Standard Life Aberdeen

2021 Annual General Meeting

Frequently Asked Questions

In addition to the opportunity to ask questions at the AGM itself on 18 May 2021, Standard Life Aberdeen shareholders were invited to submit questions in advance of the meeting. The questions below are answers to the most frequently asked questions, as at 14 May 2021.

1. Why did you sell the Standard Life brand – isn't it a strong and valuable brand?

The 'Standard Life' brand has an important heritage. In the UK, it has strong recognition as a life insurance and workplace pensions brand. In 2018 we sold our insurance business to Phoenix Group and as part of that deal the Standard Life brand was licensed to Phoenix. This caused some subsequent brand confusion.

In February 2021, we announced we were selling the 'Standard Life' brand to Phoenix Group as part of a broader partnership agreement – which also involves the simplification and extension of our strategic partnership with Phoenix Group, our largest client. The sale aimed to remove brand confusion and align ownership of the Standard Life brand with the legacy life insurance and workplace pension activities (as owned by Phoenix Group, since 2018).

The 'Standard Life' brand is much less aligned with the business we are building at Standard Life Aberdeen which is focused on three vectors, being: (1) global asset management (which trades mainly under the 'Aberdeen Standard Investments' name); (2) our market-leading platforms offerings to UK financial advisers and their customers (known under the 'Wrap' and 'Elevate' brands); and (3) our UK savings and wealth businesses ('1825' and 'Aberdeen Standard Capital').

Moving to a single brand from these five separate brands, will enable us to be more operationally efficient, aims to deliver better return on investment and offers a clearer single proposition for our clients and customers.

Simplifying the business is a key enabler on our pathway to growth, as outlined at our full year results. It reflects the clarity of focus that the leadership team will bring to the business as we seek to deliver sustainable growth.

2. Why did you choose Abrdn?

As referenced above, we have sold the Standard Life brand name to Phoenix Group. Abrdn was chosen for its strong association with the heritage and brand equity of our global asset management business (Aberdeen Standard Investments) while also being future-focused and engaging across all of our client groups. Abrdn is a name that is sufficiently unique that it can be attributed exclusively to our business, whereas 'Aberdeen' cannot, because it is, of course, related to the city of Aberdeen. The short form derivation allows us to own the digital assets under our brand – e.g. the abrdn.com and abrdn.co.uk website addresses – which 'Aberdeen' does not. The availability of company names (that is, names that are not already in use by other companies) is also an important and related consideration.

We tested different names to ensure that Abrdn would work for us across our different geographies, vectors and from an inclusion point of view. We will continue to test the impact of the brand with our clients, customers, and colleagues to track progress and inform next steps.

3. What is your current relationship with Phoenix Group?

We have a strategic partnership with Phoenix Group. In February 2021 we announced a simplification and extension of this partnership, in a way that will allow us to work together constructively as partners for at least the next ten years.

The partnership focuses on our asset management services that we provide to Phoenix Group and its insurance and workplace pension customers. The strategic asset management partnership - under which we manage £171bn of Phoenix Group client assets as at 31 December 2020 – will be extended and will now operate until at least 2031. To support growth plans for our Adviser business and improve service to UK adviser clients, we have also agreed to purchase the Wrap SIPP and Wrap Onshore Bond businesses from Phoenix Group.

Our shareholding in Phoenix Group is around 14% and we retain the right to appoint a director to the Phoenix Group board. Our Chief Operating Officer Mike Tumilty currently fills this role. Our CEO Stephen Bird has also taken on detailed handling of the Phoenix Group relationship, with regular meetings with Andy Briggs, Phoenix Group's CEO, and reports on this to the Standard Life Aberdeen plc Board.

4. Why did you cut the dividend?

The Board of Standard Life Aberdeen remains committed to paying a dividend that is sustainable over the medium term. While our capital resources and liquidity position remain strong, our adjusted profit before tax has fallen compared to last year. Having reflected on this decline in profitability, as well as industry trends and the current economic and market uncertainties, the Board has concluded it should take this opportunity to rebase the dividend. The Board is confident that the dividend can grow from this level in due course.

This decision also reflects the Board's assessment of the opportunities to deploy the Group's capital to invest in growth opportunities as we build our business in line with our strategy.

5. Can you please explain the justification for the bonus amounts of Executive Directors in the company?

Performance conditions are a key feature of bonus outcomes for Executive Directors. Outcomes are carefully considered by the Remuneration Committee using pre-agreed metrics to calculate the recommendation. In addition to considering the achievement against the targets, the Committee reviewed the individual components which contributed to the delivery of this performance. The Committee also considered the alignment of scorecard outcomes with the experience of a range of stakeholders. This review was undertaken by the Committee to assess whether the awards generated by the scorecard were fair in the broader performance and risk context.

The Committee considered: the outcome from the perspective of overall company performance including one-off items; the impact of the COVID-19 pandemic; input from the Risk and Capital Committee and the Audit Committee; the mixed shareholder experience during 2020; and the context of incentive funding across the workforce.

In 2020, the Remuneration Committee was satisfied that the proposed outcome was appropriate in the context of these factors. As disclosed in the Directors' Remuneration Report in our Annual Report and Accounts, the Remuneration Committee determined there were no grounds to adjust the calculated outcome, which was between 47% and 48% of the maximum bonus opportunity for the Executive Directors. 50% of the final outcome is deferred into shares aligning the interests of Directors to that of shareholders for the longer term via share price movement.

6. How much has SLA spent on share buybacks and why has it chosen this method instead of a special dividend?

At the Company's General Meeting on 25 June 2018, shareholders approved the return of up to £1.75bn in aggregate to shareholders, subject to necessary regulatory approvals. This included: (1) a return of capital of £1bn via a B Share Scheme (another method of returning excess capital to shareholders) – which completed on 22 October 2018; and (2) a return of up to £750m by a share buyback programme – which completed in December 2019. In February 2020 a further buyback of £400m was announced (and was approved by shareholders at our 2020 AGM), which completed in February 2021.

A share buyback allows the company to buy back a proportion of shares from existing shareholders in return for cash. This reduces the number of shares in issue and normally has the effect of enhancing the value of the remaining shares. We have been pleased that shareholders have generally been supportive of our approach, which included voting overwhelmingly in favour of the return of capital proposed at our 2018 General Meeting.

7. Why do you have a resolution allowing you to make political donations and what donations do you intend to make?

Historically, there have been a lot of questions about this resolution and the reason that this is necessary. The Companies Act 2006 says that UK companies cannot incur any 'political expenditure' or make any 'political donations' to political organisations, parties or independent election candidates without shareholder approval.

This legislation is very broadly drafted and there is a concern that normal business activities could inadvertently be caught by it. For example, it could catch: the funding of seminars and other functions that politicians may be invited to; supporting organisations that are involved in policy review and law reform; and even matching employees' donations to some charities.

We have a long-standing policy not to make payments to political parties or election candidates, and we intend that this will remain the case. However, the consequences of failing to comply with the legislation would be serious, so – like other listed companies – we are asking for your authority as a precaution in case we inadvertently contravene the legislation.

8. What action are you taking to tackle climate change?

We are acutely aware of our responsibility to play our part in tackling climate change and are committed to driving decisive action across all areas of our business. In our operations, we are targeting a 50% reduction in emissions by 2025 – five years earlier than the latest climate science deems necessary to meet the goals of the Paris Agreement, and an important step towards Net Zero by 2050. In our investments, we're allocating capital to decarbonise the real economy at an accelerated rate, and developing solutions that enable clients to achieve their net zero 2050 objectives.

On 18 May we published our climate commitments and we will regularly update all stakeholders on our progress.

9. I am concerned about the lack of ethnic diversity on your board – how are you addressing this?

The ethnic diversity targets we have put in place follow the recommendations of the Sir John Parker Review (2017), which recommended all FTSE 100 companies to have at least one ethnic minority Board member by 2021. By 2019 we had met this recommendation, and we have now set a target to have an additional ethnic minority Board member by 2025. The Board continues to track progress in diversity and inclusion, and we are very focused on maintaining progress.

You can find more about our commitment to diversity on our Board, and at all levels of our organisation, on our website.