Resilience from diversification

Strategic report and financial highlights 2022

abrdn plc

abrdn.com

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

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

This Strategic report and financial highlights 2022 for abrdn plc contains extracts from the Group's Annual report and accounts (ARA) 2022, 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 2022 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.

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

APMs should be read together with the Group's consolidated income statement, consolidated statement of financial position and consolidated statement of cash flows, which are presented in the Group financial statements section of the ARA 2022. The revenue APM included within adjusted operating profit has been renamed from fee based revenue to net operating revenue. Further details on APMs are included in Supplementary information in the ARA 2022.

See Supplementary information in the ARA 2022 for details on assets under management and administration (AUMA), net flows and the investment performance calculation. The calculation of investment performance has been revised to use a closing AUM weighting basis. 2021 comparatives have been restated. Net flows in the Highlights page excludes liquidity flows as they are volatile and lower margin. It also excludes Lloyds Banking Group (LBG) tranche withdrawals relating to the settlement of arbitration with LBG.

The auditors' report on the full accounts for the year ended 31 December 2022 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.

Adjusted operating profit APM
£263m
2021: £323m

IFRS (loss)/profit before tax
(£615m)
2021: £1,115m

Full year dividend per share
14.6p
2021: 14.6p

Investment performance
(% of AUM above benchmark over three years)
65%
2021: 78%

Net flows
(Excl. liquidity and LBG)
£10.3bn outflow
2021: £3.2bn outflow

MSCI ESG Rating
AAA
2021: AA

Contents

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

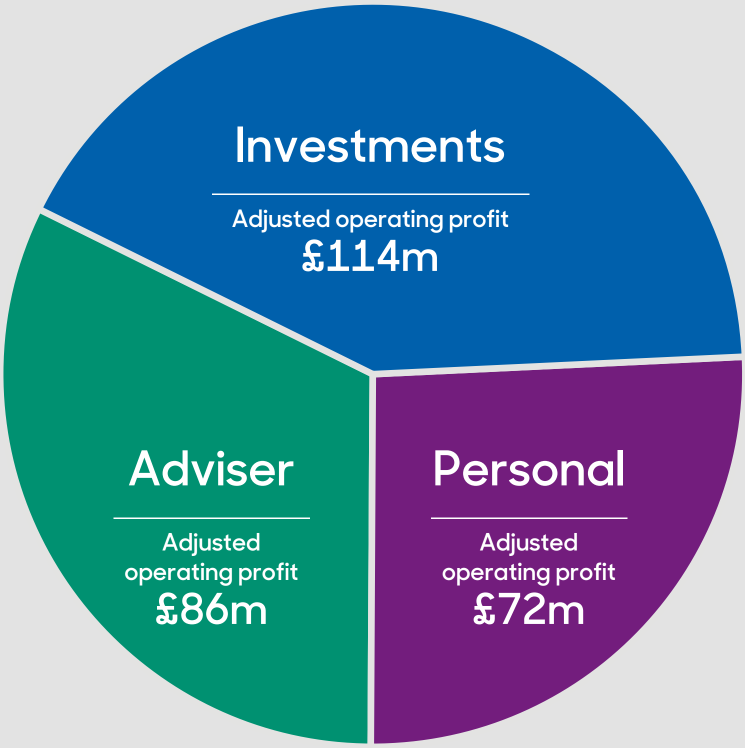
Download this report from: www.abrdn.com/annualreport

Resilience from diversification

Our clients' worlds are changing, and so are we

Global investments	UK savings and wealth platforms	
Investments	**Adviser**	**Personal**
– Insurance companies – Sovereign wealth funds – Independent wealth managers – Pension funds – Platforms – Banks – Family offices	– Financial advisers – Discretionary fund managers	– Individuals

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



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

Our strategy is to deliver client-led growth

Our four strategic priorities are

- Asia
- Sustainability
- Alternatives
- UK savings and wealth

Our three businesses are

Investments

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

AUM	Cost/income ratio
£376bn	89%

Adviser

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

AUA	Cost/income ratio
£69bn	54%

Personal

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

AUMA	Cost/income ratio
£67bn	64%

Our purpose is to enable our clients to be better investors

Progressing against our strategic priorities

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

Sir Douglas Flint Chair

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

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

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

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

We adjusted our business model to meet our clients' needs

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

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

Embedding resilience as our three-vector model takes additional shape

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

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

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

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

Financial performance reflects expanded Personal and Adviser contributions

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

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

Continuing strong capital management discipline

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

Board matters

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

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

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

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

Looking forward to a more sustainable world

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

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

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

Against the many current challenges lie the opportunities – addressing climate change both in mitigation and solution requires trillions of dollars of investment annually for the next three decades at least; reconfiguring supply chains, building security of supply for energy and food, replacing inefficient infrastructure for transportation and energy supply and distribution, funding the science base and applied research needed to create the solutions not available today, rebuilding Ukraine – all of these add further billions of dollars of investment demand in the coming years. The investment industry is better equipped than ever to steward capital into productive assets that meet society's expectations of it.

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

Well-positioned for 2023

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

Sir Douglas Flint
Chair

A stronger abrdn is emerging

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

Key highlights

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

The global economy changed dramatically during 2022

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

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

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

Building a stronger business model

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

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

2022 performance shows our growing resilience

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

The adjusted operating profit for Adviser and Personal combined increased by £76m including a £67m contribution from seven months of ii. With the Investments vector impacted by market conditions, these businesses contributed 76% of adjusted operating profit in H2 2022, clearly demonstrating the benefits of the new abrdn model.

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

Scaling-up our UK savings and wealth businesses

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

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

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

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

Refocusing Investments

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

We have a long heritage in public markets, including through our capabilities in Asia and emerging markets and our strong fixed income franchise. Although 2022 has been a challenging year, particularly for equities, we are well placed to benefit from evolving conditions in China and in the bond markets. Our already strong position in alternatives is growing. Here we manage around £87bn in assets in areas such as real estate, infrastructure, logistics and private credit. A highlight has been the performance of Tritax which saw c25% growth in average AUM last year.

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

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

Disciplined management and deployment of capital

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

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

Progress on climate

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

We are targeting a 50% reduction in the carbon intensity of our portfolios by 2030 versus a 2019 baseline. We are on track with a 27% reduction across in-scope public market portfolios as at 31 December 2022 and a 31% reduction for in-scope real estate as at 31 December 2021. Assets in scope for our target represent 30% of our total AUM. This is driven by data availability, maturity of methodologies and control over decision making (more on page 38). We recognise that methodologies may continue to evolve over time and we will review our approach as appropriate. We have also been developing our net zero solutions, including an Active Climate Transition proposition in equities and fixed income. In compliance with level one of the EU's Sustainable Finance Disclosures Regulation (SFDR), we have also been converting our range of SICAV funds to comply with SFDR Article 8 and 9 – reflecting the importance of ESG considerations in the investment opportunities we seek. In 2022 we converted 27 of our funds to Article 8 and 9. In Asia, one of our key growth markets, we launched our MyFolio Sustainable Index range of funds during 2022, and our Sustainability Institute is helping us hone our expertise to deliver for our clients.

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

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

Building a culture that supports colleagues and delivers for clients

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

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

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

It's critical that diverse perspectives have an active voice in decision-making processes. I'm pleased that we've reduced our gender pay gap for the fifth year in a row, and that we have more women on our Board, in senior leadership and in investment decision-making roles. But there is still much more to do. Our industry and our wider talent pipeline need to be more representative of the diverse society we live in, and we're focused on facing up to this.

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

Focusing on the future

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

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

Stephen Bird
Chief Executive Officer

Building a stronger business model

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

Our areas of strength

Global investment capabilities with expertise in a range of asset classes.

No.1 adviser platform by AUA in the UK powered by leading technology.

Broad capabilities in the UK wealth market including ii, the UK's second largest direct-to-consumer investment platform.

Sustainable investment considerations integral to our investment process.

Enduring client relationships built on trust and experience.

Strong capital resources to drive shareholder value.

Channelled through our three businesses

Investments

Collaborating across multiple capabilities creates forward-thinking investment solutions to meet clients' needs.

Adviser

Leading platform for advisers in the UK, continuously improving solutions to create a seamless experience that empowers them to work efficiently and at scale.

Personal

Offering a range of financial services to support clients at all stages of their financial journey.

How we make money

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

How we operate

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

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

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

Delivering value for our stakeholders

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

65%

Three-year investment performance

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

50%

Employee engagement score

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

No.1

Ranked asset manager by World Benchmarking Alliance

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

14.6p

Full year dividend

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

Diversified client-led strategy for growth

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

1. Asia

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

2. Sustainability

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

2022 progress

- Refreshed the leadership of our Client Group in Asia Pacific, with new heads of Wholesale, Institutional, Marketing and Client Servicing.
- Focused our regional footprint by exiting Taiwan and Australia and introducing distribution partnership models.
- Improved the performance of our flagship funds – including our Asia-ex Japan Equity funds, which have outperformed their benchmarks over three years; and our China A Sustainable Equity fund, which is top quartile over one, three and five years for funds in its sector.

- Launched our MyFolio Sustainable Index range in support of clients' ESG goals.
- Converted 27 funds within our SICAV range to meet the requirements for Article 8 and 9 funds under the Sustainable Finance Disclosure Regulation (SFDR).
- Emerging Markets Sustainable Development Corporate Bond fund passed through the $100m mark in its first year.
- Initiated a two-year engagement programme with the highest-financed emitters in our equity holdings, identifying clear milestones.

3. Alternatives

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

4. UK savings and wealth

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

2022 progress

– Within real assets, our logistics and industrials AUM has risen since the acquisition of Tritax to £16.9bn.
– Launched Inflation-Linked Infrastructure Debt fund in November 2022.
– Continued to grow our real estate footprint by partnering with the John Lewis Partnership to build 1,000 residential rental homes in the UK.
– Became largest external investor in regulated digital securities exchange Archax and joined the governing council of distributed ledger technology firm Hedera.

– Acquisition of ii transformed our position in the UK savings and wealth market, delivered a significant acceleration of group revenue diversification and brought over 400,000 new customers to the abrdn group.
– ii launched Investor Essentials, a part of its subscription service designed to appeal to investors with less to invest and those at the beginning of their investment lifecycles.
– Remained the only platform business 'A' rated for financial strength by leading independent consultancy firm AKG – with financial strength a key consideration for advisers when selecting their primary platform.

Performance impacted in a difficult macroeconomic environment

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

Financial performance summary

£1,456m

Net operating revenue[1]

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

£263m

Adjusted operating profit

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

82%

Cost/income ratio

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

(£615m)

IFRS loss before tax

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

(£10.3bn)

Net outflows (excl. liquidity and LBG tranche withdrawals)

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

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

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

Capital performance summary

£0.7bn

Surplus regulatory capital

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

£1.3bn

Value of listed stakes

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

£300m

Shareholder return programme

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

£1.7bn

Cash and liquid resources

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

14.6p

Full year dividend per share

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

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

Refocusing our Investments business

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

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

Chris Demetriou
CEO, UK, EMEA and Americas, Investments

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

René Buehlmann
CEO, Asia Pacific, Investments

Highlights

£88bn
Leading active Asia and emerging markets manager[1]

£145bn
AUM from insurance clients

£120bn
AUM from our fixed income capabilities[2]

Investment performance

1 year
41%
(2021: 66%)[3]

3 years
65%
(2021: 78%)[3]

5 years
58%
(2021: 77%)[3]

Read more about investment performance on page 55.

1. Refers to total assets invested in Africa & Middle East, Asia Pacific and Latin America.
2. Includes Insurance assets.
3. The calculation of investment performance has been revised to use a closing AUM weighting basis. 2021 comparatives have been restated. See page 55 for more information.

Our investment capabilities

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

Public markets AUM[1]
£289bn

Alternatives AUM[1]
£87bn

Our broad global reach and expertise[2]

1. Public markets and Alternatives AUM includes Insurance assets.
2. AUM is based on client domicile and revenue is allocated based on legal entity revenue recognition. Revenue is shown for the Investments business only, see Note 2(c) of the Group financial statements in the ARA 2022 for a breakdown of total group revenue by geographical location.

Our capabilities

Public markets

Fixed income

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

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

Equities

Our equities franchise is organised into two segments.

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

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

Multi-asset

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

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

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

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

Alternatives

Real assets

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

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

Private credit

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

Private equity

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

Hedge funds and ETFs

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

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

Our progress in 2022

Achieving strategic clarity

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

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

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

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

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

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

Simplifying our business

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

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

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

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

Evolving our client proposition

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

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

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

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

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

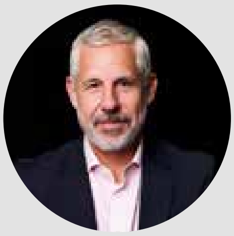
We are strengthening our position in the development of the digital assets ecosystem, establishing partnerships to help our clients benefit from the digital assets value chain. In becoming the largest external investor in Archax, the UK's first regulated exchange and trading platform designed to bring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

Our strategic focus for 2023

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

Growing from a market-leading position

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



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

Noel Butwell
CEO, Adviser

50%
of UK advice businesses use our platforms

430,000
customers

2,600
Adviser firms

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

No. 1 for AUA
13% market share

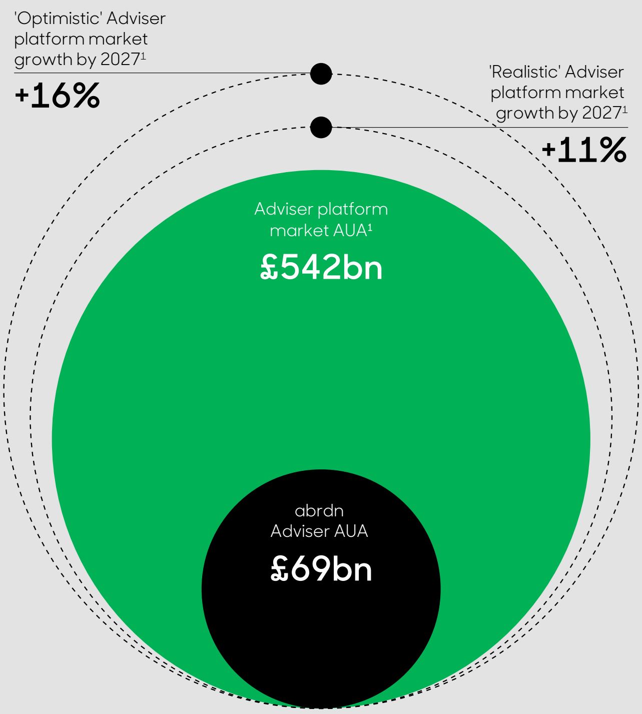
97%
client retention rate for our primary partners

Platinum rated by AdviserAsset and Gold rated by Defaqto

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

A compelling market opportunity

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

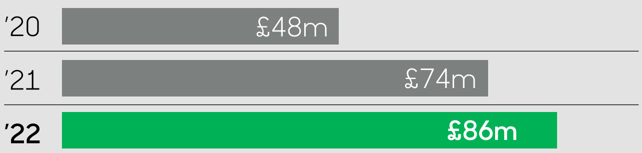


Performance overview

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

AUA
£69bn

Adjusted operating profit
£86m



1. Source: Fundscape Q3/Q4 2022 releases.

A compelling market opportunity

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

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

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

Growing from a market-leading position

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

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

We have focused our proposition on the top five things that advisory businesses tell us they value when they are selecting their primary platform. They want:
- good online functionality
- financial strength and stability
- lower overall cost
- efficient administration
- a full range of wrappers.

Today we have a strong position in this space, with tools and technology underpinning our operating model. Our Adviser Experience Programme is driving us further forward, with huge strides being made in these key areas. Despite some challenges around timescales, the recent delivery of technology enhancements to our platforms will further support advisers to unlock capacity and grow their client bases:
- Our online functionality continually evolves, from the basics of the look and feel moving to modern processes, to the rewiring of journeys to remove unnecessary steps or make them more intuitive.
- As we grow the functionality we further improve the value for money.
- We have invested in our service technology, with clients able to benefit from new contact centre tools, rich management information and tracking, and we are pushing this further with fully online processes and transaction tracking.
- We have added the Junior ISA, with more to come including the Junior SIPP and access to third-party products.
- We are the only platform A-rated for financial strength by AKG, an independent organisation offering assessments, information and support to the financial services industry.
- We are targeting world-class customer satisfaction scores, building on our end of 2022 Net Promoter Score of 57 and Customer Satisfaction Score of 95%.

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

Our progress in 2022

1 Putting our strength to work for advisers and their clients

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

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

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

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

2 Performance and efficiency in a challenging environment

We are building on our Adviser Experience Programme to drive growth in gross and net flows, through a focus on three key pillars:
- Expanding wrappers per customer amongst our existing base.
- Increasing the number of primary firms we partner with (46% of AUA at the end of 2022 was from our primary partners).
- Growing our adviser base through advocacy and experience.

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

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

3 Measuring our progress

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

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

Our strategic focus for 2023

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

A leading direct-to-consumer business

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

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

Richard Wilson
CEO, Personal

AUMA

£67bn

'20	£13bn	
'21	£14bn	
'22	£13bn / £54bn	Total £67bn

Adjusted operating profit

£72m

'20	(£5m)	
'21	£8m	
'22	£5m / £67m	Total £72m

● Personal Wealth
● ii (7 months)

interactive investor

402,000
Total customers

29,000
New customers added in 2022

£435
Revenue per customer

£134,000
Industry-leading AUA per customer

17.3k
Daily average retail trading volumes

Personal Wealth

27,000
Clients[1]

£440m
Financial planning gross flows to abrdn Wrap

Top 10
UK financial planning platform for gross flows (Finscape, 2022)

interactive investor

Focus on ii

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

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

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

Financial performance

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

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

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

Key operational metrics:

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

ii performance highlights (full 12 months)

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

1. Includes double count of clients of both the discretionary and financial planning businesses.
2. Adjusted operating profit for FY 2021 has been presented to exclude losses relating to Share Limited ('Share') to provide a more meaningful comparison to the go-forward position. The FY 2021 adjusted operating profit of £45m excludes losses relating to Share of £9m while part of this business was wound down. Including losses from Share, the FY 2021 adjusted operating profit was £36m. The FY 2022 impact was £nil. See Section 9.1.4 of Supplementary information in the ARA 2022 for further details.
3. Net operating revenue includes trading transactions, subscription fees and treasury income. See Section 9.1.4 of Supplementary information in the ARA 2022.
4. Cash dividends which are retained on the ii platform are included in net flows for the ii business. See the Glossary for further details.

Transforming our position in the UK savings and wealth market

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

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

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

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

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

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

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

A resilient operating model benefiting from strong operational leverage

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

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

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

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

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

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

Our progress in 2022

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

1 Strengthening our platform

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

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

The strength of the platform has also been recognised externally:

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

2 Compelling pricing

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

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

3 Evolving the customer base

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

- ii has substantially increased the scale of our Personal vector, adding over 400,000 customers.
- While the impact of market conditions and increasing economic uncertainties meant that customer numbers remained relatively flat during 2022, ii has seen a continuing trend for a reduction in customer lapse rates – the rate at which customers choose not to renew their accounts – across all segments. In 2022, ii added 29.2k new customers. This was offset by customer lapses. After several years of acquiring customers through customer book acquisitions, ii's customer lapsing rates remained inflated in 2022 from the natural lapsing and inactivity of some low value acquired customers. Acquired customers were migrated from Share Centre and EQi in 2021 and in 2022 books had lapse rates of 12%, compared to the wider customer base where lapsing was 5%.
- ii's focus on its SIPP continues. ii has 51.5k SIPP customers, which represents 13% of ii's customer base, and there is potential for that to increase significantly to peer levels which are around 25-30%. SIPP customer lapse rates are significantly lower than non-SIPP holding customers.
- The launch of Investor Essentials allows ii to attract a new customer demographic. This plan is designed to appeal to investors with less to invest and those at the beginning of their investment lifecycles. This product is well positioned to deliver strong customer growth and we also expect ii to be able to upsell these customers to its full offering during their investment journey.

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

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

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

Our strategic focus for 2023

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

Strategic focus on sustainability

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

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

Stephen Bird
Chief Executive Officer

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

Climate change continued to dominate the sustainability landscape in 2022, with extreme weather devastating many parts of the globe. At the same time, it is estimated that over 90% of global GDP has been committed to net zero[1]. However, there is increasing scepticism around the credibility of decarbonisation actions towards net zero by 2050. COP27 was an important milestone focused on addressing climate justice and adaptation but did little to provide the credible policy incentives needed to limit warming to 1.5°C. However, we saw encouraging progress in moving action forward to preserve natural capital through the Global Biodiversity Framework.

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

Evolving our transparency

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

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

Taking collective action

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

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

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

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

Environment
Progress and ambition

Our focus

- Reducing the carbon intensity of our portfolios and absolute emissions from our direct operations.
- Acting as a positive catalyst for the net zero transition and influencing real-world decarbonisation.

Our targets

- Reduction of the carbon intensity of assets we invest in by 50% by 2030 from a 2019 benchmark. In-scope assets for this target represent 30% of our total AUM with Phoenix accounting for 30% of the total public market assets in-scope as at 31 December 2022. Read more on page 38.
- We are targeting net zero[1] by 2040 in our direct operations, with an interim target of a 50% emissions reduction by 2025 versus our 2018 base year. Read more on page 39.

Our progress

- We set our target for the reduction of the carbon intensity of assets we invest in 2021 and report our first progress against this target. As at 31 December 2022, in-scope public market portfolios achieved a carbon intensity reduction of 27% versus a 2019 baseline. As at 31 December 2021, in-scope real assets achieved a 31% reduction in carbon intensity versus a 2019 baseline.
- We have reduced our operational emissions by 56% since 2018 (2021: 62%), with emissions from business travel increasing in 2022 following the easing of travel-related restrictions associated with the COVID-19 pandemic.

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

Social
Inclusivity and opportunity

Our focus

- Increasing diversity, equity, and inclusion at all levels, and in all areas, of our business.
- Supporting a fairer and more inclusive society and creating opportunities for our communities.

Our targets

- Board and senior leadership targets of 40% women, 40% men and 20% any gender by 2025.
- Equal gender representation in our global workforce by 2025 (+/-3% tolerance).
- One additional board member who identifies as ethnic minority by 2025.

Our progress

- Board comprised 45% women, 55% men and Senior Leadership comprised 39% women, 61% men at 31 December 2022.
- Gender representation of global workforce was 43% women, 57% men at 31 December 2022.
- We have reduced our UK gender pay gap for the fifth year in a row and are listed as having the highest percentage of female fund managers of any large firm in Citywire's Alpha Female Report.
- 52% of graduates joined abrdn from a diversity partnership in 2022 (up from 37% in 2021).
- We continued to support tomorrow's generation through our charitable giving. More on this on page 43 and in our Sustainability and TCFD report at **www.abrdn.com/annualreport**

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

Governance
Integrity and transparency

Our focus

- Operating with integrity and transparency at all levels of our business.
- Continuing to integrate sustainability risks and opportunities into our strategy and decision-making.

Our progress

- In 2022 we integrated climate-related performance metrics into our executive remuneration scorecard. The scorecard continues to include people metrics. Read more on pages 103 to 130 in the ARA 2022.
- We received a AAA MSCI ESG Rating in April 2022 and continue as constituents of the Dow Jones Sustainability Indices (DJSI) in the 2022 assessment year.

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

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

Our commitment to tackling climate change

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

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

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

It is important to reflect that this process will not be linear and that a credible transition requires real-world decarbonisation, not just in portfolios. Our climate strategy therefore centres on active investments in transition leaders and backing firms on paths from high to low carbon intensity. It is not enough to simply divest from carbon intensive companies, which is why a focus on transition credibility is key to our process. We assess this through proprietary analysis and through direct engagement with our highest-financed emitters where we believe we can actively influence decision-making[1].

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

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

Statement of the extent of consistency with the TCFD framework

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

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

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

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

What is net zero?

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

1. Highest-financed emitters refers to the absolute tonnes of CO_2 equivalent that are financed across both equity and credit holdings. The metric attributes ownership of emissions based on the percentage of enterprise value including cash (EVIC) owned by the investor.

Governance

Our approach

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

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

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

The Board's role in oversight

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

Our Chief Executive Officer takes responsibility for climate-related risks and opportunities and is incentivised, alongside our Chief Financial Officer, through climate-related remuneration targets in variable bonus scorecards, which is aligned to company objectives and set by our Remuneration Committee (more detail on pages 103 to 130 in the ARA 2022).

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

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

Management's role in assessment

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

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

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

Our wider sustainability expertise

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

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

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

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

Overview of climate-related risks and opportunities

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

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

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

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

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

Climate-related opportunities			Potential financial impact to abrdn
Transition	Products and services	Development of lower carbon products and services	Revenue opportunity from demand for lower-carbon products and services and products with enhanced sustainability performance
	Resource efficiency	Move to more efficient buildings	Reduced operational costs, increased quality of working environment
		Use of more efficient modes of transport	Reduced operating costs
		Use of more efficient technology	Reduced operational costs of technology

Additional detail in our Sustainability and TCFD report.

Building a more resilient strategy using climate scenario analysis

Taking a long-term view

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

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

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

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

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

Resilience of our strategy against climate scenarios

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

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

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

Our climate scenario analysis journey to date

2020	Feb 2021	Nov 2021	Feb 2022	May 2022	2023
Research and year one analysis	Publication of our first white paper	Research and year two analysis	Focus on sovereign bonds	Focus on APAC energy transition	Year three analysis and platform expansion

Strategic decarbonisation

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

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

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

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

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

Our operational climate strategy

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

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

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

1 Decarbonisation

We are committed to tracking and reducing the average carbon intensity of our portfolios where data is available. That means continuing to incorporate carbon analysis into our investment process and supporting credible transition leaders and climate solutions. We have set decarbonisation targets for our investments and operations, which we report on in pages 38 to 39.

2 Providing net zero solutions

We are committed to increasing the proportion of assets flowing into our climate solutions. Around 30% of our AUM is currently expected to be managed in line with net zero 2050. This has still to be reflected in mandates and we aim to increase this by continuing actively engage with our clients, developing capacity to identify climate solutions and supporting net zero goals with our fund range.

3 Active ownership

We engage with our highest-financed emitters in our equity holdings and seek transparency against transition milestones, which are assessed against relevant standards and our own credibility assessment framework. We support credible transition and use our influence via regular engagement and voting, where we have voting rights.

Climate-related risk management

Identifying and assessing climate-related risks and opportunities

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

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

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

Acknowledging the accelerating scrutiny

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

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

Our management in practice

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

Managing climate-related risks

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

Looking ahead toward a changing landscape

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

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

Integration into overall risk management

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

Investment integration

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

Research is the foundation of our approach to understanding and managing climate-related risks and opportunities. Our research provides insights on regulatory and industry trends across regions. It also helps us understand the physical and transition risks and opportunities, enabling us to take informed decisions about how and where to invest.

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

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

Our climate change toolkit

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

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

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

Our existing toolkit:

Carbon metrics

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

Climate policy index

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

Climate scenario analysis platform

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

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

ESG House Score

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

Credibility assessments

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

Our role as active owners

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

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

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

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

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

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

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

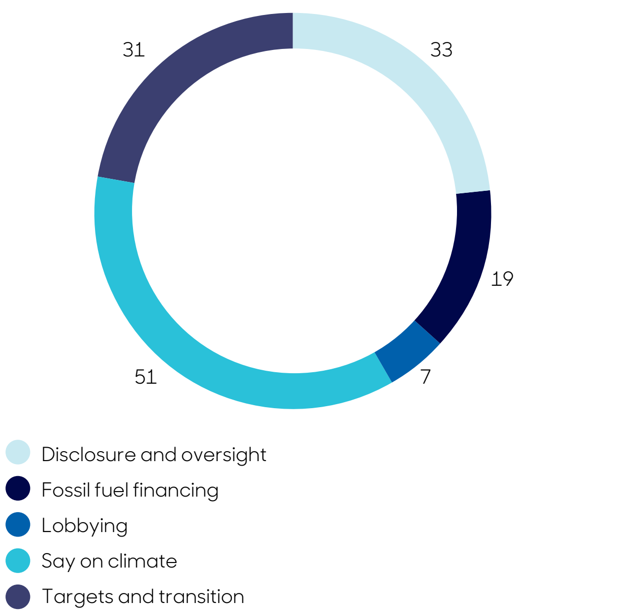
Exercising voting and ownership rights

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

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

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

Climate change resolutions 2022



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

Collaboration and influence

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

Decarbonisation of investments

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

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

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

Updating on our progress

Net Zero Directed Investing means moving towards the goal of net zero in the real world - not just in specific investment portfolios.

At abrdn we seek to achieve this goal through a holistic set of actions. This includes rigorous research into net zero trajectories, developing net zero-directed investment solutions and active ownership to influence corporates and policy makers. We monitor our progress in aggregate using our decarbonisation target.

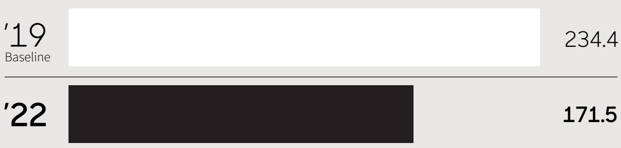
We have a duty to our clients to consider climate risks and opportunities, which we believe is part of long-term performance, but we will not impose carbon targets on funds unless desired by our clients. Therefore, some asset classes and funds may contribute more towards our reported target than others.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

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

Using metrics to support daily decision-making

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

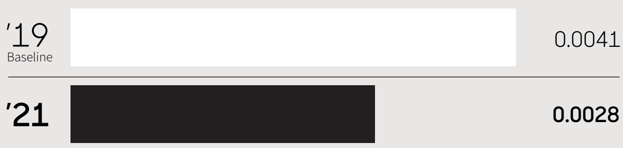
WACI (tCO_2e/$m Revenue) Scope 1 & 2: Public markets decarbonisation (28% AUM)



Weighted Average Carbon Intensity (WACI)
Calculates the weighted average emissions of a portfolio normalised by revenue.

$$\sum \left(\frac{\text{Investment in the company}}{\text{Portfolio value}} \right) \times \left(\frac{\text{Company emissions}}{\text{Company revenue}} \right)$$

Carbon Intensity (kgCO2e/£GAV) Scope 1 & 2: Real estate decarbonisation (2% AUM)[1]



Carbon Intensity
Calculates the emissions of a portfolio normalised by gross asset value.

$$\frac{\text{Real estate emissions}}{\text{Gross asset value}}$$

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

Our operational targets and emissions

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

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

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

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

Year-on-year commentary

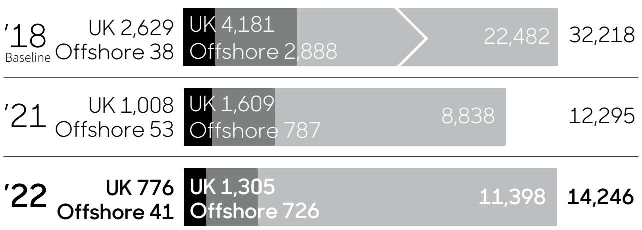
In 2021 we reported a 62% reduction in our operational emissions versus our 2018 base year, noting material reductions, influenced by the pandemic, to business travel and energy use in our offices. Our expectation was that these emissions would increase as colleagues spent more time in offices and travel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

Our methodology and future intent

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

Total CO_2 emissions (tonnes)[2]

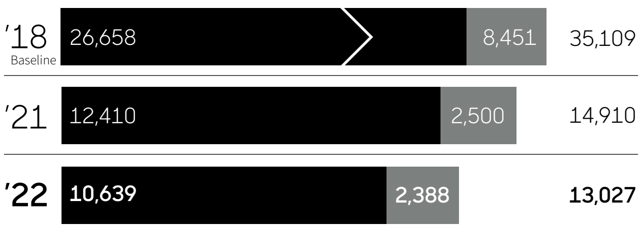
14,246



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

Total energy consumption (kWh '000s)[2]

13,027



- UK
- Offshore

1. Based on FTE at 31 December 2022 of 5,130 (2021: 4,964).
2. Scope 1, 2, and some Scope 3 categories have been independently assured by Bureau Veritas. Bureau Veritas assurance is included in the Sustainability and TCFD report at **www.abrdn.com/annualreport**

Diverse leaders

We have set 2025 targets to improve diversity across abrdn

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

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

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

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

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

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

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

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

Board and executive management gender representation[1]

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

Board and executive management ethnic representation[4]

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

Global representation against targets

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

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

1. Gender data for Board is self-reported, and for executive management is obtained from existing employee data set and includes Executive Leadership Team and Company Secretary, excluding administration roles.
2. Senior positions on Board are Chief Executive Officer, Chief Financial Officer, Senior Independent Director and Chair.
3. Relates to the Executive Leadership Team including Company Secretary and excluding administration roles.
4. Ethnicity data for Board and executive management including Company Secretary and excluding administration is self-reported (using local census data categories and collected where legally possible).
5. Includes one individual based in a country where we do not collect diversity data.
6. Relates to leaders one and two levels below CEO, excluding administration roles.
7. Relates to Directors of the Company's direct subsidiaries as listed in Note 45 (a) of the Group financial statements in the ARA 2022 and not classified above as Board Directors or senior leadership.
8. 60 colleagues without gender data on our people system are excluded from the headcount data.

Our people

We create opportunities for our people to thrive, giving them the environment, tools and support to feed their curiosity, achieve their ambitions and make a difference in what they do

Our progress against targets

Creating opportunities for our people starts with identifying where we need to take action to tackle underrepresentation at different levels across our business. Our public targets address gender and ethnic representation at Board level and enhanced gender representation for our senior leaders and global workforce (page 40). Our approach aligns with best practice and our performance is incentivised through our executive director scorecard (pages 103 to 130 in the ARA 2022).

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

Identifying, attracting and retaining talent

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

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

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

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

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

Our way of working

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

Networks: inclusive safe spaces

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

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

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

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

Listening to feedback and responding with action

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

76%
of colleagues believe abrdn is an inclusive organisation

Over
1,600
colleagues are members of our networks globally

Our latest engagement survey

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

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

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

Building our culture

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

In 2022 we started a piece of work to define our culture and alongside our Executive team, we worked with hundreds of colleagues across the global business to build a set of cultural commitments. These are aspirational statements which will help us create a business that all our people want to work for, to shape what it feels like to be a colleague at abrdn and create an environment where everyone can fulfil their full potential. We also trained a group of internal facilitators to help support conversations and the embedding of our commitments across the organisation.

Our commitments

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

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

- **Think and act like an owner:** We think commercially about where we focus our time, effort and money to get the return on investment for our stakeholders.
- **Focus on client and customer needs:** We are continuously learning what our clients and customers need, so they are at the heart of our decisions.
- **Get it done together**: By executing at pace and working across teams to deliver better outcomes, faster.
- **Build the future now:** We are being bold in building today what stakeholders need tomorrow by challenging the status quo and adapting quickly.

Our role in our communities

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

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

Supporting tomorrow's generation

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

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

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

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

Focus on volunteering

Enabling our colleagues to support causes close to them is a key part of our giving strategy. All colleagues[1] have the opportunity to take up to three volunteering days annually and we enhance their support through company matching initiatives, including payroll matched giving for UK colleagues. We want to encourage our people to be part of our local communities, so our volunteering leave policy extends to time spent outside of usual working hours. We have set a goal to increase the proportion of colleagues engaging with charitable causes and prioritise partnerships with clear opportunities to develop meaningful connections.

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

The abrdn Yearbook

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

Stakeholder engagement

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

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

Identifying our stakeholders

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

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

Section 172 statement

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

Our Board has responsibility to consider matters that include the:

- Likely consequences of any decisions in the long term.
- Interests of the company's employees.
- Need to foster the company's business relationships with suppliers, customers and others.
- Impact of the company's operations on the community and environment.
- Desirability of the company maintaining a reputation for high standards of business conduct.
- Need to act fairly between members of the company.

The Board has discussed these obligations throughout the year, including how stakeholder engagement is incorporated into our long-term decision-making. You can read further details on pages 74 to 78 in the ARA 2022.

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

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

You can read more about how the Board engaged with and considers the interest of stakeholders on pages 74 to 78 in the ARA 2022.

Clients

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

How we engage

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

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

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

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

Showcasing our ESG insights

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

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

Shareholders

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

How we engage

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

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

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

Non-financial information

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

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

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

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

Measuring our progress

Global code of conduct

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

Respect for human rights

We are committed to identifying and upholding the human rights of our people, clients, communities and everyone impacted by our suppliers, partners and the companies we invest in. In our investments, we use our internally developed human-rights index to help identify high risk geographies, and we have published position statements on integrating human rights into our investment approach. We also publish the outcomes of our engagements with investee companies, including engagements on human rights matters in our annual Stewardship Report. Our Modern Slavery Statement sets out our approach to tackling all forms of modern slavery. This ranges from human trafficking and forced labour, to bonded labour and child slavery. We are particularly alert to the human-rights risks from interconnected supply chains and our annual statement reports additional information on the actions we are taking, as we take steps to enhance our due diligence, track specific metrics, and support third party suppliers with fair and inclusive practices. More detail at **www.abrdn.com/annualreport**

Financial crime prevention

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

Mandatory compliance training

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

Non-financial and sustainability information statement

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

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

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

Our key performance indicators

Net operating revenue[1] KPI APM
£1,456m

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

Adjusted operating profit KPI APM
£263m

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

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

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

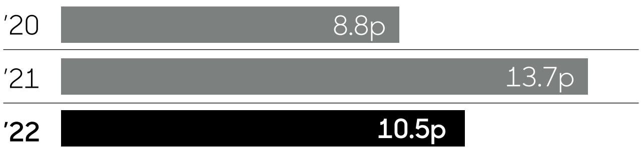
Adjusted capital generation KPI APM
£259m

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

Cost/income ratio KPI APM
82%

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

Adjusted diluted earnings per share KPI APM
10.5p



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

Full year dividend per share KPI
14.6p

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

Investment performance[2] KPI

(Percentage of AUM above benchmark over three years)

65%

'20	66%
'21	78%
'22	**65%**

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

Employee engagement survey KPI

50%

'20	72%
'21	51%
'22	**50%**

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

Other indicators

AUMA

£500bn

'20	£535bn
'21	£542bn
'22	**£500bn**

Gross inflows

£69.0bn

'20	£74.3bn
'21	£72.3bn
'22	**£69.0bn**

Net flows – Total

(£37.9bn)

'20	(£29.0bn)
'21	(£6.2bn)
'22	**(£37.9bn)**

Net flows – excl. liquidity and LBG tranche withdrawals

(£10.3bn)

'20	(£12.3bn)
'21	(£3.2bn)
'22	**(£10.3bn)**

IFRS diluted earnings per share

(26.8p)

'20	37.9p
'21	46.0p
'22	**(26.8p)**

APM **Alternative performance measures**

We assess our performance using a variety of performance measures including APMs such as cost/income ratio, adjusted operating profit, adjusted profit before tax and adjusted capital generation.

APMs should be read together with the Group's IFRS financial statements. Further details of all our APMs are included in Supplementary information in the ARA 2022.

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

Stephanie Bruce Chief Financial Officer

Performance impacted in a difficult macroeconomic environment

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

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

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

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

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

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

Drivers of revenue performance in 2022

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

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

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

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

Changing nature of our flows during 2022

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

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

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

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

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

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

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

Continued reshaping of operating expenses

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

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

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

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

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

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

Disciplined approach to capital allocation delivers shareholder value

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

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

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

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

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

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

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

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

Looking forward

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

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

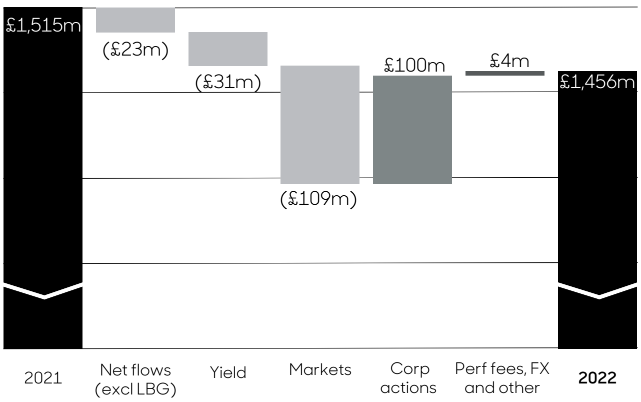
Results summary

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

The IFRS loss before tax was £615m (2021: profit £1,115m) largely due to adjusting items of £868m:
- Impairments of goodwill and customer intangibles were £369m (2021: £nil). See page 59 for more details.
- Losses of £187m (2021: losses £298m) from the change in fair value of significant listed investments (HDFC Asset Management, HDFC Life and Phoenix) as a result of the fall in the share price of these companies in 2022.
- Restructuring expenses were £169m (2021: £224m). Corporate transaction expenses were £45m (2021: £35m) reflecting principally the acquisition of ii.
- Adjusting items in 2021 benefited from a profit on disposal of interests in associates of £1,236m.

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

Net operating revenue[1]



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

Adjusted operating expenses

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

Adjusted operating expenses were broadly flat after the inclusion of £47m of ii expenses for the post acquisition period, reflecting:
- 3% lower staff costs (excluding variable compensation and ii), with the benefit of lower FTEs (14%), partly offset by wage inflation.
- Lower variable compensation in line with Investments vector performance.
- 6% increase in non-staff costs, principally due to ii. Excluding ii, non-staff costs increased by 1% with cost savings offset by the impact of inflation, IT costs associated with regulatory change and c£20m from adverse FX movements.

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

1. The revenue metric included within adjusted operating profit has been renamed from fee based revenue to net operating revenue. For 2022 this measure is aligned to net operating revenue as presented in the IFRS consolidated income statement. For 2021 this measure of segmental revenue excludes £28m of net operating revenue as presented in the IFRS consolidated income statement which was classified as adjusting items. See page 177 in the ARA 2022 for more information.
2. This reflects the estimated impact on net operating revenue of net outflows in both current and prior years, as a percentage of prior year revenue.
3. See Supplementary information in the ARA 2022 for a reconciliation to IFRS staff and other employee related costs.

Investments

Adjusted operating profit
£114m

Net operating revenue
£1,070m

Net operating revenue yield
25.4bps

Net flows (excl liquidity & LBG)
(£13.4bn)

	Total		Institutional and Wholesale		Insurance	
	2022	2021	2022	2021	2022	2021
Net operating revenue[1]	**£1,070m**	£1,231m				
Adjusted operating expenses	**(£956m)**	(£978m)				
Adjusted operating profit	**£114m**	£253m				
Cost/income ratio	**89%**	79%				
Net operating revenue yield	**25.4bps**	25.9bps	**36.1bps**	38.8bps	**10.5bps**	10.0bps
AUM	**£376bn**	£464bn	**£231bn[2]**	£253bn	**£145bn[2]**	£211bn
Gross flows	**£59.3bn**	£63.4bn	**£36.5bn**	£41.9bn	**£22.8bn**	£21.5bn
Redemptions	**(£100.3bn)**	(£74.0bn)	**(£48.1bn)**	(£47.0bn)	**(£52.2bn)**	(£27.0bn)
Net flows	**(£41.0bn)**	(£10.6bn)	**(£11.6bn)**	(£5.1bn)	**(£29.4bn)**	(£5.5bn)
Net flows excluding liquidity[3]	**(£37.8bn)**	(£7.6bn)	**(£8.4bn)**	(£2.1bn)	**(£29.4bn)**	(£5.5bn)
Net flows excluding liquidity and LBG[3,4]	**(£13.4bn)**	(£7.6bn)	**(£8.4bn)**	(£2.1bn)	**(£5.0bn)**	(£5.5bn)

Investments vector faced market headwinds

Adjusted operating profit

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

Net operating revenue

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

Institutional and Wholesale

Net operating revenue

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

Revenue yield

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

Gross flows

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

Net flows

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

1. Includes performance fees of £30m (2021: £46m).
2. Following completion of the LBG tranche withdrawals, the remaining LBG AUM of c£7.5bn which has been retained was reallocated to quantitatives in Institutional/Wholesale.
3. Institutional and Wholesale liquidity net flows excluded.
4. Flows excluding LBG do not include the tranche withdrawals of £24.4bn (2021: £nil) relating to the settlement of arbitration with LBG.

Insurance

Net operating revenue

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

Revenue yield

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

AUM

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

Gross flows

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

Net flows

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

Investment performance

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

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

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

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

1. The calculation of investment performance has been revised to use a closing AUM weighting basis. 2021 comparative has been restated. We believe that this approach provides a more representative view of current investment performance. Calculations for investment performance are made gross of fees except where the stated comparator is net of fees. Benchmarks differ by fund and are defined in the investment management agreement or prospectus, as appropriate. These benchmarks are primarily based on indices or peer groups. Further details about the calculation of investment performance including the revised methodology are disclosed in the Supplementary information section in the ARA 2022.

Adviser

Adjusted operating profit
£86m

Net operating revenue
£185m

Net operating revenue yield
26.1bps

Net flows
£1.6bn

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

Resilient performance from leading Adviser platforms

Adjusted operating profit

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

Net operating revenue

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

Revenue yield

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

AUA

- 10% decrease in 2022 due to adverse markets, partly offset by net inflows.
- Retained our number one position in UK adviser platform market by AUA[1].

Gross flows

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

Net flows

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

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

Personal

Adjusted operating profit **£72m**

Net operating revenue **£201m**

Net operating revenue yield **59.2bps**

Net flows **£1.9bn**

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

Accelerating revenue diversification with acquisition of ii

Adjusted operating profit

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

Net operating revenue

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

Revenue yield

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

AUMA

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

Gross and net flows

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

1. Net operating revenue yield is shown for Personal Wealth only. Revenue for interactive investor is not aligned with AUA and therefore revenue yield is not presented.
2. Cash dividends which are retained on the ii platform are included in net flows for the ii business. See the Glossary for further details.
3. Results for interactive investor included following the completion of the acquisition on 27 May 2022.

Overall performance

Adjusted operating profit
£263m

IFRS loss before tax
(£615m)

Adjusted capital generation
£259m

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

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

Adjusted net financing costs and investment return

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

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

1. Investments net flows exclude Institutional/Wholesale liquidity and LBG tranche withdrawals.
2. Adjusted operating loss consists of net operating revenue £nil (2021: £14m) and adjusted operating expenses £9m (2021: £26m). 2022 comprises of only certain corporate costs. 2021 also included the Parmenion business which was held for sale. The sale of Parmenion completed in June 2021.

Adjusting items

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

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

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

Restructuring and corporate transaction expenses were £214m, comprising restructuring costs of £169m in severance, platform transformation and specific costs to effect savings in Investments, and £45m of corporate transaction costs largely in relation to the ii acquisition. Further details are included in the Supplementary information section in the ARA 2022.

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

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

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

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

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

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

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

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

See pages 172 and 186 in the ARA 2022 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 2022.

Tax policy

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

Tax expense

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

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

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

Total tax contribution

Total tax contribution is a measure of all the taxes abrdn pays to and collects on behalf of governments in the territories in which we operate. Our total tax contribution was £443m (2021: £447m). Of the total, £186m (2021: £190m) was borne by abrdn whilst £257m (2021: £257m) represents tax collected by abrdn on behalf of the tax authorities. Taxes borne mainly consist of corporation tax, employer's national insurance contributions and irrecoverable VAT. The taxes collected figure is mainly comprised of pay-as-you-earn deductions from employee payroll payments, employees' national insurance contributions, VAT collected and income tax collected on behalf of HMRC on platform pensions business.

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

Earnings per share

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

Dividends

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

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

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

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

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

Return of capital

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

Capital and liquidity

Adjusted capital generation

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

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

Net movement in IFPR surplus regulatory capital

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

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

Analysis of movements in surplus regulatory capital (IFPR basis)	2022 £bn	2021 £bn
Opening surplus regulatory capital[1]	**1.8**	1.2
Sources of capital		
Adjusted capital generation	**0.3**	0.4
HDFC Life, HDFC Asset Management and Phoenix sale proceeds	**0.8**	0.9
Parmenion and Bonaccord sale proceeds	**-**	0.1
Issuance of AT1 debt	**-**	0.2
Uses of capital		
Restructuring and corporate transaction expenses (net of tax)	**(0.2)**	(0.2)
Dividends	**(0.3)**	(0.3)
Acquisition of interactive investor[2]	**(1.4)**	-
Acquisitions of Tritax and Finimize	**-**	(0.3)
Share buyback	**(0.3)**	-
Other	**-**	(0.2)
Closing surplus regulatory capital	**0.7**	1.8

1. The Group reported capital under CRD IV until 31 December 2021. 2021 figures are therefore indicative.
2. Acquisition price of £1.5bn less capital resources acquired.

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

Note 43 of the Group financial statements in the ARA 2022 includes a reconciliation between IFRS equity and surplus regulatory capital and details of our capital management policies.

Cash and liquid resources and distributable reserves

Cash and liquid resources remained robust at £1.7bn at 31 December 2022 (2021: £3.1bn) following the £1.5bn ii acquisition. These resources are high quality and mainly invested in cash, money market instruments and short-term debt securities. Further information on cash and liquid resources, and a reconciliation to IFRS cash and cash equivalents, is provided in Supplementary information in the ARA 2022.

At 31 December 2022, distributable reserves were £3.2bn (2021: £2.8bn), benefiting in July 2022 from a £1.1bn transfer from the capital redemption reserve.

IFRS net cash flows

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

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

IFRS net assets

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

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

Viability statement

Longer-term prospects

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

The Group's prospects are primarily assessed through the strategic and business planning process. These prospects have been enhanced as a result of actions taken during the year, in particular the acquisition of interactive investor.

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

In forming their assessment of the Group's longer-term prospects, the Directors have also taken into account:
- The Group's capital position as set out on page 61.
- The Group's substantial holdings of cash and liquid resources as well as holdings in listed equity investments, as set out on page 61.
- The Group's principal and emerging risks as set out on pages 64 to 67.

Assessment of prospects

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

Viability

The Directors consider that three years is an appropriate period for assessing viability as this is in line with the horizon used for our business planning and stress testing and scenario analysis processes.

In considering the viability statement, the Board performed a thorough assessment of the Group's principal risks in order to understand potential vulnerabilities for the business. In addition to this, the Directors assessed the Group's viability taking into account:
- Output from the Group's business planning process.
- Results from the Group's stress testing and scenario analysis programme.
- Results from the Group's reverse stress testing exercise.
- Work performed in connection with the UK's FCA and PRA rules on operational resilience.

The **business planning process** includes the projection of profitability, regulatory capital and liquidity over a three year period, based on a number of assumptions. This includes assumptions regarding the economic outlook which reflect various factors including the changing market conditions following the significant geopolitical and economic developments of 2022.

The Group has no debt maturing over the next three years and, based on business planning projections, there is no expectation that the Group will need to draw down on its £400m revolving credit facility described on page 234 in the ARA 2022.

The Group's **stress testing and scenario analysis programme** applies severe stresses to the business plan to understand the Group's financial resilience. This includes (i) exploring the impacts of market-wide stresses, (ii) stresses that are specific to abrdn, and (iii) stresses that combine both these elements. Whilst all of the Group's principal risks could potentially impact on the Group's financial resilience, our combined stress testing scenarios focused on those risks expected to have the most significant impact:
- Financial risk was considered under a range of stresses to market levels, flows, and margins. The scenarios that were explored included revenue reductions due to (i) equity markets falling approximately 22% in Q1 2023 and net outflows occurring over the planning horizon reducing the year end AUMA by up to 11% and (ii) the UK Base rate falling to 0.1% by Q1 2024.
- Operational risks were considered in the context of the Group incurring £40m of operational losses which were assumed to represent the cumulative impact of a number of severe losses across a range of principal risk categories, such as: process execution and trade errors, technology risk, security and resilience risk, or fraud and financial crime risks.

All the scenarios explored resulted in the Group experiencing reduced profitability and, in some cases, losses over the planning horizon. Projections of capital and liquid resources fell as a result of these losses.

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

In the event that the Group was to experience more severe stresses than those explored under the Group's stress testing and scenario analysis programme, the Group has a diverse range of management actions it would be able to take, including a number of sizeable management actions wholly within the Group's control. This includes drawing down on the revolving credit facility, reducing discretionary expenditure, and dividend management actions.

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

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

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

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

The exercise found that equity market falls required to threaten viability were viewed as being very remote. This, and the Group's range of mitigants in place to respond to the scenario, supports the assessment of viability and no qualification is considered necessary.

Over recent years the Group has also explored reverse stress tests including the failure of a critical third party administrator in the Investments vector, the loss of critical staff and a significant cyber attack. The work performed concluded that these events had a low likelihood of occurrence and were not considered likely to threaten the Group's viability. These conclusions are considered to remain valid.

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

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

The Group has identified the important business services that it provides to clients and customers and, during 2022, performed operational stress testing against a severe but plausible operational scenario to determine whether the Group could remain within the set impact tolerances. This work highlighted that the Group's important business services could operate within the set impact tolerances and there was no threat to the Group's viability.

Assessment of viability

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

Managing risk for better outcomes

Our approach to risk management

A clear and effective Enterprise Risk Management (ERM) framework underpins our commitment to put clients and customers first and safeguard the interests of our shareholders. Our Board has ultimate responsibility for risk management and oversees the effectiveness of our ERM framework.

ERM framework

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

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

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

Business risk environment

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

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

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

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

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

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

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

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

Evolving and emerging risks

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

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

Sustainability risks[1]

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

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

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

Principal risks and uncertainties

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

Risk to our business	How we manage this risk
1 Strategic risk	
– These are risks that could prevent us from achieving our strategic aims and successfully delivering our business plans. – These could include failing to meet client expectations, poor strategic decision-making or failure to adapt.	We continued to develop our single global brand during 2022. As well as materially diversifying our revenue base, the acquisition of interactive investor further strengthened our position in the marketplace. Each of our vectors has a clear organic growth strategy. Inorganic growth, such as through acquisitions, is rigorously assessed, drawing on market intelligence, for its contribution to our core strategy and the opportunities it presents to help us better understand different client needs.
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 enabled the acquisition of interactive investor and the launch of a share buyback programme during the year while still maintaining a strong capital position.	Business planning and stress testing is used to project our financial resources under a range of scenarios and confirm the financial resilience of our business. During 2022 we had the first year of operation of the UK Investment Firms Prudential Regime which determines regulatory capital and liquidity requirements for the group and a number of its key entities. We monitor the adequacy of our financial resources in line with regulatory requirements and also taking into account risk events which either occur or are classed as near misses. Our Treasury Policy includes minimum standards for managing liquidity, market and counterparty risks, including the credit quality of our counterparties.
3 Conduct risk	
– Our business relies on our ability to deliver good service and fair client and customer outcomes, and there is a risk that we fail to achieve this through our operational activities and the implementation of our change programmes. – This could lead to customer and client harm, reputational damage and loss of income.	Being client and customer-led is an essential aspect of our culture. This means having a continuous focus on client and customer outcomes in all that we do. Our ERM framework supports the management of conduct risk with clear expectations around conduct goals and responsibilities. In 2022 we refreshed our framework for managing conflicts of interest and launched a programme to implement the FCA's new Consumer Duty.
4 Regulatory and legal risk	
– High volumes of regulatory change can create interpretation and implementation risks. – Compliance failures can lead to poor customer and client outcomes, sanctions, reputation damage and income loss. – During 2022 the company managed a heavy programme of regulatory implementation, including in relation to ESG investment, anti-money laundering, operational resilience, fund liquidity risk management and the new Consumer Duty.	We monitor the regulatory landscape globally using an automated scanning tool. This allows us to identify potential areas of change early and communicate internally as required. We also invest in compliance and monitoring activity across the business. The evolution of regulatory divergence between the UK and EU rulebooks is a particular focus for the group in view of our business footprint. Our relationships with key regulators are based on trust and transparency while our compliance and legal teams support senior managers across our business.

Operational risks (5-12)

Risk to our business	How we manage this risk
5 Process execution and trade errors	
– This is the risk that processes, systems or external events could produce operational errors. Some of these errors can arise from operational complexity and manual activity. – During 2022 there was continued management focus on process execution and trade errors.	We have well-established disciplines for managing incidents, risk events and issues. We monitor underlying causes of error to identify areas for action, promoting a culture of accountability and continuously improving how we address issues. Any systems outages were dealt with using established incident management processes. Many of our business improvement initiatives are aimed at reducing complexity and where possible eliminating manual activity. Incidents that adversely impact our clients are investigated and appropriate remedial actions taken.
6 People	
– In line with the wider economy, employee turnover has increased in all regions as a consequence of tight labour markets conditions, increases in the cost of living and continued labour market adjustment following the pandemic. – The risk associated with increased turnover includes knowledge loss, operational inefficiencies and the potential for fraud. – Engaging with our people, and supporting their wellbeing, is critical to our strategy and the success of our business.	We have responded to increased competition for talent in our industry, using targeted approaches to support retention and recruitment for our key business functions. Since the onset of the pandemic we have successfully adapted, providing online tools to support collaboration and moving our learning and development offering online.
7 Technology	
– There is a risk that our technology may fail to keep pace with business needs. There is also the significant risk of unauthorised access of our systems and cyber-attack. – These risks are relevant to a wide range of potential threats to the business including internal failure, external intrusion, supplier failure and weather events. – Our current IT estate is complex and there are dependencies on third party suppliers that need to be managed in a dedicated way.	We have an ongoing programme to invest in and enhance our IT infrastructure controls. We benchmark our IT systems environment to identify areas for improvement and further investment. We maintain heightened vigilance for cyber intrusion, with dedicated teams monitoring and managing cyber security risks. We carry out regular testing on penetration and crisis management.
8 Security and resilience	
– Incidents that can impact business resilience and continuity include environmental issues, terrorism, economic instabilities, cyber-attacks and operational incidents. – The risk of disruption from inside the organisation is broadly stable. However, tools for exploiting IT vulnerabilities are becoming more widely available globally and are frequently used by criminal groups to enable ransomware attacks.	We continue to enhance our operational resilience framework and strengthen our response to disruption. Crisis management and contingency planning processes are regularly reviewed and tested, enabling us to minimise disruption as the balance of hybrid working has shifted over the year. We completed our programme to implement FCA/PRA Operational Resilience regulations, which came into force during 2022.

Risk to our business	How we manage this risk
9 Fraud and financial crime	
– As a business that handles clients' money, we are exposed to the risk of fraudulent and dishonest activity. – As we engage with a wide number of external parties, we have to be vigilant to the risk that these parties are connected with criminal behaviour, or subject to sanctions by national or global authorities.	Processes are in place to identify client activity linked with financial crime, globally. These include controls for anti-money laundering, anti-bribery, fraud and other areas of financial crime. A company-wide programme to invest in systems, controls and processes to improve our management of these risks is in progress. During 2022 significant work was carried out globally to revise and implement consistent anti-money laundering and sanctions policies and standards. This included a targeted remediation, to these standards, of the due diligence information held for high risk customers. We continue to work with the financial authorities and our industry peers to assist those targeted by scams.
10 Change management	
– As a diverse, global investment firm, we are continually implementing change to improve our business or meet regulatory expectations. As well as being costly, failure to deliver change effectively can lead to poor client and customer outcomes and/or regulatory non-compliance.	For major change projects, we have established governance processes with ring-fenced project resources and clearly defined roles across the three lines of defence.
11 Third party management	
– We outsource various activities to third party suppliers who specialise in the delivery of certain services. While managing resource, specialisation and cost risks in this way, we are exposed to a variety of delivery, regulatory and reputational risks as a result.	Our Third Party Risk Management framework is well embedded and continues to evolve in line with external developments, industry practice and regulatory developments. We monitor the quality of third party oversight and take actions where weaknesses are identified. We actively monitor delivery from third parties and take action where we have concerns.
12 Financial management process	
– We have extensive financial reporting obligations to clients, customers, shareholders, regulators and other stakeholders. Failures in these processes could impact decision-making and lead to regulatory and litigation risk.	Our financial reporting activities align to external reporting standards and industry best practice. These activities are subject to extensive Internal control and appropriate governance.

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

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

Board of Directors

Our business is overseen by our Board of Directors. Biographical details (and shareholdings) of the Directors as at 28 February 2023 are listed below.

Sir Douglas Flint CBE – Chairman

Appointed to the Board	**Age**
November 2018	67
Nationality	**Shares**
British	200,000
Board committees:	NC

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

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

Previously, Sir Douglas served as Group Chairman of HSBC Holdings plc from 2010 to 2017. For 15 years prior to this he was HSBC's group finance director, joining from KPMG where he was a partner. From 2005 to 2011 he also served as a non-executive director of bp plc. He has extensive experience of business in Asia, having been a member of both the Mayor of Shanghai and Mayor of Beijing's Advisory Boards. He also served as HM Treasury's Special Envoy for Financial and Professional Services to China's Belt and Road Initiative between 2017 and 2022.

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

Stephen Bird – Chief Executive Officer

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

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

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

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

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

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

Stephanie Bruce – Chief Financial Officer

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

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

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

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

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

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

Key to Board committees

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

Jonathan Asquith – Non-executive Director and Senior Independent Director

Appointed to the Board	**Age**
September 2019	66
Nationality	**Shares**
British	153,714
Board committees:	R NC

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

Jonathan is a non-executive director of CiCap Limited and its regulated subsidiary Coller Capital Limited. He is also a non-executive director of BFlexion Group Holdings SA, the parent company of Swiss private investment firm BFlexion, and a number of its subsidiaries including Capital Four Holding A/S and Vantage Infrastructure Holdings. Previously, he has been deputy chairman of 3i Group plc and chairman of Citigroup Global Markets Limited, Citibank International Limited, Dexion Capital PLC and AXA Investment Managers. He has also been a non-executive director of Tilney, Ashmore Group plc and AXA UK PLC.

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

He holds an MA from the University of Cambridge.

Catherine Bradley CBE – Non-executive Director

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

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

Catherine is a non-executive director of Johnson Electric Holdings Limited and of easyJet plc, where she chairs the finance committee. She is also senior independent director of Kingfisher plc.

Previously, Catherine has served on the boards of leading industrial and consumer-facing companies in the UK, France and Hong Kong. She was appointed by HM Treasury to the Board of the Financial Conduct Authority in 2014 and played an important role in establishing the FICC Markets Standards Board in 2015. Catherine stepped down from these boards in 2020. Between 2021 and 2022 she was also a board member of the Value Reporting Foundation, where she co-chaired the audit committee.

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

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

John Devine – Non-executive Director

Appointed to the Board	**Age**
July 2016	64
Nationality	**Shares**
British	28,399
Board committees:	RC A NC

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

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

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

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

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

Hannah Grove – Non-executive Director

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

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

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

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

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

Pam Kaur – Non-executive Director

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

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

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

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

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

Brian McBride – Non-executive Director

Appointed to the Board	**Age**
May 2020	67
Nationality	**Shares**
British	Nil
Board committees:	R

Brian brings a wealth of digital experience and global leadership experience in both executive and non-executive directorship roles. His direct experience of developing digital strategies and solutions in consumer-facing businesses, in rapidly evolving markets, is of great benefit to the Board's discussions.

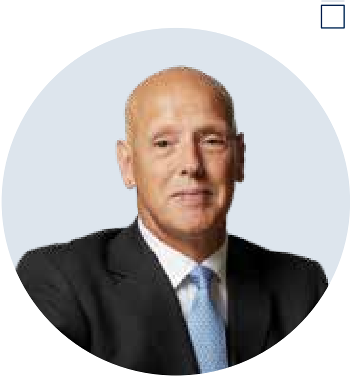
Brian is currently chair of Trainline PLC and the lead non-executive director on the board of the UK Ministry of Defence. He is also a senior adviser to Scottish Equity Partners. In June 2022 he was appointed as president of the Confederation of British Industry, having held the role of vice president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

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

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

Key to Board committees

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



Michael O'Brien – Non-executive Director

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

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

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

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

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

Cathleen Raffaeli – Non-executive Director

Appointed to the Board	Age
August 2018	66
Nationality	**Shares**
American	9,315
Board committees:	R RC

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

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

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

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

Remuneration

Summary Directors' remuneration report

Remuneration Committee Chair's statement

This summary report sets out what the Directors of abrdn were paid in 2022 together with an explanation of how the Remuneration Committee reached its recommendations.

Also set out are the proposed updates to our Directors' Remuneration Policy ('Policy') and its implementation in 2023. Where tables and charts in this report have been replicated from the tables and charts audited by KPMG LLP in the ARA 2022 we have marked them as 'audited' for clarity. This is a summary of the Directors' remuneration report. The full report is included on pages 103 to 130 of the ARA 2022.

Approval

The Directors' Remuneration Report was approved by the Board and signed on its behalf by:

Jonathan Asquith
Chair of the Remuneration Committee

28 February 2023

Dear shareholder

On behalf of the Board I am pleased to present this summary of the Directors' Remuneration Report for the year ended 31 December 2022 and the proposed updated Policy to commence in 2023.

Introduction

Our Directors' Remuneration Report for 2021 received a 96% vote in favour at the 2022 AGM. I would like to thank our shareholders for their continued strong support of our approach to remuneration matters and their ongoing dialogue on these issues. I would also like to thank Cecilia Reyes for her contributions to the Committee's work over the last three years and welcome Hannah Grove who joined in October.

As you will no doubt be aware, our Policy is due for renewal at the 2023 AGM. This has given the Committee a chance to reflect on the current Policy and how it has been operating. We concluded collectively that the Policy has worked well and continues to support an appropriate level of alignment between the interests of shareholders, executive management and other stakeholders in the Group.

In this context, we do not propose any material changes to the structure or the quantum of incentives. Within that unchanged envelope we are, however, proposing a limited change of emphasis in our annual bonus measures. This change comprises an increase in the maximum weighting allocated to non-financial measures from 25% to 35% to allow the Board greater flexibility to target the delivery of strategic change in the business, the results of which may not be immediately reflected in its financial results. The majority, at least 65%, will remain weighted towards financial measures. More detail can be found in the section titled Key features of our new Policy on page 74.

In what has been one the toughest investment markets for many years, we have continued to drive our Remuneration Philosophy. Our end-of-year processes incorporated careful consideration of financial and non-financial performance, reflecting the growing resilience of our diversified model, the strides achieved in addressing sustainability issues and our continued focus on our people, culture and customers in a challenging market environment.

How our Policy was applied in 2022

Significant advances at a strategic level in the year, including the acquisition of ii, were balanced by shortfalls in the Group's financial performance in a hostile market environment. With 40% of the annual bonus and 100% of the LTIP driven directly by profit and total shareholder return measures, the reduction in executive Director rewards mirrored subdued returns for shareholders and other stakeholders.

Annual bonus (detail on pages 108 to 109 of the ARA 2022)

Financial performance (75%)

Financial targets were set with reference to the Board-approved plan including measures on net flows, Investment performance and adjusted operating profit before tax. Against the backdrop of weak investment markets and significant macro and geopolitical headwinds, financial performance was necessarily held back.

Investment performance: Our longer term equities performance remains robust, while over a three-year time period we have consistently delivered strong performance in alternatives as well as fixed income. Real asset valuations have weakened, given the higher interest rate backdrop, although long-term sector conviction remains strong. The overall outcome was between threshold and target.

Net flows: Negative market sentiment had an adverse impact on flows, with significant number of withdrawals experienced from equity funds across the industry. The impacts were largely felt across public markets in the Investments vector, with real assets and our other two vectors Personal and Adviser proving to be much more resilient. Aggregate performance on net flows nonetheless fell below the threshold required to qualify for payouts under the annual bonus plan.

Adjusted operating profit before tax: This was 19% lower than the prior year, at £263m (£196m excluding ii). Performance in the Personal and Adviser vectors was strong, contributing over 50% of adjusted operating profit in the year, with the aggregate decline concentrated in the Investments vector. Overall, performance did not meet the threshold required.

The outcomes for the financial element of the 2022 annual bonus are summarised below.

Financial performance measure	Weighting (% of total scorecard)	**2022 outcome (% of total scorecard)**
Investment performance	20%	**8.25%**
Net flows	15%	**0%**
Adjusted operating profit before tax	40%	**0%**

This resulted in an overall assessment of 8.25% out of a maximum of 75% on financial measures.

Non-financial performance (25%)

In 2022 we assessed non-financial performance against two baskets of measures, ESG (comprising Environment and Social categories) and Customer.

Environment: There have been material advances in the delivery of our global climate solutions, where we have identified our clients with net zero goals and have a Climate product strategy group shaping our net zero offering. We are building the tools to track carbon intensity and we have a clear stance on our climate priorities as investors. For our own operational net zero, we are firmly on track to meet our long term net zero carbon emission target of 50% less than our 2018 baseline by 2025. Full details of our progress on these matters are disclosed in our Sustainability and TCFD report, available on our website. The Committee took into account more than 10 qualitative and quantitative performance indicators in assessing that performance in this area was strong with the outcome being agreed as 5% out of 5%.

Social: Despite the challenges posed by enacting a major change agenda against the backdrop of difficult markets, engagement levels at the end of 2022 held up at 50% (2021: 51%). Whilst we are not where we need to be, we have clear plans in place and are committed to continued efforts to build engagement through 2023. 2022 has been a year of transformation on culture coupled with meaningful achievement across our DEI levers of change. Our culture change programme has been designed and rolled out, engaging over 600 of our global leaders. There has been an increase in female representation in senior leadership roles and succession plans as well as an increase in ethnic minorities in early career roles. Taking into account more than 20 qualitative and quantitative performance indicators, the Committee determined the final outcome of 6% out of 8%.

Customer: In the Investments vector, independent client survey feedback covering global clients across all asset classes rated abrdn favourably on a number of areas across the various client experience steps. Overall client service and trust were amongst the areas of noteworthy recognition. The Committee also noted improved RFP hit rate conversions and, more importantly, no increase in redemptions. In the Adviser vector, the Net Promoter Score was particularly high relative to other leading technology household names and came with improved Customer Satisfaction scores over the year. The Committee also noted the external accolades received by the abrdn Wrap platform. For the Personal vector, the Committee reviewed the total customer numbers, noting an increase in the active and engaged customer segment. There were also positive customer survey outcomes on satisfaction with relationship managers and the wider team. The Committee concluded the appropriate outcome for the Customer category was 11% out of 12%.

Considering all components together, this resulted in an overall assessment of 22% out of a maximum of 25% on non-financial measures.

Remuneration Committee assessment

To assess whether the awards generated by the scorecard were fair in the broader performance and risk context, the Committee reviewed the individual components which contributed to the delivery of this performance and the alignment of scorecard outcomes with the experience of a range of stakeholders. Details on the Committee's considerations are set out on page 109 of the ARA 2022. The Committee concluded that the outcomes of the scorecard were fair and balanced and no adjustment to them was needed or made.

The overall outcome recognises the hard work to deliver the critical milestones that were achieved in 2022 against the backdrop of a challenging external environment. This was evidenced in our assessment of performance against non-financial measures including the recognition of progress in delivering a more diversified, more resilient, organisation that should be equipped to weather challenging conditions and rebound when cycles turn.

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

Executive Director	**Final outcome (% of max)**	**2022 total bonus (£000s)**
Stephen Bird	**30.25%**	**662**
Stephanie Bruce	**30.25%**	**244**

Long-term incentives (detail on pages 109 to 112 of the ARA 2022)

Vesting of the 2020 LTIP granted to the current executive Directors is based on performance over the three-year period ending on 31 December 2022. After reviewing the relevant metrics the Committee concluded that the performance had not met the stretching targets set and therefore the award will not vest.

As already disclosed in an RNS announcement on 11 August 2022, following an assessment of performance against its specific performance conditions relating to efficiency targets, the final tranche of the one-off deferred award made to Stephanie Bruce was determined to vest at 100% of maximum.

Finally, the 2019 EIP award was granted to Stephanie Bruce and certain former executive Directors. Performance was measured against the underpin hurdles for the period ending 31 December 2022. Final vesting was assessed at 25% of the maximum award. Full details of the vesting outcome can be found on page 111 of the ARA 2022.

Forward looking LTIP awards were made to Stephen Bird and Stephanie Bruce in April 2021 and 2022, as disclosed in the 2020 and 2021 Annual reports and accounts. The performance conditions attached to these awards will be measured over three-year periods finishing on 31 December 2023 and 2024 respectively.

Key features of our new Policy

The Committee is comfortable that the current Policy supports the strategic direction of the Company, and the Policy therefore remains fit for purpose. However the Committee proposes to make a limited change in emphasis in the annual bonus plan, adjusting the minimum weighting of financial components to 65% (from 75%). This ensures that financial elements still maintain an overall majority but gives scope to increase non-financial metrics to 35% of the overall award.

The Committee acknowledges the view of some shareholders that non-financial metrics can prove harder to quantify for performance assessment purposes. However, there are a wide range of strategic actions in progress which are crucial to the long-term success of the Group and the Committee strongly believes that it is in shareholders' interests for management to be held accountable for delivery of these actions. Accordingly, the Committee intends that the additional 10% weighting in the non-financial segment should be targeted against specific strategic Group and vector priorities which have quantifiable and reportable success metrics.

No change is proposed to the design of the LTIP or the structure of performance metrics for the 2023 award. Performance metrics for awards under future LTIP awards will continue to be reviewed on an annual basis and set within the parameters of the Policy.

Policy implementation in 2023

Following a review no change has been made to salaries for the executive Directors or fees for the non-executives for 2023.

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

The scorecard for the 2023 annual bonus is detailed on page 107 of the ARA 2022 and the targets, which are commercially sensitive, will be disclosed at the end of this performance year in the 2023 Annual report and accounts. The scorecard retains the structure of focusing a majority of the opportunity on the achievement of financial targets as set out in our Policy (65%) with the balance measured against non-financial performance including ESG and Customer objectives and progress on strategic initiatives. The Committee has agreed a basket of key indicators in each of these areas which will allow a rounded assessment of performance to be made. Details on these metrics, including how the Committee assessed performance against them, will be disclosed retrospectively.

The 2023 LTIP will again consist of two equally weighted targets, Adjusted Diluted Capital Generation per share CAGR and Relative TSR. The three-year Adjusted Diluted Capital Generation per share target range has been maintained at 5%-15% Compound Annual Growth Rate (CAGR), which remains aligned with the business plan agreed with the Board. The Committee also reviewed the TSR peer group for the Relative TSR metric. In line with its policy of adjusting the peer group to match the changing composition of the Group's business, the peer group will be adjusted for the 2023 grant to exclude M&G, Franklin Resources, Affiliated Managers, Invesco and SEI Investments. AJ Bell, IntegraFin Holdings, Rathbones Group and Liontrust Asset Management will be added to the peer group. Details of the 2023 LTIP grant can be found on page 107 of the ARA 2022.

Wider workforce

The effective date of the salary review was brought forward to October 2022 (compared to April 2023) for around 40% of our global population. To support the colleagues who are most at risk during the cost of living challenges, this review focused on those who earned less than £75k (or local country equivalent). The review resulted in an average increase of 6% for those individuals. In addition to this, annual reviews have been completed in early 2023 as part of the normal remuneration review cadence.

To help you navigate the report effectively, I would like to draw your attention to the sections on pages 75 and 76 which summarise both the outcomes for 2022 and also how the remuneration policy will be implemented in 2023. Further detailed information is then set out in the rear section of the report in the ARA 2022 for your reference as required. The Policy report, which will be subject to a binding shareholder vote at the 2023 AGM is set out in full on pages 120 to 130 of the ARA 2022.

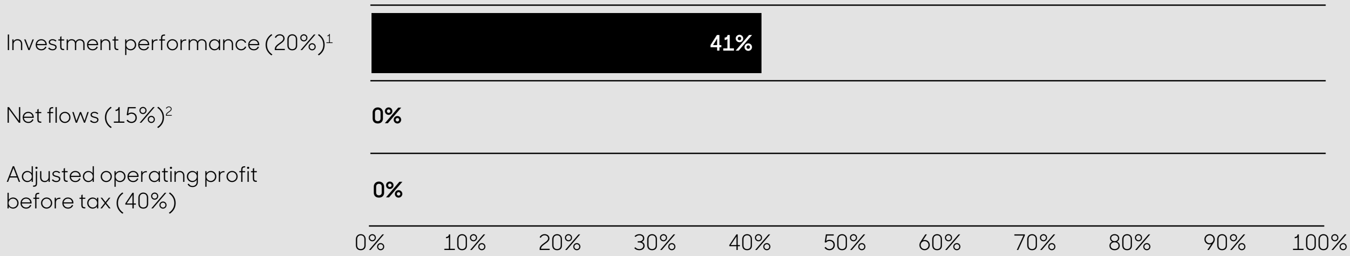
On behalf of the Board, I invite you to read our remuneration report. As always, the Committee and I are open to hearing your views on this year's report and our remuneration policy in general.

At a glance – 2022 remuneration outcomes

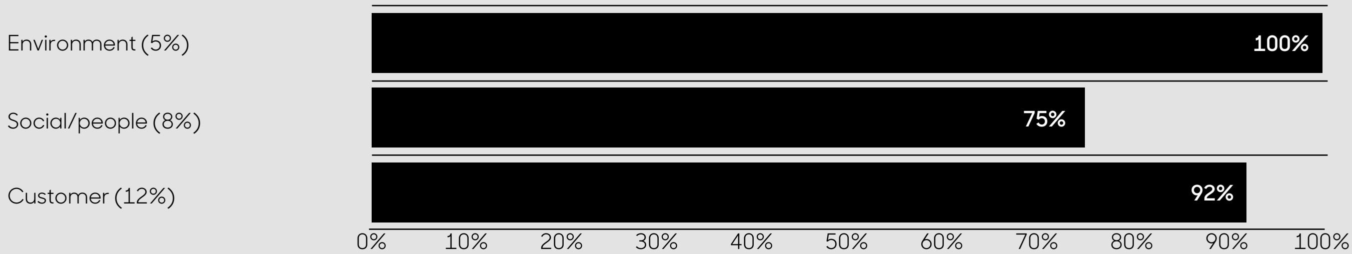
Outcome of performance measures ending in the financial year

The following charts show performance against the target range for the annual bonus and commentary on the 2020-2022 Long-Term Incentive Plan (LTIP). Further detail on the assessment of the performance conditions can be found on pages 108 to 109 of the ARA 2022.

Performance vs Maximum (%) – Financial measures



Performance vs Maximum (%) – Non-financial measures



1. % AUM above benchmark average of three-year and five-year for all asset classes.
2. Excl. LBG tranche withdrawals, cash/liquidity and ii.

2022 annual bonus scorecard outcome

The following table sets out the final outcome for the 2022 annual bonus. A detailed breakdown of performance can be found on pages 108 to 109 of the ARA 2022.

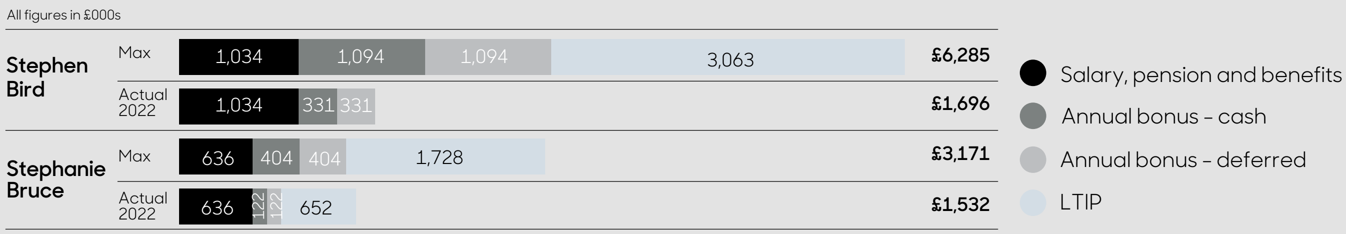
	Bonus Scorecard Outcome			Total Bonus Outcome			
	Financial metrics (maximum 75%)	Non-financial metrics (maximum 25%)	Board approved outcome (% of maximum)	Annual salary (£000s)	Maximum opportunity (% of salary)	Total award (% of salary)	Total award (£000s)
Stephen Bird	8.25%	22%	30.25%	875	250%	75.6%	662
Stephanie Bruce				538	150%	45.4%	244

2020-2022 LTIP outcome

The performance period for the 2020-2022 LTIP concluded on 31 December 2022. Performance was assessed against two measures: Capital Generation per share (CAGR) and Relative TSR performance. Performance against both measures was assessed to be below the threshold required and therefore the award will not vest. Detail of the performance assessment for the 2020-2022 LTIP can be found on page 109 of the ARA 2022.

Total remuneration outcomes in 2022

The chart below shows the remuneration outcomes for each executive Director in 2022 based on performance compared to the maximum opportunity.



At a glance – 2023 remuneration policy implementation

This section sets out how we propose to implement our remuneration policy in 2023. The full remuneration policy can be found on pages 120 to 130 of the ARA 2022.

Element of remuneration	Key features of operation	2023 implementation
Salary Core reward for undertaking the role	Normally reviewed annually, taking into account a range of internal and external factors.	No change to quantum Stephen Bird: £875,000 Stephanie Bruce: £538,125
Pension Competitive retirement benefit	Aligned to the current maximum employer contribution available to the UK wider workforce (18% of salary).	No change to quantum Stephen Bird: 18% of salary Stephanie Bruce: 18% of salary
Benefits Competitive benefits	Includes (i) private healthcare; (ii) death in service protection (iii) income protection (iv) reimbursement of membership fees of professional bodies; and (v) eligibility for the all employee share plan.	No change to quantum
Annual bonus To reward the delivery of the Company's business plan	Annual performance assessed against a range of key financial and non-financial measures. At least 65% will be based on financial measures. At least 50% deferred into shares vesting in equal tranches over a three-year period. Awards are subject to malus and clawback terms.	No change to quantum Stephen Bird: 250% of salary Stephanie Bruce: 150% of salary See below for 2023 performance conditions
Long-term incentive plan To align with our shareholders and reward the delivery of long-term growth	Awards are subject to a three-year performance period, with a subsequent two-year holding period. Dividend equivalents accrue over the performance and holding period. Awards are subject to two equally weighted performance metrics linked to long-term strategic priorities and the creation of long-term shareholder value. Awards are subject to malus and clawback terms.	No change to quantum Stephen Bird: 350% of salary Stephanie Bruce: 200% of salary 2023 performance metrics are set out below
Shareholding requirements	Executive Directors are required to build up a substantial interest in Company shares. The share ownership policy for executive Directors requires shares up to the value of the shareholding requirement to be held for a period of two years following departure from the Board.	No change to quantum Stephen Bird: 350% of salary Stephanie Bruce: 300% of salary

Performance conditions for 2023 annual bonus

Financial (65% weighting)	Investment performance (15%), Adjusted operating profit (35%), Net flows excluding liquidity (15%)
Non-financial (35% weighting)	Performance against Customer (10%) and ESG objectives (incorporating people engagement and diversity metrics, and environmental measures) (15%) and progress on key strategic initiatives (10%)

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

Performance conditions for 2023 Long-term incentive plan

	Target range[1]
Adjusted Diluted Capital Generation per share (50% weighting)	5% – 15% CAGR
Relative TSR[2] (50% weighting)	Equal to median – equal to upper quartile

1. Straight line vesting occurs between threshold and maximum. 25% vesting for threshold performance.
2. The peer group is made up of the following global asset management peers: AJ Bell, Alliance Bernstein, Amundi, Ashmore Group, DWS Group, Hargreaves Lansdown, IntegraFin Holdings, Janus Henderson Group, Jupiter Fund Management, Liontrust Asset Management, Man Group, Ninety One, Quilter, Rathbones Group, St James's Place, Schroders.

Single total figure of remuneration – executive Directors (audited)

The following table sets out the single total figure of remuneration for each of the individuals who served as an executive Director at any time during the financial year ending 31 December 2022:

Executive Directors		Basic salary for year £000s	Taxable benefits in year £000s[1]	Pension allowance paid in year £000s	Bonus paid in cash £000s	Bonus deferred £000s[2]	LTIP with period ending in the year £000s	2019 EIP £000s	Total for the year £000s	Total fixed £000s	Total variable £000s
Stephen Bird	**2022**	**875**	**1**	**158**	**331**	**331**	**–**	**–**	**1,696**	**1,034**	**662**
	2021	875	1	158	880.5	880.5	–	–	2,795	1,034	1,761
Stephanie Bruce[3]	**2022**	**538**	**1**	**97**	**122**	**122**	**791**	**(139)**	**1,532**	**636**	**896**
	2021	538	1	97	321	321	–	–	1,278	636	642

1. This includes the taxable value of all benefits paid in respect of the relevant year. Included for 2022 are medical premiums at a cost to the group of £606 for executive Directors.
2. This represents 50% of the total bonus award and is delivered in shares which will vest in equal tranches over a three-year period.
3. The final outcome of Stephanie Bruce's one off award is included in the column titled 'LTIP with period ending in the year', for the three tranches which vested in 2020, 2021 and 2022. This figure includes dividends awarded over the performance period and is calculated on the basis of the share price on date of exercise as previously disclosed in RNS announcements. Stephanie Bruce is the only current Director who participated in the 2019 Executive Incentive Plan (EIP). The vesting outcome was determined to be 25% (details can be found on page 111 of the ARA 2022). The final outcome was therefore calculated as £46k (and so £139k lower than stated in the 2019 Annual report and accounts). This adjustment is reflected in the table above.

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

The following table sets out the single total figure of remuneration for each of the non-executive Directors who served as a Director at any time during the financial year ending 31 December 2022. Non-executive Directors do not participate in bonus or long-term incentive plans and do not receive pension funding:

Non-executive Directors		Fees for year ended 31 December £000s	Taxable benefits in year ended 31 December £000s	Total remuneration for the year ended 31 December £000s
Sir Douglas Flint[1]	**2022**	**475**	**–**	**475**
	2021	475	–	475
Jonathan Asquith	**2022**	**139**	**–**	**139**
	2021	139	–	139
Catherine Bradley[2]	**2022**	**109**	**–**	**109**
John Devine	**2022**	**131**	**–**	**131**
	2021	124	2	126
Hannah Grove[2]	**2022**	**126**	**–**	**126**
	2021	29	–	29
Pam Kaur[3]	**2022**	**63**	**–**	**63**
Brian McBride[4]	**2022**	**105**	**–**	**105**
	2021	121	–	121
Michael O'Brien[3]	**2022**	**63**	**–**	**63**
Martin Pike[5]	**2022**	**50**	**–**	**50**
	2021	124	–	124
Cathleen Raffaeli[6]	**2022**	**164**	**–**	**164**
	2021	149	–	149
Jutta af Rosenborg[5]	**2022**	**42**	**–**	**42**
	2021	94	–	94
Cecilia Reyes[7]	**2022**	**81**	**–**	**81**
	2021	94	9	103

1. Sir Douglas Flint is eligible for life assurance of 4x his annual fee. This is a non-taxable benefit.
2. Appointed to the Board with effect from 4 January 2022.
3. Appointed to the Board with effect from 1 June 2022.
4. Total fees include subsidiary Board fees of £30,000 p.a. as a member of the Standard Life Savings Limited and Elevate Portfolio Services Limited Boards.
5. Stepped down from the Board with effect from 18 May 2022.
6. Total fees include subsidiary Board fees of £55,000 p.a. as Chair of the Standard Life Savings Limited and Elevate Portfolio Services Limited Boards.
7. Stepped down from the Board with effect from 30 September 2022.

Consolidated financial information

Consolidated income statement

For the year ended 31 December 2022

	2022 £m	2021 £m
Revenue from contracts with customers	**1,538**	1,685
Cost of sales	**(82)**	(142)
Net operating revenue	**1,456**	1,543
Restructuring and corporate transaction expenses	**(214)**	(259)
Impairment of intangibles acquired in business combinations and through the purchase of customer contracts	**(369)**	–
Amortisation of intangibles acquired in business combinations and through the purchase of customer contracts	**(125)**	(99)
Staff costs and other employee-related costs	**(549)**	(604)
Other administrative expenses	**(662)**	(594)
Total administrative and other expenses	**(1,919)**	(1,556)
Net gains or losses on financial instruments and other income		
Fair value movements and dividend income on significant listed investments	**(119)**	(227)
Other net gains or losses on financial instruments and other income	**(3)**	44
Total net gains or losses on financial instruments and other income	**(122)**	(183)
Finance costs	**(29)**	(30)
Profit on disposal of subsidiaries and other operations	**–**	127
Profit on disposal of interests in associates	**6**	1,236
Loss on impairment of interests in associates	**(9)**	–
Share of profit or loss from associates and joint ventures	**2**	(22)
(Loss)/profit before tax	**(615)**	1,115
Tax credit/(expense)	**66**	(120)
(Loss)/profit for the year	**(549)**	995
Attributable to:		
Equity shareholders of abrdn plc	**(561)**	994
Other equity holders	**11**	–
Non-controlling interests – ordinary shares	**1**	1
	(549)	995
Earnings per share		
Basic (pence per share)	**(26.8)**	46.8
Diluted (pence per share)	**(26.8)**	46.0

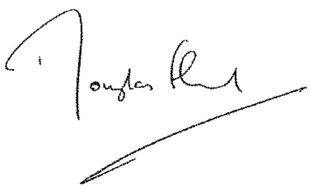
Consolidated statement of financial position
As at 31 December 2022

	2022 £m	2021 £m
Assets		
Intangible assets	**1,619**	704
Pension and other post-retirement benefit assets	**831**	1,607
Investments in associates and joint ventures accounted for using the equity method	**267**	274
Property, plant and equipment	**201**	187
Deferred tax assets	**212**	168
Financial investments	**2,939**	4,316
Receivables and other financial assets	**907**	680
Current tax recoverable	**7**	2
Other assets	**92**	105
Assets held for sale	**87**	–
Cash and cash equivalents	**1,133**	1,904
	8,295	9,947
Assets backing unit linked liabilities		
Financial investments	**924**	1,430
Receivables and other unit linked assets	**5**	8
Cash and cash equivalents	**23**	33
	952	1,471
Total assets	**9,247**	11,418

Consolidated financial information continued

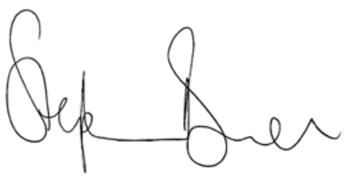
	2022 £m	2021 £m
Liabilities		
Third party interest in consolidated funds	**242**	104
Subordinated liabilities	**621**	644
Pension and other post-retirement benefit provisions	**12**	38
Deferred income	**3**	5
Deferred tax liabilities	**211**	165
Current tax liabilities	**11**	27
Derivative financial liabilities	**1**	5
Other financial liabilities	**1,198**	1,046
Provisions	**97**	49
Other liabilities	**8**	8
Liabilities of operations held for sale	**14**	–
	2,418	2,091
Unit linked liabilities		
Investment contract liabilities	**773**	1,088
Third party interest in consolidated funds	**173**	378
Other unit linked liabilities	**6**	5
	952	1,471
Total liabilities	**3,370**	3,562
Equity		
Share capital	**280**	305
Shares held by trusts	**(149)**	(171)
Share premium reserve	**640**	640
Retained earnings	**5,021**	5,775
Other reserves	**(129)**	1,094
Equity attributable to equity shareholders of abrdn plc	**5,663**	7,643
Other equity	**207**	207
Non-controlling interests – ordinary shares	**7**	6
Total equity	**5,877**	7,856
Total equity and liabilities	**9,247**	11,418

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



Sir Douglas Flint
Chairman

28 February 2023



Stephanie Bruce
Chief Financial Officer

28 February 2023

Glossary

Adjusted net financing costs and investment return

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

Adjusted operating expenses

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

Adjusted operating profit

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

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

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

- Restructuring costs and corporate transaction expenses. Restructuring includes the impact of major regulatory change.
- Amortisation and impairment of intangible assets acquired in business combinations and through the purchase of customer contracts.
- Profit or loss arising on the disposal of a subsidiary, joint venture or equity accounted associate.
- Change in fair value of/dividends from significant listed investments.
- Share of profit or loss from associates and joint ventures.
- Impairment loss/reversal of impairment loss recognised on investments in associates and joint ventures accounted for using the equity method.
- Fair value movements in contingent consideration.
- Items which are one-off and, due to their size or nature, are not indicative of the long-term operating performance of the Group.

Adjusted profit before tax

In addition to the results included in adjusted operating profit above, adjusted profit before tax includes adjusted net financing costs and investment return.

Assets under management and administration (AUMA)

AUMA is a measure of the total assets we manage, administer or advise on behalf of our clients. It includes assets under management (AUM), assets under administration (AUA) and assets under advice (AUAdv). AUMA does not include assets for associates and joint ventures.

AUM is a measure of the total assets that we manage on behalf of individual and institutional clients. AUM also includes assets managed for corporate purposes.

AUA is a measure of the total assets we administer for clients through our Platforms.

AUAdv is a measure of the total assets we advise our clients on, for which there is an ongoing charge.

Board

The Board of Directors of the Company.

Carbon intensity

Weighted-Average Carbon Intensity (WACI) is calculated by summing the product of each company's weight in the portfolio or loan book with that company's carbon-to-revenue intensity. Carbon-to-revenue intensity is calculated by dividing the sum of all apportioned emissions, with the sum of all apportioned revenues across an investment portfolio or loan book. This metric gives an indication of how efficient companies in a portfolio or loan book are at generating revenues per tonne of carbon emitted.

Carbon neutral

Being carbon neutral means that carbon released through our operational emissions is balanced by an equivalent amount being removed through carbon offsetting.

Carbon offsetting

Carbon offsetting is an internationally recognised way to take responsibility for carbon emissions. The aim of carbon offsetting is that for every one tonne of offsets purchased there will be one less tonne of carbon dioxide in the atmosphere than there would otherwise have been. To offset emissions we purchase the equivalent volume of carbon credits (independently verified emissions reductions) to compensate for our operational carbon emissions. We have been reviewing our use of offsetting, and although we continue to use offsets as a means of addressing our residual emissions, our prime objective is always to reduce our environmental impact before compensating for it.

Chief Operating Decision Maker

The executive leadership team.

Company

abrdn plc.

Cost/income ratio

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

CRD IV

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

Director

A director of the Company.

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

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

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

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

FCA
Financial Conduct Authority of the United Kingdom.

Greenhouse gases
Greenhouse gases are the atmospheric gases responsible for causing global warming (i.e. the greenhouse effect) and climate change. These gases, both natural and anthropogenic in origin include carbon dioxide, methane and nitrous oxide. Other greenhouse gases which are less prevalent but with a greater Global Warming Potential include hydrofluorocarbons (HFCs), perfluorocarbons (PFCs) and sulphur hexafluoride (SF6).

Group or abrdn
Relates to the Company and its subsidiaries.

Growth vectors
We provide services across three growth vectors:
- **Investments:** Asset management investment solutions for institutional, wholesale and insurance clients.
- **Adviser:** Our UK adviser platform business.
- **Personal:** Comprises of Personal Wealth which includes our financial planning business and our direct-to-consumer services, and interactive investor following the completion of the acquisition in May 2022.

Internal Capital Adequacy and Risk Assessment (ICARA)
The ICARA is the means by which the Group assesses the levels of capital and liquidity that adequately support all of the relevant current and future risks in its business.

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

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

Investment performance
Investment performance has been aggregated using a money weighted average of our assets under management which are outperforming their respective benchmark. The calculation of investment performance has been revised to use a closing AUM weighting basis. In prior periods investment performance was weighted based on AUM at the start of the performance period. 2021 comparatives have been restated. We believe that this approach provides a more representative view of current investment performance, given the significant changes to business mix over the investment time frame, and provides investment performance data which is more comparable with peers. Calculations for investment performance are made gross of fees with the exception of those for which the stated comparator is net of fees. Benchmarks differ by fund and are defined in the relevant investment management agreement or prospectus, as appropriate. The investment performance calculation covers all funds that aim to outperform a benchmark, with certain assets excluded where this measure of performance is not appropriate or expected, such as private markets and execution only mandates, as well as replication tracker funds which aim to perform in line with a given index.

LBG tranche withdrawals
On 24 July 2019, the Group announced that it had agreed a final settlement in relation to the arbitration proceedings between the parties concerning LBG's attempt to terminate investment management arrangements under which assets were managed by members of the Group for LBG entities. In its decision of March 2019, the arbitral tribunal found that LBG was not entitled to terminate these investment management contracts. The Group had continued to manage approximately £104bn (as at 30 June 2019) of assets under management (AUM) for LBG entities during the period of the dispute. Approximately two thirds of the total AUM (the transferring AUM) will be transferred to third party managers appointed by LBG through a series of planned tranches from 24 July 2019. During this period, the Group will continue to be remunerated for its services in relation to the transferring AUM. The final tranche withdrawal was completed in H1 2022.

Market Disclosure
This IFPR disclosure complements the Own funds requirement and Own funds threshold requirement with the aim of improving market discipline by requiring companies to publish certain details of their risks, capital and risk management. Relevant disclosures are made in the abrdn plc consolidated annual report and accounts and in the accounts of the Group's individual IFPR-regulated entities, all of which can be found on the abrdn plc Group's website.

Net flows
Net flows represent gross inflows less gross outflows or redemptions. Gross inflows are new funds from clients. Redemptions is the money withdrawn by clients during the period. Cash dividends which are retained on the ii platform are included in net flows for the ii business only. Cash dividends are included in market movements for other parts of the group including the Investments and Adviser platform businesses. We consider that this different approach is appropriate for the ii business as cash dividend payments which are retained result in additional income for ii, but are largely revenue neutral for the rest of the group.

Net operating revenue
The Group's measure of segmental revenue has been renamed from fee based revenue to net operating revenue. There are no differences between Net operating revenue as presented in the IFRS consolidated income statement and the analysis of Group adjusted profit by segment for the year ended 31 December 2022. This measure of segmental revenue excludes £28m of net operating revenue as presented in the IFRS consolidated income statement for the year ended 31 December 2021 which was classified as adjusting items. The adjusting items primarily related to the net release of deferred income of £25m (refer Note 32 of the ARA 2022).

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

Net operating revenue yield (bps)
The net operating revenue yield (previously named fee revenue yield) is a measure that illustrates the average margin being earned on the assets that we manage, administer or advise our clients on excluding interactive investor. It is calculated as annualised net operating revenue (excluding performance fees, interactive investor and revenue for which there are no attributable assets) divided by monthly average fee based assets. interactive investor is excluded from the calculation of Personal and total net operating revenue yield as fees charged for this business are primarily from subscriptions and trading transactions.

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

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

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

Own Funds Requirement
Under IFPR, the Own Funds Requirement is the higher of the permanent minimum capital requirement, the fixed overhead requirements, and the K-factor requirement. The K-factor requirement is the sum of: Risk-to-Client, Risk-to-Market, and Risk-to-Firm K-factors.

Own Funds Threshold Requirement
Under IFPR, the Own Funds Threshold Requirement is the higher of Own funds required on an ongoing basis and Own funds required on a wind-down basis. The firm identifies and measures risks of harm and determines the degree to which systems and controls alone mitigate those risks of harm (or risks of disorderly wind-down). Any additional own funds needed, over and above the Own funds requirement, to cover this identified residual risk is held under the Own Funds Threshold Requirement.

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

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

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

Subordinated liabilities
Subordinated liabilities are debts of a company which, in the event of liquidation, rank below its other debts but above share capital. The 5.25% Fixed Rate Reset Perpetual Subordinated Contingent Convertible Notes issued by the Company in December 2021 are classified as other equity as no contractual obligation to deliver cash exists.

Shareholder information

Registered office
1 George Street
Edinburgh
EH2 2LL
Scotland

Company registration number: SC286832

For shareholder services call: 0371 384 2464*

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

Secretary: Julian Baddeley

Registrar: Equiniti

Auditors: KPMG LLP

Solicitors: Slaughter and May

Brokers: JP Morgan Cazenove, Goldman Sachs

Shareholder services
We offer a wide range of shareholder services. For more information, please:
- Contact our registrar, Equiniti, who manage this service for us. Their details can be found on the inside back cover.
- Visit our share portal at **www.abrdnshares.com**

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

Set up a share portal account
Having a share portal account means you can:
- Manage your account at a time that suits you.
- Download your documents when you need them.

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

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

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

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

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

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

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

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

Financial calendar

Full year results 2022	28 February
Ex-dividend date for 2022 final dividend	30 March
Record date for 2022 final dividend	31 March
Last date for DRIP elections for 2022 final dividend	26 April
Annual General Meeting – Edinburgh	10 May
Dividend payment date for 2022 final dividend	16 May
Half year results 2023	8 August
Ex-dividend date for 2023 interim dividend	17 August
Record date for 2023 interim dividend	18 August
Last date for DRIP elections for 2023 interim dividend	6 September
Dividend payment date for 2023 interim dividend	26 September

Analysis of registered shareholdings at 31 December 2022

Range of shares	Number of holders	% of total holders	Number of shares	% of total shares
1-1,000	58,446	65.56	23,403,697	1.17
1,001-5,000	26,027	29.19	54,067,044	2.70
5,001-10,000	2,732	3.06	18,432,881	0.92
10,001-100,000	1,495	1.68	35,094,093	1.75
#100,001+	455	0.51	1,870,894,184	93.46
Total	**89,155**	**100.00**	**2,001,891,899**	**100.00**

These figures include the Company-sponsored nominee – the abrdn Share Account – which had 914,644 participants holding 648,559,822 shares.

OTHER INFORMATION

Forward-looking statements

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

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

For example but without limitation, statements containing words such as 'may', 'will', 'should', 'could', 'continues', 'aims', 'estimates', 'projects', 'believes', 'intends', 'expects', 'hopes', 'plans', 'pursues', 'ensure', 'seeks', 'targets' and 'anticipates', and words of similar meaning (including the negative of these terms), may be forward-looking. These statements are based on assumptions and assessments made by the Company in light of its experience and its perception of historical trends, current conditions, future developments and other factors it believes appropriate.

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

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

Notes

Notes

Contact us

Got a shareholder question? Contact our shareholder services team.

UK and overseas (excluding Germany and Austria)

phone	+44 (0)371 384 2464*
email	questions@abrdnshares.com
visit	www.abrdnshares.com
mail	abrdn Shareholder Services Aspect House Spencer Road Lancing, West Sussex BN99 6DA, United Kingdom

Germany and Austria

phone	+44 (0)371 384 2493*
email	fragen@abrdnshares.com
visit	www.abrdnshares.com
mail	abrdn Shareholder Services Aspect House Spencer Road Lancing, West Sussex BN99 6DA, United Kingdom

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

Designed by Black Sun Plc (Strategic report) and produced by abrdn plc.

Published by Adare SEC (Nottingham) Limited.

Please remember that the value of shares can go down as well as up and you may not get back the full amount invested or any income from it. All figures and share price information have been calculated as at 31 December 2022 (unless otherwise indicated).

This document has been published by abrdn plc for information only. It is based on our understanding as at February 2023 and does not provide financial or legal advice.

abrdn plc is registered in Scotland (SC286832) at 1 George Street, Edinburgh EH2 2LL.

UKSSR22 0223

abrdn.com