below shows the remuneration outcomes for each executive Director in 2021 based on performance compared to the maximum opportunity.



At a glance – 2022 remuneration policy implementation

This section sets out how we propose to implement our remuneration policy in 2022. The full remuneration policy can be found in the 2019 Annual Report and Accounts on pages 96-104.

Element of remuneration	Key features of operation	2022 implementation
Salary Core reward for undertaking the role	Normally reviewed annually, taking into account a range of internal and external factors.	No change to quantum 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
Annual bonus To reward the delivery of the Company's business plan	Annual performance assessed against a range of key financial and non-financial measures. At least 75% will be based on financial measures. At least 50% deferred into shares vesting in equal tranches over a three-year period. Awards are subject to malus and clawback terms.	No change to quantum Stephen Bird: 250% of salary Stephanie Bruce: 150% of salary See below for 2022 performance conditions

Performance conditions for 2022 annual bonus

Financial (75% weighting)	Investment performance, Adjusted operating profit, Net flows excluding LBG tranche withdrawals and liquidity
Non-financial (25% weighting)	Performance against Customer and ESG objectives (incorporating people engagement and diversity metrics and environmental measures)

Due to commercial sensitivity, actual targets and ranges will be disclosed at the end of the performance period. The Remuneration Committee retains an appropriate level of flexibility to apply discretion to ensure that remuneration outcomes reflect a holistic view of overall performance, including conduct and culture.

Element of remuneration	Key features of operation	2022 implementation
Long-term incentive plan To align with our 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 Stephen Bird: 350% of salary Stephanie Bruce: 200% of salary 2022 performance metrics are set out below

Performance conditions for 2022 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: Affiliated Managers, Alliance Bernstein, Amundi, Ashmore Group, DWS Group, Franklin Resources, Hargreaves Lansdown, Invesco, Janus Henderson Group, Jupiter Fund Management, Man Group, Ninety One, St James's Place, Schroders, M&G, Quilter, SEI Investments.

Element of remuneration	Key features of operation	2022 implementation
Shareholding 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 Stephen Bird: 350% of salary Stephanie Bruce: 300% of salary

Single total figure of remuneration – executive Directors (audited)

The following table sets out the single total figure of remuneration for each of the individuals who served as an executive Director at any time during the financial year ending 31 December 2021:

Executive Directors		Basic salary for year £000s	Taxable benefits in year £000s[1]	Bonus paid in cash £000s	Bonus deferred £000s	Long-term incentives with performance period ending during the year £000s	Pension allowance paid in year £000s	Fixed pay sub-total £000s	Variable sub-total £000s	Total remuneration for the year £000s
Stephen Bird[2]	**2021**	**875**	**1**	**880.5**	**880.5**	**–**	**158**	**1,034**	**1,761**	**2,795**
	2020	438	–	263.5	263.5	–	79	517	527	1,044
Stephanie Bruce	**2021**	**538**	**1**	**321**	**321**	**–**	**97**	**636**	**642**	**1,278**
	2020	535	1	189.5	189.5	–	101	637	379	1,016

1. This includes the taxable value of all benefits paid in respect of the relevant year. Included for 2021 are medical premiums at a cost to the group of £606 for executive Directors.
2. Stephen Bird was appointed on 1 July 2020 – all figures reflect amounts paid/awarded since the date of appointment.

Single total figure of remuneration – non-executive Directors (audited)

The following table sets out the single total figure of remuneration for each of the non-executive Directors who served as a Director at any time during the financial year ending 31 December 2021. Non-executive Directors do not participate in bonus or long-term incentive plans and do not receive pension funding:

Non-executive Directors		Fees for year ended 31 December £000s	Taxable benefits in year ended 31 December £000s	Total remuneration for the year ended 31 December £000s
Sir Douglas Flint[1]	**2021**	**475**	**–**	**475**
	2020	475	–	475
Jonathan Asquith	**2021**	**139**	**–**	**139**
	2020	139	–	139
John Devine	**2021**	**124**	**2**	**126**
	2020	128	–	128
Melanie Gee[2]	**2021**	**90**	**–**	**90**
	2020	113	–	113
Hannah Grove[3]	**2021**	**29**	**–**	**29**
	2020	–	–	–
Brian McBride[4]	**2021**	**121**	**–**	**121**
	2020	76	–	76
Martin Pike	**2021**	**124**	**–**	**124**
	2020	124	–	124
Cathleen Raffaeli[5]	**2021**	**149**	**–**	**149**
	2020	149	–	149
Jutta af Rosenborg	**2021**	**94**	**–**	**94**
	2020	94	–	94
Cecilia Reyes	**2021**	**94**	**9**	**103**
	2020	94	–	94

1. Sir Douglas Flint is eligible for life assurance of 4x his annual fee. This is a non-taxable benefit.
2. Stepped down from the Board with effect from 31 October 2021.
3. Appointed to the Board with effect from 1 September 2021.
4. Appointed to the Board with effect from 1 May 2020. Total fees include subsidiary Board fees of £30,000 per annum as a member of the Standard Life Savings Limited and Elevate Portfolio Services Limited Boards.
5. Total fees include subsidiary Board fees of £55,000 per annum as Chair of the Standard Life Savings Limited and Elevate Portfolio Services Limited Boards.

Consolidated financial information

Consolidated income statement

For the year ended 31 December 2021

	2021 £m	2020[1] £m
Revenue from contracts with customers	**1,685**	1,527
Cost of sales	**(142)**	(104)
Net operating revenue	**1,543**	1,423
Restructuring and corporate transaction expenses	**(259)**	(316)
Impairment of goodwill – asset management	**–**	(915)
Amortisation and impairment of other intangibles acquired in business combinations and through the purchase of customer contracts	**(99)**	(265)
Staff costs and other employee-related costs	**(604)**	(625)
Other administrative expenses	**(594)**	(595)
Total administrative and other expenses	**(1,556)**	(2,716)
Net gains on financial instruments and other income		
Fair value movements and dividend income on significant listed investments	**(227)**	65
Other net gains on financial instruments and other income	**44**	81
Total net gains on financial instruments and other income	**(183)**	146
Finance costs	**(30)**	(30)
Profit on disposal of subsidiaries and other operations	**127**	8
Profit on disposal of interests in associates	**1,236**	1,858
Loss on impairment of interests in joint ventures	**–**	(45)
Share of profit or loss from associates and joint ventures	**(22)**	194
Profit before tax from continuing operations	**1,115**	838
Tax (expense)/credit attributable to continuing operations	**(120)**	15
Profit for the year from continuing operations	**995**	853
Loss for the year from discontinued operations	**–**	(15)
Profit for the year	**995**	838
Attributable to:		
Equity shareholders of abrdn plc		
From continuing operations	**994**	848
From discontinued operations	**–**	(15)
Equity shareholders of abrdn plc	**994**	833
Non-controlling interests		
From continuing operations – ordinary shares	**1**	–
From continuing operations – preference shares	**–**	5
	995	838
Earnings per share from continuing operations		
Basic (pence per share)	**46.8**	38.5
Diluted (pence per share)	**46.0**	37.9
Earnings per share		
Basic (pence per share)	**46.8**	37.8
Diluted (pence per share)	**46.0**	37.2

1. The Group has made changes to the presentation of the consolidated income statement in 2021. Refer to Basis of preparation of the Group financial statements in the ARA 2021.

Consolidated statement of financial position
As at 31 December 2021

	2021 £m	2020 £m
Assets		
Intangible assets	**704**	501
Pension and other post-retirement benefit assets	**1,607**	1,474
Investments in associates and joint ventures accounted for using the equity method	**274**	1,371
Property, plant and equipment	**187**	236
Deferred tax assets	**168**	131
Financial investments	**4,316**	3,110
Receivables and other financial assets	**680**	621
Current tax recoverable	**2**	9
Other assets	**105**	46
Assets held for sale	**–**	19
Cash and cash equivalents	**1,904**	1,519
	9,947	9,037
Assets backing unit linked liabilities		
Financial investments	**1,430**	1,395
Receivables and other unit linked assets	**8**	8
Cash and cash equivalents	**33**	38
	1,471	1,441
Total assets	**11,418**	10,478

	2021 £m	2020 £m
Liabilities		
Third party interest in consolidated funds	**104**	77
Subordinated liabilities	**644**	638
Pension and other post-retirement benefit provisions	**38**	55
Deferred income	**5**	73
Deferred tax liabilities	**165**	66
Current tax liabilities	**27**	15
Derivative financial liabilities	**5**	13
Other financial liabilities	**1,046**	1,177
Provisions	**49**	93
Other liabilities	**8**	6
Liabilities of operations held for sale	**–**	11
	2,091	2,224
Unit linked liabilities		
Investment contract liabilities	**1,088**	1,042
Third party interest in consolidated funds	**378**	388
Other unit linked liabilities	**5**	11
	1,471	1,441
Total liabilities	**3,562**	3,665
Equity		
Share capital	**305**	306
Shares held by trusts	**(171)**	(170)
Share premium reserve	**640**	640
Retained earnings	**5,775**	4,970
Other reserves	**1,094**	1,064
Equity attributable to equity shareholders of abrdn plc	**7,643**	6,810
Other equity	**207**	–
Non-controlling interests		
Ordinary shares	**6**	3
Total equity	**7,856**	6,813
Total equity and liabilities	**11,418**	10,478

Approved by the Board and signed on its behalf by the following Directors:

Sir Douglas Flint
Chairman

28 February 2022

Stephanie Bruce
Chief Financial Officer

28 February 2022

Glossary

Adjusted net financing costs and investment return

Adjusted net financing costs and investment return (previously named Capital management) is a component of adjusted profit and relates to the return from the net assets of the shareholder business, net of costs of financing. This includes the net assets in defined benefit staff pension plans and net assets relating to the financing of subordinated liabilities.

Adjusted operating expenses

Adjusted operating expenses is a component of adjusted operating profit and relates to the day-to-day expenses of managing our business.

Adjusted operating profit

Adjusted operating profit before tax is the Group's key APM. Adjusted operating profit includes the results of the Group three growth vectors: Investments, Adviser and Personal, along with Corporate/Strategic .

It excludes the Group's adjusted net financing costs and investment return, and discontinued operations.

Adjusted operating profit also excludes the impact of the following items:

- Restructuring costs and corporate transaction expenses. Restructuring includes the impact of major regulatory change.
- Amortisation and impairment of intangible assets acquired in business combinations and through the purchase of customer contracts.
- Profit or loss arising on the disposal of a subsidiary, joint venture or equity accounted associate.
- Change in fair value of/dividends from significant listed investments.
- Share of profit or loss from associates and joint 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. For the purposes of offsetting, we include Scope 1, 2 and 3 emissions within our operational emissions.

Carbon offsetting

Carbon offsetting is an internationally recognised way to take responsibility for unavoidable carbon emissions. Carbon offsetting means that for every one tonne of offsets there will be one less tonne of carbon dioxide in the atmosphere than there would otherwise have been. To offset emissions we purchase the equivalent volume of carbon credits (independently verified emissions reductions) equal to our carbon emissions to compensate for them. The payments we make to purchase these carbon credits (carbon finance) is what makes the emissions reductions projects which created them, financially viable and sustainable. We work with ClimateCare to offset our operational greenhouse gas emissions. We offset via two verified voluntary projects: The first is a Gold Standard wind turbine project in India. The second project is a Verified Carbon Standard Climate, Carbon and Community rainforest protection project in Gola. We chose offsets that we knew were verifiable and correctly accounted for and have a low risk of non-additionality, reversal, and creating negative unintended consequences for people and the environment. ClimateCare helped create the voluntary carbon market and pioneered carbon finance for community development projects.

Chief Operating Decision Maker

The executive leadership team.

Company

abrdn plc. Standard Life Aberdeen plc was renamed abrdn plc on 2 July 2021.

Cost/income ratio

This is an efficiency measure that is calculated as adjusted operating expenses divided by fee based revenue.

CRD IV
CRD IV is the European regulatory capital regime (comprising the Capital Requirements Directive and Capital Requirements Regulation) that applied to investment firms up to and including 31 December 2021. The new IFPR regime came into force on 1 January 2022.

Director
A director of the Company.

Earnings per share (EPS)
EPS is a commonly used financial metric which can be used to measure the profitability and strength of a company over time. EPS is calculated by dividing profit by the number of ordinary shares. Basic EPS uses the weighted average number of ordinary shares outstanding during the year. Diluted EPS adjusts the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares, such as share options awarded to employees.

Effective tax rate
Tax expense/(credit) attributable to equity holders' profit divided by profit before tax attributable to equity holders' profits expressed as a percentage.

Executive leadership team
Our executive leadership team (ELT) leads the business across our growth vectors and supporting functions globally and is responsible for executing and monitoring progress on the delivery of our business plans. The ELT also ensures we meet our obligations to our clients, people, shareholders, regulators and partners.

Fair value through profit or loss (FVTPL)
FVTPL is an IFRS measurement basis permitted for assets and liabilities which meet certain criteria. Gains or losses on assets or liabilities measured at FVTPL are recognised directly in the income statement.

FCA
Financial Conduct Authority of the United Kingdom.

Fee based revenue
Fee based revenue is a component of adjusted operating profit and includes revenue we generate from asset management charges (AMCs), platform charges and other transactional charges. AMCs are earned on products such as mutual funds, and are calculated as a percentage fee based on the assets held. Investment risk on these products rests principally with the client, with our major indirect exposure to rising or falling markets coming from higher or lower AMCs. Fee based revenue is shown net of fees, costs of sale, commissions and similar charges. Costs of sale include revenue from fund platforms which is passed to the product provider.

Fee revenue yield (bps)
The average revenue yield on fee based business is a measure that illustrates the average margin being earned on the assets under management, administration or advice. It is calculated as annualised fee based revenue (excluding performance fees and revenue for which there are no attributable assets) divided by monthly average fee based assets.

Greenhouse gases
Greenhouse gases are those gaseous constituents of the atmosphere, both natural and anthropogenic, that absorb and emit radiation at specific wavelengths within the spectrum of thermal infrared radiation emitted by the earth's surface, the atmosphere itself, and by clouds. This property causes the greenhouse effect. Water vapour (H2O), carbon dioxide (CO2), nitrous oxide (N2O), methane (CH4) and ozone (O3) are the primary greenhouse gases in the earth's atmosphere. Moreover, there are a number of entirely human-made greenhouse gases in the atmosphere, such as halocarbons and other chlorine- and bromine-containing substances, dealt with under the Montreal Protocol. Beside CO2, N2O and CH4, the Kyoto Protocol deals with the greenhouse gases sulphur hexafluoride (SF6), hydrofluorocarbons (HFCs) and perfluorocarbons (PFCs).

Group or abrdn
Relates to the Company and its subsidiaries.

Growth vectors
We provide services across three growth vectors:
- **Investments:** Asset management investment solutions for institutional, wholesale and insurance clients.
- **Adviser:** Our Wrap and Elevate adviser platforms.
- **Personal:** Comprises our financial planning business and our direct-to-consumer services.

ICAAP
Internal Capital Adequacy Assessment Process. The ICAAP is the means by which the Group assesses the level of capital that adequately supports all of the relevant current and future risks in its business.

International Financial Reporting Standards (IFRS)
International Financial Reporting Standards are accounting standards issued by the International Accounting Standards Board (IASB).

Investment Firms Prudential Regime (IFPR)
The Investment Firms Prudential Regime is the FCA's new prudential regime for MiFID investment firms. The regime came into force on 1 January 2022.

Investment performance
Investment performance has been aggregated using a money weighted average of our assets under management which are outperforming their respective benchmark. Calculations for investment performance are made gross of fees with the exception of those for which the stated comparator is net of fees. Benchmarks differ by fund and are defined in the investment management agreement or prospectus, as appropriate. The investment performance calculation covers all funds that aim to outperform a benchmark, with certain assets excluded where this measure of performance is not appropriate or expected, such as private equity and execution only mandates, as well as replication tracker funds which aim to perform in line with a given index.

LBG tranche withdrawals
On 24 July 2019, the Group announced that it had agreed a final settlement in relation to the arbitration proceedings between the parties concerning LBG's attempt to terminate investment management arrangements under which assets were managed by members of the Group for LBG entities. In its decision of March 2019, the arbitral tribunal found that LBG was not entitled to terminate these investment management contracts. The Group had continued to manage approximately £104bn (as at 30 June 2019) of assets under management (AUM) for LBG entities during the period of the dispute. Approximately two thirds of the total AUM (the transferring AUM) will be transferred to third party managers appointed by LBG through a series of planned tranches from 24 July 2019. During this period, the Group will continue to be remunerated for its services in relation to the transferring AUM.

Net flows
Net flows represent gross inflows less gross outflows or redemptions. Gross inflows are new funds from clients. Gross outflows or redemptions is the money withdrawn by clients during the period.

Net zero
Net zero is the target of completely negating the amount of greenhouse gases produced by human activity, to be achieved by reducing emissions to the lowest possible amount and offsetting (see carbon offsetting) only the remainder as a last resort.

Net Zero Direct Investing
Net Zero Directed Investing means moving towards the goal of net zero in the real world - not just in specific investment portfolios. At abrdn we seek to achieve this goal through a holistic set of actions, including rigorous research into net-zero trajectories, developing net-zero-directed investment solutions and active ownership to influence corporates and policy makers.

Operational emissions
Operational emissions are the greenhouse gas emissions related to the operations of our business. They are categorised into three groups or 'scopes'. Scope 1 covers direct emissions from owned or controlled sources. Scope 2 covers indirect emissions from the generation of purchased electricity, steam, heating and cooling consumed by the reporting company. Scope 3 includes all other indirect emissions that occur in a company's value chain. At abrdn we report Scope 1, Scope 2, and Scope 3 emissions, which includes our working from home emissions.

Paris alignment
'Paris alignment' refers to the alignment of public and private financial flows with the objectives of the Paris Agreement on climate change. Article 2.1c of the Paris Agreement defines this alignment as making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development. Alignment in this way will help to scale up the financial flows needed to strengthen the global response to the threat of climate change.

Phoenix or Phoenix Group
Phoenix Group Holdings plc or Phoenix Group Holdings plc and its subsidiaries.

Pillar 1
Under CRD IV, Pillar 1 focuses on fixed overhead requirements and the Group's exposure to credit and market risks in respect of risk-weighted assets, and sets a minimum requirement for capital based on these measures.

Pillar 2
The requirement for companies to assess the level of additional capital held against risks not covered in Pillar 1.

Pillar 3
This complements Pillar 1 and Pillar 2 with the aim of improving market discipline by requiring companies to publish certain details of their risks, capital and risk management. The latest available Group's Pillar 3 disclosures are published at **www.abrdn.com/annualreport**

Significant listed investments
Relates to our investments in HDFC Asset Management, HDFC Life and Phoenix. Fair value movements and dividend income relating to these investments are treated as adjusting items for the purpose of determining the Group's adjusted profit.

Subordinated liabilities
Subordinated liabilities are debts of a company which, in the event of liquidation, rank below its other debts but above share capital.

Shareholder information

Registered office

1 George Street
Edinburgh
EH2 2LL
Scotland

Company registration number: SC286832

For shareholder services call: 0371 384 2464*

* Calls are monitored/recorded to meet regulatory obligations and for training and quality purposes. Call charges will vary.

Secretary: Kenneth A Gilmour

Registrar: Equiniti

Auditors: KPMG LLP

Solicitors: Slaughter and May

Brokers: JP Morgan Cazenove, Goldman Sachs

Shareholder services

We offer a wide range of shareholder services. For more information, please:

– Contact our registrar, Equiniti, who manage this service for us. Their details can be found on the inside back cover.
– Visit our share portal at **www.abrdnshares.com**

Sign up for Ecommunications

Signing up means:

– You'll receive an email when documents like the annual report and accounts, Half year results and AGM guide are available on our website.
– Voting instructions for the Annual General Meeting will be sent to you electronically.

Set up a share portal account

Having a share portal account means you can:

– Manage your account at a time that suits you.
– Download your documents when you need them.

To find out how to sign up, visit **www.abrdnshares.com**

Preventing unsolicited mail

By law, the Company has to make certain details from its share register publicly available. As a result it is possible that some registered shareholders could receive unsolicited mail, emails or phone calls. You could also be targeted by fraudulent 'investment specialists', clone firms or scammers posing as government bodies e.g. HMRC, FCA. Frauds are becoming much more sophisticated and may use real company branding, the names of real employees or email addresses that appear to come from the company. If you get a social or email message and you're unsure if it is from us, you can send it to **emailscams@abrdn.com** and we'll let you know.

You can also check the FCA warning list and warning from overseas regulators, however, please note that this is not an exhaustive list and do not assume that a firm is legitimate just because it does not appear on the list as fraudsters frequently change their name and it may not have been reported yet.

www.fca.org.uk/consumers/unauthorised-firms-individuals

www.iosco.org/investor_protection/?subsection=investor_alerts_portal

You can find more information about share scams at the Financial Conduct Authority website **www.fca.org.uk/consumers/scams**

If you are a certificated shareholder, your name and address may appear on a public register. Using a nominee company to hold your shares can help protect your privacy. You can transfer your shares into the Company-sponsored nominee – the abrdn Share Account – by contacting Equiniti, or you could get in touch with your broker to find out about their nominee services.

If you want to limit the amount of unsolicited mail you receive generally, please visit **www.mpsonline.org.uk**

Financial calendar

Full year results 2021	1 March
General Meeting - London	15 March
Ex-dividend date for 2021 final dividend	7 April
Record date for 2021 final dividend	8 April
Last date for DRIP elections for 2021 final dividend	4 May
Annual General Meeting – Edinburgh	18 May
Dividend payment date for 2021 final dividend	24 May
Half year results 2022	9 August
Ex-dividend date for 2022 interim dividend	18 August
Record date for 2022 interim dividend	19 August
Last date for DRIP elections for 2022 interim dividend	7 September
Dividend payment date for 2022 interim dividend	27 September

Analysis of registered shareholdings at 31 December 2021

Range of shares	Number of holders	% of total holders	Number of shares	% of total shares
1-1,000	60,076	64.94	24,459,705	1.12
1,001-5,000	27,550	29.78	56,631,157	2.60
5,001-10,000	2,769	2.99	18,497,090	0.85
10,001-100,000	1,574	1.70	38,775,420	1.78
#100,001+	538	0.59	2,042,361,414	93.65
Total	**92,507**	**100.00**	**2,180,724,786**	**100.00**

These figures include the Company-sponsored nominee – the abrdn Share Account – which had 942,539 participants holding 642,153,852 shares.

Forward-looking statements

This document may contain certain 'forward-looking statements' with respect to the financial condition, performance, results, strategy, targets, objectives, plans, goals and expectations of the Company and its affiliates. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts.

Forward-looking statements are prospective in nature and are not based on historical or current facts, but rather on current expectations, assumptions and projections of management of the abrdn Group about future events, and are therefore subject to risks and uncertainties which could cause actual results to differ materially from the future results expressed or implied by the forward-looking statements.

For example but without limitation, statements containing words such as 'may', 'will', 'should', 'could', 'continue', 'aims', 'estimates', 'projects', 'believes', 'intends', 'expects', 'hopes', 'plans', 'pursues', 'ensure', 'seeks', 'targets' and 'anticipates', and words of similar meaning (including the negative of these terms), may be forward-looking. These statements are based on assumptions and assessments made by the Company in light of its experience and its perception of historical trends, current conditions, future developments and other factors it believes appropriate. Each forward-looking statement speaks only as of the date of particular statement and the events discussed herein may not occur.

By their nature, all forward-looking statements involve risk and uncertainty because they are based on information available at the time they are made, including current expectations and assumptions, and relate to future events and/or depend on circumstances which may be or are beyond the Group's control, including among other things: the direct and indirect impacts and implications of the COVID-19 (coronavirus) outbreak on the economy, nationally and internationally, and on the Group, its operations and prospects; UK domestic and global political, economic and business conditions, competitive, market and regulatory forces (such as the UK's exit from the EU); market related risks such as fluctuations in interest rates and exchange rates, and the performance of financial markets generally; the impact of inflation and deflation; the impact of competition; the timing, impact and other uncertainties associated with future acquisitions, disposals or combinations undertaken by the Company or its affiliates and/or within relevant industries; experience in particular with regard to mortality and morbidity trends, lapse rates and policy renewal rates; the value of and earnings from the Group's strategic investments and ongoing commercial relationships; default by counterparties; information technology or data security breaches (including the Group being subject to cyberattacks); operational information technology risks, including the Group's operations being highly dependent on its information technology systems (both internal and outsourced); natural or man-made catastrophic events; the impact of pandemics, including the COVID-19 (coronavirus) outbreak; climate change and a transition to a low-carbon economy (including the risk that the Group may not achieve its targets); exposure to third party risks including as a result of outsourcing; the failure to attract or retain necessary key personnel; the policies and actions of regulatory authorities (including changes in response to the COVID-19 (coronavirus) outbreak and its impact on the economy); and the impact of changes in capital, solvency or accounting standards, and tax and other legislation and regulations (including changes to the regulatory capital requirements that the Group is subject to or changes in connection with the COVID-19 (coronavirus) outbreak) in the jurisdictions in which the Company and its affiliates operate. As a result, the Group's actual future financial condition, performance and results may differ materially from the plans, goals, objectives and expectations set forth in the forward looking statements.

The Company, nor any of its associates, directors, officers or advisers, provides any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this document will actually occur. Persons receiving this document should not place reliance on forward-looking statements. All forward-looking statements contained in this document are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. Each forward-looking statement speaks only as at the date of the particular statement. Neither the Company nor its affiliates assume any obligation to update or correct any of the forward-looking statements contained in this document or any other forward-looking statements it or they may make (whether as a result of new information, future events or otherwise), except as required by law. Past performance is not an indicator of future results and the results of the Company and its affiliates in this document may not be indicative of, and are not an estimate, forecast or projection of, the Company's or its affiliates' future results.

Notes

Contact us

Got a shareholder question? Contact our shareholder services team.

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* Calls may be monitored and/or recorded to protect both you and us and help with our training. Call charges will vary.

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Please remember that the value of shares can go down as well as up and you may not get back the full amount invested or any income from it. All figures and share price information have been calculated as at 31 December 2021 (unless otherwise indicated).

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