

# Schroder Investment Management Australia Limited

## Principles of Internal Governance and Asset Stewardship

June 2025

# 1. Organisational and Investment Approach

## About Schroders

Schroders is an investment manager with broad expertise across public and private markets, investing on behalf of savers and investors globally.

The Schroders Group has over 200 legal entities operating in over 38 locations across the Americas, the Asia Pacific region and Europe, the Middle East and Africa. Our international presence supports us in understanding the needs of our clients and delivering them the right expertise from across the business.

Our total assets under management including joint ventures and associates at 31 December 2024 were £778.7bn / \$975.3bn / €941.8bn. Our assets under management excluding joint ventures and associates at 31 December 2024 were £661.8bn / \$828.8bn / €800.4bn.

Schroders has a long history servicing Australian clients. Since establishing a local presence in 1964, Schroders has grown significantly and has developed a comprehensive suite of investment strategies to suit Australian investors. Schroder Investment Management Australia Limited (SIMAL) is a wholly owned subsidiary of Schroders plc ("Schroders"). As a leading provider of active asset management solutions in Australia, we have grown to manage A\$36.0 billion dollars (as at 31 March 2025) for institutional, wholesale and direct clients across a diverse range of public and private asset classes. This breadth of offering and expertise allows us to nimbly solve for the diverse investment needs of our clients. Few investment managers can match the combination of local capabilities and global reach that we offer.

## Purpose and values for clients

At Schroders, we strive to put investors' interests at the heart of everything we do. As an active investment manager, we make decisions every day on behalf of investors around the world. Our purpose is to provide excellent investment performance to our clients through active decision making. By serving clients, we serve wider society.

The long-term thinking that governs our approach to investing also applies to building client relationships and growing our business. We believe that integrity and trust will drive this growth, which is why it is embedded in our culture, values and behaviour.

## Ownership

Schroders plc is the ultimate parent company for Schroder Investment Management Australia Limited ("SIMAL" or "Schroders Australia"). Schroders has developed under stable ownership for over 200 years. Schroders plc has been listed since 1959. The Schroder family interests are in shares owned directly or indirectly by trustees of various trusts settled by family individuals, in shares owned by family individuals and in shares owned by a family charitable trust. The aggregate Schroder family interests have remained substantially the same for many years, even though Schroders employees' have received rights to a minor ownership of shares through share schemes from time-to-time during the years.

## Management and Governance

SIMAL's primary governance structure, comprised of the SIMAL Board, Compliance Committee and Governance, Risk and Compliance Committee, are designed to support effective decision making and enhance management oversight of the business. These are described in more detail below.

### Schroders Australia Board

The SIMAL Board is ultimately accountable to stakeholders (including shareholders and regulators), for the success and financial soundness of SIMAL's business in Australia. It is responsible for corporate strategy, monitoring managerial performance and enhancing returns to shareholders, while preventing conflicts of interest and balancing the competing demands of SIMAL. The Board meets at least quarterly and it represented by a diverse group of executive representatives from across the business.

## Compliance Committee

The Board has established a Compliance Committee, which consists of 3 members, 2 of whom are independent, including the Chair of the Compliance Committee. The Committee is responsible for assisting the Board in fulfilling its duties in relation to the Schroders Group companies' practices by reviewing compliance with the various legislative and regulatory requirements of the Corporations Act and any other relevant statutes and regulations which seek to ensure that the interests of the unit holders of its registered managed investment schemes ("Schemes") are protected at all times. The Compliance Committee meets quarterly and minutes are provided to the SIMAL Board.

## Governance, Risk and Compliance ("GRC") Committee

The Board has established a GRC Committee, which consists of SIMAL's responsible managers and local and regional heads across various functions including Legal, Compliance & Risk. The role of the Committee is to act as the delegate of the Board in ensuring that SIMAL has in place a compliance and risk management framework that identifies, addresses and monitors compliance and risks which are appropriate to the nature, scale and complexity of the business of SIMAL. This includes ensuring effective design and implementation of local policies, controls and procedures in accordance with group policies, regulatory requirements and industry best practice. Additionally, it provides the forum at which the responsible managers fulfil their obligations to have oversight of the financial services provided under SIMAL's AFSL and be an active player in fostering a compliance culture within SIMAL. The GRC Committee meets at least quarterly.

SIMAL is an independent asset management organisation with no associates through which it could undertake security transactions. Additionally, principal holdings are limited. SIMAL maintains a Conflicts of Interest Policy, which requires that all conflicts are reported to Compliance, who then ensures that all conflicts are appropriately managed. To the extent that those conflicts relate to our role as a fiduciary, the management of the conflict is a core fiduciary responsibility. We have extensive policies and procedures for identifying circumstances which may give rise to, and for managing conflicts of interest, discussed further below.

## Overview of the key management and investment personnel within the organisation

Information about our leadership and management personnel is available on our website:

<https://www.schroders.com/en-au/au/individual/about-us/our-leaders/>

Profiles of our key investment personnel relevant to the Australian funds are available on our website:

<https://www.schroders.com/en-au/au/individual/funds/fund-manager-profiles/>

## Management of client assets and Portfolio Compliance

Portfolio compliance at Schroders is managed by the Portfolio Compliance Team (PCT). PCT's primary focus is to ensure that compliance rules are maintained and monitored on both a pre-trade and post-trade basis to ensure that each portfolio operates within the prescribed investment guidelines including any specific exclusions prescribed by our clients or the portfolio managers.

Portfolio Compliance utilizes the Aladdin system, Schroders' portfolio compliance and trading workbench, to code and monitor investment restrictions. The Global Head of Investment Services, Operations and the Schroders Group Chief Operating Officer have ultimate oversight of PCT's processes.

Schroders' Group Investment Risk team, provides additional oversight and maintains the investment risk control framework. This team provides an independent challenge on performance, exposures, and adherence to controls.

## 2. Internal Governance

The following Schroders policies and frameworks are in place to assist SIMAL to meet high standards of internal governance and to enable Schroders to act in the best interests of its clients.

### Ethical Conduct and Professional Practice

SIMAL has an Information Handbook containing numerous policies, including the Conduct of Business Policy, which forms part of each employee's contract of employment. Each year all staff are required to attest that they have read and agree to abide by SIMAL's Information Handbook, including the Group Conduct Risk Framework & Policy. All SIMAL employees are expected to act professionally and with integrity and comply not just with the strict letter of the law, but also always within the spirit of the law and act always in the best interests of our clients.

### Personal Trading

SIMAL follows the Schroders Group Personal Account Dealing Policy which sets out principles governing personal account dealing in financial instruments, including Schroder plc shares. The compliance monitoring program conducted by our Compliance Department covers staff personal account trading.

Schroders' MyCompliance system keeps record of all in-scope trades conducted by staff on their personal accounts. All holdings held by staff are also kept in this system and maintained by each staff member. Approval before the purchase or disposal of securities is required and conducted through MyCompliance.

### Conflict of Interest

The Conflict of Interest policy applies to all employees and sets the minimum standards and provides guidance on the: identification, prevention, management and appropriate disclosure (where all other options have been exhausted) of conflicts of interest that arise or might arise in the course of carrying out our business, and which might entail a material risk of damage to:

- the interests of one or more of our clients
- our ongoing activities in all markets we operate
- the reputation of Schroders.

The Conflicts of Interest framework is overseen by the Group Conflicts Committee who are responsible for the Group's arrangement to identify, and to prevent or manage conflicts of interest. The status of our Framework and the details of our Conflicts of Interest Register are reported and reviewed by a number of Committees including the Group Risk Committee, Group Management Committee, the Board Audit and Risk Committee and Legal Entity Boards.

### Gifts & Entertainment

The giving and receiving of gifts and entertainment by Schroders' staff may give rise to actual, potential or perceived conflicts of interest. Schroders has a number of principles which staff should apply whenever they receive or plan to give any offer of a gift or entertainment to or from a third party, including:

- We are honest, open and transparent.
- We take reasonable steps to ensure that we do not pay or accept any fee, commission, or provide or receive any non-monetary benefit that is not compatible with the interests of our clients.
- We should be chosen by potential clients based on merit and choose our counterparties based on their ability to enhance our service to our clients.
- Gifts and entertainment to and from third parties related to client/investor business (e.g. intermediaries marketing, selling or advising on our funds) should be justified by a reasonable expectation of client/investor benefit or service enhancement.
- Any gifts and entertainment should be reasonable and of a value proportionate to the proper existing or proposed business relationship between Schroders and the other party and to the role and seniority of the individual receiving the gift or entertainment; should not be frequent in relation to the same third party; and should be in accordance with legitimate and accepted market practice.

## Risk Management and Compliance

The key components of SIMAL's Risk Management and Compliance frameworks are a governance structure (as depicted above in the Management and Governance section), specialised risk and compliance systems including Aladdin for investment risk and portfolio compliance, ARCHER for recording risk events and tracking resolution of control matters and MyCompliance for personal account dealing, gifts and entertainment and attestation, documented policies and processes, overseen and monitored by well-resourced and independent Risk and Compliance functions.

SIMAL also has a documented Risk Appetite Statement which outlines the Risk Management Framework, together with an overview of the key strategic, business, investment and operational risks faced by SIMAL. A copy of the Risk Appetite Statement is available on request by contacting Schroders.

## Error Correction Policy

SIMAL has in place an Incidents Policy which ensures that all incidents (breaches, errors or complaints) are reported to Compliance. The Risk Event is documented and escalated or reported as appropriate. As part of the documentation process, a full review is undertaken, looking at the root cause and actions required to prevent a recurrence. Where the incident requires rectification, it is SIMAL's policy to ensure no detriment is suffered by any scheme member or client from any error of SIMAL.

## Brokerage and Commissions

SIMAL's Trade Management Policy sets out the policy around best execution and acceptable alternative brokerage arrangements. The Trade Management Policy can be found on SIMAL's website.

## Equitable Asset Valuation and Pricing

SIMAL has developed its pricing framework in accordance with ASIC's Regulatory Guide 94 Unit pricing: Guide to good practice, FSC's Standard No. 8 Scheme Pricing and No. 9 Valuation of Scheme Assets & Liabilities. The basic underpinning is having an independent pricing source to ensure prices are independent and verifiable. Unit prices are calculated by our third-party fund accountant, JPMorgan. Internally pricing is overseen by the regional Pricing Committee with local representation from SIMAL. The Pricing Committee will make decisions on certain matters, such as stale pricing, to ensure it follows equitable, best practice principles.

Further information can be found in SIMAL's documented Unit Pricing Discretions Policy which is available on SIMAL's website under the Policy and Notices section.

## Best Execution and Trade Allocation

SIMAL follows the Schroders Group Order Management and Execution Policy when undertaking asset management activity that involves managing orders or executing transactions covering both publicly traded and private assets. To ensure the fair allocation of investment opportunities, all other factors being equal, orders must be pre-allocated to investment mandates. The allocation process must treat the mandates fairly and be documented.

As SIMAL manages investment mandates side by side, comparable orders should be aggregated:

- i. where it is unlikely that the aggregation of orders will work to the overall disadvantage of the investment mandates involved; or
- ii. where aggregation ensures the fair treatment of investment mandates on a consistent basis.

Orders should be raised at the same time for like mandates, where possible and the order for one mandate must not be raised ahead of the order for another mandate to create an advantage for either mandate.

SIMAL takes all sufficient steps to obtain the best possible execution result for their clients. This in turn requires SIMAL to:

- consider the characteristics of an order including the specific portfolio's requirements; the type of instrument; and the types of execution venue available in determining the relative importance of price, costs, speed, likelihood of execution, likelihood of settlement and size to the execution of that order; and
- implement systems, processes, execution arrangements and a governance framework that are sufficient to:
  - deliver best execution outcomes.
  - monitor outcomes and therefore identify where they are sub-optimal.
  - take action where outcomes are considered sub-optimal; and
  - monitor market and technological developments to ensure that those systems, processes and execution arrangements are updated over time.

## Remuneration Policy

Fees charged to clients or pooled funds should be charged in accordance with the provisions of the relevant investment management agreement, constitution, fee agreement or offer document. Any expenses recovered should similarly be in accordance with the relevant agreement, constitution or offer document. All known fees and expenses should be fully disclosed to clients.

## Whistleblowing Policy

SIMAL maintains a whistleblowing policy in line with the Australian Standard AS 8004-2003 whistleblower protection programs for entities, as well as in compliance with the whistleblower regime set out in the Corporations Act 2001 (Cth) and ASIC's RG 270 Whistleblower policies. This policy ensures that all staff members, contractors and related persons may raise any information that they have which involves instances of internal fraud, misconduct or unethical behaviour through multiple channels.

The policy then sets out how such reports will be investigated and handled, as well as outlining the protections in place for whistleblowers. Further information can be found in SIMAL's documented Whistle Blowing Policy, which is available on SIMAL's website.

## Training and Development

SIMAL has a program to ensure all employees have the appropriate skills and development to perform the functions required, plus looks to develop staff so that they can progress in their careers. SIMAL's training and development policy is designed to be flexible and positive, incorporating technical, professional, supervisory and managerial training to enable staff to perform their jobs more effectively and to prepare for the next stage of their career. Specifically:

- All new employees undergo mandatory on-line training, plus face-to-face compliance induction training.
- All employees offering advice must be compliant with RG146 and undertake specific training to fill any gaps. On an ongoing basis all RG146 compliant employees must undertake 20 hours of on-going education each year, which is tracked and monitored by Compliance.
- Each year all managers and employees are required to develop objectives and perform semi-annual and annual performance appraisals. During this process and formal or informal training requirements are identified.
- Risk and Compliance will roll-out ongoing mandatory on-line training, such as cyber-security, phishing and anti-bribery and corruption.

## Complaints and Dispute Resolution

SIMAL is a member of an external dispute resolution scheme and has provided clients with appropriate avenues of making a complaint should they feel that they have any dissatisfaction with SIMAL. Please see the "Dealing with complaints" policy on SIMAL's website.

### 3. Asset Stewardship

Our purpose is to provide excellent investment performance to our clients through active decision making. In our view, sustainability risks and industrial trends are intrinsically linked to the performance of many investments over the long term. Investee companies and assets face competitive pressures from a wide range of sources, on a larger scale and at a faster pace than ever before. Investment teams no longer have a choice over whether to seek exposure to sustainability risks and opportunities; all portfolios may be impacted.

#### Approach to considering Environmental, Social and Governance factors

We believe that considering sustainability factors across the investment strategies we manage, in line with those strategies' investment objectives, can help us to deliver our purpose. Where appropriate, we also engage with many investee management teams and/or their key stakeholders, vote on our clients' shareholdings or otherwise seek to use our influence, with the objective of improving investee company or asset performance in sustainability-related areas and their long-term financial health and resilience. We may choose to make an investment with a more challenging sustainability profile if we believe the opportunity is consistent with the relevant investment strategy and has an appropriate risk-adjusted return profile.

Recognizing that addressing social and environmental challenges requires capital reallocation over time, we have developed specific sustainability, thematic, and impact strategies for clients with environmental and social preferences.

We have also invested in developing proprietary research, models and tools to gain insights into social and environmental investment factors and help inform investment decisions where relevant to a particular investment strategy. We may also supplement our proprietary models and tools with ESG data from third-party sources.

We integrate ESG considerations into our research and investment decisions across Investment teams and asset classes with the aim of maximising risk-adjusted returns for our clients. We confirm the adoption of ESG integration by our Investment teams using an internal accreditation framework.<sup>1</sup>

Investment teams complete an accreditation proposal annually, which describes the role of ESG analysis in their relevant investment processes. The accreditation process is managed independently from the Investment teams by the central Sustainable Investment team so that there is consistency across all asset classes and sectors.

More information on our ESG integrated approach is available in Schroders' Group Sustainable Investment Policy which is available on SIMAL's website.

In the management of our client's assets, we also apply exclusionary criteria through screening, maintaining an Exclusions Policy ("Policy"), available on the SIMAL website. This Policy covers five categories of exclusions: Cluster munitions and controversial weapons, thermal coal, tobacco, nuclear weapons manufacturing, and client and fund specific exclusions.

At a minimum, our policy in relation to these exclusionary criteria applies to direct investments within relevant actively managed portfolios. It does not apply to portfolios managed by third party investment firms or investments where we do not have discretion over security selection. Where Schroder portfolios invest in, track or otherwise gain exposure to market indices, these exclusionary criteria may not apply to the individual securities in those indices. Our policy also does not apply where a client requests that, rather than apply these exclusionary screens, we instead consider the social, political and financial pressures on companies as an integrated part of our investment process.

Further details about the scope of the policy are available on [SIMAL's website](#).

---

<sup>1</sup> [1] ESG integration is the process of identifying, analysing and incorporating relevant and material ESG factors into investment decisions as well as the ongoing monitoring of portfolios and engagement with investee company or assets' management teams. We consider that examining a wider range of factors than may be captured in traditional investment analysis allows a more complete view of potential investment drivers and better - informed investment decisions as a result.

ESG integration does not target a more sustainable portfolio or increased exposure to sustainable investments in the portfolio. The analysis we apply varies to reflect the exposures of investment drivers of different companies, and may include our assessment of their exposure to climate risks or opportunities, human capital management or the strength of their corporate governance.

For certain businesses acquired more recently, we have not yet accredited the integration of ESG factors into investment decision-making. A small portion of our business where the integration of ESG factors is not practicable or possible is also excluded, for example, certain legacy businesses or investments in the process of being liquidated, and certain joint venture businesses.

## Monitoring and Engagement Activities

Effective and responsible active ownership has long been part of SIMAL's fundamental investment approach. It is essential to question and challenge companies about issues that we perceive may affect their value. We aim to drive change that we believe should better protect and enhance the value of our clients' investments and we are committed to leveraging our influence as an investor to change how a company operates for the better. We believe this is an important aspect of our role as stewards of our clients' capital and how we help clients meet their long-term financial goals.

### Monitoring

As active investors, we continually monitor a company's management and performance, including developments which may have a significant impact on valuation or risk profile, as part of our investment process and ownership responsibilities. Our analysts publish their research on our centralised global research platform which is accessible to all investors.

The extent and frequency of monitoring will be partly dependent on the type of investment: a large percentage holding selected by detailed analysis will be monitored more frequently and in greater depth, for example, than a small percentage holding or invested amount. Contact increases where we have specific long-term concerns about a company's performance.

For public assets, typically, monitoring will occur around financial reporting, general meetings, in connection with news and company announcements. The analysis of publicly reported information makes up the bulk of our monitoring activity. However, we will proactively contact management where we think that this information requires more explanation. Globally we meet with thousands of companies a year; it is an important part of our investment process. In one-on-one meetings with company management and non-executive board members we will focus on relevant long and short term performance factors and expect to have a clear articulation of strategy and the creation of ongoing shareholder value. We also draw on third party research sources to supplement our proprietary research processes.

For private companies, regular monitoring will occur via the receipt of information on a regular and timely basis, and may include in person or electronic attendance of management meetings, meetings with advisors, etc.

### Engagement

We believe that constructive and committed engagement with management teams at the companies and assets we invest in is a key element of our responsibilities as investors and a clear demonstration of the value we can bring to our clients' investment returns over time. That is why we have a firm-wide commitment to active ownership, with many of our analysts and fund managers undertaking engagements directly.

Our active ownership priorities reflect the combined perspectives of our fund managers, investment analysts and sustainability specialists across the firm, supported centrally by the Sustainable Investment team. Our Engagement Blueprints for both listed assets and private markets provide the foundation to guide a common approach to engagement, taking into account differences in asset class as well as factors such as the regulatory environment, cultural factors and market capitalisation.

We recognise that effective engagement requires continuous monitoring and ongoing dialogue. Where we have engaged repeatedly with an investee company or asset and seen no meaningful progress, we may escalate our concerns. Decisions on whether and how to escalate are based on the materiality of each issue, its urgency, the extent of our concern and whether the company has demonstrated progress through previous engagements. The possible actions we may take to escalate an engagement are outlined in our Engagement Blueprints for listed assets and private assets.

We aim to monitor progress against the engagement objectives against pre-defined goals and milestones at a frequency that is appropriate to the issue or holding, typically at least annually. That said, we recognise that the length of time to achieve an objective will vary depending upon its nature.

A measurable outcome from our engagement upon completion of an objective could take a range of forms, including additional disclosure by a company, influencing the company strategy on a particular issue, or a change to the governance of an issue. We recognise that success factors may be subjective, and that Schrodgers' influence is rarely the sole driving force for change. Regardless, we believe it is critical to track companies' progress and measure the outcomes of our engagement, no matter how large or small our influence may be.

## Collaborative Engagement

We recognize that working with other institutional shareholders can sometimes be more effective in influencing company management and effecting positive change. We review collaborative engagements on a case-by-case basis to ensure alignment with our ESG policy.

## Industry and organisation involvement

We also believe we have a particular role to play in sharing our expertise on different areas, supporting best practice but also learning from others. We have a long-standing commitment to support and collaborate with several industry groups, organisations and initiatives to promote well-functioning financial markets. We consider this to be key in improving responsible investment standards across sectors, establishing a consistent dialogue with companies, and in promoting the ongoing development and recognition of sustainability and ESG within the investment industry.

SIMAL is an active participant in industry groups, including the Financial Services Council, helping advocate for the financial services industry and our client's best interests, in the development of industry standards as well as commenting on government or regulatory proposals. We are also members of the Responsible Investment Association Australasia (RIAA) showing our commitment to ensuring capital is aligned with achieving a healthy society, environment and economy. At a global level, Schroders is also a member, participant or signatory to a number of reputable industry organisations in which we share know-how and collaborate on various industry initiatives.

More information on our Active Ownership practices is available in Schroders' Group Sustainable Investment Policy which is available on [SIMAL's website](#).

## Proxy Voting (see FSC Standard 13)

Share interests carry ownership rights and exercising those rights is an integral part of our overall investment process. The overriding principles in exercising these are to enhance returns for clients and to work in their best interests. Credit fixed income instruments less frequently have voting rights attached to them, but we will exercise the same processes in instances where these do arise.

As active owners, we recognise our responsibility to make considered use of voting rights. We use our voting rights as shareholders to encourage companies to take action where we believe it to be in the interests of our clients through regular voting as well as targeted voting as part of engagement escalation, where appropriate. We endeavour to vote on all resolutions at all AGMs/EGMs globally unless we are restricted from doing so (e.g. because of share blocking or where market practices make voting very onerous or expensive). We will oppose management if we believe that doing so is in the best interests of shareholders and our clients.

We aim to take a consistent approach to voting globally, subject to regulatory restrictions that is in line with our Proxy Voting Policy.

Please refer to SIMAL's "Corporate Governance and Proxy Voting Policy" which has been drafted in accordance with FSC's Standard 13 which is available on [SIMAL's website](#).

## Reporting

Clear and ongoing communication with clients and other stakeholders on our ESG and stewardship activities is an important feature of effective stewardship. SIMAL actively communicates with clients through various mediums, including print, face-to-face and video content, on a large range of topics, including but not limited to asset stewardship, economic and market updates, fund commentaries and educational pieces.

We share our research and thought leadership, and also publicly disclose our global voting activity at this link. SIMAL's website also hosts a range of reports and data for clients, including fund reports and white papers.

We share our research and thought leadership, and also publicly disclose our proxy voting reports for our SIMAL funds [here](#), while our global voting activity can be found [at this link](#). Institutional clients receive a more specific report which includes their personal voting activity and more detailed information on the progress of company engagements that are ongoing.

SIMAL's website also hosts a range of reports and data for clients, including fund reports and white papers.