Strategic report and financial highlights 2023

abrdn plc

abrdn.com

Three years ago, we set out to fundamentally reshape our business.

Against a challenging backdrop, our strategy has formed a company that is better positioned for growth, driven by the evolving needs of our clients and customers.

This Strategic report and financial highlights 2023 for abrdn plc contains extracts from the Group's Annual report and accounts (ARA) 2023, 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 2023 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 2023. Further details on APMs are included in Supplementary information in the ARA 2023.

See Supplementary information in the ARA 2023 for details on assets under management and administration (AUMA), net flows and the investment performance calculation. Net flows in the Highlights page excludes liquidity flows as they are volatile and lower margin. It also excludes Lloyds Banking Group (LBG) tranche withdrawals in 2022 relating to the settlement of arbitration with LBG.

The auditor's report on the full accounts for the year ended 31 December 2023 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.

Our reporting suite

This report forms part of our reporting suite.

Sustainability and TCFD report

The focus of this report is to extend our climate-related disclosure beyond our Annual report and update on other material sustainability topics for abrdn.

Stewardship report

Sets out our application of the 12 principles of the UK Stewardship Code, as investors.

Modern slavery statement

Our disclosure in line with the UK Modern Slavery Act, detailing our work to mitigate related risks.

Contents

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

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

Highlights

Adjusted operating profit APM

£249m

2022: £263m

IFRS loss before tax

(£6m)

2022: (£612m)[1]

Full year dividend per share

14.6p

2022: 14.6p

Investment performance

(% of AUM above benchmark over three years)

42%

2022: 65%

Net flows

(Excl. liquidity and LBG)

£13.9bn outflow

2022: £10.3bn outflow

MSCI ESG rating

AA

2022: AAA

1. Comparatives have been restated for the HASL implementation of IFRS 17. Refer Basis of preparation in the Group financial statements section of the ARA 2023.

abrdn is a modern investment company that helps clients and customers plan, save and invest for the future

Specialist asset management

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.

Our clients:
- Insurance companies
- Sovereign wealth funds
- Independent wealth managers
- Pension funds
- Platforms
- Banks
- Family offices

Adjusted operating profit
£50m

AUM
£366.7bn

Cost/income ratio
94%

UK savings and wealth platforms

Adviser

Our Adviser business, the UK's second largest advised platform by AUA, provides financial planning solutions and technology for UK financial advisers which enables them to create value for their businesses and their clients.

Our clients:
- Financial advisers
- Discretionary fund managers

Adjusted operating profit
£118m

AUMA
£73.5bn

Cost/income ratio
47%

interactive investor (ii)[1]

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

Our clients:
- Individuals

Adjusted operating profit
£114m

AUMA
£66.0bn

Cost/income ratio
60%

Read more about our three businesses on pages 20 to 37. Overall performance summary is included on page 70.

1. Personal has been renamed ii and includes Personal Wealth unless otherwise stated.

Our purpose

To enable our clients to be better investors

What sets us apart

A diversified business supporting clients at all financial stages

- Trusted brands with strong market positions
- Diversified, multi-client segment business model creating a resilient organisation
- Positive and decisive action to strengthen the business model
- Embedding AI and technology in the business
- Strong commitment to sustainability and climate action
- Industry-leading platforms enabling enhanced client service and value
- Operating in markets with structural growth characteristics
- Strong balance sheet and shareholder returns

Shaped by our cultural commitments

We put the client first

We are empowered

We are ambitious

We are transparent

Read more about our culture on pages 48 and 49.

Our strategy in action

At the start of 2021, we set out our three-year strategy to build a diversified business that could be successful through market-cycles. We have refocused on areas of strength, selling non-core elements with lower growth and profitability, and making strategic and bolt-on acquisitions to add high value capabilities.

abrdn has fundamentally transformed. We now have a differentiated value proposition, providing full lifecycle service through our investment content and wealth platforms.

December 2020

Acquisition of majority interest in Tritax, bringing exposure and expertise in the fast-growing logistics and e-commerce real estate market. Completed April 2021.

February 2021

Reset our relationship with Phoenix Group with a simplified and extended strategic partnership to manage their assets until at least 2031, and sold them the Standard Life brand.

March 2021

Sale of Parmenion Capital Partners demonstrating our commitment to simplify our operations and reconfigure our business for growth. Completed June 2021.

July 2021

Standard Life Aberdeen officially becomes abrdn plc, building on our heritage with a highly differentiated brand creating unity across the business.

September 2021

Sale of Bonaccord Capital Partners and Hark Capital, simplifying our business in the US.

October 2021

Acquisition of Finimize, with the intention to enable it to become the number one information platform for modern investors.

December 2021

Acquisition of interactive investor, the UK's leading subscription based D2C investment platform, significantly expanding our Personal business. Completed May 2022.

January 2022

Monetised a 4% holding in Phoenix, raising £0.3bn with the intention to return this capital to shareholders.

December 2022

Purchase of Macquarie Delaware Funds, adding significant scale to three of our existing US closed-end funds. Completed July 2023.

December 2022

Completed £300m share buyback. Commenced in July 2022.

February 2023

Sale of discretionary fund management business, concluding that another owner would be better placed to invest to deliver scale in the business. Completed September 2023.

February 2023

Delivery of Phase 2 of Adviser Experience Programme, one of the largest and most complex changes since we launched the platform, making it faster and more flexible. Further phases will complete in 2024 and 2025.

February 2023

Managed Portfolio Service team moves to Adviser from Personal, unlocking greater opportunity for growth.

May/ June 2023

Sale of remaining shares in HDFC Life and HDFC Asset Management. Since December 2020, total net proceeds of £2.1bn has been generated through these stake sales.

June 2023

Acquisition of the healthcare fund management capabilities of Tekla, including four NYSE listed healthcare and biotech thematic closed-end funds. Completed October 2023.

July/ October 2023

Sale of US private equity business followed by sale of European headquartered private equity business, underlining our commitment to exit non-core businesses that no longer align to our overall product strategy. US sale completed October 2023. European sale expected to complete in the first half of 2024.

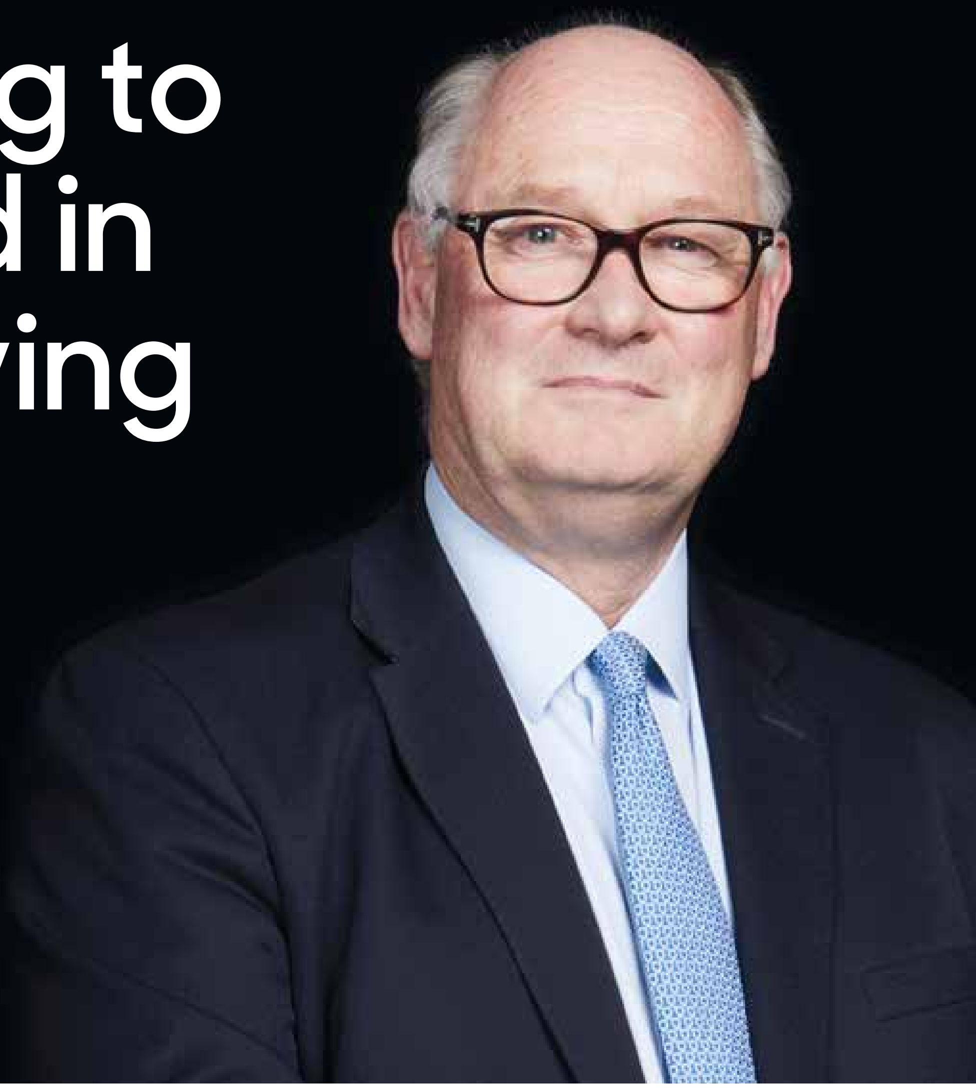
October 2023

Proposed acquisition of four closed-end funds from First Trust, cementing our position as the third-largest manager of closed-end funds globally. Expected to complete H1 2024.

December 2023

Completed £300m share buyback. Commenced £150m share buyback in June 2023, and extended to £300m in August 2023.

Adapting to succeed in an evolving sector



Context is important when reviewing progress made during 2023.

Last year, many of the headwinds facing active asset managers grew stronger, accelerating our drive to reshape abrdn to be more resilient within and across economic cycles. Notably, the year saw continuation, right across the market, of asset allocations trending away from investment in equities, from emerging markets and from commercial real estate, all reflecting both changes in risk appetite as well as the re-emergence of competing cash and liquidity products with attractive yields, as interest rates rose markedly to combat stubbornly high inflation.

This latter point was particularly relevant as, both in the UK and in the US, investors could capture risk-free returns in excess of 5% for the first time in 15 years at a time of heightened economic uncertainty. Continuing outflows from UK equity funds marked 43 consecutive months of outflow, in part due to the change in risk preference described above. Equally important was the continuing run-off of closed defined benefit UK pension schemes' investment in UK listed equities, as they completed their transition to liability driven strategies or transferred their obligations to the insurance market.

Investment through defined contribution retirement schemes compensated only partially, as contribution rates are significantly lower than those of defined benefit pension schemes and equity allocations there are primarily to global equity products in which UK listed companies are a very small component. Recently released ONS figures illustrate the impact of these structural shifts in asset allocation, evidencing that UK pension schemes and insurers combined held only 4% of UK listed equities, declining from around half in the early 1990s.

This structural shift in the relative importance of the UK institutional market underlines the significance of our recent diversification to get closer to the end investor through investment in our Adviser and ii businesses. As will be noted in our results for 2023, in a weak year for our Investments business, in part due to continued restructuring, our two platform businesses grew their contribution to adjusted operating profit to £232m, thereby contributing 93% of the Group total.

Macroeconomic and geopolitical backdrop

Investment activity in 2023 also faced challenges from the macroeconomic and geopolitical environments. The horrendous attack against Israel on October 7th precipitated a powerful military response which is still ongoing, with fears of a wider Middle East conflict impacting investor sentiment. This added to concerns over the continuing war in Ukraine. Economically, cost of living burdens in the UK from continuing inflation constrained the flow of funds into retail savings products and indeed we saw some withdrawal from savings pots as household budgets were stretched. With major elections in 2024, notably in the US and the UK, but extending into some 50 countries, the resulting politically charged policy narratives added to investment uncertainty. Helpfully, market levels improved in the final quarter of 2023 as feared recessions seemed less likely and inflationary threats were downgraded leading to markets discounting earlier and larger interest rate reductions than previously expected.

UK Capital Market restructuring initiatives and demographic saving challenges

The decline in UK institutional participation in UK listed equity markets referred to above, together with a decline in new listings in London and UK listed company departures to other listing venues deemed more attractive, precipitated considerable attention from within the financial industry, the media and government. This led to a number of initiatives supported by government, industry and the regulatory community to remove barriers deemed to contribute to a lack of competitiveness, as well as introducing reforms designed to modernise UK capital markets. Of particular note were the so-called Edinburgh Reforms, the Mansion House Reforms as well as the work of the Capital Markets Industry Taskforce and the FCA's proposed listing regime reforms.

As a leading investment business in the UK, we supported these initiatives and believe adoption of the measures contained within them are hugely important to the delivery of a stronger UK economy and a more competitive financial sector environment, through which UK listed businesses can attract both the funding and talent to be more successful. In 2023 we co-sponsored a report by the think-tank New Financial that provided an analysis of many of the key issues underlying this agenda and we look forward to playing our part in supporting adoption.

The Mansion House Reforms were also particularly important in highlighting the relatively lower returns in pooled retirement savings in the UK in defined contribution schemes, as a consequence of both the large number of small schemes and a lower risk appetite within such schemes than seen in other leading economies. The savings gap opening up from this low risk tolerance, together with the lower mandatory contribution rates in the UK, risk contributing to a demographic timebomb as current generations of scheme participants are likely to reach retirement with inadequate funds to meet their expectations of a comfortable retirement. Our industry along with our regulators and policymakers need to work together to ensure people are properly informed of the responsibility increasingly placed on the individual to build adequate funds to support retirement. This is a theme where abrdn plans to have a leading voice and we are positioning our Adviser and ii businesses to play a prominent role; Stephen highlights the steps we are taking in his review.

Progress on delivering on our strategic ambitions and performance in the year

With revenue growth in 2023 expected to be very challenging given the economic and geopolitical backdrop described above, we set one of our priorities for 2023 to eliminate some £75m of costs, excluding that derived from business disposals. In part, this was achieved through consolidating or closing sub-scale funds and sharpening the focus of the investment strategies offered to clients. All of this was achieved and is discussed more fully in the Chief Executive Officer's review.

However, the scale of revenue reduction in 2023 as a consequence of market levels, risk reduction by clients to less remunerated strategies and net outflows in the Investments business far exceeded the cost savings achieved, leading to the continuation of an unsatisfactory ratio of cost to revenues in the Investments business. Performance in our other two businesses was good and in line with our expectations but that good performance was overshadowed by the unsatisfactory profitability within Investments. As a consequence, the Board spent the majority of its meetings in 2023 analysing in detail the shape of the Investments business against market trends and determining what actions were necessary and within our control to rebuild the profitability of the business on a sustainable basis.

This culminated in the announcement made on 24 January that a more significant reorganisation and simplification of the business than previously contemplated was needed to address the ongoing pressure on revenues from changing patterns of asset allocation, in particular the greater institutional adoption of passive and low cost thematic strategies. As announced, the actions planned throughout 2024 and 2025 are designed to take at least £150m from the cost base within the Investments business and from functional costs. Stephen discusses the necessary actions in more detail in his review.

To build a sustainable business and to grow we need to invest at the same time and this requires reallocation of capital resources within abrdn.

During 2023 we completed the disposal of our non-core stakes in HDFC Life and HDFC Asset Management, which augmented our capital position by £576m. The sale of abrdn Capital which was announced alongside our 2022 results completed in September 2023 at the agreed price of £140m adding a further £124m to our capital position. We also completed the sale of our US private equity and venture capital business in October and in the same month announced the sale of our European-headquartered private equity business to Nasdaq-listed Patria Investments. This reshaping of our footprint and capabilities allowed us to focus on business areas where we have better growth prospects and comparative advantage and by reducing complexity, we are reducing costs.

As promised, we reinvested a portion of the capital released through the above disposals to fill out gaps in our Investments business and add technology capabilities and marketing resources in our Adviser and ii businesses. In October, we completed the acquisition of the healthcare fund management capabilities of Tekla Capital Management bringing into the Group $2.8bn of funds under management and more importantly, adding a distinctive capability in listed healthcare and biotech thematic closed-end funds. Together with other recent closed-end fund acquisitions this positions abrdn as the third largest manager of closed-end funds globally. Investment in our Adviser and ii business during 2023 to build organic growth opportunities are covered in Stephen's review.

When we reported our results for 2022 we indicated that our intention was to make a similar return of capital in 2023 as had been delivered in 2022, dependent on successful non-core stake realisation and retaining necessary funds for investment; this we have delivered through a further buyback of c£300m of shares and the maintenance of the interim dividend at 7.3p per share. The Board is recommending to shareholders a final dividend of 7.3p per share subject to their approval at the upcoming AGM to bring the total return to shareholders in respect of 2023 to £567m (2022: £595m).

We are updating one of our key performance indicators moving forward, from adjusted capital generation to net capital generation. This metric more closely aligns with the dividend paying capability of the Company over the long term.

Board

As previously announced, both Stephanie Bruce, our CFO and Brian McBride, a non-executive director did not seek re-election at the 2023 Annual General Meeting at which their significant contributions to the development of abrdn were recognised. We wish them both well in the next stages of their careers.

In October last year, we welcomed Jason Windsor as our new CFO. Jason joined from Persimmon plc having spent the vast majority of his career hitherto in financial services. His financial industry experience and expertise were gained notably through 12 years at Aviva, latterly as Group Chief Financial Officer. Prior to that, he spent 15 years at Morgan Stanley in both London and Singapore, rising to be a Managing Director within its Investment Banking Division. Jason has made an excellent start at abrdn, and we all are looking forward to working with him more closely in delivering our strategy.

Catherine Bradley has advised that she will not seek re-election at the Company's Annual General Meeting on 24 April 2024 and will stand down from that date as a Non-Executive Director and as Chair of the Audit Committee. On behalf of the Board and all my colleagues, I would like to thank Catherine for her significant contribution to abrdn and our Board and Committee discussions. Earlier this year Catherine took on the chair of ii, our direct-to-consumer investments business, and she has concluded she should dedicate her available time commitment to this responsibility. I'm delighted she will remain connected with abrdn through her ii appointment where we will continue to benefit from her breadth of consumer, financial and regulatory experience as we continue to grow ii and the critical role it plays within the Group.

Outlook

Given all current uncertainties, it is hard to form a clear outlook for 2024 and beyond. Our base case assumes no major escalation in global inflationary pressures across the major global economies or an escalation of geopolitical tensions and assumes policy interest rates in the US and the UK have peaked. We assume that, notwithstanding some harsh rhetoric inevitable in an election year, the US-China mutually beneficial trade relationship will remain intact. With the US appearing to be successful in engineering a soft landing after an aggressive succession of interest rate hikes, upside to the global economy rests upon the US maintaining its solid growth trajectory and China resuming its contribution as a key driver of global growth and as a major part of the supply chain in the transition to a lower carbon future. Given other geopolitical tensions, the US-China relationship remains a top issue in the investment world. Their shared global economic leadership has led to an understanding of mutual dependency and notwithstanding tension over high-end semiconductors and critical minerals, the resumption of trade dialogues and senior visits are encouraging for the global economy. Outlook for the UK and the rest of Europe is more muted, with it recently being confirmed that the UK had entered a modest recession; the investment picture is likely to remain cautious given electoral uncertainty and the lagging impact of wage increases and tax changes on consumer confidence.

We enter 2024 with a clear plan of what we need to do to build a sustainable business with good growth prospects and an efficient cost structure; our industry is evolving rapidly as technology enables the offer of ever more sophisticated tailored investment themes and solutions at low cost. Proximity to the end consumer and an understanding of their investment preferences and the route through which they choose to invest will be critical. abrdn is well positioned for this evolution in terms of the mix of our businesses and the talent and financial resources needed to succeed.

Douglas Flint

Sir Douglas Flint
Chair

Building a modern investment company

We have continued with our determination to build a modern investment company that is capable of thriving in a changing marketplace. In January of 2024, we took the next step in that process, announcing a £150m cost transformation programme to accelerate the delivery of a more sustainable cost base that can support appropriate long-term profitability. The need to continue applying downward pressure on costs was underlined by another challenging year. Throughout 2023, the 'higher for longer' rate environment across developed economies put sustained pressure on most asset classes, and while the market now expects a reversal over 2024, there is no doubt that we have felt the effects in our Investments business. The upside is the impact higher rates have had on income in Adviser and ii, underscoring the benefits of our diversified business model, which delivers through the economic cycle.

When we embarked on our transformation journey back in 2021, not many would have foreseen the level of global economic and geopolitical turmoil we have since experienced. That has inevitably hindered our progress, and directly impacted performance. Nonetheless, as pages 4 and 5 demonstrate, we have moved at pace to evolve the business and create a model that is better suited to the modern investment landscape, better aligned to the products and services clients will want in the coming years and better positioned for future growth.

A platform for growth

As we look ahead, we now have a platform to build on, connecting our investment content capabilities on the one hand, with our market leading wealth platforms on the other. We are able to identify where demand is going and react more quickly than ever, using data sharing between businesses to design better products and creating tailor-made solutions in Investments that meet the needs of clients and customers in Adviser, ii, and the wider market.

Sensitivity to rates and markets has been mitigated by our more diverse business model. We are also well positioned to take advantage across the group when rates do start to come down, with a move to risk-on giving oxygen to Investments, an easing of the cost-of-living pressures that have impacted Adviser, and a return of investor confidence supporting an increase in subscriptions and trading volumes for ii.

Our new transformation programme will deliver an annualised cost reduction of at least £150m by the end of 2025. Approximately 80% of the cost reduction benefits will be in our core Investments business. The programme is targeting the removal of management layers, increasing spans of control, and reducing overheads. We will implement this programme with minimal impact to client service and at all times focusing on investment performance.

2023 performance

At £249m (2022: £263m), adjusted operating profit is down 5% on the previous year. While Adviser and ii both increased profitability, this was more than offset by falling revenue in Investments where market conditions had a substantial impact, as seen across the sector. Overall, we are reporting an IFRS profit for the year of £12m (2022 restated: loss £546m), this improvement reflects a reduction in impairment of intangible assets and restructuring costs.

Our determination to manage our cost base is evident in a 4% reduction in adjusted operating expenses, even including a full 12 months of ii (compared to 7 months in 2022). We exceeded our target to remove £75m in cost from the Investments business, delivering savings of £102m in the year, and we have since set out plans for a new transformation programme that will deliver a material improvement to our cost/income ratio.

As detailed below, we have maintained our disciplined approach to capital allocation in 2023. Jason outlines our performance in detail in the Chief Financial Officer's overview.

A leaner and more relevant Investments business

After another year of substantial change, we finished 2023 with a leaner, more relevant Investments business. With the sale of our US Private Equity franchise and agreement to sell our European Private Equity franchise, and having continued to deliver on our fund rationalisation programme with the closure of a further c60 funds in 2023, our more focused offering is based upon areas of real strength and scale across public markets and alternatives.

This simplification enabled us to go beyond our £75m cost reduction target.

Investment performance over the three and five-year time periods has weakened, with 42% (2022: 65%) and 52% (2022: 58%) of AUM covered by this metric ahead of benchmark respectively. The drop in the three-year performance reflects a challenging period for active managers, particularly those with a quality equity investment style with a bias towards Asia and Emerging Markets. Our new Chief Investment Officer, Peter Branner, who joined us in 2023, is leading a wide-ranging programme of work to review and strengthen our investment processes. You can read more about this work in the Investments section on page 22.

The creation of a more focused Investments business has been accompanied through the careful deployment of capital in select areas where we see good growth opportunities. Our acquisition of the fund management capabilities of Boston-based Tekla Capital Management has added specialist knowledge in the healthcare and biotech sector, an area we have identified as one of a small number of megatrends that are expected to offer exciting investing opportunities in the future. Alongside Tekla, the acquisition of other closed-end funds from Macquarie and the proposed acquisition of funds from First Trust, would collectively add £3.6bn in AUM and strengthen abrdn's position as one of the world's leading players in closed-end funds.

Leading positions in the structurally attractive UK savings and wealth market

With an ageing population and the ongoing shift toward individuals having to take a greater amount of responsibility for their own financial futures, the long-term structural growth factors underpinning the UK savings and wealth market are well known. In that context, owning two of the leading platform businesses in the sector puts abrdn in a strong position, and the work we have done this year to strengthen those businesses for the future only adds to that potential.

While the continuation of difficult market conditions through 2023 undoubtedly had some impact across both our Adviser and ii businesses, this was mitigated by increased treasury income that supported improved adjusted operating profit in both Adviser and ii. We note that the FCA has been considering the retention of interest earned on cash balances and we have been working with them to ensure they understand our approach. We are confident that both Adviser and ii offer clients and customers fair and transparent fee structures.

In Adviser, 2023 saw the largest and most advanced platform technology upgrade that we have undertaken. As expected, this caused some disruption to service, but by year-end service levels were returning to normal, and we can now offer, and build upon, a far superior user experience for our clients. As announced back in May 2023, this will also see us roll out adviserOS this year – a new way of delivering platform services to clients that will enhance our proposition, extend client capacity, and differentiate abrdn from the wider market.

The year saw our Managed Portfolio Services (MPS) team shift to Adviser from our ii business. We anticipate strong demand from advisers and believe there is a significant opportunity for further growth here. The same applies to the launch of our own on-platform SIPP and Junior SIPP in 2024.

ii also benefited from a significant technology update in 2023 that allowed the platform to remain ahead in what is a rapidly developing sector. While market conditions dampened customer acquisition and trading activity, we enjoyed the comparative resilience afforded by our subscription model and proved our strength by increasing our share of market trades over the year. ii also delivered the highest net AUA inflows across UK D2C platforms in 2023, according to Direct Matters.

Important work to optimise the business model within ii was also delivered. The sale of our discretionary fund management business to LGT in September underlined our disciplined approach to capital allocation. The simplification and integration of our Financial Planning and ii teams showed that we can cut cost while creating a model we can better leverage for our customers.

Another customer-led development was the launch of our Investor Essentials and Pension Essentials products, offering lower prices to customers with smaller investment pots and widening out the breadth of the market for whom ii becomes the best choice on price. We expect these innovations, and investment in our brand, will support higher customer acquisition over time, especially as conditions begin to support improved investor confidence.

Disciplined capital management

The indicative CET1 resources at 31 December 2023 were £1.5bn (2022: £1.3bn) with a coverage of 139% (2022: 123%). This was facilitated by another year of disciplined capital management, during which we carefully balanced non-core divestments with a combination of targeted investment in the business and continued returns to shareholders.

Organic cash generation and efficient stake sales generated £875m. Consistent with the previous year, we returned c£600m to shareholders in the form of dividends and share buybacks, and reinvested £152m largely to continue growing our closed-end fund business.

We plan to deploy surplus capital to fund the delivery of the £150m cost savings we have outlined and may use the proceeds from divestments to support bolt-on acquisitions within key thematic markets. The Board's current intention is to pay a total annual dividend of 14.6p 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.

Playing our part in creating a more sustainable world

The unfortunate sequence of global crises we have experienced in recent years may have drawn some attention away from the challenges we face on climate change but the urgency around the need to respond is only intensifying. Our Sustainable Investing team were present for the COP28 meeting in the UAE in November where we were encouraged by agreement for the first time on a transition away from fossil fuels, which we believe can be a catalyst for meaningful action. We continue to contribute from two angles; careful management of our own operations to limit our climate impact, where we are exceeding our objective of a 50% reduction in reported operational emissions by 2025 with currently a 69% reduction versus our 2018 base year; and a deeply embedded approach to sustainable investing that we have cultivated over many years with an ongoing reduction being reported for 2023 in the carbon intensity of in-scope public market and real estate assets, meaning we are also on track to meet our targets in this area (see page 45 for more detail). Another key aspect of our sustainability agenda is our commitment to offering an inclusive and supportive working environment.

We have specific approaches in place to address gender, ethnicity and social mobility imbalances and recorded another successive year of reducing our gender pay gap. You can read about our efforts in more detail on page 53.

At a headline level, we saw overall employee engagement remain at similar levels to last year, despite a backdrop of challenging market conditions and ongoing change within the business. The external environment, coupled with the scale of change as we transform our business, have undoubtedly been challenging for our colleagues. Across the company they have shown deep commitment to our clients and a huge will to rebuild the firm's success. On behalf of the Board and the management team, I'd like to thank everyone across the business for their hard work, skill and determination.

The next phase of our progress

Over the last three years we have moved at pace to reshape the company and create a business model that is fit for the future. We now have more ways to win, particularly through our enhanced exposure to the highly attractive UK savings and wealth market, but also with a more focused and more efficient Investments business. This means we are already far better equipped to address the well-known challenges facing active asset management. However, we have also recognised the need to go further still in transforming our Investments business. The transformation programme set out in January will deliver a leaner, more profitable Investments business to go alongside our two leading platform businesses. We are clear that there is more work to do but we are confident in the trajectory that we have created and the progress that we are making. Our goal is for all three businesses to make their appropriate contribution to Group earnings and in doing so, create a sustainably profitable abrdn.

Stephen Bird
Chief Executive Officer

Building a modern investment company

Positioned for success through the economic cycle

Driven by our purpose to enable our clients to be better investors, we have strengthened our business model through effective capital management and investment to create strong foundations for growth.

Our strengths and resources

Specialist asset manager providing investment solutions to meet complex needs.

Sustainable investment considerations integral to our investment process.

Strong UK adviser platform offering, powered by leading technology.

UK's second largest direct-to-consumer investment platform.

Strong balance sheet to drive shareholder value.

Positioned to benefit from key investment market opportunities

1

Continued growth opportunities in Asia and emerging markets, driven by:

- Demographics
- Urbanisation
- Economic opportunity
- Wealth effect

2

Energy transition seen across every industry including:

- Homes
- Transportation
- Construction

3

Democratisation of technology and investment

- People empowered to shape their own investment decisions

An efficient, diversified model

Strengthened, simplified business

- Strategic focus
- Robust governance
- Effective capital management

Driving investment in long-term growth

- People
- Product
- Technology

Structured around three complementary businesses

Investments

Adviser

ii

Delivered through strong operational processes

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.

Long-term value created

Diversified business and a strong balance sheet support long-term value creation

Investment in long-term growth

Payment of dividends and the return of excess cash to shareholders

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 cash balances.

Value shared with stakeholders

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.

42%

Three-year investment performance

People

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

54%

Employee engagement score

Society

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

No.1

Ranked asset manager by World Benchmarking Alliance

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 in the Chief Financial Officer's overview on pages 62 to 75

Read more on Stakeholder engagement on pages 54 to 56

A strategy for client-led growth

A strong sustainable business means focusing on the areas where we have the scale and expertise to win. We have four clear strategic priorities where existing and emerging market opportunities, and the evolving needs of our clients, align to our areas of strength.

Asia

Asia is an economic powerhouse – and there's more to come. Long-term economic growth requires three things: an increasingly skilled workforce, investment in infrastructure, equipment and technology, and improving productivity. Asia's emerging markets demonstrate all three of these essential building blocks.

We remain deeply committed to growing our business in Asia. Our track record in specialist equities, means we are well placed to serve both clients in and outside of Asia looking to invest in the region.

Progress

- In 2021, we launched the abrdn Sustainability Institute in Singapore and hired René Buehlmann as CEO Asia Pacific, and then CEO of the Investments business in May 2023.
- In 2022, we celebrated 30 years of investing in Asia.
- We refocused our model in Asia Pacific exiting Taiwan and Australia and introducing distribution partnership models.
- In 2023, we launched Strength in Asia, a major brand campaign in markets across APAC and Europe.
- We led the region on driving Sustainable investing through the facilitation of Asia Sustainability Week.

Sustainable investing

While scrutiny of Environment, Social and Governance (ESG) approaches has intensified, clients still want to invest in a way that has the potential to make a difference as well as providing a financial return – whether that be through powering the energy transition, protecting biodiversity or driving positive social change.

We have created a suite of sustainability-focused solutions to meet client needs. We firmly believe that active engaged investment management is integral to providing the capital for positive change.

Progress

- In 2021, we launched our climate change fund range. We also created a new Chief Sustainability Officer position to ensure responsibility for this integral theme was represented at the most senior levels.
- In 2022, we launched our MyFolio Sustainable Index range in support of clients' ESG goals and our Emerging Markets Sustainable Development Corporate Bond passed through the $100m mark in its first year.
- Over the course of the last two years, we have been running an engagement programme with the highest-financed emitters in our equity holdings, identifying clear milestones on the path to decarbonisation.

Alternatives

We believe we are in the foothills of the next tech super-cycle which will see revolutions in biotech and healthcare, clean tech, and digital assets. The best way to access investment in these areas will be Alternatives.

Our Alternatives business includes our capabilities in real assets, which comprises extensive global real estate expertise, infrastructure and commodities. It also offers clients access to major areas of European Private Credit, as well as compelling and innovative opportunities in the Hedge Fund sector.

Progress

- We have built out our Alternatives franchise to significant scale with £76bn of assets, particularly in real estate and logistics. Tritax, which we acquired in 2021 remains a leading player with two of the biggest listed logistics funds in the market.
- In 2023, we were appointed by Border to Coast Pensions Partnership, one of the UK's largest asset owner pools, to support the launch and management of its UK Real Estate proposition.
- We have enhanced our talent and structure, appointing new Heads of Private Credit and Real Estate.
- We refocused the business through announcing the sale of non-core US and European Private Equity businesses.

UK savings and wealth

The decline of defined benefit pensions, the significant advice gap and an ageing society mean it is more important than ever that UK investors have the tools and appropriate guidance or advice.

With ii offering market-leading direct investing and our platform providing a best-in-class proposition to the adviser market, we have successfully repositioned our business towards an increasingly attractive and growing UK savings and wealth market.

Progress

- Acquisition of interactive investor brought 400,000 new customers to the abrdn group.
- Since the acquisition, ii has launched new products and price points, including Investor Essentials and Pensions Essentials, subscriptions at a lower price point designed to appeal to investors with less to invest. This makes ii the cheapest on the market for anyone with £15,000 or more to invest.
- In 2023, we migrated 5,800 customers from Investments to ii to better service their needs.
- In Adviser we have retained our 'A' rating for financial strength from leading independent consultancy firm AKG – with financial strength a key consideration for advisers when selecting their primary platform.
- In 2023, we delivered a major technology upgrade to the platform to better service our adviser clients.

Our investments in action

As a specialist global investor with over £360bn of AUM, we help capital meet opportunity to support the world's ever-changing needs. Informing our approach are a number of megatrends that are set to influence the shaping of the global economy, including decarbonisation, urbanisation and infrastructure development and a shift in economic power to the East.

London based private biopharmaceutical company Quell Therapeutics are working to deliver transformational and valued therapies addressing a range of autoimmune and inflammatory diseases, as well as preventing rejection in organ transplantation. We are invested through two of the four closed-end funds acquired from Boston based Tekla in 2023 to build out our capabilities in the biotech and healthcare sphere where technology advances and demographic changes are set to drive growing opportunities in the future.

Ten Boomgaard in Bruges is the first investment in Belgium on behalf of investors in the abrdn Pan-European Residential Property Fund (APER) which now has assets in 30 cities across 10 countries. As demand continues to rise for good quality housing in key European cities, the fund successfully raised over €100m in the last quarter of 2023.

The Mirasierra Gallery in Madrid has been recognised as the Best Retail Park in Spain by leading industry body Asociación Española de Centros y Parques Comerciales (AECC). Purchased for an institutional mandate, the Gallery brings together both retail and healthcare centres and was constructed with a core commitment to sustainable building management.

Power Grid Corporation of India is the country's largest electric power transmission utility, transmitting about 50% of the electricity used domestically. Invested in the company through abrdn's Asia Income fund, we see an opportunity to benefit from infrastructure spending and the massive push towards renewables and associated infrastructure in India.

Wessex Internet Limited and its majority shareholder, abrdn's third Infrastructure Fund, ASCI III, announced successfully securing an additional £35m funding in 2023 for the business's long term growth plans, bolstering the firm's mission to provide high-speed fibre to the home, and improved connectivity in rural areas of South-West England.

Results impacted by continued challenging market conditions

Market conditions remain challenging and this is reflected in our 2023 results.

We are taking actions to restore our core Investments business to a more acceptable level of profitability.

Financial performance summary

£1,398m

Net operating revenue

reduced by 4% to £1,398m (2022: £1,456m) with lower revenue in Investments mainly reflecting the impact of net outflows and adverse market conditions. This was partly offset by growth in Adviser and ii.

£249m

Adjusted operating profit

reduced by 5% to £249m (2022: £263m) reflecting the lower profitability in the Investments business, partly offset by the benefit of the full 12 months contribution from ii[1] of £127m. Excluding ii[1], adjusted operating profit was 38% lower than 2022 at £122m (2022: £196m).

82%

Cost/income ratio

was stable at 82% (2022: 82%) reflecting the benefit from the efficient Adviser and ii cost models, offset by lower revenue in Investments.

(£6m)

IFRS loss before tax

of £6m (2022: loss £612m[2]) was impacted by losses of £178m from the change in fair value of significant listed investments, restructuring and corporate transaction expenses of £152m and goodwill impairments of £62m.

(£13.9bn)

Net outflows (excl. liquidity and LBG tranche withdrawals)

of £13.9bn (2022: £10.3bn), representing (3%) of opening AUMA, largely reflected by lower gross inflows which included the impact of the uncertain market environment.

1. Relates to ii (excluding Personal Wealth).
2. Comparatives have been restated for the HASL implementation of IFRS 17. Refer to Basis of preparation in the Group financial statements section of the ARA 2023.

Capital performance summary

Our capital resources provide strength to allow investment to grow the business and be more efficient.

£1,466m

CET1 capital resources

increased to £1,466m (2022: £1,301m), benefiting by £576m from the remaining HDFC stake sales, partly offset by the impact of the £300m share buyback in 2023.

£1.8bn

Cash and liquid resources

remained robust at £1.8bn (2022: £1.7bn). These resources are high quality and mainly invested in cash, money market instruments and short-term debt securities.

£557m

Value of listed stakes

of £0.6bn (2022: £1.3bn) excluded from the CET1 capital position. Reduction includes impact of final HDFC stake sales which generated net proceeds of £0.5bn.

14.6p

Full year dividend per share

was maintained at 14.6p (2022: 14.6p). It remains the Board's current intention to pay a total annual dividend of 14.6p until it is covered at least 1.5 times by adjusted capital generation.

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

A refocused Investments business ready to capitalise on areas of strength

The capabilities in our Investments business are built on the strength of our insights, which are generated from wide-ranging research, worldwide investment expertise and local market knowledge. While continuing to offer a comprehensive range of solutions in public markets and alternatives, we have simplified our Investments business and refocused our capabilities on areas where we have the scale and specialism to capitalise on the key themes shaping markets.

"Faced with industry headwinds and a challenging risk-off environment for a second year in a row, 2023 was a difficult year for the Investments business. However, we are taking decisive action to stabilise flows, improve our cost/income ratio and build the foundations for sustainable growth.

As a specialist asset manager, we continue to see compelling opportunities across both public markets and alternatives, and I remain confident that we can deliver value for our global client base, particularly as markets normalise."

René Buehlmann
CEO, Investments

Highlights

£122.4bn
AUM from our fixed income capabilities

£23.7bn
AUM in our closed-end funds

£102m
Cost reduction in the Investments business, exceeding the £75m target set for 2023

Investment performance[1]

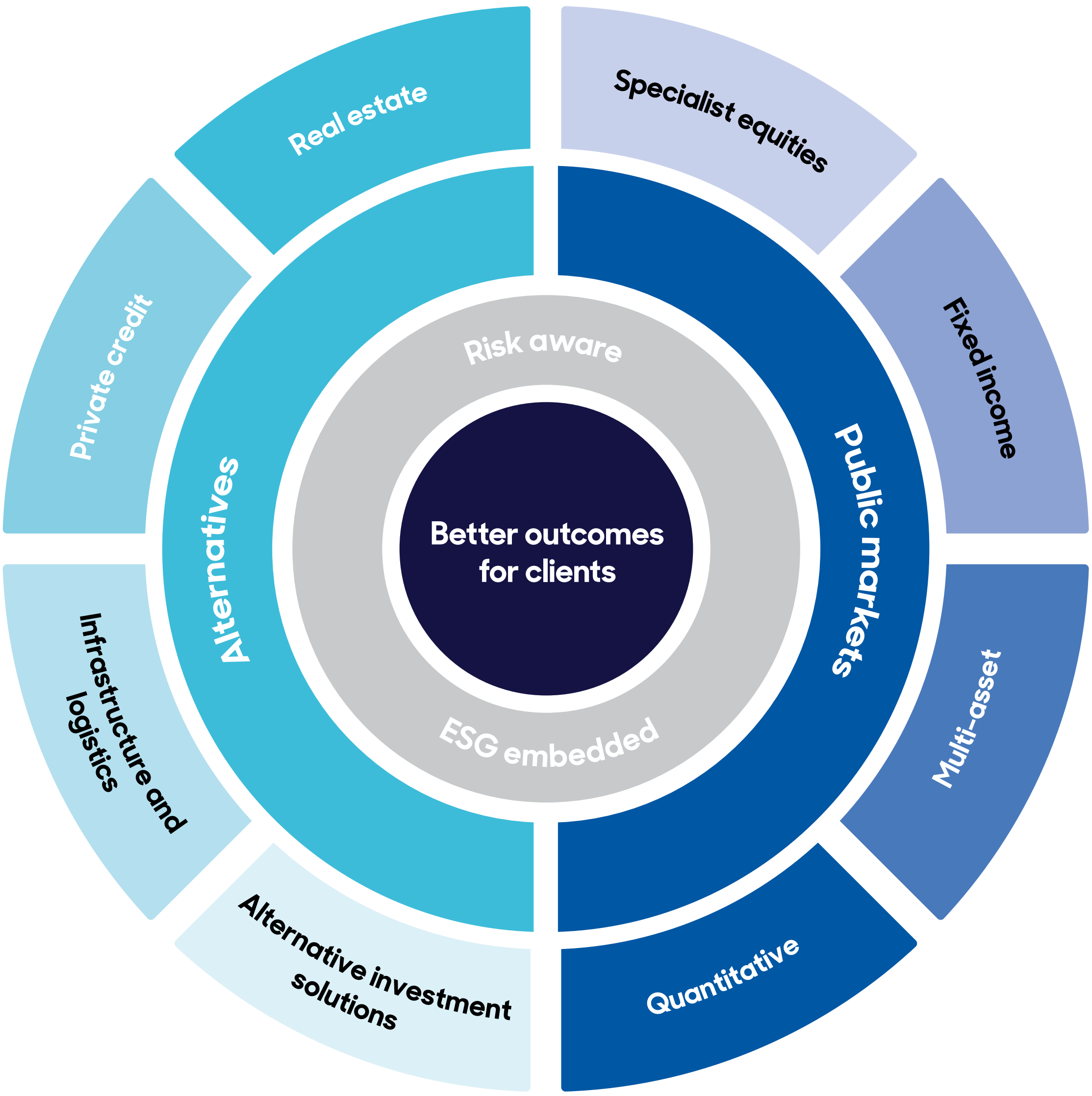
1 year
44%
(2022: 41%)

3 years
42%
(2022: 65%)

5 years
52%
(2022: 58%)

1. 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. Further details about the calculation of investment performance are included in the Supplementary information section of the ARA 2023.

We are a specialist asset manager with £366.7bn in AUM. We focus on areas where we have both the strength and scale to capitalise on the key themes shaping the market, through either public markets or alternative asset classes.



Positioning our business to capitalise on megatrends

Another challenging year for investors

We have continued to operate in a challenging, risk-off environment with outflows seen across the market. The notable drop in market values across emerging markets (EM), fixed income and real assets has presented a significant revenue challenge. Geopolitical and credit risk persist, while rising interest rates have continued to drive asset allocation into lower-risk, lower-margin debt products and cash. With the growing adoption of passive and index investing also disrupting traditional asset management models, our business continues to take active steps to not only mitigate these challenges but also to position itself for a pivot back to growth.

Investment performance over the three-year time period has weakened, with 42% of AUM covered by this metric ahead of benchmark (2022: 65%). The drop in the three-year performance reflects a challenging period for active managers particularly those with a quality equity investment style with a bias towards Asia and Emerging Markets. To address these challenges, we are committed to refining our processes by:

- Expanding our thematic equity offering and research capabilities.
- Implementing asset class-specific process enhancements, including refinement to valuation approaches, portfolio construction techniques, and risk analytics.
- Evolving our CIO governance structure and introducing 'Team Scans' at asset class and desk levels to facilitate peer review and to drive continuous improvements.
- Focusing on strategic technology and data initiatives to enhance analysis and process efficiency.

Despite current headwinds, clear megatrends have developed that will dictate market dynamics in years to come. In 2023, we continued to align ourselves to these trends:

Urbanisation and infrastructure development: With rapid urbanisation, and growing populations worldwide, the demand for homes and infrastructure continues to grow, driving capital expenditure and economic activity. We have significant scale in real assets with £42.8bn of AUM as at December 2023. In the logistics space, abrdn-owned Tritax remains a leading player with two of the largest listed logistics funds in the market. Throughout 2023, we demonstrated momentum across infrastructure, living and logistics, notably winning a significant mandate with Border to Coast in June to support the launch and management of its UK real estate proposition.

Climate change and the energy transition: Global carbon emissions rose by another 1.1% last year, which was the hottest year on record. However, the global energy transition is well underway, supported by the COP28 agreement to triple renewable capacity and double energy efficiency by 2030. We continue to evolve our product range to capture climate commitments aiming to respond to continued market interest in sustainable and climate investing. In June 2023, our Climate Transition Bond Fund secured Environmental Finance's 'ESG Fixed Income Fund of the Year' award, after being recognised for its particular focus on climate adaptation.

Health and biotech: In October 2023, abrdn completed the acquisition of the healthcare fund management capabilities of Tekla Capital Management, a specialist healthcare investment adviser. With the global healthcare sector grappling with an ageing population and increasing rates of chronic illnesses, such as diabetes and cancer, the healthcare technology industry has grown rapidly. In the United States alone, healthcare expenditure has grown at an annual rate of 6% since the 1980s, as the US population has surpassed 330 million and the obesity epidemic has worsened.

Growth in Asia and emerging markets: Despite the significant headwinds over the last two years we expect Asia and emerging markets to remain important drivers of global growth. Our estimates suggest that by 2035, emerging markets will drive c75% of global growth, with China and developing Asia alone accounting for 60% of this. With a significant specialism in EM and Asia, where we have operated for over 30 years, we are well positioned to benefit from these structural growth opportunities. Despite signs of recovery in Q4, Asia and EM performance was subdued in 2023. However, we expect both Asia and EM to deliver improved performances this year and next with opportunities emerging to further capitalise on our strong insurance heritage across the regions.

Our progress in 2023

Strengthening our team

In May 2023, we announced changes to the management team of our Investments business with René Buehlmann becoming sole CEO, Peter Branner joining as Chief Investment Officer and Xavier Meyer being promoted to Head of UK and EMEA and Chief Client Officer.

Strategic focus

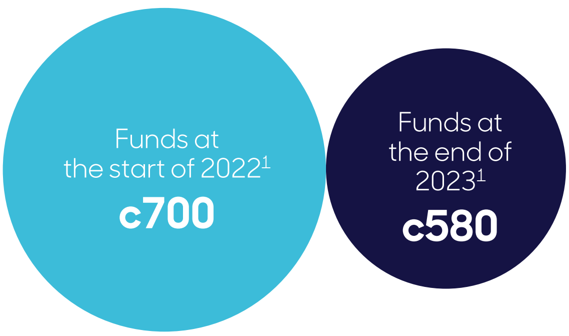
In July and October we announced the sales of our US and European Private Equity businesses, respectively with the US sale completing in October and the European sale expected to complete in H1 2024. These disposals will raise over £105m for the business and reflect our strategy to focus on areas of strength and invest in sectors with attractive long-term dynamics.

Delivering significant cost savings

In 2022, we merged or closed c60 funds to simplify our offering and refocus on scale. In 2023, we continued this process closing a further c60 funds deemed to be sub-scale, inefficient or no longer aligned with our core strengths. While closing funds is never a simple exercise, we have significantly progressed our fund rationalisation programme, which was central in the cost savings delivered across 2023. This process has also increased scale for our existing funds, with 74% of our funds now with over £100m in AUM (61% in 2022) and 55% with over £200m in AUM (41% in 2022).

Our most significant headwinds this year have been in emerging markets, Asia and Global Absolute Return Strategies (GARS) where we have continued to see outflows. Our EM range is well positioned to pivot to growth once investor appetite for risk returns, and our GEM Income fund continues its stellar track record, in which it has performed in the top quartile of the market since inception. We have taken action following a strategic review to merge or close funds associated with our GARS range, which completed in December 2023.

In addition to our fund rationalisation strategy, we simplified our management structure, restructured our Australian operations, and refocused our equities and multi-asset franchises. These actions, taken in combination, resulted in the Investments business comfortably exceeding its £75m cost saving target with £102m in savings delivered in 2023.



1. A subset of the abrdn product range in-scope for rationalisation.

Focusing on areas of strength

Simplifying our product range, exiting undifferentiated or sub-scale areas, and reducing costs has allowed us to intensify our focus on our areas of expertise in higher-margin products and high-growth sectors with the highest potential to deliver performance:

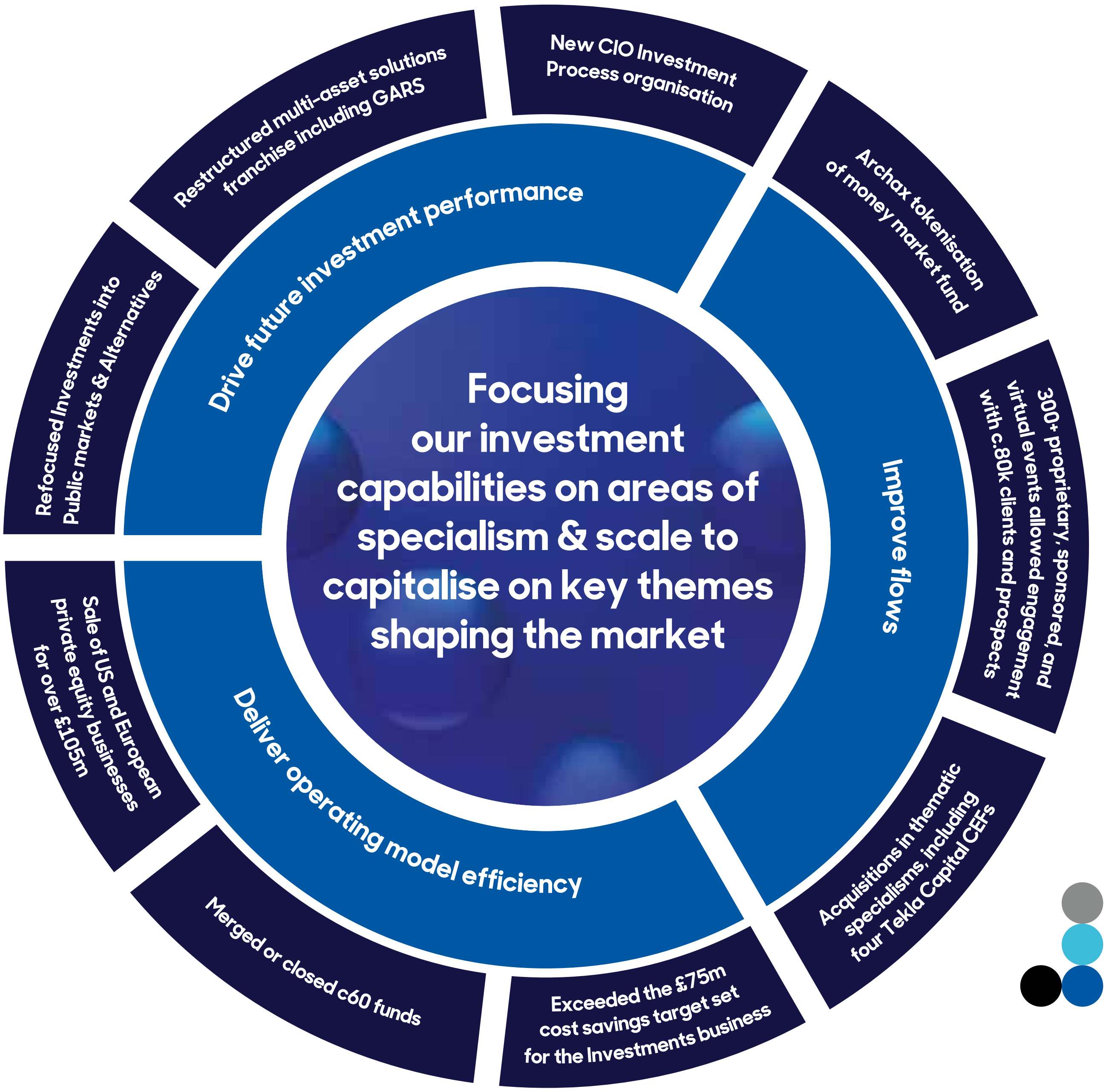
Fixed income: Our fixed income offering has considerable scale with over £122bn AUM across credit, government bond and money market funds in developed and emerging markets. Fixed income opportunities have been subdued in recent years by the low-yield environment, but in 2023 we began to see this trend reverse and our pipeline is now promising. This potential is underpinned by performance with 81% of our fixed income capabilities outperforming over three years, and in credit, where we have particular strength, 99% of our assets outperforming over the same period.

Alternatives: Real estate, infrastructure and logistics all continue to show attractive annual growth rates and compelling opportunities for scale players. In 2023, we made a series of investments across European real estate and infrastructure, with our third infrastructure fund, ASCI III, investing in Spanish fibre networks, biomethane facilities in Italy and regional heating and electricity in Finland. At the end of 2023, our Alternatives business had £76.4bn in AUM including £42.8bn in real assets, £8.8bn in private credit and £17.1bn in funds of hedge funds and commodity ETFs.

Closed-end funds: In 2023, we announced three significant acquisitions in the closed-end fund (CEF) space, acquiring five CEFs from Macquarie Asset Management, the four listed CEFs of Tekla Capital and entering into an agreement to acquire four CEFs from First Trust, which we expect to complete in Q1 this year. Assuming the completion of the First Trust funds, these acquisitions, when taken in combination, would add £3.6bn in AUM, strengthening our already robust CEF offering. We remain the third largest CEF manager globally.

Significant insurance expertise: We have nearly 200 years of heritage in pensions and insurance, and currently run £45bn in pensions AUM globally and £179bn in insurance assets. This expertise was recognised in the 2023 Asia Asset Management Awards where we won 'Best Insurance Manager'. In 2023, our partnership with our largest client, Phoenix Group, delivered £6bn of gross inflows (£5.2bn net of reinsurance arrangements) from their Bulk Purchase Annuities business and £4bn of inflows from their Workplace Defined Contributions business. Phoenix and abrdn continue to explore ways to mutually benefit from and strengthen our partnership.

Our strategy in action in 2023



Throughout 2023 we took decisive action to simplify and refocus our Investments business. By selectively disposing of non-core businesses, and delivering significant cost savings, we have better positioned ourselves to deliver growth as global market conditions normalise.

Jim O'Connor,
Head of the Americas

"CEF acquisitions follow our strategy of building scale, focusing on asset classes where we have strength, and bringing AUM to the group in a perpetual capital structure"

Spotlight on closed-end funds

In Q4 2023 we announced the proposed acquisition of four CEFs from First Trust Advisors which, subject to approval by the funds' shareholders, represents c£600m in additional AUM. The announcement of the deal followed shortly after our acquisition of Tekla's four listed CEFs which, in combination with the five CEFs acquired from Macquarie Asset Management earlier in the year, added c£3bn in AUM. We spoke to **Jim O'Connor**, Head of the Americas, who oversaw the Tekla deal about why abrdn remains acquisitive in the CEF space.

Q: What was the attraction of Tekla Capital?

"As a specialist manager, we seek to deliver value in the areas of the market where there are inefficiencies and where active management can provide superior risk adjusted returns.

This acquisition represents a strategic extension of our thematics capabilities, enabling us to welcome a team of talented investment professionals specialising in the healthcare sector. We believe this to be an area of growth underpinned by megatrends in the investable universe with demographics and technological innovations driving an ever-increasing demand for life science services."

Q: In a year of fund rationalisation why has abrdn been acquiring closed-end funds?

"CEFs are an area of specialism and vehicles which support long-term investment outcomes for retail and institutional investors that can't be replicated by other investment vehicles.

While CEFs are often regarded as complex structures, we believe our experience and knowledge sets us apart from our competitors. Our scaled operating model enables us to look after existing CEF product ranges with the ability to grow via the launch of new funds, secondary market issuances, and corporate mergers and acquisitions of funds.

In December 2023, abrdn announced that we would invest an amount equal to up to six months' worth of management fees in the shares of our UK listed CEFs. The total amount invested as part of this initiative will exceed £30m. This exercise aims to demonstrate our strong advocacy for the integrity of the CEF business, and our desire to closely align ourselves with the shareholders of the funds we manage."

Q: abrdn has executed more listed CEF acquisitions than any other investment manager in the last 15 years, will this trend continue?

"Market headwinds have created a challenging environment for CEFs, which have been trading at their widest discount levels since the financial crisis. This has contributed to an environment with opportunities to acquire funds at attractive valuations. We continue to review the marketplace for opportunities to drive additional scale and efficiency in our key capabilities or to add new capabilities of strategic significance."

Our opportunities for growth

- **UK pensions and global insurance**: We will continue to leverage our strong partnerships and heritage to drive growth in the pensions and insurance markets. The UK is the fourth largest pension fund market globally with £2.2tn in AUM.
- **Fixed income**: We have strong performance across our capabilities in this c£20tn market, we will look to leverage this strength as market conditions become more conducive to fixed income and multi-asset products.
- **Alternatives**: We will bring our core capabilities across real estate, infrastructure and private credit to bear for clients this year and beyond with our significant won not funded pipeline.
- **Acquisitions**: We will continue to scan the market for bolt-on acquisitions within key thematic markets, such as biotech and healthcare.
- **Group collaboration**: interactive investor clients were provided early access to the IPO of the Short Dated Enhanced Income Fund in July 2023. Building on this success, we aim to launch a range of thematic ETFs on ii in 2024.

Empowering advisers to deliver for their customers

Our Adviser business provides financial planning solutions and technology for UK financial advisers, enabling them to create value for their businesses and their customers. 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 remain committed to our strategic ambition – to be the easiest partner for advisers do business with. We will achieve this by providing frictionless technology and solutions that help advisers to do business their way. Following the delivery of our largest ever technology upgrade, our service experience is back on track and strong foundations have been laid for faster upgrades and deeper integrations. We have made strong strides forward, but we're never done. With adviserOS on the horizon we're just getting started."

Noel Butwell
CEO, Adviser

50%
of UK advice businesses use our platforms

420,000
Customers

2,600
Adviser firms

£73.5bn
AUMA[1]

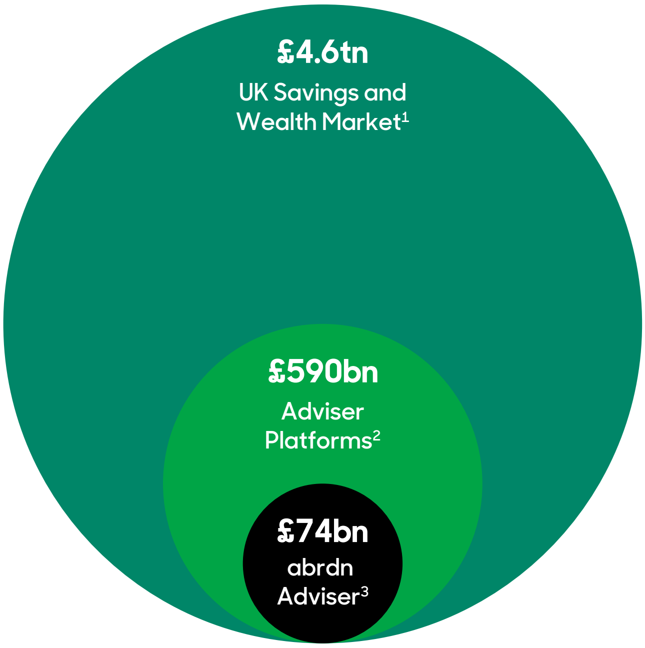
Platinum rated by AdviserAsset

12%
AUA market share

90%
Customer satisfaction score

1. Includes Platform AUA of £70.9bn. The MPS businesses moved from Personal Wealth to Adviser in May 2023. Comparatives have not been restated.

A growing and dynamic market



Performance overview

Despite challenging market conditions throughout the year, our Adviser business delivered a robust performance, culminating in another year of revenue and operating profit growth.

AUMA[4]

2021	2022	2023
£76.2bn	£68.5bn	£73.5bn

Adjusted operating profit[5]

2021	2022	2023
£74m	£86m	£118m

Market overview

The UK adviser market is expected to grow at an annual growth rate of 11% over the next five years[2]. With c£590bn of advised customer assets currently on platforms, this suggests c£995bn of assets will be on adviser platforms in 2028. By leveraging our evolving product and technology stack, our Adviser business is well positioned to maintain its place as a market leader.

1. The Investment Association, Investment Management in the UK 2022-2023. Figures as at 31 December 2022 and inclusive of retail and institutional markets.
2. Fundscape Q4 Press Release, February 2024, AUMA as at 31 December 2023.
3. abrdn Adviser AUMA as at 31 December 2023. Platform AUA is £70.9bn.
4. The MPS businesses moved from Personal Wealth to Adviser in May 2023. Comparatives for 2021 and 2022 have not been restated.
5. The threesixty and MPS businesses moved from Personal Wealth to Adviser from January 2023 and May 2023 respectively. Comparatives for 2021 and 2022 have not been restated.

Creating capacity through technology

Robust market dynamics

The rapid transition from a low inflation, low interest rate environment to one of sustained high rates and stubbornly high inflation has continued to impact the UK savings and wealth market. A cost-of-living crisis has persisted throughout the year, leading to many individuals reducing their saving commitments, or drawing on their existing savings to mitigate higher living costs, with off-platform cash solutions also increasing in attractiveness.

Against this challenging backdrop it is possible to underappreciate the significant opportunity that continues to exist within the domestic savings and wealth market. While savers' propensity and ability to save has been temporarily dampened, in times of market volatility, high-quality advice from experienced advisers is invaluable. Additionally, the core drivers of medium-term flows into the market remain, including the need to invest to counter the impact of inflation, a steady demand for retirement planning, and the need to maximise tax allowances in a challenging landscape. We will continue to champion the role of independent advisers in delivering advice and support, allowing more individuals and families to plan, save and invest for their futures.

The democratisation of finance

There has been a continued shift in responsibility onto the individual for their own financial affairs. Providing advisers the flexibility to consolidate and control portfolios and wrappers, and to access a suite of tools to manage their customer's finances on one platform meets this demand. While savers now have more access to various asset classes than ever, the complexity of their needs and a lack of understanding of investment strategies underpins the requirement for specialist advice.

The growing advice gap

In the UK savings and wealth market, demand for advice continues to significantly outweigh supply, with this savings and advice gap already running beyond 20 million people. While just over 28,000 qualified financial advisers currently practice in the UK, an ageing and growing population means these advisers have faced significant capacity constraints for many years. At abrdn, we understand that the most efficient means of addressing this capacity limitation is through strategic technology enhancements. We want to empower our clients to grow their businesses in line with their ambition. By providing an enhanced technology solution that allows advisers to onboard and regularly serve more customers, we not only increase their personal capacity, but in turn address the wider advice gap for their existing and potential customers. Research from Investment Trends' 2023 Adviser Technology and Business Report noted that the average UK adviser is currently targeting a c17% increase in their client base; our solutions are designed to help facilitate this.

The evolution of platforms

Fragmented, archaic, and limited integration with the advice process have made the lives of both customers and advisers difficult. Our market-leading platform is designed to remove technological pain-points and allow advisers to not only onboard more customers, but also provide them with more flexible, efficient, and personalised services. We have built future-fit technology, delivering a number of enhancements focused on areas of the platform where we've had adviser feedback. In May, we announced adviserOS, which we plan to launch to market this year. adviserOS represents an extension of services beyond platform functionality, offering additional services to improve integration and reduce friction in the advice process.

A vote of confidence from primary partners

We have built our significant market position by sourcing, developing, and maintaining long-lasting relationships with financial advice businesses of all sizes. Core to our growth strategy is becoming the primary partner for an increasing number of our existing and new clients. In 2023, 46% of our AUMA was held by primary partnership firms, which highlights the confidence of our clients to place their money with us for the long term and the benefit of the technology updates the business has made across the year.

Our progress in 2023

A year of transformation

This year, our Adviser business delivered the largest and most advanced technology release we've ever completed on the Wrap platform. This provided advisers with a range of upgrades in technology, including improved customer reporting with 30 customisable features, a flexi-ISA product, and an improved user interface. As with all technology upgrades of this scale, we experienced a period of disruption as clients learned to use the new platform. The platform is now operating as expected, allowing advisers to fully benefit from the improved functionality delivered.

Integration of MPS

Our Managed Portfolio Service (MPS) was previously part of abrdn's discretionary fund management business, which was sold in September 2023. Our MPS range leverages the global investment research capabilities and expertise from the wider abrdn business, ensuring the optimal asset allocation with componentry from the whole market. There are three investment styles applied across four portfolio ranges, with five risk assessed models in each range, providing advisers with a range of solutions to meet customer's different investment preferences and attitude to risk.

Over the course of the year, the MPS has now been fully integrated into the Adviser business and with strong demand from clients, we expect our solutions to provide a significant growth opportunity starting this year. In December 2023, we re-priced our abrdn MPS and Sustainable MPS to drive this growth as we looked to leverage our existing relationships with half of UK advice businesses.

Preparing to launch adviserOS

In May 2023, we announced our strategic intentions for Wrap and Elevate, upgrading our solutions to become adviserOS. adviserOS is a new approach to platforms that will enable advisers to achieve more for their customers. It amplifies our position as the leader in terms of content and experience, acting as our key differentiator in the market. It is not a rebrand of Wrap or Elevate, but rather a new technology-enabled solution sitting above a single platform technology that will provide advisory firms with access to a range of different services.

adviserOS will enable advisers to meet the challenges they face by creating efficiency in the advice process through better integration and workflow with the tools they already use throughout their business. It will support adviser businesses with tailored support and data-driven insights, reduced keying of data and unlocking time in front of their customers.

We have developed a prototype and are actively testing and iterating the launch features of adviserOS with a sample of client firms. The aim of this approach is to ensure we've done enough research to genuinely understand what works best and what matters most to our clients before launching this year.

Delivering the abrdn SIPP

In line with adviser feedback, our next phase of platform upgrades is to launch our new abrdn SIPP and Junior SIPP this year. The launch of these products forms a core element of our strategy to increase the number of wrappers per customer amongst our existing base and attract new clients and customers to our platform.

The new abrdn SIPP will build on the foundations laid in the delivery of our technology upgrade and will bring the same experience and efficiency enhancements, whilst also enabling the bulk transfer of the existing Wrap SIPP from Phoenix. Our SIPP will provide a significant improvement in technology through digitisation of key processes and straight through processing, removing inefficiencies in client and customer journeys and the need for paper forms.

The abrdn SIPP launch will strengthen our product offering with a Junior SIPP, delivering an additional way for our customers to help save for their children and grandchildrens' futures, whilst also laying the foundations for relationships with the advised customers of tomorrow. As with our Junior ISA, our Junior SIPP will be offered at nil charge to encourage positive savings habits across generations.

Consumer duty

As a business, we completed a thorough value for money assessment on both abrdn Wrap and Elevate. The assessment, which can be found on our website, confirms that both platforms provide fair value to customers.

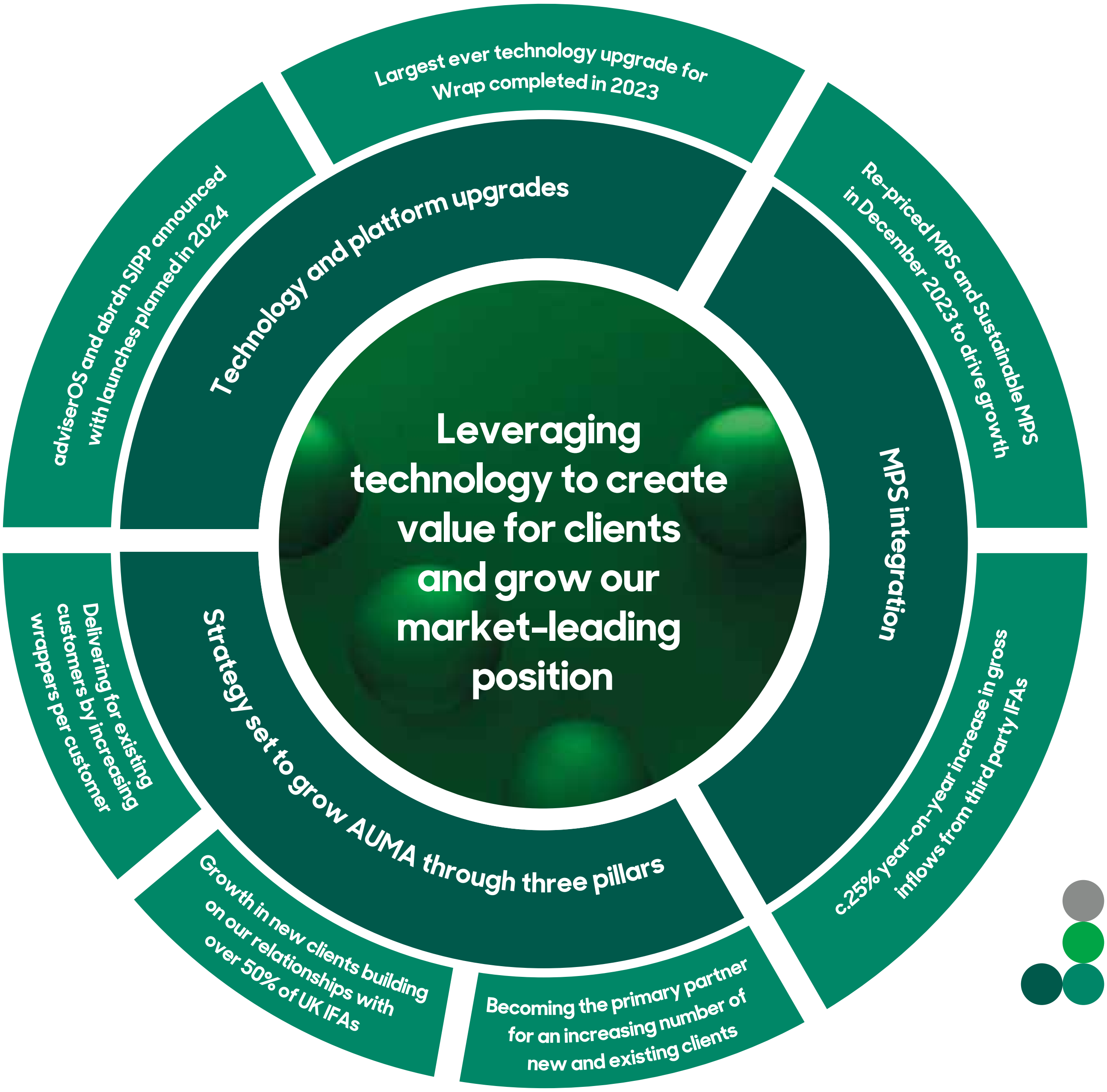
Financial performance

Difficult market conditions seen in 2022 persisted throughout 2023 and, as such, flows have been impacted market wide as inflation remained stubbornly high and as interest rates steadily rose until August. Against these conditions, our Adviser business saw outflows of £2.1bn (2022: £1.6bn inflows). However, the business delivered another year of revenue and operating profit growth, supported by the impact of the increasing base rate environment on cash margin throughout 2023.

Industry recognition

Our business continues to receive recognition from across the industry. In 2023, we retained an 'A' rating for financial strength from AKG, as well as a 'Platinum' rating from AdviserAsset, and a '5 star' rating from Defaqto for both the Wrap and Elevate platform propositions. These continued awards are not only a testament to the quality of our team and solutions, but also form an important reference point for the advisers who choose to partner with us.

Our strategy in action in 2023



After delivering comprehensive technology upgrades in 2023, we have readied the Adviser business to capitalise on our position as a market leader and to launch innovative products, including our SIPP, which will support future growth.

Ashley Brooks,
Managing Director of DB Wood

"abrdn have a great balance of flexible products, a well-priced distribution platform and market leading reporting functionality"

Why abrdn? We spoke to Ashley Brooks, the Managing Director of DB Wood on what sets us apart from our peers. A 44-year-old business located in Nottinghamshire, DB Wood manages c£1bn on the behalf of around 1,500 households with over 65% of their AUA entrusted to abrdn.

Q: What are the critical factors in being a successful financial adviser?

"Providing financial advice is essentially a people business. In order to succeed you need to deliver high-quality, proactive advice, set clear rules of engagement, and maintain a commitment to doing the right thing for your clients. Ultimately, you need to develop trust while providing a highly personable service."

Q: Why did you first choose abrdn to support your business?

"We've been working with abrdn since 2006. We first began working with abrdn due to your great balance of flexible products, the well-priced distribution platform, and your market leading reporting functionality, which allows us to deliver on our client promises."

Q: Why is abrdn now your primary platform provider?

"abrdn understands our requirements and the challenges that IFAs face in the UK. Because of this understanding, we are able to work with you strategically to grow our business and, more importantly, deliver the benefits of scale that we can pass through to our client base via reduced costs."

Q: Is technology now the key growth driver within the UK financial adviser market?

"Technology is an important component in delivering an effective client service proposition. As ever, the most important driver of growth in the market is the relationship between client and adviser. Technology upgrades can improve these relationships and also create capacity to build new relationships."

Q: How do you expect adviserOS will improve client experience?

"We expect the adviserOS upgrade to assist our business with its enhanced integration, personalisation, administration efficiencies and enhanced client proposition."

Our opportunities for growth

- **Launch of adviserOS**: adviserOS will introduce a new approach to platforms, providing clients with a broader set of tools and capabilities, in addition to the core platform technology, to drive efficiency in the advice process.
- **Launch of our SIPP**: Our SIPP launch is central to our strategy of increasing our wrappers per customer, with our junior SIPP delivering an additional way for customers to help save for the futures of their families.
- **Bulk transfer strategy**: We will transfer existing Wrap SIPP customers from Phoenix to the abrdn platform pension, enabling customers to benefit from the enhancements delivered.
- **Grow our Managed Portfolio Service**: We will leverage our reach in the UK Independent financial adviser market, in which we hold a relationship with 50% of IFA firms in the UK, to drive growth in our MPS business.
- **Group collaboration**: We will leverage Finimize capability and content for our adviser partners as part of the adviserOS upgrade.

The UK's leading subscription-based D2C investment platform

The UK's second largest direct-to-consumer investment platform and number one flat fee provider, interactive investor (ii), enables individuals in the UK to plan, save and invest in the way that works for them. The acquisition of ii transformed abrdn, positioning us for growth as one of the UK's leading personal wealth businesses with positive long-term structural dynamics.

"We are pleased with how ii has progressed this year and how we've positioned ourselves to deliver better outcomes for our growing customer base. Despite challenging conditions in the UK savings and wealth market, through technology and product upgrades, we have further empowered retail investors to save for their futures."

Richard Wilson
CEO, interactive investor

407,000
Total customers[1]

£152,000
AUA per customer[1]

£61.7bn
AUMA[1]

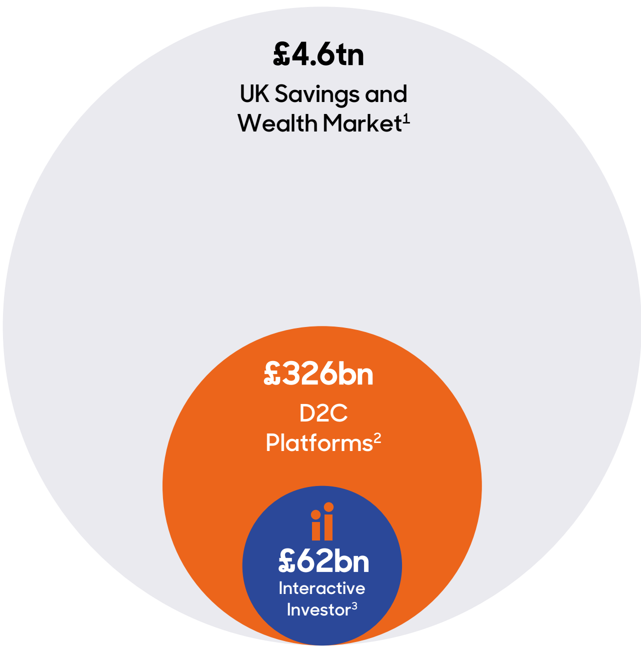
19.3%
AUA market share[2]

1. Relates to ii (excluding Personal Wealth).
2. Compeer Benchmarking Report Q3 2023.

Building a leading position in the UK savings and wealth market

interactive investor

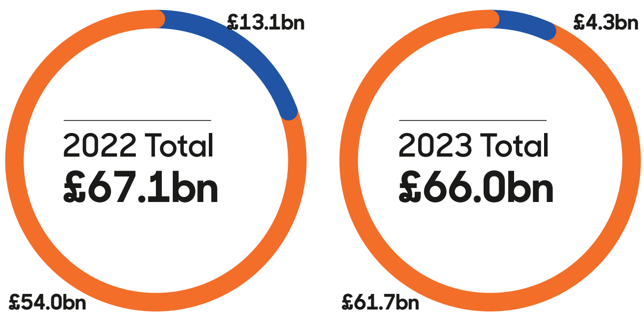
ii is set to benefit from structural drivers in the UK retail investor market.



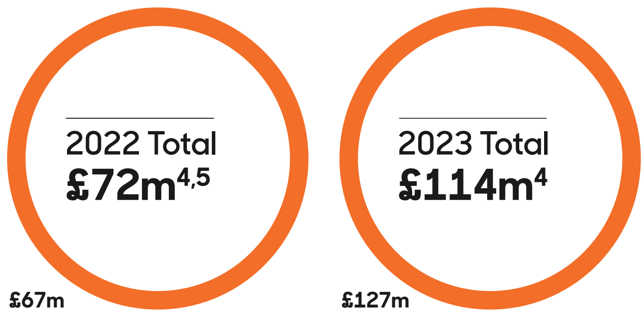
Performance overview

In its first full year as part of abrdn, ii continued to exceed our initial expectations and displayed significant potential for market capture and growth in 2024 and beyond.

AUMA



Adjusted operating profit



Personal Wealth   ii (excluding Personal Wealth)

1. Investment Association, Investment Management in the UK 2022-2023. Figures as at 31 December 2022 and inclusive of retail and institutional market.
2. Platforum D2C Market Update, September 2023, AUMA as at September 2023.
3. ii (excluding Personal Wealth) AUMA as at 31 December 2023.
4. Includes loss of £13m in Personal Wealth (2022: profit £5m).
5. Includes ii for 7 months.

The UK's leading subscription-based provider

Empowering retail investors

The acquisition of ii in May 2022 fundamentally changed abrdn as a business. ii is the UK's second largest investment platform for private investors and remains the leading subscription-based provider. The business's evolving platform enables over 400,000 retail investors to access a broad range of investment and savings products via desktop, mobile app and over the phone.

ii's subscription-based model provides a higher degree of financial resilience than peers with percentage fee models, however the business has not been immune from the current subdued levels of investor confidence. ii derives its revenue from subscription fees, trading commissions, foreign exchange (FX) transactions and treasury income, with trading commissions and FX most impacted by the headwinds in the market.

A growing customer base

High inflation and interest rates affected investor confidence throughout the year and consequently ii's rate of customer acquisition, however total customer numbers grew from 402,000 to 407,000 in 2023.

Excluding the recently migrated customers from the Investments business, Share Centre, EQi and customers exiting due to the closure of our pension trading accounts, customer numbers grew from 299,000 at the end of 2022 to 310,000 at the end of 2023, an increase of 4%.

As the market begins to show signs of recovery, ii intends to attract net organic customer growth of over 5% in 2024, driven by further platform developments, increasing SIPP penetration, the development of our integrated Financial Planning division and through continued investment in brand and advertising.

Pleasingly, the business has continued to see inflows of AUMA, with £2.9bn added in 2023, comprising £3.3bn of inflows into ii and £0.4bn of net outflows from Personal Wealth, which was largely due to restructuring activity during the year. If outflows due to the exit of the pension trading account product are excluded, ii's net inflows increased to £3.9bn, over 7% of opening AUA. According to Direct Matters, ii delivered the highest net inflows across UK D2C platforms in 2023.

Resilience in a challenging market

The cost-of-living crisis in the UK has not only lowered customers' propensity to save and invest but has also contributed to a more risk-averse environment.

Investors are now more likely to move into fixed-income securities and savings accounts, made more attractive by a steady rise in interest rates, with the Bank of England's base rate peaking at 5.25% in August 2023, where it has remained since.

Although the market as a whole saw decreased volumes, ii's market share of trades increased due to its active customer base, pipeline of new services, and proposition enhancements. While this market capture is encouraging, transactional revenues fell 17% in 2023, reflecting lower trade pricing from September 2023, which reduced the charge for standard UK and US trades to just £3.99.

Growth potential

Despite relatively flat total customer numbers and reduced trading revenue, increased treasury income and our focus on simplification and digitalisation has supported an increased operating margin and an improvement in our cost efficiency. This highlights the significant growth potential of the business. As and when the market normalises, new customers can be onboarded at a very low and decreasing marginal cost, so if customer numbers grow as anticipated in the medium-term, this lean operating model amplifies that potential for sustained growth in profitability.

ii's potential is further supported by the medium-to-long term growth drivers underpinning the UK direct-to-consumer market. The UK is the sixth largest economy in the world and has a well-developed D2C investment sector. The UK's D2C industry is already worth over £300bn and with a growing and ageing population, we are going to see a significant intergenerational transfer of wealth which will drive further momentum in the market.

A compelling sector

Despite some new entrants, the UK D2C platform market retains high barriers to entry and better-known platforms with scale and high numbers of active users, such as ii, benefit from both economies of scale and better developed technology stacks. UK savings and wealth therefore remains a compelling industry to be in, particularly as financial education and retail participation increases.

Our progress in 2023

Introducing Financial Planning

ii's offering has been repositioned during 2023, with the transfer of Managed Portfolio Service to Adviser in May 2023, and the sale of the discretionary fund management business to LGT in September 2023.

As ii has continued to grow, we have received numerous requests for financial planning advice. One of the key synergies outlined when abrdn acquired ii was to integrate abrdn's financial planning capabilities into the business. Over the course of 2023, we have further integrated these capabilities, and restructured our financial planning offering, reducing headcount by 21% and closing four offices.

Strengthening our platform

One of ii's key growth drivers is the strength of our platform. In a competitive market with both incumbents and new entrants investing heavily in their technology, it is essential that both our website and mobile app remain ahead of the curve. In January 2023, we launched new website infrastructure, modernising the design, improving user experience, and making our news feed easier to navigate.

An ever-increasing volume of trades are being made 'in app', with new entrants to the market, in particular, focusing on creating simple and engaging user interfaces. While ii still sees the majority of investing activity taking place via desktop rather than app, close to a fifth of all mobile trades in the UK were done through our app, highlighting not only the quality of our own user experience, but the importance of continuing to invest in it. In 2023, we continued to enhance our app capabilities, including facilitating in-app currency conversion and AGM/EGM voting capabilities.

- **50,000 new app downloads in 2023**
- **26% increase year-on year of clients using our app**
- **36% increase year-on-year of in app trades**

In Q2 2023, we piloted ii community, a social trading platform allowing users to discuss shares, compare portfolios and get inspiration from high-performing retail investors. The app, which will be fully rolled out in 2024 is a social network encouraging investors to interact and to learn from each other's trading strategies.

Essential value

In February, ii launched Investor Essentials, an entry-level ISA and/or trading account, designed for investors with portfolios of under £50,000. Through the Essentials plan customers below the £50,000 threshold pay a monthly fee of £4.99 and benefit from free regular investing. At launch, trading fees were £5.99, which we later reduced in September 2023 to £3.99, to deliver further value.

Pension Essentials, which was launched in October 2023, is an entry-level subscription plan for portfolios under £50,000 and is now the best value pension in the UK for saving pots over £15,000.

SIPP penetration

Increasing product penetration is a key pillar in our growth strategy and central to this strategy is further market capture of SIPPs. Currently, c15% of our customers hold a SIPP account with us, an increase of 2.5% over the last year. In 2023, for the second year running, ii was a Which Recommended Provider of SIPPs with our growth in the market underpinned by attractive low fees, including our Pension Essentials plan, and our continuous development of the customer tools and content.

Introducing the ii's

Despite being the UK's second largest investment platform for private investors, we have historically tracked behind our peers in terms of brand recognition. In 2023 we increased investment in marketing, culminating in Q4 with the launch of ii's first television advert and a significant multi-media campaign.

Award-winning value

In 2023, ii continued to receive positive recognition from its customers, partners, and stakeholders. At year end, ii had over 23,000 reviews on Trustpilot, 81% of which were five-star.

In yet another busy year for awards, ii also won Investors Chronicle's Best ISA, the AIC's Shareholder Engagement Award for the third year running and we were crowned 'Investor Rights Champion' for a second year running.

Consumer duty

In readiness for the FCA's implementation deadline of 31 July 2023, ii ran a project to review all requirements in alignment with the Duty's 'Customer Outcomes'. Areas of focus included: customer journeys and testing of customer communications; completion of 'fair value' assessments across the product range; and a review of the 'target market'. Changes to policy and process, initiated by the project are now embedded within the day-to-day operations of all functions, with ii well placed to demonstrate compliance with Consumer Duty.

Our strategy in action in 2023

In Q3 2023 over 25% of UK cash market trades in the D2C market were made through our platform. By upgrading our technology, focusing on delivering value and by increasing brand awareness with our first national advertising campaign, in 2023 we laid the foundations for sustained organic growth.

Alain Courbebaisse,
Chief Commercial Officer

"Investment is not something that is generally taught in schools, but it's a life skill that has the potential to provide financial freedom much earlier in life."

We asked Alain Courbebaisse, CCO of interactive investor, about the driving factors behind launching Investor Essentials and why he believes that investing should be accessible to everyone. Alain joined ii in March 2023 and is responsible for leading the commercial team, as well as leading ii's business development and integration activity.

Q: Why does ii use a subscription-pricing model?

"Long-term, a flat fee is just a simpler, fairer way of providing an investment service. The beauty of flat-fee pricing is that the more people save and grow their investments, the more they keep. The wider market is dominated by percentage fee-models, which see customers paying more and more as their portfolios grow.

Direct feedback from customers and our own market research confirms that flat-fee is savers' preferred way to invest, and from a business perspective, it also provides financial resilience with our subscription revenue not being linked to market levels."

Q: Why did you launch Investor Essentials?

"Investment platforms can be a powerful force for positive change when they put customer interests at the heart of their pricing. Our flat fee has always been incredible value for larger pots and we wanted our model to work for a broader section of the investing public."

Q: How have you found initial client feedback?

"Feedback from clients has been extremely positive and became even more so in September when we increased the maximum portfolio value to benefit from Essentials up to £50,000 (from £30,000 at launch). We also made the journey even simpler by onboarding all our customers onto Essentials plans and then upgrading them when the value of their portfolio exceeds £50,000."

Q: What does the democratisation of investment mean to you?

"Leaving savings sitting in a low-interest current account or cash, particularly during periods of high inflation, means that individuals and families across the UK are at best missing out on the long-term potential of the stock market and at worse seeing the value of their savings steadily decline in real terms.

Investment is not something that is generally taught in schools and can be quite daunting as a novice, but it's a life skill that has the potential to provide you financial freedom much earlier in life. At ii we don't just want to enable investment; we want to actively encourage it and you'll certainly be seeing us continue to focus on education this year."

Our opportunities for growth

- **Market penetration**: ii continues to focus on organic growth through increased marketing and aims to continue capturing market share, particularly from percentage-fee platforms.
- **SIPP customers**: Our strategy to increase SIPP market penetration continues and we are targeting 20% net growth in SIPP customers, year-on-year.
- **Implementing new solutions**: New solutions including the ii Managed ISA and Managed SIPP, a digitally led financial planning proposition, ii Community and ii360, a new platform for experienced traders, are being developed to attract new customers to our platform.
- **Group collaboration**: ii will continue to collaborate with the wider abrdn business to share talent, skills, products, and operational capability to improve the quality and breadth of investment products and services on offer to customers right across the group.

Sustainability overview

Supporting our clients, our people, and a credible transition toward a better world.

Our focus:

Environment
Climate and nature impact

Social
People and opportunities

Governance
Trust and transparency

Investments

41%

In-scope public market portfolio carbon intensity reduction versus 2019 baseline

(2022: 27%)

25%

In-scope real estate portfolio carbon intensity reduction versus 2019 baseline

(2021: 7% increase)

Operations

69%

Operational emissions reduction versus 2018 baseline (2022: 70%)

Our people

54%

Employee engagement level (2022: 50%)

43%

Female representation across global workforce (2022: 43%)

Our communities

£2.1m

Contribution to charitable causes (2022: £2.4m)

Our conduct

99%

Mandatory training completed (2022: 99%)

External rating

AA

MSCI ESG Rating (2022: AAA)

Delivering our climate strategy

We are committed to enabling our clients and customers to achieve their climate goals and to contribute to real world decarbonisation.

Learn more about our approach in our 2023 Sustainability and TCFD report.

2018

- Our operational emissions baseline.

2019

- Our portfolio emissions intensity baseline.
- Launched operational climate working group.
- Launched investments climate working group.

2020

- Published our interim operational emissions reduction target.
- Initial pilot with the eco-app Pawprint to help colleagues understand and reduce their carbon footprint.
- Launch of our carbon footprinting tools for investment desks.
- Published our first TCFD aligned report.
- First report portfolio emissions intensity for equities and fixed income.

2021

- Published climate change approach document for Investments.
- Published our long-term climate targets for operations and investments.
- Appointed our Head of Climate Change Strategy and joined the Net Zero Asset Managers initiative.
- Published our first-year climate scenario analysis research.
- First rollout of carbon metrics reporting for clients, in-line with SFDR.
- Launched four climate focused products including our strategy in partnership with the Big Issue Group.
- First published real estate net zero investment framework.

2022

- Climate performance first included in Executive Director Remuneration policy.
- 10-year anniversary of Environmental Champions colleague network.
- ii integrated into operational footprint.
- ii ACE 40 list supports retail investors to find sustainable solutions.
- Pilot biodiversity study in partnership with Natural History Museum at Far Ralia estate.
- Publication of credibility assessment pilot research.
- Launch of engagement strategy focused on highest financed emitters.
- Appointed Chief Sustainability Officer for Investments.

2023

- 69% reduction in operational emissions versus baseline.
- 41% reduction for in-scope public market portfolio carbon intensity versus baseline.
- 25% reduction for in-scope real estate portfolio carbon intensity versus baseline.
- ii wins AIC Shareholder engagement award, supporting retail investors to engage with their investments.
- Net Zero award from the Scottish Financial Enterprise for our research papers identifying climate transition leaders.
- 'ESG fixed income fund of the year' award from Environmental Finance.

2024

- First standalone TCFD reporting for Adviser entity.
- We intend to publish our Climate Transition Plan.

2025

- Target date for 50% reduction in operational emissions versus 2018.
- Real estate net zero studies complete for all in-scope funds.

2030

- Target date for 50% reduction for in-scope portfolio carbon intensity versus 2019 baseline.

2040

- Target date for operational net zero.

Investments business
Adviser business
ii business
Operational impacts

Climate oversight and management

Information flow and climate-related actions during the year

Our governance framework

abrdn plc operates using a governance framework aligned to the principles of the UK Corporate Governance Code (2018) (page 86 of the ARA 2023). Our Board of Directors oversee the implementation of the company business model and activities of our businesses: Investments, Adviser, and ii.

The role of our Board and Committees

The Board and Committees provide specific oversight in relation to material business activities and challenge management on matters, which includes climate-related risks and opportunities. Examples of this oversight are outlined on this page, with a focus during 2023 on non-financial disclosure requirements and approach.

Our Executive Directors

Our Chief Executive Officer serves as the climate sponsor for the business and bears delegated responsibility from the Board for oversight of climate-related risks and opportunities. Our Chief Financial Officer is incentivised through our Executive Director Remuneration policy, alongside our Chief Executive Officer, to achieve sustained performance against our public targets.

Climate change working groups

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.

Our Head of Sustainability Insights & Climate Strategy and Head of Corporate Environment Strategy chair two climate-related working groups, which are key to our climate governance structure and consist of subject matter experts from across the business. The groups meet to review and discuss material climate risks and opportunities and shape strategic approaches to climate change. These groups are key forums for identifying matters to be escalated through the Executive Leadership Team and to the Board for consideration. In 2023, we also established a Climate Transition Plan Steering Group and supporting taskforces to prepare for the publication of our first Transition Plan. These forums supported engagement across the business beyond our existing working group activities.

Our wider sustainability governance

We continue to take a forward-looking view and have taken steps to advance our governance beyond climate and to sustainability as a whole. Additional information is available in our Sustainability and TCFD report, available at www.abrdn.com/annualreport

January 2023
Audit Committee review of strategy and approach for non-financial disclosure, alongside regulatory requirements, and forward-looking objectives.

February 2023
Audit Committee review of paper advising of controls and processes for key sustainability disclosures related to the 2022 Annual report.
Remuneration Committee review of performance against sustainability-related targets to inform Executive Director remuneration.
Board noting of 2022 Sustainability and TCFD report.

June 2023
Remuneration Committee review of performance against sustainability-related targets.
Strategic update from Chief Corporate Affairs and Investor Relations Officer to the Board, including corporate sustainability priorities.

October 2023
Remuneration Committee review of performance against sustainability-related targets.

December 2023
Audit Committee review of paper advising of controls and processes for key sustainability disclosures, as relates to the 2023 Annual report.
Strategic update from Chief Corporate Affairs and Investor Relations Officer to the Board, including actions taken to prepare our first Climate Transition Plan.

Climate-related risks and opportunities

Our climate risk and opportunity radar

Our sustainable investing opportunity

Many of our clients are interested in opportunities from sustainable investing. This is a strategic focus for our Investments business as we provide the solutions and insight to enable these objectives. In early 2022 we appointed a Chief Sustainability Officer for the business, alongside a newly created Sustainability Group. Our focus has since been recognised with external awards, such as Environmental Finance's ESG fixed income fund of the year, and the Scottish Financial Services Award for Net Zero in 2023. We believe there is a long-term opportunity to enable sustainable investment for our clients and continue to invest in our people, tools, and capabilities to support this. Conversely, we also recognise the risk innate to shifting client preferences should we not be positioned to meet evolving needs.

Our focus on reporting

The regulatory landscape for sustainability reporting continues to move at pace. Due to the global nature of our business, we are exposed to an array of emergent reporting standards, and there is a risk of inadvertent non-compliance, alongside costs to resource and report the required disclosure. Our first and second-line teams continue to monitor the regulatory landscape and we are alert to the implications of frameworks such as ISSB and CSRD. We have historically been an early adopter of sustainability reporting frameworks, such as TCFD, so believe we have a strong foundation to achieve implementation. Nevertheless, there is a risk that we inadvertently fail to meet the expectations of our stakeholders, with potential costs and reputational impacts as the consequence.

		Potential financial impact to abrdn	Applicability	Time horizon	Likelihood
Products and services	Development of lower carbon investment products and services	Revenue opportunity from demand for lower-carbon products and services	Investments, ii, Adviser, Operational impacts	0-10 yrs	Possible
Resource efficiency	Use of more efficient buildings, technology and transport	Reduced operational costs	Operational impacts	0-10 yrs	Probable

		Potential financial impact to abrdn	Applicability	Time horizon	Risk score
Policy and legal	Burdensome costs and/or regulatory non-compliance due to enhanced reporting regulations	Costs to gather, analyse, and publish data	Investments, ii, Adviser, Operational impacts	0-5 yrs	Medium
		Costs of inadvertent non-compliance, due to volume of global regulation	Investments, ii, Adviser, Operational impacts	0-5 yrs	High
Market	Not understanding shifts to client and customer preferences	Reduced revenue from decreased demand for products and services	Investments	0-10 yrs	Medium
		Potential for missed opportunities due to lack of suitable products and services	Investments, ii, Adviser	0-10 yrs	Medium
	Uncertainty regarding public policy on climate change	Lack of clarity regarding the pace, direction and evolution of public policy exacerbates market uncertainties and associated returns	Investments	0-10 yrs	Medium
	Climate-related events impact the financial markets	Volatility impacting clients and reducing revenue and financial performance. Potential for financial instability	Investments	0-10 yrs	Medium/ High
		Potential for financial market instability and uncertainty	Investments, Operational impacts	0-10 yrs	Medium/ High
Reputational	Increased stakeholder concern or negative sentiment	Reduced revenue from decreased demand for products and services	Investments, ii, Adviser	0-5 yrs	High
		Costs associated with potential litigation due to investment decisions	Investments, Operational impacts	0-5 yrs	High
Physical	Increased severity of extreme weather events	Costs associated with damage to infrastructure, technology, and disruption to power networks	Operational impacts	Ongoing	Medium
		Costs and operational impact of non- office-based disruption to colleagues/third party suppliers	Operational impacts	Ongoing	Medium

Time periods for climate risk and opportunity radar:

Short: 0-5 years Medium: 5-10 years Long: 10+ years

● Investments ● ii ● Adviser ● Operational impacts

Climate scenario analysis

Our approach to understanding transition pathways, within managed investments.

Our beliefs driving our analysis

We believe climate scenario analysis is a critical tool to enable a thorough understanding of climate-related risks and opportunities. It is vital that we understand how physical climate change, and the energy transition, may potentially affect the investment returns of the companies and markets in which we invest on behalf of clients. We believe that doing so will support increased resilience, enable us to encourage positive change at the companies in which we invest, and support client objectives. However, there is still uncertainty regarding exactly how policies, technologies and physical impacts will unfold in the future.

Our bespoke approach

Climate scenario analysis provides the means to conduct a forward-looking, quantitative assessment of potential financial impacts arising from climate change. We use a combination of 18 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. Our industry standard scenarios are based upon those created by the Network for Greening the Financial System (NGFS), with our bespoke approach allowing us to incorporate plausible policy assumptions across regions and sectors. This results in a mean scenario that captures our view of the most plausible energy transition. Our third-party modelling partner supports our analysis and refinement of our insights on an annual basis. Our approach goes further to consider the credibility of company transition plans, using a six-factor scoring framework developed in-house. This addresses one of the primary challenges of scenario analysis in that companies negatively exposed to the energy transition can also alter their strategies and take advantage of transition opportunities. Our credibility assessment covers approximately 1,200 of the largest firms by sector, which means that 79% of the 1,000 largest equities in our climate scenario tool are covered by this assessment.

Limitations of modelling

Our framework has limitations inherent to forward-looking analysis and assumptions. Our analysis is primarily focused on equity and fixed income assets, and it is important to acknowledge a reliance on external data, which though improving, remains lacking across some regions and sectors. Our climate scenario analysis cannot capture the impacts from companies coming into and out of business during the energy transition. Our baseline scenario also assumes that the market has accurately priced transition risks and does not account for market inefficiencies or level of understanding of market participants. The overriding limitation is that our exercise is a simplification of the real world and must be reviewed alongside other analysis to support effective decision-making.

Our insight and conclusions

Our latest insight suggests the world is not on track to achieve Paris Agreement goals, with our analysis suggesting that the most likely outcome is a 2.3°C world by 2100. Our framework allows us to generate forecasts on the effects of our climate scenarios on over 24,000 equity assets and 52,000 corporate bonds. This can be aggregated to sector, regional, and fund levels. However, our core insight is that the impact from climate change is mostly a micro phenomenon. This is because at an aggregate level the negative impacts on individual securities are largely offset by positive effects on others; therefore, suggesting actionable insight comes from looking at the dispersion across and within sectors. Figure 1 illustrates this and plots the dispersion of uplifts and impairments across sectors using our mean scenario as our most plausible view of the energy transition.

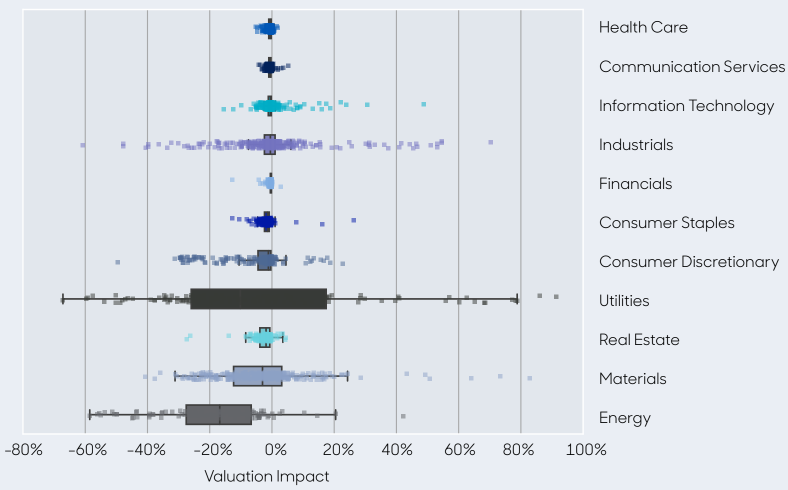
Resilience of abrdn as a firm

Our climate scenario analysis takes an external view to inform our investment processes. The resilience of the Group is explored in the Viability statement on page 74.

Figure 1:

Estimated asset impairments and uplifts from our latest research

Probability weighted mean scenario, February 2023.



Our climate change toolkit

Identifying and managing climate-related risks

Climate-related risk is integrated within our Enterprise Risk Management Framework, which is subject to Board oversight. We operate 'three lines of defence' with defined roles and responsibilities across the business. Climate change is considered amongst our principal risks and uncertainties but is not defined as a 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 at the enterprise level. More information on our principal risks from pages 76-79.

Identifying and assessing climate-related risks

Our identification of climate-related risks and opportunities is led by our first line sustainability teams, with our Group risk assessment being based on our Enterprise Risk Management risk impact matrix. Our Investments business has a dedicated Sustainability Group, led by our Chief Sustainability Officer, and we have a Corporate Sustainability team which works closely with our businesses to identify and manage sustainability risks and opportunities, including those related to climate change.

Our climate risk and opportunity radar (page 41) reflects our assessment. Climate change considerations are part of our day-to-day risk management processes, but we periodically revalidate our Group assessment. In January 2024, our Chief Risk Officer chaired a workshop with representatives from across abrdn to refresh our radar. The focus of the radar is the likelihood and impacts of risks and opportunities, and we have mitigation, or realisation strategies aligned to each risk or opportunity. We consider inherent risk and quality of controls to determine a residual risk score.

Our business is predominantly exposed to transition risk (and opportunity) as markets, policy, and regulations come to terms with alignment to a lower carbon world. This is of particular significance for our Investments business as we invest on behalf of our clients and incorporate material climate-related risks and opportunities into our investment processes. We believe our Adviser and ii businesses face less direct exposure to climate-risks, as platform versus investment management businesses.

Managing risk with our climate change toolkit

In addition to the expertise of our sustainability and ESG professionals, we have developed a range of tools to integrate and inform both our internal decision-making processes and those of our platform clients. These tools support decision-making with data, research, and insight, and in the case of our Investments business, are integrated with our risk management processes.[1] It is important to be clear that climate considerations are not material to every investment decision, and integration depends on the objective of the fund or strategy, nor are tools without limitations. Supporting data is drawn from a range of vendors with different levels of data coverage. We aim to improve our capabilities each year.

Carbon metrics

Provides a baseline for measuring climate impact, providing an understanding of portfolio carbon intensity and financed emissions. This enables an understanding of climate-related risks at portfolio, sector, and company levels.

Climate scenario analysis platform

Provides a forward-looking view on transition and physical risks and opportunities. Enables assessment of potential financial impacts by geography, sector, and company. Supports portfolio construction and solution development.

Credibility assessment framework

Our framework assesses corporate net zero targets using a six-factor scale, considering ambition, performance, readiness, policy environment, market penetration, and governance. This supports our identification of transition leaders.

Portfolio alignment

In 2023 we developed a portfolio alignment tool, which assesses target design and emissions performance of 20,000+ companies. We translate the output to three alignment metrics, with initial application to a subset of our funds.

Blueprint for Decarbonisation: Real Estate

Our direct real estate investment process is informed by 21 sustainability indicators, which include climate factors to support the determination of risks and opportunities. This is an input into our due diligence process.

ii ACE 40 investments

The 'ACE 40' list aims to support retail investors to find quality choices among the available universe of sustainable funds across asset classes, regions, and investment styles to allow them to construct a global well-diversified portfolio.

Adviser platform enablement

Our platform provides access to a range of sustainable investment options. We believe this is an increasing consideration for advisers and provide information outlining common types of sustainable investments on our website.

- Investments
- ii
- Adviser

1. Further information on toolkit applicability in our 2023 Sustainability and TCFD report, available at www.abrdn.com/annualreport

Active ownership and solutions

Enabling decarbonisation through ownership and solutions

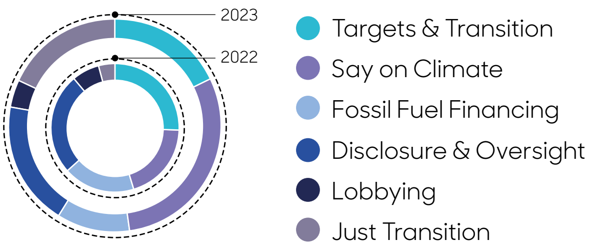
Focus on real-world decarbonisation

Our climate engagement strategy is focused on understanding climate-related financial risks within our holdings and driving real-world decarbonisation. One way we can do this is through engaging with our largest financed emitters to seek transparency on decarbonisation milestones and to advocate for increased disclosure. In 2022, for our public market investments, we launched a two-year engagement programme with our top 20 largest financed emitters. Our expectation is that over two years we will observe meaningful progress against climate-related milestones. If we do not see sufficient progress against these milestones, we will take voting action and/or consider reducing our financial exposure, if we believe a lack of progress represents a clear financial risk to our clients. Our assessment of companies is informed by relevant standards, such as the Climate Action 100+ net zero benchmark, and our own credibility assessment framework. We provide additional information on our progress to date in our Stewardship report and Sustainability and TCFD report. Available at www.abrdn.com/annualreport

Exercising voting and ownership rights

In addition to encouraging improvement through targeted engagement, we may take voting action at companies that we identify as climate laggards and on climate-related shareholder resolutions. Our public voting policy outlines our expectations, and we disclose our voting decisions on our website the day after a general meeting. We use data from groups, such as CDP, to inform our decisions and understanding.

Climate change resolutions	2023	2022
Resolutions voted	**162**	141
Votes in favour	**40%**	56%
Votes against management	**55%**	26%



'Say on climate' resolutions

We are supportive of ambitious corporate sustainability strategies and targets but note an increasing trend toward those strategies being tabled for shareholder approval. While we welcome the intention of the transparency, we believe they have the potential to dilute board accountability and limit potential future investor challenge. We have therefore taken the decision to abstain from those resolutions, as we believe other mechanisms offer more effective approaches.

Collaboration and advocacy

We are members of the Net Zero Asset Managers initiative, the Institutional Investors Group on Climate Change (IIGCC), the Powering Past Coal Alliance (PPCA) and Climate Action 100+. We are also research funding partners for the Transition Pathway Initiative. Our belief is that industry collaboration is an important mechanism to encourage action and promote best practice. The Net Zero Investment Framework (NZIF) from the IIGCC is the foundation for our approach to climate solutions. We contributed toward NZIF as part of our involvement with IIGCC.

Investment solutions in support of climate goals

We are proactively developing climate transition and low carbon investment solutions to align climate ambition with investment opportunity, to help our clients achieve their climate goals. We work with current and prospective clients to understand and enable their objectives. Our focus is to offer a range of options for clients, whether they have made commitments to net zero, or are interested more broadly in transition opportunities.

Climate considerations are incorporated to different extents across our fund range, with our sustainability focused solutions designed to meet four broad types of client needs. We offer a small number of climate thematic funds, but also apply climate-related screens, or decarbonisation targets to other sustainability focused products. We also work directly with clients on segregated mandates to outline how we can support any climate-related objectives they may have. This is in addition to using tools, such as climate scenario analysis, and research capabilities to inform our wider investment processes (pages 42 to 43).

Many of our clients have set goals aligned to net zero but this does not automatically translate to mandates. Markets and policy environments need to align to support decarbonisation at pace. Equally, terms like sustainability and ESG are increasingly subject to public challenge. Against this backdrop our Head of Sustainability Insights and Climate Strategy spent time during 2023 speaking with clients in the US, Australia, Singapore, Hong Kong, and at COP28; hearing first-hand from investors as to their priorities, and highlighting some of the risks and opportunities we have identified related to climate change. We will continue to actively engage with our clients in support of their objectives.

Portfolio decarbonisation

We are targeting a 50% reduction in the carbon intensity of in-scope assets versus a 2019 baseline by 2030, within our Investments business.

In 2023 we report a 41% reduction in the carbon intensity of in-scope public market assets (2022: 27%), and a 25% reduction to the carbon intensity of in-scope direct real estate assets (2021: 7% increase), versus our 2019 baselines.

Public markets: Progress to date

This is our second year of reporting against our target, with a 41% reduction in the carbon intensity of in-scope public market assets versus our 2019 baseline (2022: 27%). In-scope assets include equities, fixed income, and active quantitative strategies, with decarbonisation across each asset class. Our progress to date is in-line with our initial expectations, based on emission intensity trajectories from climate scenario analysis, and we note a gradual increase to client mandated decarbonisation in segregated accounts, which is an important enabler to achieving our target. We also note client inflows to low-carbon quantitative strategies over the last three years, with these products being a significant contributor to reducing public market carbon intensity, due to targeting low-carbon exposures as part of the product strategy mandate.

Real-world decarbonisation

There remain significant challenges to overcome to achieve real-world decarbonisation, including favourable policy environments, data availability, and client demand. Reductions in portfolio carbon intensity may not be attributable to real-world impact. Our strategy to drive this change is supported by climate scenario analysis, work to understand corporate credibility (page 42), active ownership, and solutions development (page 44). Our carbon target is an aggregate indicator and does not reflect specific objectives of all clients and funds.

Additional portfolio emissions metrics

Our teams can monitor a range of carbon metrics, with tools enabling disaggregation to specific holdings. These metrics are not part of our target but can inform our processes, and support climate-related risk management.

Real estate: Reporting a less volatile metric

In our 2022 disclosure we noted our intention to introduce the calculation of real estate emissions intensity by floor area (m^2). This is a static denominator; whereas our previous metric used valuation (£GAV), which can be volatile and may less meaningfully represent the carbon intensity of real estate assets. We are restating our data using the floor area metric, as we believe this to be a more credible basis to monitor our long-term target.

Drivers of change in carbon intensity

Between 2019 and 2022, we note a reduction in carbon intensity by floor area of 25%. This can be attributed to changes to property type composition of in-scope portfolios, decarbonisation of UK and EU energy grids, and more efficient management of assets. We note a reduction by floor area of 35% to office assets, which typically have a higher carbon intensity than other asset types. This is often due to the proportion of landlord procured energy (Scope 1 and 2) being higher for offices than for retail and industrial parks, where tenants often procure a higher proportion of energy. Changes to our portfolio, such as this, mean that our reported reduction cannot be directly attributed to real-world changes. However, on a like-for-like basis (e.g. assets that were held through 2019 and 2022), we note an 18% reduction in carbon intensity, illustrating a carbon intensity reduction irrespective of portfolio change.

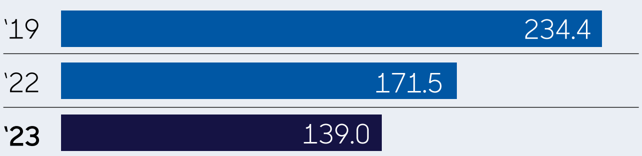
Taking the long-term view

Our portfolio of assets is diverse, and we have a framework to understand the actions required to support our target. This is expected to outline transition pathways for all our direct real estate funds by 2025, with supporting actions to achieve real-world decarbonisation.

Public market decarbonisation 26% AUMA)

WACI: tCO_2e/\$m Revenue (Scope 1 and 2)

41% reduction (2022: 27% reduction)

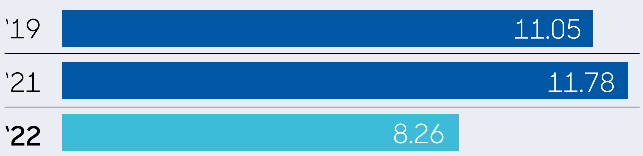


Weighted average carbon intensity (WACI) is our method of tracking public market decarbonisation, in line with the original recommendations of TCFD. In-scope assets include equities, fixed income, and active quantitative strategies.

Real estate decarbonisation (2% AUMA)

Carbon intensity: $kgCO_2e/m^2$ (Scope 1 and 2)

25% reduction (2021 : 7% increase)



Carbon intensity for in-scope direct real estate is normalised by floor area and reported for the 2022 financial year. There is a significant lag to the collection of real estate metrics from individual assets, preventing reporting to 31 December 2023.

Further information available in our 2023 Sustainability and TCFD report, available at www.abrdn.com/annualreport

Operational targets and emissions

We are targeting operational net zero by 2040, with clear progress versus our interim objective.

In 2023 we remained on track to meet our objective of a 50% reduction in reported operational emissions by 2025. We report a 69% reduction versus our 2018 base year. This is driven largely by a significant reduction to business travel since 2018, which we attribute to the adoption of hybrid working within abrdn, and amongst those we work with. We also note significant declines in emissions associated with energy use in our office since 2018, which we have consolidated as part of wider organisational change programmes. Year-on-year, we note an increase in reported operational emissions by 4%.

Despite a fall in travel related emissions since our baseline year, we note an uptick in business travel since 2022, which is offset by reductions in energy use in our offices, and a reduced estimate for employees working from home (see page 47). This increased business travel demonstrates a partial return to pre-COVID-19 working patterns, with our challenge now to support behaviour change to address these residual emissions. Our ways of working have fundamentally changed, with this now fully reflected in our corporate emissions profile. Further information, including limitations, and reporting method provided on page 47.

Operational climate targets[1] in metric tonnes of CO_2e (tCO_2e)		2018 base year	2022	**2023**	% change versus base year
Operational net zero by 2040 / **50% reduction in operational emissions by 2025**		32,218	9,550[2]	**9,919**	–69%
Scope 1 and 2 reported emissions in metric tonnes of CO_2e (tCO_2e)					
Scope 1[3]		2,667	817	**739** △	–72%
Scope 2 (Location based)[4]		7,069	2,031	**1,821** △	–74%
Total Scope 1 and 2 (Location based)		9,736	2,848	**2,560**	–74%
Scope 2 (Market based)		4,376	687	**558**	–87%
Scope 3 reported emissions[5] in metric tonnes of CO_2e (tCO_2e)					
Fuel- and energy-related activities		451	150	**135**	
Waste from operations		–	5	**7**	
Business travel[6]		22,031	4,175	**6,012**	
Employees working from home[7]		–	2,372	**1,205**	
Total Scope 3		22,482	6,702	**7,359** △	–67%
Total energy consumption in kilowatt-hours (kWh '000s)					
UK energy consumption		26,658	10,639	**10,746**	–60%
Global energy consumption (excluding UK)		8,451	2,388	**1,812**	–79%
Total energy consumption		35,109	13,027	**12,558** △	–64%
Emissions intensity metric in metric tonnes of CO_2e (tCO_2e)					
Scope 1 & 2 emissions intensity per full-time employee equivalent (FTE)[8]		1.57	0.56	**0.54**	–66%
Reported emissions by location in metric tonnes of CO_2e (tCO_2e)					
Scope 1	UK	2,629	776	**702**	–73%
	Global (excluding UK)	38	41	**37**	–3%
Scope 2 (Location based)	UK	4,181	1,305	**1,275**	–70%
	Global (excluding UK)	2,888	726	**546**	–81%

1. Operational net zero and interim reduction targets are based on reported Scope 1, 2, and 3 absolute emissions (tCO_2e) reductions.
2. 2022 total restated to 9,550 tCO_2e (previously 14,246 tCO_2e) following the application of a revised method to estimate employees working from home.
3. Scope 1 emissions include natural gas, fluorinated gas, company-owned vehicles, and stationary fuel.
4. Scope 2 emissions include purchased electricity and district heating.
5. Scope 3 reported emissions do not include some emissions categories deemed to be material but where data is currently unavailable. Refer to page 47.
6. Rail and flight journeys for business travel are calculated using the GHG Protocol's distance-based method. Exclusions apply to countries in APAC, where only Singapore and Australia are included.
7. 2022 estimate associated with employees working from home restated to 2,372 tCO_2e (previously 7,068 tCO_2e) due to methodology changes. Refer to page 47.
8. Emissions intensity reporting based on FTE as of 31 December 2023 of 4,719 (2022: 5,130 and 2018: 6,192). We deem this the most applicable intensity metric for our operational emissions footprint due to our impacts largely relating to how and where we work, e.g., offices, travel, and homeworking.

△ 2023 data subject to Independent Limited Assurance in accordance with ISAE(UK)3000 and ISAE3410 by KPMG. Assurance statement and detailed reporting criteria included in the Sustainability and TCFD report at www.abrdn.com/annualreport

Emissions reporting

Method and supporting commentary

Operational reporting methodology

Our emissions inventory on page 46 is reported in line with Greenhouse Gas (GHG) Protocol. We use an operational control boundary and exclude any joint ventures and associates. Emissions associated with our direct operations are therefore representative of abrdn plc and its wholly-owned and operated subsidiaries.

Scope 1 and 2 emissions categories

Scope 1 and Scope 2 emissions are captured and converted from recorded metrics, such as kilowatt-hours (kWh) to tonnes of carbon dioxide equivalent (tCO_2e) using regional guidance on conversion factors. If data is unavailable for in-scope sites on 31 December, emissions are estimated using comparative time periods or other applicable methods.

Reported Scope 3 emissions categories

We report fuel and energy related activities (Category 3), waste from operations (Category 5), business travel (category 6), and an estimate for employees working from home. For each category we follow GHG Protocol guidance and prioritise the conversion of real data, such as passenger kilometres travelled, to tCO_2e using applicable conversion factors. We are reliant on third parties for the collection of some of this data, including waste contractors and travel booking platforms. There are also immaterial limitations linked to completeness in that data may not always be available for our entire estate or is subject to estimates or apportioning due to shared offices. We prioritise reporting based on proportion FTE and aim for continuous improvement year on year.

Other Scope 3 emissions categories

We do not currently report against all 15 categories of Scope 3 defined by the GHG Protocol. Our assessment is that some categories are not material due to the nature of our operations. However, we acknowledge gaps related to purchased goods and services (Category 1), capital goods (Category 2), employee commuting (Category 7) and investments (Category 15). During 2023 our procurement function has worked to develop a Category 1 and 2 baseline, which we expect to report in future. We also carried out an employee survey which will enable us to establish a Category 7 baseline. Our focus for Category 15 has been to enable our clients to understand emissions related to their portfolios and we disclose portfolio carbon intensity metrics on page 45, with scope limited by data coverage and availability. This does not currently include financed emissions associated with the assets on the abrdn balance sheet (pages 92-93). Our intention is to disclose all material emissions categories over time. However, our priority is to ensure the data capability to enable client objectives. We will continue to allocate resources with that view but expect to add to our disclosure over time. This may result in adjustments to our reported baseline and targets in future periods.

Restating emissions linked to homeworking

In 2022 we noted our intention to reflect on our approach to estimating carbon emissions associated with colleagues working from home. We continue to believe this is the right thing to do but acknowledge the lack of an accepted standard method to calculate those emissions. In 2023 we have revised our approach in collaboration with our partners, Pawprint, using an employee survey to inform the basis of the calculation. Our 2023 figure (1,205 tCO_2e) is significantly lower than previous years' estimations. This is due to a reduction in homeworking, more nuanced analysis of home energy use and the model now accounting for numbers of people working from home and dividing the energy requirements per individual. We have also restated our 2022 figures using our new methodology with Pawprint to enable the reporting of comparative figures.

Portfolio emissions metrics

As investors we do not have access to real-time emissions data from companies and assets. There also remain significant reporting gaps across some regions and sectors, with Scope 3 reporting still to fully develop. We use Scope 1 and 2 data to track progress against our target and report core portfolio level metrics (page 45). The source for this data set in public markets is a specialist third-party provider, whereas data for real estate is collected directly from those assets. Both routes include a lag associated with data being reported, collated, and made available to investors. Asset classes other than listed equity, corporate credit, and real estate remain difficult to accurately monitor due to data availability and nascent methodologies. Our portfolio metrics are based upon the original recommendations of TCFD, and methods established by the Partnership for Carbon Accounting Financials (PCAF), which we believe to be best practice. It is also important to recognise that portfolio-carbon metrics are subject to volatility not related to changes in emissions, with revenues, asset values, and markets as key drivers. We believe that tracking and reporting these metrics is critical, but that tools such as climate scenario analysis (page 42) are also essential to support decision-making.

Our commitments

We are:

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.

"I'm a problem solver – if I can't find the solution to a clients' needs, I'll find someone who can (and see it through to the end!)"

Kate Doyle

Empowered

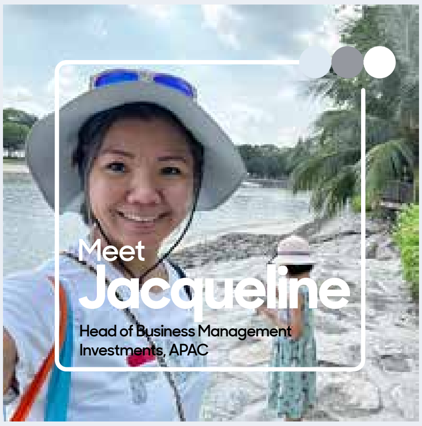
We speak up, challenge and act. We take ownership for our work, we accept accountability for our successes and, when they happen, our failures too.

"Empowerment leads to trust and a sense of ownership, and this can in turn lead to increased speed of delivery"

Will Lynch

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.

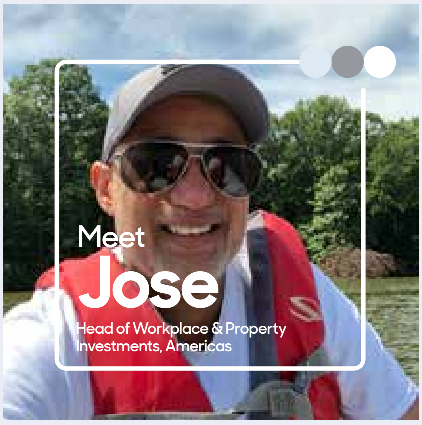


"Ambition means constantly seeking new and improved ways of doing things"

Jacqueline Tan

Transparent

We have the honest and important conversations that fuel our performance and build trusted relationships.



"Transparency is about being open with people – it helps to build trust and confidence in one another"

Jose Paulino

Embedding our commitments

Actions we are taking in support of colleague engagement

In early 2022 we set out to redefine our culture at abrdn, which supports the delivery of our purpose and strategy. This involved looking across the business to understand what our colleagues feel proud of and reflecting on what our clients need from us to deliver our strategy. Our commitments are the output of this reimagining. Our objective was to create an environment where colleagues feel empowered to speak up, where we are ambitious in what we do, but also transparent in how we go about it, ensuring we enable our clients to be better investors.

During 2023 we have focused on integrating our commitments into every stage of colleague experience, supported by powerful storytelling and robust feedback mechanisms. We have also been focused on taking actions to improve transparency, communication, and recognition across the organisation, with a series of engagement programmes.

Our 2023 engagement results

Each year our annual engagement survey provides colleagues with the opportunity to have their voices heard. Our November 2023 survey saw 79% of our people take part, with over 5,200 comments providing a rich picture of how we are doing across areas of focus. Amidst a challenging market, ongoing transformation, and organisational change, overall colleague engagement increased slightly to 54% (2022: 50%). We see positive scores attributed to the roles people play, their sense of inclusion, the nature of their work, and motivation levels. Where we have focused, we see improvements across 2023, with increased scores around leadership, systems, and processes. As we transform abrdn, we continue to focus on our culture and the actions we need to take to shape our overall colleague experience. Whilst we know there is work to do, we are ambitious and committed to making demonstrable progress for our people.

Talking talent series

We are focused on creating an environment where colleagues feel abrdn is the place to grow their careers. Building on our 2022 series we invited leaders and colleagues to come together to share personal development stories through 'Talking talent'. This helps amplify our existing learning and development programmes and illustrate opportunities available at different career stages.

Awards and recognition

In 2022 only 44% of colleagues felt recognised for their work in the business. We want colleagues to feel celebrated for the extraordinary work they do, so we launched our first 'abrdn awards,' with over 600 colleagues receiving a nomination which was a great response as we came together in celebration. In 2023 we saw an improvement to 64% of colleagues feeling recognised for their work.

Leadership communication programme

Colleagues told us they needed to hear more from our senior leaders. In response we launched six new communication channels to facilitate authentic conversations between colleagues and leaders. This includes monthly CEO broadcasts, frequent townhalls, and informal coffee sessions with targeted groups. We collect feedback from these sessions and have seen upticks to how colleagues feel about transparency and in their understanding of our strategy.

"This is exactly what we need as staff – honesty, transparency and the opportunity to ask questions."

Anonymous survey feedback

Between January 2023 and November 2023, we observed a 12% increase in colleague confidence in our leaders.

Leadership communication channels active during 2023	Leadership visibility	Clarity of strategy	Understanding and connection to our purpose	Building confidence in our future	Equipping leaders for success
As it is (CEO messaging) Monthly broadcast to all colleagues	●	●	●	●	
Let's Hear It (colleagues) Bi-monthly live Q&A with our leaders	●	●	●	●	
Let's Hear It (leaders) Bi-monthly live Q&A with our leaders	●	●	●	●	●
Leader Essentials Monthly email for all people leaders		●	●	●	●
Results Live Q&A focused on performance	●	●	●	●	●
Executive Leadership Team (ELT) coffee sessions Small informal group conversations	●	●	●	●	

Diversity, equity & inclusion (DEI)

We believe in the benefits of a diverse and inclusive workforce, with different perspectives helping to improve decision making

Our strategy intends to make a positive impact across our business and is led by our Executive Leadership Team, with oversight from our Board. We are focused on delivering our gender, ethnicity, and social mobility action plan, with four guiding priorities. We also believe setting targets is an effective way to make progress. Our targets to 2025 are outlined on page 51, and we have introduced a senior leadership ethnicity target, which we will begin reporting on from 2024, with the aim to be delivered in 2027. This follows the recommendation of the UK Government supported Parker Review. Our approach is recognised externally, and we were delighted to be named in the 2023 Financial Times Diversity Leader List and be given recognition from Citywire, 100 Women in Finance, and the Equality Group. Find out more at www.abrdn.com/annualreport

Our four guiding priorities:	
1	**DEI is part of our purpose.** We embed our commitment to DEI through our brand, culture, suppliers and partners we choose, and the way we engage with companies we invest in.
2	**Our ways of working are inclusive.** Our priority is to make sure people feel connected and that all opportunities are equitable. Managers lead inclusive working for hybrid teams.
3	**We feel valued and included everyday.** We focus on building the capability and awareness to drive inclusive conversations and active allyship.
4	**We bring diverse talent through our organisation.** We focus on minimising any potential bias or barriers in our processes, policies, and approach.

Our gender, ethnicity, and social mobility action plans

Gender
Achieve gender balance across all levels of our organisation.

What we have done:

Recruitment
Tools such as augmented writing software for job adverts, returnship programmes for women, and partnerships with organisations such as GAIN (Girls are Investors) help attract more women into roles in our business.

Development
Introduction of development offerings for women at early and mid-career stages.

Data
We promote accountability by providing leaders with increasingly detailed data.

Capability
Actions taken to address barriers to career progression, such as steps to build our Career Framework, and creating safe spaces to share and learn.

Colleague support
Our Balance colleague network provides support and runs sessions on topics such as mental health and career progression.

Policy
Our benefits policies and gender policies are inclusive, including equal parent leave in the UK.

Ethnicity
Improving outcomes for ethnic minority colleagues.

What we have done:

Recruitment
Tools such as diverse interviewer pools, and partnerships with organisations such as 10000 Interns Foundation to help us reach minority ethnic candidates.

Developing understanding
We produced a 'Talk about race' guide to support colleagues talking openly about race and to build inclusion.

Data
We believe industry transparency helps drive progress and have published ethnicity data on regional representation.

Capability
We run cultural awareness workshops and promote 'Human Library' learning opportunities.

Colleague support
Our Unity colleague network runs regular events and provides learning opportunities across the business.

Public commitments.
We were one of the inaugural signatories to the Race At Work Charter in 2018 and also joined the Corporate Call to Action and Coalition for Equity and Opportunity.

Social mobility
Positive outcomes for people facing barriers in society.

What we have done:

Fair work
We are accredited UK Living Wage and Living Hours employers.

Recruitment
We have partnerships with organisations such as SEO London to help us reach candidates from different economic backgrounds.

Developing understanding
We produced a 'Talk about class' guide to support colleagues talking openly about social mobility issues.

Data
We have embedded social mobility questions into our recruitment processes to deepen our understanding.

Colleague support
Our NextGen colleague network runs regular events across the business.

Working across our industry
We work collaboratively with groups including the Living Wage Foundation. These collaborations help us share best practice and encourage cross industry working.

Example actions from our business to support inclusivity:

Active ownership and gender diversity
In 2023 we wrote to 16 US companies to outline our minimum expectation of 30% female representation on boards of companies with a market capitalisation of $10bn or more. In total we took voting action at 90 US companies due to board gender diversity concerns.

Adviser
In 2023 our Client Engagement Hub piloted the use of biometric technology, which can monitor stress levels at work. We hope to identify insights from the data to support colleague wellbeing, and to help us be client first, through increased learning, or training, on common themes.

ii and Pension Essentials
In 2023 we launched Pension Essentials, expanding our Which? Recommended SIPP pension product to provide lower fees for pots under £50,000. Our Great British Retirement survey supports this need, finding that 76% of self-employed people are paying nothing into a pension.

Diversity targets

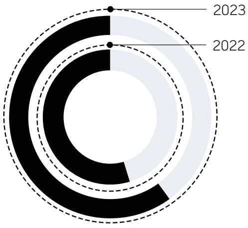
We have set 2025 targets to improve diversity across abrdn

Our diversity targets have been in place since 2020 and those relating to our Board members are consistent with the FCA reporting requirements introduced in 2022. We go further and report additionally on gender representation across our global business, and senior leadership teams. We note that, as part of organisational redesign, reductions in total headcount correlate with a reduction in gender representation for our senior leadership population. We know there is much more to do and remain committed to our targets and actions.

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

As of 31 December 2023, 40% of the abrdn plc Board identified as women, with 1 Director identifying as from a minority ethnic background. This information is self-reported by Board members. No senior positions on the abrdn plc Board, as defined by FCA LR 9.8.6 R(9), were held by women on the reference date. This represents a change from 2022 due to a change of Chief Financial Officer during the period. Other senior roles retain continuity between periods. abrdn is committed to diversity, equity, and inclusion and Board appointments are always with due regard to the benefits of diversity. The Board continues to support its Diversity Statement. Further detail on pages 92-93 of the ARA 2023.

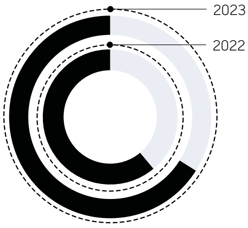
△ 2023 data subject to Independent Limited Assurance in accordance with ISAE(UK)3000 and ISAE3410 by KPMG. Assurance statement and detailed reporting criteria included in the Sustainability and TCFD report at www.abrdn.com/annualreport



abrdn plc Board

Target: 40% women, 40% men, 20% any gender by 2025

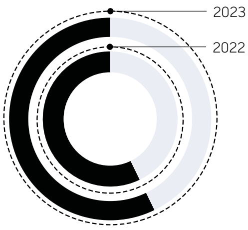
	Women	Men
2022	45% 5 (of 11)	55% 6 (of 11)
2023	**40%△ 4 (of 10)**	**60% 6 (of 10)**



Senior leadership[8]

Target: 40% women, 40% men, 20% any gender by 2025 (CEO-1 and 2)

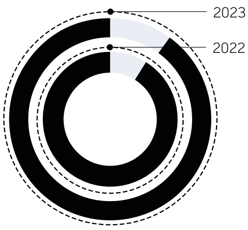
	Women	Men
2022	39% (of 132)	61% (of 132)
2023	**34%△ (of 96)**	**66% (of 96)**



Global workforce[9]

Target: 50% gender balance (+/-3% tolerance) by 2025

	Women	Men
2022	43% (of 5,147)	57% (of 5,147)
2023	**43%△ (of 4,742)**	**57% (of 4,742)**



abrdn plc Board

Ambition: 2 Directors identifying as minority ethnic by 2025

	Minority	Majority
2022	9% 1 (of 11)	91% 1 (of 11)
2023	**10%△ 1 (of 10)**	**90% 1 (of 10)**

Board and executive management gender representation[1,2]	**Number of Board members**	**Percentage of the Board**	**Number of senior positions on the Board[3]**	**Number in executive management[4]**	**Percentage of executive management**
Men	6	60%	4	12	86%
Women	4	40%	–	2	14%
Board and executive management ethnic representation[5]					
White British or other White (including minority-white groups)	9	90%	4	10	71%
Asian/Asian British	1	10%	–	1	7%
Not specified/prefer not to say[6]	–	–	–	3	21%

Subsidiary Director gender representation[7]	**Number of Subsidiary Directors in 2023**	**Percentage of Subsidiary Directors in 2023**	**Number of Subsidiary Directors in 2022**	**Percentage of Subsidiary Directors in 2022**
Men	16 (of 30)	53%	13 (of 25)	52%
Women	14 (of 30)	47%	12 (of 25)	48%

1. Gender for Board members is self-reported.
2. Gender for executive management is obtained from self-reported employee records.
3. Senior positions on the abrdn plc Board are Chief Executive Officer, Chief Financial Officer, Senior Independent Director, and Chair.
4. Executive management team includes Executive Leadership Team and excludes administration roles.
5. Ethnicity data for Board and executive management is self-reported (using local census data categories and collected where legally possible).
6. Includes one individual based in a country where we do not collect diversity data.
7. Relates to Directors of the Company's direct subsidiaries as listed in Note 44(a) of the Group financial statements in the ARA 2023 and not otherwise classified above.
8. Senior leadership includes Company Secretary but excludes administration roles, and individuals on garden leave.
9. 63 colleagues without gender data on our people system are excluded from the headcount data (2022: 60).

Identifying, attracting and retaining talent

We segment the approach we take to talent, which helps us focus on specific DEI and development priorities for each career stage

Identifying, attracting and retaining the best talent for our business is fundamental to our strategy. Through a period of transformation, we have continued to prioritise the importance of inclusive recruitment with our Hiring for Success interviewer training programme. This equips our hiring communities to identify and mitigate potential biases. Colleagues can also volunteer to be part of our Diverse Interviewer Pool, which we expanded during 2023. Our role profiles are monitored for non-inclusive language using technology, and we use personalised automated onboarding to keep successful candidates engaged in advance of their start dates.

Early careers

Our focus is to build and maintain diverse early careers talent globally. We work with partners to reach talent who may not be attracted to opportunities in our industry. In 2023 we became a corporate sponsor of GAIN and provided internships to members. We also committed to offering internships via the Able Intern Programme, which seeks to address the underrepresentation of disabled talent in the UK. In 2023 our graduate intake was 44% identifying as female (2022: 61%) and 19% identifying as from a minority ethnic background (2022: 26%). Also, 78% of our UK trainees attended a state school (2022: 72%).

Mid-career

We aim to identify a strong talent pipeline and demonstrate the value of growing our internal talent, with around 31% of our roles being filled internally. We have development programmes targeted toward mid-career colleagues, also with courses run specifically for women. We also continued to run our Returners Programme, for the third-consecutive year.

Senior career

All our search partners for senior talent are obliged to present diverse candidates as part of the recruitment process. We also look to ensure our Executive Leadership Team succession pipeline has the breadth and diversity of experience needed to deliver our strategy. This has shaped our 'Future Leaders' programme, which is entering into its second cohort and is designed to include learning tailored to strategic objectives.

Developing talent with our learning strategy

There is no one-size-fits-all approach to learning. We aim to give all our colleagues the tools and resources they need to take control of their development, and to support the delivery of our strategy. Our aim is to:

- Develop skills and capabilities to support our strategy.
- Support colleagues to build successful careers.
- Create engagement in our organisation.

Technology is at the heart of our learning strategy, allowing us to create an inclusive approach to development while also managing costs and the environmental impact of travel. Virtual classroom sessions and digital resources are established mechanisms for delivering courses and content.

Our Leadership Academy

Launched in 2023, our Leadership Academy takes a segmented approach to ensure we develop leadership skills at every career stage. We have developed programmes on the following themes:

Leading self
Devoting time and energy to self-development. Topics include: collaboration, creativity, and problem solving.

Leading others
Building the ability to get the best from others. Topics include: coaching, developing others, and strategic thinking.

Leading the business
Inspiring others to build for the future. Topics include: storytelling, personal impact, strategy, and empowering inclusivity.

The development of our academy was informed directly by colleague feedback, as we aim to amplify opportunities available at all career stages. We collate continuous feedback and track KPIs for our all programmes. We provide additional detail in our Sustainability and TCFD report, available at www.abrdn.com/annualreport

In addition to our Academies, we continue to provide graduate, school leaver and internship programmes, each of which have dedicated development support, including apprenticeships and professional qualifications. We also have a process for employees to apply for funding for external courses and qualifications. We work across the business to identify organisational needs on an ongoing basis and colleague feedback is central to our approach. Achieving the right blend of human and digital learning opportunities continues to be a key focus as we support colleagues to get the most from AI and technologies that are being introduced through business transformation.

Equity and inclusivity

Our role in enabling a fairer, more inclusive, society through examples of our actions supporting our people, clients, and communities

Our UK gender pay and bonus gaps

We have reduced our UK gender pay gaps in 2023 for the sixth consecutive year and believe we have the appropriate actions in place to address this long term. Our mean bonus gap increased by 9.1 percentage points during 2023. Average bonuses for both men and women decreased but some types of bonus payments, such as those associated with sales roles, were less impacted. These roles currently have a higher proportion of men, therefore driving an increase in the mean bonus gap.

UK gender pay and bonus gaps	2023	2022
Mean pay gap	**24.8%**	28.7%
Median pay gap	**18.8%**	24.2%
Mean bonus gap	**55.3%**	46.2%
Median bonus gap	**34.6%**	47.4%

We are committed to continued reductions in our gender pay gap, with a key contributing factor being that more men occupy senior roles than women. We have four actions in place to address this imbalance:

1	**Representation targets**	We set targets for representation of women at all levels across the organisation.
2	**Gender action plan**	We have a gender action plan in place to focus actions on attraction, retention and progression of women at early, mid and senior career stages.
3	**Industry collaboration**	We set a collective industry target to reduce the industry gender pay gap by 50% by 2030, in partnership with the Diversity Project.
4	**Executive accountability**	We were one of the first signatories to the HM Treasury Women in Finance Charter, linking delivery of our targets to pay through our Executive Director scorecard.

We benchmark our progress every year through the Bloomberg Global Gender Equality Index and have been recognised on the index for the last five years.

Feeling valued and included everyday

Ethnicity, gender, and social mobility are our primary areas of focus, but in 2023 we set out LGBTQ+ priorities for the organisation and put more support in place for disability and neurodiversity. We are working to create a culture where everyone feels they belong and were proud to secure 'Excellent' rating for LGBTQ+ equality by the Human Rights Campaign in 2022 (100%) and 2023 (95%). We also became a Disability Confident employer in 2023, under the UK Government Scheme.

Support for customers in vulnerable circumstances

We support advisers to achieve the best outcomes for their clients, which includes additional support for customers in vulnerable circumstances. Anyone could find themselves in vulnerable circumstances in their lives. The FCA identifies four key drivers of vulnerability including: health, life events, resilience, and capability.

Through our Client Engagement Hub, we can provide the support and tools for clients with vulnerabilities and aim to make processes as effortless as they would be for anyone. We have a team of specialists who are trained to provide additional help when a vulnerability is identified, and we tailor our services in instances where the client may contact us again. We do this using the data and advanced technology behind our platform.

Our accessibility services also support additional needs. We can translate certain documents into braille, or large print, and can accept calls from registered Sign Language interpreters, or through RelayUK, which enables users to type to talk. During 2023 we have also been working to identify third parties we can engage with to help further support advisers and their clients with vulnerabilities. With our proactive focus on training, technology and collaboration, our goal is to lead the way, as vulnerability could affect anyone at any time.

Supporting financial education with MyBnk

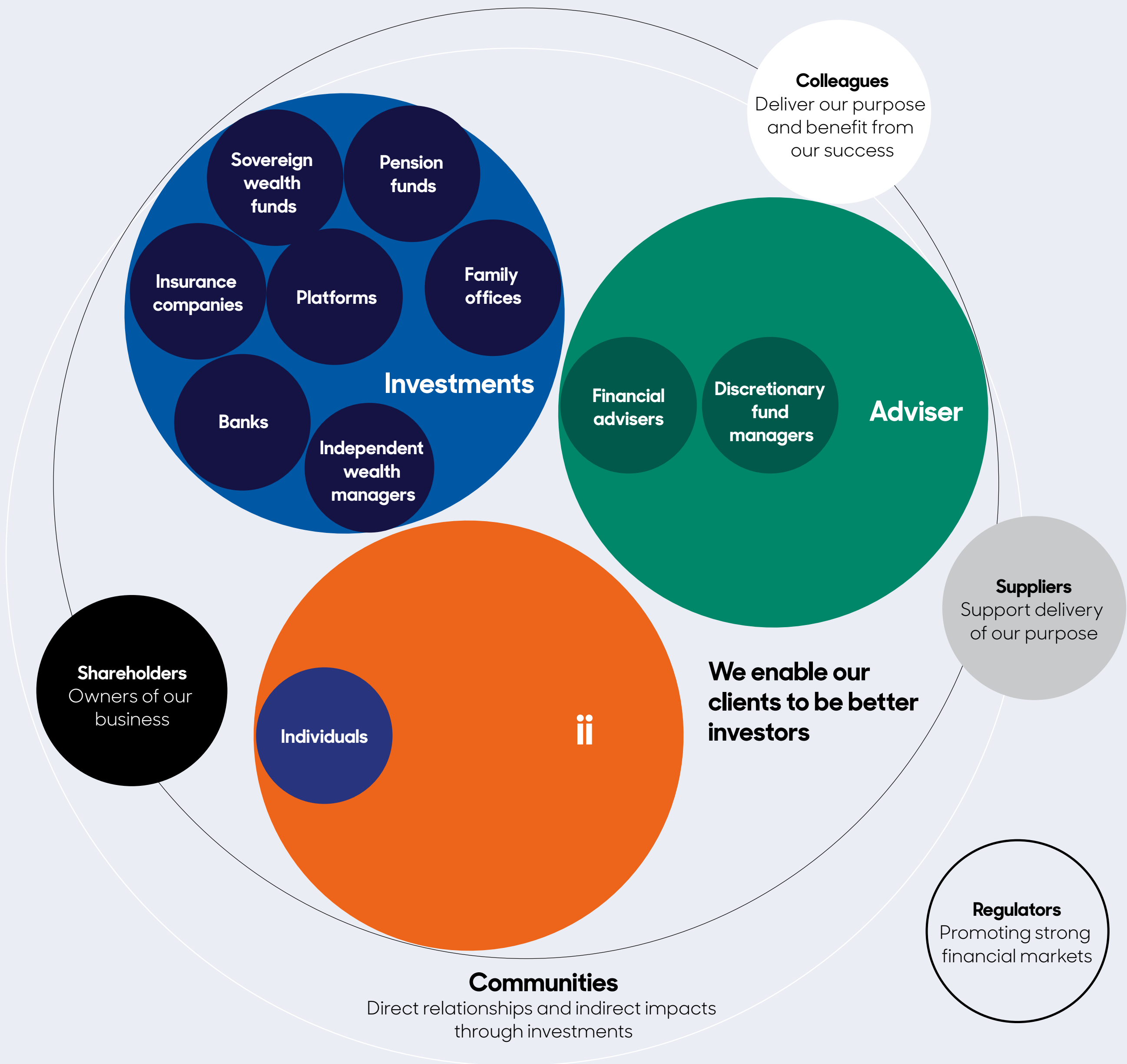
In 2022 we launched a three-year partnership with MyBnk, whose mission is to empower young people to take charge of their future by bringing money to life. We expanded this partnership in 2023, with our total commitment now over £1,300,000 via the abrdn Charitable Foundation. Our support will enable MyBnk to deliver financial education programmes and money management workshops. Learn more about community impact in our Sustainability and TCFD report at www.abrdn.com/annualreport

"We are excited to be supporting MyBnk, by working together we can make a difference to the financial confidence of young people across the UK."

Kirsty Brownlie
Sustainability Manager, Social impact

Delivering our purpose in collaboration with our stakeholders

We are driven to enable our clients to be better investors, and work with all our stakeholders to achieve our purpose



Section 172 (1) statement
The Board recognises the requirements of reporting against matters set out in section 172 (1) (a) to (f) of the Companies Act. The illustration on this page and information on pages 55 to 56 identifies key stakeholders and summarises actions and engagement activities undertaken during 2023, in support of the success of the company and for the benefit of members as a whole. Further information is also provided on pages 86 to 89 in the Corporate governance statement of the ARA 2023.

Engaging with our stakeholders

We recognise our responsibility to engage with our stakeholders and this plays an important role in the long-term decisions we make

Examples of stakeholder engagement during 2023

Clients	**How do we engage?** – Our purpose is to enable our clients to be better investors. We have client first teams across the business, and we monitor specific success metrics to holistically capture the experience of different client groups. **What did we learn?** – Our Investments business has a diverse client base. We monitor a range of measures to track client experience, with independent client survey feedback highlighting strong client service and account management. – Listening to feedback is critical, with indicators, such as consistently 'Excellent' ratings from ii customers on Trustpilot, illustrating this in practice. – Similarly for Adviser, we are targeting world-class customer satisfaction scores, with a satisfaction score of 90% in our Adviser business.	**Related outcomes:** – Examples of our investments in action on pages 16 to 17. – Learn more about our Adviser client experience on page 31. – We are strengthening the ii platform for our customers. Learn more on page 35.
Shareholders	**How do we engage?** – Our Annual General Meetings (AGM) offer shareholders the opportunity to interact directly with our Chair and Board. – In November 2022 we delivered a 'Spotlight on Adviser' presentation to investors, which received positive feedback. Following this, in July 2023 we held an analyst day to spotlight the ii business and strategy. – During 2023, we also carried out a comprehensive programme of meetings with domestic and international investors. **What did we learn?** – Feedback from our analyst day in July 2023 was positive, with acknowledgement of the market opportunities for ii and benefits of the subscription model for abrdn. – Feedback from our programme of meetings reflects a broad range of investor interests. Learn more on page 86 of the ARA 2023.	**Related outcomes:** – On 24 January 2024 we confirmed our intention to provide the market with a trading update, including AUMA and net flows, for the first and third quarters of the year. This reflects our understanding of investor appetite for an increase in the frequency of our communication. – The business aims to encourage all-employee share ownership. Learn more on page 127 of the ARA 2023.
Suppliers	**How do we engage?** – All suppliers providing services within the scope of our third-party risk management framework are engaged through due diligence assessment and ongoing monitoring. – Strategic supplier relationships have dedicated relationship managers to support greater oversight and engagement. – Environmental, social, and governance topics are included within our oversight reviews. **What did we learn?** – Through due diligence and ongoing monitoring, we are able to assess suppliers against our third party expectations as outlined in our Global Third Party Code of Conduct. – Many of our suppliers align with our expectations and, in many cases, demonstrate an established understanding of ESG related risks. However, where suppliers do not align, we have discovered that we must establish stronger controls to support them and monitor their performance.	**Related outcomes:** – In 2023 the business onboarded a new supplier risk assessment and monitoring platform to better understand our supply bases exposure and approach to sustainability related risks (environment, labour and human rights, business ethics, and supply chain).
Regulators	**How do we engage?** – abrdn retains membership of various industry groups and forums, which supports the development of a collective sector view. – We proactively respond to consultations on major sustainability reporting standards, which impact us both as investors and disclosers. **What did we learn?** – We are supportive of the regulatory focus on non-financial reporting as we work towards common sustainability disclosure standards. – We are also strong believers in client first outcomes and support the implementation of requirements such as Consumer Duty.	**Related outcomes:** – During 2023 we responded to the Transition Plan Taskforce consultation on its Disclosure Framework. – Our Adviser business have published a series of insights to support implementation of Consumer Duty requirements.

Examples of stakeholder engagement during 2023 *continued*

Communities	**How do we engage?** – We conduct research and publish insights relating to topics such as financial inclusion, savings and retirement, and the low carbon transition. – The abrdn Charitable Foundation directs our community impact strategy, with a focus on tomorrow's generation. – Our colleagues volunteer and fundraise for a variety of charitable causes. We provide 3 paid volunteering days to abrdn colleagues to enable this. **What did we learn?** – Insights from our research such as, ii's Great British Retirement survey shows that 56% of those aged 41 to 55 believe they may never retire. – Our colleagues have primarily chosen to volunteer for environmental and social welfare causes, accounting for 50% of the total time disclosed.	**Related outcomes:** – £2.1m contributed to charitable causes in 2023 (2022: £2.4m). – 3,248 hours spent volunteering by colleagues during 2023 (2022: 2,842). – Insights from research can inform product offering, with ii launching its pension essentials product in 2023.
Colleagues	**How do we engage?** – Our annual colleague engagement survey (page 49). – Pulse surveys throughout the year checking in with colleagues. – Our Let's Hear It sessions and townhalls provide candid Q&A opportunities with our Executive Leadership Team. **What did we learn?** – Where we have focused, we have driven improvements through 2023, with increased scores around leadership, systems, and processes. – With support from culture champions around the business our commitments are now integrated into each stage of colleague experience. – Colleagues' sense of transparency and understanding of strategy have been positively impacted by six new communication channels (page 49). – Our Board Employee Engagement programme includes a number of opportunities throughout the year for employees to engage with our designated NED for employee engagement.	**Related outcomes:** – Focus on increased visibility and communication from senior leaders, with Let's Hear It and As It Is sessions. – Talking Talent internal communications campaign to highlight learning and development opportunities. – Our first global abrdn Awards to recognise teams and individuals across the business.

Board Employee Engagement (BEE) programme

Hannah Grove continued as our designated Non-Executive Director for employee engagement.

BEE purpose

– Ensure that employee perspectives and sentiments are heard and understood by the Board to help inform decision-making.
– Develop an environment where colleagues understand the role of the plc Board and have direct access to our Non-Executive Directors (NEDs).

Programme pillars

1. Listening sessions
2. Meet the NEDs events
3. Employee network engagement
4. Reporting and measurement

"Without doubt the biggest highlight for me is interacting with abrdn's people. The company has an extraordinary depth of talent and it's been a privilege to get to know our colleagues better."

Hannah Grove

BEE programme – 2023 in summary

Total employee attendance	Listening sessions	Meet the NEDs events	Employee network engagements	NEDs involved in the programme	Site visits	Average event rating
797	**11**	**6**	**9**	**100%**	**14** including in UK, US and APAC	**8.6/10**

Find out more about our BEE engagement on page 87 of the ARA 2023.

Non-financial and sustainability information

Summary of climate disclosure

We continue to support disclosure against the recommendations of the TCFD framework. This is critical for us as we assess climate-related risks and opportunities as investors. The information on this page summarises where we have made required disclosures under FCA LR 9.8.6R (8) and Companies Act 414CA and 414CB in this report. We also provide additional information in our separate Sustainability and TCFD report (pages 11-48), which we believe adds value for our stakeholders and reflects common market practice.

Statement of the extent of consistency with FCA LR 9.8.6R (8) for TCFD aligned disclosure

We believe our disclosure within this report, and the additional information in our Sustainability and TCFD report, to be consistent with the 11 recommendations of the TCFD framework, except for complete disclosure of Scope 3 financed emissions. Data availability continues to be a challenge and has bearing on the completeness of information we can report. We acknowledge that our reporting may evolve in future periods. Our view is that sufficient climate-related data is available to better enable our investment processes and to manage our objectives as a responsible business. This also allows us to track our progress against targets, outlined on pages 45 and 46.

Climate and environment

Our continued focus is on managing our climate-related risks and opportunities, which is presently the most material environmental matter for our business. This is reflected through our related governance, management, and targets. In 2023, we also took steps to understand potential nature-related impacts and dependencies in our public market portfolios, with nature-based risks and opportunities increasingly an area of focus. We also recognise other environmental matters, such as operational resource consumption and responsible waste management. Our team are looking at improving available data on metrics such as water and waste, but this is not presently assessed as material, relative to other non-financial matters.

Relevant policies

– Our Sustainability and TCFD report provides additional information on our areas of focus

Policy outcomes

– Climate targets applicable to operations and investments
– Active engagement approach, and solutions development

Related risks

– Refer to page 41.

Risk management

– Sustainability and ESG professionals across the business
– Tools developed to support and inform processes

Selected non-financial KPIs

– GHG emissions metrics
– Climate-related voting and engagement activity

Recommended TCFD-aligned disclosure[1]	
Governance	
Describe the Board's oversight of climate-related risks and opportunities.	Page 40.
Describe management's role in assessing and managing climate related risks and opportunities.	Page 40.
Strategy	
Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	Page 41.
Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	Pages 41-44.
Describe the resilience of the organisation's strategy, taking into consideration different climate related scenarios, including a 2°C or lower scenario.	Pages 41-42.
Risk management	
Describe the organisation's processes for identifying and assessing climate-related risks.	Pages 43-44.
Describe the organisation's processes for managing climate-related risks.	Pages 43-44.
Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	Page 43.
Metrics and targets	
Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	Pages 45-47.
Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	Pages 45-47.
Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	Pages 45-47.

1. This table exists to support users to navigate to climate-related disclosures in this report, which we believe addresses both requirements of FCA LR 9.8.6R (8) and Companies Act 414CA and 414CB. abrdn is required to report against the original 11 TCFD recommendations under the former, with the language in the latter mirroring those recommendations but rationalising the original 11 to 8 disclosure requirements. We refer to the language of the internationally recognised original 11 recommendations here to avoid duplicative signposting and believe our disclosure between pages 39 and 47 to be consistent against both reporting standards.

Summary of other matters

The information on this page addresses the requirements of Companies Act 414CA and 414CB with summary information on other important non-financial matters. Our sustainability aspiration is to create long-term sustainable value and we focus on those areas where we have significant impact or influence. This includes the areas outlined below, with additional information also available in our Sustainability and TCFD report available at www.abrdn.com/annualreport

Employees	Social matters
Our people are essential to our success and our objective is to create a transparent, inclusive, culture, where the best talent from all backgrounds can succeed. In 2023 we have been focused on embedding Our Commitments, increasing transparency across the organisation, and enabling colleagues to develop. We have targets to improve representation across the business and continue to see reductions in our UK gender pay gap. Our aspiration is that abrdn is a place where people love to work but changes to our business have meant reductions in headcount and resource pressures. We disclose detail relating to colleague engagement on page 49.	We are committed to helping our customers build long-term financial resilience and take control of their financial futures. Our focus begins with our products and services and extends to our communities through our focus on tomorrow's generation. In 2023, ii published the fifth Great British Retirement survey, which highlights common financial challenges and reinforces the role our sector can play through education, financial planning, and advice. ii also works with a peer-to-peer learning initiative to support women to expand or start their investment journey. We also expanded our partnership with MyBnk to support financial education in the UK.
Relevant policies	
– Diversity, equity and inclusion policy – Global code of conduct	– Client and customer policy – Charitable giving strategy
Policy outcomes	
– Colleague engagement survey – Inclusive recruitment and development programmes	– More inclusive products and services – Charitable partnerships via the abrdn Charitable Foundation
Related risks	
– Noted amongst principal risks and uncertainties	– Lack of financial inclusion for our key stakeholders
Risk management	
– Listening and responding to colleague feedback	– More inclusive products and services – Published research and insights – Third sector partnerships
Selected non-financial KPIs	
– Employee engagement scores – Increased representation across abrdn by 2025	– Client and customer satisfaction – Impact reporting from our charitable partnerships
Further information	
Pages 48-53.	Pages 50 and 53.

Human rights	Anti-corruption and anti-bribery
It is critical to embed respect for human rights throughout our business. We take an active approach and work across our operations and through our investments. Our annual Modern Slavery Statement provides the opportunity to chart our progress as we focus on the assessment of risk in our supply chain, with our Stewardship report outlining actions we taken to influence the companies and assets in our value chain. Our position is zero tolerance for modern slavery and child labour in supply chains. We have invested time and resources to better understand related risks, amidst a complex global network of third party suppliers and relationships.	abrdn and its people conduct business fairly, honestly, transparently, and with integrity, and do not take part in acts of corruption or pay or receive bribes, whether directly or indirectly to gain business advantage. Employees are prohibited from engaging in acts of corruption and from paying or accepting bribes or kickbacks. We have a programme and procedures in place to implement and support our Anti Bribery and Corruption Policy. In particular, employees must refuse any bribe or inducement in a manner which is not open to misunderstanding or which may give rise to false expectations, report any offers of bribes or inducements and report any suspicious behaviour.
Relevant policies	
– Global code of conduct – Third-party code of conduct – Modern slavery statement – Privacy and data protection	– Anti-Financial Crime policy – Anti Bribery and Corruption standards – Global code of conduct
Policy outcomes	
– Human rights is a focus of our active equities engagement strategy for our Investments business – Evolving capability relating to our supply chain management	– Gifts and entertainments processes working effectively – Anti Bribery and Corruption controls embedded within operating procedures
Related risks	
– Safe and secure work – Data protection and security	– Noted amongst principal risks and uncertainties
Risk management	
– Influencing our value chain and developing further understanding of the related risks in our supply chain – Data protection procedures	– Colleague Anti-Financial crime and Anti Bribery and Corruption training – Controls to prevent and detect instances of bribery and corruption
Selected non-financial KPIs	
– Voting and engagement – Third party risk assessments – Data incidents and breaches	– Completion rates of staff training – Gifts and entertainment incidents and breaches
Further information	
Page 55.	Page 79.

Our business model enables our clients to be better investors

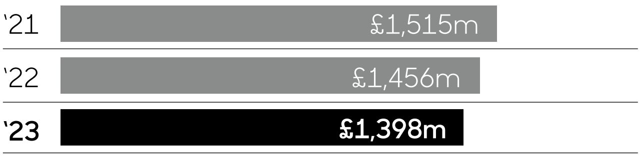
Illustration on pages 12-13.

Our key performance indicators

Net operating revenue

KPI APM

£1,398m



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.

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 operating profit

KPI APM

£249m

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

Adjusted diluted earnings per share

KPI APM

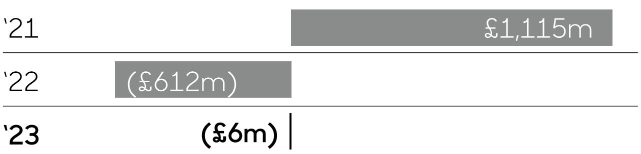
13.9p

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

IFRS (loss)/profit before tax[1]

KPI

(£6m)



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.

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.

Adjusted capital generation

KPI APM

£299m

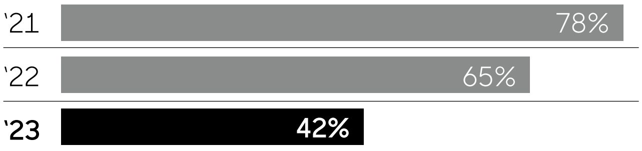
This measure aims to show how adjusted profit contributes to regulatory capital.

1. 2022 results have been restated for the HASL implementation of IFRS 17. 2021 results have not been restated. Refer Basis of preparation in the Group financial statements section of the ARA 2023.

Investment performance KPI

(Percentage of AUM above benchmark over three years)

42%



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

54%

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

£494.9bn

Gross inflows

£64.1bn

Net flows – Total

(£17.6bn)

Net flows – Excl liquidity and LBG tranche withdrawals

(£13.9bn)

IFRS diluted earnings per share[1]

0.1p

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 2023.

1. 2022 results have been restated for the HASL implementation of IFRS 17. 2021 results have not been restated. Refer Basis of preparation in the Group financial statements section of the ARA 2023.

Taking action to rebuild profitability and growth

Our diversified business and strong balance sheet are clear strengths but we need to deliver a step change in our cost base in order to lay the foundation for future growth.

I am proud to join a company with a strong conviction to enable clients at all financial stages to be better investors.

Jason Windsor
Chief Financial Officer

Overview

2023 was a challenging macro environment for the investment industry. This is evident in lower adjusted operating profit, largely reflecting lower revenues in Investments, which is closely related to the market context.

Despite this, the advantage of our three business model is clear in these results. We have built resilience into the Group and the benefits of diversification are already evident with Adviser and ii on a stronger trajectory of growth, with more efficient operating margins and clear opportunities for the future. We exceeded expectations on our net £75m cost reduction target, with savings of £102m achieved.

In addition to this £102m reduction, we are now targeting further annualised cost savings of at least £150m across the Group by the end of 2025, with the majority of actions to be taken this year.

We have undertaken a comprehensive review of our operating model. The programme is targeting the removal of management layers, increasing spans of control, and reducing overheads particularly from Group functions and support services. Approximately 80% of the cost reduction benefits will be seen in the Investments business. The total implementation costs are estimated to be around £150m.

This transformation programme will drive improved profitability and allow for reinvestment into growth areas, which is fundamental to improving performance. Initial work to deliver these efficiencies is already well underway and we will provide further updates over the course of the programme.

In 2023, we delivered on our commitment to return a significant proportion of capital generated from our Indian stake sales to shareholders: £300m by way of share buybacks and the remainder via dividends. We also generated capital following the sales of our discretionary fund management and US private equity businesses which supported the strategic moves to acquire closed-end funds from Macquarie, Tekla, and First Trust to further strengthen our capabilities in this area.

Our balance sheet remains strong, and this enables us to fund the implementation costs of our transformation programme from our balance sheet. 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.

I believe the actions that we have taken to build resilience into our business and move towards improved profitability, despite industry headwinds, combined with the significant additional cost savings we are now targeting, will put us in a stronger position to deliver on our commitment to enable our clients to be better investors.

Profit

Adjusted operating profit for 2023 was down 5% to £249m (2022: £263m). This includes a reduction of £80m in Investments principally due to a significant decline in revenue in this business. This was partly offset by an increase in adjusted operating profit in both our Adviser and ii businesses, to £118m (2022: £86m) and £114m (2022: £72m) respectively. ii includes the benefit of a full 12 months contribution compared to 7 months in 2022.

The IFRS loss before tax was £6m (2022: loss £612m[1]) including adjusting items of £336m (2022: £865m[1]), with a decrease in the impairment of intangible assets and restructuring costs compared to 2022. The goodwill impairments in 2023 of £62m (2022: £340m) include the impact of lower projected revenues as a result of adverse markets and macroeconomic conditions, and for Finimize the impact of lower short-term projected growth following a strategic shift that prioritises profitability over revenue growth.

The cost/income ratio was stable at 82% (2022: 82%) reflecting the benefit from the efficient Adviser and ii cost models, offset by lower revenue in Investments.

Net operating revenue

Net operating revenue of £1,398m (2022: £1,456m) was down 4%, including the impact of the challenging market conditions in Investments. This was partially offset by increases in revenue in both Adviser and ii, reflecting higher treasury income for both businesses, and the benefit of a full 12 months of ii.

In Investments, net operating revenue was 17% lower than in 2022 largely due to net outflows and lower market performance impacting average AUM, and changes to the asset mix. While redemptions were lower, gross flows were also lower reflecting the client response to the uncertain market environment, particularly in equities and multi-asset. Net outflows and market performance in multi-asset and equities resulted in a reduction in average AUM of 16% and 14% respectively. Our Phoenix partnership continues to produce results with £6.0bn (2022: £2.9bn) of gross inflows from their bulk purchase annuity business, reflecting our insurance asset management capabilities and proprietary techniques.

In our Adviser business, net operating revenue was 21% higher than 2022 at £224m (2022: £185m) comprising £167m Platform charges (2022: £174m), £31m treasury income (2022: £11m) and £26m other (2022: £nil). The higher revenue included the c£15m benefit of a revised distribution agreement with Phoenix and c£11m from threesixty/MPS following the transfer from the Personal Wealth business.

In our ii business (excluding Personal Wealth), net operating revenue increased to £230m (2022: £114m), largely reflecting the benefit of a full 12 months of revenue. Revenue continues to benefit from diverse streams. Treasury income on client cash balances contributed £134m, benefiting from the continued rise in interest rates. Trading revenue of £48m was impacted by muted levels of customer activity given the uncertain market conditions. Revenue from subscriptions was £54m.

In Personal Wealth, net operating revenue of £57m (2022: £87m) reduced by £30m due to a c£19m impact from the transfer of the MPS business to Adviser and the sale of abrdn capital to LGT, c£6m from the transfer of threesixty to Adviser, and the impact of adverse market movements.

1. Comparatives have been restated for the HASL implementation of IFRS 17. Refer Basis of preparation in the Group financial statements section of the ARA 2023.

Adjusted operating expenses

Adjusted operating expenses decreased by 4% to £1,149m (2022: £1,193m), reflecting management actions to reduce costs, mostly offset by the inclusion of £103m (2022: £47m) of ii[1] expenses for the full 12 month period. Excluding ii[1], expenses were 9% lower at £1,046m (2022: £1,146m).

In the Investments business, we exceeded the targeted £75m reduction that we outlined previously. The £102m cost reduction in Investments was driven by lower staff costs reflecting 8% lower front/middle office FTEs and reduced market data and outsourcing costs, partly offset by the impact of staff cost inflation.

In Adviser, the cost/income ratio improved to 47%, benefiting from higher treasury income and the revised distribution agreement with Phoenix.

For ii overall, expenses increased reflecting the full 12 months of ii (excluding Personal Wealth). The cost/income ratio improved from 64% to 60%, despite the impact on profitability in Personal Wealth due to the revenue impacts on this business outlined above.

As I have touched on already, further significant cost savings across the business are targeted to improve efficiency and profitability.

Capital

Our capital position provides us with resilience during periods of economic uncertainty and volatility.

In 2023, we have been disciplined in our allocation of capital with a combination of investment in the business to drive growth and continued returns to shareholders.

We generated a total of £713m capital from the sales of our listed Indian stakes (£576m), and the disposals of our discretionary fund management and US private equity businesses (£137m). We have now completed the sale of our remaining stakes in HDFC Life and HDFC Asset Management, which further simplifies our group structure.

We have continued to invest in the business through strategic bolt-on acquisitions, building out our global top three position in closed-end funds. In 2023, we completed the acquisition of four closed-end funds from Macquarie and acquired the healthcare fund management capabilities of Tekla for a total of £152m. We also used the proceeds from our non-core disposals to support restructuring costs of £121m, including the reshaping of the Investments business.

We returned £300m by way of share buybacks in line with our commitment to return a significant proportion of the proceeds of our stake sales. As we outlined in our FY 2022 results, we returned £0.6bn of capital in total to shareholders in 2023 by way of dividends and share buybacks.

Going forward, we will continue to have a disciplined approach to generation and allocation of our capital:

- We are committed to taking significant cost actions to restore our core Investments business to a more acceptable level of profitability. To achieve the desired simplification and cost savings, total implementation costs are estimated to be around £150m. We will deploy CET1 surplus capital to fund this restructuring over 2024 and 2025.
- We will continue to scan the market for bolt-on acquisitions within key thematic markets, such as the most recent acquisition of the healthcare fund management capabilities of Tekla.
- As part of our approach to allocating capital, we hold a buffer over regulatory capital to provide a level of management flexibility and capital strength and resilience during periods of volatility.
- It remains the Board's current intention to pay a total annual dividend of 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. Over the short term, the dividend will largely be supported by adjusted capital generation and our surplus capital.

Outlook

As demonstrated in our 2023 results, we have reshaped the business. The resulting diversification in sources of revenue and inherent cost efficiency within Adviser and ii partly offset the revenue impact from net outflows and adverse market movements within Investments. Looking forward, we expect inflation to moderate slowly, and we have assumed a stable interest rate environment. This will continue to benefit ii and Adviser where we expect the average cash margin for 2024 to be broadly in line with 2023. The outlook for global markets remains uncertain. Where market conditions, structural and cyclical, remain challenging for active asset managers we continue to expect headwinds arising from changing client demand and preferences. Within Insurance in particular, we expect the asset rotation from active equity and fixed income strategies to passive quantitative strategies experienced in 2023 to continue into 2024. This together with related pricing changes, may result in a further contraction of revenue margin.

Notwithstanding this backdrop we are taking action to restore profitability and to transform the way we operate, through simplification and leveraging technology across the Group, particularly in Investments. As we have said, the work to achieve at least £150m of cost savings is now underway. While 80% of the cost savings is expected to benefit Investments, we anticipate cost growth in ii and Adviser to be approximately 3-5% per annum over 2024-2026 reflecting continued growth and reinvestment in these businesses. Implementation of the transformation programme is expected to take place primarily in 2024, with c£60m benefit from lower adjusted operating expenses expected in 2024, and will be completed by the end of 2025. We expect total restructuring costs of less than £150m in 2024, to support the group cost transformation programme, and further investment in the Adviser platform.

The strength of our balance sheet allows us to fund these restructuring expenses, and to maintain the dividend. Our balance sheet is further strengthened by our Phoenix stake and the staff pension scheme which has a significant surplus. Our focus remains to be disciplined in our allocation of capital to drive growth, and to maintain the dividend payment until capital generation improves.

1. Relates to ii (excluding Personal Wealth).

Results summary

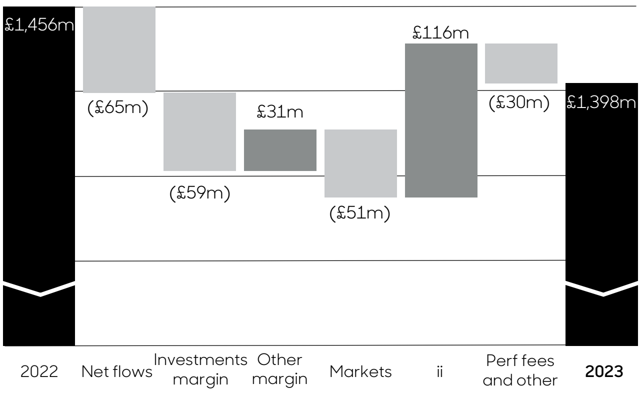
Analysis of profit	2023 £m	2022[1] £m
Net operating revenue	**1,398**	1,456
Adjusted operating expenses	**(1,149)**	(1,193)
Adjusted operating profit	**249**	263
Adjusted net financing costs and investment return	**81**	(10)
Adjusted profit before tax	**330**	253
Adjusting items including results of associates and joint ventures	**(336)**	(865)
IFRS loss before tax	**(6)**	(612)
Tax credit	**18**	66
IFRS profit/(loss) for the year	**12**	(546)

The IFRS loss before tax was £6m (2022: loss £612m) including an adjusted operating profit of £249m (2022: £263m). Adjusting items were £336m (2022: £865m) including:

- Losses of £178m (2022: losses £187m) 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 2023.
- Restructuring and corporate transaction expenses were £152m (2022: £214m), mainly consisting of property related impairments, severance, platform transformation and specific costs to effect savings in Investments.

Adjusted operating profit was £14m lower than 2022 largely due to the revenue impact of continued net outflows and adverse market movements, which particularly impacted high yielding equities. The 2023 results included a contribution from ii[2] for the full 12 months (2022: seven months) which benefited net operating revenue by £230m (2022: £114m) and adjusted operating profit by £127m (2022: £67m). Removing ii[2], adjusted operating profit was 38% lower than 2022 at £122m (2022: £196m).

Net operating revenue



Net operating revenue decreased by 4% reflecting:

- Impact from net outflows[3] of c4%, and adverse Investments margin movements.
- Although the market declines seen in 2022 began to reverse in 2023, the lower average AUMA compared with 2022 impacted revenue by c4%.
- Benefit of £116m from the full 12 months of ii[2] in 2023.
- Performance fees reduced by £16m mainly within real assets, where 2022 saw a number of funds coming to the end of their natural lifecycle, triggering performance fees at maturity.

The diversification that now drives our sources of revenue has helped to mitigate the impact of market volatility, including the benefit from ii's subscription model and the higher total treasury income of £165m (2022: £69m). Net operating revenue reduced by 13% excluding ii[2].

Adjusted operating expenses

	2023 £m	2022 £m
Staff costs excluding variable compensation	**511**	527
Variable compensation	**75**	85
Staff and other related costs[4]	**586**	612
Non-staff costs	**563**	581
Adjusted operating expenses	**1,149**	1,193

Adjusted operating expenses decreased by 4% reflecting management actions to reduce costs, mostly offset by the inclusion of £103m (2022: £47m) of ii[2] expenses for the full 12 month period. Excluding ii[2], expenses were 9% lower at £1,046m (2022: £1,146m) reflecting:

- 7% lower staff costs (excluding variable compensation), with the benefit of lower FTEs (13%), partly offset by wage inflation.
- Lower variable compensation reflecting business performance.
- 9% lower non-staff costs, with cost savings partly offset by the impact of inflation.

The Group cost/income ratio was stable at 82% (2022: 82%) reflecting the benefit from the efficient Adviser and ii cost models, offset by lower revenue in Investments.

1. Comparatives have been restated for the HASL implementation of IFRS 17. Refer Basis of preparation in the Group financial statements section of the ARA 2023.
2. Relates to ii (excluding Personal Wealth).
3. Reflects the estimated impact on net operating revenue as a result of net outflows in both the current and prior period, as a percentage of prior period revenue.
4. See Supplementary information in the ARA 2023 for a reconciliation to IFRS staff and other employee related costs.

Investments

Adjusted operating profit
£50m

Net operating revenue
£878m

Net operating revenue yield
23.5bps

Net flows
(Excl. liquidity)
(£15.3bn)

	Total		Institutional and Retail Wealth[1]		Insurance Partners[1]	
	2023	2022	**2023**	2022	**2023**	2022
Net operating revenue[2,3]	**£878m**	£1,060m				
Adjusted operating expenses[2]	**(£828m)**	(£930m)				
Adjusted operating profit[2]	**£50m**	£130m				
Cost/income ratio[2]	**94%**	88%				
Net operating revenue yield	**23.5bps**	25.4bps	**32.6bps**	36.1bps	**10.0bps**	10.5bps
AUM	**£366.7bn**	£376.1bn	**£211.2bn**	£231.2bn	**£155.5bn**	£144.9bn
Gross flows	**£50.3bn**	£59.3bn	**£28.1bn**	£36.5bn	**£22.2bn**	£22.8bn
Redemptions	**(£69.3bn)**	(£100.3bn)	**(£46.0bn)**	(£48.1bn)	**(£23.3bn)**	(£52.2bn)
Net flows	**(£19.0bn)**	(£41.0bn)	**(£17.9bn)**	(£11.6bn)	**(£1.1bn)**	(£29.4bn)
Net flows excluding liquidity[4]	**(£15.3bn)**	(£37.8bn)	**(£14.2bn)**	(£8.4bn)	**(£1.1bn)**	(£29.4bn)
Net flows excluding liquidity and LBG[4,5]	**(£15.3bn)**	(£13.4bn)	**(£14.2bn)**	(£8.4bn)	**(£1.1bn)**	(£5.0bn)

Adjusted operating profit

– Profit reduced by £80m (62%) to £50m, reflecting 17% lower revenue, partly offset by 11% lower costs.
– Results in our Investments business reflect the challenging economic environment and market turbulence that has impacted across the industry.

Net operating revenue

– 17% lower than 2022 largely due to net outflows and lower market performance impacting average AUM, and changes to the asset mix.
– Performance fees of £14m (2022: £30m) were earned mainly from Asian equities and Insurance Partners.

Adjusted operating expenses

– Whilst there is a reduction in profitability in the year, we exceeded the £75m net cost reduction target.
– Adjusted operating expenses reduced by £102m (11%) to £828m (2022: £930m[2]) driven by lower staff costs reflecting 8% lower front/middle office FTEs and reduced market data and outsourcing costs, which was partly offset by the impact of staff cost inflation.
– Adjusted operating expenses also benefited from reduced brand marketing activity and lower project change costs compared to 2022.

Institutional and Retail Wealth

Net operating revenue

– 17% lower at £724m (2022: £868m[2]) due to a 7% reduction in average AUM to £220.0bn (2022: £236.2bn). Multi-asset and equities average AUM down 16% and 14% respectively.
– Reduction in average AUM primarily relates to net outflows and market performance.

Gross flows

– Excluding liquidity, £6.8bn (26%) lower at £19.5bn (2022: £26.3bn) mainly in equities, multi-asset and alternative investment solutions. This reflected the client response to the uncertain market environment which impacted the wider industry, as many clients delayed investment decisions.

Revenue yield

– 3.5bps lower at 32.6bps largely due to the decrease in the higher margin equities average AUM impacting the asset mix. Equities are 22% (2022: 24%) of average AUM at a yield of 60.7bps (2022: 62.5bps).
– The reduction in the multi-asset yield reflects the growing proportion of lower yielding MyFolio in this asset class.

Net flows

– Net outflows were £5.8bn higher than 2022 at £14.2bn (excluding liquidity) due to lower gross flows.
– Excluding liquidity, net outflows represent 7% of opening AUM compared with 4% in 2022.
– Redemptions (excluding liquidity) were £1bn lower than 2022 at £33.7bn due to lower real asset outflows.

1. Wholesale has been renamed Retail Wealth, Insurance has been renamed Insurance Partners.
2. Finimize and our digital innovation group have moved from Investments to Other. Comparatives have been restated.
3. Includes performance fees of £14m (2022: £30m).
4. Institutional/Retail Wealth liquidity net flows excluded.
5. Flows excluding LBG do not include the final tranche withdrawals in 2022 of £24.4bn relating to the settlement of arbitration with LBG.

Insurance Partners

Net operating revenue

- 20% lower in 2023 at £154m (2022: £192m), reflecting the impact of 13% reduction in average AUM to £147.7bn primarily due to net outflows, market declines in 2022 and the impact of the final LBG tranche withdrawal of £24.4bn in 2022.

Gross flows

- £0.6bn lower than 2022 at £22.2bn (2022: £22.8bn).
- Our Phoenix partnership continues to produce results with £6.0bn (2022: £2.9bn) of gross inflows from their bulk purchase annuity business, reflecting our insurance asset management capabilities and proprietary techniques.

AUM

- Insurance AUM increased by £10.6bn to £155.5bn with net outflows offset by positive market movements.

Revenue yield

- Net operating revenue yield decreased to 10.0bps (2022: 10.5bps). We expect the asset rotation from active equity and fixed income strategies to passive quantitative strategies experienced in 2023 to continue into 2024, this together with related pricing changes, is expected to result in a further contraction of yields.

Net flows

- Net outflows improved by £3.9bn in 2023 at £1.1bn (2022: £5.0bn outflow excluding LBG tranche withdrawals), representing (0.8%) of opening AUM compared with (2.4%) in 2022.

Investment performance

% of AUM ahead of benchmark[1]	1 year		3 years		5 years	
	2023	2022	**2023**	2022	**2023**	2022
Equities	**27**	30	**17**	63	**48**	65
Fixed income	**81**	65	**75**	72	**84**	79
Multi-asset	**12**	13	**15**	50	**22**	22
Real assets	**30**	57	**56**	63	**45**	52
Alternatives	**100**	88	**100**	100	**100**	100
Quantitative	**100**	17	**100**	27	**37**	29
Liquidity	**100**	84	**95**	97	**97**	97
Total	**44**	41	**42**	65	**52**	58

Investment performance over the three-year time period has weakened, with 42% of AUM covered by this metric ahead of benchmark (2022: 65%). The drop in the three-year performance reflects a challenging period for active managers, particularly those with a quality equity investment style with a bias towards Asia and Emerging Markets.

Performance for fixed income, quantitative, alternative investment strategies, and liquidity remains consistently strong and illustrates the resilience of our performance delivery in these asset classes. Key outperforming strategies include Emerging Market Debt, Euro Investment Grade, Euro High Yield, Money Markets, Ultra Short Munis and our full range of Quantitative Enhanced Index strategies.

Equities has been impacted by our AUM bias towards Asia and Emerging Markets and the quality growth style which have both struggled when compared to the exceptionally narrow performance of the Magnificent 7 stocks in the US. The faltering recovery in China has been a headwind for our larger Asia, Emerging Markets and China strategies due to our domestic overweight. However, there are strong areas of outperformance in Emerging Market Income, Emerging Market Small Cap, UK Value and European Small Cap strategies.

2023 was also a challenging backdrop for our multi-asset strategies. However, our Multi-Manager range, while behind long term cash based composite benchmarks used in the calculation above, is performing well versus peers with 67% ahead of peer group[2].

Real estate valuations experienced some of the sharpest corrections in history in late 2022/early 2023 which impacted returns over all periods. However, after the sharp de-rating in our favoured sectors of logistics and industrials we have seen some performance recovery coming through YTD to Q3 2023, with funds benefiting from being underweight to UK offices and continued robust performance from German Residential. Our Listed Real Estate funds are outperforming over 1, 3 and 5 years.

1. Calculations for investment performance use a closing AUM weighting basis and 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. 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. Further details about the calculation of investment performance are included in the Supplementary information section of the ARA 2023.
2. Morningstar category peer group average over 3 years to 31 December 2023.

Adviser

Adjusted operating profit **£118m**

Net operating revenue **£224m**

Net operating revenue yield **30.6bps**

Net flows **(£2.1bn)**

	2023[1]	2022
Net operating revenue	**£224m**	£185m
Adjusted operating expenses	**(£106m)**	(£99m)
Adjusted operating profit	**£118m**	£86m
Cost/income ratio	**47%**	54%
Net operating revenue yield	**30.6bps**	26.1bps
AUMA[2]	**£73.5bn**	£68.5bn
Gross flows	**£5.8bn**	£6.6bn
Redemptions	**(£7.9bn)**	(£5.0bn)
Net flows	**(£2.1bn)**	£1.6bn

Adjusted operating profit

- Strong earnings performance with profit up 37% to £118m, against a backdrop of challenging market conditions.
- Cost/income ratio improved to 47%, benefiting from higher revenue as detailed below, and outsource costs savings.

Net operating revenue

- 21% higher than 2022 at £224m, comprising £167m Platform charges (2022: £174m), £31m treasury income (2022: £11m) and £26m other (2022: £nil).
- Rise in interest rates resulted in an increase in treasury income on client balances to £31m and increase in cash interest paid to clients.
- H2 2023 includes c£15m benefit of a revised distribution agreement with Phoenix, relating to the SIPP product that we will be taking legal ownership of in 2024.
- 2023 revenue also included c£11m from threesixty/MPS following the transfer from the Personal Wealth business.
- The average margin earned on client cash balances during 2023 was c228bps and the indicative Adviser average cash margin for 2024 is expected to be broadly in line with 2023.

Revenue yield

- Increased to 30.6bps due to the higher revenue explained above, with average AUMA in line with 2022 at £70.8bn.

AUMA

- 7% increase in 2023 due to inclusion of AUM of c£2.6bn relating to our Managed Portfolio Service (MPS) business and favourable market movements.
- Our MPS business, which was part of the discretionary fund management business, has been retained and moved to the Adviser business from the Personal Wealth business in May 2023 in order to maximise opportunities available through the Adviser distribution model. Our platforms have a footprint with 50% of UK adviser firms, resulting in a significant opportunity for the MPS business.

Gross flows

- Inflow activity (including MPS) reduced by 12% in 2023, reflecting muted client activity across the industry due to ongoing market uncertainty and the cost of living impact on customers' ability to save. This has a heightened impact on our Adviser business where gross flows are primarily driven by existing customers.

Net flows

- Net outflows of £2.1bn reflect the market conditions, customer behaviours in response to the increased cost of living and the short-term impact in 2023 resulting from the technology upgrade.

1. The threesixty and MPS businesses moved from Personal Wealth to Adviser from January 2023 and May 2023 respectively. Comparatives have not been restated.
2. Includes Platform AUA of £70.9bn (2022: £68.5bn).

ii

Adjusted operating profit **£114m**

Net operating revenue **£287m**

Net operating revenue yield **58.8bps**

Net flows **£2.9bn**

	Total[1]		ii (excluding Personal Wealth)		Personal Wealth[1]	
	2023	2022	**12 months to 31 Dec 2023**	7 months to 31 Dec 2022[2]	**2023**	2022
Net operating revenue	**£287m**	£201m	**£230m**	£114m	**£57m**	£87m
Adjusted operating expenses	**(£173m)**	(£129m)	**(£103m)**	(£47m)	**(£70m)**	(£82m)
Adjusted operating profit/(loss)	**£114m**	£72m	**£127m**	£67m	**(£13m)**	£5m
Cost/income ratio	**60%**	64%	**45%**	41%	**123%**	94%
Net operating revenue yield[3]					**58.8bps**	59.2bps
AUMA	**£66.0bn**	£67.1bn	**£61.7bn**	£54.0bn	**£4.3bn**	£13.1bn
Gross flows	**£10.2bn**	£5.6bn	**£9.5bn**	£4.1bn	**£0.7bn**	£1.5bn
Redemptions	**(£7.3bn)**	(£3.7bn)	**(£6.2bn)**	(£2.5bn)	**(£1.1bn)**	(£1.2bn)
Net flows	**£2.9bn**	£1.9bn	**£3.3bn**	£1.6bn	**(£0.4bn)**	£0.3bn

Adjusted operating profit

- Higher profit reflects the inclusion of £127m for the full 12 month result for ii[4], compared to only seven months in 2022.
- ii[4] has continued to perform well against an uncertain market environment.
- Personal Wealth restructured during 2023, with transfers of business to Adviser and the sale of abrdn Capital to LGT. The loss of £13m in 2023 was mainly due to the lower revenue detailed below and the impact of inflation on expenses.

Net operating revenue

- Revenue[4] of £230m continues to benefit from diverse revenue streams. Treasury income contributed £134m (2022: £58m), benefiting from the continued rise in interest rates. Trading revenue of £48m (2022: £27m) was impacted by muted levels of customer activity in uncertain market conditions. Revenue from subscriptions was £54m (2022: £32m).
- Average cash margin was 236bps in 2023 and the indicative ii average cash margin for 2024 is expected to be broadly in line with 2023.
- Personal Wealth revenue reduced by £30m due to a c£19m impact from the transfer of the MPS business to Adviser and the sale of abrdn capital to LGT, c£6m from the transfer of threesixty to Adviser, and the impact of adverse market movements.

Revenue yield

- Personal Wealth revenue yield was broadly flat at 58.8bps with average AUMA of £9.7bn, 28% lower than 2022.

AUMA

- ii[4] AUA increased to £61.7bn (2022: £54.0bn) including £0.5bn from internal customer transfers in December 2023, with the industry leading AUA per customer up 13% to £152k.
- Personal Wealth AUMA decreased to £4.3bn (2022: £13.1bn) mainly due to the sale of abrdn Capital, (AUM of c£6bn) to LGT, which completed on 1 September 2023 and MPS AUM of c£2.5bn moving to the Adviser business in H1 2023.

Gross and net flows

- ii[4] net inflows remained strongly positive in 2023 at £3.3bn despite a subdued retail market across the year.
- Personal Wealth net outflows of £0.4bn include the impact of client uncertainty following the announcement of the sale of our discretionary fund management business.

ii[4] operational metrics	**2023 12 Months**	2022 12 Months
Total customers at year end	**407k**	402k
Total customers excluding EQi and Share Centre migrated customers and pension trading accounts	**310k**	299k
Customers holding a SIPP account	**62.4k**	51.5k
Customer cash balances	**£5.5bn**	£6.0bn
AUA per customer	**£152k**	£134k
New customers	**30.2k**	29.2k
Daily average retail trading volumes	**15.7k**	17.3k

1. The threesixty and MPS businesses moved from Personal Wealth to Adviser from January 2023 and May 2023 respectively. Comparatives have not been restated.
2. Results for interactive investor (excluding Personal Wealth) included following the completion of the acquisition on 27 May 2022.
3. Net operating revenue yield is shown for Personal Wealth only. Revenue for ii[4] is not aligned with AUA and therefore revenue yield is not presented.
4. Relates to ii (excluding Personal Wealth).

Overall performance

Adjusted operating profit **£249m**

IFRS loss before tax **(£6m)**

Adjusted capital generation **£299m**

Net flows **(£17.6bn)**

Segmental summary	Adjusted operating profit 2023 £m	2022 £m	AUMA 2023 £bn	2022 £bn	Net flows 2023 £bn	2022 £bn
Investments[1,2]	**50**	130	**366.7**	376.1	**(15.3)**	(13.4)
Adviser	**118**	86	**73.5**	68.5	**(2.1)**	1.6
ii[3]	**114**	72	**66.0**	67.1	**2.9**	1.9
Other[1]	**(33)**	(25)	**-**	–	**-**	–
Eliminations	**-**	–	**(11.3)**	(11.7)	**0.6**	(0.4)
Total	**249**	263	**494.9**	500.0	**(13.9)**	(10.3)
Liquidity net flows					**(3.7)**	(3.2)
LBG tranche withdrawals					**-**	(24.4)
Total net flows (including liquidity and LBG)					**(17.6)**	(37.9)

Assets under management and administration

Assets under management reduced by 1% to £494.9bn (2022: £500.0bn):

– Net outflows excluding liquidity of (£13.9bn), with outflows in Investments and Adviser partly offset by positive flows of £2.9bn in ii.
– Market and other movements of £19.4bn mainly reflecting positive movements in Investments, driven by Insurance partners.
– Net impact of corporate actions of (£6.9bn) primarily due to the sales of the discretionary fund management and US private markets businesses, partly offset by the acquisition of the specialist healthcare fund management business of Tekla.

Analysis of profit

	2023 £m	2022[4] £m
Net operating revenue	**1,398**	1,456
Adjusted operating expenses	**(1,149)**	(1,193)
Adjusted operating profit	**249**	263
Adjusted net financing costs and investment return	**81**	(10)
Adjusted profit before tax	**330**	253
Adjusting items including results of associates and joint ventures	**(336)**	(865)
IFRS loss before tax	**(6)**	(612)
Tax credit	**18**	66
IFRS profit/(loss) for the year	**12**	(546)

Adjusted net financing costs and investment return

Adjusted net financing costs and investment return resulted in a gain of £81m (2022: loss £10m):

– Investment losses, including from seed capital and co-investment fund holdings reduced to £3m (2022: loss £34m).
– Net finance income of £50m (2022: costs £5m) reflecting a higher rate of interest on cash and liquid assets and the benefit from the redemption of the 5.5% Sterling fixed rate subordinated notes in December 2022.
– Higher net interest credit relating to the staff pension schemes of £34m (2022: £29m) reflecting an increase in the opening discount rate due to a rise in corporate bond yields.

1. Adjusted operating loss consists of net operating revenue £9m (2022: £10m) and adjusted operating expenses £42m (2022: £35m). Finimize and our digital innovation group have moved from Investments to Other. Comparatives have been restated. Refer Note 2 in the Group financial statements section of the ARA 2023.
2. Investments net flows exclude Institutional/Retail Wealth liquidity and LBG tranche withdrawals.
3. Personal has been renamed ii and includes Personal Wealth unless otherwise stated.
4. Comparatives have been restated for the HASL implementation of IFRS 17. Refer Basis of preparation in the Group financial statements section of the ARA 2023.

Adjusting items

	2023 £m	2022[1] £m
Restructuring and corporate transaction expenses	**(152)**	(214)
Amortisation and impairment of intangible assets acquired in business combinations and through the purchase of customer contracts	**(189)**	(494)
Profit on disposal of subsidiaries and other operations	**79**	–
Profit on disposal of interests in associates	**-**	6
Change in fair value of significant listed investments	**(178)**	(187)
Dividends from significant listed investments	**64**	68
Share of profit or loss from associates and joint ventures	**1**	5
Reversal of impairment/(impairment) of interests in associates and joint ventures	**2**	(9)
Other	**37**	(40)
Total adjusting items including results of associates and joint ventures	**(336)**	(865)

Restructuring and corporate transaction expenses were £152m, comprising restructuring costs of £121m (2022: £169m) in property related impairments, severance, platform transformation, and specific costs to effect savings in Investments, offset in part by a £32m release of provision for separation costs, with further details provided in Note 33 of the Group financial statements in the ARA 2023. Corporate transaction costs of £31m (2022: £45m) primarily related to prior year transactions and the sale of our European-headquartered private equity business.

Amortisation and impairment of intangible assets acquired in business combinations and through the purchase of customer contracts reduced to £189m, mainly due to the lower impairments of £63m (2022: £369m). Impairments of goodwill in 2023 of £62m (2022: £340m), comprising £36m (2022: £nil) for our financial planning business and £26m (2022: £41m) for Finimize. In 2022, there was also a goodwill impairment of £299m in Investments. The impairments in 2023 include the impact of lower projected revenues as a result of adverse markets and macroeconomic conditions, and for Finimize the impact of lower short-term projected growth following a strategic shift that prioritises profitability over revenue growth. Further details are provided in Note 13 of the Group financial statements in the ARA 2023.

Profit on disposal of interests in subsidiaries and other operations relates to the sales of our discretionary fund management business and our US private equity and venture capital business. See Note 1 in the ARA 2023 for further details.

Profit on disposal of interests in associates was £nil. The 2022 profit of £6m related to the sale of our stake in Origo Services Limited.

Change in fair value of significant listed investments of (£178m) from market movements is analysed in the table below:

	2023 £m	2022 £m
Phoenix	**(77)**	(44)
HDFC Asset Management	**(96)**	(105)
HDFC Life	**(5)**	(38)
Change in fair value of significant listed investments	**(178)**	(187)

The final HDFC Life and HDFC Asset Management stakes were sold on 31 May 2023 and 20 June 2023 respectively.

Dividends from significant listed investments relates to our shareholdings in Phoenix (£54m) and HDFC Asset Management (£10m).

Share of profit or loss from associates and joint ventures reduced to a profit of £1m (2022: £5m). The results for HASL have been impacted by the adoption of IFRS 17 on 1 January 2023. As required by IFRS 17, the standard has been applied retrospectively with a resulting restatement of the carrying value of the joint venture and opening retained earnings as at 1 January 2022. This change resulted in our 2022 share of HASL profit increasing from the £7m previously reported to £10m.

	2023 £m	2022[1] £m
HASL	**3**	10
Virgin Money UTM/Other	**(2)**	(5)
Share of profit or loss from associates and joint ventures	**1**	5

Reversal of impairment/(impairment) of interests in associates and joint ventures was £2m in 2023 relating to a reversal of impairment on Virgin Money UTM. See Note 14 in the ARA 2023 for further details. The £9m in 2022 related to an impairment of Tenet Group Ltd.

Other adjusting items in 2023 includes the £36m liability insurance recovery of the £41m single process execution event provision reflected at 2022, net of a £5m excess. Other adjusting items in 2023 also includes a £21m provision expense for a potential tax liability. See Note 11 for further details of other adjusting items and Note 33 for further details on provisions in the ARA 2023.

See pages 179 and 194 of the ARA 2023 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 of the ARA 2023.

1. Comparatives have been restated for the HASL implementation of IFRS 17. Refer Basis of preparation in the Group financial statements section of the ARA 2023.

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 tax credit attributable to the IFRS loss for the year, excluding amounts relating to prior periods, is £1m which gives rise to an effective tax rate of 17%. The overall IFRS tax credit, including tax credits relating to prior periods of £17m, is £18m (2022: credit £66m) which results in an effective tax rate of 300% (2022: 11%) due to the relative scale of the loss in the year. The difference to the UK Corporation Tax rate of 23.5% is mainly driven by:

- Dividend income and fair value movements from our investments in Phoenix not being subject to tax.
- 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.
- Profit on the sale of abrdn Capital not being subject to tax.
- Goodwill impairments not deductible for tax purposes.
- Prior year adjustments to deferred tax liabilities on intangibles.

The tax expense attributable to adjusted profit is £50m (2022: £22m), an effective tax rate of 15% (2022: 9%). This is lower than the 23.5% UK rate primarily due to changes in the applicable deferred tax rates on temporary differences and pension scheme surplus movements included on a net of tax basis.

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 £449m (2022: £443m). Of the total, £201m (2022: £186m) was borne by abrdn whilst £248m (2022: £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

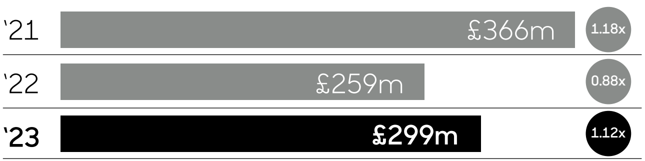
- Adjusted diluted earnings per share increased to 13.9p (2022: 10.5p) due to the higher adjusted profit after tax and the benefit from share buybacks in 2022 and 2023.
- Diluted earnings per share was a profit of 0.1p (2022: loss 26.6p[1]) reflecting the factors above, impairments and fair value losses of significant listed investments.

Dividends

The Board has recommended a final dividend for 2023 of 7.3p (2022: 7.3p) per share. This is subject to shareholder approval and will be paid on 30 April 2024 to shareholders on the register at close of business on 15 March 2024. The dividend payment is expected to be £130m.

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.

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



Return of capital

On 5 June 2023 we commenced a £150m share buyback which was extended to £300m on 8 August 2023. This completed on 19 December 2023 with a total of 161m shares repurchased at an average price of £1.86 per share.

Capital and liquidity

Adjusted capital generation

Adjusted capital generation which shows how adjusted profit contributes to regulatory capital increased by 15% to £299m.

	2023 £m	2022 £m
Adjusted profit after tax	**280**	231
Less net interest credit relating to the staff pension schemes	**(34)**	(29)
Less AT1 debt interest	**(11)**	(11)
Add dividends received from associates, joint ventures and significant listed investments	**64**	68
Adjusted capital generation	**299**	259
Restructuring and corporate transaction expenses (net of tax)	**(121)**	(178)
Net capital generation	**178**	81

1. Comparatives have been restated for the HASL implementation of IFRS 17. Refer Basis of preparation in the Group financial statements section of the ARA 2023.

IFPR surplus CET1 capital

The indicative surplus CET1 capital at 31 December 2023 was £876m (2022: £711m). Disposal of our remaining HDFC Life and HDFC Asset Management stakes, in May and June 2023 respectively, benefited regulatory capital by £576m.

Key movements in surplus CET1 capital are shown in the table below.

Analysis of movements in surplus CET1 capital (IFPR basis)	2023 £m	2022 £m
Opening surplus regulatory capital	**711**	1,799
Sources of capital		
Adjusted capital generation	**299**	259
HDFC Life, HDFC Asset Management[1] and Phoenix sales	**576**	789
Disposals[2]	**137**	-
Uses of capital		
Restructuring and corporate transaction expenses (net of tax)	**(121)**	(178)
Dividends	**(267)**	(295)
Share buyback	**(302)**	(302)
Acquisitions[3]	**(152)**	(1,364)
Other	**(5)**	3
Closing surplus CET1 capital	**876**	711

1. Capital benefit of HDFC Asset Management sales reflects the pre-tax proceeds.
2. Discretionary fund management and US private equity businesses. Capital benefit of discretionary fund management disposal includes derecognition of related intangibles (£58m).
3. ii (excluding Personal Wealth) in 2022 and Tekla and Macquarie funds in 2023.

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

A summary of our CET1 coverage is shown in the table below.

CET1 coverage	2023 £m	2022 £m
CET1 capital resources	**1,466**	1,301
Total regulatory capital requirements	**1,054**	1,054
CET1 coverage	**139%**	123%

Note 42 of the Group financial statements in the ARA 2023 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 £1.8bn at 31 December 2023 (2022: £1.7bn). These resources are high quality and mainly invested in cash, money market instruments and short-term debt securities. Cash and liquid resources held in abrdn plc were £0.4bn at 31 December 2023 (2022: £0.3bn).

Further information on cash and liquid resources, and a reconciliation to IFRS cash and cash equivalents, are provided in Supplementary information in the ARA 2023.

At 31 December 2023 abrdn plc had £3.1bn (2022: £3.2bn) of distributable reserves.

IFRS net cash flows

- Net cash inflows from operating activities were £221m (2022: £110m) which includes outflows from restructuring and corporate transaction expenses, net of tax, of £78m (2022: £149m).
- Net cash inflows from investing activities were £542m (2022: outflows £86m) and primarily reflected £535m net proceeds from the final HDFC Asset Management and HDFC Life stake sales.
- Net cash outflows from financing activities were £711m (2022: £761m) with the decrease mainly due to the repayment of subordinated liabilities in 2022.

The cash inflows and outflows described above resulted in closing cash and cash equivalents of £1,210m as at 31 December 2023 (2022: £1,166m).

IFRS net assets

IFRS net assets attributable to equity holders decreased to £4.9bn (2022: £5.6bn[4]) mainly due to the share buyback and dividends paid in the year:

- Intangible assets remained at £1.6bn (2022: £1.6bn) due to additions being offset by amortisation and impairments. Further details are provided in Note 13 in the ARA 2023.
- The principal defined benefit staff pension scheme, which is closed to future accrual, continues to have a significant surplus of £0.7bn (2022: £0.8bn). Further details are provided in Note 31 in the ARA 2023. As part of ongoing actions taken in recent years to reduce risk in abrdn's principal defined benefit pension plan, the trustee submitted a petition to the Court of Session in March 2023 seeking a direction on the destination of any residual surplus assets that remain after all plan-related obligations are settled or otherwise provided for. On 1 August 2023, the Court of Session, among other things, confirmed that if a buy-out were to be completed and sufficient provision made for: (i) any remaining liabilities; and (ii) expenses of completing the winding-up of the pension scheme, there would be a resulting trust in respect of any residual surplus assets in favour of the employer. We are continuing to work with the trustee on next steps. Any residual surplus will be determined on a different basis to IAS 19 or funding measures of the plan surplus. The timing of release of any surplus remains a matter for the trustee. The IAS 19 defined benefit plan asset is not included in abrdn's regulatory capital.
- Financial investments decreased to £2.0bn (2022: £2.9bn) primarily due to the final stake sales in HDFC Asset Management and HDFC Life, which completed in H1 2023. At 31 December 2023 financial investments included £0.6bn (2022: £1.3bn) in relation to significant listed investments (Phoenix).

4. Comparatives have been restated for the HASL implementation of IFRS 17. Refer Basis of preparation in the Group financial statements section of the ARA 2023.

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, including through actions to simplify the business.

The assessment reflects (i) the Group's focus on its strategic priorities as set out on pages 14 to 15 and how this is expected to drive client-led growth in abrdn's three businesses and (ii) the expected impact of the transformation programme announced in January 2024.

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 73.
- The Group's substantial holdings of cash and liquid resources as well as holdings in listed equity investments, as set out on page 73.
- The Group's principal and emerging risks as set out on pages 76 to 79.

Assessment of prospects

The Directors consider the Group's focus on its strategic priorities will deliver growth while allowing the Group to maintain its regulatory capital position and the dividend policy described on page 64.

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 has reviewed and assessed 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 reflects various factors, including the changing market conditions following the significant geopolitical and economic developments in recent years.

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 241 of the ARA 2023.

The Group's **stress testing and scenario analysis programme** develops financial projections over a three-year horizon in response to a range of severe but plausible stresses to the business plan to understand the Group's financial resilience. This includes exploring (i) 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 through stresses to market levels, flows, and margins. The scenarios that were explored included stressing flows over all three years and assuming a market shock in 2024 with an impact that might be expected around 1-in-20 years. This included equity markets falling approximately 24% in Q1 2024 with recovery occurring from Q3 2024 through 2026 and the UK Base rate falling to 0.1% by Q1 2025 where it remains.
- Operational risks were considered in the context of the Group incurring £90m 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.

Given the strength and quality of the Group's financial position, the Group had sufficient capital and liquid resources to remain above its regulatory requirements without needing to take any management actions other than those assumed within the business plan.

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 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.

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 the potential for cyber-attacks to impact on the Group's viability.

Initial analysis highlighted that, given the diversification of revenues arising from the Group's three businesses, the Group's viability was most likely to be threatened where significant disruption was experienced by more than one business.

The Group's IT architecture and related controls were found to reduce the risk of a single cyber-attack having a material impact on more than one business. As a result, it was concluded that significant disruption was only likely to be experienced by more than one business where the Group suffered more than one cyber-attack.

Based on the above, the reverse stress test scenario that was explored focused on a ransomware cyber-attack impacting on the abrdn Group, followed a few months later by a cyber-attack impacting FNZ's ability to serve abrdn. In exploring this extreme scenario, consideration was given to understanding the possible disruption that could arise in the Investments and Adviser business such that the abrdn Group could become non-viable.

The investigations concluded that the Group's non-viability was most likely to arise due to (i) a significant outflow of AUMA from the Investments business following the cyber-attack on the abrdn Group and (ii) the Adviser business reaching a point of non-viability following disruption caused by the cyber-attack on FNZ.

The Group operates extensive controls to protect the business against cyber-attacks and engages actively with third parties to understand and, where necessary, request improvement in the controls they operate.

The likelihood of two cyber-attacks arising in the manner described is considered to be very remote. This, and the controls in place to mitigate the impact of such cyber-attacks, 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 business, the loss of critical staff and extreme financial market shocks. 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.

To support the Group's operational resilience, and in line with UK regulatory expectations, the Group reviews and approves important business services, impact tolerance thresholds, and operational resilience self-assessments on an annual basis. The Group also undertakes measures where relevant to comply with operational resilience regulations in overseas jurisdictions, for example Singapore and Ireland.

The Group continues to enhance its operational resilience and defences against risks through enhancement programmes. This is to ensure the Group complies with UK regulatory expectations around operational resilience that must be met by March 2025 and helps to further reduce risks of non-viability.

Assessment of viability

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

Managing risk for better outcomes

Our approach to risk management

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

ERM framework

The ERM framework supports risk management throughout our business. We operate 'three lines of defence' with defined roles and responsibilities. We continually evolve our framework to meet the changing needs of the company and to make sure it keeps pace with industry best practice. In 2023, improvements to the framework included:

- Delivering a new approach to Risk and Control Self Assessments, focused on key business outcomes and executive accountability.
- Improving abrdn's risk acceptance process.
- Improved management information to better measure how the framework is applied in practice.
- Reviewing our risk taxonomy.
- Strengthening capabilities within Enterprise Risk.
- Further embedding of capabilities to support Operational Resilience and Consumer Duty outcomes.
- Updating our Global Code of Conduct.

Business risk environment

The commercial environment remained challenging during 2023 given the market and economic environment and geopolitical events and risks. Inflation remained high, accompanied by the continued tightening of monetary policy. These conditions adversely impacted market levels and client flows over the year.

We have continued to simplify our business model, delivering on recent transformation projects and continued diversification of the Group's revenue, following the acquisition of ii in 2022.

We have simplified and focused our investment capabilities on areas where we have both the skill and the scale to capitalise on the key theme shaping the market, through either public markets or alternative asset classes. We have completed the sales of our US private equity and discretionary fund management businesses and announced the sale of our European private equity business. We have also acquired the healthcare fund management capabilities of Tekla, as part of our journey to refocus our business to become a 'specialist' manager.

We continue to manage a lot of change across the business, to simplify and achieve sustainable growth. The volume of change may create bandwidth issues and operational stretch on top of our core activities, whilst we balance the demands of the business simplification and growth agendas. We continue to monitor how we attract, retain and develop our colleagues and engage regularly on colleague engagement.

Client and customer interests are at the heart of our business. We continue to focus on good outcomes which we deliver across our business. During 2023, we implemented the FCA's new Consumer Duty requirements, which came into force on 31 July. This is embedded in our Global Code of Conduct and supported by our Consumer Duty mandatory training and our Client and Customer Policy.

The Consumer Duty requirements place specific obligations on the abrdn Group's businesses to demonstrate Value for Money for its clients. This is achieved by avoiding biased incentive schemes and by our Value for Money framework, underpinned by our culture and strategy.

Evolving and emerging risks

We are vigilant to risks that could crystallise over different horizons and impact our strategy, operations and our clients. 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.

We provide our clients and customers fair and transparent fee structures and are engaged with the FCA (in the UK) on retention of interest earned on cash balances. Some notable risks (and opportunities) for our business include adoption of modern technologies, uncertainty driven by geopolitics, unprecedented market shifts, evolving cyber threats 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 an investment firm, we need to consider the impact of our corporate activities while making investments in line with client mandates. We are mindful of the increasing challenges around providing consistent ESG disclosures across multiple geographies.

During 2023, we continued to deliver against a number of key milestones. These included regulatory disclosure requirements under the EU SFDR and UK TCFD and enhancing our climate and carbon analytical tools. We completed the integration of ESG data into our investment data platform to support 2024 regulatory reporting and transitioned to a new ESG screening and exclusion tool. We have commenced a review of the UK SDR reporting and disclosure requirement for delivery in 2024.

1. See Note 34 of the ARA 2023 for disclosure relating to the financial impact of climate-related risk on the Group financial statements.

Principal risks and uncertainties

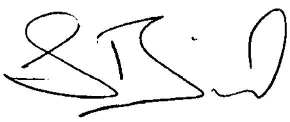
We categorise our risks across 12 principal risk categories which have both internal and external drivers. Within our ERM framework, we have developed more detailed taxonomy of risks under these principal risk categories. This allows us to systematically monitor the risk profile of our business. Principal 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	
– The current external geopolitical and macroeconomic environment presents a wide range of risks that could impact our business plan and the implementation of our strategy. – The volume of internal change also poses a risk to the delivery of our plans. – Risks could include failing to meet client expectations, poor strategic decision-making or failure to adapt.	We continued to simplify our business model, increase efficiency and improve the blend of capabilities, technology and processes. We successfully completed key acquisitions and disposals to simplify our business and strengthen our capabilities for future growth. Each business has a clear growth strategy. We rigorously assess inorganic opportunities for their contribution to our core strategy and client needs. Market and competitor intelligence has aided decision-making. We have maintained focus on geopolitical and macroeconomic developments to understand and manage implications.
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 continuation of returning capital to shareholders through share buybacks, 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 2023, we continued to operate to the UK Investment Firms Prudential Regime which determines regulatory capital and liquidity requirements for the group and its key entities. Our UK regulator completed a planned Supervisory Review and Evaluation Process during 2023, as standard for the industry. 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. – 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 a commitment and an essential aspect of our culture. This means the 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 2023, we updated our Global Code of Conduct and implemented the FCA's Consumer Duty. Work is continuing to embed the new framework, improve management information and ensure compliance of closed book products, required by 31 July 2024.

Risk to our business	How we manage this risk
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 2023 the company continued to respond to and implement regulatory change, including in relation to ESG and the new Consumer Duty requirements in the UK. – Potential risks of changing capital and liquidity requirements. – Tax risk is inherent in the nature of our global business. This could lead to reputational risk and/or financial loss for our business.	We actively monitor developments and engage with our regulators on the regulatory landscape, given the broad and complex rules that the firms' operations must apply globally, including the implementation of new regulatory policy initiatives. 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. We work with our regulators and tax authorities, to address requirements and expectations. 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)	
5 Process execution and trade errors	
– This is the risk that processes, systems or external events could produce operational errors. – During 2023 there was continued management focus on process execution and trade errors.	We have established processes for reporting and 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.
6 People	
– Our people are our greatest asset. Business change has the potential to impact engagement and morale. – Engaging with our people, and supporting their wellbeing, is critical to our strategy and the success of our business.	We invest considerable time listening to and communicating with our staff and have well-established approaches to engaging at all levels. We continue to monitor and have responded to market pressures and increased competition for talent in our industry. We use targeted approaches to support retention and recruitment for our key business functions.
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 delivered our Adviser platform technology upgrade in February, to allow abrdn to deliver better adviser and customer outcomes, greater operational efficiency, and exit transitional services with Phoenix. 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.

Risk to our business	How we manage this risk
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 strengthen our operational resilience. Crisis management and contingency planning processes are regularly reviewed and tested, to strengthen our resilience and response. We are preparing to implement changes in relation to the new EU Digital Operational Resilience Act, to be implemented by January 2025.
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.	We have improved the control environment for anti-money laundering. 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. 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.	The ongoing simplification of our business model enables us to be more agile and respond at pace to changes in the economic environment. In our commitment to transformation, we are positioning our business for a longer-term sustainable future and have committed to actions to align our resources and capabilities. We have established governance processes with project resources and clearly defined roles across the three lines of defence.
11 Third party management	
– We outsource various activities to third party suppliers and are exposed to a variety of delivery, regulatory and reputational risks as a result.	Our Third-Party Risk Management framework continues to evolve in line with external developments, industry practice and regulatory developments.
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 external assurance.

The cover to page 79 constitute the Strategic report which was approved by the Board and signed on its behalf by:



Stephen Bird
Chief Executive Officer
abrdn plc
(SC286832)
26 February 2024

Board of Directors

Our business is overseen by our Board of Directors. Biographical details (and shareholdings) of the Directors as at 26 February 2024 are listed below.

Sir Douglas Flint CBE – Chairman

Appointed to the Board	Age
November 2018	68
Nationality	**Shares**
British	200,000
Board committees:	NC

Sir Douglas' extensive experience of board leadership in global financial services has shaped a collaborative approach which helps to facilitate open and constructive boardroom discussion. He maintains a keen interest and involvement in international, financial and governance matters, retaining an expertise which is an important asset to abrdn. This expertise, together with his prior board experience, help to focus board attention on their stewardship responsibilities as well as guiding discussion and challenge on the design and delivery of our strategy.

In other current roles, Sir Douglas is Chairman of IP Group plc and Chairman of the Royal Marsden Hospital and Charity. He 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, and from 2005 to 2011 he 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 and currently serves on the International Advisory Panel of the Monetary Authority of Singapore.

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	57
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, 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.

Jason Windsor – Chief Financial Officer

Appointed to the Board	Age
October 2023	51
Nationality	**Shares**
British	Nil

Jason joined abrdn as Chief Financial Officer in October 2023, bringing over twenty-five years of experience in the financial services industry. Having held senior finance roles in investments, insurance and banking, Jason has established a strong track record of leadership in finance, asset management, M&A, and strategy.

His most recent role before joining abrdn was Chief Financial Officer of Persimmon plc. Prior to this, Jason was Group Chief Financial Officer of Aviva plc between 2019 and 2022. He had previously been Chief Financial Officer of Aviva's UK General Insurance and UK Life businesses, Chief Capital & Investments Officer, and a director on the board of Aviva Investors.

Before joining Aviva in 2010, Jason spent 15 years at Morgan Stanley in London and Singapore, latterly as a Managing Director within its Investment Banking Division, where he advised UK and international banks, insurers and asset managers on M&A, capital raising and strategy.

Jason is a governor of Felsted School in Essex.

Jason holds a BA (Hons) from the University of Oxford, with a Part II thesis in Atmospheric chemistry.

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	67
Nationality	**Shares**
British	205,864
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 B-FLEXION Group Holdings SA and subsidiaries including Vantage Infrastructure Holdings and Capital Four Holding A/S. At the end of 2020 he stepped down as Deputy Chair of 3i Group plc after nearly 10 years as a board member. Previously, he has been Chair of Citigroup Global Markets Limited, Citibank International Limited, Dexion Capital plc and AXA Investment Managers. He has also been a director of Tilney, Ashmore Group plc and AXA UK plc.

In his executive career Jonathan worked at Morgan Grenfell for 18 years, rising to become group finance director of Morgan Grenfell Group, before going on to take the roles of Chief Financial Officer and Chief Operating Officer at Deutsche Morgan Grenfell. From 2002 to 2008 he was a director of Schroders plc, during which time he was Chief Financial Officer and later Executive Vice Chairman.

He holds an MA from the University of Cambridge.

Catherine Bradley CBE – Non-executive Director

Appointed to the Board	Age
January 2022	64
Nationality	**Shares**
British and French	12,181
Board committees:	A NC RC

Catherine has more than 30 years'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 which provides valuable input to her roles as Chair of our Audit Committee and non-executive Chair of interactive investor, a wholly owned subsidiary of the group.

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

Previously, Catherine 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 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	65
Nationality	**Shares**
British	52,913
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. He is Chair of our Risk & Capital Committee.

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

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

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

He holds a BA (Hons) from Preston Polytechnic, and MBA in Banking from Bangor University and is a Fellow of the Chartered Institute of Public Finance and Accounting.

Hannah Grove – Non-executive Director

Appointed to the Board	Age
September 2021	60
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 board employee engagement and sits as a non-executive director on the boards of Standard Life Savings Limited and Elevate Portfolio Services Limited, wholly owned subsidiaries of abrdn group.

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	60
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 and is also a director of the Hong Kong Shanghai Banking Corporation. 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.

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	60
Nationality	**Shares**
Irish	173,780
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	67
Nationality	**Shares**
American	9,315
Board committees:	R RC

Cathi has strong experience in the financial technology, wealth management and banking sectors with a background in the platforms sector, as well as international board experience. She brings these insights as non-executive Chair of the boards of Standard Life Savings Limited and Elevate Portfolio Services Limited, wholly owned subsidiaries of abrdn group. 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 2023 together with an explanation of how the Remuneration Committee reached its recommendations.

Where tables and charts in this report have been replicated from the tables and charts audited by KPMG LLP in the ARA 2023 we have marked them as 'audited' for clarity. This is a summary of the Directors' remuneration report. The full report is included on pages 115 to 134 of the ARA 2023.

Approval

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

Jonathan Asquith
Chair of the Remuneration Committee

26 February 2024

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 2023.

Introduction

At the 2023 AGM our directors' remuneration report for 2022 received a 93% vote in favour and our new Directors' remuneration policy (Policy) was approved with a 94% vote in favour. I would like to thank all shareholders for your continued strong level of support and constructive dialogue on remuneration matters, particularly in the period leading up to the 2023 AGM in respect of the Policy.

2023 was another year of significant change for abrdn. While the headwinds facing active asset managers only grew stronger, we reshaped our footprint and took steps to reduce complexity. As set out in the Chairman's statement and the Chief Executive Officer's review, a number of strategic actions were taken to streamline our businesses and set up a platform for growth. These included reducing costs through the consolidation and closure of sub-scale funds, investing in technology capabilities and marketing resources, selling our US Private Equity franchise, securing the agreement to sell our European Private Equity franchise and acquiring the healthcare fund management capabilities of Tekla Capital Management, increasing our holding of closed-end funds.

In a year of continued challenge for the active investment industry, flows and investment performance were disappointing in our Investments business, while rising profits in Adviser and ii were insufficient to counter the decline in revenues in Investments, despite strong cost-cutting in the area. As a result, financial performance metrics came out towards the bottom end of the range. There were better outcomes against non-financial targets, which measured progress on strategic actions taken by management to set the stage for growth while maintaining our focus on our people, culture and customers as we transform our business and continue our efforts to advance sustainable investing and limit our own climate impact.

New Chief Financial Officer's remuneration

We were delighted to welcome Jason Windsor to the Board and the executive team on his appointment as Chief Financial Officer on 23 October 2023. Jason is a highly experienced Chief Financial Officer bringing demonstrable expertise and significant knowledge of our industry from over a decade within Aviva plc, latterly as Group Chief Financial Officer. His deep knowledge and experience in our sector together with his broader financial markets experience provide an ideal complement to the capabilities of the existing executive team.

The remuneration arrangements for Jason Windsor's appointment and Stephanie Bruce's exit were agreed by the Remuneration Committee in conformity with the Policy agreed at the 2023 AGM. As detailed in the announcement on 27 July 2023, Jason's remuneration package comprises:

- A base salary of £675,000 per annum.
- A pension allowance of 18% of salary aligned to the maximum contribution available to abrdn's UK-based employees and other benefits in line with our Policy.
- An Annual Bonus up to a maximum of 150% of salary subject to performance (with 50% of any bonus earned being deferred for three years into abrdn shares, which will vest in three equal annual tranches). The award for performance year 2023 was prorated to reflect his joining the Company part way through the performance year.
- An annual Long Term Incentive award of 225% of salary (final vesting percentage is based on stretching financial and shareholder return targets over the three-year performance period and the award is subject to a further two-year holding period after vesting).

The structure and quantum of the Chief Financial Officer's remuneration package is consistent with our Policy and falls below the maximum levels permitted under the Policy. Jason's package was calibrated in the context of an assessment of what it would take to attract the required skills and expertise from the market (utilising benchmarking data for similar roles across FTSE Financial Services peer group companies), the expectations of other candidates put forward for the role and Jason's previous remuneration packages.

The Remuneration Committee is confident that the remuneration package, which was shared with the market at the time, has been set at a level that takes into account the skills and experience that Jason brings.

In line with our Policy and standard practice, Jason also received buy-out awards to compensate for remuneration he forfeited on leaving his previous employer. All such awards reflect the value and structure of awards foregone, including the vesting and/or holding periods. Where relevant, these awards include abrdn performance conditions enabling immediate alignment to abrdn performance. Further details are set out on pages 126 and 127 of the ARA 2023.

How our Policy was applied in 2023

Strategic advances in 2023 to enable a leaner Investments business, generate capacity for Adviser clients and generate organic customer growth in ii were balanced by shortfalls in the Investments business's financial performance as the macro environment continued to be challenging for abrdn. With 35% of the annual bonus and 100% of the LTIP driven directly by profit and total shareholder return measures, low rewards for executive Directors reflected the low returns for shareholders balanced by a recognition of the progress made in developing ii and Adviser and in addressing cost issues in Investments.

In this context, the Remuneration Committee is comfortable that the Policy operated as intended.

Annual bonus (detail on pages 121 to 123 of the ARA 2023)

Financial performance (65%)

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 a 'higher for longer' rate environment and continued significant macroeconomic and geopolitical headwinds, financial performance was subdued.

Investment performance: performance for fixed income, quantitative, alternative investment strategies and liquidity remained strong. However, Equities were impacted by our AUM bias towards Asia and Emerging Markets and the quality growth style. 2023 was also challenging for multi-asset strategies and real estate valuations experienced early on some of the sharpest corrections for many years and impacted returns over all periods. Overall, performance did not meet the threshold required for a payout under the annual bonus plan.

Net flows: continued challenging asset allocation trends had an adverse impact on flows, with Institutional and Retail Wealth experiencing lower gross flows while net flows improved in Insurance Partners. Although Adviser and Personal Wealth proved more resilient, market conditions and cost of living pressures contributed to net outflows there too, while ii net inflows remained strong despite a subdued retail market. In aggregate, performance on net flows fell below the threshold required to qualify for payouts under the annual bonus plan.

Adjusted operating profit before tax: this came in 5% lower than the prior year, at £249m. ii and the Adviser business increased profitability, with ii including the benefit of a full 12 months' contribution compared to 7 months in 2022. However, this was offset by reduced revenue in the Investments business reflecting net outflows and adverse market conditions. The overall outcome was between threshold and target.

The outcomes for the financial element of the 2023 annual bonus are summarised below.

Financial performance measure	Weighting (% of total scorecard)	**2023 outcome (% of total scorecard)**
Investment performance	15%	**0%**
Net flows	15%	**0%**
Adjusted operating profit before tax	35%	**9.42%**

This resulted in an overall assessment of 9.42% out of a maximum of 65% on financial measures.

Non-financial performance (35%)

In 2023, we assessed non-financial performance against three baskets of measures: Strategic (three measures aligned to each of our businesses), ESG (comprising Environment and Social categories) and Customer.

Strategic: the Investments business closed or merged over 100 funds, sold the US Private Equity franchise and delivered savings of £102m, generating a leaner business although revenues still fell faster than costs. Adviser delivered its largest and most complex technology upgrade, despite early implementation headwinds, enhancing our platform proposition in advance of the impending launch of adviserOS in 2024. ii enriched its offering in the year with its pilot of ii community, the launch of Investor Essentials and Pension Essentials, alongside further expansion in its SIPP programme and a new approach to brand development, increasing customers by 4% organic growth and gaining market share despite subdued market conditions. ii also launched new website infrastructure in January 2023, modernising the design and improving user experience. The Remuneration Committee took into account these significant strategic actions to better position the businesses for future growth and determined the final outcome of 8% out of 10%.

Environment: targeted engagement continued with our largest financed emitters (162 resolutions voted on in 2023). Tracking at a 41% carbon intensity reduction in in-scope public market portfolios compared to our 2019 baseline (25% reduction in in-scope real estate portfolio), we are on track for our target of a 50% reduction by 2030. For our own operational net zero, we remain well-placed to meet our long-term net zero carbon emission target. The Remuneration Committee took into account more than 5 separate qualitative and quantitative performance indicators in agreeing the outcome at 5% out of 5%.

Social/people: engagement levels held steady despite continued large-scale transformation and organisational change. Sense of inclusion, the nature of each individual's work and personal motivation levels all continue to score well, although we recognise that there is more work to do. 2023 saw noteworthy steps taken to transform the culture of abrdn, with the culture programme work completing and the final phase of our 'Commitments' work delivered. DEI levers of change held steady. Taking into account more than 15 qualitative and quantitative performance indicators and noting minimal traction on employee engagement levels, the Remuneration Committee determined the final outcome of 6% out of 10%.

Customer: in the Investments business, strong relationships with clients persisted with independent client survey feedback highlighting good client service and account management. In Adviser, delivering the recent technology release for the Wrap platform disrupted service for clients in the short term, although our 'Return to Green' activity in H2 2023 saw service levels and client satisfaction improve. For ii, the Remuneration Committee recognised the organic growth in customer numbers, the increase in market share and the continued positive feedback from customers regarding their experience with ii. Taking into account more than 20 qualitative and quantitative performance indicators, the Remuneration Committee determined the final outcome of 7.5% out of 10%.

Considering all components together, this resulted in an overall assessment of 26.5% out of a maximum of 35% on non-financial measures.

Remuneration Committee assessment

To assess whether the outcomes generated by the scorecard were fair in the broader performance and risk context, the Remuneration 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. Further components the Remuneration Committee considered are set out on page 123 of the ARA 2023.

In particular, the Remuneration Committee carefully considered the experience of employees and how executive Director incentive outcomes compared to employee incentive outcomes. External market conditions have been challenging for abrdn in recent years and this has heavily impacted both executive Director and employee pay outcomes. By design, there are differences in the priorities which drive how these two populations are remunerated; as a result, their relative experiences can be different.

Executive Directors' annual bonus levels reduced from 80.5% (2021) to 30.25% (2022) of maximum opportunity. The increase to 35.92% for 2023 represents an important but limited reversal of that move, recognising the progress that the executive Directors are making in reshaping abrdn to cope with the challenges facing the company and the wider asset management industry.

For key staff below Board level, we have implemented various other reward changes, including granting restricted stock awards and increasing salaries, which have not been awarded to our executive Directors. In this context, the Remuneration Committee concluded that executive Director outcomes reflected the overall employee experience.

The Remuneration Committee concluded that the outcomes delivered by the scorecard were a fair and balanced assessment of performance and no adjustment to them was needed or made.

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

Executive Director	Final outcome (% of max)	2023 total bonus (£000s)
Stephen Bird	**35.92%**	**786**
Jason Windsor	**35.92%**	**70**[1]
Stephanie Bruce	**35.92%**	**103**[2]

1. The 2023 total bonus for Jason Windsor is prorated to reflect his appointment to the Board effective 23 October 2023.
2. The 2023 total bonus for Stephanie Bruce is prorated to reflect her stepping down from the Board effective 11 May 2023.

Long-term incentives (detail on pages 123 to 127 of the ARA 2023)

Vesting of the 2021 Long-Term Incentive Plan (LTIP) award granted to Stephen Bird and Stephanie Bruce is based on performance over the three-year period ending on 31 December 2023. A proportion of Jason Windsor's 2021 Long-Term Incentive Buyout is also subject to the performance conditions of the 2021 LTIP (see pages 126 and 127 of the ARA 2023 for more detail). After review, the Remuneration Committee concluded that the performance for the Adjusted Diluted Capital Generation per share metric was between threshold and target and the overall award should vest at 18.75%.

Policy implementation in 2024

Following a review, no change has been made to salaries for the executive Directors or fees for the non-executives for 2024.

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 2024 annual bonus is detailed on page 89 and the targets, which are commercially sensitive, will be disclosed at the end of this performance year in the 2024 Annual report and accounts. The scorecard continues to focus the 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 Strategic, ESG and Customer objectives. The Remuneration Committee has agreed a Strategic measure and a basket of key indicators in the other areas which will allow a rounded assessment of performance to be made. Details on these metrics, including how the Remuneration Committee assessed performance against them, will be disclosed retrospectively.

As outlined in the Chairman's statement, the Group is updating one of its key performance indicators moving forward, from adjusted capital generation (ACG) to net capital generation (NCG).

The Remuneration Committee reviewed the impact of this change and agreed that the 2024 LTIP will consist of two equally weighted targets, Net Capital Generation per share Compound Annual Growth Rate (NCG CAGR) and Relative TSR. The new metric of NCG CAGR more closely aligns to the dividend paying capability of the Company over the long term, compared to ACG CAGR, and incentivises the phasing out of restructuring costs in the long term as targeted in the Board-approved business plan. NCG is defined as ACG less restructuring and corporate costs (net of tax). The three-year NCG per share target range has been set at 15%-25% CAGR, which is aligned with the business plan agreed with the Board. The annual development of this measure is not linear and target ranges for any future grants will be calibrated to allow for this. The Remuneration Committee also reviewed the TSR peer group for the Relative TSR metric. Details of the 2024 LTIP grant can be found on page 89.

During the year, the Remuneration Committee remained mindful of the debate and discussions led by the Capital Markets Industry Taskforce on resetting the approach to executive pay for UK listed firms. We continue to welcome the debate on the use of restricted share awards and the promised review of the Investment Association Principles of Remuneration. The Remuneration Committee will review any future guidelines and consider whether there is a beneficial role for restricted share awards in the abrdn remuneration structure.

To help you navigate the report effectively, I would like to draw your attention to the sections on pages 88 and 89, which summarise both the outcomes for 2023 and how the Policy will be implemented in 2024. Further detailed information is then set out in the rear section of the report in the ARA 2023 for your reference as required.

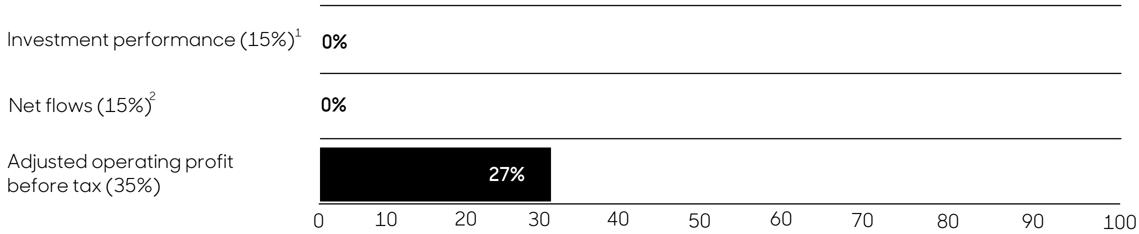
On behalf of the Board, I invite you to read our remuneration report. As always, the Remuneration Committee and I are open to hearing your views on this year's report and our Policy in general.

At a glance – 2023 remuneration outcomes

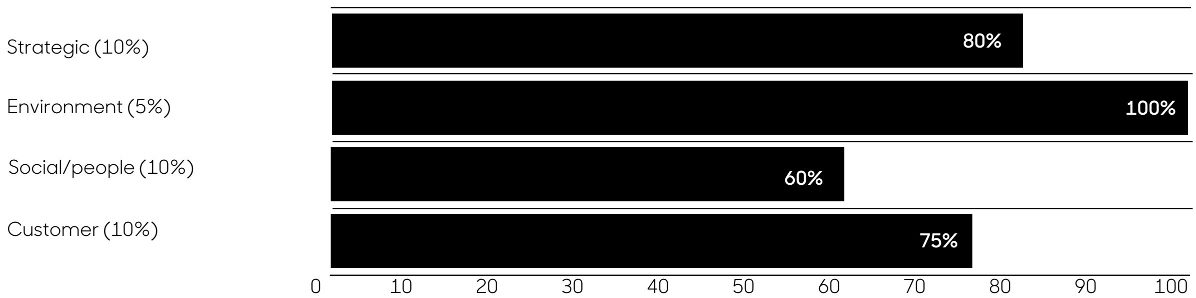
Outcome of performance measures ending in the financial year

The following charts show performance against the target range for the annual bonus and commentary on the 2021–2023 LTIP. Further detail on the assessment of the performance conditions can be found on pages 121 to 123 of the ARA 2023.

Performance vs Maximum (%) – Financial measures



Performance vs Maximum (%) – Non-financial measures



1. % AUM above benchmark average of three-year for all asset classes.
2. Excl. cash/liquidity and Insurance.

2023 annual bonus scorecard outcome

The following table sets out the final outcome for the 2023 annual bonus. A detailed breakdown of the assessment of performance conditions can be found on pages 121 to 123 of the ARA 2023.

	Bonus Scorecard Outcome			Total Bonus Outcome			
	Financial metrics (minimum 65%)	Non-financial metrics (maximum 35%)	Board approved outcome (% of maximum)	Salary received in year (£000s)	Maximum opportunity (% of salary)	Total award (% of salary)	Total award (£000s)
Stephen Bird				**875**	**250%**	**89.80%**	**786**
Jason Windsor[1]	**9.42%**	**26.5%**	**35.92%**	**130**	**150%**	**53.88%**	**70**
Stephanie Bruce[2]				**192**	**150%**	**53.88%**	**103**

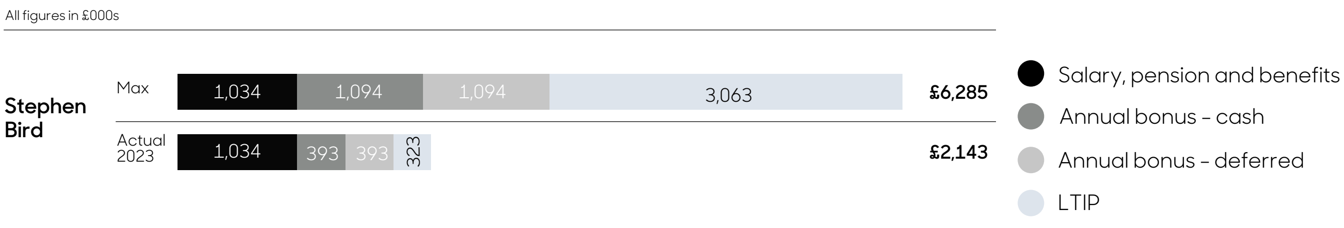
1. Jason Windsor was appointed to the Board effective 23 October 2023. The salary received in year and total 2023 annual bonus awarded value is prorated to reflect the proportion of the 2023 performance year for which he served at abrdn. For further information, see pages 121 to 127 of the ARA 2023.
2. Stephanie Bruce stepped down from the Board effective 11 May 2023. The salary received in year and total 2023 annual bonus awarded value is prorated to reflect the proportion of the 2023 performance year for which she served at abrdn. For further information, see pages 121 to 126 of the ARA 2023.

2021–2023 LTIP outcome

The performance period for the 2021–2023 LTIP concluded on 31 December 2023. Performance was assessed against two measures: Adjusted Diluted Capital Generation per share (CAGR) and Relative TSR performance. The performance for the Adjusted Diluted Capital Generation per share (CAGR) metric fell between threshold and target and, therefore, the overall award will vest at 18.75%. Detail of the performance assessment for the 2021–2023 LTIP can be found on page 123 of the ARA 2023.

Total remuneration outcomes in 2023

The chart below shows the remuneration outcomes for the CEO in 2023 based on performance compared to the maximum opportunity.



At a glance – 2024 Policy implementation

This section sets out how we propose to implement our Policy in 2024. The full Policy, which remains unchanged for 2024 from the Policy approved by shareholders at the 2023 AGM, including detail on how it addresses the principles as set out in the 2018 Corporate Governance Code, can be found in the 2022 Annual report and accounts on pages 120 – 130.

Element of remuneration	Key features of operation	2024 implementation
Salary Core reward for undertaking the role	Normally reviewed annually, taking into account a range of internal and external factors.	Stephen Bird: £875,000 Jason Windsor: £675,000
Pension Competitive retirement benefit	Aligned to the current maximum employer contribution available to the UK wider workforce (18% of salary).	Stephen Bird: 18% of salary Jason Windsor 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 benefits provision
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% will be 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 Jason Windsor: 150% of salary See below for 2024 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 Jason Windsor: 225% of salary 2024 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.	Stephen Bird: 350% of salary Jason Windsor: 225% of salary

Performance conditions for 2024 annual bonus

Financial (65% weighting)	Investment performance (15%), Adjusted operating profit (35%) and Net flows (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 a key strategic initiative (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 2024 Long-term incentive plan

	Target range[1]
Net Capital Generation per share (50% weighting)[2]	15% – 25% CAGR
Relative TSR (50% weighting)[3]	Equal to median – equal to upper quartile

1. Straight line vesting occurs between threshold and maximum. 25% vesting for threshold performance.
2. See the Remuneration Committee Chair's letter on page 87 for an explanation of the Net Capital Generation per share (CAGR) metric.
3. 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, M&G, Ninety One, Quilter, Rathbones Group, Schroders and St James's Place.

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 2023:

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[3]	2019 EIP £000s	Buyout Awards £000s	Total for the year £000s	Total fixed £000s	Total variable £000s
Stephen Bird	**2023**	**875**	**1**	**158**	**393**	**393**	**323**	**–**	**–**	**2,143**	**1,034**	**1,109**
	2022	875	1	158	331	331	–	–	–	1,696	1,034	662
Jason Windsor[4]	**2023**	**130**	**–**	**23**	**35**	**35**	**4**	**–**	**712**	**939**	**153**	**786**
Stephanie Bruce[5]	**2023**	**192**	**–**	**34**	**51.5**	**51.5**	**–[6]**	**–**	**–**	**329**	**226**	**103**
	2022	538	1	97	122	122	791	(139)	–	1,532	636	896

1. This includes the taxable value of all benefits paid in respect of the relevant year. Included for 2023 are medical premiums at a cost to the group of £606 per annum 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 values reported for 2023 are the market values of the LTIP awards that will vest, at 18.75% of maximum, based on the three-year performance measurement period ending on 31 December 2023. The share price at the date of vesting is not known at the date of publication of this report. Therefore, the number of abrdn plc shares that will vest (excluding dividend equivalent shares accrued) has been multiplied by the average share price over the quarter ending 31 December 2023 (166.52 pence). This amount will be restated in the 2024 Annual report and accounts once the share price at date of vesting is known.
4. Jason Windsor was appointed to the Board effective 23 October 2023. All figures reflect amounts paid/awarded since the date of appointment. The value of buyout awards above represents the buyout awards granted without performance conditions. The value of the LTIP with period ending in the year relates to the proportion of his 2021 Long-Term Incentive Buyout award subject to abrdn performance conditions. For further information, see pages 126 and 127 of the ARA 2023.
5. Stephanie Bruce stepped down from the Board effective 11 May 2023. All figures reflect amounts paid/awarded until this point. See pages 123 and 124 of the ARA 2023 for further information on payments made to Stephanie Bruce as a past director.
6. Details of the 2021-2023 LTIP outturn for Stephanie Bruce are presented on page 124 of the ARA 2023.

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 2023. 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]	**2023**	**475**	**–**	**475**
	2022	475	–	475
Jonathan Asquith	**2023**	**139**	**–**	**139**
	2022	139	–	139
Catherine Bradley[2]	**2023**	**131**	**–**	**131**
	2022	109	–	109
John Devine	**2023**	**131**	**–**	**131**
	2022	131	–	131
Hannah Grove[3]	**2023**	**159**	**–**	**159**
	2022	126	–	126
Pam Kaur[4]	**2023**	**109**	**–**	**109**
	2022	63	–	63
Brian McBride[5]	**2023**	**33**	**–**	**33**
	2022	105	–	105
Michael O'Brien[4]	**2023**	**109**	**–**	**109**
	2022	63	–	63
Cathleen Raffaeli[6]	**2023**	**166**	**–**	**166**
	2022	164	–	164

1. Sir Douglas Flint is eligible for life assurance of 4x his annual fee. This is a non-taxable benefit.
2. Catherine Bradley was appointed to the Board effective 4 January 2022, appointed to the Nomination and Governance Committee and as Chair of the Audit Committee effective 18 May 2022 and appointed to the Risk and Capital Committee effective 1 October 2022.
3. The subsidiary Board fees for a member of the Standard Life Savings Limited and Elevate Portfolio Services Limited Boards increased from £37,500 to £50,000 p.a. effective 1 August 2023. Total fees include subsidiary Board fees of £50,000 p.a. (previously £37,500 p.a.) as a member of the Standard Life Savings Limited and Elevate Portfolio Services Limited Boards and Board Employee Engagement fee of £15,000 p.a. Hannah Grove was also appointed to the Remuneration Committee effective 1 October 2022.
4. Pam Kaur and Michael O'Brien were appointed to the Board and the Audit and Risk and Capital Committees effective 1 June 2022.
5. Brian McBride stepped down from the Board effective 10 May 2023.
6. The subsidiary Board fees as Chair of the Standard Life Savings Limited and Elevate Portfolio Services Limited Boards increased from £55,000 p.a. to £60,000 p.a. effective 1 August 2023.Total fees include subsidiary Board fees of £60,000 p.a. (previously £55,000 p.a.) as Chair of the Standard Life Savings Limited and Elevate Portfolio Services Limited Boards.

Consolidated financial information

Consolidated income statement
For the year ended 31 December 2023

	2023 £m	2022 restated[1] £m
Revenue from contracts with customers	**1,474**	1,538
Cost of sales	**(76)**	(82)
Net operating revenue	**1,398**	1,456
Restructuring and corporate transaction expenses	**(152)**	(214)
Impairment of intangibles acquired in business combinations and through the purchase of customer contracts	**(63)**	(369)
Amortisation of intangibles acquired in business combinations and through the purchase of customer contracts	**(126)**	(125)
Staff costs and other employee-related costs	**(529)**	(549)
Other administrative expenses	**(593)**	(662)
Total administrative and other expenses	**(1,463)**	(1,919)
Net gains or losses on financial instruments and other income		
Fair value movements and dividend income on significant listed investments	**(114)**	(119)
Other net gains or losses on financial instruments and other income	**116**	(3)
Total net gains or losses on financial instruments and other income	**2**	(122)
Finance costs	**(25)**	(29)
Profit on disposal of subsidiaries and other operations	**79**	-
Profit on disposal of interests in associates	**-**	6
Reversal of impairment/(impairment) of interests in associates and joint ventures	**2**	(9)
Share of profit or loss from associates and joint ventures	**1**	5
Loss before tax	**(6)**	(612)
Tax credit	**18**	66
Profit/(loss) for the year	**12**	(546)
Attributable to:		
Equity shareholders of abrdn plc	**1**	(558)
Other equity holders	**11**	11
Non-controlling interests – ordinary shares	**-**	1
	12	(546)
Earnings per share		
Basic (pence per share)	**0.1**	(26.6)
Diluted (pence per share)	**0.1**	(26.6)

1. Comparatives for 2022 have been restated for the implementation of IFRS 17. Refer Basis of preparation in the Group financial statements section of the ARA 2023.

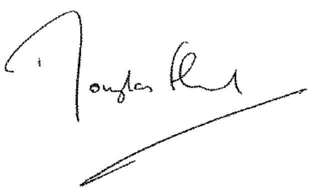
Consolidated statement of financial position
As at 31 December 2023

	2023 £m	2022 restated[1] £m
Assets		
Intangible assets	**1,578**	1,619
Pension and other post-retirement benefit assets	**740**	831
Investments in associates and joint ventures accounted for using the equity method	**229**	232
Property, plant and equipment	**163**	201
Deferred tax assets	**215**	212
Financial investments	**2,047**	2,939
Receivables and other financial assets	**1,071**	907
Current tax recoverable	**10**	7
Other assets	**77**	92
Assets of operations held for sale	**19**	87
Cash and cash equivalents	**1,196**	1,133
	7,345	8,260
Assets backing unit linked liabilities		
Financial investments	**669**	924
Receivables and other unit linked assets	**4**	5
Cash and cash equivalents	**13**	23
	686	952
Total assets	**8,031**	9,212

	2023 £m	2022 restated[1] £m
Liabilities		
Third party interest in consolidated funds	**187**	242
Subordinated liabilities	**599**	621
Pension and other post-retirement benefit provisions	**12**	12
Deferred tax liabilities	**129**	211
Current tax liabilities	**6**	11
Derivative financial liabilities	**9**	1
Other financial liabilities[2]	**1,241**	1,201
Provisions	**66**	97
Other liabilities	**4**	8
Liabilities of operations held for sale	**2**	14
	2,255	2,418
Unit linked liabilities		
Investment contract liabilities	**684**	773
Third party interest in consolidated funds	**–**	173
Other unit linked liabilities	**2**	6
	686	952
Total liabilities	**2,941**	3,370
Equity		
Share capital	**257**	280
Shares held by trusts	**(141)**	(149)
Share premium reserve	**640**	640
Retained earnings	**4,449**	4,986
Other reserves	**(327)**	(129)
Equity attributable to equity shareholders of abrdn plc	**4,878**	5,628
Other equity	**207**	207
Non-controlling interests – ordinary shares	**5**	7
Total equity	**5,090**	5,842
Total equity and liabilities	**8,031**	9,212

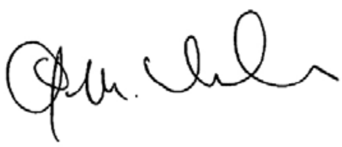
1. Comparatives for 2022 have been restated for the implementation of IFRS 17. Refer Basis of preparation in the Group financial statements section of the ARA 2023.
2. The Group has made a presentational change to show Deferred income within Other financial liabilities. Refer Note 32 of the ARA 2023.

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



Sir Douglas Flint
Chairman

26 February 2024



Jason Windsor
Chief Financial Officer

26 February 2024

Glossary

Adjusted capital generation
Adjusted capital generation is part of the analysis of movements in IFPR regulatory capital. Adjusted capital generation is calculated as adjusted profit after tax less returns relating to pension schemes in surplus and interest paid on other equity which do not benefit regulatory capital. It also includes dividends from associates, joint ventures and significant listed investments.

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 businesses: Investments, Adviser and ii[1], along with Other business and corporate costs.

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

Adjusted operating profit also excludes the impact of the following items:
- Restructuring 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 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.

Director
A director of the Company.

1. Personal has been renamed ii and includes Personal Wealth unless otherwise stated.

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.

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 uses a closing AUM weighting basis. 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. The Group continued to be remunerated for its services in relation to the transferring AUM until 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 capital generation
Net capital generation is calculated as adjusted capital generation less restructuring and corporate transaction expenses (net of tax).

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
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, cost of sales, commissions and similar charges. Cost of sales include revenue from fund platforms which is passed to the product provider.

Net operating revenue yield (bps)
The net operating revenue yield is a measure that illustrates the average margin being earned on the assets that we manage, administer or advise our clients on excluding interactive investor. It is calculated as annualised net operating revenue (excluding performance fees, ii[1] and revenue for which there are no attributable assets) divided by monthly average fee based assets. ii[1] is excluded from the calculation of 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. Our remaining stakes in HDFC Asset Management and HDFC Life were sold during H1 2023. At 31 December 2023, Phoenix is the only significant listed investment.

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.

1. Relates to ii (excluding Personal Wealth).

Shareholder information

Registered office

1 George Street
Edinburgh
EH2 2LL
Scotland

Company registration number: SC286832

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 full details can be found on the inside back cover.
– **For shareholder services call:** +44 (0)371 384 2464*
– Visit our share portal at **www.abrdnshares.com**

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

A Dividend Reinvestment Plan (DRIP) is provided by Equiniti Financial Services Limited. The DRIP enables the Company's shareholders to elect to have their cash dividend payments used to purchase the Company's shares. More information can be found 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 2023	27 February
Ex-dividend date for 2023 final dividend	14 March
Record date for 2023 final dividend	15 March
Last date for DRIP elections for 2023 final dividend	10 April
Annual General Meeting – Edinburgh	24 April
Dividend payment date for 2023 final dividend	30 April
Half year results 2024	6 August
Ex-dividend date for 2024 interim dividend	15 August
Record date for 2024 interim dividend	16 August
Last date for DRIP elections for 2024 interim dividend	4 September
Dividend payment date for 2024 interim dividend	24 September

Analysis of registered shareholdings at 31 December 2023

Range of shares	Number of holders	% of total holders	Number of shares	% of total shares
1-1,000	56,092	65.85	22,351,080	1.22
1,001-5,000	24,547	28.82	51,574,473	2.80
5,001-10,000	2,692	3.16	18,227,034	0.99
10,001-100,000	1,484	1.74	34,854,883	1.89
#100,001+	369	0.43	1,713,732,894	93.10
Total	**85,184**	**100.00**	**1,840,740,364**	**100.00**

\# These figures include the Company-sponsored nominee – the abrdn Share Account – which had 872,299 participants holding 629,199,041 shares.

OTHER INFORMATION

Forward-looking statements

This document may contain certain 'forward-looking statements' with respect to the financial condition, performance, results, strategies, targets (including ESG 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, the ongoing conflict between Russia and Ukraine and the ongoing conflicts in the Middle East); 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; climate change and a transition to a low-carbon economy (including the risk that the Group may not achieve its relevant ESG 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, ESG disclosure and reporting requirements, 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)

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

Extensive information, including many answers to frequently asked questions, can also be found online at **www.abrdnshares.com**

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