

1.1 RATIONALE

The Schroders Personal Wealth (SPW) Remuneration Policy applies across all of the legal entities within Scottish Widows Schroders Wealth Holdings Ltd. and currently mirrors the Lloyds Banking Group (“the Group”) Remuneration Policy (“the Remuneration Policy”), reflecting that SPW is a wholly owned subsidiary of the Group until change of control

The SPW Remuneration Policy and the associated SPW Reward Governance Framework define the remuneration policies, procedures and practices which Scottish Widows Schroders Wealth Holdings Ltd. Remuneration Policy adopts in full. The Policy supports consistent and effective risk management that accepts risk-taking and mirrors the Group’s risk appetite (or, where applicable, the risk appetite of Scottish Widows Schroders Wealth Holdings Ltd. and its legal entities (including AIF or UCITS funds under its management, having regard (where relevant) to the risk profiles of the funds managed by it) and in line with its business strategy, objectives, values and long-term interests.

The SPW remuneration approach covers all colleagues, with a particular focus to recognise and reward high-performing colleagues who act in the best interests of our clients, shareholders and other stakeholders.

Legal entities of Scottish Widows Schroders Wealth Holdings Ltd. that are regulated by the Prudential Regulation Authority (PRA) and/or Financial Conduct Authority (FCA) are required to operate under rules set out in

- Various Codes within SYSC Chapter 19,
- PRA Rulebook (Remuneration Instrument 2015 (PRA 2015/53)),
- MiFID II Organisational Requirement Regulation (Article 27 of the Commission Delegated Regulation (EU) 2017/565

A requirement under the codes of SYSC 19, states that a remuneration policy is maintained that is consistent with and promotes sound and effective risk management that does not encourage excessive risk taking which is inconsistent with the risk profile of the relevant company or the specific funds managed by companies and to which those companies have specific obligations to act in the best interests of those funds (and its investors).

This Policy is intended to ensure that Scottish Widows Schroders Wealth Holdings Ltd. and its legal entities complies with each of the applicable regulations, as amended from time to time.

Client Impact

The SPW Remuneration Policy supports Scottish Widows Schroders Wealth Holdings Ltd.’s aim to be the leading financial planning business in the UK by providing strong and sustainable shareholder returns by:

- attracting and retaining individuals of the required calibre to deliver its business strategy;

- driving appropriate behaviour to ensure colleagues comply with regulatory requirements and deliver consistently fair outcomes to our clients; and
- avoiding remuneration practices which could have the potential to damage the reputation of Scottish Widows Schroders Wealth Holdings Ltd or that of its clients, regulators and its shareholders.

It is the aim of the remuneration governance arrangements to provide clear oversight and effective management of any potential conflicts of interest, ensuring that remuneration decision processes are consistent with Scottish Widows Schroders Wealth Holdings Ltd.'s risk appetite..

Transparent and robust evidence of effective remuneration governance processes and practices will enable Scottish Widows Schroders Wealth Holdings Ltd and the Group to meet the expectations of its regulators and other stakeholders.

1.2 RISK APPETITE ALIGNMENT

The SPW Remuneration Policy supports consistent and effective risk management that accepts risk-taking mirroring Lloyds Banking Group's risk appetite (or, where applicable, the risk appetite of Scottish Widows Schroders Wealth Holdings Ltd. and its legal entities (including AIF or UCITS funds under its management, having regard (where relevant) to the risk profiles of the funds managed by it) and in line with its business strategy, objectives, values and long-term interests.

Scottish Widows Schroders Wealth Holdings Ltd articulates its risk appetite on both an Aspirational (what we want to be) and Operational (how we get there) basis. From a People Risk perspective, the risk appetite is defined as:

Aspirational Board Risk Appetite

We invest in our people and our role as a major employer of choice.

Operational Board Risk Appetite

People: We lead responsibly and proficiently, manage people resource effectively, support and develop colleague talent, and meet legal and regulatory obligations related to our people.

1.3 POLICY AND RISK APPETITE MEASURES

Policy Risk Appetite

Scottish Widows Schroders Wealth Holdings Ltd is committed to meeting its legal and regulatory responsibilities as an employer. There is no appetite for non-compliance or avoidance of regulatory standards and employment (or other relevant) legislation.

All reward policies, practices and procedures supporting this Policy must be approved in line with the SPW Reward Governance Framework. There is no appetite for reward decisions made outside the governance requirements outlined in the Policy and the Reward Governance Framework.

The Head of HR and Chief Risk Officer must work together to set appropriate risk metrics for variable pay arrangements that drive behaviours in line with strategy and risk appetite.

There is no appetite for the unfair or inconsistent treatment of colleagues on the basis of their personal characteristics (i.e. sex, age, disability, race, religion or belief, marital or civil partnership status, sexual orientation, transgender status or parental status).

1.4 REMUNERATION POLICY PRINCIPLES

1.4.1 'Reward Principles'

The Remuneration Policy is based on the following Reward Principles.

Reward Principle	Heading
Customer Alignment	<ul style="list-style-type: none">• Rewards actions and behaviours which enable great client service• Supports the Culture Plan
Simple, Affordable and Motivating	<ul style="list-style-type: none">• Flexible and simple• Transparent and understood (by colleagues and other stakeholders)• Motivating awards which colleagues value
Shareholder Alignment	<ul style="list-style-type: none">• Supports delivery of long-term, superior and sustainable returns• Promotes sound and effective risk management• Complies with regulations
Competitive, Performance Driven and Fair	<ul style="list-style-type: none">• Drives successful change• Encourages working together as one team• Delivers fair outcomes, based on performance, not personal characteristics

This Policy applies to all aspects of remuneration, including (but not limited to):

- Salary
- Benefits
- Pension
- Short-Term Variable Reward
- Long-Term Variable Reward

This Policy should be read in conjunction with all other supporting People (HR) policies and procedures found on the HR Advice & Guidance site and other related Policies (see Related Policies and Governance Documents below).

2. POLICY APPLICATION

All Policy Mandatory Requirements must be complied with from the date of Policy publication.

2.1 Application

The Policy applies in its entirety Scottish Widows Schroders Wealth Holdings Ltd and to all its Entities, Business Units, including all colleagues (including contractors, secondees and temporary staff). Where local laws or regulations set more rigorous requirements for any aspect of remuneration governance the higher standards must be applied. In the event that any aspect of this Policy contravenes local laws or regulations the local laws or regulations shall prevail, in which case a Policy Waiver request must be submitted for approval by the Policy Owner.

Failure to comply with this Policy may result in formal action under the disciplinary policy.

All remuneration decisions must be made in accordance with the Reward Principles, as well as the SPW Reward Governance Framework and the detailed reward policies and procedures which govern specific areas of reward (for example, a SPW Deferral and Performance Adjustment policy and Pay policy). These policies and procedures provide colleagues and line managers with a framework for understanding and implementing the remuneration structure.

2.2 Remuneration Regulations - Material Risk Takers (MRTs), Identified Staff and Relevant Staff

In the application of the SPW Remuneration Policy, Scottish Widows Schroders Wealth Holdings Ltd is required to comply with several remuneration regulatory regimes, which impact colleagues who have been categorised as

- Material Risk Takers under the Capital Requirements Directive IV (CRD IV)
- Identified Staff under the Alternative Investment Fund Managers Directive (AIFMD)
- Identified Staff under Undertakings for Collective Investments in Transferable Securities V (UCITS V)
- Relevant staff under the Markets in Financial Instruments Directive II (MiFID II)

2.2.1 Record-keeping and oversight

A copy of the rationale documents for identifying MRTs, Identified or Relevant Staff is available by request from the Policy contact.

A record of CRD IV MRTs and AIFMD, UCTIS V, and MiFID II Identified / Relevant Staff and their remuneration is maintained by the Reward team and is subject to review at least annually by the Remuneration Committee in accordance with its Terms of Reference.

All colleagues who are identified as MRTs, Identified or Relevant Staff receive written confirmation of their status and are made aware of the requirements of the Remuneration Regulations and their responsibilities, including the voiding provisions and not to undertake personal hedging activity.

2.3 Reward Governance Framework

All remuneration decisions must be made in accordance with the Reward Principles set by the SPW Remuneration Committee and in accordance with the SPW Reward Governance Framework.

Required level of sign-off:

- The SPW Reward Governance Framework document has been created to support this Policy which details the approval required for each specific type of remuneration decision outside of the annual Pay & Performance Share cycle.

2.4 Conflicts of Interest

Conflicts of Interest must be escalated. In the implementation of the Policy or conflicts of interest will be managed fairly. Effective remuneration design and independent oversight of both the Policy and outcomes ensures that conflicts of interest are managed and that appropriate links exist between risk and reward.

2.5 Proportionality

When establishing this Policy and associated frameworks, Scottish Widows Schroders Wealth Holdings Ltd is required to take into account the size, organisation and the nature, scope and complexity of the activities of its legal entities and apply all relevant regulatory requirements and practices as appropriate.

3. REWARD POLICIES

3.1. Reward Policies and Procedures

Setting fixed and variable remuneration components of total remuneration

Fixed remuneration reflects the role, responsibility and experience of a colleague. Further detail of the criteria for setting fixed remuneration is provided in the policy documents for Pay, Benefits and Pension.

Variable remuneration is based on an assessment of individual, business area and Scottish Widows Schroders Wealth Holdings Ltd performance. Where relevant to a legal entity, the assessment of performance must be based on performance of certain specific funds.

In setting the approach for variable remuneration, a reasonable balance of fixed versus variable remuneration is applied to ensure that fixed and variable components are appropriately balanced, with the fixed portion representing a sufficiently high proportion of total remuneration which allows the operation of a fully flexible policy on variable remuneration components, including the possibility of paying no variable remuneration.

Payment of variable remuneration may be spread out over a defined period. Further detail of the criteria for setting variable remuneration is provided in the policy documents for the Annual Bonus and LTIP.

Annual Bonus Plan

All awards will be subject to individual and business performance.

The approach to bonus is aligned to the principles of 'Your Best': whole colleague contribution and performance assessed against role expectations.

Schroders Personal Wealth bonus payments will be paid in cash and will be subject to the Deferral and Performance Adjustment Policy and will be subject to adjustments for risk and conduct.

Long Term Incentive Plan

The Long Term Incentive Plan is a discretionary plan which awards selected colleagues, primarily the most senior population, for achieving specific performance conditions covering a period of at least three years. All long-term plan, rules and vesting of awards must be approved in line with the SPW Reward Governance Framework.

Pension

The SPW Remuneration Committee is responsible for setting an appropriate policy on behalf of the Board.

The Remuneration Regulations require that, as a minimum:

- should a colleague leave pre-retirement and be awarded discretionary pension benefits, such benefits must be provided in shares (or otherwise in such other instruments required by the relevant remuneration code) and held for five years before release to the colleague;
- should a colleague leave on reaching retirement age and be awarded discretionary pension benefits, such benefits must be paid to the colleague in shares (or otherwise in such other instruments required by the relevant remuneration code) and be subject to a five-year retention period.

Scottish Widows Schroders Wealth Holdings Ltd does not make discretionary pension benefit awards and meets all other pension legislation.

Personal investment strategy / Anti-hedging

All performance-based awards are offered on condition that recipients will not use personal investment / hedging strategies or take out any other form of insurance contracts that undermine the risk alignment that is intended by the award.

3.2 Supporting Policies

Performance assessment

Scottish Widows Schroders Wealth Holdings Ltd operates a robust Performance Management process, further details are outlined in the Performance Management policy.

2.9 Risk Adjustment

All variable remuneration is subject to Risk Adjustment, as set out in the Deferral and Performance Adjustment policy.

A Deferral and Performance Adjustment policy exists to ensure that deferral and performance adjustment (including clawback for MRTs under CRD IV) is applied to variable remuneration, in line with the Remuneration Regulations.

The Remuneration Regulations require that companies aim for a high level of transparency and accountability in their risk-adjustment processes. Scottish Widows Schroders Wealth Holdings Ltd has to be prepared to disclose and discuss the quantitative and qualitative measures applied and demonstrate clearly how the final assessment of quantum of variable remuneration is reached.

Formal moderation meetings and calibration reviews for Material Risk Takers and Identified Staff populations must be minuted and may be required to be provided to the regulators.

Guaranteed Awards

Guarantees for variable remuneration may only be offered in exceptional circumstances to new hires for the first year of service.

Any guarantee must:

- be in line with the terms in place with the previous employer;
- be subject to deferral, retention and performance adjustment (malus and clawback) (where applicable) in line with the prevailing policy;
- have documentary evidence of loss, from the previous employer;
- be dependent on satisfactory performance (“good performer” or equivalent); and
- be approved in line with the Reward Governance Framework.

Buy-outs

A “buy-out” award is compensation for, or buy-out from, a colleague’s entitlement to certain variable remuneration under their employment contract in their previous employment.

The amount of buy-out may be no greater than the aggregate amount of unvested variable remuneration.

Buy-outs may be offered in respect of the colleague’s forfeiture of their contractual entitlement to receive any outstanding deferred variable remuneration, or other incentives on resignation from their previous employer. A buy-out must not be provided for awards under HMRC approved Save As You Earn (SAYE) or Share Incentive Plan (SIP) arrangements.

All awards proposed to be subject to buy-out must be supported by written evidence of the value of awards forfeited. Written evidence of rationale should be provided, including evidence that the buy-out award offered is not more generous in amount or terms (including vesting/release schedule and delivery mechanism (cash/shares)) than the forfeited award(s).

In exceptional circumstances, a buy-out may be offered where a new hire is contractually required to reimburse their previous employer, for example, in respect of the cost of education or other benefits.

Buy-outs must be:

- subject to deferral, retention and performance adjustment (malus and clawback) (where applicable) in line with the prevailing policy (unless agreed otherwise); and
- approved in line with the SPW Reward Governance Framework and in line with the specific prevailing policy on buyout awards, which incorporates regulatory requirements.

Retention Awards

Retention Awards are permitted only when in line with the Remuneration Regulations and are treated as variable remuneration.

Any Retention Award must:

- be subject to deferral, retention and performance adjustment (malus and clawback) (where applicable) in line with the prevailing policy (unless agreed otherwise);
- generally be forfeited if the colleague ceases to be employed before the award vests; and
- be approved in line with the SPW Reward Governance Framework.

In addition a standard process exists for the provision of remuneration statements, buyout notices and reduction notices for MRTs.

Termination payments

Termination (non-redundancy related) payments must:

- be compliant with regulatory and legal requirements;
- reflect performance over time; and
- not reward failure or misconduct.

All redundancy payments within policy must follow the standard process of approval. Enhanced termination payments (e.g. for amounts greater than contractual entitlement) require approval in line with the SPW Reward Governance Framework.

In the case of non-redundancy, all payments must be approved in line with the Reward Governance Framework as Enhanced Termination Payments.

Retained shares or other instruments

Scottish Widows Schroders Wealth Holdings Ltd complies with specific requirements on retention and holding periods for MRTs and Identified Staff

2.17 Colleague Awareness

All colleagues will receive appropriate communications to help them in understanding their remuneration and, in particular, the behaviours and performance required to be eligible for discretionary variable remuneration.

4. GOVERNANCE

4.1 Policy Ownership

Scottish Widows Schroders Wealth Holdings Ltd is responsible for setting the SPW Remuneration Policy for recommendation to the Board. Any changes to the Policy are subject to approval under the SPW Reward Governance Framework.

4.2 Policy Review

The Policy is subject to an independent internal review at least annually and a report will be provided to SPW Remuneration Committee. This report will provide evidence and assurance that the Policy has been implemented as intended.

The Policy will be subject to review against UK and, where relevant, non-UK regulation and legislation.

4.3 Roles and Responsibilities

Scottish Widows Schroders Wealth Holdings Ltd Remuneration Committee

The Scottish Widows Schroders Wealth Holdings Ltd Remuneration Committee is responsible for considering, agreeing and overseeing the overall remuneration philosophy and policy. Its Terms of Reference should be read in conjunction with this Policy.

Risk Division

The responsibilities of the Chief Risk Officer (CRO) in relation to remuneration are to:

- oversee the risk objectives within the performance measures of all MRTs and Identified Staff populations with the support of the relevant Risk Divisional representatives and provide input to the MRTs and Identified Staff populations year-end performance reviews, particularly in respect of risk objectives;
- attend at least two SPW Remuneration Committee meetings each year to confirm that the:
 - design and metrics for short and long-term variable remuneration arrangements are appropriate in the context of the risk appetite of SPW,
 - the Policy remains appropriate taking account of the risk appetite of SPW;
- provide information to the Risk Committee and the SPW Remuneration Committee on the performance of the firm and its entities against risk appetite in order to allow those governing bodies to take current and potential future risk fully into account in the assessment of performance for the purpose of determining variable remuneration outcomes;
- report to the SPW Remuneration Committee and the Risk Committee at year-end on risk and risk management considerations relevant to the determination of remuneration outcomes;

- set a framework each year for objectives for the risk dimension of the performance measures. Review the achievement of individual and business objectives at the year-end.

Internal Audit

Activity is undertaken by Internal Audit based on an independent plan and assessment of high risk areas, which includes reporting internal audit outcomes and identifying and escalating (as necessary) any risk and control failure.

4.4 Effective systems and controls

The firm is required to maintain appropriate systems and controls to implement this Policy effectively.

These systems and controls may vary according to business requirements, but should include at a minimum:

- appropriate resources to implement and oversee the requirements of the Policy effectively;
- effective monitoring and oversight controls to enable assurance as to the effective operation of the Policy to be provided to the Remuneration Committee and
- appropriate MI to support the annual reporting cycle including: out-of-cycle remuneration decisions;
 - calculation of performance metrics;
 - risk review / verification of performance metrics and any new incentive arrangements;
 - details of any guaranteed bonuses, buy-outs, retention and severance payments *approved in the year*.

5. MANDATORY REQUIREMENTS – NON-COMPLIANCE

Policy Waivers / Exceptions

Waivers / Exceptions to this Policy are permitted on an exceptional basis, and must be sent to the SPW Head of HR and in accordance with SPW Reward Governance Framework.