Key risks and mitigations

The Group is exposed to a variety of risks as a result of its business activities. As such, active and effective risk management is a core competence and we actively monitor the potential impact of current and emerging risks. The Group places significant focus on the integrity and good conduct of employees and the risk management framework is underpinned by a strong ethical culture. This section explains how we control and manage the risks in our business. It outlines key risks, how we mitigate them and our assessment of their potential impact on our business in the context of the current environment.

Managing risk

The Board is accountable for risk and oversight of the risk management process. It considers the most significant risks facing the Group and also uses quantitative exposure measures, such as stress tests, where appropriate. Non-executive oversight of the risk management process with respect to standards of integrity, risk management and internal control is exercised through the Audit and Risk Committee.

It is the responsibility of all employees to uphold the control culture of Schroders and we therefore embed risk management within all areas of the business. Members of the GMC have risk management responsibility for their respective business areas and we expect individual behaviours to mirror the culture and core values of the Group.

The Group Chief Executive and the GMC, as the principal executive committee with responsibility for the monitoring and reporting of risk and controls, regularly review the key risks facing the Group.

The executive oversight of risk is delegated by the Group Chief Executive to the Chief Financial Officer. The Chief Financial Officer has responsibility for the risk and control framework of the Group and independent monitoring and reporting of risks and controls is supported by the Group Head of Risk.

The Chief Financial Officer chairs the Group Risk Committee (GRC). The GRC meets ten times a year and is attended by the heads of the control functions; Group Risk, Compliance, Legal and Internal Audit. Chief Operating Officers from across the business, senior managers from Distribution and Wealth Management and other GMC members regularly attend. The GRC supports the Chief Financial Officer and the GMC in discharging their risk management responsibilities. The GRC reviews and monitors the adequacy and effectiveness of the Group's risk management framework, including relevant policies and limits. It also reviews trends and exceptions in the most significant risk exposures. The GRC and the Wealth Management Audit and Risk Committee (WMARC) receive reports in respect of risk for Wealth Management.

Lines of defence

The first line of defence against undesirable outcomes is the business operations themselves and respective line managers across Investment, Product, Distribution, Wealth Management and Infrastructure. Business heads take the lead role with respect to identifying potential risks and implementing and maintaining appropriate controls.

Line management is supplemented by the control and oversight functions including; Group Risk, Compliance Legal and Governance, Finance, Tax and Human Resources which form the second line of defence. This is supplemented by the compliance monitoring programme, which reviews the effective operation of our processes in meeting regulatory requirements.

Group Internal Audit provides retrospective, independent assurance over the operation of controls and forms the third line of defence. The internal audit programme includes reviews of risk management processes and recommendations to improve the control environment; supplemented by external assurance from the Group's auditors.

Schroders also maintains insurance cover with a broad range of policies covering a number of insurable events.

2016 developments

We have continued to develop our UK Conduct framework and strengthen our management information and reporting in this key area. We have further enhanced our global oversight of financial crime risk management, our market abuse surveillance tools and a number of our compliance policies in the context of the ever tougher regulatory environment.

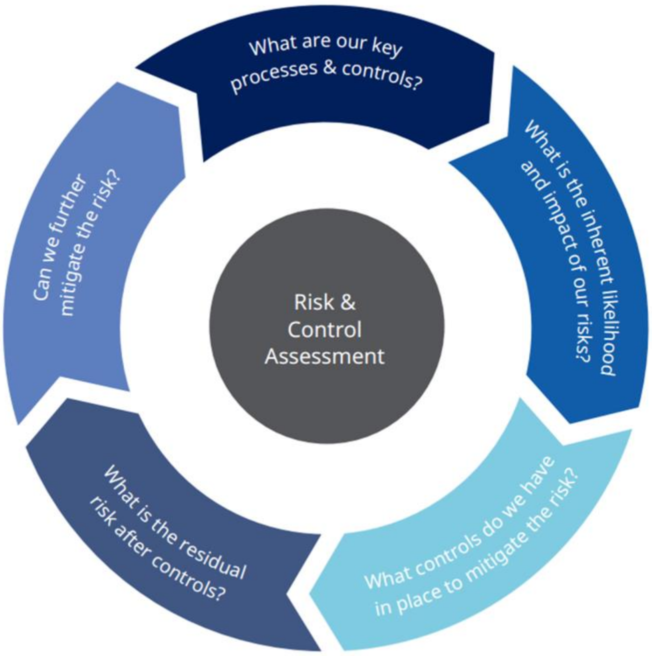
The Group Risk operating model has been reviewed and we have strengthened our risk capabilities through the following:

- Recruitment of regional heads of risk in the US, Europe and Asia Pacific and particular focus on strengthening our operational risk capability outside the UK
- The development of a Group Risk hub in Hong Kong
- Enhancement of the Group Policy Framework which has been aligned to our material risks and supplemented with policy summaries to increase business awareness and engagement
- Formalisation of our risk appetite statement with supporting measures and metrics.

The Information Security Risk Oversight Committee, Technology Risk Committee and Group Pricing Committee have been added as sub-committees of the GRC. Cyber-crime continues to be at the forefront of industry concerns so we continue to make progress in this area. The Information Security Risk Oversight Committee has set out its strategic aims for 2017, which include: increasing the level of protection across the business; better agility to detect cyber risks; and improved response and recovery to cyber crisis.

Further developments have also been made to the Risk and Control Assessment (RCA) process to embed this in the business amongst the first line of defence. RCAs are prepared by line management to identify and assess key operational risks at least annually and when significant changes occur. Associated controls are assessed with regard to their design and performance and line management are required to enhance controls where risks exceed appetite.

The ongoing RCA process is integral to our Risk Management Framework. The RCA cycle is detailed in the diagram below.



Key threats to our risk profile

Threats with uncertain impact, probability and timeframe could impact the Group. We continuously monitor internal and external environments to identify new and emerging risks. We then analyse each risk and, if needed, develop and apply mitigation and management plans. The external threats that are currently the focus of attention are largely covered under our key risks including the Strategic risk summary which has been included in 2016. The most material threats to our risk profile in addition to these are the below.

- British exit from the European Union (Brexit), and;
- The impact of global terrorism.

We have had a significant presence in the EU outside the UK for many years, including a substantial operation in Luxembourg from where we manage our global fund range which is sold across the continent. Although we continue to review our legal and regulatory structure across continental Europe, Brexit is not expected to have a material impact on our business or the service we provide our clients and investors.

Key risks

We have identified the following as the key risks to Schroders.

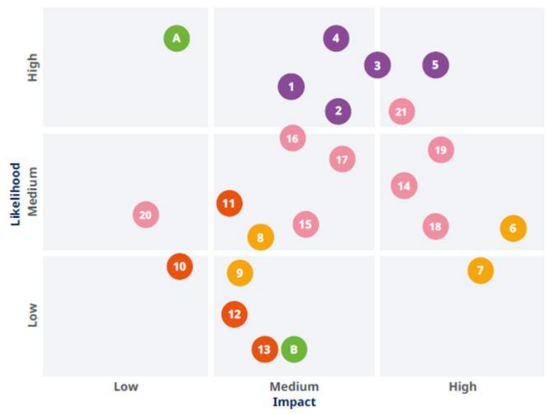
Assessment of key risks

The key risks outlined overleaf have been assessed in the light of the current environment, as summarised in the diagram below.

This year we have made the following changes to the presentation of our key risks:

- Addition of a Strategic Risk category, recognising the external risks facing the group, comprising Changing investor requirements, Low investment return environment, Fee attrition, Regulatory landscape and Business model disruption
- Reputational risk (previously a standalone risk category) has been moved to the Business Risk category
- Removal of the Global Business risk from our Business risks category as we consider an emergence of this risk will be captured in an Operational Risk failing.

The horizontal axis shows the impact of a key risk if it were to materialise. The vertical axis shows the likelihood of this occurring. The scales of each axis are set on a relative basis between each risk and are based on the residual risks. The Group undertakes additional work to address those risks that it considers to be potentially heightened, more costly or in excess of our risk appetite. In some areas we have seen increased levels of risk, which we continue to actively manage.



Strategic risks
1. Changing investor requirements
2. Low investment return environment
3. Fee attrition
4. Regulatory landscape
5. Business model disruption

Business risks
6. Reputational risk
7. Investment performance risk
8. Product risk
9. Business concentration risk

Market, credit, liquidity and capital risks
10. Market risk
11. Credit risk
12. Liquidity risk
13. Risk of insufficient capital

Operational risks
14. Conduct and regulatory risk
15. Legal risk
16. Tax risk
17. Process and change risk
18. Fraud risk
19. Technology risk and information security
20. People and employment practices risk
21. Third-party service provider risk

Key threats to risk profile
A. Brexit
B. Global Terrorism

Strategic risks

The risk of our strategy failing to deliver the expected outcomes, earnings, and profitability can be influenced by internal or external factors that fall into the categories detailed below.

Description of key risk	**How we manage risk**
1. Changing investor requirements	
Growth in demand for investment solutions that are not currently offered by the Group. This may include passive strategies such as Exchange Traded Funds or certain outcome-oriented products where Schroders does not currently have the investment capability. Regulated clients de-risking due to the impact of regulatory capital changes, where clients reallocate investments to classes that are not currently offered by the Group or at a lower margin. Movement from defined benefit (DB) to defined contribution (DC) plans in a number of countries such as the UK, Japan, Korea and Taiwan. Consolidation of local authority pensions in the UK, reducing the associated fee pool. An increase in demand for liability-driven investment (LDI) solutions, reducing the level of active risk management.	We have created a Product function, distinct from Investment and Distribution, to focus on product strategy, innovation, client engagement and managing our diverse product range to face the challenges posed by changing investor requirements and increased regulatory expectations. We continue to focus on developing our investment capability, expanding into new asset classes and specific areas of expertise. We have enhanced our structured product and LDI product offering for outcome-oriented and de-risking solutions and developed a fiduciary management offering. We seek to ensure our funds are included as part of third party DC offerings. We adapt our business structure and cost base to manage the changing asset allocation requirements of our clients and the impact on our business model.
2. Low investment return environment	
A lower investment return environment due to: - Lower interest rates resulting in a potentially lower income assets under management (AUM) and profits on a constant currency basis - Lower corporate revenue growth globally, impacting equities returns. Both risks could impact upon investor demand, which is considered in changing investor requirements above.	Products that see demand in a low interest rate environment are income funds, absolute return funds and multi-asset funds. We have increased our focus on operational efficiency through automation and the use of technology.

Description of key risk	How we manage risk
3. Fee attrition A lower fee environment and the impact on our business model of margin attrition due to: - Changes in investor demand, driven by de-risking, a focus on lower fee margin products, or a transfer of AUM into products that are not offered by Schroders - Compressed investment returns leading to tighter fee rates for new and existing institutional mandates - Move towards vertical integration (advice, platform and investment management services) within the industry, increasing competition and pressure on fee revenue as active managers may be disintermediated - Rising costs within the industry driven by changing and increasing regulatory requirements and technological advancement which impact margins.	Where we can offer a competitive advantage, our business is increasing its focus on solutions and outcome-orientated strategies which diversifies our fee income. Diversifying the product offering to address investor needs which supports overall profitability in the long term. We have increased our access to private and alternative assets and strategies through acquisitions and strategic relationships (e.g. infrastructure debt and asset-backed securities). We have made a strategic investment into Benchmark Capital which provides the opportunity for vertical integration.
4. Regulatory landscape Regulators are moving their post-crisis focus from the prudential and misconduct issues affecting investment and retail banks to other parts of the financial system including asset managers. There is an increased regulatory focus on transparency of pricing, fees and other indirect costs borne by clients and the associated operating costs of compliance reducing net profits, e.g. MIFID II, the potential introduction of minimum levels of fund liquidity and the outcomes of other regulatory reviews, such as the UK Financial Conduct Authority's asset management market study. Changes to intermediary commission and incentive structures and obligations are changing intermediaries' product selection processes. Regulation of distribution through digital channels and robo-advice may also change.	Regulatory and legal change is monitored by the Compliance, Legal and Public Policy teams. We engage with our regulators in relation to potential and planned changes in regulation. Our increasingly diverse product offering enables us to meet the changing needs of clients driven by evolving regulation.

Description of key risk	How we manage risk
5. Business model disruption The rise of technology solutions from competitors that disrupt our value chain including competition from quantitative investment technologies that have the potential to assimilate more data and make investment decisions, and that may be perceived to realise alpha more efficiently than active managers. Increased investment and asset allocation through robo-advice services, displacing active management and an increased asset allocation towards passive investments. Inability to meet demand for products and solution-based offerings due to our capabilities being inadequate relative to requirements. Centralisation of providers including swaps and other clearing houses and custodians and transfer agents creates systemic IT based risk with market infrastructure throughout our business chain, coupled with a consolidation of key counterparties that support our business operations. Challenges arising from Brexit resulting from disruption to and uncertainty in respect of current law and regulation	We are driving increased efficiencies and insights through technology, including investment in data science to obtain investment insights from non-traditional data sources and upgrade of front office systems. Digital initiatives are in progress to improve client experience, engagement, and servicing through our web and mobile platforms. We are undertaking significant investment in our technology platform to support scalability, agility in product offerings and the expanding alternatives business offerings. We monitor the performance of key counterparties on a regular basis, as well as establishing processes for regularly assessing alternatives. We are reviewing our operating model to ensure that post-Brexit we can continue to service our clients and investors.

Business risks

Business risk can be influenced by both internal and external factors. A risk can materialise due to poor business execution or a failure to respond appropriately to internal or external factors. Business risk can impact our earnings.

Description of key risk	How we manage risk
6. Reputational risk The reputation of Schroders is of paramount importance as this can be impacted by any of our key risks. Reputational risk impacts Schroders' brand, reliability, and relationships with clients, regulators and shareholders. This may arise from poor conduct or judgments or risk events due to weaknesses in systems or controls. Ineffective branding and marketing may impact our ability to grow our business. Reputational risk may also arise from inappropriate client relationships or mandates which have adverse implications for the Group	High standards of conduct and a commitment to regulatory compliance are integral to our culture and values. We consider key reputational risks when initiating changes in strategy or our operating model. We have a number of controls and frameworks to address other risks that could affect our reputation including: financial crime, investment risk and client take-on and product development. We are currently re-branding to ensure our marketing remains relevant and effective and supports our strategic objectives and product offerings. A key part of the governance process when considering our re-branding was to assess the likely impact on how Schroders is perceived by our clients and investors and the market generally.

Description of key risk	How we manage risk
7. Investment performance risk	
The management of investment performance risk is a core skill of the Group. This is the risk that portfolios will not meet their investment objectives or that there is a failure to deliver consistent and above-average performance.	We have clearly defined investment processes designed to meet investment targets within stated risk parameters. The Group's Investment Risk Framework provides review and challenge of investment risks, independent of our fund managers, across all asset classes. Investment monitoring is performed by fund managers and asset class heads on a regular basis, as well as by Pricing and Valuation Committees, Asset Class Risk Committees, the GMC and the relevant legal entity Boards. Recognising that products may not outperform all of the time, we offer clients a diversified product set. Key to investment performance is our ability to attract and retain talented people.
8. Product risk	
Product risk can arise if our product range is not suitably diversified or does not provide access to strategies sought by investors. Product risk also arises from: - product or service viability and the risk that products or services do not meet their objectives - capacity constraints where the size of AUM in a particular asset class or strategy makes it more difficult to trade efficiently in the market. Products containing assets outside of public markets may be more difficult to manufacture and maintain, particularly, those requiring longer-term management such as infrastructure or debt.	The Group's new Product function will focus on strategy, innovation and changing investor requirements. We conduct quantitative analysis on a product by product basis to confirm that products are performing to the expectation of our clients in accordance with our mandate. Risk Dashboards, at product level, are presented for discussion at regular Asset Class Risk Committees. These show key performance and risk metrics and facilitate identification of outlier products for further analysis. All new fund proposals are assessed by the Product Development Committee for commercial viability and distribution channels. New investment propositions and strategies are reviewed by the Product Strategy Committee. We monitor potential capacity constraints in funds on a regular basis and the Product Development Committee also considers the interests and needs of potential investors in them.

Description of key risk	How we manage risk
9. Business concentration risk	
Business concentration risk arises from concentration in a small number of distribution channels or products or when a small number of clients are concentrated in a specific product. Business concentration risk also arises from insufficient diversification of existing income streams. A decline in fees due to changes in investor demands as set out under Strategy Risk where Schroders does not or is not able to respond, resulting in the concentration of business into a smaller grouping of clients. While we strive to ensure our business is broadly diversified by region and this mitigates our aggregate risk profile it introduces additional risks in terms of operating cross-border and in multiple environments as a result of business practices, customs and traditions.	The broad range and scale of products, distribution and investment channels that we have established, mitigates our concentration risk and dependency on any single sales channel. We aim to avoid client concentrations in any particular market or channel becoming excessive. We have further diversification of income streams through the ongoing development of strategic relationships, acquisitions and identifying alternative growth strategies. We continue to offer competitive solutions for clients. We consider the scalability of our business and continue to invest in infrastructure.

Market, credit, liquidity and capital risks

We face market, credit, liquidity and capital risks from movements in the financial markets in which we operate, arising from holding investments both as principal and agent.

Description of key risk	How we manage risk
10. Market risk	
Market risk arises from market movements, which can cause a fall in the value of principal investments and a decline in the value of AUM. Operating capital, fee income and expenses related to the Group's overseas subsidiaries are denominated in a range of currencies and therefore, subject to exchange rate risk.	Our geographically-diversified, broad product range helps to mitigate market risk in a variety of market conditions and serves to diversify individual market dependencies. The Group's Investment Risk Framework also provides review and challenge of market risks. The Group Capital Committee, chaired by the Chief Financial Officer, regularly reviews all principal assets held for investment or seed capital purposes. The Group's seed capital investments are hedged in respect of market risk and currency risk, where practical. We use forward foreign exchange contracts to mitigate transactional and investment exposure to currency movements. The Wealth Management Executive Committee monitors and manages market risk in the Group's banking businesses, which is primarily interest rate risk in the banking book.

Description of key risk	How we manage risk
11. Credit risk	
We face credit risk as a result of counterparty exposure arising from client and principal investment holdings, including derivative exposures. The assets we manage are also exposed to counterparty risk. We also face credit risk through Wealth Management lending activities, in addition to client transactional counterparty risk.	We assess counterparty creditworthiness and set limits for both our principal and agency counterparties. We seek to diversify our exposure across different counterparties. The creditworthiness of counterparties and borrowers is monitored, as is usage against relevant credit limits. In Wealth Management, we seek to mitigate credit risk within lending activities, as appropriate, through collateralisation in the form of cash, portfolio investments or real estate. Credit risk is monitored and managed against approved limits and collateral.
12. Liquidity risk	
Liquidity risk is the risk that the Group or any of its subsidiaries cannot meet its contractual or payment obligations in a timely manner. Liquidity risk in relation to client portfolios may arise in difficult market conditions from the inability to sell the portfolio’s underlying investments for full value, or at all. This could affect performance and also prevent cash or other assets from being readily available to meet redemptions or other obligations	The Group Capital Committee reviews the Group’s liquidity needs, considering the current liquidity position, future cash flows, regulatory requirements and potential stress scenarios. Liquidity is also considered at a legal entity level based on the specific circumstances and regulatory requirements of each company. The Wealth Management Executive Committee monitors and manages liquidity risk in the Group’s banking businesses. We seek to match liquidity of underlying investments with the anticipated redemption requirements in client portfolios. We have an established process to assess and monitor the liquidity risk profile of funds on an on-going basis. We also review products and portfolios on a regular basis to identify and manage possible capacity constraints.
13. Risk of insufficient capital	
The risk of insufficient capital would arise if the Group was unable to support its strategic business objectives beyond its minimum regulatory capital requirements.	Maintaining a strong capital base is important to our business and is a core part of our strategy. We ensure each of our regulated subsidiaries, and the Group as a whole, meet their minimum regulatory capital requirements. The Group maintains a prudent level of capital, including a significant buffer over the minimum regulatory capital requirement, which allows us to conduct our business and invest in new business opportunities that may arise. The Group Capital Committee supports the Chief Financial Officer in exercising responsibility for the management of the Group’s capital. The Group performs a thorough assessment of the adequacy of its capital through the Internal Capital Adequacy Assessment Plan (ICAAP). In addition, Wealth Management in London and the Channel Islands also perform an ICAAP.

Schroders

Operational risks

Operational risks are inherent globally in all activities and process we perform within the Group. To manage and mitigate these risks, the second line of defence provides oversight and challenge to the business through an operational risk framework. Tools to manage this include RCAs, risk event management processes and new product approval processes. We manage risk events through identification, reporting and resolution in order to prevent risk events from recurring.

Description of key risk	**How we manage risk**
14. Conduct and regulatory risk	
The risks of client detriment arising from inappropriate conduct, conflicts, management, practice or behaviour or failing to meet client needs, interests or expected outcomes. The risks of money laundering, bribery or market abuse shortcomings on the part of fund investors, clients or our employees. The risk of fines, penalties, censure or other sanctions arising from failure to identify or meet regulatory requirements. The risk that new regulations or changes to existing interpretations of them, can have a material effect on the Group's operations, risk profile or cost base and be complex to implement and difficult to manage.	We promote a strong compliance culture and we promote good relationships with our regulators. Our Compliance function supports management in identifying our regulatory obligations and enabling these to be met through relevant training and procedures. Compliance with relevant regulatory requirements is monitored in accordance with a risk-based programme. Our approach to encouraging appropriate conduct and minimising the risk of client detriment is set out in our conduct risk framework, and is built on our culture and values, supported by appropriate governance and reporting. Risk based client take-on and review processes are among our key controls to address the risks of money laundering. Trading is subject to clear policies and to transaction surveillance processes, which are being enhanced. Financial crime oversight is provided by the Financial Crime Committee. Regulatory and legal change is monitored by the Compliance, Legal and Public Policy teams. We engage with our regulators where appropriate in relation to potential and planned changes.
15. Legal risk	
The risk that Schroders or its counterparties, clients or suppliers with whom we contract fail to meet their legal obligations, that Schroders takes on obligations that it did not intend to assume and the risk of legal claims and loss. The risk that client expectations and obligations with respect to our own and third-party responsibilities under investment management and other agreements will not be met, with a revenue or contingent liability impact.	We rely on our employees, with support from our Legal function, to consider the obligations we assume across the Group and our compliance with them. Our policies and procedures across the Group are developed having regard to recognised legal risks. Confirmations are obtained from representatives around the Group that actual or potential disputes or claims have been brought promptly to the attention of the General Counsel. We have an escalation process for areas of identified material risk.

Description of key risk	How we manage risk
16. Tax risk The Group and its managed funds are exposed to: - compliance and reporting risks, which would include the submission of late or inaccurate tax returns - transactional risks, which would include actions being taken without appropriate consideration of the potential tax consequences - reputational risks, which cover the wider impact that our conduct in relation to our tax affairs can have on our relationships with our stakeholders	Our approach to managing our tax affairs and tax risk is set out in our tax strategy. This is reviewed by the Audit and Risk Committee annually. It is supported by a tax governance framework, which aligns to the Group's wider risk and control framework. Independent monitoring and reporting of tax risks and controls is supported by Group Risk and key risks and issues related to tax are escalated to, and considered by, the Group Risk Committee and the Audit and Risk Committee, on at least an annual basis. In accordance with the tax governance framework, the Tax function works with management and advisers to monitor the tax position of the Group. Local management, with oversight from our Tax function, is generally responsible for identifying and managing the tax position of our managed funds, with the assistance of third party service providers. Developments in taxation are monitored by the Tax function and local management. We engage with representative industry organisations and advisers to ensure we are kept abreast of relevant tax changes impacting the Group and its clients.
17. Process and change risk The risk of failure of significant business processes, such as mandate compliance, client suitability checks and asset pricing. Poor execution of acquisitions or management of strategic relationships which fail to deliver intended benefits in terms of revenue or costs	Our key business processes have been identified and the risks assessed by first line of defence owners through the RCA process. This is used to determine the adequacy and effectiveness of key controls; with second line providing oversight and challenge. Associated controls are assessed with regard to their design and performance. Output from the RCA process is presented to the GRC. As part of our due diligence process when we consider an acquisition or strategic partnership we identify areas that will need to be remediated after a transaction is completed. Subject matter experts will be involved throughout the transition.
18. Fraud risk Fraud could arise from either internal or external parties who attempt to defraud the firm or our clients by circumventing either our processes and controls, or the controls operated by our third party providers (e.g. within our outsourced transfer agency activities).	Policies and procedures are in place to manage fraud risk. Controls in place to manage fraud risk are assessed as part of the RCA process. Attempted or successful frauds are investigated by the Financial Crime team, with oversight from Group Risk. The Financial Crime Committee provides oversight of the management of Fraud risk and is a sub-committee of the Group Risk Committee.

Description of key risk	How we manage risk
19. Technology risk and information security	
Technology and information security risk relates to the risk that: - our technology systems and support are inadequate or fail to adapt to changing requirements - our systems are penetrated by third parties - data is held insecurely.	Formal governance over information risks has been established across the three lines of defence through the Information Security Risk Oversight committee. The Group holds insurance to cover cyber risks. A number of policies and technical standards, including security awareness training, have been deployed across the Group. Robust project management of a new front office technology platform and assessment of business requirements, implementation risks and scalability.
20. People and employment practices risk	
Talented employees may be targeted by competitors seeking to build their businesses. This is particularly important for key revenue generators in Investment given the potential impact their departure could have on the Group's financial position. The risk that we are unable to retain key employees across the firm in a situation where revenue and profitability are deteriorating and variable compensation is reduced. The need to attract new employees for new business activities or strategic initiatives that require different skills to those that currently exist within the business. Changes to our compensation approach may be required to attract the employees we need to grow in strategic areas such as private assets. People and employment practices risk incorporates the risk that our employment practices do not comply with local legislation, such as equal opportunities, human rights or the safety and wellbeing of employees when at work. The risk that employees do not adequately fulfil their role. The impact on staff mobility in and out of the EU as a result of Brexit.	We have competitive remuneration and retention plans, with appropriate deferred benefits targeted at key employees. We keep our remuneration structures under review to ensure that they are appropriate as the firm develops new business areas. The Remuneration Committee has oversight of compensation arrangements that deviate from our existing compensation approach to ensure that they are appropriate and in line with the firm's strategic priorities. We seek to build strength and depth through sustainable succession and development plans. This includes identifying new skills that the business will require in the future, for which we can recruit selectively either through our entry-level or experienced hire programmes. We operate a global model, which reduces our reliance on single pools of talent. Clear objectives are set for employees and success is measured in an annual review process, allowing us to manage under performance, identify motivational development initiatives and take disciplinary action if required. We have policies and procedures in place to encourage diversity, provide for the safety and wellbeing of staff and to manage employment issues appropriately, handling them consistently, fairly and in compliance with local legislation. We continue to monitor Brexit developments closely and their implications for employment practices.

Description of key risk	How we manage risk
21. Third-party service provider risk	
Third-party service provider risk relates to the risk that suppliers may not be able to meet their agreed service level terms. We have a number of outsourced supplier relationships as part of our business model, particularly in respect of; information technology, fund administration, custody and transfer agency services.	The Audit and Risk Committee reviews all material outsourced relationships, focusing on significant aspects such as service quality and risk management. Policies are in place that govern our approach to appointing, managing and performing relevant due diligence of third-party service providers including regular reviews of performance against agreed service levels. In addition, for service providers not covered under the outsourcing policy, minimum requirements are established for overseeing service provider risk and performance, as well as the requirement to perform risk assessments on service providers deemed critical to business operations. Exit plans are considered prior to appointment and provide a framework for transitioning business from one service provider to another should the quality fall below the agreed service level.