

## Pendal Sustainable Australian Fixed Interest Fund Sustainable Objectives Report

12 months to 30<sup>th</sup> June 2025

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## Fund manager letter

I am pleased to share with you the progress and impact of the Pandal's Sustainable Australian Fixed Income Fund (the Fund). This Fund is bringing about strong financial returns and outperforming its Australian composite bond benchmark (Bloomberg AusBond Composite 0+Yr Index) as well as achieving measurable real-world outcomes.

This report includes a summary of the fund's sustainable objectives. The Fund aims to target investments that provide environmental or social benefits, categorised under three themes: Climate Stability, Human Basics, and Innovation for Good. The portfolio is measured across these themes.

As of 30<sup>th</sup> June 2025, around 93% of the Fund was invested in securities aligned with these themes, with the largest portion (59%) in Climate Stability. We would like to see increasing growth in investable opportunities in the other two categories of Human Basics and Innovation for Good, and our engagement efforts are trying to achieve this.

The Fund continues to target investments in Sustainable Labelled bonds. These are Green, Social and Sustainable bonds, where the proceeds are tied to specific projects, make up a large part of the Fund. As of the end of June, 71% (ex-cash) of the Fund was invested in these Sustainable Labelled securities, which is substantially higher than the benchmark of 9%.

The report also includes case studies and examples of bonds invested in throughout the year, highlighting the fund's commitment to driving real-world outcomes through strategic investments.

The fund has demonstrated strong financial outperformance compared to the relevant benchmark, with a significant portion of investments in sustainable-labelled bonds. I believe that strong financial performance helps grow the fund and direct more investments into securities that are tied to positive environmental and social outcomes.

We are proud to support the delivery of such impactful projects through our investments in these green, social and sustainable bonds.

We continue to support the provision of essential housing and contribute to the well-being and stability of our communities through the fund's investments in Housing Australia.

These projects have life-changing consequences for tenants. For instance, Andy, who was previously homeless and sleeping in a friend's car, was placed in temporary accommodation for three months to develop a rental history. He was then connected with a case worker from a community housing provider that offers services to those who have been sleeping rough. Andy was able to rent an apartment that was funded by a Housing Australia bonds. With the support of the community housing provider, Andy says, "I have a lounge, I have nice clothes... my children are back in my life. I am happy to be here, and I wouldn't have it any other way."<sup>1</sup>

Thank you for your continued trust and support.



George Bishay  
Portfolio Manager

<sup>1</sup> [Spotlight on: Evolve Housing](#)

## i. The Fund

### Overview of fund

The Pendal Sustainable Australian Fixed Interest Fund (Fund) actively seeks investments in securities (Green Bonds, Social Bonds or Sustainability Bonds) that in addition to meeting the Fund's financial risk and return requirements also generate positive societal and/or environmental impact.

The Fund is an actively managed portfolio of fixed interest securities. It is designed for investors who want income and diversification across a broad range of fixed interest securities and are prepared to accept some variability of returns.

Investments are selected based on a range of financial, sustainable and ethical characteristics. *The Fund aims to allocate capital to issuers and securities that align to our sustainability themes: **Climate Stability, Human Basics and Innovation for Good (the Sustainability Objective)**.*

The Fund invests in securities issued by issuers that have passed Pendal's sustainability assessment. This sustainability assessment is a qualitative assessment of an issuer's environmental, social and governance risks and sustainability performance, including a sustainability score for each issuer and an evaluation of ESG risks from an issuer and, where relevant, security perspective. The Fund uses this assessment to avoid issuers, deemed by Pendal, as having poor sustainability performance and promotes issuers and securities with better sustainability performance.

## ii. Sustainability

### Sustainability Objective

Overarching objective: **Target investments that provide environmental and/or social benefits.**

We intend to do this by targeting investments that address our three sustainability themes: **Climate Stability, Human Basics, and Innovation for Good**. All investments must pass our 'Do No Harm' assessment.

#### *Measurements:*

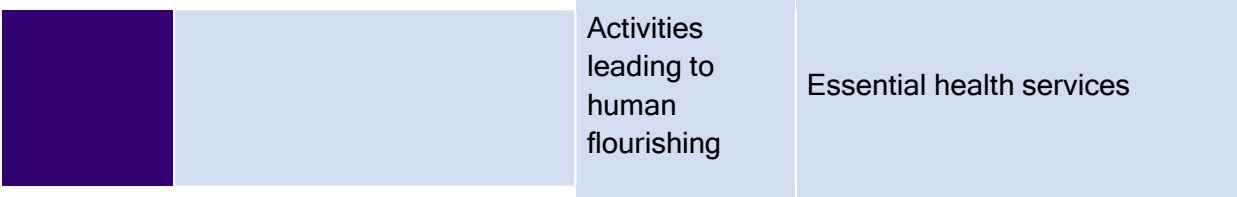
- We target investments in debt securities that benefit stakeholders and contribute to solutions for environmental and social challenges
- We are overweight sustainable-labelled bonds (i.e. Green, Social or Sustainable Use of Proceeds Bonds, Sustainability Linked Bonds, or any other sustainable-labelled bond category that may develop, compared to the relevant benchmark
- We map the portfolio to our sustainability themes (Climate Stability, Human Basics, Innovation for Good)

Sustainability themes:

- **Climate Stability:** Actions towards a net-zero future, preserving climate stability, and biodiversity.
- **Human Basics:** Essential goods and services, key infrastructure, and access to finance, telecommunications, and insurance.
- **Innovation for Good:** Development projects for underserved communities, activities aimed at empowerment or resilience, and other actions that lead to human flourishing.

These themes are split into the following sub-categories.

Theme	Description	Sub-category	Examples
Climate Stability	Actions towards a net-zero future, preserving climate stability, and biodiversity.	Preserving climate stability	Green buildings
		Net zero future	Investments relating to the energy transition such as wind and solar
		Biodiversity	Projects to protect and restore biodiversity
Human Basics	Essential goods and services, key infrastructure, and access to finance, telecommunications, and insurance.	Access to finance	Access to financial services such as banking
		Access to connectivity	Internet and telecommunications
		Essential goods and services	Access to goods and services such as government services or supermarkets
		Key infrastructure	Social and affordable housing, public transport and ports
Innovations For Good	Development projects for underserved communities, activities aimed at empowerment or resilience, and other actions that lead to human flourishing.	Empowerment, resilience and innovation	Training and education projects in developing countries
		Development projects for the underserved	Key infrastructure in developing countries



**Non sustainable labelled bonds are also mapped to these sustainability themes.** For example, vanilla bonds from the state governments that go to general proceeds still provide essential services, including education and health. Similarly, ports and other key infrastructure enable essential goods to be imported and exported. Expenditure from the Commonwealth Government goes largely to health, social security and welfare, education, transport, public order and safety and general public services.

As of 30 June 2025, 92.8% of the Fund was invested in securities that either

- target outcomes which support one or more of our sustainable investment themes; and/or
- issuers whose business activities support one or more of our sustainable investment themes.

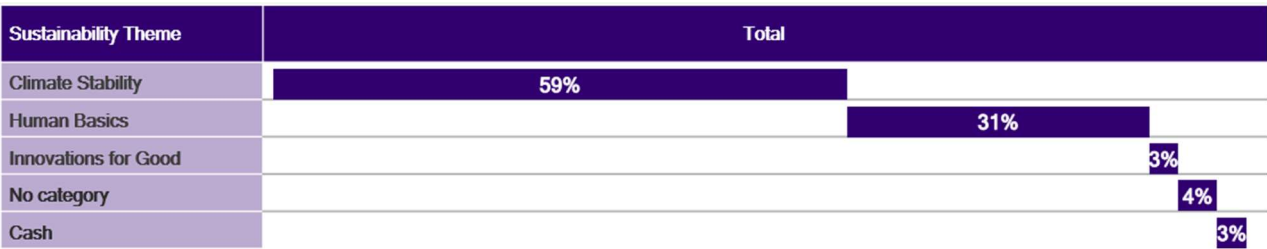
Fig 1.: breakdown of investments by sustainability theme

Category	Total
Climate Stability	59.3%
Human Basics	30.6%
Innovations for Good	2.9%
No category	4.3%
Cash	2.8%

‘No category’ are issuers which do not fit within the sustainability themes. For example, even though roads are essential infrastructure, free-to-access roads are an alternative to toll roads and hence toll roads are not deemed essential infrastructure under Human Basics.

Cash is also not mapped to our three objectives.

Fig 2.: breakdown of investments by type of security



Climate Stability was the largest theme with 59.3% of the fund addressing it. This was through bonds such as the Iberdrola Green Bond which is an AUD bond from a Spanish utility and renewables business that is building solar and wind farms in Australia.

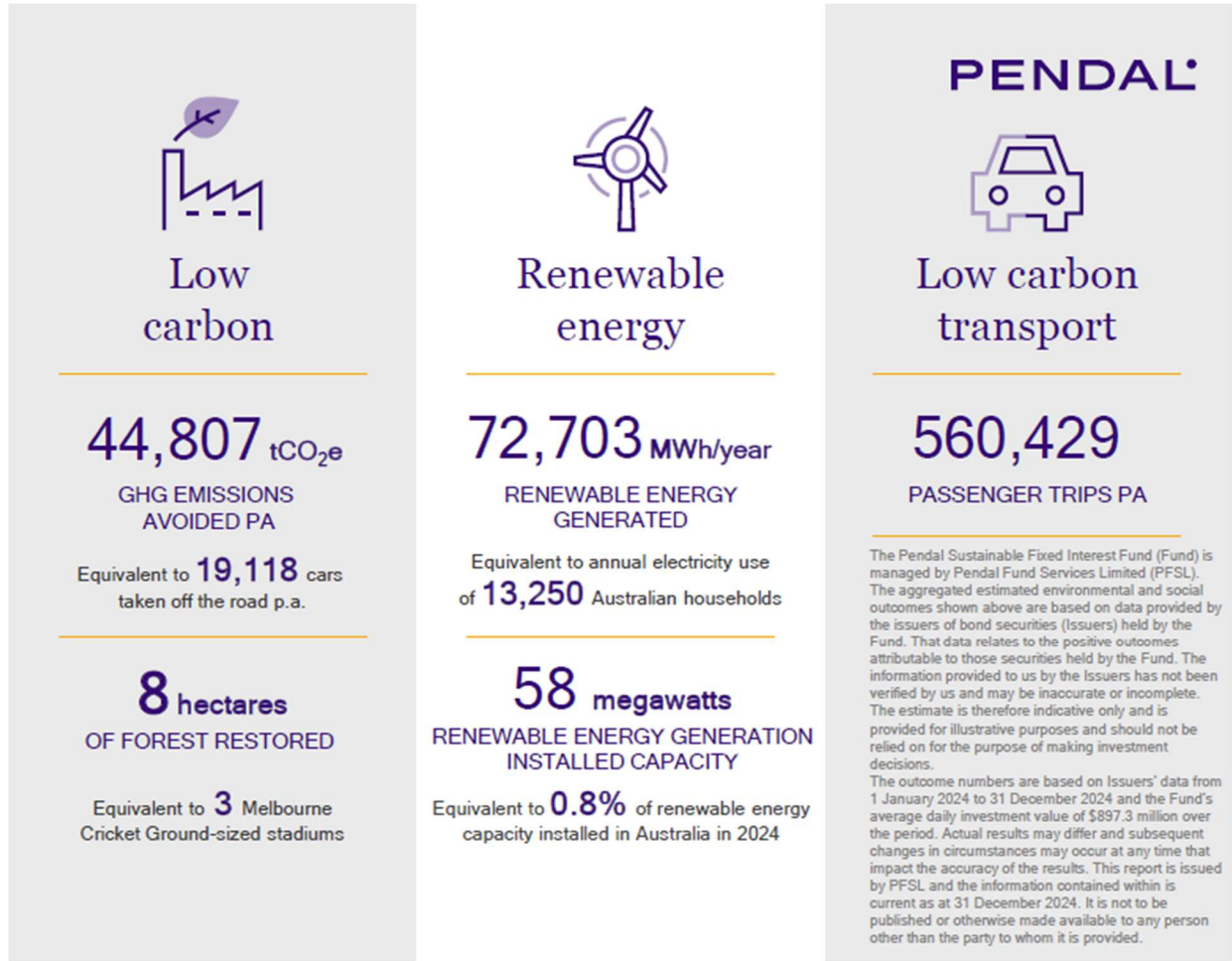
The second biggest theme was that of Human Basics covering 30.6% of the Fund. This includes bonds like the social and sustainability bonds from Housing Australia which is providing cheaper financing to Community Housing Providers to build and run the key infrastructure of social and affordable housing in Australia.


The third theme of Innovation for Good was the smallest theme covering 2.9% of the fund. This theme includes bonds such as the Asian Development Bank’s Education Bond which is providing empowerment, resilience and innovation through a focus on education projects in developing countries in Asia and the Pacific.

The bonds classified as ‘No category’ are not deemed to be aligned to any of the three objectives and account for 4.3% of the Fund.

Investment Sustainability Outcomes

The outcome numbers are based on Issuers’ data from 1 January 2024 to 31 December 2024 and the Fund’s average investment value of \$897.3 million over the period.






Green building

20,843 m<sup>2</sup>

FLOOR SPACE



Sustainable farmland

2 hectares

LAND CONSERVED

PENDAL



Water

4,130,144 L

WATER CLEANED, RECYCLED OR TREATED PA

1,437,632 L

WATER USAGE SAVED PA

The Pandal Sustainable Fixed Interest Fund (Fund) is managed by Pandal 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 Fund. That data relates to the positive outcomes attributable to those securities held by the Fund. The information provided to us by the Issuers has not been verified by us and may be inaccurate or incomplete. The estimate is therefore indicative only and is 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 Fund's average daily investment value of \$897.3 million over the period. Actual results may differ and subsequent changes in circumstances may occur at any time that impact the accuracy of the results. This report is issued by PFSL and the information contained within is current as at 31 December 2024. It is not to be published or otherwise made available to any person other than the party to whom it is provided.

213,542,260 L

WATER CAPACITY SECURED

Equivalent to water use of  
3,634 Melbourne population




Financial inclusion

700

SOCIAL / AFFORDABLE HOUSING\*

PENDAL



Social quality

44

JOBS

created by supporting education and renewable energy plants in developing nations\*

2,616

UNDERPRIVILEGED STUDENTS

number of students educated\*

259

TEACHERS TRAINED

in developing nations\*

92

YOUTH

placed in at-risk training programs\*

7

SMALL-SCALE FARMERS

supported with improved agricultural technology\*

\*Contribution is based on forecast numbers provided by the issuer

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## Sustainable Labelled bonds invested in over the year

This Fund seeks to drive real world outcomes through investments in Green, Social or Sustainable bonds. As of 30 June 2025, the fund had 71% of investments (ex-cash) in sustainable labelled bonds. The Australian Composite bond benchmark (Bloomberg AusBond Composite 0+Yr Index) at the time was closer to 9% in Sustainable Labelled bonds.

Examples of the new sustainable labelled bonds invested in the last year are below.

The Fund invested in a new AUD Green Bond issued from Iberdrola, a Spanish utility that has a large global presence. This bond is funding new investments in Australia of solar energy and battery storage. These are both in Clarke Creek, Queensland.

These are vital investments to further the transition to renewable electricity for Australia which is a crucial step to reduce carbon emissions. Iberdrola has been operating in Australia for several years. However, by issuing an AUD bond for the new projects based in Australia, Iberdrola does not need to swap currency from EUR to AUD as they have done for previous projects. This reflects the growing maturity of the labelled bond in Australia with new offshore issuers feeling confident there will be demand for quality Green Bonds.

The Fund also invested in a Green Bond by the Canadian Pension Plan Investment Board. This issuer is controlled by the Canadian government and is one of the largest pension funds in the world. It issued its first green bond in 2018 and continues to raise funds for investments in renewable energy and energy efficiency, low carbon and clean transportation and green buildings. In the past, these types of bonds supported renewable energy projects across the world. This includes two wind parks in Northeastern Brazil run by Votorantim Energia, six wind and solar power projects in Canada operated by Cordelio Power, and three offshore wind farms in France that are under construction by Maple Power. We anticipate this Green Bond to invest in similar types of projects. A component of investing in this Green Bond includes reporting on environmental impact indicators associated with underlying projects. This includes annual renewable energy generated per year, emissions avoided as well as waste reused or recycled, and reduction in air pollutants due to implementing low carbon and clean transportation.

Similarly, the fund invested in an AUD Green Bond from the Public Sector Pension Investment Board of Canada (PSP). This is the pension fund for the Canadian public service, army and police and is wholly owned by the Canadian government. The Green Bond invests in renewable energy projects, energy efficiency, pollution prevention, management of natural resources, green buildings and clean transport. Previous bonds have invested in renewable energy projects across the Americas, Europe and Australia, and green buildings in the United Kingdom. We anticipate this new bond will similarly emphasise renewable energy projects.

The Fund invested in an AUD Green Bond from a German utility company called EnBW. The funds from this bond go towards renewable energy projects, such as solar and onshore and offshore wind farms, as well as fast charging stations for electric vehicles. EnBW has a history in delivering on these types of projects, including the Hohe See and EnBW Albatros offshore wind farms, which were the biggest in Germany at the time. EnBW continues with the expansion of other forms of renewables at scale. The Weesow-Willmersdorf project built by EnBW was similarly the largest solar park when first launched. The flow-on effects of Russia's invasion of Ukraine have highlighted the continual importance of strengthening the renewable energy capacity in Germany. This bond will support this growth and lead to reduced global emissions.



## Examples of other sustainable labelled bonds invested in

### Housing Australia

Funding social and affordable housing across Australia

The Fund invests in:

- Housing Australia Social Bonds 2029, 2031, 2032
- Housing Australia Sustainability Bonds 2036, 2038

The Fund continues to invest in Social and Sustainability Bonds from Housing Australia. These support the construction and growth of social and affordable housing across Australia by providing community housing providers access to cheaper financing.

Examples of the types of projects supported through these bonds include the provider Bridge Housing in NSW which includes the delivery of 365 social and affordable housing units.<sup>2</sup> This includes properties in Glebe which target First Nations people on low to moderate incomes, Petersham and Leichardt for tenants who have previously been homeless, and South Granville and Westmead where there is a mix between social and affordable housing.

Another example is in Victoria with the community housing provider Haven; Home Safe which is focused on the delivery of social housing through townhouses and apartments in Melbourne, Ballarat and Bendigo. The target cohort for these 113 properties are those over 55, those requiring specialist disability accommodation, youth and women, and those at risk of homelessness. The fund continues to support the delivery of projects like this through investments in Housing Australia.

These projects have life changing consequences for tenants. One example is of Andy, who was sleeping in a friend's cars after becoming homeless. After being placed in temporary accommodation for three months to develop a rental history. He was then connected with a case worker from a community housing provider which provides services to those who have been sleeping rough. He was able to rent in one of the buildings part funded by Housing Australia bonds.

With the support of the community housing provider, Andy says "I have a lounge, I have nice clothes... my children are back in my life. I am happy to be here, and I wouldn't have it any other way."<sup>3</sup>

### International Finance Corporation

Addressing core needs for the underserved around the world

The fund invests in:

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<sup>2</sup> Sources: <https://www.housingaustralia.gov.au/sites/default/files/2022-11/Social%20Bond%20Report%202021-22.pdf>;

[https://www.housingaustralia.gov.au/sites/default/files/2023-10/social\\_bond\\_report\\_2022-23.pdf](https://www.housingaustralia.gov.au/sites/default/files/2023-10/social_bond_report_2022-23.pdf)

<sup>3</sup> <https://www.housingaustralia.gov.au/case-studies/spotlight-evolve-housing-0>

- IFC Social Bond 2026
- IFC Green Bond 2027

The Fund also invests in Social Bonds which have positive outcomes outside Australia. An example of this is the AUD Social Bond from the International Finance Corporation which is a member of the World Bank.<sup>4</sup> These type of Social Bonds have projects that focus on the underprivileged in society in developing countries. This includes projects targeting health and gender equality, as well as economic empowerment and opportunities through agribusiness, microfinance and infrastructure.

Examples of the type of projects these type of bonds fund includes support for Baobab Group which provide funding services in areas underserved by traditional banks, supporting 500,000 micro entrepreneurs and small businesses. These type of bonds assist this Group to scale up their lending capacity, with particular focus on Burkina Faso, Democratic Republic of Congo, Cote d'Ivoire, Madagascar, Mali and Senegal.

Another example of support that these type of bonds provide is to expand the offerings of Home First Finance Company Limited in India. This organisation helps with the housing needs of low and middle income first home buyers who are underserved by banks. It helps support the growing demand for green individual housing, which is underdeveloped in India but particularly so for affordable housing.

These projects have truly life changing impacts on the lives of the underserved around the world.

## **Australian Commonwealth Government Green Bond**

Contributing to Australia's energy transition

The fund invests in:

- Australian Government Green Bond 2034

The fund also invested in the first Australian Commonwealth Government Green Bond.<sup>5</sup> Green Bonds are meant to finance solutions for climate change and environmental challenges, but not all bonds are equal. We've seen quite a few Green-labelled bonds that are simply doing business as usual. For governments, this is a particular risk, with Green Bonds made up of already-completed projects that they were going to work on anyway, such as public transport or other infrastructure projects.

We invested in this bond because half the proceeds will go towards existing commitments and half will go towards new commitments. In our view, this is quite reasonable and is better than some other Green Bonds from governments. The list of projects financed through the bond includes some that will help with the transition to a low-carbon economy - with the focus on renewable energy, clean transport, climate change adaptation, and a circular economy. Electricity generation is the biggest source of emissions in Australia, so upgrading the grid to allow greater

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<sup>4</sup> Source: <https://www.ifc.org/content/dam/ifc/doc/2024/ifc-green-and-social-bond-impact-report-fy-23.pdf>

<sup>5</sup> Source: [https://www.aofm.gov.au/sites/default/files/2024-04-10/Investor%20Presentation%20-%20Main\\_0.pdf](https://www.aofm.gov.au/sites/default/files/2024-04-10/Investor%20Presentation%20-%20Main_0.pdf)

renewable energy connectivity will be essential in reducing emissions. Electrification using renewable energy will significantly reduce emissions.

The Green Bond includes investments in modernising the electricity grid and developing new transmission infrastructure through concessional financing. This bond also funds projects that relate to this - from community batteries and electric vehicle charging infrastructure to loans for energy-saving home upgrades. Prior to issuing, the government announced funding to progress leadership on climate action in Government operations, which includes financing to support all Commonwealth entities in publicly reporting on their climate risks, opportunities and management. This bond is consistent with recent government action to respond to climate change as well as engage in environmental repair through this bond.

### iii. Stewardship

#### Engagement

As an active investment manager, Pandal 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 address potential limitations in ESG practices and/or improve ESG disclosure. Many of our Income and Fixed Interest (I&FI) team's engagements are with unlisted entities. This expands the reach of our stewardship activities and is particularly important for climate transition, since many fixed income issuers are privately owned.

Pandal's I&FI 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 bond 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.

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 sustainable 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 alignment with our engagement themes.

We have 5 engagement themes:

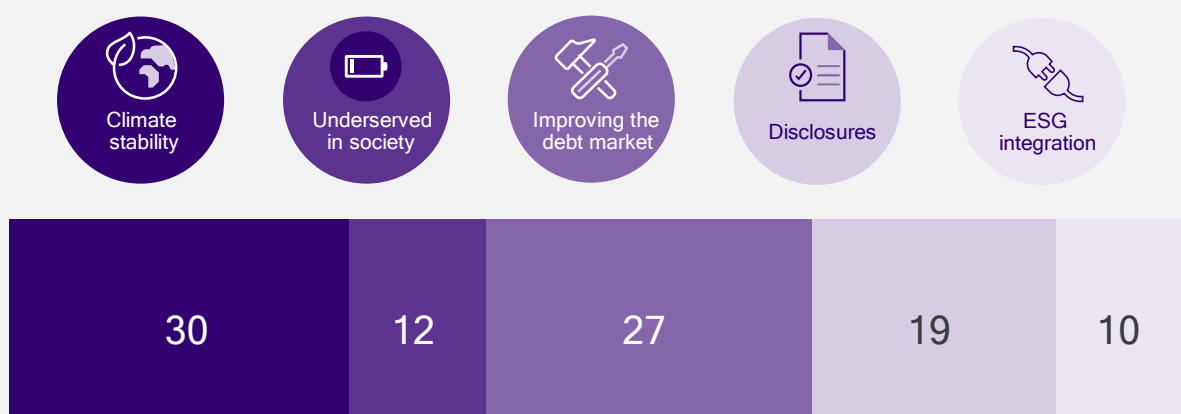
1. **Climate stability**

We prompt issuers to:

- identify climate risks and opportunities

- develop or improve transition plans
  - increase their ambition
2. **Underserved in society**  
We require issuers to provide:
- evidence that bonds are targeted towards underserved segments
  - targeted funding towards improving outcomes for underserved segments
  - specific monitoring of impact
3. **Improving the debt market**  
We do this to:
- share our expectations of bonds and supranational agencies' ESG reporting requirements
  - grow the impact bond market by supporting new issuance
4. **Disclosures**  
We require:
- greater public disclosures around ESG issues, particularly TCFD reporting
5. **ESG integration**  
We seek to:
- Enhance management of ESG risks through the integration of ESG across all issuers.

Number of ESG meetings by themes (January 2022 - December 2024)



## Case studies

### Due diligence of suppliers: Disclosures of supply chain management

**Objective:** Issuer has significant modern slavery risks in their supply chain. We, along with other investors, have asked the issuer to release human rights assessments of high-risk suppliers.

**Process:** We joined other investors in asking for strengthened due diligence processes for supply chain management to mitigate modern slavery risks.

**Outcomes:** The issuer committed to conducting human rights assessments of high-risk suppliers. We will follow-up if they do not disclose. We still consider this issuer uninvestable for this reason as well as being slow to transition to zero emission cars and the cost of this transition.

### Major domestic bank: Encourage issuance of Social Bonds in Australia

**Objective:** To encourage a major Australian bank to issue a Social Bond in Australia. We have met with this issuer several times.

**Process:** This is a longstanding engagement with this issuer about releasing a Social Bond with a focus on the underserved in society. In this meeting, we shared explicit projects that we would like to see funded. This includes financial literacy programs for those with high risk of modern slavery, such as those on the Pacific Australia Labour Mobility scheme, social and affordable housing supply and support, and programs targeting Indigenous Australians.

**Outcomes:** Whilst this issuer has expressed interest, they ultimately have internal stakeholders to convince. Specifically, their treasury department would only look at trying to launch a social bond if there was advantageous pricing for them. The 'greenium' for these types of bonds tends to only extend to several basis points.

### New sustainable labelled issuer: Impact Reporting

**Objective:** Encourage new issuer of a Use of Proceeds bond to report specific indicators at an aggregated level.

**Process:** As investors, we have significant influence prior to the launch of a new deal to address what we consider to be important elements that effect investment decisions. With this issuer, we shared our expectation for impact reporting, including the specific indicators we require, prior to the bond launching. Whilst they agreed in principle, this engagement was a follow-up outlining what our expectations were.

**Outcomes:** Through meeting with the relevant internal teams within the issuer, we were able to push with more granularity about what good impact reporting looks like. We provided examples of impact reporting we like from other issuers and demonstrated the use case of how we compile impact reporting to offer clients insights into what outcomes are associated with their investments. Ultimately, we will only know if this has been successful in influencing what the issuer reports once they release their impact report next year. Nevertheless, it is important to share our expectations to ensure the market continually improves.

### Supply Chain: Greater disclosures on sustainability issue

**Objectives:** Encourage greater reporting on how this issuer seeks to recycle batteries - a key sustainability issue within their supply chain.

**Process:** Lithium-Ion batteries contain raw materials such as nickel, cobalt, copper, manganese, graphite and lithium. This issuer has shared their plans to increase the amount of recycling and recovery for some of these materials but have outlined no plan for others. We asked if they are working on this plan, and if so, when it will be publicly disclosed.

**Outcomes:** The issuer undertakes recycling and recovery of the raw materials of nickel, copper and cobalt. Unfortunately, the issuer was unable to share when they would be disclosing their plans for recycling and recovery of other raw materials. Nevertheless, we shared that investors are concerned about the end-life of these raw materials and would push for greater disclosure when available.

### Energy transition: Approach to fossil fuel exposure

**Objective:** Clarify a utility's exposure to fossil fuels and push for them to report this in a manner that investors can utilize.

**Process:** A new issuer to the Australian market launched a green bond. Prior to this, we met with the issuer and third party ESG data providers to understand their revenue exposure to electricity produced by fossil fuels. Our sustainable funds have activity screens which limit investment based on revenue thresholds.

**Outcomes:** Ultimately, we found that the concern was based on clarity of reporting. We subsequently met with the arranger of the deal to inform them that some data lacked clarity. The bond was full of high-quality projects, but a lack of clear documentation by the issuer may have discouraged investments from Pandal and other managers. The issuer subsequently changed how they report their minimal fossil fuel exposure. We also facilitated a meeting between the third-party data provider and the issuer to rectify how their business activity has been reported.

### Smaller issuer: Greater disclosures for impact reporting

**Objectives:** Request more specific impact reporting that links the investment in the bond to real-world activities.

**Process:** This is a smaller issuer that comes to the market infrequently. We met with them to encourage reporting on the impact achieved by the specific underlying projects in their Use of Proceeds bond, rather than report the green certification of different buildings. We highlighted that investors want to be able to demonstrate the impact of their specific investment rather than an unknown contribution to a total.

**Outcomes:** The issuer understood our perspective and would endeavour to improve disclosure in forthcoming reports, acknowledging that issuers with less reporting capacity are often constrained by resources. Nevertheless, we will continue to meet with issuers and arrangers to demonstrate investor expectations.

### Energy Transition: Clarity on location of projects for new bond

**Objective:** Publicly disclose the location of bond projects for offshore issuer.

**Process:** A new issuer to the Australian market launched a green bond. They have excellent credentials in delivering renewable projects (wind and solar farms) across the world. The underlying projects of this



new bond are in Australia. As part of our assessment of impact process, we require to know where the projects are located to determine what the relative estimated impact of new renewables would be. For example, greater renewables in a state that already is largely using renewable energy would have a lesser impact than a state with fewer renewables.

**Outcomes:** The issuer understood why we wanted this information. They then publicly disclosed where all the renewable projects are in Australia.

#### **Encourage new biodiversity measures:** Encourage new issuance of a biodiversity-linked bond

**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 its clients to issue quality green bonds relating to nature repair. We discussed the type of indicators and impact reporting investors would be comfortable with, and how they, as an arranger, could influence future issuance. This is a long-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:** We acknowledge that long-term change by introducing new approaches to sustainable debt and impact measurement is evolving. However, by discussing the challenges, and communicating investor demand for such securities, we believe we can encourage novel and effective sustainable labelled securities in the future.

#### **Emerging Market issuer:** Hosted a roundtable about sustainable labelled sovereign debt issuance

**Objectives:** Encourage an emerging market sovereign issuer to issue sustainable labelled debt with impact reporting that aligns to our requirements.

**Process:** We hosted a delegation from an emerging market country, including representatives from their debt issuing office. Whilst non-AUD sovereign debt is not a significant focus for the Income and Fixed Interest team, we still considered it important to share our expectations for sustainable labelled debt, particularly with impact reporting.

**Outcomes:** The delegation understood our expectations and preferences for labelled bonds, and found the investor use case for impact reporting compelling. We believe that sharing investor expectations is an important way to safeguard the debt market.

## Terms

**Green bonds** are any type of bond where the proceeds (or an equivalent amount) are exclusively applied to finance or re-finance, in part or in full, projects or activities with dedicated environmental benefits (green projects - e.g. wind farms and solar parks).

**Social bonds** are any type of bond where the proceeds (or an equivalent amount) are exclusively applied to finance or re-finance, in part or in full, projects or activities that achieve positive social outcomes and/or address a social issue (social projects - e.g. social housing).

**Sustainable bonds** include:

- **Sustainability bonds:** any type of bond where the proceeds (or an equivalent amount) are exclusively applied to finance or re-finance, in part or in full, a combination of green and social projects or activities;
- **Sustainability-linked bonds:** any type of bond linked to the issuer achieving predefined sustainability and/or ESG objectives within a specified timeline; and
- **Sustainable bonds:** Bonds from issuers which have been assessed against our sustainability and exclusionary screens criteria.

## Disclaimer

This report has been prepared by Pental Fund Services Limited (**PFSL**) ABN 13 161 249 332, AFSL No 431426 and the information contained within is current as at **30 June 2025**.

PFSL is the responsible entity of, and issuer of units in the Pental Sustainable Australian Fixed Interest Fund ARSN: 612 664 730 (**Fund**). Information in this report should not be taken as a guarantee, forecast or prediction of any future environmental and/or social outcomes generated by the Fund.

The Fund's estimated operational impact indicators reported are for the period of 1 January 2024 to 31 December 2024 and the Fund's investment value of \$897.3 million as at 31 December 2024. Actual results may differ and subsequent changes in circumstances may occur at any time that impact the accuracy of the results. Impact Metrics and estimated Impact Metrics have not been verified by PFSL and may be inaccurate or incomplete. The estimates are therefore indicative only and are provided for illustrative purposes and should not be relied on for the purpose of making investment decisions.

This report is general information only and is not intended to provide you with financial advice or take into account your objectives, financial situation or needs. You should consider whether the information is suitable for your circumstances, and we recommend that you seek professional advice.

The product disclosure statement (**PDS**) for the Fund, issued by PFSL, should be considered before deciding whether to acquire, dispose, or hold units in the Fund. The PDS and Target Market Determination can be obtained by calling 1800 813 886 or visiting our website [www.pentalgroup.com](http://www.pentalgroup.com).

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All investing involves risk including the possible loss of principal.

**For more information, please call Customer Relations on 1300 346 821 8.00am to 6:00pm (Sydney time) or visit our website [www.pentalgroup.com](http://www.pentalgroup.com).**