

June 2025

Pendal Responsible Investment and Stewardship Annual Report 2025

PENDAL



PENDAL

Pendal* is an Australian investment management business focused on delivering superior investment returns for clients through active management. We offer a broad range of investment strategies. This report details the responsible investment and stewardship activities undertaken between 1 July 2024 and 30 June 2025 across Pendal's Australian equities and Australian fixed interest investment management business, referred to here as 'Pendal'. Reported figures are current at June 30 2025, unless otherwise noted.

* Pendal became a subsidiary of Perpetual Limited (ASX:PPT) on January 23, 2023.

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Highlights

1 July 2024 - 30 June 2025

341

ESG engagements across our investment boutiques



Continued advocacy work towards the creation of the first biodiversity-linked green bond

7

Sustainable Funds across 3 asset classes, enhanced with formal Sustainability Objectives and annual reports.

A\$5bn

Funds under management¹ in dedicated responsible investment strategies



Actively involved in RI industry working groups

8

Products certified by Responsible Investments Association Australasia, 7 with a Sustainable Plus classification.

53%

Proportion of engagements on **social issues**

37%

Proportion of Pental and Regnan engagements that concerned **climate change**

50

Green-, social-, and sustainability-linked impact bonds held across our portfolios

¹ Rounded from \$4.975b

Investment Director letter and introduction

Daniel Campbell
Investment Director



The period from 1 July 2024 to 30 June 2025 marked a pivotal shift in responsible investment, from broad commitment-building toward sharper accountability, comparability and outcomes.¹ Globally and in Australia, investors operated amid heightened political scrutiny of ESG, uneven market sentiment and increasing regulatory intervention, yet responsible investment practices continued to deepen rather than retreat.² Climate change and social issues remained the most financially material ESG factors, while stewardship activity became more targeted and system-focused, reflecting investor recognition that long-term value creation depends on addressing economy-wide risks³. In Australia, the finalisation of mandatory climate-related financial disclosure requirements under AASB S2 accelerated the transition from voluntary reporting to decision-useful disclosure, reinforcing expectations that sustainability claims be supported by robust governance, credible data and demonstrable progress.⁴

Engagement remained central to our approach throughout the year. Across our investment teams, we focused dialogue on ESG issues most material to long-term value creation. In Australian equities, this included executive remuneration and accountability, workplace safety, human capital management and climate transition planning. In fixed income, engagement extended to both listed and unlisted issuers, reflecting the critical role utilities, infrastructure and government-related entities play in delivering transition and sustainability outcomes. This report sets out the breadth of that engagement and the themes shaping our discussions, including board oversight of ESG risks, alignment between remuneration and performance, disclosure quality and the credibility of labelled bond frameworks. While engagement outcomes often take time to materialise, we remain committed to constructive, ongoing dialogue with investee companies and issuers—recognising the importance of understanding the practical challenges they face across different market environments and setting clear, pragmatic expectations for progress.

FY25 saw a continued focus on thematic engagement across asset classes. In Australian equities, we progressed our work on the gender pay gap, engaging boards and remuneration committees on structural drivers, data quality and accountability. We also deepened our knowledge of emerging themes, particularly ESG risks in critical minerals mining, and commissioned Regnan to undertake systems-based research into this topic. In fixed income, we explored investable pathways for nature-positive outcomes,

including biodiversity-linked debt, and continued to use stewardship to lift standards in green, social and sustainability bonds. Our engagement with issuers and arrangers focused on use-of-proceeds clarity, credible impact reporting and issuer-level alignment, applying a consistent “do no harm” lens that recognises the integrity of labelled bonds depends on both the projects financed and the issuer’s broader strategy.

Scrutiny of executive remuneration and governance remained elevated during FY25. We voted actively and selectively, drawing on engagement insights and independent research, and outline examples of key voting decisions in this report. Our approach reflects a clear expectation that remuneration outcomes align with company performance, shareholder experience and long-term strategy. ESG integration across Pental’s investment processes continued to mature during the year, supported by Regnan. This work was complemented by our participation in the updated RIAA certification process, where we engaged closely with RIAA to meet strengthened expectations for sustainably-labelled funds.

Looking ahead, we expect to see further change. Mandatory climate-related financial disclosures in Australia, evolving sustainable-finance labelling regimes, and emerging governance challenges such as artificial intelligence are reshaping the responsible investment landscape. At the same time, geopolitical and policy shifts reinforce the importance of active, pragmatic stewardship. As this report demonstrates, Pental remains committed to embedding responsible investment into how we manage capital on behalf of our clients. We view ESG integration, engagement and advocacy not as ends in themselves, but as tools to better understand risk, identify opportunity and support long-term value creation in a changing world. I am pleased to share this report and the work undertaken by our teams during FY25.

Daniel Campbell
Investment Director

¹ Herbert Smith Freehills Kramer, Stuck in the Middle? Unlocking ESG Investment in Australia 2024; ²London Business School / Forbes, What the ESG Backlash Reveals—and What Comes Next (March 2025); Silver Regulatory Associates, ESG Q1 2025: Worldwide Changes and the Ongoing Aftermath; ³ KPMG, Australian Sustainability Reporting Trends - November 2024; Investor Group on Climate Change (IGCC), Australia’s 2024 State of Net Zero Investment Report; ⁴ KPMG, Australian Sustainability Reporting Trends - November 2024; ⁵ Regnan is a member of a multi-stakeholder initiative to lobby for a biodiversity green bond.

Engagement and advocacy

At Pental, engagement is a core element of our responsible investment and stewardship approach. Our analysts and portfolio managers engage directly with investee companies and issuers where we have identified material ESG risks or opportunities, and where our holdings and relationships provide scope to influence outcomes. Through engagement, we seek to encourage improved practices across environmental, social and governance matters in support of long-term value creation for our clients. The Australian Equities team maintained an active engagement program throughout FY25, focusing on the ESG issues most relevant to company performance and risk management. Priority areas included executive remuneration and accountability, workplace safety, human capital management, carbon emissions and climate transition planning. During the year, the team continued its thematic engagement on closing the gender pay gap in Australia, alongside advancing engagement on emerging risks in critical minerals mining. This work was informed by systems-based research commissioned from Regnan, which helped shape a targeted engagement program aimed at improving the long-term sustainability and resilience of the critical minerals value chain.

Pental's Income and Fixed Interest (I&FI) team also continued to use its influence to promote higher ESG standards across debt markets. Engagement with issuers is an integral part of the team's investment process and includes both listed and unlisted entities. Engagement with privately owned utilities, infrastructure and government-related issuers is particularly important in supporting climate transition outcomes, given the central role these entities play in delivering essential services and large-scale capital projects. In the growing market for green, social and sustainability bonds, our engagement with issuers and arrangers focused on raising the quality of issuance and strengthening integrity. We consistently advocated for clear use-of-proceeds frameworks, credible and outcome-focused impact reporting, and alignment between labelled bonds and issuer-level strategies. In parallel, Pental and Regnan continued their advocacy work towards the creation of a first-of-its-kind biodiversity-linked bond, convening government, academia, civil society and investors to explore investable pathways for nature-positive outcomes.



Engagement statistics

ESG engagement by our Australian equities team

Our Australian Equities team actively meets with Australian companies, seeking outcomes that are in the long-term interests of shareholders. Long-term ESG issues often feature in our corporate engagement alongside financial management.



245

ESG engagements

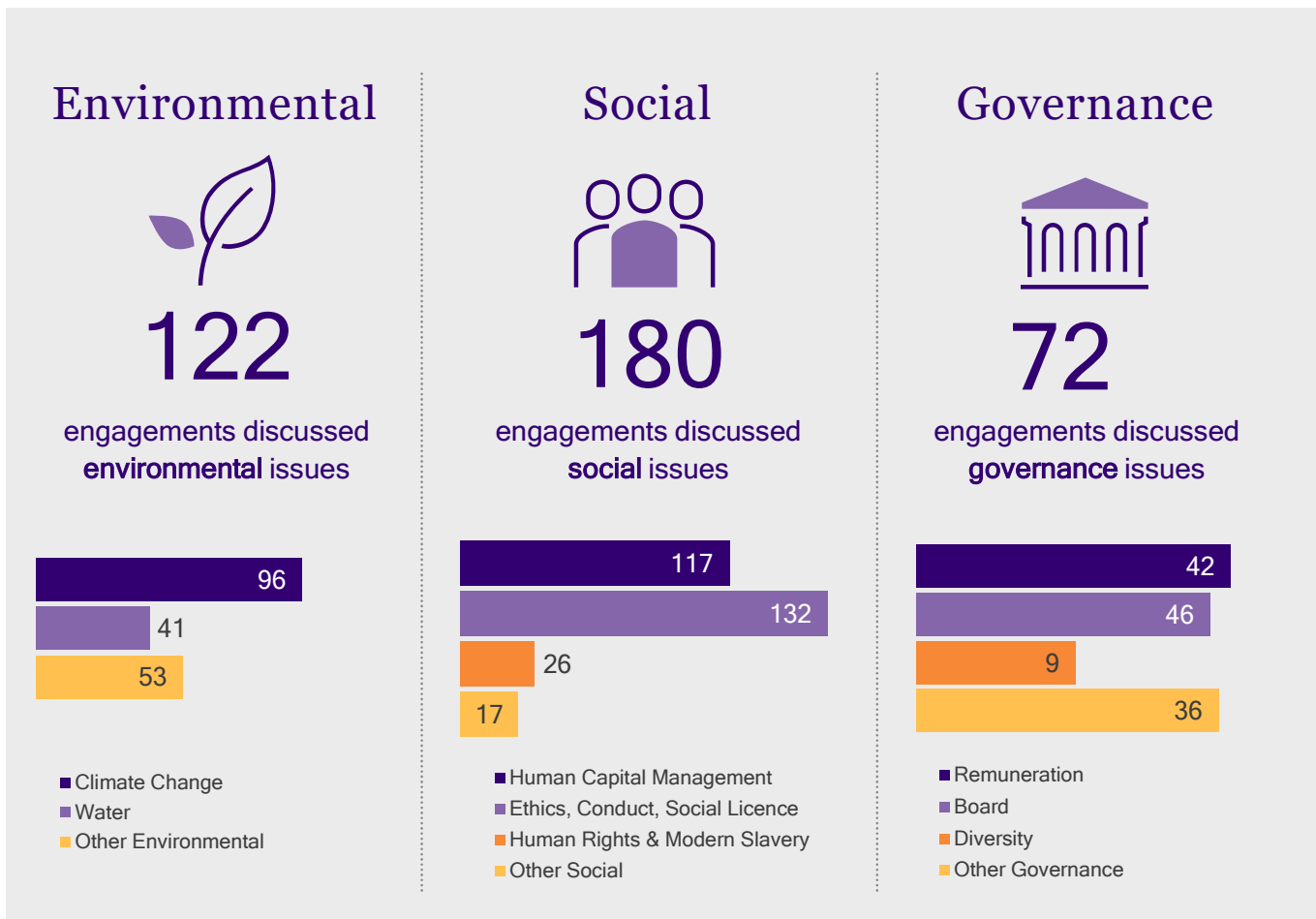


93

companies engaged



ESG engagements by our Australian equities team



ESG engagement by our income and fixed interest team

In FY2025, the team undertook 105 direct engagements across 94 different entities and a range of ESG concerns. Of our engagements in FY25, 21 addressed disclosures, 14 were about the underserved in society, 31 related to climate stability, 29 about improving debt markets and 10 relating to ESG integration.

105
ESG engagements conducted with issuers

| | | | | |
|--|--|---|--|---|
|  <p>Climate stability</p> |  <p>Underserved in society</p> |  <p>Improving the debt market</p> |  <p>Disclosures</p> |  <p>ESG integration</p> |
| <p>We probe issuers to:</p> | <p>We request from issuers:</p> | <p>We do this to:</p> | <p>We ask issuers for:</p> | <p>We seek to:</p> |
| <ul style="list-style-type: none"> • identify climate risks and opportunities • develop or improve transition plans and increase ambition • contribute to climate and environmental solutions | <ul style="list-style-type: none"> • evidence that bonds are targeted towards the underserved • targeted funding towards social projects • effective monitoring of impact | <ul style="list-style-type: none"> • share our expectations of bonds • safeguard against greenwashing • grow the impact bond market • improved impact reporting | <ul style="list-style-type: none"> • greater public disclosures • improved, specific and timely ESG reporting. | <ul style="list-style-type: none"> • Enhance management of ESG risks • signal the importance of ESG across all issuers. |
| <p><i>i.e. encouraging issuers to have an effective plan to minimise our credit risk from climate change</i></p> | <p><i>i.e. encouraging issuers to provide funding towards the underserved in society</i></p> | <p><i>i.e. ensure our market follows best practice and continues to grow</i></p> | <p><i>i.e. asking issuers for more publicly disclosed information</i></p> | <p><i>i.e. including ESG in everything</i></p> |

Thematic engagement program

Thematic ESG Engagements

12-month update on gender pay gap thematic engagement

In the last year, we have continued to advance our thematic engagement program on the Gender Pay Gap (GPG), building on the foundation we established in our previous report. The GPG remains a material economic and social issue in Australia. The latest data available during FY25, published by the Workplace Gender Equality Agency (WGEA) in its 2023-24 Gender Equality Scorecard, reports a national total remuneration gender pay gap of 21.8%, meaning women earn 78 cents for every \$1 earned by men on average. This equates to an annual difference of \$28,425. While this improvement reflects broader employer action, disparities persist across industries and at senior leadership levels, and the pace of change remains measured.⁶ *WGEA notes that including CEO/Head of Business (HOB) and Casual Manager remuneration for the first time in 2023-24 creates a new baseline; on a like-for-like basis excluding those roles, the national gender pay gap is 21.1% for 2023-24.*

Over the past twelve months, Pental sustained and deepened its thematic engagement on gender pay equity across Australian-listed companies. Our approach combined board-level conversations and evidence-based asks aligned to WGEA guidance and best practice. We focused on the organisational drivers of pay gaps—representation in upper pay quartiles, bonus allocation practices, and transparency of pay-gap measurement and reporting

Why the gender pay gap remains a priority

Closing the gender pay gap delivers financial, social and governance benefits that compound over time.⁷ Nationally, progress is positive but incremental: WGEA's 2023-24 Gender Equality Scorecard reports the national total remuneration gender pay gap at 21.8%, reinforcing that progress remains gradual and that structural drivers persist across industries and seniority levels. Yet disparities intensify at senior levels—WGEA's 2023-24 reporting also highlights that pay disparities widen at the most senior levels: the CEO/Head of Business (HOB) gender pay gap is 27.1%, the largest of all manager categories reported.⁶ For Pental, this underpins a stewardship priority: systematic

engagement that encourages rigorous pay-gap analysis, published action plans and accountability mechanisms linking remuneration and promotion decisions to measurable equity outcomes. Our belief is that prioritising GPG leads to risk mitigation, talent retention, long-term value creation.

What we did this year

We continued our engagement activity this year, focusing on learning from both the leaders, on how they successfully reduced their GPG, as well as trying to further understand the challenges the laggards faced. We utilised pre-AGM meetings to ask about companies' GPG.

Our analysts and portfolio managers met with executives, chairs and remuneration committee members to discuss plans for analysing the drivers of the GPG; and where relevant, the diagnostic findings and practical steps the company was taking to close gaps.

In several cases, we observed a lack of understanding of the underlying drivers of the gender pay gap. In many organisations, the gap is largely driven by workforce composition (the over-representation of one gender in higher-paid, senior or skilled roles and/or the concentration of one gender in lower-paid or less-skilled roles). As a result, a company can achieve parity in "same job, same pay" outcomes while still exhibiting a material gender pay gap. We also noted misconceptions around the treatment of part-time employees in WGEA data, which annualises part-time salaries and can therefore influence reported outcomes. In response, we encouraged companies to analyse gender representation across different pay bands and to assess whether structural skews exist in higher or lower-paid roles, and, where they do, to identify and address the underlying causes.

⁶ Workplace Gender Equality Agency (WGEA), Australia's Gender Equality Scorecard 2023-24 (November 2024).

⁷ International Monetary Fund (IMF), Countries That Close Gender Gaps See Substantial Growth Returns (September 2023).

Thematic ESG engagements

Gender pay gap

We observed several encouraging examples of companies addressing the gender pay gap in a considered and systematic way. BHP, while not held within our sustainable portfolios due to its fossil fuel exposure, emerged as an industry leader in its approach to addressing pay disparities. Despite operating in an industry that has historically struggled to attract female talent, BHP has made meaningful progress, increasing female representation across its workforce to 40 per cent, up from 23 per cent in 2016. Much of this growth has occurred in entry-level roles, reflecting the company's recognition that a key driver of its gender pay gap has been the limited pipeline of women entering the sector. BHP's strategy has therefore focused on building a sustainable talent pipeline and supporting progression into senior and leadership roles.

This has been achieved in part through initiatives such as the FutureFit Academy, which, since its launch in 2020, has enrolled more than 80 per cent female participants across its accredited apprenticeships and traineeships. These efforts are complemented by broader measures including systemic pay-equity reviews, inclusive recruitment practices, a supportive workplace culture and targeted leadership development programs designed to attract, retain and develop female talent.

Qantas (QAN) also demonstrated leadership in its analysis and response to the gender pay gap. The company's assessment indicates that the gap is predominantly structural rather than the result of unequal pay for the same work, reflecting the aviation industry's historical concentration of men in higher-paid technical and senior roles. According to Qantas, roles such as pilots and engineers exhibit particularly pronounced gender skews, with women representing approximately 7.5 per cent of pilots and 4.3 per cent of engineers.⁸ While these figures are above global industry averages, overall representation remains low. In contrast, female participation is significantly

higher in roles such as cabin crew and customer service. Qantas' analysis further shows that among corporate employees not covered by enterprise agreements, like-for-like pay differences are minimal (around 1.2 per cent), reinforcing the conclusion that the overall gender pay gap is largely driven by workforce composition. The company is using these data insights to implement targeted, measurable interventions, including scholarships for female pilot and engineering trainees, expanded outreach to encourage women into aviation careers, the launch of a gender-focused Engineering Academy, and representation targets such as achieving more than 40 per cent women in senior leadership roles and increasing female participation in technical streams. Collectively, these initiatives demonstrate a disciplined, data-driven approach to building a more balanced and sustainable talent pipeline across the Group.

Market developments, data availability and implications for Pental's stewardship priorities

The increased availability and consistency of GPG data over the past two years has materially strengthened the ability of investors to assess company-specific risks, track progress over time, and engage in a more informed and outcomes-focused manner. Annual WGEA reporting has improved transparency and comparability across Australian-listed companies.

For Pental, the maturation of this data environment marks a transition from awareness-raising to longitudinal analysis and targeted engagement. Going forward, we intend to use year-on-year WGEA reporting to track directional change at both the portfolio and issuer level, identify leaders and laggards, and assess whether company-stated actions are translating into measurable outcomes.

⁸ Qantas Group, 2025 Gender Pay Gap Statement.

An aerial photograph of a coastline. The top half of the image shows a wide, flat expanse of bright orange sand. The bottom half shows a narrow strip of beach with white foam from waves washing onto the shore, and the deep turquoise water of the ocean. The transition from sand to water is sharp and clear.

ESG integration

Pendal believes the performance of companies in which we invest is linked to factors that include the quality of its management and ability to build resilience in the business.

The way a company manages ESG issues can provide insight into its exposure to risks or ability to capitalise on emerging opportunities.

We believe understanding how a company manages ESG issues is a natural extension of our active approach to investment management. Pendal recognises that several drivers (from client interest and regulatory changes to the presentation of ESG factors material to valuations) require us to continue building our ESG capabilities and access to high-quality, investment-relevant research.

The deeper our capabilities in this space, the better placed we are to manage risk and encourage sustainable business practices among our investee companies and issuers.

In FY25 we undertook projects to enhance ESG-related investment practices, process and people across the organisation. A number of these projects have been supported by our ESG specialist affiliate, Regnan.

Engagement case studies

Case study

Australian equities: ESG in the wake of the Australian federal election

President Trump's election has seen the co-ordinated use of fiscal, regulatory and executive actions to wind back ESG and DEI (diversity, equity and inclusion) measures and regulation in the US.

The underlying premise appears to be that ESG is just virtue signalling and at best adds no value - and may actually erode it.

The corporate response in that country has broadly fallen into three categories:

1. The "box tickers" who do not see embedded ESG principles as value-additive have been able to wind back these initiatives.
2. Companies which focus on providing ESG-related goods and services are facing challenges and need to focus on weathering headwinds.
3. Companies which see an embedded ESG framework as value-additive need to display political pragmatism - trying to preserve their approach while avoiding brand damage.

The direct implications for Australian-listed companies are few. In our view, most Australian companies fall into the third group above, where ESG principles are embedded in the organisation and seen as value-adding.

However given US influence, the risk is that ambitions are eroded and timelines for targets pushed out - particularly for companies with material US exposure.

The US situation provides an interesting contrast to the political climate in Australia. Here, the federal election outcome seems to signal an approach to sustainability which has veered away from extremes to a more balanced, pragmatic approach.

The Coalition went into the election offering nuclear power as an alternative to renewables as the backbone of Australia's power supply. It wanted to walk back renewal energy targets, efficient fuel standards and 2035 emission targets.

Labor's clear victory meant a rejection of these measures and a reduction in uncertainty for companies on these factors.

However, the surprising outcome is that the government is no longer as reliant on support from the Greens, which has clear implications for policy around climate change and the environment, among others.

The Greens wanted to go harder on targets and regulation - however this also now looks less likely.

Demonstration of this has been swift, with the government approving Woodside Energy's application to extend the life of the North West Shelf gas project. Serious consideration of gas's role in energy transition is now possible given the election outcome.

Further evidence of the government's willingness to intervene with industry policy to balance outcomes can be seen in their funding - alongside the South Australian government - to keep the insolvent Whyalla steelworks in production and explore its conversion to a lower-carbon facility.

Seeming Coalition disarray after the result opens the door to another possible term for Labor - although a lot can change quickly in politics. Nevertheless, this may give the government confidence to push harder on the Future Made in Australia framework - and measures such as establishing a rare earths strategic stockpile.

It will also be interesting to see whether Labor's strong showing gives it the confidence to revisit issues around native title and land use - having seemingly pulled back from that issue post the Voice referendum. This may have implications for sectors such as agriculture and resources sector.

The upshot is that for Australian companies, changes in the political situation have perhaps reduced some of the uncertainty around potential extremes of policy and regulation - either way - in key areas such as energy and emissions.

Some of the potential opportunities around Future Made in Australia that emerged in the previous term may now gain more impetus - providing opportunities for Australian companies.

As active investors, a key focus is understanding how individual companies are reacting to the changing political environment - both domestically and abroad. Beyond this, we need to assess how these geopolitical developments, alter the risks and opportunities they face and how it affects their understanding of sustainability and how it is integrated into their business.

Case study

Australian equities: Green iron

A key target of our 1H25 mining sector engagement has been to gain a better understanding of the potential risks and benefits of developing green iron technology - as part of the ecosystem trying to drive broader decarbonisation in steel.

Steel decarbonisation - or the creation of "green steel" - can be addressed at different points along the manufacturing and supply chain. We have written previously about our engagement with BlueScope Steel around the re-lining of the blast furnace at the Port Kembla steelworks and the risk that they could use an approach which becomes obsolete in the face of regulatory change. The challenge for steel makers is that low-emission alternatives to the traditional blast furnace approach to steel-making are not yet at a commercial stage. Using scrap steel and an electric arc furnace is one option - but comes with its own set of challenges.

BlueScope's approach has been to plan a relining of the blast furnace in such a way that would allow for the use in the short-term of emission reduction technologies as well as scope for migration to hydrogen-based steelmaking as the technology commercially matures.

However, steel decarbonisation can also be addressed earlier in the supply chain.

One approach is to focus on mining ore with a higher purity of iron, which then requires less refining and waste material. This is the approach of Champion Iron, for example, which operates a project - the Bloom Lake complex in Canada - with a higher level of purity than the industry average. The challenge here is availability of this type of resource.

Another approach is for miners to improve the quality of their iron product themselves, which was a key area of engagement in the first half of CY2025. Our focus is to understand the approaches being considered by miners, the timelines involved and the implication for capex and cash flows.

There are essentially three main pathways being looked at.

The most advanced involves putting iron ore into a shaft furnace and blowing hydrogen (or gas) through to remove oxygen. Impurities (alumina, silica etc) are then removed in the final step - an electric smelting furnace (ESF). The end product is a pig iron of >95% purity, versus an average in the low 60% range currently produced by most Australian miners.

A similar technology is fluidised bed, which also forces gas through the ore and requires an ESF, but doesn't use hydrogen.

The final approach is to go from iron ore to pig iron in a single step via an electrochemical route (using electrolysis).

Fortescue is the most advanced of the Australian majors with respect to green iron, with its pilot plant - using a hydrogen-based approach - already in construction. Over the course of 1H25, we met with a variety of staff associated with the venture to get a better understanding.

Fortescue seems ready to expand production at its pilot plant, but the decision to do so has been pushed back pending better visibility on project economics.

Rational behaviour such as this is welcome. Aside from operating cost, our key concern has been around capital costs. To produce a million tonnes of green iron per annum - Fortescue's target production, would likely require a further US\$3bn of capex.

The company could find a capital partner, potentially among its Chinese customers. However, the issue remains that ultimately there is little margin uplift from this business and thus at best it is sustaining capex and/or protection of their iron ore business, which produces low-grade ores. Whether Fortescue can make the economics of the business work without subsidies or carbon pricing remains to be seen.

We also met with Rio Tinto's NeoSmelt team - part of a joint venture with BlueScope, BHP, Woodside Energy and Japan's Mitsui Iron Ore Development.

The contrast in approach versus Fortescue is fairly pronounced. While there are a number of different technologies being studied, the most advanced is a shaft furnace and electric smelting furnace. Both the Rio Tinto and Fortescue pilot plants are similar however; Fortescue want to use hydrogen while Rio will start with gas.

Interestingly, Fortescue also want to be the ones eventually building/owning/operating these facilities (preferably in Australia), on the view that they are building an integrated company.

In contrast, Rio are happy to share the technology and let others - such as Chinese steel makers - build it wherever they like.

In our view, the green iron challenge is two-fold. First, how does a company justify investment into one technology, when another could be proven better in a few years? Second, return on capital appears a huge challenge for a rational investor.

Ultimately, committing billions to green iron when the best hope is to be price competitive with traditional steel implies no margin uplift. As a result at this point, while decarbonised steel is an attractive opportunity, the steel makers themselves look best placed to undertake the development and capex required to achieve it, rather than the resource companies.

Emissions intensity of selected strategies vs their respective benchmarks

Our dedicated RI and Regnan strategies significantly outperform their benchmarks in terms of emissions intensity:

Pendal Horizon Sustainable
Australian Share Fund

↓ 5.8%

Pendal Sustainable
Australian Share Fund

↓ 18.9%

Pendal Sustainable
Future Australian
Shares Portfolio Fund

↓ 4.8%

Some of our core strategies are also less carbon intensive than their benchmarks:

Pendal MidCap
Fund

↓ 42.4%

Pendal MicroCap
Fund

↓ 54.9%

Pendal Smaller
Companies Fund

↓ 33.62

Note: Weighted Average Carbon Intensity, is calculated using ISS carbon data as 31 December 2024. Figures are indicative and at times based off estimated, not reported, emissions.



Proxy voting

We regard the exercise of proxy voting as an important aspect of our investment decision-making and stewardship responsibilities.

We place great emphasis on exercising clients' ownership rights and responsibilities to ensure companies are managed in the best interests of their long-term investors.

We vote on a case-by-case basis following an assessment of the matter at hand and after taking into consideration the likely effect on the portfolio or fund, drawing on relevant internal and external research as needed, as well as relevant insights from engagement.

Information on the proxy voting activity for all Pental Australia's Australian and global equity holdings during FY 2025 is set out below.

As active managers, our investment teams endeavour to engage with companies in relation to proxy matters to support informed voting decisions. We also publish our proxy voting records on the Pental [website](#).

| Proxy voting for 1 Jul 2024 - 30 Jun 2025 | Total | For | Against | Abstain | Other ¹⁰ |
|--|-------|--------|---------|---------|---------------------|
| Number of resolutions | 1,488 | 1,266 | 117 | 0 | 1 |
| Percentage of total | - | 91.47% | 8.45% | - | 0.07% |



¹⁰ Other' includes Management Say on Pay (MSOP) proposals and where Pental did not vote on a proposal due to administrative and other reasons, including where a shareholding was divested prior to the voting cut-off date.

* Please note individual funds may place differing votes on the same resolution resulting in a total of 1,488 votes across the four categories. Percentages are based on the total votes and not the unique resolutions.

ESG resolutions

The 2025 AGM season continued to reflect heightened scrutiny of executive remuneration, building on elevated levels of shareholder dissent in recent years. During the 2024 AGM season (FY24), approximately 40 S&P/ASX300 companies received a strike on their remuneration report, close to the 41 strikes recorded in 2023 and well above historical averages. This sustained dissent highlighted ongoing shareholder concern about perceived misalignment between executive remuneration outcomes and company performance, particularly where financial results weakened.

Across the period 1 July 2024 to 30 June 2025 (FY25), headline dissent moderated modestly, with 33 ASX300 companies recording remuneration strikes. While lower than the prior two years, this does not reflect reduced investor expectations. Instead, shareholder pressure has become more targeted and is increasingly applied earlier through engagement outside the AGM process, with escalation occurring where boards are seen to have insufficiently addressed investor concerns. Environmental and climate-related shareholder votes remained comparatively limited during FY25.

Management-led “Say on Climate” resolutions generally attracted high levels of support, although increasing abstentions suggest investors are using these votes more as an assessment of disclosure quality and governance discipline than as an unconditional endorsement of climate strategy. Shareholder-requisitioned environmental and social proposals continued, but at levels well below remuneration-related votes. Board gender diversity across the ASX300 continued to improve gradually.

As at 30 June 2025, women held approximately 37.5% of ASX300 board positions, rising to close to 39% across ASX100 boards. Progress toward the 40:40:20 gender balance target remains uneven, with a growing number of companies achieving balanced boards, but a majority yet to fully meet the target. Broader diversity outcomes beyond gender showed more limited change.

Overall, AGM voting trends during FY25 continued to be dominated by executive remuneration and director accountability, while the number of formal shareholder-requisitioned resolutions remained relatively low, reinforcing remuneration governance as the primary channel for shareholder dissent.

Pendal voted against the approval of the remuneration report for **Nine Entertainment (NEC)**.

A vote against the remuneration report is warranted due to misalignment between FY24 STI and LTI outcomes and the company’s financial performance. These outcomes were based solely on non-financial measures and awarded despite shareholder wealth losses in recent years. FY24 STI Bonuses were awarded despite EBITDA underperformance and failure to meet targets, with bonuses paid for poorly disclosed responsibilities. FY22 LTI vesting was based solely on ‘strategic’ measures, despite failing TSR and EPS performance targets.

Pendal voted against our proxy advisor regarding the shareholder proposal calling for a review of the **Rio Tinto’s (RIO)** dual-listed structure. A vote against was warranted as in our view, the purported benefits of collapsing the dual-listed company structure appear limited or overstated, while unification costs are substantial and far exceed activist claims. Such a move would likely trigger an immediate and sharp decline in the LTD share price, and the potential upweighting of RIO shares in Australia could prove highly disruptive.

Pendal voted against the management of **Viva Energy (VEA)** with regards to ratifying the executive officer’s compensation. The underlying reasoning for the vote was the belief that the results were not sufficiently aligned with the interests of shareholders.



Highlights of our ESG integration process for Income and Fixed Interest:

ESG Research: Our research process assesses risk and opportunity across sectors. This process is supported by our research and engagement specialists at Regnan as well as third party research providers. This work aims to identify leading and lagging issuers and covers areas including carbon emissions, the physical and transition risks of climate change, worker safety, community engagement, adherence to regulation, modern slavery risks, diversity and governance.

Engagement: We take our engagement responsibilities seriously – when an issuer deviates from expectation, we directly engage to move them back towards sustainable behaviour. Fixed income uniquely has access to engagement with non-listed entities including utilities and infrastructure businesses that are often in private ownership. These businesses are critical to preventing the consequences of a range of ESG issues, including climate change. Engagement also shapes the debt market itself by encouraging arrangers to use their influence on issuers. About 41 per cent of our engagements are with arrangers.

Pricing material ESG risks: ESG risks come with two main pricing implications: a change in the fundamental credit outlook of an issuer, and a change in the investment demand for an issuer. Our pricing process maps these risks and allows us to better understand the outlook for individual issuers. Importantly, issuers with weaker ESG performance can be included in our funds if there is compensation for this increased ESG risk through an elevated credit spread.

Monitor and review: As active managers, we constantly monitor for risks. We use media monitoring to ensure we pick up any emerging risks. Our third-party data providers screen for events like workplace rulings, regulatory changes and compliance concerns.

Engagement case studies

Case study

ESG in the wake of the Australian federal election

From a fixed income perspective, political shifts around ESG ambition and sustainability have direct implications for how we assess credit risk, policy alignment and issuer credibility. Bondholders lend on the basis of future behaviour, not just present commitments, and changes in political settings can influence both the financial and non-financial risks we monitor. It's important to understand whether sustainability is embedded as a core part of an issuer's strategy or merely an overlay that can be unwound. In our experience, this distinction matters especially for government-related issuers, whose policy direction shapes not only their own financing needs but also the impact of their labelled bond programs.

This is a recurring issue in our market. Green, social and sustainable bonds rely on a clear separation between issuer-level credit risk and project-level impact, but the integrity of the bond ultimately depends on both. High-quality use-of-proceeds structures can channel capital to meaningful environmental or social outcomes, but only when the issuer maintains a broader strategic alignment with those objectives. If policy shifts move an issuer away from climate stability, biodiversity protection or social outcomes, the labelled bonds they issue risk becoming vehicles for reputational enhancement rather than genuine impact.

This is why we apply a "do no harm" lens to sovereign and semi-government issuers and why we treat issuer ambition as inseparable from the project list they present.

These considerations place a premium on stewardship in fixed income. Investors in this market often have only a short window, sometimes only a few days, to evaluate new labelled transactions, meaning clarity, standards and external validation matter. We take an active role in communicating our expectations to issuers and arrangers, pushing for frameworks that demonstrate additionality, specificity and credible impact reporting. For us, a green or social bond is not just a financing tool; it signals the issuer's long-term positioning. By explaining why we invest or divest, we help shape the market toward greater integrity and encourage issuers to ensure their policies reflect the same values as their labelled instruments.

As long as externalities remain largely unpriced, the market will tend to reward conventional behaviour over genuinely impactful activity. Fixed income investors can play an important role in bridging this gap by signalling where ambitions are credible, where policy settings fall short, and where the structure of financing needs to evolve to attract wider participation. In practice, this means highlighting when expectations are met and when they are not, whether in Queensland's shifting climate policy, the growing market for social bonds, or the evolving nature of impact investing more broadly. Ultimately, the goal is to help create a sustainable investor expectations that help reinforce long-term alignment.



Case study

Encourage a new social bond

Objective: Encourage the issuance of a high-quality social bond that targets the underserved in society.

Process: We engaged with a major bank to explore ways to promote the issuance of high-quality social bonds aimed at supporting underserved communities. During the meeting, we outlined the types of projects we consider eligible, the indicators and impact reporting frameworks that would resonate with investors, and the role the bank could play—as both arranger and issuer—in shaping future issuance. This is part of a longer-term engagement strategy, which also involves connecting the bank’s sustainable finance team with academics and community organisations focused on advancing social impact measurement.

Outcomes: Outcomes will materialise in the long-term through introducing new approaches to sustainable debt and impact measurement.



Case study

Provide guidance to issuers for quality green bonds

Objective: Encourage high quality green bonds in the market by meeting with a potential issuer of green bonds to shape what projects they would consider including in a green bond.

Process: As an active voice in the Australian sustainable debt market, we are sometimes asked to provide feedback on sustainable frameworks or sustainable debt projects. We met with the treasury team for an issuer that was interested in issuing a green bond but were unsure what the market expectations could be. This was an issuer who was important in financing the materials that are very necessary to the transition to renewable energy.

Outcomes: We expressed our views about what type of projects are most impactful. An important part of the discussion included getting a commitment to impact reporting that would focus on emissions avoided as a result of investment in the bond. These meetings are vital to ensure that quality bonds that have evidence of the outcomes achieved continue to launch in the market and helps safeguard against the potential risk of lower quality bonds.



Case studies



Encouraging new biodiversity measures: Potential for a new issue

Objective: Encourage the issuance of a high quality green or sustainability bond that addresses nature repair and biodiversity measures.

Process: We met with a major bank to discuss how they could encourage the issuance of quality green bonds relating to nature repair. This includes what type of indicators and impact reporting would investors be comfortable with, and how they, as an arranger, could influence future issuance. This is a longer-term engagement and includes introducing members of the sustainable finance team at the bank to academics and community groups who are pursuing nature repair strategies.

Outcomes: Long-term change by introducing new approaches to sustainable debt and impact measurement will take a long time. However, by discussing the challenges and what investors are seeking, we believe we can encourage novel and effective sustainable labelled securities in the future.



Embodied carbon: Understanding the complete carbon footprint

Objective: Encourage the issuer to measure and publicly report on embedded carbon for renewables rollout.

Process: The issuer is involved in the rollout and integration of renewables into the electricity grid. The issuer has stated they seek to minimise environmental impact by implementing sustainable construction practices, habitat conservation measures, and biodiversity protection strategies. We have asked them to consider including the embedded carbon emissions in their reporting. Embodied (also known as embedded) carbon refers to the greenhouse gas emissions and equivalent associated with the production, transportation, and installation of materials. It is a way of understanding the lifecycle of a material from an emissions perspective.

Outcomes: The issuer is important in the energy transition in connecting new renewable power sources to the electricity grid. They said they do not have the underlying data to report on embodied emissions. Data availability remains one of the biggest challenges for understanding embodied emissions. However, if investors demonstrate this data is useful to us, issuers are more likely to investigate further.



Energy transition: Clarifying location of projects and improving impact measurement

Objective: Encourage the issuer to publicly disclose the location of bond projects for offshore issuer.

Process: An issuer new to the Australian market launched a green bond. They have excellent credentials in delivering renewable projects (wind and solar farms) globally. They were reluctant to disclose the location of the projects related to this specific bond, due to commercial reasons. We shared with them that a consideration in our investment process is the scope of impact, and that includes an estimated number of emissions avoided or renewable generated per million invested. We can do this because we have collected extensive data of different projects.

Outcomes: The issuer understood our reasoning for wanting why we wanted this information. They then publicly disclosed that all renewable projects would be in Australia, and the reason they issued an AUD bond would be to remove any currency risk from the funding of these projects. Whilst the specific locations of these wind and solar projects will only be disclosed 12 months after the bond with the impact report, knowing the country allowed us to calculate expected impact and triangulate with reports for bonds in other jurisdictions from the same issuer.

Case study

The challenge of investing in biodiversity

Why biodiversity matters

Biodiversity underpins everything: fresh water, fertile soils, clean air, pollinators, and resilient ecosystems are foundational inputs to life. More than half of the world's GDP is estimated to depend on biodiversity and ecosystem services, meaning that nature loss quickly translates into real economic and financial consequences. Declining ecosystems can disrupt supply chains, create stranded-asset risk, raise both capital and operating costs, and increase insurance premiums across sectors ranging from food and forestry to utilities and consumer staples. As a result, biodiversity is emerging as an important investment focus, coinciding with a period in which businesses are increasingly disclosing a wider range of environmental risks.

Following the Taskforce for Climate-Related Financial Disclosures (TCFD), which normalised climate-risk reporting, the Taskforce for Nature-Related Financial Disclosures (TNFD) now provides investors and corporates with a framework to identify, evaluate and manage their nature-related dependencies, impacts, risks and opportunities. This marks a significant step in elevating nature within mainstream financial decision-making.

Biodiversity as risk management

Active managers are naturally keen to uncover mispriced or misunderstood risks, and biodiversity is increasingly being approached from this perspective. Investors are assessing which companies and sectors are more exposed to biodiversity-related risks—including policy changes, supply-chain disruptions, and scenario analyses that consider the implications of accelerated biodiversity loss. This reflects an expansion in the understanding of materiality: non-financial risks can become financial risks over an appropriate timeframe.

However, this emphasis has also resulted in biodiversity being framed primarily in terms of risk, which limits the scope of the conversation. Some sectors are more immediately impacted than others. Agriculture, for example, faces far more direct and near-term effects than a business-software provider. Consequently, there has been a stronger focus on identifying downside risks rather than exploring upside opportunities.

In the Australian fixed income market, many standalone issuers do not face a uniquely large direct exposure to biodiversity risk. Utilities, infrastructure and office real estate,

for example, are not directly affected by biodiversity loss in the same way they are exposed to physical and transition risks associated with climate change. An office REIT can meaningfully reduce its carbon footprint through energy efficiency, renewable energy and lower embodied carbon in new developments, but unless it is actively building or expanding assets, it has limited direct biodiversity exposure. Financial institutions, by contrast, exert influence indirectly through their financing relationships with agriculture and land-use sectors.

Despite challenges such as the proliferation of frameworks, limited investable vehicles, and the need for robust verification and monitoring, it remains important for biodiversity-related risks to become better understood and more widely recognised. Yet awareness alone does not solve the broad, systemic challenge of biodiversity loss. Until a deeper set of investable options emerges, our focus remains on sectors with direct influence, such as agriculture and state government issuers, while supporting and funding projects that provide tangible nature-repair outcomes.

How we are investing

Against this backdrop, sustainability-aligned strategies across the complex are already using high-integrity, investment-grade use-of-proceeds bonds to generate nature-positive outcomes. Both the Regnan Credit Impact Trust and the Pental Sustainable Australian Fixed Income Fund have invested in the World Bank (IBRD) AUD Biodiversity and Sustainable Development Bond. This bond directs proceeds to programs that embed nature in development, including conservation initiatives, capacity-building, and policy improvements across agriculture, forestry and fisheries.

Illustrative projects referenced in the World Bank's reporting include governance and land-restoration initiatives in Tunisia's oasis systems. These projects aim to bring 25,000 hectares under sustainable landscape management while providing direct benefits to local SMEs and communities. This demonstrates how nature-positive adaptation can deliver environmental improvements alongside meaningful social and economic co-benefits.

Moving towards more solutions

To close the finance gap for nature repair in Australia, Regnan has been convening scientific experts, government, philanthropy and investors to explore investable pathways for scaling restoration. Over the past two years, a key focus has been the development of the Great Forest National Park (GFNP). The GFNP is a landmark proposal to establish a 525,000-hectare contiguous reserve in Victoria's Central Highlands¹⁷. This would protect globally significant biodiversity, securing water supplies for Melbourne, and supporting a just regional economic transition.

As part of this work, we have prepared investor briefings, examined a potential Treasury Corporation of Victoria Sustainability Bond aimed at financing restoration and monitoring, and explored blended-finance options including first-loss catalytic capital, outcome-linked coupons and a perpetual endowment to underpin long-term ecological monitoring. Independent scientific measurement and verification are essential to maintain credibility, avoid greenwashing, and ensure ecological outcomes can be translated into investable and reportable impact metrics.

Who Regnan is

Regnan was founded in 1998 as a collaborative initiative between leading Australian superannuation funds and Monash University researchers. Over nearly three decades, it has evolved into a recognised thought leader in ESG research, stewardship and systemic sustainability insights. Today, Regnan is part of the Perpetual Group, working closely with fund managers across Perpetual's investment boutiques to integrate sustainability considerations into investment strategies that aim to deliver long-term value creation. We believe capital markets can play a critical role in addressing systemic sustainability challenges, including climate change and biodiversity loss.

The name "Regnan" is inspired by *Eucalyptus regnans*, the world's tallest flowering plant and a keystone species in Victoria's Central Highlands. These forests are among the most carbon-dense ecosystems on Earth, storing extraordinary amounts of carbon while supporting unique and irreplaceable biodiversity. This connection reflects our commitment to protecting natural systems that underpin economic and social resilience.

Regnan also oversees the Regnan Credit Impact Trust, which invests in green bonds and other sustainability-linked debt instruments. This depth of expertise in impact credit is a key reason we are actively exploring debt-based solutions

for natural-capital investment, including bonds and blended-finance structures for projects such as the Great Forest National Park.

Credible nature finance

The mainstreaming of biodiversity as a financial risk is an essential enabling step in the evolution of nature finance. Our work highlights several prerequisites for broader institutional allocation: clear alignment with public-policy objectives, investable vehicles that offer market-rate risk/return for senior tranches, and robust measurement, reporting and verification frameworks capable of evidencing biodiversity outcomes over time. As the urgency of nature repair becomes better understood, and the role of natural capital in economic stability becomes clearer, we expect biodiversity to continue emerging as a significant and investable long-term theme.

<https://projects.worldbank.org/en/projects-operations/project-detail/P169955>



¹⁷ Establish a Great Forest National Park in Victoria

Considering the climate credentials of a green bond issuer: From investment to divestment

In 2025, our sustainable fixed income strategies invested in a new Queensland Treasury Corporation (QTC) Green Bond. At the time, there were strong signs that Queensland was shifting meaningfully towards decarbonisation. Although the state had long been known for its reliance on coal, recent years had seen a rapid uptick in clean energy investment. Government incentives, such as household solar rebates and battery grants, resulted in more than half of all Queensland homes installing rooftop solar¹⁶, which is the highest rates in the world. For context, NSW is 39.2% of households with rooftop solar¹⁷. Queensland was also responsible for almost 40 per cent of Australia's new large-scale renewable projects¹⁸. This momentum, combined with ambitious net zero targets, gave us confidence that the state was making a genuine transition.

The investment case was strengthened by improvements to QTC's Sustainable Bond Framework, updated in August 2025²⁰. The framework tightened the rules on eligible projects by reducing the lookback period to two years, formally excluding coal-fired and nuclear power, and expanding the eligible categories to include wind, solar, energy storage, low-carbon transport, water infrastructure and recycling²¹. These changes aligned the framework more closely with global best practice and suggested a more ambitious and credible sustainable finance program.

The underlying projects supported through the bond were also consistent with our sustainability objectives. Proceeds were directed toward assets such as the Warwick and Sunshine Coast Solar Farms, the Sunshine Coast recycling facility, the Gold Coast Desalination Plant and low-carbon transport initiatives²². These projects all contribute meaningfully to emissions reduction, water resilience or circular-economy outcomes, and would have been expected to report impact annually.

Our sustainable fixed income process considers both the quality of the projects funded and the broader environmental conduct of the issuer. This reflects our "do no harm" approach, which recognises that a green bond cannot be assessed solely on the assets it finances. If the issuer's overarching strategy moves in a direction that undermines climate outcomes, that is a material factor for us. It is not the first time this has been relevant for Queensland. In 2019, we chose not to participate in an earlier green issuance after the state approved the Adani Carmichael coal mine²³, which we felt was inconsistent with our ESG principles. We apply the same thinking today.

Shortly after our 2025 investment, the new Queensland Government released an updated energy roadmap. The plan represented a clear shift away from the state's earlier climate commitments. Interim renewable energy targets were removed²⁶, the phase-out of coal was delayed by more than a decade, and large pumped-hydro projects were put on hold²⁴. The roadmap also prioritised a significant expansion in gas-fired generation as a long-term part of the

energy mix²⁵. Taken together, these decisions signalled a pivot back towards fossil fuel reliance, in contrast to the forward-leaning transition pathway the previous government had set.

As soon as the policy was announced, we met with QTC to better understand what had changed, as well as to share the significance of these changes to investors. Although QTC confirmed that green bond proceeds would remain ring-fenced to eligible projects, the broader direction of state policy had changed. As the financing arm of the Queensland Government, QTC's environmental positioning is closely linked to government strategy. When state-level decisions move against decarbonisation, it raises questions about the credibility of the issuer's long-term sustainability commitments. For us, this created concerns around alignment, policy integrity and the potential for greenwashing.

After reviewing the policy changes and engaging with QTC for further clarification, we concluded that the bond no longer met our environmental investment criteria. Continuing to hold it would have been inconsistent with our approach, which requires that both the projects and the issuer support progress towards climate objectives. We therefore divested from the Green Bond and redirected capital to issuers whose climate commitments and policy settings remain more closely aligned with our expectations.

This decision reinforces the importance of maintaining discipline in labelled bond markets. Green bonds cannot be assessed on project lists alone. The ambition and direction of the issuer matter just as much, particularly when dealing with sovereign and semi-government bodies that play a central role in national climate outcomes. Our actions in this case reflect our broader philosophy: to invest where there is genuine climate ambition and to step away when that ambition weakens.

It is also important that we communicate the reasons behind our investment decisions to both issuers and the arrangers who structure their deals. We view this as part of our stewardship process. By explaining why we invest, and why we sometimes choose not to, we aim to influence issuers to ensure their activities remain aligned with the objectives they set out in their green bond frameworks. This is also about setting expectations with arrangers, who play an important role in shaping how labelled bonds are brought to market. For us, a green bond should reflect an issuer's genuine commitment to climate stability and long-term transition planning. It should not act as a substitute for misalignment elsewhere in their operations or policies. Open communication helps reinforce that distinction and supports the development of a more credible and resilient sustainable finance market. We used this as an opportunity to communicate with the major arrangers about what our expectations are for issuers of green bonds, particularly for state governments.

16. solarquotes.com.au/australia/solar-power-qld 17. solarquotes.com.au/australia/solar-power-nsw 18. cleanenergycouncil.org.au/news-resources/quarterly-investment-report-q4-2024 19. qtc.com.au/wp-content/uploads/2025/08/QTC-Sustainable-Bond-Framework-August-2025.pdf 20. qtc.com.au/wp-content/uploads/2025/05/2025-QTC-Green-Bond-Annual-Report.pdf 21. abc.net.au/news/2019-06-13/adani-carmichael-coal-mine-approved-water-management-galilee/11203208 22. abc.net.au/news/2025-10-10/queensland-government-to-establish-400m-energy-fund/105874318

Sustainable Fixed Interest

Use of proceeds bonds as impact investing

Impact investing is still rapidly growing in popularity as climate change continues to dominate headlines, and governments around the world ramp up spending on clean energy and affordable housing. Impact investing aims to generate positive social or environmental returns as well as a financial return.

The [2025 Benchmarking Impact Report](#), released by Impact Investing Australia and the University of New South Wales Centre for Social Impact in November 2025, reveals that \$157 billion is now invested across 197 publicly available impact products - an eightfold increase in value since 2020. This is nearly 60 per cent higher than the \$100 billion estimated in the 2020 report. Impact Investing Australia started monitoring the development of impact investing back in 2016.

According to the latest report, 84 per cent of impact investors said their investments met or exceeded social and environmental outcomes and 80 per cent said their investments met or exceeded financial expectations. While overall there has been an eightfold increase in the value of impact investment products over the last five years, the individual segment that has witnessed the highest growth is the investment bond market - increasing by 8.5 times to \$145 billion.

We contributed to this report to demonstrate the expansion of green, social and sustainable bonds. Green bonds first emerged in 2008 via a World Bank launch of this new product, which focuses on environmental projects such as renewable energy and energy efficiency programs. This developed a new category of sustainable fixed income where the capital raised is earmarked for specific environmental and social projects.

The other two main categories of proceeds bonds are social bonds, which focus on projects such as access to essential services and housing, and sustainability bonds, which are a mix of green and social. Globally, we see more green bonds than the other categories. This is in part because more entities are able to undertake projects related to the environment: every entity has their own carbon footprint that they can mitigate.

Many companies are able to install, generate or access renewable energy and reduce their own emissions through energy efficiency projects. However, not all entities are able to have capital intensive projects that might benefit the underserved in society.

Impact bonds issues continues to grow

2024 witnessed the highest ever issuance globally, and Australia had the third consecutive year of the highest amount of issuance. In 2020, there were around \$8.7 billion in these use-of-proceeds bonds launched in Australia.

By 2023, there were \$21.5 billion new use-of-proceeds bonds launched. There were \$50 billion in use-of-proceeds bonds outstanding (bonds continue until the maturity date), which made up 3.5 per cent of the relevant index with 40 issuers. As of mid-2025, almost \$25 billion proceeds bonds had been issued, says Ackman, with the full year on track for the most ever - \$39.5 billion proceeds bonds were issued in 2024.

Now, around 9 per cent of the relevant index are use of proceeds bonds with 56 issuers covering 14 sectors. This demonstrates the market is maturing with increased diversification of issuers and sectors.

To date, the Australian Government has only issued green bonds, while state and territory governments generally issue more sustainability bonds (64 per cent). Corporate issuers also appear to favour green bonds, which account for 69 per cent of their allocation. Around 62 per cent of green, social and sustainability bonds are issued within Australia, while the remaining 38 per cent are issued offshore.



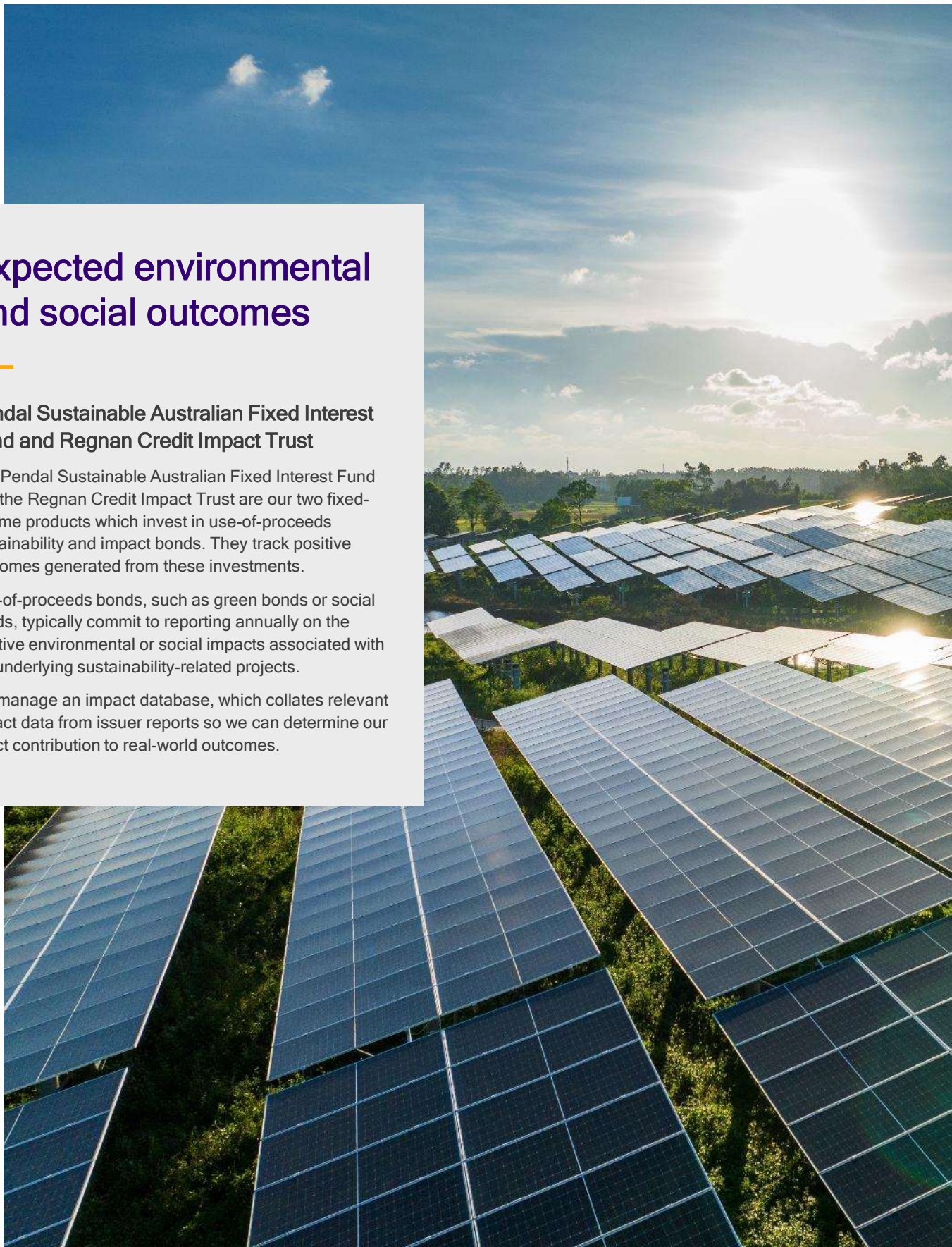
Expected environmental and social outcomes

Pendal Sustainable Australian Fixed Interest Fund and Regnan Credit Impact Trust

The Pendal Sustainable Australian Fixed Interest Fund and the Regnan Credit Impact Trust are our two fixed-income products which invest in use-of-proceeds sustainability and impact bonds. They track positive outcomes generated from these investments.

Use-of-proceeds bonds, such as green bonds or social bonds, typically commit to reporting annually on the positive environmental or social impacts associated with the underlying sustainability-related projects.

We manage an impact database, which collates relevant impact data from issuer reports so we can determine our direct contribution to real-world outcomes.



Estimated environmental social outcomes

12 months to 31 December 2024**

Pendal Sustainable Australian Fixed Interest Fund and Regnan Credit Impact Trust

Low Carbon



119,124 tCO₂e
GHG Emission Avoided p.a.

Equivalent to **50,826** cars
taken off the road p.a.



21 hectares of forest restored

Equivalent to **8** Melbourne
Cricket Ground-sized stadiums

Green Building



55,248 m²
Buildings constructed

Renewable Energy



187,049 MWh/year
Renewable energy generated

Equivalent to annual electricity
use of **31,995** Australian households

Low Carbon Transport



1,144,423 trips
for passengers supported p.a.

Water



5,169,035 litres
Water cleaned /recycled / treated p.a.

Financial inclusion



845

social / affordable housing*

Social quality



5,154

underprivileged students
receiving education*



511 teachers trained*

*Contribution is based on forecast numbers provided by the issuers.

**Impact metrics are calculated on a lag due to availability of underlying reports and therefore only cover a portion of the reporting period of this report.

The Pendal Sustainable Fixed Interest Fund and the Regnan Credit Impact Trust (Funds) are managed by Pendal Fund Services Limited (PFSL). The aggregated estimated environmental and social outcomes shown above are based on data provided by the issuers of bond securities (Issuers) held by the Funds. That data relates to the positive outcomes attributable to those securities held by the Funds. The information provided to us by the Issuers has not been verified by us and may be inaccurate or incomplete. These estimates are therefore indicative only and are provided for illustrative purposes and should not be relied on for the purpose of making investment decisions.

The outcome numbers are based on Issuers' data from 1 January 2024 to 31 December 2024 and the Funds' average investment value of \$897 millions and \$273 millions respectively over the period. Actual results may differ and subsequent changes in circumstances may occur at any time that impact the accuracy of the results.

Principles for Responsible Investment

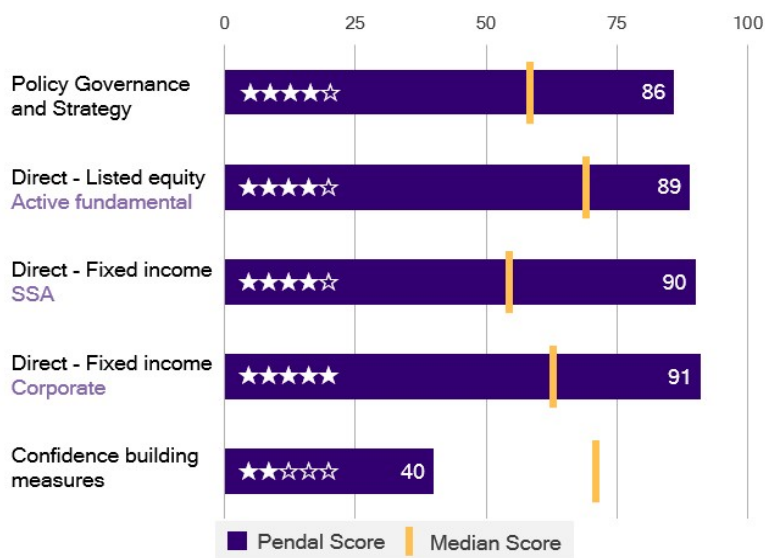
Pendal is a signatory to the UN-backed Principles for Responsible Investment (UNPRI), the leading global investor network and proponent of RI. We are committed to implementing the UNPRI's six principles which are a voluntary and aspirational set of investment principles that offer guidance on possible actions for incorporating ESG issues into investment practice.

The UNPRI requires signatories to provide annual disclosures on RI practices to demonstrate implementation and allow for assessment. Asset managers receive an assessment report.

The 2023 Summary Scorecard for Pendal Australia (on the right) shows a solid standing in terms of our overall practices in governance and active stewardship*.

In 2025 we submitted a new Senior Leadership Statement. We did not report voluntarily this year as we were in the process of implementing enhancements in line with RIAA's updated certification program. This new content can be found in our 2025 Transparency Report [here](#).

2023 Summary Scorecard for Pendal Australia



* A note on confidence building measures component of the PRI Summary Scorecard: Pendal Group was taken over by Perpetual Group in January 2023. Due to structural and personnel changes, our report could not be signed off at the usual level of seniority. This, along with not having external verification of our report, contributed to a lower score in the confidence building measures module.

Certification by Responsible Investment Association Australasia

Pendal is proud to again be acknowledged as a “Responsible Investment Leader” in the Responsible Investment Association Australasia (RIAA)’s 2025 Responsible Investment Benchmark Report.

Responsible investment leaders are assessed as demonstrating a “commitment to responsible investing; the explicit consideration of environmental, social and governance (ESG) factors in investment decision making, strong and collaborative stewardship; and transparency in reporting activity, including the societal and environmental outcomes being achieved”.

RIAA’s Certification Program is the leading initiative for distinguishing quality responsible, ethical and impact investment products and services in Australia and New Zealand.

In 2025 Pendal Group offers 8 funds in Australia with RIAA certification status. 7 of these achieved Sustainable Plus classification and 1 was certified as Responsible

The certification provides confidence that Pendal is delivering on its responsible investment promise and meeting the Australian and New Zealand Standard for responsible investing.

Responsible Investment Benchmark Report



RIAA certified products offered by Pendal Group in Australia:

Sustainable Plus classification:

- **Pendal Horizon Sustainable Australian Share Fund**
- **Pendal Sustainable Australian Share Fund**
- **Pendal Sustainable Future Australian Share Portfolio²**
- **Pendal Sustainable Australian Fixed Interest Fund**
- **Pendal Sustainable Balanced Fund**
- **Pendal Sustainable Conservative Fund**
- **Pendal Sustainable International Share Fund**

Responsible Classification

- **Pendal Multi-Asset Target Return Fund**

¹As at 30 June 2025 the Pendal Funds had conditional certification status pending the release of their Sustainable Objectives Report. Formal certification was formally completed in November 2025.

² Pendal Sustainable Future Australian Share Portfolio is a notional portfolio of Australian equities.

Advocacy

Advocacy is an important part of Pental's active approach to responsible investment and stewardship.

We undertake advocacy activities not only to raise awareness of specific ESG matters or responsible investment in general, but also as a means to address systemic ESG issues.

Our activities include participation in industry bodies and initiatives, providing educational materials for finance sector participants, and public commentary such as speaking at events and forums, and contributing thought pieces.

Our membership of, and active participation in, a range of industry bodies and initiatives enables us to collaborate with other investors in order to encourage greater uptake of responsible investment practices and to support the management of ESG risks and opportunities.

In addition to publishing relevant research and facilitating collaboration, often these bodies advocate on our behalf on public policy matters and other industry consultations.

Continued and new industry participation in FY25 included the following:

- Pental submissions to the Responsible Investment Association Australasia (RIAA) regarding proposed sustainability ratings for its certified products.
- Pental participates in RIAA working groups including Human Rights and Nature.
- Pental named 'Responsible Investment Leader' in the Responsible Investment Benchmark Report by Responsible Investment Association Australasia (RIAA).
- Ongoing support of the Investor Group on Climate Change (IGCC) including participation in working groups.
- Pental is a member of two Climate Action 100+ collaborative engagement groups.
- Pental is a Signatory to the United Nations backed Principles for Responsible Investment (UNPRI). We continued our participation in the Australian Sovereign Engagement National Regulators & Authorities Working Group and the UNPRI Spring Initiative's Advisory Committee.



Looking ahead: Key ESG issues

1

Artificial Intelligence (AI): Risks and opportunities

Artificial Intelligence (AI) is rapidly shifting from a productivity tool to a governance and reputational risk issue for boards and investors. Recent analysis highlights a widening gap between corporate AI ambition and the controls needed to manage risks such as misinformation and model “hallucinations,” biased decision-making, privacy and cyber vulnerabilities, and workforce impacts. For responsible investors, the key question is whether companies have moved beyond high-level “ethical AI” statements to practical guardrails: clear accountability at board/management level, documented model-risk processes, robust data governance, and measurable monitoring of outcomes. Encouragingly, investor-facing guidance is maturing—frameworks such as the OECD AI Principles (updated for newer AI risks) and investor playbooks emphasise board oversight, transparency and risk management while still supporting innovation. We expect AI leaders to evidence both value creation (efficiency, safety, better services) and harm prevention (bias testing, content controls, privacy-by-design, and energy/water awareness for compute-heavy systems).

2

Greenhushing: what we can earn from Europe

In Europe, a notable counter-trend to greenwashing is “greenhushing”—companies deliberately under-communicating genuine sustainability initiatives to avoid legal, regulatory, or reputational backlash. This reflects a tougher environment for environmental claims as the EU strengthens consumer-protection rules and targets vague or unsubstantiated messaging. While these reforms aim to improve market integrity, they can also create incentives for firms to “say less” publicly—especially where data, methodologies or assurance are still evolving. Research and commentary suggest this silence can be material: reduced disclosure may weaken stakeholder trust, slow the spread of best practice, and make it harder for investors to distinguish leaders from laggards. For investors, the practical takeaway is to look beyond marketing language and focus on evidence-based disclosures: quantified targets, verified progress, and transparent methodologies—while recognising that some issuers may be acting but communicating cautiously in response to heightened scrutiny.

3

Australia’s mandatory ESG disclosures

Australia’s ESG landscape is becoming more rules-based and decision-useful, driven by the shift from voluntary narratives to structured disclosure. Mandatory climate-related financial reporting has commenced, requiring phased-in entities to produce annual sustainability reports aligned to AASB S2 and supported by ASIC guidance on how the regime will be administered. In parallel, the Federal Government’s sustainable finance agenda is progressing a sustainable investment product labelling regime: Treasury consulted on labels in 2025 and is targeting 2027 for commencement (subject to final policy settings). For asset managers and issuers, this combination should lift comparability and reduce greenwashing risk—but it also raises the bar on governance, data quality, and substantiation of claims. Internally, we are already monitoring policy development closely—Treasury released a second consultation on product labelling with submissions closing 13 March 2026, reinforcing that the regime is still being shaped and that industry input matters. Overall, we expect stronger scrutiny of labels, clearer definitions, and greater emphasis on auditability and evidence in sustainability statements across the market.

The information contained in this annual report has been prepared by Pental Institutional Limited (ABN 17 126 390 627; AFSL 316455) (Pental) and is current as at 30 June, 2025, unless stated otherwise. "Regnan" is a registered trademark of Pental Group Limited ABN 28 126 385 822 (Pental Group). Pental Group Limited is a subsidiary of Perpetual Limited (ASX ticker: PPT).

This report is for general information purposes only, should not be considered as a comprehensive statement on any matter and should not be relied upon as such. It has been prepared without taking into account any recipient's personal objectives, financial situation or needs. Because of this recipients should, before acting on this information, consider its appropriateness having regard to their individual objectives, financial situation and needs. This information is not intended as professional advice or to be regarded as a securities recommendation.

Information in this report should not be taken as a guarantee, forecast or prediction of any future environmental and social outcomes generated by the Funds. The information is indicative only and should not be relied upon when making an investment decision or recommendation in relation to the Funds.

Pental Sustainable Future Australian Share Portfolio is issued by Pental Institutional Limited (ABN 17 126 390 627; AFSL 316455).

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Performance figures referred to in this annual report are calculated in accordance with the Financial Services Council (FSC) standards. Performance data (post-fee) assumes reinvestment of distributions and is calculated using exit prices, net of management costs. Performance data (pre-fee) is calculated by adding back management costs to the post-fee performance. Past performance is not a reliable indicator of future performance.

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