



Remuneration framework **For UCITS / AIF Management Companies**

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Introduction

Remuneration principles under Directive 2009/65/EC (the Undertaking for Collective Investment in Transferable Securities Directive, or 'UCITS Directive'), as amended by Directive 2014/91/EU ('UCITS V'), are laid down under Article 14 of the UCITS Directive. Remuneration principles under Directive 2011/61/EU (the Alternative Investment Fund Managers Directive, or 'AIFMD') are laid down under Article 13 and Annex II of AIFMD. The UCITS Directive and AIFMD collectively will be referred to as the 'Directives'. The European Securities and Markets Authority ('ESMA') has issued guidelines on sound remuneration policies under each of the UCITS Directive¹ and AIFMD² (together the 'ESMA Guidelines').

This document sets out the remuneration framework that applies for UCITS and AIF Management Companies within the Schroders Group (the 'Management Companies') as listed below, and specifically for employees who have been identified as 'Material Risk Takers' (MRTs) under the Directives:

- Schroder AIDA SAS³ ('SAIDA');
- Schroder Investment Management (Luxembourg) S.A. ('SIM Lux');
- Schroder Real Estate Investment Management Limited ('SREIM');
- Schroder Real Estate Kapitalverwaltungsgesellschaft mbH ('SREK');
- Schroder Real Estate Managers (Jersey) Limited;
- Schroder Unit Trusts Limited.

This remuneration framework was established to comply with the remuneration requirements of the Directives. The remuneration framework is consistent with and promotes sound and effective risk management and does not encourage risk taking that is inconsistent with the risk profiles, rules or instruments of incorporation of the UCITS funds or Alternative Investment Funds (AIFs) that the Management Companies manage nor impairs compliance with the management company's duty to act in the best interest of the UCITS Funds or AIFs. It is sufficiently flexible to be aligned with the business strategy, objectives, values and interests of each Management Company and the UCITS funds or AIFs that they manage and of the investors in those funds.

The remainder of this document sets out the following:

1. Remuneration governance
2. Identification of Material Risk Takers
3. Remuneration decision-making
4. Remuneration structure

¹ www.esma.europa.eu/sites/default/files/library/2016-575_ucits_remuneration_guidelines.pdf

² www.esma.europa.eu/sites/default/files/library/2015/11/2013-232_aifmd_guidelines_on_remuneration_-_en.pdf

³ Schroder AIDA SAS was first licensed as an AIFM in September 2017 and will publish its first remuneration disclosures in 2019, in respect of performance-year 2018.

Section 1 Remuneration governance

The governance of remuneration at Schroders operates as follows:

The Board of each UCITS or AIF Management Company

The Board (or Supervisory Board, where applicable) of each of the Management Companies is responsible for the adoption of the remuneration framework and ensuring remuneration policies and practices do not encourage risk taking that is inconsistent either with the risk profiles, rules or instruments of incorporation of the UCITS funds and AIFs that they manage or with the management companies' duty to act in the best interest of those funds.

This remuneration framework was first implemented in 2017, after which the Board (or Supervisory Board) of each Management Company will review the remuneration framework at least annually and is responsible for and oversees its implementation. The remuneration structure at Schroders has been largely unchanged for many years, reflecting the firm's long-term approach. That structure is considered to be consistent with and to promote sound and effective risk management and not to encourage inappropriate risk taking but does not meet all of the specific remuneration structure requirements of the Directives. To meet those requirements, a different remuneration structure applies for employees who are considered to be UCITS and AIF MRTs⁴. Section 4 provides more information on the UCITS / AIF MRT remuneration structure.

The Board (or Supervisory Board) also reviews and agrees the UCITS and/or AIF MRT population for the Management Company, in line with the Schroders MRT identification approach. The approach to identifying MRTs is based on the text of the Directives and the ESMA Guidelines, which provide more guidance on identifying MRTs. Section 2 provides more information on the identification of MRTs.

The Remuneration Committee of the Board of Schroders plc

Schroders as a Group (Schroders plc and its subsidiaries, the 'Group') has a Remuneration Committee, consisting of independent non-executive Directors of Schroders plc, which provides firm-wide remuneration oversight. To ensure the Committee is adequately informed of risks facing Schroders and the management of those risks, the Chairman of the Committee also serves on the Audit and Risk Committee of Schroders plc. The Committee also receives reports from the heads of Risk, Legal and Compliance as part of its consideration of remuneration proposals. This ensures the Committee is constituted in a way that enables it to exercise competent and independent judgment on remuneration policies and practices and the incentives created for managing risk.

The Remuneration Committee determines the Group remuneration policy and oversees its implementation across the firm globally. The Remuneration Committee also oversees the identification of MRTs for each of the Management Companies across the Group and the level and structure of their remuneration.

The Committee's other responsibilities include reviewing and approving the remuneration strategy for the Group, ensuring that remuneration arrangements are consistent with effective risk management and do not encourage excessive or inappropriate risk management, overseeing the remuneration governance framework and recommending to the Board of Schroders Plc the Group's policy on Directors' remuneration.

The Schroders Remuneration Report, on pages 62 to 90 of the Schroders plc 2017 Annual Report and Accounts (available on www.schroders.com/ir), provides more information on the activities of the Remuneration Committee of Schroders plc and our remuneration principles and practices.

Independent annual review

The implementation of the remuneration framework is subject to independent annual review by the independent Internal Audit and/or Compliance functions of Schroders Group. These reviews aim to ensure the framework is consistent with the requirements of the Directives, as applicable, and that remuneration practices are consistent with the policies and procedures adopted by the Board of each Management Company. In addition, a firm-wide 'remuneration policy statement' setting out key features of the remuneration framework across the Group is reviewed each year by the global heads of Compliance, Internal Audit and Risk.

⁴ The UCITS / AIF remuneration structure may also be applied to some other employees, e.g. where similar rules apply under non-European regulations and possibly to some employees who were UCITS / AIF MRTs previously and then ceased to be such due to factors such as individual role changes or business restructuring.

Section 2 Identification of Material Risk Takers (MRTs)

The Directives set out which roles must be subject to the remuneration structure rules. UCITS and AIF MRTs are staff whose professional activities are deemed to have a material impact on the risk profiles of the regulated management company or the regulated funds that it manages. The ESMA Guidelines provide more guidance on identifying MRTs under the UCITS Directive and AIFMD. This section sets out the requirements for identifying UCITS and AIF MRTs and how Schroders has applied those rules.

Identification of UCITS and AIF MRTs

The following roles are identified by Schroders as MRTs under the UCITS Directive and AIFMD:

Directive rules	ESMA guidelines	Schroders interpretation
senior management	Executive and non-executive members of the management body of the management company, depending on the local legal structure of the management company, such as: directors, the chief executive officer and executive and non-executive partners.	<ul style="list-style-type: none"> • Management company board members • Supervisory board members (for Schroder AIDA)
senior management	Senior management	<ul style="list-style-type: none"> • Executive and non-executive Directors of Schroders plc • Relevant Asset Class Heads for the regulated funds for each management company • Group Head of Wealth Management and Chief Investment Officer Wealth Management for Wealth Management regulated funds • Other roles with local regulatory accountability: <ul style="list-style-type: none"> ○ For UK-regulated firms <ul style="list-style-type: none"> ▪ CF1 (Director) ▪ CF2 (Non-executive director) ▪ CF3 (Chief executive) ▪ CF4 (Partner) (not applicable in practice) ▪ CF29 (Significant management function) ○ For SIM Lux, the 'Conducting Officers' • Fund board members
control functions	Control functions	<ul style="list-style-type: none"> • Risk: <ul style="list-style-type: none"> ○ Group Head of Risk ○ Head of Investment Risk ○ Funds Investment Risk Committee members / Real Estate Investment Risk Committees for Real Estate AIFMs ○ For Schroder AIDA: Risk Controller • Internal audit: <ul style="list-style-type: none"> ○ Group Head of Internal Audit ○ Internal Audit Manager for management company (where applicable) • Compliance: <ul style="list-style-type: none"> ○ Global Head of Compliance ○ Compliance Officer for the management company / For Schroder AIDA: RCCI (responsible for internal controls) ○ Head of Compliance, Investment

Directive rules	ESMA guidelines	Schroders interpretation
risk takers	Staff responsible for heading the investment management, administration, marketing and human resources functions	<ul style="list-style-type: none"> • Investment management <ul style="list-style-type: none"> ○ Relevant Asset Class Heads • Administration (as appropriate to each Management Company) <ul style="list-style-type: none"> ○ COO Europe ○ COO Investment ○ COO Portfolio Services ○ COO Product ○ COO Real Estate ○ CFO Wealth Management ○ Head of Operations for the regulated Management Company, if any • Marketing <ul style="list-style-type: none"> ○ Global Head of Marketing • Human Resources <ul style="list-style-type: none"> ○ Global Head of HR
risk takers	Other risk takers such as: staff members, whose professional activities – either individually or collectively, as members of a group (e.g. a unit or part of a department) – can exert material influence on the management company's risk profile or on a [regulated fund] it manages, including persons capable of entering into contracts/positions and taking decisions that materially affect the risk positions of the management company or of a [regulated fund] it manages. Such staff can include, for instance, sales persons, individual traders and specific trading desks. <i>Further guidance is provided – see https://www.esma.europa.eu/system/files_force/library/2015/11/2013-232_aifmd_guidelines_on_remuneration_-_en.pdf</i>	<ul style="list-style-type: none"> • Roles identified via an Individual Risk-impact Assessment Framework, which captures some roles already on the lists above but also: <ul style="list-style-type: none"> ○ Lead Fund Manager(s) for each fund ○ Product Manager for each fund ○ Chief Executive Officer, Asia Pacific ○ Chief Executive Officer, North America ○ Product Development Committee members ○ Group Chief Technology Officer ○ Group General Counsel ○ Head of Legal, Distribution and Product ○ Head of Legal for Management Company (if any) ○ Head of Credit Risk ○ Relevant Asset Class heads of trading <p>More detail of the risk-assessment framework follows this table.</p>
and any employee receiving total remuneration that falls within the remuneration bracket of senior management and risk takers whose professional activities have a material impact on the risk profiles of the management companies or of the [regulated funds] that they manage.”	Additionally, if they have a material impact on the risk profile of the management company or of the UCITS it manages, other employees/persons, whose total remuneration falls into the remuneration bracket of senior managers and risk takers should be included as the identified staff, such as: high-earning staff members who are not already in the above categories and who have a material impact on the risk profile of the management company or of the UCITS it manages. It is likely that in some cases, those staff members whose remuneration is as high as or higher than senior executives and risk takers will be exerting material influence in some way on the risk profile of the management company or of the UCITS it manages. In other management companies, this may not be the case.	<ul style="list-style-type: none"> • Starting with employees of the management company, if any (SIM Lux, SREK, SREM) and SAIDA are employing entities whereas SUTL and SREIM are not) • Focusing on those earning the same or more than the lowest paid of those identified under ‘Senior Management’ or ‘Risk takers’ • Applying judgement as to whether the role of any of these employees has a material impact on the management company's risk profile or the regulated funds that it manages

Individual Risk-impact Assessment Framework

To identify 'risk takers', we focus on the risk categories that are most relevant to the management company or the regulated funds and consider who is responsible for each risk category, focusing on accountability in respect of the management company and funds. The table below sets out the risk categories and who has been identified as responsible in each case, highlighting all who otherwise would not be MRTs:

Risk category	Responsible roles	
Conduct risk	<ul style="list-style-type: none"> Members of the management company board Other roles with local regulatory accountability, such as the SIM Lux Conducting Officers 	<ul style="list-style-type: none"> Management company Compliance Officer
Distribution risk	<ul style="list-style-type: none"> Product Development Committee members Product Manager for each fund 	<ul style="list-style-type: none"> Chief Executive Officer, Asia Pacific Chief Executive Officer, North America
Governance risk	<ul style="list-style-type: none"> Management company board members 	<ul style="list-style-type: none"> Other roles with local regulatory accountability
Operational risk	<ul style="list-style-type: none"> Group Chief Technology Officer COO Europe COO Investment 	<ul style="list-style-type: none"> COO Portfolio Services COO Product Management company operations head, if any
Regulatory risk	<ul style="list-style-type: none"> Management company Compliance Officer 	<ul style="list-style-type: none"> Head of Compliance, Investment
Reputational risk	<ul style="list-style-type: none"> Management company board members Relevant Asset Class heads Global Head of Human Resources Group Head of Internal Audit Group General Counsel 	<ul style="list-style-type: none"> Global Head of Marketing Group Head of Risk Global Head of Compliance Other roles with local regulatory accountability
Third-party service provider risk	<ul style="list-style-type: none"> COO Europe COO Investment 	<ul style="list-style-type: none"> Head of Legal, Distribution and Product Head of Legal for Management Company (if any)
Credit Risk	<ul style="list-style-type: none"> Head of Credit Risk 	
Counterparty risk	<ul style="list-style-type: none"> COO Europe COO Investment 	<ul style="list-style-type: none"> Head of Legal, Distribution and Product Head of Legal for Management Company
Liquidity Risk	<ul style="list-style-type: none"> Lead Fund Manager(s) for each fund Product Manager for each fund 	<ul style="list-style-type: none"> Funds / Real Estate / AIDA Investment Risk C'ttee members Relevant Asset Class heads of trading
Market Risk	<ul style="list-style-type: none"> Lead Fund Manager(s) for each fund Funds / Real Estate / AIDA Investment Risk Committee members 	<ul style="list-style-type: none"> Asset Class heads of trading

Section 3 Remuneration decision-making

Remuneration principles

This remuneration framework was developed with a number of principles in mind. It should be:

- Aligned with clients: A proportion of key employees' variable remuneration is deferred and delivered as Fund awards, which are notional investments in funds managed by the Group, thereby aligning the interests of employees and clients.
- Aligned with shareholders: A proportion of variable remuneration is deferred and delivered in the form of deferred awards over Schroders shares, thereby aligning the interests of employees and shareholders. In addition, the executive Directors of Schroders plc and other members of the Group Management Committee are required, over time, to acquire and retain a holding of Schroders shares or rights to shares equivalent in value to 300% of annual base salary, or 500% for the Group Chief Executive.
- Aligned with financial performance: Total variable compensation is managed as a percentage of pre-bonus profit before tax and exceptional items, determined by the Committee and recommended to the Board. The total spend on compensation is managed as a percentage of net revenue. This approach aligns compensation with financial performance.
- Designed to encourage retention: Deferred variable compensation does not give rise to any immediate entitlement. Awards normally require the participant to be employed continuously by the Group until at least the third anniversary of grant in order to vest in full.
- Competitive: Employees receive a competitive compensation and benefits package, which is reviewed annually and benchmarked by reference to the external market. This allows us to attract and retain the best talent, who know that good performance will be rewarded.

Determining the firm-wide bonus pool

The overall size of the annual pool for variable performance-related pay each year is a material component of the Group's total remuneration expense. It is set by the Board and the Remuneration Committee by reference to two ratios, both of which are reported publicly to shareholders:

- 1) Profit Share Ratio: bonus charge before exceptional items divided by pre-bonus profit before tax and exceptional items; and
- 2) Total Compensation Ratio: total compensation cost before exceptional items divided by net income before exceptional items.

This ensures that the aggregate spend on variable performance-related pay is directly linked to the Group's performance. The use of the Profit Share Ratio ensures that the interests of employees are aligned with the Group's financial performance. Schroders targets a Total Compensation Ratio of 45-49%, depending on market conditions, and by doing so aligns the interests of employees with those of shareholders.

In determining total compensation spend each year, the Remuneration Committee receives reports on risk, legal and compliance matters from the heads of those areas and a report from the Group Chief Executive on the underlying strength and sustainability of the business. The directors of the Management Company can escalate to the management of Schroders Group and/or the Remuneration Committee any concerns about the performance or behaviours of employees, and in particular of UCITS or AIF MRTs.

The Schroders values

The importance of culture to long-term value and how corporate cultures are defined, embedded and monitored is a key issue for boards, regulators and other external stakeholders.

The Group's values, of Integrity, Excellence, Innovation, Passion and Teamwork, are embedded in interview processes, with psychometric testing available to support this where appropriate. Induction processes are also based around the Group's 'Guiding Principles', rooted in the Group's values, to ensure that employees understand what is expected of them. Ensuring the cultural fit of new employees with the business is a key focus of management and the HR team. The Schroders values are also considered throughout the employee life-cycle and form part of the performance management process, which in turn impacts remuneration outcomes.

Individual performance management

Schroders operates an annual cycle to set objectives and then assess performance and behaviours against our values.

- At the start of each year, following the business planning and budgeting cycle, individual performance goals and objectives are set, in discussion between employees and first line managers. Objectives typically combine both financial and non-financial goals and in addition all employees are subject to a non-financial performance assessment based on behaviours compared to Schroders values, as outlined below.
- A mid-year review is carried out, to assess whether each employee's year-to-date performance is on-track or off-track and to give an opportunity for structured feedback and coaching.
- Towards the end of the year, the annual appraisal assesses the performance of each employee against expectations, by reference to the objectives set at the start of the year. Where appropriate, performance is assessed over periods of time that are consistent with client expectations, particularly for MRTs responsible for investment performance, where the performance of each investment desk is considered over 1, 3 and 5-year periods.

The performance appraisal is a key input when determining individual compensation recommendations. The performance appraisal results in two ratings:

- Performance rating: a numerical rating ranging from 1 (does not meet) to 5 (outstanding), where 3 is on-target (meets expectations)
- Values rating: an assessment of each employees behaviours compared to Schroders values, ranging from 'needs improvement' to 'as expected' and then 'role model'.

Conduct, compliance and risk management in remuneration

The Conduct Assessment Group ('CAG'), consisting of the control function heads, the global head of HR and legal counsel, independently review potential conduct indicators, such as compliance breaches, risk events, grievances and disciplinary matters, to help identify conduct issues and behaviours that are not aligned with the Group's values. There is a particular focus on the MRT population. This helps ensure that conduct indicators are appropriately reflected in performance appraisals and remuneration outcomes, alongside the performance and values ratings coming out of the individual performance appraisal process.

The Remuneration Committee also receives independent reports on risk, legal and compliance matters from the heads of those areas in its consideration of compensation proposals, which provides a further opportunity for any material concerns to be escalated.

Remuneration decision-making

The Group Chief Executive allocates the overall bonus pool between the divisions or functions headed by members of the Schroders Group Management Committee ('GMC'), taking into consideration the objectives, both financial and non-financial, that were set at the beginning of the year. Remuneration recommendations for individual employees are in each case based on the line manager's assessment of the employee's performance against objectives, the performance of the relevant business area and the levels of reward for comparable roles in the market. Recommendations are reviewed up the management line and ultimately are recommended by members of the GMC to the Group Chief Executive, for review and approval. Individuals are not involved in determining their own remuneration.

The Remuneration Committee determines the remuneration for the executive Directors and Company Secretary of Schroders plc, monitors and reviews the remuneration for other GMC members, control function heads and MRTs, and also provides oversight of the compensation review overall.

Remuneration decision-making for control function roles

The performance of staff engaged in control functions is assessed based on the achievement of objectives linked to their functions, independently of the performance of the business areas that they control. Remuneration recommendations are based on those individual performance assessments.

Remuneration recommendations for the Head of Internal Audit are set by the Chair of the Schroders plc board Audit and Risk Committee, in discussion with the Group Chief Executive. Remuneration recommendations for all other control function employees are put forward by the management of the respective control function, taking into account the annual performance appraisal and market remuneration benchmarking data. Recommendations are reviewed by the Group Chief Executive, and are determined independently from the

front office functions. The remuneration recommendations for key control function positions, including the heads of Compliance, Internal Audit and Risk, their managerial direct reports and other senior officers within the control functions, are reviewed by the Remuneration Committee, as are remuneration recommendations for all UCITS and AIF MRTs.

Section 4 Remuneration structure

Employee remuneration at Schroders is made up of fixed remuneration, which does not vary with performance, and variable remuneration, which is performance-related. The fixed and variable components of remuneration are appropriately balanced to allow a fully flexible approach to variable remuneration, including the possibility of paying zero variable remuneration to an employee where warranted.

Fixed remuneration

Fixed pay is principally comprised of salaries or fees. All UCITS and AIF MRTs receive either a salary (for employees) or fees (for non-executive directors) that reflect their responsibilities and the level of experience and expertise needed to undertake their roles. Employees who serve as Directors of the Group's regulated Management Companies receive no additional fees in respect of their role on the Board of the Management Companies.

Salaries and fees are paid in cash via payroll. Salaries are reviewed annually and any increases are normally effective on 1 March following the financial year-end. The financial situation of the firm and the performance of each individual are taken into account when determining the appropriate level of salary increase each year, if any. Schroders actively targets its spend on salary increases at lower-paid employees, for whom fixed remuneration forms a larger proportion of total remuneration. For higher-paid employees, base salaries are adjusted infrequently.

Fixed pay also includes appropriate benefits in kind to help recruit and retain talent, reflect local market practice and support employee health and wellbeing. Employee benefits vary between jurisdictions, reflecting local market practice and statutory requirements. Cash allowances may also be paid, typically after a benefit was phased out so cash in lieu was offered to existing employees in exchange or for a fixed period when other remuneration structure changes are first implemented to mitigate employee cash flow. Additional benefits may be provided if required, for example to support international relocation.

Retirement benefits are also provided, to help recruit and retain talent, reflect local market practice and to enable and encourage provision for retirement. The retirement benefits that are provided for UCITS and AIF MRTs are in line with the business strategy, objectives, values and long-term interests of the relevant Management Company(s) and the regulated funds that it manages. Schroders does not provide employees with discretionary pension benefits.

Variable remuneration

Variable performance-related pay is principally comprised of annual bonus awards, which aim to motivate employees to achieve financial, non-financial and personal objectives for the year and to reward employees for their individual contribution. Non-executive directors do not receive variable performance-related pay.

UCITS and AIF MRTs who are permanent employees are eligible to be considered for an annual bonus award each year. Bonuses for all employees take account of overall Group, team and individual performance against agreed objectives. In this context, performance includes financial and non-financial measures and in particular an assessment of the employee's behaviour and the extent to which it is in line with Schroders values of Integrity, Excellence, Innovation, Passion and Teamwork.

Schroders Group believes that a discretionary incentive approach is preferable to the use of formulaic arrangements, to ensure that good conduct and behaviours in line with our values are rewarded, to avoid reinforcing or creating conflicts of interest and to encourage a one team attitude.

The use of guaranteed bonuses is exceptional, so a guaranteed bonus may only be offered where strictly necessary in the context of hiring new staff, and then is limited to the first year of employment. Any termination payments reflect performance over time and are designed to not reward failure, taking into account the circumstances of the termination, on a case-by-case basis.

Bonus deferral

Variable remuneration for all Schroders employees is subject to deferral, which works to increase the alignment of employee interests with those of clients and shareholders and as a mechanism to retain talent. Employees across Schroders Group see a proportion of their variable remuneration subject to deferral if the bonus is £52,000 or more (or the local currency equivalent). If the bonus is less than £52,000 then the bonus is paid all in cash (including for UCITS and AIF MRTs).

There are significant differences in the level of total remuneration paid to different employees, and within that to different UCITS and AIF MRTs. This is in line with Schrodgers remuneration principles, reflecting the different competitive market rate for those roles, as well as differences in individual, team and business performance. The structure of variable remuneration for UCITS and AIF MRTs takes into account the level of remuneration, as follows.

For employees receiving larger bonus awards, a significant proportion of their annual bonus award is deferred. For those who are UCITS and AIF MRTs, at least 40% of any bonus is deferred, with the amount deferred increasing when the bonus exceeds £250,000 (or local currency equivalent), up to 60% of the total bonus for bonuses of £500,000 or more. In addition, for MRTs, half of the upfront bonus (i.e. the portion that is not deferred) is paid in cash and half is delivered as an upfront fund award, which must be retained for a period following the end of the performance year.

Bonuses are deferred either through awards under the Deferred Award Plan (DAP), for UCITS and AIF MRTs, or the Equity Compensation Plan (ECP), for employees who are not UCITS and AIF MRTs. The DAP and the ECP operate on similar terms but the DAP is more closely aligned with the remuneration requirements of the Directives and the associated long-term performance and investment risks of the UCITS Funds and AIFs under management. Upfront fund awards for UCITS and AIF MRTs are also granted under the DAP.

The DAP and ECP align the interests of employees with those of clients and shareholders, provide an incentive for the employee to stay at Schrodgers and make it more expensive for competitors to recruit talent from Schrodgers. Awards vest over three years. Fund awards are conditional rights to receive a cash sum based on the value of a notional investment in a range of Schrodgers investment products. The pay-outs from DAP and ECP fund awards are directly determined by the Group's performance managing funds for our clients. Share awards are conditional rights to acquire shares in the Company at nil cost. For 2017, at least 50% of the deferred annual bonus awards for UCITS and AIF MRTs will be delivered as a fund award, and the balance as a share award, subject to a minimum fund award of £10,000.

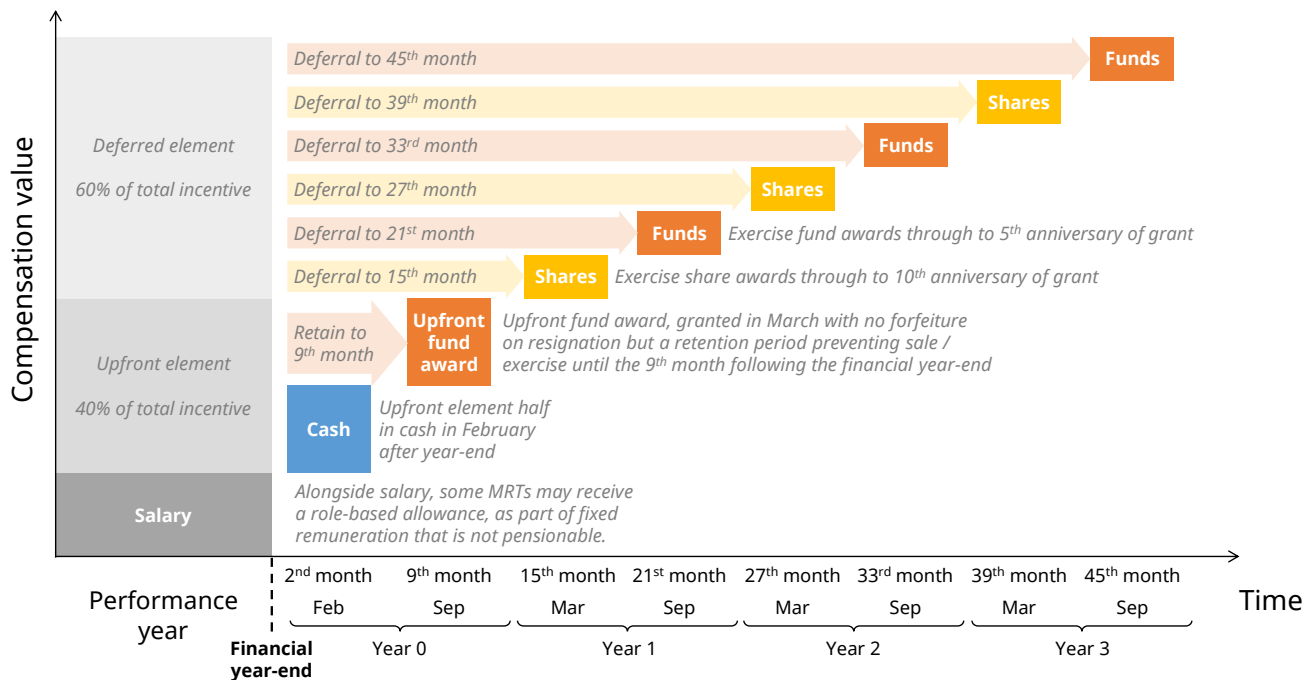
The table below sets out in more detail the remuneration structure for UCITS and AIF MRTs:

Design feature	Remuneration structure for UCITS / AIF MRTs (£ values shown in practice are the local currency equivalent)	
Minimum bonus for this structure to apply	<p>The remuneration structure below applies to all UCITS / AIF MRTs with a bonus of £52,000 or more (or local currency equivalent).</p> <p>For UCITS / AIF MRTs with a bonus below this level the bonus will be paid all in cash, in line with the approach under Schrodgers' standard remuneration framework (i.e. the remuneration framework that applies for employees who are not UCITS / AIF MRTs). This provides a proportionate approach to UCITS / AIFMD compliance, targeting the remuneration structure requirements at more significant risk-takers.</p>	
Proportion deferred	<ul style="list-style-type: none"> - Total bonus is less than £52,000 - Total bonus is £52,000 up to £250,000 - Total bonus is £250,000 to £500,000 - Total bonus is £500,000 or more 	<ul style="list-style-type: none"> No deferral (see above) 40% deferral of the total bonus value Linear interpolation of deferral value 60% deferral of the total bonus value <p><i>Note: the deferral rates above apply to the full bonus, rather than operating as a 'tax table' where each slice of bonus has a different deferral rate applied to it.</i></p>
Structure of the upfront element	<ul style="list-style-type: none"> - If total incentive is less than £52,000 then the bonus is payable all in cash in February following the end of the financial year via payroll - If the total incentive exceeds £52,000 the upfront element is instead split into two equal elements: <ul style="list-style-type: none"> - Half paid in cash in February via payroll - Half granted as a fund award in March following the end of the financial year, available for exercise in the 9th month following the financial year-end (September), subject to Schrodgers' standard malus and clawback terms - On release, upfront fund awards will be available to exercise or can be left in the scheme for the remainder of the award's five-year life 	
Structure of the deferred element	<ul style="list-style-type: none"> - Granted half in fund awards and half in share awards, in March following the end of the financial year, subject to a minimum £10,000 fund award - Vesting pro-rata over three years, so the right to exercise deferred share and fund awards vests in equal instalments over the three-year deferral period. <ul style="list-style-type: none"> - The right to exercise fund awards will vest in equal instalments in the 21st, 33rd and 45th months following the financial year-end (i.e. in September each year, skipping the first September after the financial year-end) 	

Design feature Remuneration structure for UCITS / AIF MRTs (£ values shown in practice are the local currency equivalent)

- The right to exercise share awards will vest in equal instalments in the 15th, 27th and 39th months following the financial year-end (i.e. in March each year, on the first three anniversaries of grant)

Illustration of deferral structure for an MRT with a bonus of £500,000 or more



The remuneration framework for UCITS and AIF MRTs ensures the following, for all MRTs where the bonus is £52,000 or more:

- 1) At least 40% of any bonus is deferred, with the proportion deferred increasing for awards above £250,000 until the deferral rate reaches 60% for awards of £500,000 or more.
- 2) Across each of the upfront and deferred elements of the bonus, 50% of any bonus awarded is in the form of fund awards, aligned to the interests of clients.
- 3) The upfront fund awards are subject to a retention period that ends in the 9th month following the end of the financial year.
- 4) Deferred fund awards vest in the 21st, 33rd and 45th months following the end of the financial year. Deferred share awards vest 15th, 27th and 39th months following the end of the financial year.

Other deferred compensation awards

The Equity Incentive Plan (EIP) is an additional deferred remuneration plan, used to recognise sustainable performance and potential, and to increase the alignment of employee interests with the interests of shareholders and clients. EIP awards operate in a similar way to deferred bonus awards, granted 50% in the form of a fund award and 50% in the form of a share award, but vest after five years. There is no upfront element to an EIP award.

Malus and clawback terms

Deferred remuneration awards made under the ECP since May 2011 and EIP awards made since October 2013 may be reduced or lapsed in the event of a material misstatement of the Group's financial results or individual misconduct, under 'malus' terms. Amounts that have been paid or released from ECP, EIP or LTIP awards made since October 2013 may be recovered for a period of 12 months from the date of payment or release in the event of individual misconduct, under 'clawback' terms. All deferred remuneration awards under ECP, DAP and EIP granted from March 2018 onwards are subject to the Schroders Malus and Clawback Policy and are subject to malus and clawback terms as required by the UCITS/AIFMD remuneration requirements.

Any variable remuneration, including the deferred portion, is paid or vests only if it is sustainable according to the financial situation of the management company as a whole.

Personal hedging strategies

Staff are not permitted to use personal hedging strategies or insurances to undermine the risk-alignment effects embedded in their remuneration arrangements, though hedging of foreign exchange rate exposure through remuneration awards is permitted.

International variations

Due to country differences, such as tax, securities and employment law, the remuneration structure has to be varied in some jurisdictions. Schroders carries out international legal due diligence on remuneration structures each year to stay abreast of local legal and regulatory developments. Those developments mean that the remuneration approach in each country is subject to change but based on the most recently completed due diligence:

- We expect not to be able to grant fund awards in Bermuda, Channel Islands, China, Denmark, Korea, Mexico, Netherlands, Spain or Sweden. In countries where fund awards are not available the equivalent deferred bonus value for UCITS and AIF MRTs will be granted as deferred cash awards, vesting on the same dates as a deferred fund award, and an upfront deferred cash award, released on the same date as an upfront fund award.
- We expect not to be able to grant share awards in Argentina, the Channel Islands, China, Chile or Korea. In countries where share awards are not available the equivalent deferred bonus value for UCITS and AIF MRTs will be granted as deferred phantom awards (i.e. the right to receive a cash payment after the end of the deferral period, the value of which is linked to the market value of a specified number of notional voting ordinary shares in Schroders plc), vesting on the same dates as a deferred share award.