

## **Schroders plc (the “Company”)**

### **Remuneration Committee (the “Committee”) Terms of Reference**

(Adopted by the Board on 22 November 2007)

#### **Background - delegation of responsibility**

The Board has delegated to the Remuneration Committee responsibility for reviewing and recommending the remuneration strategy for the Company, for setting the remuneration of the executive Board members, together with the other matters described in more detail below.

#### **Membership and attendance**

The Committee, the members of which are appointed by the Board, shall consist of at least three members who are independent non-executive Directors. The Board should appoint the Committee Chairman from among the independent non-executive Directors, and determine the period for which he or she may hold office.

#### **Quorum**

The quorum for the Committee meetings shall be two members.

#### **Secretary**

The Secretary of the Committee shall be appointed by the Board and shall distribute the agendas and papers and set the timing of each meeting in coordination with the Committee Chairman and the Board Secretary.

#### **Meetings**

The Committee shall meet as often as necessary to discharge its duties. In addition, further meetings of the Committee may be called by any of its members or by the Secretary of the Committee.

Other Board Directors may be invited by the Committee Chairman to attend meetings of the Committee, but are not members of the Committee and do not perform the role of members of the Committee.

In order to conduct its role, the Committee would normally expect to invite the following to be in attendance for all or part of the meeting:

- Chief Executive
- Head of Human Resources

Notice of each meeting, confirming the venue, time and date together with an agenda of items to be discussed shall, in normal circumstances, be forwarded to each member of the Committee not less than 5 working days prior to the date of the meeting.

In the absence of the Committee Chairman, the remaining members present shall elect one of the other independent members to chair the meeting. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers or discretions vested in or exercisable by the Committee.

The Secretary shall keep appropriate records and minutes of all meetings of the Committee with appropriate minutes of the proceedings and resolutions. Copies of the minutes shall be circulated to all members of the Board.

### **Reporting to the Board**

The Committee Chairman, or in his absence the elected Chairman of the relevant meeting shall report on the issues raised at each Committee meeting at the next following Board meeting.

### **Role and Responsibilities of the Committee**

The role of the Committee is to review and approve the remuneration strategy and policies for the Company. The responsibilities of the Committee are:

- to review and approve, on an annual basis, the remuneration strategy for the Company, as recommended by the Chief Executive;
- to review and recommend the remuneration approach for use in the Company's annual Compensation Review;
- to fix the remuneration of each of the executive Board members;
- to approve targets for any performance-related pay schemes applicable to executive Board members and, where appropriate, to recommend to the Board that shareholder approval is sought for any long term incentive plans and share option schemes;
- to monitor the level and structure of remuneration for senior management (the definition of "senior management" for this purpose should be determined by the Board but should normally include the first layer of management below Board level);
- to review and recommend to the Board the remuneration of the Chairman and of the Board Secretary;

- to review and approve employee remuneration packages which are of a value greater than, or guaranteed for a duration longer than, the levels set by the Board (and communicated to the management of the Company) as being those above which approval must be received from the Board or a Board Committee;
- to approve exit packages for executive Board members on an individual basis;
- to approve the appointment (and rotation) of external advisers
- to provide an annual report to the Board of the Company's remuneration policy;
- to conduct an annual review of the Committee's performance, periodically reviewing the adequacy of its Terms of Reference and recommending any changes to the Board.

### **Principles set by the Board**

In undertaking its role, the Committee should bear in mind the following principles set by the Board:

- as a general principle, levels of remuneration should be sufficient to attract, retain and motivate executive Board members and senior management of the quality required to run the Company successfully, but the Company should avoid paying more than is necessary for this purpose. A significant proportion of the remuneration of executive Board members should be structured so as to link rewards to corporate and individual performance and to align them with the interests of shareholders;
- the Committee should judge where to position the Company relative to other companies;
- the Committee should be sensitive to pay and employment conditions elsewhere in the Company, especially when determining annual salary increases;
- in designing schemes of performance-related remuneration, the Committee should follow the provisions of Schedule A to the Combined Code on Corporate Governance (which are set out below in the Schedule to these Terms of Reference) and the Listing Rules of the UK Listing Authority together with associated guidance;
- executive share options should not be offered at a discount save as permitted by the relevant provisions of the Listing Rules;
- the Committee should consider carefully what compensation commitments (including pension contributions and all other elements) executive Board members' terms of appointment would entail in the event of early termination;

- generally, notice or contract periods should be set at one year or less. In some cases, it may be necessary to offer longer notice or contract periods to new Executive Board members recruited from outside, but such periods should reduce to one year or less after the initial period.

### **Access to information and services**

The Committee shall have the right to seek any necessary information to fulfil the above, including the hiring of such remuneration, legal or other advisers as it may deem necessary in its best judgment, in order to obtain advice with respect to the discharge of their responsibilities, with due regard to cost, without the need to obtain the prior approval of any officer of the Company, although such advice would usually be coordinated by the Board Secretary in the case of legal advice and the Head of Human Resources in the case of remuneration or other advice.

Management shall provide all reasonable assistance to the Committee with respect to the provision of information and support as the Committee Chairman may request to enable it to carry out its responsibilities.

### **Annual Report and Accounts and Annual General Meeting**

The Committee is responsible for reviewing on behalf of the Board the contents of the Remuneration Report which must be included in the Company's Annual Report, ensuring that it is in compliance with the Combined Code and the disclosure provisions set out in the Directors' Remuneration Report Regulations 2002.

Where remuneration consultants are appointed, a statement should be made available of whether they have any connection with the Company.

The Chairman of the Committee shall attend the Annual General Meeting of the Company in order to respond to questions from shareholders about the activities of the Committee.