

SCOTTISH WIDOWS SCHRODER WEALTH HOLDINGS LIMITED REMUNERATION POLICY

Schroders
personalwealth

1. SCOTTISH WIDOWS SCHRODER WEALTH HOLDINGS LTD REMUNERATION POLICY

1.1. Rationale

The Schroders Personal Wealth (SPW) Remuneration Policy applies across all of the legal entities within Scottish Widows Schroder Wealth Holdings Ltd.

The SPW Remuneration Policy and the associated SPW Reward Governance Framework define the remuneration policies, procedures and practices which Scottish Widows Schroder Wealth Holdings Ltd. Remuneration Policy adopts in full. The Policy supports consistent and effective risk management that accepts risk-taking in line with the risk appetite of Scottish Widows Schroder 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 Schroder Wealth Holdings Ltd. that are regulated by the Financial Conduct Authority (FCA) are required to operate under rules set out in

- Various relevant Codes within SYSC Chapter 19, i.e. SYSC 19B, 19E, 19F and 19G
- MiFID II Organisational Requirement Regulation (Article 27 of the Commission Delegated Regulation (EU) 2017/565

Collectively referred to as "Remuneration Regulations"

A requirement under the codes of SYSC 19, states that a risk-focused 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 Schroder Wealth Holdings Ltd. and its legal entities complies with each of the applicable regulations, as amended from time to time.

1.1.1. Client Impact

The SPW Remuneration Policy supports Scottish Widows Schroder Wealth Holdings Ltd.'s aim to be the leading financial planning business in the UK, to provide strong and sustainable shareholder returns, and to deliver good outcomes to our clients.

Specifically, it does this by:

- avoiding remuneration practices which could have the potential to damage the reputation of Scottish Widows Schroder Wealth Holdings Ltd or that of its clients, regulators and its shareholders.
- 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 good outcomes to our clients and comply with the FCA's Consumer Duty. .

Transparent and robust evidence of effective remuneration governance processes and practices will enable Scottish Widows Schroder Wealth Holdings Ltd to meet the expectations of the Financial Conduct Authority (FCA) and other stakeholders.

1.2. Risk Appetite alignment

The SPW Remuneration Policy supports consistent and effective risk management that accepts the risk appetite of Scottish Widows Schroder 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.

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 Schroder Wealth Holdings Ltd.'s risk appetite.

Scottish Widows Schroder Wealth Holdings Ltd's risk appetite is described within the Risk Management Framework and considered as part of ICARA (Internal Capital and Risk Assessment). From a People Risk perspective, the risk appetite is defined as:

1.2.1. 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

1.3.1. Policy Risk Appetite

Scottish Widows Schroder 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 Chief People Officer 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. Reward Principles

The Remuneration Policy is based on the following Reward Principles.

Reward Principle	Heading
Client Alignment	<ul style="list-style-type: none"> • Rewards actions and behaviours which deliver good client outcomes and avoid causing foreseeable harm to clients • Supports the People Strategy
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 Intranet site.

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 to Scottish Widows Schroder 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.

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, SPW Malus and Clawback 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

Collectively referred to as “Material Risk Takers (MRTs)”

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

- MRTs under the MIFIDPRU Remuneration Code
- MRTs under the Alternative Investment Fund Managers Directive (AIFMD)
- MRTs under Undertakings for Collective Investments in Transferable Securities V (UCITS V)
- MRTs under the Markets in Financial Instruments Directive II (MiFID II)

SPW will comply with the most stringent remuneration provision where multiple codes apply.

2.2.1. Record-keeping and oversight

A copy of the rationale documents for identifying MRTs is available by request from the Policy contact.

A record of MIFIDPRU, AIFMD, UCTIS V, and MiFID II MRTs 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 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. In line with FCA guidance, “staff” is interpreted broadly to include all staff members who impact the risk profile of a firm, not just employees.

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.

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 & Bonus cycle.

2.4. Conflicts of Interest

Conflicts of Interest must be escalated. In the implementation of the Policy 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 Schroder 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

3.1.1. 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 communication documents for Pay, Benefits and Pension.

Variable remuneration is based on an assessment of individual, business area and Scottish Widows Schroder Wealth Holdings Ltd performance. SPW assesses both financial and non-financial criteria when awarding variable remuneration.

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 flexible policy on variable remuneration components, including the possibility of paying no variable remuneration. The maximum ratio of fixed: variable components of total remuneration is 1 : 14.

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 documents for the Annual Bonus and LTIP. Scottish Widows Schroder Wealth Holdings Ltd does not pay variable remuneration to members of the management body who do not perform any executive function in the firm.

3.1.2. Annual Bonus Plan

All awards will be subject to individual and business performance.

The approach to bonus is aligned to the principles of SPW performance management approach: whole colleague contribution and performance assessed against role expectations. We set Key Performance Indicators (KPIs) annually, as described in SPW KPI Setting Policy Document.

Schroders Personal Wealth bonus payments will be paid in cash, where permitted, will be subject to the SPW Deferral Policy and SPW Malus and Clawback Policy, and will be subject to adjustments for risk and conduct.

3.1.3. 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.

3.1.4. Pension

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

Scottish Widows Schroder Wealth Holdings Ltd does not make discretionary pension benefit awards and meets all other pension legislation. If we were to make discretionary pension benefit awards, they would need to comply with the Remuneration Regulations.

3.1.5. 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

3.2.1. Performance assessment

Scottish Widows Schroder Wealth Holdings Ltd operates a robust Performance Management process, further details are outlined in the Managing Performance Policy.

3.3. Risk Adjustment

All variable remuneration is subject to Risk Adjustment, as set out in the Malus and Clawback Policy. This Policy exists to ensure that malus and clawback are 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 Schroder 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.

3.3.1. 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 (“Meets expectations” or equivalent); and
- be approved in line with the Reward Governance Framework.

3.3.2. 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 buy-out awards, which incorporates regulatory requirements.

3.3.3. 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, buy-out notices and reduction notices for MRTs.

3.3.4. 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.

3.3.5. Retained shares or other instruments

Scottish Widows Schroder Wealth Holdings Ltd complies with specific requirements on retention and holding periods for MRTs.

3.3.6. 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 Schroder 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 to ensure that it remains appropriate and has been implemented as intended. Any resulting changes will be proposed to SPW Remuneration Committee for approval.

The Policy is subject to an independent review by Internal Audit, in line with the Audit team's planned cycle of work.

The Policy will be subject to review against UK regulation and legislation.

4.3. Roles and Responsibilities

4.3.1. Scottish Widows Schroder Wealth Holdings Ltd Remuneration Committee

The Scottish Widows Schroder 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.

4.3.2. 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 MRT populations with the support of the relevant CRO Direct Reports and provide input to the MRT populations year-end performance reviews, particularly in respect of risk objectives;
- 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 Board Audit and 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 Board Audit and 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.

4.3.3. 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, including risk and compliance input;
- remuneration of control functions being positioned adequately to attract qualified and experienced staff and in line with the achievement of objectives linked to their functions, independent of the performance of the business areas they control.
- 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 to be clearly recorded.

5. MANDATORY REQUIREMENTS – NON-COMPLIANCE

5.1. Policy Waivers / Exceptions

Waivers / Exceptions to this Policy are permitted on an exceptional basis by the SPW Chief People Officer, in accordance with SPW Reward Governance Framework.

Policy Owner: Faye Farrant

Policy Contact: Faye Farrant/ Harriet Killick

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