

PRINCIPLES OF INTERNAL GOVERNANCE AND ASSET STEWARDSHIP - PENDAL AUSTRALIAN EQUITIES

1. ORGANISATIONAL AND INVESTMENT APPROACH

Description

Pendal is an Australian investment manager focused on delivering investment returns for clients through active management. We operate a multi-boutique structure offering a broad range of investment strategies. The investment teams managing each of these strategies have autonomy over the investment process and environmental, social and governance (ESG) integration.

Purpose and values

As an active manager, our primary purpose is to help our clients achieve their investment objectives. We believe the incorporation of environmental, social and governance (ESG) factors into our investment analysis is critical to achieving this goal.

Our philosophy is based on the fundamental belief that paying attention to ESG factors contributes to better informed investment decisions and can improve the quality and consistency of long-term value creation.

ESG themes are changing industry structures and business models. ESG information is increasingly contributing to analysts' views on revenue forecasts, execution capability, competitive position.

Effective engagement with investee companies and issuers is a key part of our investment approach. It offers us the opportunity to raise concerns directly with the company or issuer, to get a clearer understanding of the actions they are taking and to advocate for change.

We support the transition to a more sustainable economy. We take a pragmatic approach in our analysis and stewardship activity. We recognise that change takes time and is not always linear. We understand the various challenges that our investee companies face on their decarbonisation journey, and we factor this into our analysis and stewardship. We believe that this approach leads to better financial and real-world outcomes.

We strive to assist our clients to meet financial and non-financial objectives they may have through performance-driven investment solutions including where relevant dedicated investment options aligned to their ethical, environmental or social priorities.

Ownership, Management and Governance structure

Pendal is owned by parent company Perpetual Limited. Pendal joined Perpetual Limited on 23 January 2023, further enhancing Pendal's capacity as a multi-boutique investment manager which combines the benefits of specialised investment teams (boutiques) with the operating scale and distribution reach of a larger business.

Pendal operates under two entities: Pendal Fund Services Limited (PFSL) and Pendal Institutional Limited (PIL). PFSL acts as the Responsible Entity or Trustee for Pendal's registered Managed Investment Schemes (MIS) and unregistered funds. PIL provides discretionary investment management services to institutional clients and other intermediaries. The PFSL and PIL Boards are responsible for overseeing the effectiveness of all operational risk and compliance activities of their licensed activities.

Pendal is structured into two boutiques (Australian Equities and Income & Fixed Interest (I&FI)). The investment decisions of Pendal's investment boutiques are underpinned by centralised support functions a support platform that includes operations, legal, client services, IT, compliance, risk management and sales and marketing. This model allows investment managers to focus their efforts on what they do best, investing for Pendal's clients.

Key Management and Investment Personnel

The Pendal investment teams have a dedicated Head of Responsible Investment to support continuous enhancement of ESG integration and stewardship.

We manage several investment strategies across the Pendal boutiques, including sustainable and impact strategies. These strategies have the additional focus of investing in companies that have positive ESG credentials or outcomes. We utilise the ESG expertise gained through managing these sustainable portfolios to manage ESG risks within our core strategies.

Our long-standing association with Regnan provides us with another perspective and expertise that we leverage.

Management of Client assets

Our investment teams acknowledge their responsibilities as signatories to the United Nations convened Principles for Responsible Investment (PRI). They dedicate resources and continue to evolve their own approach to integrating ESG considerations into their investment process and stewardship practices as they see most relevant to their respective strategies and asset classes. This autonomy and diversity in approach is a key strength of our business and plays an important role in our ability to deliver the investment outcomes and solutions that meet the needs of our clients, including with consideration to their values and principles.

2. INTERNAL GOVERNANCE

Ethical conduct and professional practice

Perpetual adheres to the Perpetual Code of Conduct policy which sets out the standards of responsibility and ethical conduct required of all employees including contractors, all directors and executives and is designed to assist them in making ethical business decisions.

The Code of Conduct is based on the following principles:

- conducting business in accordance with the highest ethical standards;
- promoting an effective risk culture, in particular one that creates an environment of risk awareness and responsiveness;
- acting in the best interests of clients on the belief that doing so is in the best interests of Perpetual's shareholders;
- adhering to applicable legal and regulatory requirements and complying with the spirit as well as the letter of the law;
- committing to the fight against terrorism and money laundering by implementing an AML/CTF program;
- implementing a fraud control program to develop a culture that will not tolerate fraud and to assist employees with detecting fraud;
- Perpetual is prohibited, by various global organisations, from conducting transactions with certain foreign governments and designated nationals from those countries, such as terrorists, terrorist organisations or countries involved in weapons of mass destruction;
- to safeguard confidential information and not to inappropriately use or disclose confidential information. In some cases, Perpetual may have in place information barriers or separation protocols to protect one client's confidential information from another part of Perpetual;
- protecting and safeguarding the personal information of Perpetual's clients;
- managing conflicts of interests;
- employees respecting Perpetual's property including equipment, IT systems and services, and not using IT systems in an inappropriate way;
- maintaining a fair and safe workplace;
- commitment to clear, open and transparent communications with external parties;
- commitment to good corporate governance and delivering shareholder value; and
- protecting those who report wrongdoing.

Personal trading

Personal trading for employees is governed by both Perpetual's Personal Trading in non-Perpetual Securities and Personal Trading in Perpetual Securities policies. Together, the purpose of these policies is to reinforce that clients' priorities take precedence over personal trading and to ensure that personal trading in securities is conducted lawfully and appropriately, and that legal, regulatory and reputational risk is minimised. Compliance with both policies is mandatory for all employees.

Employees must obtain pre-approval to trade certain financial products, trade within a limited window and must maintain a register of their personal trading records. Employees are also required to avoid personal trading if it will conflict with their duty to clients, shareholders or Perpetual.

Management of conflicts of interest to ensure client interests take priority (including gifts and entertainment)

The Conflicts of Interest Policy provides a framework for identifying, managing and recording actual, potential and perceived conflicts of interest either of the organisation or the employees themselves. The Conflicts of Interest

Policy emphasises the importance of acting in the best interests of clients, funds, the organisation and the wider financial market and system.

Pendal will generally use the following mechanisms to manage conflicts of interest:

- Disclosure of conflicts of interests
- Management of conflicts of interest using internal processes and controls
- Avoid conflicts of interests where disclosure or management of conflicts cannot be achieved.

Pendal adheres to the Gifts and Entertainment Policy which requires employees not to offer, solicit, accept gift or entertainment that would reasonably compromise their independence or objectivity or create conflict with Pendal's interest. Employees are required to maintain a register of all gifts and entertainment greater than \$100 and additional approval is required for gifts or entertainment greater than or equal to \$300. Employees receive conflicts of interest training annually.

Risk management and compliance

Pendal adheres to Perpetual's Risk Management Framework which sets out the organisation's commitment and approach to effective risk management in alignment with better practice standards, regulatory requirements and broader expectations associated with Perpetual's trusted brand.

The Risk Management Framework is underpinned by the 'Three Lines of Accountability model' to implement best practice risk management. In this model the first line, being business unit management, is accountable for the day-to-day identification, ownership and management of risks. Risk and Compliance functions represent the second line and are responsible for reviewing and challenging first line activities. Internal Audit, representing the third line, provides independent assurance, and has an independent reporting line to the Chair of the Audit, Risk & Compliance Committee.

Error Correction Policy

Pendal adheres to the Trade Error Policy which sets out how we treat trading errors made by Pendal is designed to ensure that Pendal will not profit from any gain arising from a trading error made by Pendal. Pendal handles trade errors proactively when they come to light and takes steps to minimise the likelihood of errors.

Brokerage and commissions

Pendal utilises the services of brokers for activities such as trade execution and research. Pendal does not receive benefits from brokers or cause brokers to provide benefits to third parties, other than in relation to the provision of research to Pendal by the broker or third party.

Equitable asset valuation and pricing

Valuation Policies and Procedures are in place with Pendal's outsourced providers to ensure all units are valued in a timely and fair manner. Assets are valued with reference to their most recent market values, according to ordinary market practices. The policies and procedures also set out valuation methods in circumstances where market values are unavailable. In valuing the assets and liabilities of each fund, Pendal applies valuation practices which are consistent with ordinary commercial practice and industry standards.

Best execution and trade allocation

Pendal seeks to obtain best execution for our clients and to execute trades on the most favourable terms. Pendal's Best Execution & Trade Allocation Policy is in place to ensure our dealing team takes all reasonable steps to execute trades on the best terms and that trades are allocated fairly. The Policy sets out the factors to be considered in placing orders, including price, cost, speed and quality of order execution, likelihood of execution and settlement, size and nature of the order, market depth and liquidity and any other consideration relevant to the execution of the order to the extent that it can reasonably be expected to influence the total outcome of the trade.

Remuneration policy

Pendal follows Perpetual's Remuneration Policy which is designed to enable the achievement of business strategy, whilst ensuring that remuneration outcomes are aligned with our shareholders' interests and are market competitive in order to attract, motivate and retain talented people. The policy includes measures of performance, the key components of remuneration (fixed remuneration and short-term incentive awards). Senior employees may also receive long-term incentive awards). The remuneration mix varies depending on the employee's role, level and market practice. The remuneration mix for each employee is designed to be market competitive and provide the appropriate balance between short and long-term performance focus for the role.

Whistleblower policy

Pendal adheres to Perpetual's Whistleblowing policy designed to protect employees, including former employees, who on reasonable grounds make reports of suspected misconduct confidentially. Perpetual is committed to conducting business honestly, with integrity and in accordance with the highest ethical standards as set out in Perpetual's Code of Conduct. To achieve this, Perpetual promotes a workplace where speaking up on matters of conduct and reporting such matters of conduct are encouraged, and where employees who speak up will be protected from victimisation or other retaliatory behaviour. For those who prefer to raise their concern with an external organisation, all employees have access to an independent and confidential hotline.

Training and development

Employees must undertake mandatory training covering Code of Conduct, Conflicts of Interest and key obligations required by law on commencement and periodically as required. Mandatory training records are maintained and staff are required to complete attestation on specific training modules confirming that they have understood the requirements of key policies.

Specific roles may require professional qualifications or industry accredited certifications. Employees participate in a number of training and development activities including but not limited to continuous professional development, industry conferences, seminars and training sessions run by external consultants.

Complaints and dispute resolution

The Complaints Handling policy is in place to appropriately and expeditiously address client complaints. We are committed to ensuring complaints are appropriately handled to increase levels of client satisfaction, improve the overall quality of service we provide and comply with requirements under regulatory licences.

Pendal Fund Services Limited is a member of the Australian Financial Complaints Authority (AFCA) which is the external dispute resolution scheme. All complaints are logged in our complaints register along with all relevant documentation.

3. ASSET STEWARDSHIP - AUSTRALIAN EQUITIES

Monitoring of performance

Effective monitoring of company performance, both from a financial and ESG perspective, is an essential element of our investment approach. As active investors, our portfolio managers engage in regular dialogue with investee companies to ensure we understand all aspects of their business.

As part of our engagement with investee companies, we:

- Meet regularly with the board and senior management (including both meetings as part of companies' reporting rounds, and one-on-one meetings) and seek to understand their strategic priorities and any areas of particular interest or concern;
- Keep up to date with each company's financial and ESG performance, the main drivers of each, and risk factors (both internal and external);
- Ensure, on an ongoing basis, that the leadership of each investee company (both management and board) and its corporate governance structures adhere to best practice; and
- Exercise our voting rights in a manner which supports our clients' best interests. Our full approach to proxy voting is set out in our Proxy Voting Policy

Engagement with Company Management

Active ownership is a natural extension of our active investment management process. Pendal engages in an ongoing dialogue with the management of the companies in which we invest to manage risk, affect change and protect value over the long term. We are committed to transparency in our active ownership practices and provide comprehensive information to clients such as disclosing proxy voting on our website.

Direct engagement with investee companies is an important part of our bottom-up security selection process. How we prioritise our engagements is based on a materiality consideration that takes into account the degree to which such issues may impact risk/return characteristics of an investment and the degree of alignment with the needs of the underlying client base. This process includes a detailed analysis by the investment teams utilising both internally and externally sourced information (such as third-party research and data), including ESG data.

Engagements are typically conducted on a case-by-case basis, giving consideration to an assessment of the matter at hand and its materiality. We conduct an internal ESG analysis, based on a proprietary materiality map. This analysis identifies areas for company engagement. In our engagement we always encourage a two-way dialogue. Should engagement efforts result in an unsatisfactory response, we will pursue other channels (such as proxy

voting) and if we believe there is a threat to shareholder value, we will divest from the security. The key consideration is to act in the best interests of the client.

For our sustainable strategies we also undertake thematic ESG engagements and prioritise the companies with the highest exposure to the ESG issue of focus or where we are able to have the biggest influence.

In addition to our direct engagement, Pental's asset stewardship is supported by Regnan's collaborative ESG engagement and advocacy program. Regnan, Pental Group's dedicated ESG business, offers specialised research, engagement and advisory services. Regnan provides these services to external parties in addition to supporting the internal responsible investment needs of the Pental Group. We consider this to be an important complement to our own active ownership practices, and a means to ensure that emerging ESG issues benefit from sufficient attention and expertise. More on Regnan's engagement program, including annual reports on engagement activity, can be found on Regnan's website (www.regnan.com).

Approach to environmental, social and governance ('ESG') factors

Pental believes consideration of ESG issues can provide valuable insight into the financial performance of an investment. We take ESG factors into account as part of our active investment and decision-making processes, in the same way as other potential risk or growth factor.

Our Responsible Investment Philosophy and Approach documents outline our core beliefs in relation to ESG and responsible investment, including the belief that our actions and decisions can impact practices in the entities in which we invest and that we have both a duty and an interest in managing this influence. Further, the way management handles ESG issues can provide valuable insights regarding exposure to negative incidents or emerging opportunities. In our view, ESG matters are best dealt with by ensuring appropriate governance structures are in place, and that company boards incorporate a range of experience and backgrounds, thereby ensuring proper oversight and improved transparency for investors to better assess performance.

In terms of our ESG integration, we use a mixture of proprietary ESG models, research from Regnan, and specialist third-party data. Our analysis on ESG informs our engagements where relevant. Conversely, learnings made in engagements flow through to our ESG analysis.

A comprehensive description of our approach to responsible investing and the way we engage with investee companies on ESG factors can be found in our Responsible Investment Philosophy and Approach statement published on our website: www.pentalgroup.com.

Proxy Voting

Our proxy voting decisions are made on a case-by-case basis. Any votes are cast in the best interests of clients.

Pental regards the exercise of proxy voting authority as an important aspect of investment decision making. We do not involve ourselves in the day-to-day management of the companies in which we invest. However, we recognise that we can influence company policy on matters of corporate governance by virtue of the shareholdings that we manage on behalf of our clients.

To assist in decision-making, Pental conducts research internally (including research from Regnan where relevant) and also uses the resources of an independent external proxy advisory service. Pental may also consider studies of corporate governance and other proxy voting issues and/or analyses of shareholder and management proposals from a number of different sources.

Where a resolution is deemed to be contentious, the Analyst or Portfolio Manager responsible will consider all the relevant information, including external reports received from corporate governance advisors, and will often engage with the relevant company to obtain further details or clarification on the matter prior to making a final decision.

A comprehensive description of our approach to proxy voting is contained in Pental's Proxy Voting Policy, published on our website: www.pentalgroup.com.

Collaborative engagement

In addition to engaging directly with companies, Pental also engages collaboratively with other stakeholders such as other investors and relevant industry groups. This complements our own direct engagements as well as enables us to participate in shaping policy and regulatory developments that are important to our clients, business and other stakeholders. Collaborative engagement initiatives often relate to improving corporate governance standards, improving transparency and disclosure and better management of specific ESG risks or opportunities. Collaborative engagements may be company-specific or industry related.

We have a process for identifying and prioritising collaborative engagements that has oversight from the head

of each investment boutique and investment teams. This is to ensure collaborative engagements are:

- In the best interests of our clients;
- Aligned with Pental's investment philosophy;
- Deemed to be relevant and value-additive to our investments; and
- Deemed material enough to allocate resources.

Pental also maintains various memberships and associations with industry groups and associations which allow us to engage with other industry participants to advance innovation and thought leadership and enhance our awareness of key industry changes and challenges. Please refer to our website here:

<https://www.pentalgroup.com/about/corporate-governance/industry-representation/>

Principles used for policy advocacy including participation with industry groups and associations;

We collaborate and advocate with other investors, institutions to support sustainability for the industry and to instigate change.

We use the following principles for identifying and prioritising participation with industry groups and associations:

- In the best interests of our clients;
- Aligned with Pental's investment philosophy;
- Deemed to be relevant and value-additive to our investments; and
- Deemed material enough to allocate resources.

Client engagement, education and communication

Pental engages and educates clients through various forums including:

- Meetings with clients' management;
- Publication of newsletters, webinars and articles to communicate and inform our clients and the public about our investment insights, processes and stewardship activities;
- Regular open client forums to provide investment updates and allow for active client participation;
- Hosting events focusing on ESG issues relevant to our investments and the needs and interests of our clients; and
- Participating in industry publications and speaking at industry conferences, roundtables and education forums.

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