

Annual General Meeting 2023

Shareholder questions and statements

A summary of the questions submitted at the 2023 Annual General Meeting, together with the responses provided, are set out below.

Questions & Answers

ShareAction

My question relates to the voluntary reporting of ethnicity pay gaps, as recommended by the Race at Work Charter. Ethnicity pay gap reporting captures the average pay of workers from marginalised ethnicities in a company, compared to the average pay of white workers. I'd also like to ask a supplementary question on the gender pay gap, which we've talked about before.

Promoting transparency by reporting on the ethnicity pay gap is one of the most important steps an employer can take to support greater racial equality in the workplace. As well as the moral case, there is a business case for reporting. For instance, McKinsey's 2020 study found that companies with the most ethnically and culturally diverse executive teams were the most financially successful.

I was pleased to see that Schroders is a member of the Race at Work Charter and continues to meet Parker review recommendations on Board diversity, with two ethnic minority directors. I also note, from your 2022 annual report, that the company has met its 16% ethnicity target for employees in the UK, and welcome the publication of your Combined Workforce Diversity and Gender Pay Gap Report last year. Additionally, let me say that ShareAction continues to highly value their dialogue with staff at Schroders, and are thankful to have a meeting booked to discuss this issue.

However, it is disappointing that Schroders has not met its 80% disclosure rate target and has therefore not reported ethnicity pay gap data. Companies in the financial services sector are leading the way in reporting their ethnicity pay gaps, with Aviva, Barclays, HSBC and Standard Chartered already publishing ethnicity pay gap data. Most began reporting at the 70% disclosure rate, which subsequently increased in the following years.

I would like to ask the Board to detail the action Schroders is taking to increase ethnicity disclosure rates, as well as targets for reporting the company's ethnicity pay gap.

And now briefly on the gender pay gap: I asked a question on this at your 2018 AGM and had a constructive follow-up meeting with your chief executive, but because of Covid, I haven't been able to follow this up since. I would greatly welcome an update on progress made since then on the gender pay gap, and specifically on how far the training of women has enabled better career progression for them. Thank you.

Elizabeth Corley

The Board and the Remuneration Committee take the whole topic of inclusion, equity and diversity very seriously, and it is regularly on our agendas. We also take transparency and obligations for transparency extremely seriously as well. I am going to let Peter tell you the progress that has been made.

Peter Harrison

I completely agree with you in terms of the importance of having the data out there, and I think the gender pay gap has been a huge force for good, and as demonstration, because it is now a set of data and metrics that can be reported and seen. We were under the belief that 80% was the right number. We have worked incredibly hard and very deliberately to get to 80%, and we actually achieved it two weeks ago. Just immediately after our year end, we had an opportunity for people to fill in their diversity information when looking at their benefits and we targeted it very specifically.

We are discussing the outcomes at our executive committee in a month's time, and we will be able to make full disclosure of it, and I'm very hopeful that we will be the first asset manager to be able to make such a disclosure. I think there is a second point here, that both on gender and on ethnicity, we are working really hard to grow the pool of talent. We don't want to get a more diverse workforce by simply going and hiring other diverse employees from elsewhere in the industry because that doesn't solve the problem. We have done things like changing our entry requirements, the source of universities we go to, the amount of work we do with school leaders to ensure that the pipeline of people coming into the organisation is much more diverse. That feels like a really good long-term answer to changing something which is a societal issue as much as a financial services issue.

On gender pay, we have continued to hit our gender targets in terms of growing the proportion of women in senior leadership positions. We continue to feel that we need to work every area through coaching, mentoring, our benefits, our recruitment policies and the partners we use in bringing talent into the organisation. Every single member of our executive committee has specific targets, both on gender and ethnicity, in terms of what they have to deliver in order to hit those targets. I passionately agree with what you said, and I am very happy to continue our dialogue on it when we make a disclosure because I think it is important for all of us.

Elizabeth Corley

I have engaged with many of the employee resources groups in this company and I am really encouraged and impressed by the attention to what is happening beyond the target. There is an authenticity and sincerity here that I think Peter and the team are leading from the top. Thank you for keeping us on our toes and thank you for continuing your engagement with us, we appreciate it.

Private Shareholder

I read in today's Times newspaper that Schroders has come out against private equity bids for Network International, amid fears that the payments processor could be sold too cheaply. The asset manager has warned executives at the payments business against backing approaches that have valued the company at £2.1 billion. Can you say anything more about that?

Elizabeth Corley

You have raised a really important point about our responsibility towards our clients, which is always looking at the opportunities, the benefits and the risks associated with that. We are their fiduciaries. We take every single decision very seriously and there is a very thorough process in coming to any conclusions. There is independence on the investment side from the Board. We believe that is very important. Peter, may I turn to you to elaborate on that further?

Peter Harrison

We have come out and said we don't support the bid and we do believe it does undervalue the business. If you look more broadly, the undervaluation of the UK market has become a topic of considerable debate. There is a need to have more structural change and more equity ownership in the UK to close that gap. The lack of equity risk-taking in the UK has meant that UK companies do trade at a big discount, and that is attracting buyers to come in and snap up short-term opportunities, and we don't want to lose great long-term businesses to short-term mis-valuations.

We have a record of standing up and supporting businesses for the long-term. AstraZeneca was a particular cause célèbre not that long ago; GKN was another, which we didn't manage to defend. I think making sure that

these businesses are around as long-term participants in the UK market is often in our clients' long-term interests, albeit it may mean, short-term, we don't take a bit of premium. It is not to say we are not open to offers as we have an obligation to be open to offers. But I am taking that a long-term view of value is in our client's best interest.

Private Shareholder

According to last weekend's press, investors are not buying into the proposed greenwashing of Sizewell C, which is hardly surprising given the threat to protected habitats - the reason the RSPB and Suffolk Wildlife Trust continue to oppose it - quite aside from the unresolved issue of long-term nuclear waste storage and multiple other ESG concerns. Controversial Sizewell C is too slow, expensive and above all risky to be the solution to our climate emergency. Yet Schroders Greencoat, a company you own 75% of, has told the media it is considering making an investment. Please state Schroders' position on investing in Sizewell C and your view on your subsidiary making such a statement.

Elizabeth Corley

Thank you for raising an important topic. The first thing to say is that there is no specific investment proposal at the moment. It would be quite premature of us to make any blanket statements in the absence of any proposals that are out there. More broadly though, and in the context of our commitment to sustainability and net zero, nuclear energy is an area we have looked at closely across the firm, and we do recognise that there are different views on nuclear and that, while the technology can help countries to deliver decarbonisation goals, there are social concern in many countries and other risks to consider.

We have looked closely at both the benefits and the risks, as you would expect us to do, and we include them in the analysis and models we have developed. We don't have a firm-wide investment view and investment teams are supported to help ensure potential risks are examined very closely. Peter, is there anything else you would like to add?

Peter Harrison

The first thing to say is nuclear clearly has a unique set of risks and opportunities, and we do need to really understand those in detail. The issue of the climate is incredibly important to us and we have set a science-based target for our own decarbonisation and note that it is a very large part of the government's plan to significantly increase the amount of nuclear power in the UK. I think about 25% of our power by 2050 is the stated target, so I don't think our clients would want or expect us to make a decision until such time as we know what proposals are on the table. I think understanding the risks and opportunities in great detail is going to be critical but there isn't anything to decide on today.

Private Shareholder

These are just comments, not questions. First, I would like to echo your sentiments on Sir Win Bischoff. He was truly a City titan. Secondly, I wish to congratulate you on the enfranchisement of the non-voting shares. Well done.