

## Annual General Meeting 2021

### Shareholder questions and statements

A summary of the questions submitted at the 2021 Annual General Meeting, together with the responses provided, are set out below.

#### ShareAction

**Covid-19 has led to significant debate and new work on the future of the public company AGM. A recent ShareAction paper argued that institutional investors should make more use of AGMs, given the important opportunity they present to be heard by a company's non-executive directors, not least on strategically important ESG risks and impacts. As a market-leading UK asset management firm, what are Schroders' views on making use of investment companies' AGMs as part of our stewardship practice?**

#### Peter Harrison

We regard AGMs as a really important part of a company's year. We engage very extensively on many matters of importance, and today that's particularly ESG and operational issues. We do rarely attend AGMs in person, in part because of the way they are gathered in a very short period of time in the year, and the concentration of those meetings often find that early engagement is more powerful. We voted on 99% of Resolutions of all the companies that we're invested in, so we do take them very seriously.

I think the ShareAction paper is a really interesting and important one. The role of wider stakeholders is becoming much more important, and I think the convergence of those things, speaks to perhaps a need for an institutional AGM where the key stakeholders of a business come together with members of the Board to have that discussion and dialogue, but this would be quite hard to achieve around a very concentrated number of dates in April each year. I'd be delighted to discuss further because I think the sentiment which is, 'How do we get those stakeholder discussions happening together in companies,' which I think is absolutely the right sentiment.

#### ShareAction

**Human activity has led to an unprecedented loss of natural habitats. Despite the significant risks that the loss of biodiversity poses to businesses and investment portfolios, it has so far remained a marginal consideration for the asset management industry at large. Given Schroders' position as a global leader in responsible investment, and its leadership on climate change in particular, what are the Board's plans for addressing the systemic risk posed by biodiversity loss, the tackling of which will be critical to effective climate action? Will Schroders make commitments to set portfolio-wide targets for nature, and report on progress made against them as part of the Finance for Biodiversity pledge, alongside other industry leaders?**

#### Peter Harrison

I think natural capital is a really, really important subject.

Our industry has been much better at valuing Amazon Inc than valuing the Amazon, and to put that in context, if you think about the value of trees harvested each year in the UK – I think it's about 270 million or so – the value of those trees left in the ground to absorb pollutants, stop flooding, sequester carbon, regulate temperature, is probably 10 times that.

I'm very pleased to say that we do have a biodiversity taskforce to coordinate our action and partnerships. We were a day one signature to the Terra Carta, which was Prince Charles' initiative, and I personally sit on the Sustainable Markets Initiative, and also on the new voluntary carbon offset market taskforce which seeks to ensure that biodiversity is built in to decarbonisation as we build a meta-registry of assets. Our ESG policy does cover biodiversity, and I agree it's going to become a much larger subject probably immediately after COP26.

Our SustainEx model, which is the yardstick on which we measure all the companies in which we invest in and report to our clients, does have a number of natural capital measures that seeks to measure, for example, NOx and SOx emissions, over-fishing, use of fertilisers, plastics. So again, it's very much on our agenda. It's part of our active engagement with companies.

We support the Taskforce for Natural-Related Financial Disclosures (TNFD) in an observer capacity and providing feedback, and we are working on other partnerships, particularly with academics, to help measure biodiversity, because we think natural capital will become a much, much bigger part of the investment landscape, and I think it's right that we should invest behind that. So an important question – thank you for that.

### **Private Shareholder**

**The Chairman's statement says in the Annual Report, 'Our business philosophy is based on the belief that if we deliver for our clients by offering them investment capabilities which successfully protect and enhance their capital, then we will deliver for our shareholders by creating long-term shareholder value. On page 85 of the Annual Report, the total shareholder return over 10 years is shown to be 140%. Legal & General in their Annual Report show 350%. Why is Schroders underperforming, and how and when will that be rectified?**

### **Peter Harrison**

The first thing to say is that Schroders and Legal & General are two very, very different business models, and with different regulatory dynamics, and different competitive dynamics. Schroders has significantly outperformed the FTSE index and compares very well with other active management firms that are similar to us.

### **Private Shareholder**

**Will Schroders clarify in its Remuneration report future Total Shareholder Return graphs by quantifying the inflexions, as other companies do?**

### **Damon Buffini**

As ever, we do welcome any comments on the transparency of our reporting, and I think in this particular instance what we will do is we'll take that into account when we're producing our graphs for next year's Annual Report, and include that if necessary.

### **Michael Dobson**

We then have a question about the legibility of the Annual Report. I would give the same answer to that – we will look at that and take it into consideration when we look at the Annual Report for this current year.

### **Private Shareholder**

**Why is Schroders priding itself on assets under management increasing to £575 billion when Legal & General claim £1.3 trillion?**

### **Peter Harrison**

I think the key here is that we are a committed, active investment firm, which is very different from a passive investment firm, and we're the UK's largest active investment manager. I don't think assets under management taken in isolation is the right measure on which to judge our successes. It is one of a number of measures, but it is a good shorthand for driving the profitability of an active asset manager.

### **Private Shareholder**

**Why is Schroders plc Board remuneration in total some £10.7 million when Legal & General's is £6.7 million?**

### **Michael Dobson**

We compete for talent in a global marketplace – this is a global firm with some two-thirds of its revenues arising from clients outside the United Kingdom, and we look very closely at our global competitors, many of whom are private companies, in setting remuneration for our talent throughout the firm, and it's against that backdrop that the Remuneration Committee makes its judgements.

### **Damon Buffini**

Our Remuneration Policy is based on retaining top talent across the whole asset management industry, motivating them and attracting other talent, and of course our competitors can be private companies, they can be global companies. We have to ensure that our Remuneration Policy is competitive and aligned with those factors as well as aligned with our shareholders, and that's how the remuneration committee thinks about it. Legal & General is a predominantly UK company; we are a global company. So I think all those factors play into the difference between those two numbers.

### **Private Shareholder**

**What are the benchmarks Annual Report 2020 page 14 mentions?**

### **Peter Harrison**

With our subsidiaries and associates, those are investment performance benchmarks, and what we're trying to convey is that those businesses outperformed the investment objectives, and their clients and stakeholders performed well as a result.

### **Private Shareholder**

**In the Board evaluation a year ago, we said we were going to focus even more on competitor information, with a stronger customer lens at our Board discussions, and what have we done about that?**

This has been a key focus throughout 2020 at all our meetings. Peter presents a Chief Executive's report at every Board meeting we have, and the focus on that report is invariably very heavily weighted towards clients, and how we're performing, and other factors. In our strategy discussions, we do a deep dive on competitor analysis, and so it's a very big subject for us at all our meetings.

### **Private Shareholder**

**Please provide an update on the search for, or the process of looking for the Chairman's successor in the context of the Corporate Governance Code, and that the roles of Chair and Chief Executive should not be exercised by the same individual, and the Chief Executive should not normally become Chair of the same company. Also on the limit on serving on the Board for no more than nine years.**

### **Ian King**

In the 2019 report, we stated the intention that the Chairman was going to step down from his role and I as the Senior Independent Director was asked to lead the process of planning for his succession. By May of 2020, we had agreed the process with the Nominations Committee on how the process would run. We engaged and appointed, after a competitive selection process, a search firm; Russell Reynolds Associates. We drew up a short list of high quality candidates, and through the summer I saw all of those people, but virtually because of the restrictions that were placed upon us.

We have made good progress. However, at the November Nominations Committee we looked at what we were seeing in terms of candidate availability, the restrictions placed upon us on around actually being able to engage with the rest of the Nominations Committee, and we looked at the overall timeline. As a result of these factors, we decided to extend the process, and we felt that it was important to maintain stability across Schroders at a key time for our industry and the company. We spoke to the Chairman and asked him to delay his retirement so that we can maintain that stability; he agreed to do so.

So we have made good progress. The process will continue and we will make an announcement in due course. We are following the Code and the independent process.

### **Private Shareholder**

**I expect that this is Mr Dobson's final AGM. This is just to congratulate him on his massive contribution to the firm over the past 20 or so years and to wish him very well for the future.**