

## Pendal Climate Change Statement

March 2024

### Background

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. We utilise the ESG expertise gained through managing these sustainable portfolios to manage ESG risks within our core strategies.

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

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

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

The investment decisions of Pendal's investment boutiques are underpinned by centralised support functions that includes operations, legal services, 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.

We have a strong focus on ESG integration in investment analysis. The Pendal Climate Change Statement outlines our position on climate change and the actions we take to address this in our investment activities,

This Statement is reviewed at least annually.

## Introduction

Climate change presents significant threats to our environment, society and economy. We accept the scientific consensus that the planet is warming and that this has been driven by human activity. As it progresses, we expect that climate change will increasingly result in significant changes across public policy, business practices and the wider community to limit its impacts (mitigation) and to prepare for inevitable changes (adaptation).

We acknowledge the findings of United Nations Intergovernmental Panel on Climate Change and believe that a global challenge such as this needs to be addressed by coordinated actions by all parties. We recognise the risks and opportunities of climate change and, as stewards of capital, where appropriate, we encourage companies to evolve towards business models that are sustainable in a low carbon world and resilient to the effects of a changing climate.

As an active manager that is 'investment led', our investment teams independently determine their investment strategies, including the way they integrate climate change considerations. This autonomy and diversity in approach plays an important role in our ability to deliver the investment outcomes and solutions that meet the needs of our clients. The overarching approach we take in responding to climate change is laid out in this Statement.

Our approach will continue to evolve as scientific, and our own understanding matures, and regulatory frameworks adapt.

## Our position

This Statement provides transparency to our stakeholders about our position on climate change and provides internal guidance to support decision making. Specifically, our conclusions are:

- Transitioning to a lower-carbon economy will bring changes in public policy, regulation, technology and market preferences. Such changes will present both risks and opportunities for Pandal's investments. The pace and nature of the transition, which is uncertain, will impact the level of risk and opportunity. It is in our collective interest for this transition to be early and orderly.
- Risks from climate change have consequences for both real and financial assets. These risks may be priced into asset valuations well before they materialise.
- The market is already responding to real and perceived risks stemming from moves to decarbonise, resulting in transition risks, as well as physical risks. A failure to adequately consider these dynamics and to stay ahead of the market will leave investors vulnerable to financial loss, such as through exposure to stranded assets. Some sectors, such as fossil fuels, are highly exposed.
- The transition to a low carbon economy and physical climate impacts will impact people. An orderly transition will reduce the negative impacts to those employed or otherwise economically dependent on the fossil fuels sector, by facilitating new employment and economic opportunities to enable a 'just transition'.
- Populations in areas vulnerable to physical risks are likely to face varied impacts on daily life and, in extreme cases, areas may become unliveable. Delayed action on climate change is likely to increase the severity of physical impacts in vulnerable areas.
- The varied policy responses to climate change will have social and economic implications, which may be compounded by the physical impacts of climate change upon communities, potentially causing increased instability and inequality. It is important that climate action, including policy responses, seeks to minimise the potential for instability and inequality.

- The finance sector is well positioned to support the private sector efforts in both climate mitigation and adaptation through capital allocation as well as collaboration. Stewardship, or active ownership, practices can drive positive climate action within investee companies, including accurate, timely and relevant climate-related disclosures. Active managers have an interest in leveraging their influence to support such outcomes.

## Our actions

Our beliefs inform how we aim to effectively manage climate-related risks and opportunities within our investments. Specifically:

- Our investment teams continue to enhance our understanding of how transition and physical risks, and opportunities may impact the investments made on behalf of our clients. Where relevant, especially for sectors identified as high risk, we seek more information and action from companies and issuers with respect to their own climate risk management. This helps us manage our investment risks.
- As part of our corporate engagement and proxy voting activities we encourage companies and issuers to address performance gaps where we identify potential concerns - as informed by our position on climate change outlined above.
- We take a pragmatic approach in our analysis and stewardship activity. We recognise that change takes time and is not always linear. We understand the various challenges that our investee companies face on their decarbonisation journey and we factor this into our analysis and stewardship.
- We assess how climate risk is managed at senior and board level of companies and issuers. This continues to be an important focus for our analysis and engagement with investee companies.
- Our analysis and engagement activity related to company net zero commitments is now increasingly focused on understanding how they are planning to reach their net zero goals. Much of our analysis is therefore focused on their actions, which includes looking closely at their choices on capex, opex and timing.
- We also look at emerging litigation risks and evolving consumer expectations that may impact brand and revenues.
- Climate risk and opportunities have become a significantly issue to many companies. As such, these issues have become increasingly important to our analysis of our investee companies, as stewards of capital.
- We collaborate with other market participants where this can amplify our efforts, such as through industry association membership and joint engagement initiatives, to support the role of collaboration in achieving the goals of the Paris Agreement and in reducing risks to the global financial system and impacts to society more broadly.
- We monitor and manage the advocacy we undertake, or that is undertaken on our behalf, through industry associations of which we are a member, to ensure it does not undermine fair and effective public policy on climate change.<sup>1</sup>
- Where appropriate and in line with the individual investment strategy, we seek to allocate capital to those sectors that will support the transition and adaptation needed.
- We seek to expand the investment solutions and services provided to clients seeking strategies that align with their needs and ambitions around the management of climate-related issues within their investments.

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<sup>1</sup> The list of climate-related initiatives in which the Pandal investment teams participate can be found here: <https://www.pandalgroup.com/about/corporate-governance/industry-representation/>

- We raise awareness, where appropriate, of the importance of considering climate change within investment portfolios, among our clients and the community more broadly.

## Our commitment

We recognise that the rapidly evolving nature of climate change requires us to be flexible, inquisitive and to continually understand how investments may be affected. This will require deep analysis, specialist capabilities, training and focus.

We are committed to a comprehensive and progressive response to climate change, as it pertains to our investments.

For more information, please visit [pendalgroup.com](https://pendalgroup.com)

**PENDAL**

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