Schroders plc (the "Company")

Remuneration Committee (the "Committee")
Terms of Reference

(Adopted by the Board on 6 March 2012)

Background - delegation of responsibility

The Board has delegated to the Remuneration Committee responsibility for reviewing and approving the remuneration strategy for the Company and its subsidiaries (together the "Group"), 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.

A member of the Board Audit and Risk Committee (BARC) shall serve on the Remuneration Committee and report to the Remuneration Committee any matters drawn to the BARC's attention that might need to be taken into account in respect of the control of risks when setting remuneration; and report back to the BARC any remuneration proposals or circumstances that could materially increase the exposures to risk faced by the Group.

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 members of the Board who are non-executive 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
- Chief Financial Officer
- Head of Human Resources
- External advisers (on an as requested basis)

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 non-executive Director 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 proceedings and resolutions of the Committee. 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, where appropriate, the remuneration policies of the Group. The responsibilities of the Committee are:

- to review and approve, on an annual basis, the remuneration strategy and, where appropriate, the remuneration policies of the Group, as recommended by the Chief Executive;

- to review and approve the remuneration approach for use in the Group's annual Compensation Review;

- to determine the remuneration of each of the executive Board members;

- to approve targets for any annual performance-related pay schemes applicable to executive Board members, to review and to recommend to the Board the design and operation of the 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 determine the remuneration of the Board Secretary;

- to review the remuneration of the Group Head of Risk;

- 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 contractual termination arrangements and 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 and the shareholders of the Company’s remuneration policy;

- to review the remuneration disclosures required of the Group by the FSA (or its successor);

- 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; and

- to undertake appropriate discussions as necessary with shareholders and the FSA (or its successor) on policy or other aspects of remuneration.

<u>Principles set by the Board</u>

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 Group;

- the Committee should satisfy themselves that any performance related compensation arrangements provide the appropriate balance between managed risk and reward, and do not encourage behaviour which is detrimental to the interests of stakeholders;

- the Committee should take account of the relevant provisions and recommendations of the Remuneration Code of the FSA (or its successor) as these apply to the Group;

- in designing schemes for performance-related remuneration, the Committee should have regard to the provisions of Schedule A to the UK Corporate Governance Code (which as currently applicable 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; and

- 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 its responsibilities, with due regard to cost, without the need to obtain the prior approval of any officer of the Company; although such advice should 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 UK

Corporate Governance Code and the disclosure provisions set out in the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

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.

Schedule – extract from the UK Corporate Governance Code

SCHEDULE A – The design of performance-related remuneration for executive directors

The remuneration committee should consider whether the directors should be eligible for annual bonuses. If so, performance conditions should be relevant, stretching and designed to promote the long-term success of the company. Upper limits should be set and disclosed. There may be a case for part payment in shares to be held for a significant period.

The remuneration committee should consider whether the directors should be eligible for benefits under long-term incentive schemes. Traditional share option schemes should be weighed against other kinds of long-term incentive scheme. Executive share options should not be offered at a discount save as permitted by the relevant provisions of the Listing Rules.

In normal circumstances, shares granted or other forms of deferred remuneration should not vest, and options should not be exercisable, in less than three years. Directors should be encouraged to hold their shares for a further period after vesting or exercise, subject to the need to finance any costs of acquisition and associated tax liabilities.

Any new long-term incentive schemes which are proposed should be approved by shareholders and should preferably replace any existing schemes or, at least, form part of a well considered overall plan incorporating existing schemes. The total potentially available rewards should not be excessive.

Payouts or grants under all incentive schemes, including new grants under existing share option schemes, should be subject to challenging performance criteria reflecting the company’s objectives, including non-financial performance metrics where appropriate. Remuneration incentives should be compatible with risk policies and systems.

Grants under executive share option and other long-term incentive schemes should normally be phased rather than awarded in one large block.

Consideration should be given to the use of provisions that permit the company to reclaim variable components in exceptional circumstances of misstatement or misconduct.

In general, only basic salary should be pensionable. The remuneration committee should consider the pension consequences and associated costs to the company of basic salary increases and any other changes in pensionable remuneration, especially for directors close to retirement.