

The Scottish Investment Trust PLC

TERMS OF REFERENCE FOR THE REMUNERATION COMMITTEE MEMBERSHIP

The committee shall comprise at least three members, each of whom shall be appointed by the board. All members of the committee shall be directors who are independent of management and free from any business or other relationship which could interfere with the exercise of their independent judgment. The board will appoint the committee chairman and determine the period for which he/she shall hold office. The company's chairman shall not be eligible to be appointed as chairman of the committee. Care should be taken to minimise the risk of any conflict of interest and potential conflicts should be disclosed.

SECRETARY

The company secretary or his/her nominee shall act as the secretary of the committee.

QUORUM

The quorum necessary for the transaction of business shall be two. 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 and discretions vested in or exercisable by the committee.

MEETINGS

The committee shall meet not less than once a year and at such other times as the chairman of the committee shall require.

NOTICE OF MEETINGS

Meetings of the committee shall be convened by the secretary of the committee at the request of any member thereof. The Manager shall have the right to address any meeting of the committee; others may be called upon or shall be able to speak by prior arrangement with the chairman of the committee.

MINUTES OF MEETINGS

The secretary shall minute the proceedings and resolutions of all committee meetings, including the names of those present and in attendance. Minutes of committee meetings shall be circulated to all members of the committee and to all members of the board.

ANNUAL GENERAL MEETING

The chairman of the committee shall attend the annual general meeting prepared to respond to any shareholder questions on the committee's activities.

DUTIES

The committee shall:

1. determine and agree with the board the framework or broad policy for the remuneration of all directors and employees. No employee shall be involved in any decisions as to his or her own remuneration;
2. in determining such policy, take into account all factors which it deems necessary. The objective of such policy shall be to ensure that members of the executive management of the company are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the company. It shall also liaise with the nomination committee to ensure that the remuneration of newly appointed directors and executives is within the company's overall policy;
3. determine targets for any performance-related pay schemes operated by the company and ask the board, when appropriate, to seek shareholder approval for any long term incentive arrangements;
4. within the terms of the agreed policy, determine the total individual remuneration package of each employee including, where appropriate, bonuses, incentive payments and share options;
5. determine the policy for and scope of pension arrangements, service agreements, termination payments and compensation commitments;
6. in determining such packages and arrangements, give due regard to the comments and recommendations of the Combined Code as well as the UK Listing Authority's Listing Rules and associated guidance;
7. review competitor companies but ensure that automatic increases are not implemented, thereby avoiding the "ratchet" effect;
8. be aware of and oversee any major changes in employee benefit structures throughout the company or group;
9. vet the reimbursement of any claims for expenses from the senior management of the company;
10. ensure that provisions regarding disclosure of remuneration including pensions, as listed in the Directors' Remuneration Report Regulations 2002, are fulfilled; and
11. produce an annual report of the committee's remuneration policy. Authority The committee is authorised by the board to seek any information it requires from any employee of the company in order to perform its duties. In connection with its duties the committee is required by the board to select, set the terms of reference of, and appoint remuneration consultants, at the company's expense. Although the committee can seek the advice and assistance of any of the company's executives, it needs to ensure that this role is clearly separated from their role within the business.