

## **Schroders plc**

### **Corporate Governance Guidelines**

#### **Introduction**

These Corporate Governance Guidelines have been adopted by the Board of Directors (the "Board") of Schroders plc (the "Company"), the holding company for the Schroders Group, for the effective operation of the Board and its Committees and to explain what is expected of the Directors and the way in which they discharge their responsibilities. The Board is accountable for the management of the Company to its shareholders as the source of the Board's authority to manage the affairs of the Company. These Guidelines outline how that authority has been delegated to the management of the Company and how the Board oversees its use. They reflect the Combined Code on Corporate Governance.

#### **The Board**

##### *Composition*

The Board believes that it operates most effectively as a unitary Board, with a good balance of executive Directors, Directors who have a connection with the Company's principal shareholder group, and independent non-executive Directors. The Board is satisfied that no individual or group of individuals is or has been in a position to dominate the Board's decision making.

##### *Role*

The Board is accountable to shareholders for the creation and delivery of strong, sustainable performance and long-term shareholder value. To achieve this, the Board's responsibilities include the appointment of the Chief Executive, the approval and monitoring of Group's strategy, and the review of financial performance within a framework of prudent and effective risk management.

##### *Appointments*

The Board recognises that its members should collectively possess a broad range of skills, expertise and industry knowledge, and business and other experience useful to the effective oversight of the Group's business. Recommendations in relation to new Board members are made by the Nominations Committee on merit and against objective criteria and including expertise, relevant knowledge, experience and the desire to have a diversity of viewpoints and backgrounds.

This assessment, in the case of non-executive Directors, will include the candidate's qualifications for being regarded as "independent".

Directors are required to submit themselves for election at the first Annual General Meeting following their appointment by the Board and for re-election at least every three years thereafter. Independent non-executive Directors should not normally expect to serve for more than three full terms. There may be circumstances in which non-executive Directors will serve for longer, for instance Directors who have a connection

with the Company's principal shareholder group. It is unlikely that such Directors would meet the criteria for being considered independent. Directors who have served at least nine years on the Board must submit themselves for re-election annually.

#### *Role of Chairman*

The Chairman is responsible for leading the Board, ensuring its effectiveness in all aspects of its role through regular monitoring and evaluation.

#### *Role of Chief Executive*

The Chief Executive is responsible for the executive management of the Group, including building shareholder value over the long-term through growth in profits, and the recommendation of the Group's proposed strategy and budget.

#### *Senior Independent Director*

The Board has appointed a Senior Independent Director, who is available to shareholders if they have concerns which have not or can not be resolved through discussion with the Chairman or the executive Directors. The Senior Independent Director will chair a meeting annually of the non-executive Directors at which the performance of the Chairman is reviewed.

#### *Non-executive Directors*

The Board assesses the independence of its directors using the criteria set out in the Combined Code. Whilst some non-executive directors are not deemed to be independent under these criteria, the Board considers that they bring valuable experience to Board deliberations and that at all times they act in the best interest of the Company.

#### *Other commitments, conflicts and appointments*

Directors must ensure that their other commitments do not conflict or materially interfere with their responsibilities to the Company. They must disclose to the Board any potential conflicts of interest they may have in relation to any matter under discussion by the Board and, if appropriate, refrain from voting on a matter in which they have a conflict.

Both executive and non-executive Directors hold and may wish to take up other positions with other companies or bodies. In the case of executive Directors, the Company generally supports employees accepting such appointments in order to widen their skills and knowledge for the benefit of the Group. To ensure that there is no risk to Schroders and that executive Directors remain fully able to discharge their responsibilities to the Group, any such Director wishing to accept an external appointment must comply with the Group's policy on external appointments adopted by the Board.

In the case of non-executive Directors, in order that the Company can identify any potential conflicts of interest, such Directors are expected to inform the Chairman before taking up the appointment.

### *Remuneration of Directors*

The form and amount of remuneration for executive members of the Board is determined by the Remuneration Committee. Non-executive Directors' fees including the Chairman's remuneration are determined by the Board. No Director is permitted to vote on a proposal regarding his or her own fees.

### **Board Committees**

The Board has established an [Audit Committee](#), a [Remuneration Committee](#) and a [Nominations Committee](#), to which it delegates certain of its responsibilities. The membership and chairmanship of each Board Committee and its terms of reference are determined by the Board. The terms of reference of each Committee will be reviewed periodically by the relevant Committee and the Board.

The Board believes that each of the Committees should consist of at least three independent non-executive Directors. In the case of the Audit and Remuneration Committees, all of their members are independent non-executive Directors. Membership of the Nominations Committee comprises all of the Non-executives. A Director may be a member of more than one Committee, but would not usually be chairman of more than one. No one other than the Committee Chairman and the Committee's members is entitled to be present at a meeting of the relevant Committee, but others may attend at the invitation of the Chairman of the Committee.

The responsibilities of each Committee and the authority delegated to it are described in its terms of reference. Each Committee reports to the Board, at the first Board meeting after a meeting of the Committee on matters considered and any significant issues which have arisen. The agenda, materials and minutes for each Committee meeting will usually be available to all Directors.

The Board may, from time to time, establish or maintain additional committees and delegate to such committees such responsibilities and authorities permitted by applicable laws and the Company's Articles of Association as the Board sees fit.

### **Chairman's Committee**

The Chairman's Committee, which is not a formal Committee of the Board, comprises the non-executive Directors and serves as the forum for the annual evaluation of the Chief Executive, the review of the Chief Executive's plan for management succession and the evaluation of the performance of the Board and its Committees, and for such other matters as the Chairman considers appropriate.

## **The Operation of the Board and the Board Committees**

### *Directors' duties*

The Directors should act in the best interests of the Company and its shareholders and in a manner consistent with their fiduciary duties. Directors' duties and responsibilities are determined by the Companies Act and company law generally, the Company's Memorandum and Articles of Association and the Listing Rules of the United Kingdom Listing Authority.

### *Delegated authorities*

The Company's management is led by the Chief Executive, to whom the Board has delegated authority for the management of the business, subject to certain matters which it has reserved to itself and the Board Committees. The Chief Executive in turn delegates elements of his authority and allocates responsibility for control and risk management to his direct reports. The Chief Executive is supported in his role by the Group Management Committee which he chairs and which comprises his direct reports and other senior executives.

### *Monitoring of performance*

The Board undertakes an annual review of management performance against the agreed strategy and key performance indicators. The Chief Executive is also responsible for developing, and the Board for reviewing, a succession plan for the Chief Executive.

### *Board and Committee meetings*

Directors are expected to attend all Board meetings and meetings of its Committees on which they serve, to spend the time needed in preparation for such meetings. In addition, Directors should stay abreast of the Company's business and markets.

The Board will meet sufficiently regularly to discharge its duties effectively. Further meetings may take place if called by the Board, the Chairman, or the Chief Executive.

Each Committee will also meet sufficiently regularly to discharge its duties effectively.

The agenda for each Board meeting is established by the Chairman and the Chief Executive with the Board Secretary. The agenda for each Committee meeting is established by the Committee Chairman in consultation with appropriate members of the Committee, the secretary to the Committee and the Company's management.

## **Board Support**

### *The Board Secretary*

The Board Secretary is responsible for advising and supporting the Chairman and the Board in the discharge of their duties and on related corporate governance matters.

### *External advice*

The Board and each Board Committee may hire legal, accounting, financial or other advisers as necessary in their best judgment in order to obtain advice with respect to the discharge of their responsibilities 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.

### *Access to employees*

Any Director may request the management of the Company to make personnel available for discussions.

## **Shareholder relations**

### *Communication with shareholders*

Ongoing communication across the Company's shareholder base, including institutional investors and private and employee shareholders, is achieved mainly through the publication of the annual and interim reports and quarterly trading updates, the announcement of significant developments affecting the Group and the Annual General Meeting. The Company's website, [www.schroders.com](http://www.schroders.com), contains corporate and investor information, including webcast presentations of the interim and final results made by the Chief Executive, Chief Financial Officer and other senior executives, and is updated on a regular basis.

The Board as a whole is responsible for ensuring that dialogue with shareholders takes place. During the year the Chief Executive and the Chief Financial Officer and other senior executives conduct a series of meetings with, and presentations to, institutional investors, analysts and prospective shareholders to review the Group's strategy and prospects and discuss corporate governance matters. The Chairman is also available to meet institutional investors, as is the Senior Independent Director. Feedback from shareholders is given to the Board by the Chief Executive and the Chief Financial Officer.

### *Annual General Meeting*

The Annual General Meeting provides shareholders with an opportunity to put questions to the Chairman and other Directors, including the Chairmen of the Audit and Remuneration Committees. The Annual Report and Accounts and the notice of meeting are sent to shareholders at least 20 working days prior to the date of the Annual General Meeting.

## **Board effectiveness**

### *Evaluation*

The Board, led by the Chairman, will conduct annually a self-evaluation to determine whether the Board, its principal Committees and individual Directors are functioning effectively. The finding of the self-evaluation will be made available to the whole Board for consideration. The Senior Independent Director will lead the Directors in a review of the Chairman's performance.

### *Induction*

The Board Secretary will establish meetings and provide access to appropriate materials for newly appointed Directors of the Company within a reasonable period of time after their nomination or election as a Director.

### *Ongoing Development*

Ongoing development for Directors is provided through meetings with, and presentations from, members of staff, both at Board and Committee meetings and in other ways, together with the regular receipt of selected management information.

## **Insurance and Indemnification**

The Company has purchased, on behalf of the Directors, directors' and officers' liability insurance. The Audit Committee shall regularly review the terms and level of cover provided. The Company has also granted specific indemnities to each Director. These indemnities relate to certain losses and liabilities which the Directors may incur in the course of acting as Directors.

**28 February 2008**

## **Schedule – Board and Board Committees**

### *Board of Directors:*

Michael Miles OBE	Chairman (Non-executive)
Michael Dobson	Chief Executive
George W Mallinckrodt KBE	Non-executive Director
Jonathan Asquith	Vice Chairman
Andrew Beeson	Independent Non-executive Director
Luc Bertrand	Independent Non-executive Director
Alan Brown	Chief Investment Officer
Sir Peter Job	Non-executive – Senior Independent Director
Merlyn Lowther	Independent Non-executive Director
Kevin Parry	Independent Non-executive Director
Bruno Schroder	Non-Executive Director
Massimo Tosato	Vice Chairman

### *Audit Committee:*

Kevin Parry (Chairman)  
Andrew Beeson  
Luc Bertrand  
Merlyn Lowther

### *Remuneration Committee:*

Sir Peter Job (Chairman)  
Andrew Beeson  
Kevin Parry

### *Nominations Committee:*

Michael Miles OBE (Chairman)  
Andrew Beeson  
Luc Bertrand  
Sir Peter Job  
Merlyn Lowther  
George W Mallinckrodt KBE  
Kevin Parry  
Bruno Schroder

Schedule as at 28 February 2008