

Schroders

Schroder Investment Management Australia Limited

Principles of Internal Governance and Asset Stewardship

November 2023

1. Organisational and Investment Approach

About Schroders

Schroders plc ("Schroders") helps institutions, intermediaries and individuals meet their goals, fulfil their ambitions, and prepare for the future. We have grown and developed our expertise over 200 years and seven generations, bearing witness to vast amounts of change. And as the world has changed, so do our clients' needs. That's why we have a long history of adapting to suit the times and keeping our focus on what matters most to our clients.

Doing this takes experience and expertise. Schroders brings together people and data to spot the trends that will shape the future. This provides a unique perspective which allows us to invest with conviction for our clients, who trust us to deliver sustainable returns. We remain determined to build future prosperity for them, and for all of society. As a global asset manager, Schroders distinguishes itself through several key features that are directed towards achieving client objectives:

- 1. Global Presence, Local Focus:** Schroders employs over 6,000 people, operating from 38 locations across Europe, the Americas, Asia, the Middle East, and Africa. While being a global business, Schroders manages our operations locally, keeping clients' needs at the heart of everything we do. This localised approach enables us to understand and cater to the specific requirements of clients in different regions.
- 2. Long-Term Thinking:** Schroders adopts a long-term approach to investing, building client relationships, and growing our business. We prioritise integrity, trust, and excellent investment performance. Our focus on long-term thinking helps us make active decisions and select companies with responsible and durable business models.
- 3. Structured and Disciplined Investment Process:** Schroders follows a structured, disciplined, and repeatable investment process. This process ensures consistency in our decision-making and allows us to identify attractive investment opportunities.
- 4. Clearly Defined Investment Style:** Schroders has a clearly defined investment style, which helps guide our investment decisions. This style reflects our expertise and understanding of the markets, enabling us to align investment strategies with client objectives.
- 5. Team Approach:** Schroders adopts a team approach to investment management. By leveraging the diverse expertise and perspectives of our investment team, we aim to deliver superior investment performance for our clients.
- 6. Innovation and Technology:** Schroders designs innovative products and services tailored to client needs. We actively use technology, including measurement tools developed in-house, to gain an edge in delivering investment solutions.
- 7. Sustainability Focus:** Schroders integrates several sustainability factors into our investment processes. We actively select companies we consider have responsible and durable business models that are evolving to thrive in the face of future challenges. We believe in companies that are looking to a more sustainable future because their business models tend to be more resilient in the long term. In this way, sustainable investing can benefit all stakeholders, not only shareholders.

Purpose and values for clients

Our clients rely on our broad investment expertise, across public and private markets to manage AUD \$1386.8m (as of 30 June 2023) of wealth and investments. Schroders' clients include individuals who invest directly and those who



invest through businesses or financial advisers. We also serve the investment needs of institutions such as superannuation and pension funds, insurance companies and charities.

At Schroders, we strive to put investors' interests at the heart of everything we do. As an 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. 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.

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 practise. 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.

2. Internal Governance

The following Schroders policies and frameworks are in place to assist SIMAL to ensure effective internal governance 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.

- We are honest, open and transparent.

- We take reasonable steps to ensure that we do not pay or accept any fee or 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 RG94 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.

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 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 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

At Schroders, we see ourselves as long term stewards of our clients’ capital, and this philosophy leads us to focus on the long-term prospects for the assets in which we invest. It is central to our investment process to analyse each investment’s ability to create, sustain and protect value to ensure that it can deliver returns in line with our clients’ objectives. Where appropriate we also look to engage and to vote with the objective of improving performance in these areas.

We believe the responsibility of investors includes protecting the interests of our clients from the impacts of financial and non-financial risks. Assessing and engaging on sustainability is becoming more important to investment processes. In our view, ESG and industrial trends are intrinsically linked. Companies face competitive pressures from a wider range of sources, on a larger scale and at a faster pace than ever before. Investors no longer have a choice over whether to seek exposure to ESG risks and opportunities; all companies and portfolios will be impacted. This is why we seek to integrate ESG considerations into our research and investment processes across regions and asset classes.

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.

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. The level of contact will increase 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.

Constructive and committed engagement with management teams at the companies and assets we invest in is also a key element of the value we bring to our clients. Social and environmental forces are reshaping societies, economies, industries and financial markets. Approached thoughtfully and with focus, encouraging management teams to adapt to those changes, and holding them accountable for doing so, can strengthen the long term competitiveness and value of those assets and can accelerate positive change towards a fairer and more sustainable global economy.

We prioritise the depth and quality of our engagements over the volume of activity. When determining when to engage and setting an objective for the engagement, we consider a variety of factors, including the materiality, regional context, realistic outcomes, the ability to monitor progress, and the length of the engagement.

We recognise that effective engagement requires continuous monitoring and ongoing dialogue. Where we have engaged repeatedly and seen no meaningful progress, we will 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.

In addition to our approach to active ownership with the companies we invest in, we also recognise there may be occasions when it is more effective to work with other institutional shareholders to influence company management and effect positive change. We review collaborative engagements on a case-by-case basis to ensure that the objectives of such engagements are aligned with our ESG policy.

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, Schrodgers 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 Schrodgers' Environmental, Social and Governance Policy for Listed Assets which is available on SIMAL's website.

Approach to considering Environmental, Social and Governance factors

Schrodgers takes into account labour standards and environmental, social and ethical (ESG) considerations as part of its overall investment process. Schrodgers recognises that different asset classes, strategies, and investment time horizons require our Investment teams to adopt different perspectives pertaining to ESG to strengthen effective

decision making. While Schroders does not have a predetermined view as to what constitutes ESG considerations, the analysis of ESG considerations often relates to issues such as climate change, environmental performance, labour standards and board composition. Schroders does not implement a weighting system for taking into account ESG considerations. Where Schroders has delegated investment management for a Fund to another member of the Schroders Group, these ESG considerations are taken into account by the investment manager for the purposes of selecting, retaining or realising investments of the Fund.

At SIMAL we seek to integrate ESG considerations into our research and overall investment decisions across investment desks and asset classes. We recognise that different asset classes, portfolio strategies and investment universes require different lenses to most effectively strengthen decision-making. ESG integration means that our portfolio managers and analysts systematically and explicitly take account of ESG considerations alongside traditional financial analysis with a focus on prioritising investor returns. Schroders believes that ESG integration provides a more comprehensive assessment of investment opportunities as it captures ESG-related risks and opportunities associated with various securities which assists our investment teams in decision-making, security valuation, and forecasts of future return potential. We measure and track levels of ESG integration using an internal accreditation framework. Schroders' Sustainability Accreditation is our approach to formally recognising investment teams who have successfully integrated ESG into investment decisions.

More information on our ESG integrated approach is available in Schroders' Environmental, Social and Governance Policy for Listed Assets which is available on SIMAL's website.

There may be instances on ESG grounds that we make a decision to exclude certain industries or countries from our investment universe. SIMAL therefore maintains an excluded securities policy, which is made available on the SIMAL website.

At a minimum, all of our listed asset Funds are subject to the excluded securities policy. This policy does not apply to Funds of funds or portfolios managed by third party investment firms, or those in which we do not have discretion over security selection. In particular, where Schroders portfolios invest in market indices, externally managed investments including ETFs and other managed funds, these exclusion criteria will not apply.

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.

Schroders uses voting as one of the key ways to communicate our views and positively influence how a company is run. We vote on a variety of resolutions many of which are corporate governance-related, such as the approval of directors and accepting reports and accounts. We will oppose management if we believe that doing so is in the best interests of shareholders and our clients.

Schroders seeks to vote on all resolutions at all shareholder meetings globally except where there are restrictions that make it onerous or expensive to vote compared against the benefits of doing so. For example, we may not vote in markets where shareblocking is allowed, as this could restrict the trading of shares which are to be voted upon.

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

We believe that clear and ongoing communication to 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](#). 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.