Pendal Responsible investment philosophy and approach – Income and Fixed Interest

September 2026

Responsible Investment (RI) is the consideration of environmental, social and governance (ESG) issues when making investment decisions, as well as influencing companies or assets through engagement and voting. Pendal believes that analysis of ESG factors contributes to better informed investment decisions and can improve the quality and consistency of long-term value creation. Please refer to the Our Philosophy section below for more details.

Background and scope

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 (Pendal investment teams; We) have autonomy over the investment process and environmental, social and governance (ESG) integration.

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. Our standard (non-Sustainable/non-Impact) Income and Fixed Interest strategies do not select or exclude securities on the basis of their sustainability credentials; ESG factors are instead integrated for risk management purposes, as set out in this document. We utilise the ESG expertise gained through managing these sustainable portfolios to manage ESG risks within our core strategies.

This document outlines the ESG integration process used by Pendal's Income and Fixed Interest (I&FI) standard and sustainable strategies for the purposes of ESG risk management. Pendal's sustainable strategies have additional processes aligned with their sustainability goals. This includes additional impact assessment frameworks, such as Regnan's Five Dimensions of Impact. These additional processes are not discussed in detail in this document.

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 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, including ESG governance.

The investment decisions of Pendal's investment boutiques are underpinned by centralised support functions 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.

Regnan

Regnan is a responsible investment pioneer with a long, proud heritage in providing advice and insights on environmental, social and governance issues.

In 2015, Pendal acquired 50 per cent ownership of Regnan, eventually assuming full ownership in 2019, and bringing the capability in-house.

The Regnan research centre works closely with Pendal investment teams, supporting them through thematic research, targeted ESG engagement, the provision of screening oversight and advisory services. Importantly, Regnan provides portfolio managers and analysts another perspective of ESG issues through their longstanding expertise in the responsible investment field.

Our philosophy

As an active manager, our primary purpose is to help our clients achieve their investment objectives.

We believe the incorporation of ESG factors into our investment analysis is critical to achieving this goal.

Our philosophy is based on the fundamental belief that assessment 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 matters such as revenue forecasts, execution capability and 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. For example, 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.

Our investment teams 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.

Our responsible investment (RI) history

Our commitment to responsible investing has a long and proud heritage. Key milestones in Pendal's RI journey to-date include:

1984	• BT Australian Charities Trust (now Pendal Sustainable Balanced Fund) was launched. [1]
2000	• Became a member of Responsible Investment Association Australasia (RIAA).[2]
2001	• Launched the innovative Pendal Sustainable Australian Share Fund and Pendal Ethical Share Fund. [1] • Established BT Governance Advisory Service, which would later become Regnan - Governance Research & Engagement.[2]
2005	• RIAA certification for the Pendal Ethical Fund, a brandmark recognising product investment intentions and processes as being consistent with RI claims. [1] • Founding member of the Investor Group on Climate Change (IGCC).[2]
2007	• Signatory to the United Nations supported Principles for Responsible Investment (PRI) (refer to list of commitments in the box across).[2] • Co-founded Regnan - Governance Research & Engagement, a firm widely recognised for establishing leading standards in RI research, advisory and engagement practices.[2]
2009	• Launched our first Sustainable Australian Fixed Interest strategy.
2014	• Awarded our first 'Low-Carbon' mandate.
2016	• Launched Pendal Sustainable Australian Fixed Interest Fund, Pendal Sustainable International Fixed Interest Fund and the Pendal Sustainable International Share Fund.
2017	• Pendal Sustainable Series Funds[3] received RIAA certification.
2018	• Launched Pendal Sustainable Future Australian Share Portfolio SMA• Published our first Principles of Internal Governance and Asset Stewardship.

2019	• Assumed full ownership of Regnan – Governance Research & Engagement, bringing it in-house to serve as a specialist RI boutique within Pendal Group.
2020	• Launched Pendal Group's first Impact strategy, the Regnan Credit Impact Trust. • • Launched Pendal's first Sustainable Multi-Asset[4] SMA
2023	• A superannuation fund for public sector employees launched their first sustainable option, managed by Pendal.
2024	• Formal Sustainable Objectives added to Sustainable Series[3] of funds. • Pendal wins Zenith Fund awards in the Sustainable and Responsible Investments – Income
2025	• Pendal Sustainable Series Funds awarded RIAA certification under updated certification program. All 7 Sustainable Series Funds are classified by RIAA as Sustainable Plus.
2026	• Pendal recognised as a Responsible Investment Leader in the Investment Manager category by RIAA for the fifth year in a row.

[1] The fund was launched when Pendal was part of the BT Financial Group. Pendal Fund Services Limited (previously known as BT Investment Management (Fund Services) Limited) became the responsible entity of this fund in 2007.

[2] When Pendal was part of the BT Financial Group.

3 The Pendal Sustainable series includes Pendal Horizon Sustainable Australian Share Fund, Pendal Sustainable Australian Share Fund, Pendal Sustainable Balanced Fund, Pendal Sustainable Conservative Fund, Pendal Sustainable Australian Fixed Interest Fund, Pendal Sustainable International Share Fund and Pendal Sustainable Future Australian Share Portfolio.

[4]Pendal's Multi-Asset funds are managed by the Perpetual Multi Asset team since 14 March 2024.

ESG integration

ESG integration refers to the inclusion of ESG factors within investment analysis and decision making. Where any ESG considerations may impact the financial performance of an investment, those factors are considered as part of our active investment processes (in the same way as we consider other potential risk factors).

It is important to distinguish how ESG integration applies across our range of strategies. For our Income and Fixed Interest standard (non-Sustainable/non-Impact) strategies, ESG integration is applied for risk management purposes: ESG factors inform our credit, sovereign and investment analysis, but securities are not selected or excluded on the basis of their sustainability credentials. By contrast, our sustainable and impact strategies go further, applying a dedicated sustainability assessment process to select securities based on their sustainability credentials or outcomes, in addition to the ESG risk integration described in this document.

We analyse material ESG risks and opportunities using proprietary methodology developed in-house. A key part of our ESG integration approach is the utilisation of our in-house expertise. Our investment analysts have expert knowledge of the companies within their coverage and are very well positioned to analyse the effective management of material ESG risks within the broader company context. This is complemented by continued engagement with RI specialists from across Regnan and Pendal. These specialists provide thematic context, ESG research and proprietary tools for enhanced ESG analysis. Additionally, the RI specialists provide support for the development of the investment teams' ESG engagement program. We continue to enhance our proprietary tools, including the progressive rollout of a dedicated fixed income sustainability assessment framework developed with Regnan.

Pendal investment teams typically adopt an 'open architecture' approach to ESG integration, allowing for the flexibility of incorporating additional information and data as it presents. While the underlying methodologies adopted may vary within and across asset classes, and even sectors, there are common characteristics, including materiality to value, a forward-looking, and adaptive approach that responds to new information and data and to changes in corporate and consumer behaviours or regulation.

Governance

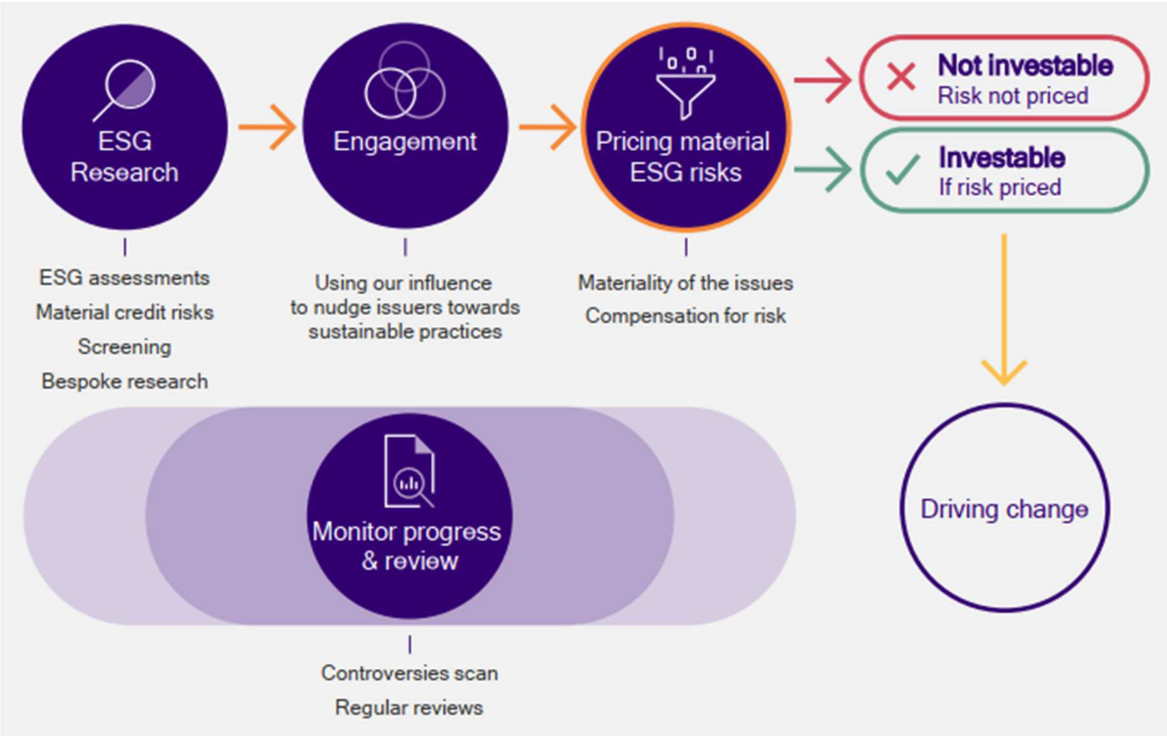
ESG risk management is undertaken within each investment team as part of the portfolio construction and review process and is further supported as part of regular reviews held with each investment team, chaired by Pendal's Investment Director. Sector-level ESG risk is formally reviewed on a six-monthly basis in collaboration with Regnan, with issuer-specific ESG risk reviewed on initial analysis of a new issuer and at least annually thereafter.

Pendal Income and Fixed Interest (IFI) ESG integration process

The IFI ESG integration process also leverages Pendal Equity teams' company insights, research and relationships to complement the IFI team's ESG analysis and engagement with issuers.

Time horizons and materiality of ESG factors vary across asset classes as well as by strategy in fixed interest. Our sustainable and income strategies have specific processes to incorporate ESG, sustainable and impact outcomes. The following process applies to our standard (non-Sustainable/non-Impact) strategies.

We collaborate widely and leverage other areas of Pendal and Regnan, our in-house ESG research team. Our ESG integration process is iterative: monitoring progress and controversies feeds into our ESG research and directs our engagements.



The investment team integrates ESG factors into investment analysis at both the Credit and Sovereign level.

- Credit
  A sector and issuer lens on ESG risk is applied.
  Every credit assessment includes an assessment of ESG risks that could impact the revenue and subsequently credit rating of an issuer in the short term. We also include longer-term ESG risks which might not immediately impact the credit rating but could influence liquidity and pricing in the secondary market.

- Sovereigns
  Proprietary methodology that assesses semi-government issuers on a range of ESG metrics. The outputs of this are measured by the ‘SDG States Index’, which allows the portfolio managers to assess the materiality of ESG risk within each issuer’s valuation. For the Sustainable Australian Fixed Income (SAFI) Strategy, this also acts as a threshold on whether an issuer is investible.

ESG assessments

This process is supported by the specialist skills of internal research (including our dedicated ESG research and engagement team, Regnan) and third-party research providers. Where our internal view differs from a third-party ESG rating, we apply our own assessment, reflecting our preference for well-researched, in-house judgement over reliance on any single external provider. Sustainability assessments includes an issuer's sustainability performance relative to peers. We identify leading and lagging companies/issuers. Some of the areas we look at include carbon emissions, response to the physical and transition risks of climate change, worker safety record, community engagement with new projects, adherence to regulation, reporting on modern slavery risks, diversity and governance. As well as ESG research for corporate issuers, we have also developed an Australian States SDG Index which provides ESG assessments of Australian States. We incorporate over 70 indicators across
environmental and social concerns such as including carbon emissions, renewables energy policy, health and gender equality. Our investments in and engagements with semi-government issuers are influenced by the findings from our Australian States SDG Index. For certain sustainable strategies, this Index also supports the assessment of an issuer's investible universe.

Controversies scan

As active managers, we monitor changes to the risk profile of issuers, including broad and specific ESG risks. We have set up media monitoring across a large range of issues to ensure we pick up any emerging risks for issuers or their industry peers. We also use third party data providers that monitor different issuers to supplement our research. This includes monitoring fair work and Worksafe rulings, regulatory changes and compliance concerns. Along with downside risks, we look for improvements across a range of ESG concerns. Our ESG integration process is iterative: monitoring progress and controversies feeds into our ESG research and directs our engagements.

Negative screening

For funds subject to approved screening requirements, including certain sustainable and screened mandates, Regnan manages and applies a negative screening framework to help determine issuer eligibility. This is based on internal research and documented screening rules, and is reviewed regularly to reflect changes to the relevant issuer universe. Screening outcomes are embedded operationally through pre-trade controls, so that portfolio managers are unable to transact in securities that do not meet approved screening criteria for applicable funds.

IFI engagement

As an active investment manager, the IFI team plays an important role engaging with bond issuers. We view an engagement as an interaction with an issuer or arranger whereby we seek to influence, or identify the need to influence, ESG practices and/or improve ESG disclosure. Many of the IFI team's engagements are with unlisted entities. This expands the reach of our stewardship activities and is particularly important for climate transition since many infrastructure and utility companies are privately owned.

Pendal's IFI team seeks improvement from issuers on the management of environmental, social and governance issues via our engagement and advocacy activities. In our sustainability and impact strategies, we work to ensure our investments are bringing about impact, with a focus on climate stability and supporting the underserved in society.

In the growing market for impact and sustainability securities (e.g., social bonds, green bonds and sustainability bonds) we advocate for enhanced quality of issuance supported by timely, outcome-focused reporting. This provides investors with greater assurance of environmental and social outcomes. As part of this, we provide commentary on new use of proceeds bond investments for relevant strategies, supporting informed decision-making and our broader advocacy for high-quality issuance.

Issuers are becoming more conscious of investor interest in ESG as a material factor in their pricing of debt. Our engagement and advocacy activities target strong ESG performers to further enhance performance and raise the expectations on the sector as a whole – as well as laggards. When an issuer deviates from expectation, either by its behaviour or issuance, we consider it an engagement opportunity to drive the business towards greater sustainability.

Approach to key ESG issues

We recognise the need for the RI agenda to evolve with changes in society and the financial ecosystem, and place additional emphasis on emerging topics within RI as their importance increases.

Information on Pendal investment teams' approach to specific ESG issues can be found on the Pendal website:

- Pendal Climate Change Statement
- Pendal Human Rights Statement

RI Conclusion

We believe investing responsibly enables us to better deliver competitive returns and, where applicable, do so in a manner consistent with the values and objectives of our clients. We understand that views on responsible investing are varied and that approaches need to evolve with changes within society and the corporate environment. As such, we continue to develop our RI processes and are committed to continuing our proud heritage of partnering with our clients, delivering RI products and solutions to meet their needs and with a focus on supporting long-term wealth creation.

For more information, please visit **pendalgroup.com**

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