

Ardea 2026 Stewardship Report

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Principle 1

Signatories' purpose, investment beliefs, strategy, and culture enable stewardship that creates long term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.



Principle 1

Purpose

Founded in 2008, Ardea Investment Management is a specialist manager of fixed income strategies. Ardea is entrusted with managing over \$A12.5bn on behalf of a diverse range of global clients from pension funds, insurance companies, government entities, and retail investors.

Ardea's purpose is to consistently improve our clients' outcomes through the delivery of our highest standard of alpha and value.

As stewards of client capital, Ardea has a duty to ensure that we are operating and investing sustainably. Given our investment focus on government bond markets, Ardea sees climate change as the sustainability risk of most concern. Ardea is committed to use its knowledge and to effect change in government bond markets arising from the realisation of risks related to climate change.

Investment beliefs

Our investment philosophy is driven by the belief that fixed interest markets remain inefficient, and our investment strategy focuses on exploiting specific types of pricing anomalies caused by these inefficiencies.

At Ardea, we prioritise capital preservation and control of performance volatility, regardless of market conditions. Our repeatable investment process is built on exploiting 'relative value' mispricing, a reliable source of alpha that stems from structural market inefficiencies and is adaptable to new opportunities and risks. As a result, we generate consistent, volatility-controlled returns that can be packaged into various portfolios to suit varying client needs. This approach provides clients with reliable long-term value through defensive, low volatility, uncorrelated, and differentiated returns that are highly beneficial in a diverse portfolio.

Our investment approach has evolved to incorporate ESG related risks and opportunities to ensure we deliver long-term value for our clients while contributing to sustainable benefits for the broader community. To meet its commitments to sustainability and to enable stewardship, Ardea has prioritised the following three ESG activities within its investment process to deliver long-term value:



ESG Research

Research is central to Ardea's investment process, particularly in the context of sovereign bond markets where ESG risks have historically been underexplored. Ardea is committed to advancing research in this area to complement existing studies on corporate bonds and private assets.

Ardea's research focuses on the impact of climate transition risks on sovereign debt, with a particular emphasis on green bonds. Through a collaboration with the University of Technology Sydney, Ardea co-authored a paper examining how climate change influences sovereign bond yields. The findings challenge the notion that climate risks are inadequately priced in government bond markets, revealing that countries with lower carbon emissions and stronger commitments to renewable energy enjoy lower borrowing costs. This research is integral to Ardea's efforts to enhance understanding of climate risks within the sovereign bond market, providing valuable insights for both issuers and investors.

In addition, Ardea actively engages with industry stakeholders, academic institutions, and policymakers to promote the integration of ESG factors into sovereign bond markets, contributing to a broader dialogue on sustainable finance.



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ESG Integration

Ardea's approach to ESG integration ensures that climate-related risks are systematically incorporated throughout the investment process. Our process begins with screening for and only investing in the highest grade bonds, portfolio construction, and ongoing management, ensuring that investments align with sustainability objectives while achieving competitive returns.

Key to this integration is the use of climate scenario modelling, which helps assess the impact of climate change on sovereign bond portfolios. Ardea actively participates in the green bond market, prioritising green bonds over conventional alternatives when the relative value is comparable. This supports the growth of the green bond market, encouraging issuers to increase green bond issuance.

Ardea's commitment to ESG integration also involves continuous refinement of internal ESG analysis tools, ensuring that climate risks are incorporated into risk management processes. These efforts are aligned with global sustainability goals, reinforcing Ardea's role in advancing best practices in ESG integration for sovereign bonds.

Ardea's commitment to responsible investment is independently assessed each year through the PRI's reporting and assessment framework. Our 2025 scores reflect continued improvement across all pillars, with Policy, Governance and Strategy scoring 88 against a PRI median of 66, and our Direct Fixed Income SSA score, the category most directly relevant to our investment activity reaching 85 against a median of 70. This represents a significant improvement from a score of 61 in 2021, reflecting the systematic integration of responsible investment principles across our investment process over that period. The Confidence Building Measures score of 80 is in line with the PRI median. These results are published on our website and referenced in client reporting as an objective benchmark of our ESG progress.



ESG Engagement

Ardea views engagement with issuers as the most efficient way to advance sustainable outcomes. With the objective of promoting the development of the green government bond market, Ardea regularly engages with major government bond issuers across the markets in which it invests, advocating for increased green and sustainable bond issuance.

In our 2025 Stewardship Report, we described an ongoing collaboration with a leading UK wealth management firm to enhance ESG reporting for sovereign bond investments. At the time, the central challenge was that ESG reporting in the fixed income sector was underdeveloped relative to equities, and Ardea worked with this firm and other UK institutional clients, including local authority pension funds and wealth management platforms, to build more meaningful TCFD and ISSB-aligned frameworks for sovereign bonds.

The client engagement and internal research work undertaken to improve fixed income ESG reporting has fed directly into the development of a dedicated Green Bond Strategy, formally proposed to UK clients in December 2025. This represents a natural and significant progression: having demonstrated to clients how climate and sustainability risks can be meaningfully measured and reported within sovereign bond portfolios, Ardea has now developed a purpose-built green government bond portfolio designed to meet clients' growing demand for green government bond allocations within their broader fixed income allocations.



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Regarding our investment universe, we operate in the government bond markets of advanced economy sovereigns. As there is a very large number of investors in these markets, our ability to influence is limited. We however believe by leveraging our investment approach, which requires high turnover of bonds within our portfolios we are able to contribute effectively to the promotion of higher liquidity within the green government bond markets and are able to engage with issuers effectively. We also collaborate with other investors and stakeholders within the government bond space to promote a well-functioning market.

Our highly active trading style, characterised by frequent buying and selling of government bonds, has improved market liquidity and price discovery for green government bonds. By creating more opportunities for trading and enhancing price discovery as well as corner stoning new issues, we have contributed to advancing the development and growth of green government bond markets. Additionally, our preferencing of green bonds and engagement with government issuers have increased our turnover in green government bonds and encouraged government issuers to issue more green bonds to fund national projects that have positive environmental and/or climate benefits.

In addition, our structure and policies are designed to promote a culture of improvement and innovation, driving positive change in our ability to meet our clients' expectations and in turn the industry. At Ardea, we have established a governance structure that emphasises transparency, accountability, and responsiveness to our clients' needs. Our investment process is regularly reviewed and updated where necessary to take into consideration new market developments and risks, and to identify new investment opportunities that align with our philosophy.

Strategy

Ardea is a specialist manager of fixed income strategies, servicing a global investor base to deliver shared value. Through our differentiated 'relative value' investment approach, Ardea's ambition is to consistently deliver investment excellence to our investors.

To implement this strategy, the organisation is built around three strategic pillars:

- **Investment Management:** responsible for implementing our distinctive pure 'relative value' investment approach, which accesses return sources beyond the conventional to deliver consistent volatility-controlled returns, and delivering ongoing research for identifying trade ideas, risks, and opportunities and technology development.

- **Business Management:** reporting directly to the CEO and responsible for ensuring a strong and accountable foundation that is aligned to the delivery of superior outcomes across client engagement, sustainability, and People and Culture.
- **Risk Management:** Reporting to the Board and is responsible for compliance, investment risk and corporate risk.

Our stewardship strategy is focused on three specific areas:

- the issuers within our investment universe,
- our employment practices, and
- our use of third-party providers, including investment counterparties.

Additionally, we are actively focused on trading with the goal of increasing **liquidity** in the green and sustainable bond market. This is a key part of our strategy to ensure more efficient market functioning and better access for our clients to sustainable investment opportunities.

Green bond trading is fully integrated into Ardea's internal front office trading and decision-making system, which is a vital tool for managing green bond screening and compliance. This system enhances the transparency and efficiency of green bond transactions, ultimately improving decision-making capabilities.

We have also expanded our research efforts further in the past year to examine the feasibility of constructing purely green government bond portfolios. This broader research initiative aims to explore the potential for creating more pure green government bond portfolios, assessing the availability and suitability of green government bonds across the key government bonds markets. By broadening the scope of our research, Ardea aims to support the growth and development of the green government bond market, helping to create more opportunities for sustainable investing.

In defining these areas, our aim is to focus our resources on where we consider the impact to be greatest and monitor our approach to ensure its effectiveness.

We constantly monitor our approach to ensure that we meet our clients' expectations and deliver on our stewardship objectives. We seek feedback from clients and have found that client retention is a good indicator of our success.



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Culture

Ardea's culture, policies, and governance structure are designed to promote long-term value creation for our clients, while also contributing to positive change in the industry and broader community. By fostering a culture of improvement and innovation, we are best placed to adapt to changing market conditions, identify new opportunities, and deliver investment excellence for our clients.

As part of our commitment to transparency and building trusted partnerships, we regularly communicate with our clients, providing them with comprehensive reports on their portfolios, investment performance, stewardship activities, and other relevant information. We value long-term relationships, seeking out feedback from our clients and other stakeholders to inform our decision-making and to identify areas where we can improve our services.

We encourage a culture of continuous learning within our organisation. Our employees are encouraged to share their ideas and insights with one another as we understand that, as a team, we succeed better together. We provide opportunities for professional development, mentoring, and training to ensure that our staff remain at the forefront of industry developments.

Our culture extends beyond our investment beliefs to our employees and hiring processes. We believe in the importance of a strong office culture and are committed to advancing Diversity, Equity, and Inclusion (DEI) within our organisation and the industry. Our belief is that an aware, diverse and inclusive workforce not only enriches our company culture but also enhances our decision-making processes, driving innovation and creativity across our investment strategies, research and systems development. We are dedicated to creating an environment where all employees feel valued and empowered to contribute their unique perspectives, fostering a sense of belonging and teamwork.

This commitment to DEI is reflected in our hiring practices, professional development programs, industry events and inclusive policies, which are designed to support a diverse talent pool and promote equal opportunities for growth and advancement. At Ardea, we encourage flexible working and wellness initiatives, believing that consistency of effort is best delivered through work/life balance.

At Ardea, we recognise the importance of fostering an inclusive workplace where all employees feel valued and respected. To celebrate and honour the diversity of our team, we organise a range of events throughout the year which acknowledge different cultural, religious, and social celebrations. This year these have included observing Eid, Diwali and Chinese New Year, as well as events for NAIDOC Week, International Women's Day and a step challenge to raise awareness for Autism and an interactive





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session with Guide Dogs Australia to better inform employees about accessibility in the workplace and city. We also offer employee wellness activities like a weekly employee gym session with a trainer and a wellness allowance each month for everyone. These events are designed to educate, raise awareness, and cater to the diverse backgrounds and interests of our employees, further strengthening our inclusive culture.

Our employment practices focus on improving our hiring process to ensure a diverse pipeline of talent, including expanding the disciplines and industries from which we recruit, ensuring that there is at least one woman on interview panels, and implementing consistent technical questions across functions. These measures aim to improve cognitive diversity, and address gender imbalances and inclusion issues prevalent in our industry. As part of our commitment to fostering a diverse talent pool, in April 2024 we collaborated with Aim Big Recruitment, a firm specialising in improving the representation of people with disabilities within the workforce to add to our recruitment panel.

Regarding diversity and inclusion, our company's policy led to an improvement in gender identity diversity. After implementing significant changes to our hiring policies in early 2020 and proactively creating an inclusive culture we currently have 25% women and 5% non-binary people in our investment team. This is part of our broader company's percentage of 25% women and 4% non-binary employees.

A significant example of Ardea's commitment to diversity and governance is the appointment of a female Independent Chair to our Board in early 2025. With extensive experience in governance and leadership roles within the financial services industry, including senior positions at ASIC, she brings a wealth of expertise in corporate governance and strategic leadership. Her leadership is vital in driving Ardea's strategic goals, particularly in promoting gender diversity in leadership positions.

Following on from the appointment of our Board Chair, a People and Remuneration Committee was established as a formal committee of the Board. The Committee's mandate is to assist the Board across four pillars: people and culture, remuneration governance, regulatory compliance, and diversity, equity and inclusion. The Committee reviews people strategies, oversees executive talent management and succession planning, and reviews organisational culture through employee engagement surveys. On remuneration, the Committee develops and recommends the Remuneration Policy to the Board, ensuring structures are performance-based and do not encourage excessive risk-taking, and conducts an annual review of remuneration by gender to eliminate bias. Importantly, the Committee's regulatory scope explicitly encompasses FCA requirements reinforcing its role in supporting Ardea's UK Stewardship Code obligations.

In September 2025, Ardea conducted its fourth Annual Engagement Survey to gather feedback on how employees felt within the workplace. The results were collected to steer the Leadership Team and People and Remuneration Committee in identifying areas of strength to build on and areas requiring focused action.

The results showed:

Diversity, Equity & Inclusion: 79% (+1% from 2024)

DEI was one of the highest-scoring themes overall. 88% of respondents agreed that people in their team treat each other with respect, a 13-percentage-point improvement on 2024, and 75% felt able to speak up and share a different view — up 7% year-on-year. The improvement in psychological safety to raise concerns and challenge decisions is particularly encouraging, and reflects the inclusive culture Ardea has been deliberately building through its hiring practices, DEI survey programme and cultural events.

Employee Wellbeing: 65% (+8% from 2024)

Wellbeing was the most improved theme year-on-year. 92% of respondents agreed there are effective resources in place to support employee wellbeing, and 92% reported satisfaction with their access to flexible working arrangements. These results reflect the tangible impact of the wellbeing initiatives Ardea has introduced and the People and Remuneration Committee's active oversight of this area.

Employee Voice: 77% (+1% from 2024)

88% of respondents said their manager listens to what they have to say, 83% reported that their manager encourages and values their input, and 75% felt able to speak up and share different views — up 8% on 2024. Strong scores here reflect a culture where employees feel heard at the team level, which is foundational to good governance and accountability across the firm.

Overall Employee Engagement: 78%

88% of employees reported being proud to work for Ardea and 79% felt a strong attachment to the organisation. These results reflect a workforce that is committed to the firm and its mission, supporting the continuity of institutional knowledge and the long-term issuer relationships that are central to Ardea's engagement programme.

This ongoing effort ensures we are continuously improving and adapting to meet the diverse needs of our team.

Although we are not yet a signatory Ardea is actively reviewing the ACT framework developed by City Hive with a view to enhancing the transparency and accountability of its DEI practices in future reporting periods, including using its questions to track where we currently stand.

Main priority in the coming 12 months to enhance corporate culture and support DEI, and how was this decided?

Ardea's main priority is to continue embedding DEI into its hiring, governance and reporting practices through the work of the People and Remuneration Committee, a formal committee of the Board established under the Company's constitution. The Committee's mandate explicitly covers organisational culture, diversity, equity and inclusion, executive talent management, and succession planning. Priorities are decided through a combination of annual employee engagement survey results, reviewed by the Committee and Leadership Team, and the setting of CEO and leadership team KPIs by the Committee each year. Key focus areas for the coming year include normalising conversations around health and wellbeing in the workplace, further developing inclusive hiring practices, and continuing to monitor and act on engagement survey outcomes across DEI and wellbeing themes.

How is progress evaluated and reviewed? What does success look like?

The People and Remuneration Committee is responsible for reviewing reports on culture, including employee engagement survey results, overseeing engagement action plans, monitoring their effectiveness, and making recommendations to the Board where further action is required. Ardea's Annual Engagement Survey, most recently conducted in September 2025, is the primary quantitative measure of progress. The 2025 results showed DEI scoring 79% (up 1% from 2024), with 88% of respondents agreeing people in their team treat each other with respect (up 13 percentage points) and 75% feeling able to speak up and share a different view (up 7%). Wellbeing was the most improved theme at 65% (up 8%) and overall employee engagement was 78%. Success is defined as year-on-year improvement in survey scores, maintenance of diverse hiring pipelines, and a workplace where all employees feel psychologically safe and valued. The Committee meets at least twice per annum and reports its recommendations to the Board after each meeting.

How do you measure and demonstrate the outcome, impacts or success of your diversity initiatives?

Ardea tracks diversity data across the firm by gender identity and seniority, with results reviewed regularly by the People and Remuneration Committee and reported to the Board. Progress is measured against our hiring practices, which have been deliberately reformed since 2020 to improve the diversity of our talent pipeline, and through our annual employee engagement survey which includes specific DEI scoring. The Committee conducts an annual remuneration review by gender, as mandated in its charter, to identify and eliminate bias in remuneration decision-making. Board-level commitment to diversity is demonstrated through the appointment of a female Independent Chair in early 2025, who chairs the People and Remuneration Committee. DEI outcomes are reported to the Board and published in Ardea's annual UK Stewardship Code submission.

How does the Firm publicly talk about its progress on diversity and culture?

Ardea publishes its DEI practices and outcomes in its annual UK Stewardship Code report, submitted to the Financial Reporting Council. Ardea has contributed to industry research on gender diversity through its Head of Research, Dr Laura Ryan, who led a CFA Institute study on gender identity and promotion rates in the Australian financial services industry. Ardea hosted an International Women's Day interactive discussion led by its Independent Chair and Head of Research on normalising conversations around health and wellbeing in the workplace. Ardea is currently reviewing the ACT framework and other emerging industry standards for culture and DEI transparency with a view to enhancing public reporting in future periods.

Does the Firm have set targets, objectives or goals for diversity? Yes.

Describe the Firm's targets, objectives or goals for diversity.

Ardea's diversity targets include maintaining at least one woman on all interview panels, expanding recruitment pipelines beyond traditional finance disciplines, and conducting an annual remuneration review by gender as mandated in the People and Remuneration Committee charter. The firm targets continuous year-on-year improvement in DEI engagement survey scores and monitors representation by gender identity across the investment team, management and Board. In April 2024 Ardea partnered with Aim Big Recruitment to improve representation of people with disabilities in its talent pipeline. All employees are assigned an ESG objective or KPI as part of their annual performance review, with a percentage allocation based on their role, ensuring DEI targets are embedded in individual performance management.

How is the Firm's DEI strategy linked to organisational targets

DEI is embedded in Ardea's remuneration framework through individual ESG and DEI KPIs assigned to all employees, with performance against these objectives influencing bonus outcomes. The People and Remuneration Committee, established as a formal Board committee, has an explicit mandate to set KPIs for the CEO and leadership team that include people and culture objectives, and to ensure remuneration policies do not create bias or encourage excessive risk taking. The charter mandates an annual review of remuneration by gender to eliminate bias in decision making. The annual engagement survey provides a quantitative measure of DEI progress that feeds directly into the following year's business planning and Committee priorities. Board level governance of DEI is further reinforced by the appointment of a female Independent Chair who chairs the Committee.

How are resources committed to DEI objectives?

Ardea has committed resources to DEI at three levels: dedicated personnel, Board governance and external partnerships.

At the personnel level, Ardea has a full time HR Partner who has been embedded within the firm for nearly five years, providing dedicated people and culture support including DEI initiatives, employee relations and recruitment practices. The HR Partner sits on the People and Remuneration Committee, ensuring that people and DEI expertise is directly represented in Board-level governance and decision-making. This is complemented by a permanent internal ESG employee appointed in early 2024, responsible for coordinating ESG and responsible investing practices across the firm including oversight of DEI reporting.

At the governance level, the People and Remuneration Committee provides Board-level oversight of DEI with a formal charter mandate, meeting at least twice per annum and reporting recommendations to the Board after each meeting. The Committee has access to management and may engage independent external advisers at the Company's cost where needed to fulfil its responsibilities.

DEI training is conducted across the firm, covering topics including inclusive leadership, health and wellbeing in the workplace, and modern slavery and international norms. Training is complemented by cultural awareness events throughout the year, reflecting the diverse backgrounds of Ardea's team.

How does the Firm use diversity data collected from employees?

Ardea uses data from its voluntary annual DEI survey and employee engagement survey to identify areas of strength and areas requiring focused action, in line with the Committee's charter obligation to review culture reports and oversee engagement action plans. Results are reviewed by the People and Remuneration Committee and Leadership Team and used to set the following year's priorities and KPIs. Gender identity data is used to monitor representation across seniority levels and informs hiring decisions and the annual remuneration review by gender. For example, the 2025 survey results showing wellbeing as the most improved theme validated the firm's investment in wellness initiatives, while improvements in psychological safety scores informed ongoing inclusive leadership development.

Describe the level of reporting on remuneration, gender and ethnicity pay gaps.

The People and Remuneration Committee conducts an annual review of remuneration by gender as explicitly mandated in its charter, ensuring no biases in the decision-making process impact remuneration outcomes. The Committee prepares any remuneration reports required by the Corporations Act or other regulation for Board approval, and is responsible for ensuring compliance with FCA remuneration regulations for Ardea's UK subsidiary. While Ardea is not required by regulation to publish a standalone gender pay gap report given its size, the internal review is conducted as best practice and outcomes are reported to the Board. Ardea does not currently report on ethnicity pay gaps but is monitoring regulatory developments in this area and will assess requirements as they evolve.

Additionally, our Head of Research at Ardea, has contributed to advancing gender diversity in the finance sector through her research. Dr. Ryan led a CFA Institute study titled "Gender Identity an Important Factor in Likelihood of Promotion," which investigated how gender identity influences promotion rates within the Australian financial services industry. The study revealed that women are less likely to receive unsolicited promotions compared to men but are more successful when actively requesting them. This research highlights the systemic barriers that affect career progression and reinforces Ardea's commitment to addressing these disparities through targeted interventions.

By embedding these principles into our core values, we ensure that our culture of stewardship extends beyond financial management to include the well-being and advancement of our employees. This holistic approach to business practices strengthens our team's ability to create long-term value for our clients, while also contributing to a more equitable and sustainable society.

Ardea stands as a committed partner in the collective effort to address global challenges, demonstrating that responsible investment and stewardship are not just integral to our business philosophy, but are also key contributors in creating long-term value for our clients, our stakeholders, and our employees.



Principle 2

Signatories' governance, resources and incentives support stewardship.

Governance

The governance structure and approach taken by Ardea delivers on our commitment to responsible investing and stewardship, with a focus on incorporating ESG principles into our operations and investment decision-making. The multiple levels of governance involved in the decision-making process for developing ESG policies and priorities ensures that all aspects of our business are aligned with our commitment to ESG integration. The involvement of senior leaders from across the firm, including the Board, CEO, and CIOs, reflects the importance placed on ESG initiatives at the highest levels of Ardea. Additionally, the regular training provided on ESG-related issues demonstrates a culture of continuous improvement and learning.

Ardea's responsible investment governance structure is comprised of the following:

Board

The Board of Directors is responsible for overseeing the management and direction of the company and ensures appropriate risk management processes and policies are in place. This extends to policies that address regulatory and fiduciary risks relating to ESG and sustainability elements. The Ardea Board receives an update on ESG activities as part of the CEO update at each board meeting. The board is led by our Independent Chair.

CEO

The Chief Executive Officer is responsible for the overall strategic direction of the company, as well as day-to-day management and decision-making. The CEO reports to the Board and is responsible for ensuring that Ardea operates in a financially sound and ethical manner.

Chief Investment Officers

The Co-Chief Investment Officer (CIOs) are responsible for the development and implementation of Ardea's investment strategy. The CIOs lead the investment team and ensure that investment decisions are consistent with Ardea's overall objectives, ESG Policy, and risk management framework.

Research

The Research and Development team is responsible for identifying trade ideas, risks, and opportunities related to ESG through research and technology development. They work with the Portfolio Management team to identify mispricing between securities and mitigate exposure to market risks, including ESG risk factors. Additionally, they build and support technology to identify green bond trade ideas and research how climate change is priced into physical bonds, in conjunction with the Quant Analytics & Data Team. The research team also focuses on building scenario analysis to assess the potential impacts



of various ESG-related risks, including climate change, on investments and develops strategic partnerships to enhance understanding of ESG risks and opportunities.

Risk and Compliance

The Risk and Compliance team is responsible for ensuring that the company complies with all relevant laws, regulations, and ethical standards. This includes monitoring trading activities, ensuring that proper internal controls are in place, and maintaining Ardea's code of conduct. Our internal ESG employee also sits within the risk team.

Sustainability Committee

The Sustainability Committee is responsible for overseeing Ardea's sustainability initiatives and ensuring that investments are consistent with environmental, social, and governance (ESG) principles. The Sustainability Committee is responsible for overseeing Ardea's sustainability initiatives and ensuring that investments are consistent with ESG principles. The committee is chaired by the CEO and includes our Co-CIO, Head of Risk, Head of Research and internal ESG resources. This Committee has been operational since early 2023 in response to the CEO and Board believing more focus needed to be placed on Ardea's ESG approach.

People and Remuneration Committee

The Committee's mandate is to assist the Board across four pillars: people and culture, remuneration governance, regulatory compliance, and diversity, equity and inclusion. The Committee reviews people strategies,

oversees executive talent management and succession planning, and reviews organisational culture through employee engagement surveys. On remuneration, the Committee develops and recommends the Remuneration Policy to the Board, ensuring structures are performance-based and do not encourage excessive risk-taking, and conducts an annual review of remuneration by gender to eliminate bias.

Risk Management Committee

In May 2025, Ardea established a Risk Management Committee (RMC) to support the Board in fulfilling its risk management and oversight responsibilities. The RMC meets monthly and is chaired by the Head of Risk, with membership drawn from across the firm including the CEO, Co-CIOs, Head of Research, Operations Manager, Compliance Manager, Business Operations Manager and ESG lead. The Committee is responsible for independently assessing key risks facing Ardea, ESG and reviewing the adequacy of risk management policies and procedures, examining portfolio risk exposures, and promoting a strong risk aware culture throughout the organisation. Its proceedings are recorded and made available to the Board for transparency and oversight.

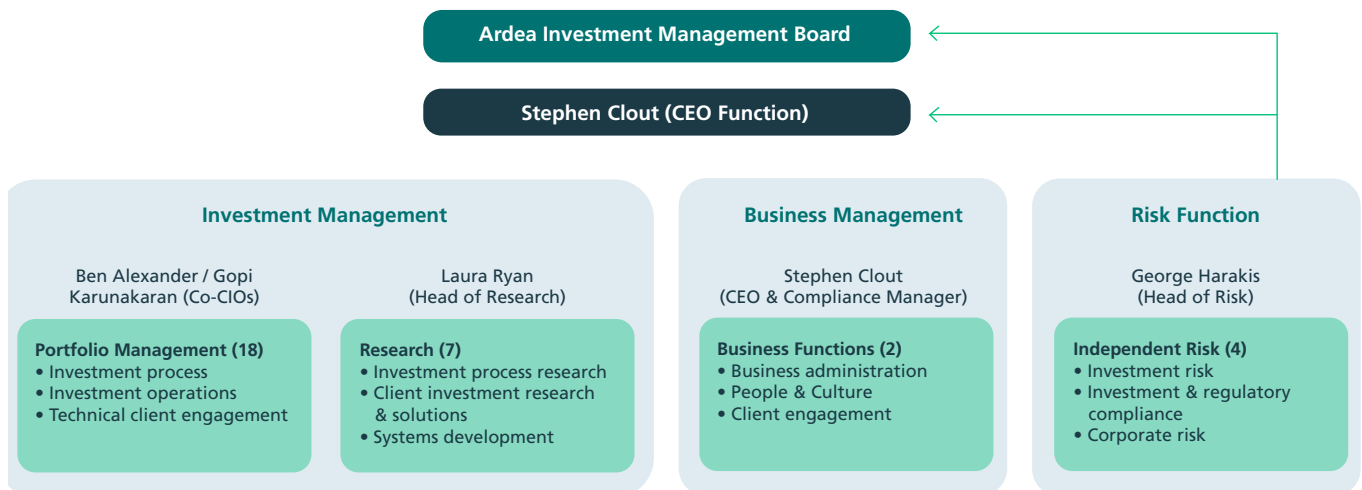
AI Committee

We are currently in the process of formalising our internal AI Committee to ensure we stick to our new AI Policy, introduced in January 2026 and as part of that, the ESG considerations that will be embedded into Ardea's approach to AI adoption.



Ardea's governance structure has been effective in supporting stewardship by embedding sustainability as a core value within the organisation, from the Board of Directors down to individual employees.

In this governance structure, pictured below, the CEO reports to the Board and is responsible for the overall direction of the company, while the CIOs are responsible for the investment strategy. The Compliance and Risk team, with a line to the Ardea Board, ensures that the company operates in a legal and ethical manner, while the Sustainability Committee oversees the company's ESG initiatives.



The ESG Policy, as the foundation document for Ardea's overall approach to responsible investing integration and corporate sustainability, is included within our Governance, Risk and Compliance (GRC) Framework document and presented to the Board for final approval. The CEO, CIOs, Head of Risk and Board ensure that the policies are consistent with Ardea's investment philosophy, risk management approach, and overall strategy.

The whole GRC Framework, including the ESG Policy, is reviewed and approved annually by the Ardea Board. All staff are required to sign the GRC Framework Acknowledgement annually, acknowledging that they will abide by the policies and procedures contained within it. The Stewardship Policy also forms part of this Framework, and the Risk and Compliance team are responsible for ensuring adherence with this Policy.

Once approved within the GRC Framework, the policies are implemented by the Investment Team, with oversight from the Risk and Compliance team, who ensures that they are followed in practice. This process ensures that ESG considerations are integrated into the fabric of Ardea's operations and investment decision-making. It reflects Ardea's commitment to responsible investing and stewardship, aligning with our goal of delivering long-term value to our clients.

The Ardea Sustainability Committee, chaired by the CEO, is responsible for improving oversight and implementation of the company's stewardship principles in service of the best interests of our clients. The committee is responsible

for monitoring progress, setting clear objectives and outcomes, and agreeing on accountability measures and protocols. Standing agenda items include raising insights from client conversations to assess how Ardea is representing client best interests, and the provision of regular training on ESG-related issues. By having the CEO chair the committee, there is a top-down influence intended to improve responsiveness to evolving client and industry needs and to drive positive outcomes in this area.

The work of the Ardea Sustainability Committee, led by the CEO, reflects our ongoing commitment to improving outcomes in ESG. This is reinforced by the Co-Chief Investment Officers' ultimate responsibility for investment decisions, including those related to responsible investing and stewardship.

The Co-Chief Investment Officers have ultimate responsibility for investment decisions, including those relating to sustainability and stewardship. They work closely with the Research and Development Team and the Portfolio Management Team, who collaborate to identify trade ideas, risks, and opportunities through research and the development of technology.

The Research and Development and Risk and Compliance Teams play a crucial role in identifying ESG-related trade ideas, risks, and opportunities through research and technology development, while monitoring investment risks related to ESG. This ensures that Ardea's investment decisions align with our ESG goals and deliverables.

Additionally, the Research and Development Team assists the Systems and Development Committee with the development of sustainability policies to ensure that Ardea's ESG goals and values are reflected in the company's investment decisions.

The Risk and Compliance Team carries out an independent risk function and monitors and assesses all investment risks, including climate change scenario testing, to ensure that Ardea's investment decisions align with its ESG goals and deliverables.

In August 2024, the Sustainability Committee introduced an internal ESG and DEI framework to advance responsible investing by clearly defining roles and allocating resources across the organisation. The framework consists of three key groups: the Sustainability Committee, which provides oversight and decision-making; and the ESG Working Groups, which implement specific initiatives under the direction of the Sustainability Committee. The ISSB Working Group remains a key focus, tasked with guiding Ardea through the transition to new international sustainability reporting standards and ensuring alignment with established frameworks such as TCFD, ahead of their expected implementation in the coming year.

In place of a formal Thought Leadership Panel, ESG updates and initiatives are now discussed as a standing agenda item at the investment team's Portfolio Management meeting, ensuring that ESG considerations remain embedded in day-to-day investment decision-making. Ardea is also monitoring updates from the Investment Consultants Sustainability Working Group (ICSWG) and is committed to aligning with any new guidance issued by that group as it develops.

Resources

Ardea employs a team of seasoned professionals with extensive experience in investment management and successful stewardship on behalf of clients. Our senior leadership team, including the CEO, CIOs, and Head of Research and Development all have over 20 years of experience in the industry. Our CIOs bring both funds management and investment banking experience to the table, and our investment team has, on average, more than 16 years of experience. Since its establishment in 2008, Ardea has been managing investments for a number of institutional clients since 2009, demonstrating our commitment to delivering long-term value for our clients.

As the firm is committed to stewardship activities, relevant investment team members each have a stated Key Performance Indicator (KPI) to meet with issuers, counterparties, or other relevant industry parties to

engage on ESG issues of relevance to our clients. These interactions are each centrally logged to track Ardea's overall stewardship efforts and the outcomes driven through those engagements, to identify areas for future engagements, and to report to our clients on a transparent and regular basis. Throughout the year, we have actively participated in surveys and reporting initiatives, for example, the PRI/TAI Global Stewardship Resourcing Survey, to receive consultant and client feedback on our approach to resourcing and reporting to incorporate this into our business planning.

In 2023 Ardea employed an external consultant to work with the CEO and Sustainability Committee to review and refresh its ESG policies and processes. This resulted in an update to our suite of sustainability documents, including, but not limited to, the ESG Policy, Engagement Framework, TCFD reporting, and SFDR disclosures. On the departure of the consultant in February 2024, Ardea announced its first permanent employee to take ownership of our ESG and DEI practices. This role is responsible for the ongoing coordination of our work across responsible investing, as led by the investment and research teams, and corporate sustainability, with the role to be further supported by Fidante's Client Services to ensure direct alignment with client interests and needs.

Additionally, in July 2024, one of Ardea's UK Senior Traders was appointed as the designated UK representative for trading, client engagement, and issuer engagement, playing a pivotal role in fostering relationships with UK issuers and clients to drive forward ESG-focused initiatives and ensure alignment with our clients' interests in this key market.

To ensure our entire workforce are kept up to date with responsible investing and stewardship matters, training and workshops is regularly conducted and includes:

- DEI education series including a Women in Finance interactive discussion with our Independent Chair and Head of Research exploring how to normalise conversations around health and wellbeing in the workplace and create environments where those discussions feel safe, constructive and genuinely supported.
- ESG 'lunch and learn webinars', hosted by Fidante Partners, our distribution partner
- Ad hoc ESG training, as required, based on topics and thematics, e.g., modern slavery compliance
- We maintain a staff training register for professional development to record any industry, DEI and ESG training completed per quarter. The Directors' training register is reported to the Board.

Staff training is also monitored and measured by managers as part of employees' performance management reviews.

As a boutique investment manager within advanced government bond markets, whilst we acknowledge that our ability to influence may be limited, we are committed to advocating and influencing for change on behalf of our clients. In pursuit of this aim, in August 2023, Ardea joined a collaborative PRI-led engagement on Climate Change with Australian authorities. This collaborative effort, alongside other investment managers and institutional investors, will not only help to reduce exposures to the risks associated with a failure to rapidly transition to a net zero global economy but aids to amplify Ardea's engagement activities with issuers and to also provide further insights into how clients and the industry are working together around common areas to improve stewardship and responsible investing outcomes.

In July 2024 Ardea became a signatory of the 2024 Global Investor Statement to Governments on the Climate Crisis. This is a call to action from over 530 institutional investors managing AUD \$29 trillion in assets. It urges governments to implement comprehensive climate policies across five key areas: economy-wide public policies, sectoral strategies, nature and biodiversity conservation, climate-related financial disclosures, and facilitation of private investments. The statement emphasises the need for transparency, systemic change, and private capital mobilisation to address climate risks and accelerate the transition to a net-zero, climate-resilient economy. It aligns with global climate efforts and was presented ahead of COP29 in November 2024.

Ardea's commitment to innovation and development is ingrained in our culture. Since 2008, we have invested heavily in our investment and risk management and monitoring infrastructure, culminating in the development of our proprietary system. We continue to refine and improve our technology today, with the Research and Development Team established in 2019 to spearhead new developments. This team is responsible

for the creation of cutting-edge models that enhance our search for investment opportunities and our stewardship and ESG-related investment processes. Our investment has not only been in human resources but also in software, where necessary. Our dedicated data and analytics resources are responsible for all data and the implementation of new systems, tools, and models, which are either further developed by the investment or research teams.

Incentives

Ardea's compensation structure consists of a base salary and bonus. Each member of the team has clear objectives and there is a formal review process that runs throughout the year with a final review prior to a bonus payment.

To ensure the entire business is incentivised to incorporate sustainability in their day-to-day functions, Ardea employees are assigned an ESG objective or KPI with a percentage allocation to sustainability based on their role. The percentage allocation to sustainability for team members is a function of their role. This acts to embed sustainability as a core value within the organisation and ensure that everyone is aligned with the goal of incorporating sustainability. Ardea's "one team" approach to investing ensures that everyone in the team is aligned towards the same objective of delivering the highest standard of alpha and value, encouraging information sharing and collaboration. These practices help to drive long-term change and improve outcomes for both the company, its clients, and its stakeholders.

To demonstrate the firm's commitment to stewardship, an example of these KPIs include that relevant investment team members meet regularly with issuers, counterparties, or other relevant parties to engage further on ESG issues that are of relevance to our clients.





Principle 3

Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.

Managing conflicts of interest

At Ardea, we conduct our business to ensure that we provide high quality investment services which create long term value and minimise adverse impacts to our clients and key stakeholders of the business.

We prioritise the integration of strong risk management practices to ensure that our investment decisions align with both our clients' interests and our long-term sustainability objectives. In line with best practice and regulatory requirements, we have strengthened our risk management framework with the appointment of a new Head of Risk in February 2025. This role, independent from the investment team, plays a critical part in overseeing and ensuring that our risk management processes align with our fiduciary duties and ESG goals.

Our Head of Risk reports to the CEO and the Board and is responsible for the independent oversight of all investment and operational risks, providing a key safeguard in the decision-making process. This includes evaluating the effectiveness of risk management practices, ensuring compliance with internal policies, and assessing potential risks related to climate change and other ESG factors. With over 20 years of experience in market risk management, the Head of Risk brings a wealth of expertise to the organisation. Having held senior risk management roles at leading global firms. His experience spans managing market, counterparty, and fund ALM risks, particularly within fixed income and credit asset classes. This extensive background enables him to challenge investment decisions and governance structures effectively, ensuring that Ardea's risk management framework remains robust and aligned with our ESG objectives. His independence from the investment team strengthens Ardea's commitment to delivering sustainable value, ensuring that all investment decisions adhere to sound risk principles while managing potential ESG risks.

In accordance with best practice and regulatory requirements, Ardea maintains a Conflicts of Interest Policy to ensure that any actual, potential and/or perceived conflict of interest that may arise both between itself and its clients, a staff member and a client, and between clients are identified, prevented or managed and disclosed in the best interests of clients. This Policy sits within our Governance, Risk and Compliance (GRC) Framework and the Ardea Head of Risk is responsible for ensuring adherence with this policy. The Ardea Conflicts of Interest Policy is not publicly available but we are able to share copies of this policy on request.

For Ardea Mandates Ardea maintains an Investment Valuation Committee (IVC) to ensure that the valuation of investment assets managed by the firm is accurate, appropriate, and compliant with relevant regulatory requirements and accounting standards. The IVC provides independent oversight of the valuation policies and practices of outsourced providers responsible for asset valuations. This committee reviews the valuation methodology and assumptions used for investment assets and provides advice on suitable approaches where necessary. Composed of senior leaders, including Ben Alexander (Co-CIO), who also serves as the chairperson, the IVC meets at least quarterly to assess and provide guidance on valuation-related issues. The IVC is tasked with reporting regularly to the CEO on its activities, findings, and recommendations, ensuring transparency and adherence to best practice in the valuation process.

In the last year we have reviewed Ardea's Conflicts of Interest policy and continue to do so regularly.

As part of the GRC framework, we maintain a register to record conflicts of interest. Some examples of notable actual and potential conflicts on our register include:

- A staff member has part ownership in an electronic trading platform which facilitates the trade execution process from price discovery to settlement and the calculation of transaction costs. Ardea are currently users of this platform.
- A staff member in the investment team is married to an employee of a broking firm. We have put compliance rules in place in our internal trading system to prevent this staff member from trading with the broking firm and have logged the relationship on our Conflicts of Interest register.
- Personal trading, discussed in more detail below.

With respect to the part ownership of the electronic trading platform the following actions took place after sign-off from Ardea's Board.

Full analysis of conflict and risk mitigants, as below

- Any development work, including conversations, could only be carried out outside of working hours and must not interfere with the performance of their duties at Ardea
- Staff member was not part of the overall business decision to use the trading platform
- The impacted staff member was instructed not to discuss or promote the relative merits of the trading platform with other Ardea employees, unless asked

Ardea had to be notified immediately of any change in duties of the staff member in relation to the platform

- With respect to personal trading, we have implemented the following rules:
- Put the interest of our clients before your own interests
- Check if the transaction you wish to undertake requires pre-authorisation
- Obtain pre-authorisation on applicable securities from the Compliance team or a Director
- Undertake trading within the correct timeframe
- If you miss the timeframe window (24 hours), re-obtain pre-authorisation before trading
- Keep a record of all trades, including contract notes
- Supply shareholding statements on commencement of employment quarterly and annually
- All trades involving securities of individual companies require a 30-day holding period, all other trades require a five-day holding period.

In accordance with best practice and regulatory requirements in May 2023, Ardea introduced a Trade Allocation Policy that ensures fair, transparent, and efficient allocation of trades across portfolios. This policy is integral to our investment process and adheres to the principles of fairness, efficiency, and alignment with our clients' best interests. The Trade Allocation Policy ensures that all trades are executed in a manner that is consistent with each portfolio's investment objectives, risk

considerations, and other constraints, while also neutralising potential conflicts of interest. This policy is reviewed regularly as part of Ardea's Governance, Risk and Compliance (GRC) framework, with ongoing monitoring by the Risk team.

Additionally, Ardea's Trade Allocation Policy is designed to ensure compliance with regulatory requirements, including those of ASIC in Australia, the SEC in the United States, and the FCA in the UK. Key aspects of this policy include best execution and order aggregation to reduce transaction costs, with the policy ensuring that trades are allocated pro-rata or in line with priority considerations such as risk estimates and portfolio objectives. Ardea also maintains a register of trade allocations and monitors compliance with the policy to ensure it remains fair and transparent. This policy underscores Ardea's commitment to managing conflicts of interest and ensuring that all trades are executed in the best interests of our clients.

All Ardea staff are required to complete annual conflicts of interest training to ensure they have the appropriate understanding to identify and report conflicts of interest which can then be prevented or managed pursuant to its conflicts of interest framework. In addition, on commencement of employment all staff members are asked to disclose any outside business activities/directorships etc and are required to attest on a monthly basis that if they had entered into any new arrangement that this has been notified to the Compliance team.





Principle 4

Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system



Identifying and Responding to Market-wide and Systemic risks

At Ardea, we recognise that market-wide and systemic risks are closely linked, and the critical importance of managing these risks to ensure the long-term stability and resilience of the financial system. Our approach is focused on identifying, understanding, and addressing the systemic risks that can impact the sovereign bond market, particularly those related to fiscal sustainability and the growing consequences of climate change.

Ardea has identified two primary and interrelated systemic risks to the government bond market: the sustainability of governments' fiscal burdens and the realisation of risks related to climate change. These risks are systemic because they have the potential to significantly disrupt the performance and stability of government bonds, which are foundational to the global financial system.

Fiscal sustainability remains a central concern, especially given the significant government spending that occurred in response to the pandemic and economic recovery. This spending has resulted in large budget deficits, while ongoing inflation and the rising cost of living have placed additional pressure on public finances. With ageing populations in advanced economies, these fiscal pressures are expected to worsen in the coming decades, increasing the vulnerability of governments to economic shocks and contributing to systemic risks in the sovereign bond market.

Similarly, the fiscal consequences of climate change are profound, as they threaten the long-term fiscal sustainability of government budgets. The global and complex nature of climate change, its interconnection with biodiversity loss, and the challenges of quantifying its impacts make it a difficult problem to solve. However, failure to transition to a low-carbon economy could deeply affect government budgets, putting additional strain on their ability to meet economic and social obligations. Many in the investment community assert that climate risks are not adequately priced into government bond yields, meaning these yields may not reflect the full extent of climate transition risks or the necessary steps for countries To align with the 2015 Paris Agreement.

Ardea's research collaboration with the University of Technology, Sydney has provided valuable insights into this issue. The study revealed that carbon emissions, natural resource rents, and renewable energy consumption are important indicators of climate transition risk and have a significant impact on government bond yields and spreads. Countries that perform poorly in managing their climate transition face higher borrowing costs, and they may struggle to attract investors. On the other hand, countries that excel in managing their transition to a low-carbon economy tend to benefit from lower borrowing costs and stronger fiscal stability.

As transition risks materialise much faster than physical risks, the impact of climate change is already being seen in the form of more frequent natural disasters, which are affecting GDP globally. In the medium to long term, physical risks are expected to negatively affect government credit ratings. Our research has identified that advanced economies that fail to manage their climate transitions may face:

- Increased government borrowing costs
- Liquidity constraints
- Reduced capacity to manage climate transition effectively
- Inability to finance recovery from climate-related shocks

Given the threats posed by climate change and the speed at which transition risks are materialising, these environmental factors are becoming increasingly important in shaping the government bond markets. Moreover, as the fiscal strength of governments deteriorates over time, the core features of the asset class—such as high liquidity, strong capital preservation, and stability of investment returns—may erode, making government bonds less reliable as an investment option.

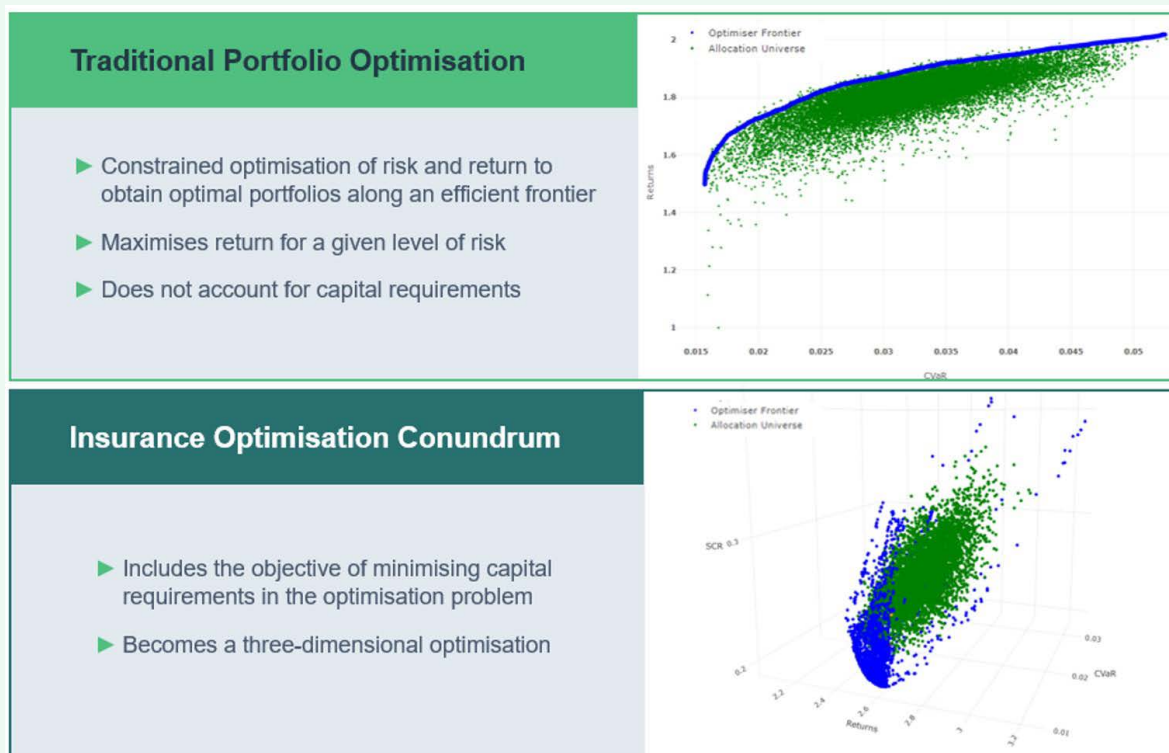
In response to these systemic risks, Ardea has implemented a range of processes designed to identify and mitigate exposures to market-wide risks. Our Capital Management Tool, introduced in 2023, is critical in managing these risks. This tool enables us to assess the impact of fiscal and climate-related risks on capital allocation and portfolio construction, providing real-time data and scenario analysis to help optimise capital deployment. The tool allows Ardea to model different climate scenarios and evaluate the potential regulatory and economic impacts on portfolios, ensuring resilience in the face of systemic risks.

Capital Management Tool

Ardea's Capital Management Tool was developed to optimise asset allocation by simultaneously addressing three key objectives: performance, risk, and capital charges. This unique tool, which sets Ardea apart in the market, allows for comprehensive portfolio analysis across regulatory, macroeconomic, and climate-related scenarios. It supports dynamic and real-time modelling, helping investors, particularly those in the UK insurance and pension sectors, to assess the optimal asset allocation while factoring in capital charges. By integrating a 3D approach to portfolio optimisation, the tool enables better decision-making and improves capital efficiency, especially in navigating complex regulatory environments, Demonstrated below.

As part of our collaboration with a broad range of UK clients, including local authority pension funds, wealth management platforms, and institutional investors, the CMT is integral to enhancing ESG reporting frameworks for the Fixed Income sector. By leveraging the CMT's capabilities, Ardea works closely with clients to refine these frameworks, ensuring they accurately reflect the unique characteristics and risks associated with sovereign bonds. This joint effort not only improves transparency and ESG integration but also helps clients navigate potential ESG regulatory changes for capital charges, manage climate-related risks, and make sustainable investment decisions. Through this collaboration, Ardea is helping clients address industry-specific challenges and advance best practices in ESG reporting, all while ensuring portfolios are optimised for long-term value creation and reduced systemic risks.

Ardea is also aware that regulators in a number of jurisdictions have introduced or are developing capital charges for insurers that reflect climate change risk. We are actively looking to incorporate and model these regulatory developments into the CMT, ensuring that the tool remains current with evolving global standards and continues to support clients in assessing the full range of climate-related regulatory exposures within their portfolios.





Principle 4

Ardea's high turnover investment approach continues to play a significant role in addressing these risks. By improving liquidity and price discovery in green government bonds, we help to support the development of these markets, promoting sustainable financing practices. This approach enhances the market's ability to absorb and manage the transition to a low-carbon economy.

Additionally, Ardea has worked closely with a UK client to refine ESG reporting and improve the integration of sustainability considerations within the sovereign bond market whilst also reporting on Ardea's engagement with sovereign bond issuers. This collaboration has been essential in addressing the evolving regulatory and market landscape and aligns both Ardea and our client with global sustainability standards. Through this partnership, we continue to help clients manage climate-related risks and improve market transparency, ensuring that investments reflect the full range of risks and opportunities.

Ardea has implemented the regulatory changes introduced by the International Sustainability Standards Board (ISSB). This update ensures our alignment with the latest global sustainability reporting standards. By integrating these regulatory changes into our investment practices and reporting, we are ensuring consistency with best practices and regulatory frameworks such as the Task Force on Climate-related Financial Disclosures (TCFD). This enhances the transparency and comparability of our sustainability disclosures and further supports the transition to a more sustainable financial system.

Ardea is also closely monitoring proposed amendments to the EU's Sustainable Finance Disclosure Regulation (SFDR 2.0), published by the EU Commission in November 2025. The proposals represent a significant shift from the current disclosure-based framework to a product categorisation regime, introducing three main fund categories: Transition, Sustainable and ESG Basics each requiring a minimum of 70 percent of assets aligned to the respective category's objective. Notably, the current Article 8 and 9 framework would be replaced under these proposals, with reporting obligations also significantly simplified. Ardea will continue to monitor SFDR 2.0 through the legislative process and assess the implications for its funds and client reporting obligations as the regime develops.

Through these efforts, Ardea is addressing the systemic risks related to fiscal sustainability and climate change while contributing to the development of a more resilient and sustainable financial system. By leveraging our Capital Management Tool, collaborating with clients, and implementing global regulatory changes such as those from the ISSB, we are fostering a more sustainable financial ecosystem that supports long-term value creation and reduces systemic risks for all stakeholders.

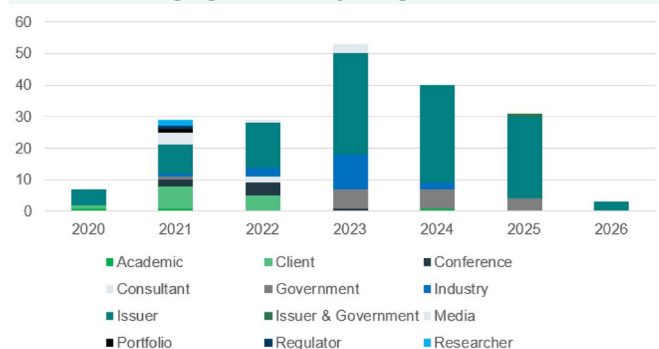
In addressing exposures and driving change, Ardea has leveraged its high turnover investment approach to

significantly enhance liquidity and improve price discovery in the green government bond markets. This, in turn, supports the continued development and expansion of these markets. By doing so, we reduce market risks over time and help mitigate systemic risks by influencing the types of investments governments undertake.

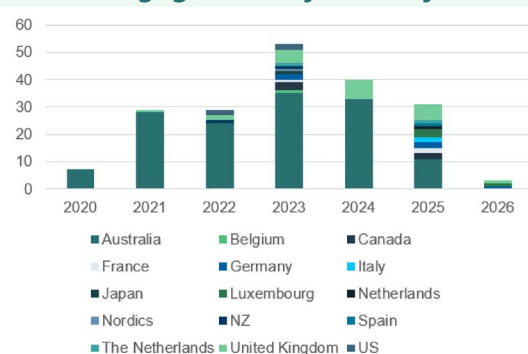
Ardea also uses its position as a major purchaser of newly issued government bonds to engage directly with issuers, advocating for the increased issuance of green bonds. Over the past five years, we have significantly expanded our engagement activities, focusing primarily on issuers and the broader market, with the aim of raising awareness about the sustainability opportunities and risks in fixed income markets. As our engagement programme has matured, our focus has shifted from building breadth to deepening the quality of individual interactions.

Ardea tracks its engagement activity by organisation type and country, as illustrated in the charts below. While the total number of engagements in 2025 was slightly lower than in previous years, this reflects a deliberate evolution in our approach towards fewer but more substantive interactions. Ardea has focused on deepening existing relationships with key issuers, particularly in the United Kingdom, Australia and Europe, to drive more meaningful outcomes on green bond issuance and ESG transparency. We believe this approach is more consistent with our stewardship objectives and better reflects the quality of dialogue we are seeking to maintain with sovereign issuers and other key stakeholders.

Engagement by Organisation



Engagement by Country





Principle 4

This deepening of relationships has also informed the development of Ardea's green bond proposition. Drawing on years of issuer engagement, market participation and internal research, Ardea is actively developing a dedicated green government bond strategy, engaging with clients on its structure and opportunity set. The alpha sources within a green only portfolio span security selection across sovereign and semi government green bonds, primary market participation where new issuance premiums create pricing opportunities, and derivative overlays including interest rate swaps, basis swaps and inflation swaps that supplement green bond returns without requiring investment in non-green bonds. This proposition represents the natural evolution of Ardea's stewardship activities, translating engagement and market knowledge into a dedicated investment solution designed to meet clients' growing demand for green fixed income allocations.



Case Study

In our 2025 Stewardship Report, we described an ongoing collaboration with a leading UK wealth management firm to enhance ESG reporting for sovereign bond investments. At the time, the central challenge was that ESG reporting in the fixed income sector was underdeveloped relative to equities, and Ardea worked with this firm and other UK institutional clients, including local authority pension funds and wealth management platforms, to build more meaningful TCFD and ISSB-aligned frameworks for sovereign bonds.

2025–2026 Progress:

That collaboration has since evolved substantially. The client engagement and internal research work undertaken to improve fixed income ESG reporting has fed directly into the development of a dedicated Green Bond Strategy, formally proposed to UK clients in December 2025. The green sovereign market has grown sufficiently in depth and liquidity to support a dedicated strategy, with issuance now spanning most major markets outside of the US. Greeniums, the yield

differences between green and comparable conventional bonds, now exhibit meaningful and measurable variation across regions, tenors and supply patterns, creating persistent RV opportunities of the kind Ardea has long exploited in broader sovereign markets.

The Green Bond Strategy

Ardea's Green Bond Strategy applies our established pure relative value (RV) approach exclusively within the green sovereign bond universe. The strategy is designed as a GBP denominated core bond allocation benchmarked to the Bloomberg Global G7 TR Index Hedged GBP, with a tracking error budget of 1.0% and a target excess return of approximately 0.75% per annum. It is scalable to GBP 500 million and above. The eligible universe spans G10 and Australian and New Zealand sovereign and semi-state green bonds, inflation-linked greens and derivatives, with alpha sourced from green bond RV, swap RV, curve RV, basis RV, inflation RV and NCD roll-down, and explicitly not from duration, credit or macro positioning.

This development builds on Ardea's already established Article 8 classification work, TCFD reporting and UK Stewardship Code processes, all of which provided the operational readiness to map green bond issuance, liquidity and benchmark alignment in practice. The strategy embeds sustainability integrity through clear eligibility rules, transparent reporting and alignment with recognised industry standards, and is designed to complement a traditional bond allocation while supporting firm-level sustainability goals. Engagement with UK clients on this strategy is ongoing.



Principle 5

Signatories review their policies, assure their processes and assess the effectiveness of their activities.

Review, Assurance and Assessment

Ardea's approach to ESG, Sustainability and Stewardship is ultimately the responsibility of the Board, who delegate the day-to-day management and responsibility for delivering to our policies and processes to the CEO. To ensure that our approach in this area adapts to the needs of our business and our clients, a framework for implementing and monitoring is included within our broader Governance, Risk and Compliance (GRC) Framework.

Ardea's Governance, Risk and Compliance (GRC) Framework ensures that all business risks and opportunities are fully considered and that we adhere to all regulatory and legal obligations, compliance requirements and policies. The GRC Framework is subject to annual review and board approval. This annual review was most recently completed in May 2025 and is currently underway for 2026.

Our Head of Risk oversees the GRC Framework and reports to the Board regularly on its effectiveness. The Risk and Compliance Manager also has ongoing, direct access to the Board, through a standard reporting item. Reporting on a day-to-day basis to the CEO, the Risk and Compliance Manager has specific objectives and KPIs relating to the GRC Framework, including our approach to ESG and Stewardship. At each Board meeting, the CEO and Risk and Compliance Manager provide an update that includes the current ESG policies, recommendations, and activity of the Sustainability Committee.

Material amendments to the GRC Framework are approved by the Board and communicated to all staff who are required to sign-off annually. The company has a single corporate entity in Australia and a wholly-owned UK subsidiary with its own independent governance and board. The Risk and Compliance Manager has responsibilities across both risk and compliance. The Board's ongoing oversight and direct access to the Risk and Compliance Manager help ensure the company's ongoing compliance and effectiveness of the GRC Framework.

Following a review of responsible investing practices by the CEO in early 2023, a decision was made to establish the Sustainability Committee and in 2024 internally set up an ESG and DEI Framework to improve the current focus, processes and resourcing allocated to Ardea's ESG and Stewardship responsibilities.

In 2024/2025, Ardea has continued to advance its sustainable finance and green bond strategies, reflecting our commitment to addressing climate change risks while ensuring long-term financial value. We continue to view climate change as the most significant risk facing the

global economy, and this will remain a central focus in our investment approach. However, we are now widening our scope to include a broader range of ESG factors beyond our existing focus on climate change.

As part of this, we are exploring the potential to include social and sustainable-labelled bonds in the future. These would complement our current focus on green bonds and form part of our evolving strategy as we consider a more comprehensive approach to ESG issues. This reflects our ongoing commitment to addressing a wider range of sustainability challenges, ensuring our investments align with evolving market and client expectations.

A key part of our progress has been enhanced ESG data collection, which enables us to evaluate the ESG impact of the bonds in our portfolio more effectively. We have introduced more detailed ESG bond labelling, ensuring greater transparency in our decision-making process and better supporting our ability to meet the growing demands of clients and regulatory standards.

Ardea remains committed to reporting emissions in line with best practices. We continue to focus on reducing Scope 2 and Scope 3 emissions, achieving improvements through small but impactful operational changes. Additionally, we engage TEM (Tasman Environmental Markets) to offset our carbon emissions. For the past financial year, we offset our travel emissions through investments in projects such as:

- **Cepco Wind Power Project in Rajasthan**, introduces clean energy to the grid in place of coal-fired power, supporting national energy security and rural electrification, while also bringing local community benefits like new roads, jobs, and stronger village economies.
 - This project supports UN SDGs 7 (Affordable and Clean Energy), 8 (Decent Work and Economic Growth), 13 (Climate Action), and 15 (Life on Land).
- **April Salumei Rainforest Conservation Project** in Papua New Guinea, contributing to biodiversity preservation while providing Indigenous landowners with a sustainable income through carbon finance.
 - This project supports UN SDGs 4 (Quality Education), 7 (Affordable and Clean Energy), 8 (Decent Work and Economic Growth), 13 (Climate Action), 15 (Life on Land), and 16 (Peace, Justice and Strong Institutions).
- **Kenilworth HIR Project** in Australia, focusing on regenerating native vegetation and reducing greenhouse gas emissions from land degradation.
 - This project supports UN SDGs 8 (Decent Work and Economic Growth), 13 (Climate Action), and 15 (Life on Land).

These projects not only contribute to the global Sustainable Development Goals but also help mitigate the environmental impact of Ardea's operations. The TEM carbon offset program aligns with our broader sustainability initiatives, ensuring we make measurable progress towards our carbon neutrality goals. The contributions to these projects underscore our commitment to supporting environmental and social causes, while meeting our climate responsibilities.

Ardea's ESG policy continues to integrate climate considerations into our investment process. We monitor and report on our Scope 1, 2, and 3 emissions, ensuring transparency and alignment with the Task Force on Climate-related Financial Disclosures (TCFD) framework.

In addition, we are incorporating Sustainalytics Country Risk Ratings to further inform our investment decisions. This data helps us assess emissions and climate risks across sovereign debt markets, ensuring that our investment decisions remain aligned with global sustainability objectives. We will continue to explore how primary ESG data can be leveraged within our investment strategies and for future engagements with issuers.

Moving forward, Ardea's Sustainable and Green Bond strategy, alongside our ongoing commitment to reducing and offsetting emissions, reflects a holistic approach to integrating sustainability across all aspects of our operations. By improving ESG data collection and increasing transparency through more detailed bond labelling, we are enhancing our ability to assess the ESG impact of our investments. These steps, combined with our expanded ESG focus, continue to position Ardea as a leader in responsible investing, contributing to the long-term stability of the global economy while supporting the transition to a sustainable future.

Given the large number of investors in advanced economy government bond markets, we acknowledge that our ability to influence is limited. It is therefore

critical that we collaborate across the industry to amplify our influence and impact on behalf of our clients. In August 2025, Ardea aligned with the Investor Group on Climate Change (IGCC) and the Principles for Responsible Investment (PRI) to support the development of Australia's next Nationally Determined Contribution (NDC) with the highest possible level of ambition. This collective effort, with other institutional investors, aims to advocate for a strong 2035 target and ensure the NDC includes sectoral targets, adaptation goals, and clear pathways to achieve them. A key outcome of this engagement is shaping a national narrative on climate ambition, demonstrating how a robust NDC can drive strong financial returns.

Ardea's approach to ESG has evolved considerably over the past few years. Ongoing reviews by the Sustainability Committee, and reporting through to the board by the CEO and Risk and Compliance Manager, will ensure that we can identify and prioritise resources appropriately, updating or changing our policies as necessary in relation to ESG and stewardship.

A key opportunity to assess and review the effectiveness of our sustainability practices came with the publication of the 2025 UNPRI Transparency Reporting and Assessment Report. Ardea has continued to keep improving its results, receiving four out of five stars for all modules and performing above or in line with peers across all assessed areas.

The 2025 results reflect continued progress relative to prior years, with improvements across core areas including Policy, Governance and Strategy and Direct Fixed Income SSA. Notably, Ardea achieved module scores of 88 for Policy, Governance and Strategy, 85 for Direct Fixed Income SSA, and 80 for Confidence Building Measures, all within the four-star range.

A summary comparison with prior reporting periods is outlined below:

	2025		2023		2021	
	Ardea	PRI Median	Ardea	PRI Median	Ardea	PRI Median
Policy, Governance and Strategy	88	80	84	80	84	72
Direct – Fixed Income – SSA	85	63	75	63	61	37
Confidence Building Measures	80	80	80	80	n/a	n/a

At the end of Calendar Year 2025, Ardea was also able to assess the stated environmental targets of its Article 8 Global Alpha Fund's green bond holding, as summarised in the table below calculating the Security Value / Fund value, a percentage of NAV:

AGAU	End December 2022	End December 2023	End December 2024	End of December 2025
Min. 5% of sustainable investments	8.0%	7.5%	3.1%	13.4%
Increase in green bond turnover % pa	28.05%	38.10%	59.3%	82.3%
Climate change scenario modelling	Reviewed weekly	Reviewed weekly	Reviewed weekly	Reviewed weekly

The table below shows our figures displaying our Sustainable bond holdings including green bonds.

AGAU	End December 2022	End December 2023	End December 2024	End of December 2025
Min. 5% of sustainable investments	9.4%	17.1%	16%	13.3%
Increase in green bond turnover % pa	24.2%	78.2%	59.3%	82.3%
Climate change scenario modelling	Reviewed weekly	Reviewed weekly	Reviewed weekly	Reviewed weekly

The green bonds table shows the percentage of sustainable investments specifically in green bonds within the fund, which are those bonds whose proceeds are used to finance environmental projects or initiatives aimed at mitigating climate change. In contrast, the sustainable bonds table reflects a broader range of investments, which include both green bonds and other types of sustainable bonds, such as those focused on social or governance factors. This broader focus aligns with the expansion of Ardea's environmental lens, as it moves beyond just green bonds to include other bonds that contribute to sustainable development and transition goals.

The transition to incorporating sustainable bonds into the portfolio, in addition to green bonds, signifies Ardea's evolving investment strategy, reflecting a broader understanding of environmental and sustainability goals. The move has been informed by the increased recognition that sustainability goes beyond just climate-related investments to also include broader social and governance considerations.

The 2025 figures represent a meaningful improvement across both measures. Green bond holdings reached 13.4% of NAV, comfortably above the fund's 5% minimum target. Green bond turnover also increased significantly to 82.3%, reflecting the continued application of Ardea's high turnover strategy to improve liquidity and support the development of the green bond market. During 2025, Ardea conducted 31 engagements with 19 entities, with all engagements focused on advocating for increased green bond issuance. The fund's monthly average allocation to sustainability-related investments across the year was 13.35%, demonstrating a consistent and sustained commitment to the fund's environmental objectives throughout the period.

Overall, the 2025 results demonstrate Ardea's continued and strengthening commitment to the green and sustainable bond market, with improvements in both holdings and turnover reinforcing the fund's role in enhancing liquidity and price discovery in this important and growing asset class.



Principle 6

Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.

Client Needs and Communications

Ardea is a boutique manager of fixed income investments, specialising in relative value strategies in advanced economy government bond markets. Assets under management amount to \$A12.5bn as at 31 March 2026. A breakdown of assets under management by investor type and investor location is provided below.

	AUS	UK	US	Total
Institutional	60%	3%	10%	73%
Wholesale	4%	7%	-	11%
Retail	16%	-	-	16%
Total	80%	10%	10%	100%

Assets are invested exclusively in advanced economy government bond markets. A geographical breakdown of total assets under management as at 31 March 2026 is provided below.

	Bond	Cash and Derivatives MTM	Total
AUD	70%	3%	73%
CAD	1%	0%	1%
EUR	15%	0%	15%
GBP	2%	0%	3%
JPY	1%	0%	1%
NZD	1%	-1%	0%
USD	3%	3%	6%
Other	0%	2%	2%
Total	93%	7%	100%

Ardea manages investments on behalf of a diverse and global client base. Institutional investors include Australian defined contribution funds (superannuation funds) as well as government and commercial insurers with specific liability management requirements. Internationally, the institutional client base includes open-ended UCITS funds in the UK, whose investors are primarily UK pension funds.

The business ensures during the onboarding process that clients select strategies that are appropriate for their needs and investment horizons. We do this qualitatively and quantitatively, by being explicit about the tracking error targets of each product, and the expected distribution of returns.

The tracking error targets in place across Ardea's strategies vary but would typically be for a performance target of 1% pa, with a tracking error budget of 1%. We would typically communicate an investment horizon for such a strategy of 2-3 years, taking into account the expected variability in the distribution of returns.

The business regularly solicits and receives client feedback and expectations on stewardship activities. This occurs through regular review meetings which typically occur quarterly. This provides the opportunity to:

- hear specifically from the client or investor about any new developments or changes in terms of their own approach and expectations with respect to stewardship, and
- update the client or investor with any new developments in relation to their portfolios or in relation to stewardship more broadly. Within these quarterly meetings, we have introduced a standing agenda item where we seek feedback specifically on Stewardship and ESG related themes. .

In response to client feedback, Ardea has enhanced its client collateral and reporting to now include monthly ESG updates; more detailed quarterly investment and engagement case studies; improved classification and outcomes sought from engagement activities; increased transparency on portfolio data, including financed carbon emissions in TCFD reporting; and annual reports that showcase our engagement activities and Article 8 fund outcomes. We actively seek feedback from our clients to continue to enhance and improve our communications with them.

Ardea is committed to managing investment portfolios in line with client stewardship policies and respond to specific client requirements in the form of clients' own quarterly compliance questionnaires and templates.

Ardea also published its own updated Modern Slavery Statement in February 2024 in response to increasing interest from clients. Although not required to do this by legislation, we considered it best practice and respond to client requirements to adopt this initiative.

In addition to working closely with our clients, the business also maintains close relationships with asset consultants that review and recommend our strategies. Our interactions with consultants are underpinned by two-way conversations; a source of incoming information for the business on the stewardship priorities of clients, and as a channel for the business to share our learnings on sustainability issues of importance for consultants. Feedback and discussions with asset consultants occur regularly, typically quarterly.

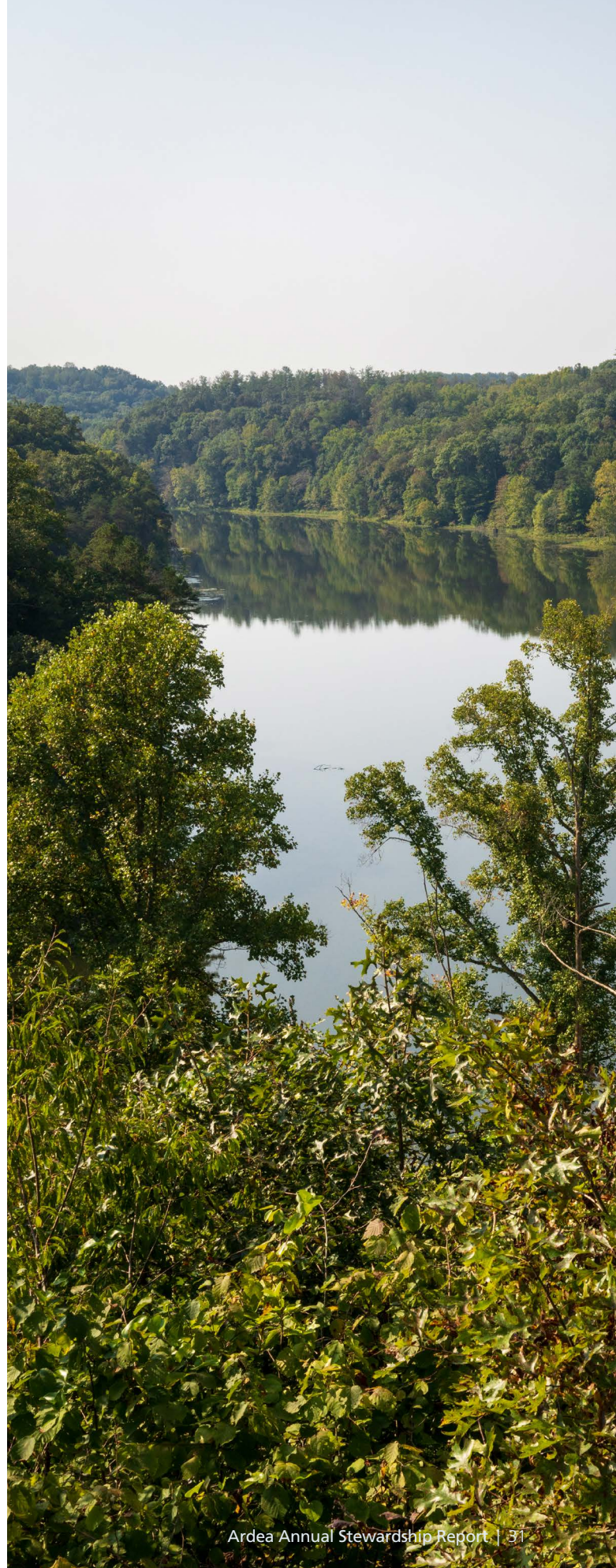
Ardea engages with the Investment Consultants Sustainability Working Group (ICSWG), which brings together leading UK investment consulting firms with the aim of improving sustainable investment practices across the investment industry, and continues to monitor and respond to emerging guidance from this group.

Both client and consultant feedback is shared and reviewed by the Sustainability Committee as a standing agenda item at each meeting. We consider client feedback to be the best measure of the effectiveness of our communication with clients on our stewardship activities. Consistent with the steady increase in activity and communication with clients on stewardship, we have received positive feedback from both clients and consultants in this area.

Recommendations from clients and consultants regarding future areas of focus with respect to stewardship have focused on placing further consideration on the social elements of sustainable investing which is why exploring human rights, in the context of government bond investing is a key feature of our ESG workplan.

Ardea's ESG credentials have had a tangible impact on client outcomes during the reporting period. A UK local authority pension fund client retained its mandate with Ardea, with the Article 8 classification of the fund being a major factor in their decision to do so. This reflects the growing importance of sustainable investment credentials in the UK institutional market and validates Ardea's commitment to maintaining and developing its ESG framework for the benefit of clients.

Given our narrow focus on advanced economy government bonds, there have been no instances where assets have not been managed in line with client stewardship requirements. We acknowledge that this may occur in the future as client requirements in this area and our own standards evolve.



Case Study

Engaging a UK Insurance Group on SDR Funds and Green Bond Portfolios

Engagement Objectives

Explore the potential for Ardea's green government bond strategy to complement a UK insurer's newly established Sustainability Disclosure Requirements (SDR) fund range, and discuss the role of sovereign green bonds within a regulated sustainable investment framework.

Background

During the reporting period, Ardea engaged with a major UK insurance group that has launched one of the first fund ranges in the UK to carry an SDR label, a significant achievement given the specificity of the UK SDR regulations and the fact that many established managers have not yet achieved labelled fund status. The group built its SDR framework from the ground up, structured around a net zero framework with six defined sustainability commitments, integrating stewardship and sustainability throughout. One client has already allocated £2 billion into the funds, which are workplace pension funds carried under a well-known retail brand.

Discussion

The conversation covered several dimensions relevant to Ardea's green bond proposition. Key topics included the liquidity and availability of green government bonds as the critical constraints to building a dedicated green bond portfolio, the role of derivatives in replicating duration and supplementing alpha sources where green bond supply is limited, and the distinction between green bond quality, noting that not all green bonds are created equal and that terms sheets now increasingly specify third party verification of use of proceeds.

The client noted it had not yet developed an active fixed income offering in this area, having focused primarily on passive global aggregate mandates and decarbonisation strategies, and expressed clear interest in exploring what a green government bond portfolio could look like within its SDR framework. Ardea shared its model portfolio, benchmarked to the Bloomberg Global G7 Total Return Index, with a tracking error budget of 1% and a return target of 0.75%, scalable to GBP 500 million and above.

Outcome and Next Steps

The engagement confirmed strong alignment between Ardea's green bond relative value approach and the client's evolving sustainable investment needs. Ardea is continuing dialogue with the relevant investment and sustainability teams, with a follow-up meeting proposed to take the model portfolio through in detail with Ardea's Co-CIO and Head of Research.





Principle 7

Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.

Systemically integrate stewardship and investment

As an investor in advanced economy government bonds, Ardea has focused on system-wide risks such as climate change and the financial sustainability of governments' fiscal burdens. Given the threat climate change poses to the global economy and the fast materialisation of transition risk, these factors are most likely to be material determinants of government bond markets. However, environmental risks are not currently adequately addressed by credit ratings given their focus on policy events and market dynamics. Further, we believe that environmental risks (and, in particular, climate change) will become increasingly important over time.

Ardea has prioritised our work on these systemic risks as most likely to have a material impact on most of the global government bond market, rather than focusing on issues that may be specific to certain governments or specific to individual securities.

The business has integrated ESG considerations into our investment process in the ways listed below, each of which is subsequently explained in more detail.

- Use our inherently high turnover investment approach to materially contribute toward improving liquidity and price discovery in green government bond markets.
- Integrate climate change scenario modelling into the broader scenario analysis framework we use for portfolio risk management.
- Use our position as a large buyer of newly issued government bonds to engage with bond issuers and advocate for increased issuance of green government bonds.

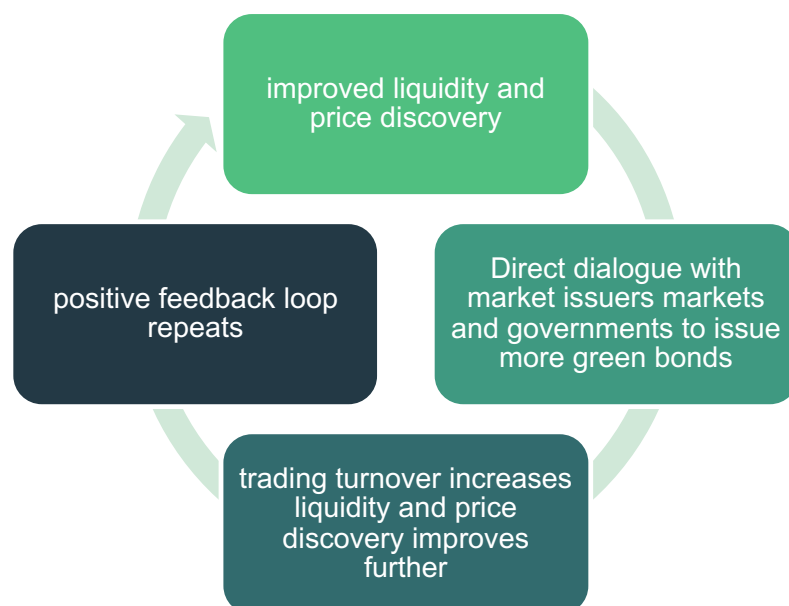
ESG Investment Integration

An inherent and distinctive feature of our investment approach is its highly active trading style, which results in frequent and high-volume trading of government bonds. We aim to utilise this strong presence in the market to foster growth of the green bond market, contributing materially towards improving market liquidity and price discovery for green government bonds.

To practically integrate these ideas into our investment process, Ardea is committed to selecting green government bonds in preference to comparable government bonds when the relative value is similar. For the Ardea Global Alpha Fund, an Article 8 UCITs fund, Ardea also have a commitment to have a target proportion of 5% of the Fund's NAV invested in green and ESG bonds.

By creating more opportunities for trading and enhancing price discovery, our aim is to contribute to advancing the development and growth of the green bond market globally which, in turn, has encouraged governments to issue more green bonds and contributes to a reduction in sustainability risk for issuers, and therefore economies overall. This has direct implications for the sustainability of the government bond market in aggregate and therefore all investors in government bond strategies.

In contributing in this way, Ardea fulfils its responsibilities to improve green bond market liquidity and price discovery which in turn creates positive feedback loops that advance the ongoing development and growth of green government bond markets.



Integrate Climate Change Scenario Modelling

As part of Ardea's standard risk management process, we engage in scenario analysis to evaluate how our portfolios perform under different types of stressed market conditions. Our independent Risk and Compliance Team regularly runs a standard suite of scenarios, which are formally evaluated as a standing agenda item at our weekly Portfolio Management Team meeting.

The output from this scenario analysis is used to identify portfolios that may be exposed to outsized losses across a wide range of stressed market conditions that are simulated via the scenarios. Once we identify such portfolios, we undertake further analysis to identify the underlying risk concentrations that are driving those outsized losses. Based on this analysis, we take appropriate action to mitigate these risks, such as reducing position sizes, adding optionality, or adding negatively correlated exposures.

One of the scenarios included in this weekly review process is a climate change scenario developed by our Research and Development Team. This scenario provides valuable insights into the potential impact of climate change on our portfolios and helps us to proactively identify and mitigate climate-related investment risks.

Our research has found that climate transition risks are priced into government bond markets. The climate change scenarios, shown below and as defined by the IPCC in its fifth assessment report, results in shocks to the level of government bond yields and the shape of yield curves with these effects expected to eventuate over an extended period:

- (i) **The Paris Agreement:** average global temperature rise will remain below 2°C by 2100
 - a. Emissions stay constant
- (ii) **Intermediate Scenario:** Emissions in the atmosphere peak at around 2040 and then decline. Global temperatures will rise by between 1.7–3.2°C by 2100
 - a. Emission increase by say 0.5% per year
- (iii) **No Action:** according to the IPCC, global temperatures will rise by between 3.2–5.4°C between the years 2081–2100 from pre-industrial times
 - a. Emissions increase by say 1% per year

The climate change scenarios form part of a broader series of stress tests Ardea runs across all portfolios daily. The scenario modelling is reviewed regularly at our weekly portfolio construction meetings to assess the potential impact on the portfolios and address undesirable risk exposures. All scenario models are considered within the context of Ardea's active trading style that allows for the dynamic rebalancing of positions.

To fulfill our responsibilities, Ardea continues to refine our risk management processes related to climate change as the market and data continue to evolve. During the year, Ardea updated its scenario model to rank sub-sovereign Australian bonds from best to worst ESG performer based on embedded climate risk factors based on a combination of their current emissions as well as their future plans to transition away from fossil fuels. The criteria assessed are:

1. Current Emissions: States with lower current emissions were ranked higher as they have already made progress in reducing their greenhouse gas emissions.
2. Transition targets: States with more ambitious and clear emission reduction targets were ranked higher.
3. Measurable interim targets: States with specific and measurable interim targets were given higher ranks
4. Renewables: States that had legislated measures and specific targets for increasing the share of renewable energy in their energy mix were given higher rankings

This is an important evolution of our scenario tools for two reasons:

- ESG data on the government and sub-sovereign space has continued to be limited (particularly when compared to equities and corporate bonds) therefore it is incumbent on Ardea to expand its proprietary tools, and
- given the Australian federal government has not yet issued green government bonds, however the state governments are active issuers.

Treating the yield differential of state vs federal government bonds as a "yield spread", the model shocks these spreads to reflect scenarios where markets demand a higher risk premium to reflect climate-related risks. The shocks are scaled to the severity of relative climate risk for each state and other nuances, such as the tenor of specific bonds.

Case Study

Green Sovereign Bond Investing: Research and Portfolio Integration

Ardea's approach to integrating climate considerations into its investment process is grounded in original academic research. The starting point was a study co-authored by Ardea's Head of Research, Dr Laura Ryan, which examined whether climate transition risk is priced into sovereign bond markets. The findings confirmed that climate variables — including carbon emissions, natural resource dependence and renewable energy consumption — have statistically significant effects on sovereign yields and spreads, with countries making progress on transition pathways tending to benefit from lower borrowing costs, and the effects differing materially between advanced and developing economies.

This research reinforced Ardea's conviction that climate transition risk is already influencing sovereign bond valuations and must be accounted for within any robust fixed income investment process. From late 2022, these insights were systematically incorporated into Ardea's portfolios through enhancements to issuer-level analytics, the integration of transition metrics into relative-value assessments and improved portfolio-level sustainability monitoring. Through this work, ESG considerations moved from being an overlay to becoming structurally embedded across our investment process, supporting the Ardea Global Alpha UCITS Fund achieving Article 8 classification under SFDR and expanded TCFD reporting for clients.

Building on this foundation, Ardea undertook a detailed investigation into whether a fully green global government bond portfolio could be constructed within its pure relative-value framework. This work confirmed that while the green sovereign market has evolved significantly, structural constraints remain. Green sovereign issuance is currently dominated by a small number of European governments, with major economies including the United States yet to issue sovereign green bonds, restricting global diversification and the relative value opportunity set. Green bond programmes also typically cover only limited maturity points on the curve, making it difficult to replicate traditional sovereign curve shapes or construct balanced duration exposures. These constraints are actively managed through Ardea's combination of rigorous relative value analysis, detailed liquidity and pricing assessment, and direct engagement with sovereign issuers on their green bond programmes.

Ardea has documented this work in an ongoing research paper series on green sovereign bond portfolio construction, the first of which introduces our approach to this evolving market. Further papers are in development, covering the opportunity set in greater depth, portfolio construction methodology and the role of derivatives in a green only framework. The series is intended to provide clients and counterparties with a transparent and evolving account of both the opportunity and the complexity involved and reflects our commitment to continuously

advancing the intellectual framework for responsible sovereign bond investing as the market itself develops.

Update from 2025

Bundesrepublik Deutschland Finanzagentur (DFA)

Engagement Objectives

Work with issuers to develop green bond markets

Background

Green German Federal securities were first issued in 2020 with a stated "twin bond" approach. Germany aims to be active in both primary issuance and in creating secondary liquidity, with an ambition to establish a green yield curve for the Euro area.

Engagement

Ardea has maintained ongoing dialogue with the DFA over a number of years, providing feedback on their green bond program and the liquidity of existing green bond lines. In 2023, two meetings were held between the German DMO and the Ardea investment team to discuss the green bond programme and Ardea's objectives to support the development of green bond markets through its high-turnover approach. The response from the DFA was positive, commenting that Ardea's approach was "music to our ears." Ardea's feedback at that time was to note a preference for new 5-year and 20-year bonds to help develop the curve.

In Q1 2025, Ardea held a follow-up meeting with the DFA to discuss trends in green bond issuance and the significant increase in issuance expected over the coming years. Ardea shared its view that the potential for €100 billion of further green bond issuance should initially come from the 15-20-year sector in order to help develop a comprehensive green bond curve. This approach was welcomed by the DFA. Ardea also offered to engage on specific pricing points and levels as issuance approaches, a proposal which was appreciated by the issuer.

At their most recent meeting, Ardea discussed changes to the DFA's green bond framework and how the updated framework would provide more timely transparency around the use of proceeds. The DFA also highlighted their intention to issue a new 15-year bond, and Ardea discussed the timing of the new deal alongside their current market views.

Outcome

Ardea's ongoing engagement has translated directly into portfolio activity. In June 2025, Germany issued €4.84 billion in a new green 30-year bond, marking the seventh point on the green curve.

Most recently on 2 March 2026, Germany announced a new 2041 green bond. The new bond was issued at a similar fair value residual to Ardea's existing 2047 holdings, and Ardea switched into the new green bond accordingly. Ardea received 100% allocation on their order — a reflection of the strong relationship Ardea has built with the DFA and their ongoing commitment to the green bond market.

Green Bond: BBG020QBNTM1 | DBR 2.6 05/15/41 G

Non-Green Bond: DE000BU2F009 | DBR 2.6 05/15/41 TWIN

Engagement with issuers

Engagement with sovereign issuers is fundamentally different to engagement with corporate issuers. This in part reflects the nature of the government bond market as having a small number of issuers each of whom are very large in size, when compared to the corporate bond market which offers thousands of issuers, each of whom issue much smaller amounts. This difference, alongside regulatory, prudential, and portfolio construction requirements that necessitate owning government bonds, gives governments considerable influence over the demand for and pricing of their bonds. This is very different to the competitive, mostly-level playing field apparent in the demand and supply of capital in the corporate bond market.

Notwithstanding this difference, government bond investors, as long-term stakeholders in the governments they invest in, are well-placed to intervene to influence government actions or policies to secure their interests as investors, and to ensure that governments pursue effective policies that benefit citizen stakeholders over the long term.

The highly correlated nature of government bond markets also means that engaging broadly across the key government and semi-sovereign issuers is necessary. Therefore, this engagement approach has been consistent across markets and similar across our Sydney and London offices. This approach is also consistent across funds and portfolios, as although the strategies managed for clients may vary in terms of return and tracking error targets, all portfolios address the same investment universe.

For these reasons, engagement is the most effective tool at our disposal to encourage and shape long-term, best practice ESG outcomes. Divestment or exclusion are, to our mind, punitive and short-term levers and, given the central role of government bonds in investment portfolios, of limited practical usefulness.

To fulfill our responsibilities, we place a reliance on engagement and specific initiatives, such as growing green bond turnover, to deliver change. As government bond investors, we have direct access to issuers and can leverage the alignment present between issuers and investors in ensuring that securities continue to perform within the expectations of end investors. The focus on ensuring consistent investment returns above all else ensures that other issues that may be deemed overly political in nature do not detract from the core objectives of engagement.

With an objective to promote the development of the green government bond market, Ardea regularly engages with all major government bond issuers across the markets it invests. This engagement is to:

- help governments better understand the increasing ESG demands of investors
- convey expectations and concerns on behalf of our clients
- promote discussions between investors, sovereign issuers, and other stakeholders
- increase the information provided to the market on ESG matters
- extract ESG information important for our analysis, and
- encourage ESG data transparency.

The primary method of engagement has been through meetings with senior representatives of government bond issuers and through follow up telephone calls. As well as meeting with issuers, we have, in some cases, also engaged with government officials. In our view, this approach is effective as the concentrated representation of the issuer universe allows ongoing engagement with each issuer. Meetings can also be an effective form of laying out areas of concern and for communicating sensitive information and expectations in relation to markets and issuance.

Our approach to engagement utilises our long-standing communication channels with government issuers to raise ESG issues that are deemed of importance by investors. We also believe it is important to receive feedback and communication from government issuers as to the challenges and constraints they are facing, with a view to raising awareness within the investor base and promoting two-way conversations.

Engagement is undertaken by the Investment team with support provided by the Research and Development team.

Given the large number of investors in advanced economy government bond markets, we acknowledge that our ability to influence is limited. It is therefore critical that we collaborate across the industry to amplify our influence and impact on behalf of our clients. We address this further in our response to Principle 10.



Principle 8

Signatories monitor and hold to account managers and/or service providers.

Monitor and review service providers

To ensure it monitors and holds its service providers to account, the business has in place an Outsourcing Policy, contained within the Ardea Global, Risk and Compliance (GRC) Framework, which sets out the guidelines for the establishment, management and monitoring of agreements with service providers to whom business activities are outsourced.

The Board is ultimately responsible for all outsourcing arrangements, including monitoring existing relationships. As such, a permanent agenda item at each Board meeting is 'Services Providers and Support Services' to review any material issues relating to service provider delivery.

As a boutique investment manager, the majority of Ardea's procurement relates to professional services, investment administration, technology and software services, office equipment and travel services.

Ardea's shareholder and key supplier of non-investment services is Fidante Partners, a wholly owned subsidiary of Challenger Limited. Fidante supplies both administration and distribution services under two separate agreements. These two agreements contain certain Service Levels which are monitored in accordance with the Outsourcing Policy. Performance of the service levels is monitored by the Ardea Board with Fidante Partners reporting at each Board meeting.

For investment trading, Ardea has a counterparty selection policy which outlines the criteria and processes involved in the approval of investment counterparties. The policy was purposefully designed to meet the best interests of clients by ensuring that the counterparties selected are capable of providing best execution. This policy forms part of the GRC Framework.

Included in the selection criteria for counterparties is an assessment of their:

- Reputation, experience, and financial stability
- Standing with pertinent regulatory bodies and associations
- Integrity, ethics, and trustworthiness
- Approach to ESG risks including, but not limited to, reducing environmental impacts, enhancing livelihoods, and responsible business practices.
- Sufficient, competent personnel and support staff.

Counterparty risk is measured daily via our investment administration platform, SimCorp Dimension, and is covered by ISDA documentation, Global Master Repurchase Agreements (GMRA) and a Credit Support Annexure (CSA).

In May 2023, a review was conducted by Ardea of its other suppliers to verify their commitments to corporate responsibility. This was completed through an audit of their sustainability practices and policies, including evidence of positive ESG, DEI, and climate change initiatives. Throughout the year, we appointed three new investment counterparties to expand our UK coverage after they had successfully met the criteria for inclusion on our counterparty panel. There was no other change to existing counterparties and no suppliers were found to have not meet Ardea's standards so no need for further action has been required to date. Ardea is committed to enhancing client interests by conducting proper due diligence on all counterparties on a regular basis and remains vigilant in monitoring and adapting to evolving corporate responsibility policies.

In October 2023, the Sustainability Committee resolved to commence a review of ESG data and providers in response to the updates to Ardea's ESG policy and acknowledging the further progress made by ESG vendors on data availability and quality. A review was conducted of both primary source ESG data as well as a universe of 20 external ESG data providers. Again in 2025, a decision was made to retain the incumbent, Sustainalytics Country Risk Ratings. The review found that Sustainalytics continued to make improvements to the breadth of its research capabilities, including in the areas of US sub-sovereign and biodiversity, as examples, and were open to areas of improvements in areas of importance to Ardea, like Australian sub-sovereign ratings. Ardea was also able to extend its access to the Sustainalytics data files through use of the online portal, in addition to the existing data connection with the investment team's Slack messaging platform. We acknowledge that ESG data limitations still exist and will have to supplement our own internal ESG research on emissions and climate risk. In parallel, Ardea will also continue to explore how primary data may be utilised within the investment process and as a potential signal for future ESG activities for engagement. We remain committed to regularly reviewing the available data offerings and providers in response to the dynamic landscape.

Ardea's business partner, Challenger, publishes an annual Modern Slavery Statement in accordance with the requirements of the Modern Slavery Act. Where appropriate, Ardea participates in this review of practices and receives a copy of the final report.

Employee development and awareness are key components of our commitment to responsible investing and ESG integration. As part of our ongoing efforts to enhance understanding of human rights issues, Ardea's business partner Challenger regularly conducts staff training sessions focused on modern slavery and

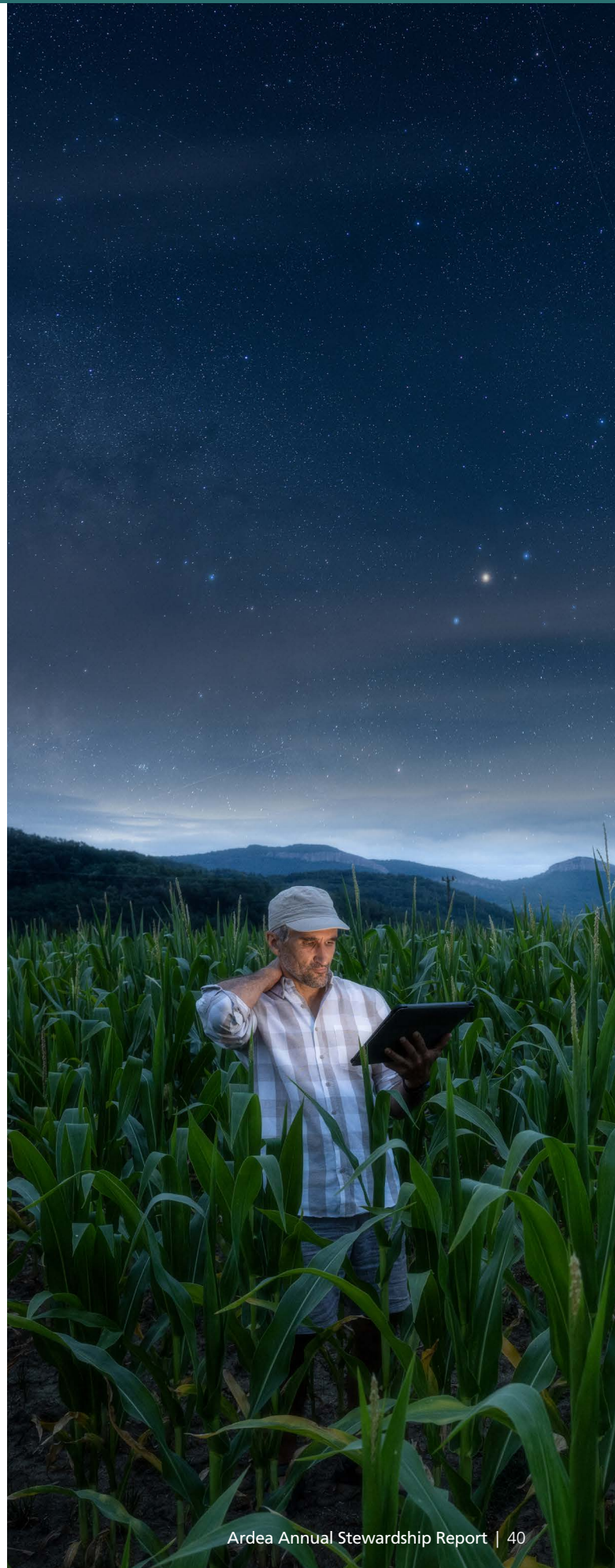
international norms. This training is an integral part of our ESG framework, ensuring that all team members are equipped to integrate human rights considerations, particularly modern slavery risks, into their investment processes.

Ardea has enhanced its Modern Slavery training by incorporating International Norms, including the UN Guiding Principles on Business and Human Rights (UNGPs) and the UN Global Compact (UNGC). This integration aligns our investment practices with global standards of responsible business conduct, broadens our due diligence processes, and strengthens transparency and accountability. By incorporating these internationally recognised frameworks, Ardea ensures a more informed, ethical approach to human rights risks, improves industry engagement, and equips our team to address modern slavery risks effectively. This helps us stay ahead of evolving industry standards and regulatory requirements.

In May 2023, the Australian head office for both Challenger and Ardea, was certified under the Cleaning Accountability Framework (CAF), which ensures that a worker-led approach is implemented at the property and establishes a formal role for the on-site cleaning workforce to contribute to due diligence.

Ardea's commitment to modern slavery awareness is reflected in its voluntary publication of an updated Modern Slavery Statement in February 2024. While not required by legislation, Ardea published the statement in response to client requests, reaffirming its dedication to best practices in ESG integration.

In 2025, Ardea introduced a formal Vendor Management Policy to strengthen the governance and oversight of all third-party vendor relationships. The policy establishes a structured lifecycle approach to vendor management covering onboarding, ongoing monitoring and offboarding, and applies to all service providers, consultants, data providers and software platforms used across the firm. A key feature of the policy is the explicit inclusion of ESG compliance as a required component of vendor due diligence, with assessments covering governance standards, modern slavery risk, and whether vendors have DEI and sustainability policies in place. Vendors are classified by risk level, with critical vendors subject to Board awareness or approval, and a central Vendor Register is maintained by the Risk team and reviewed quarterly to ensure all relationships remain subject to appropriate oversight. This policy formalises and strengthens the vendor management practices Ardea has long applied in practice, ensuring ESG considerations are consistently embedded in how we select and monitor the third parties we work with.





Principle 9

Signatories engage with issuers to maintain or enhance the value of assets.

Engage with issuers to maintain or enhance the value of assets

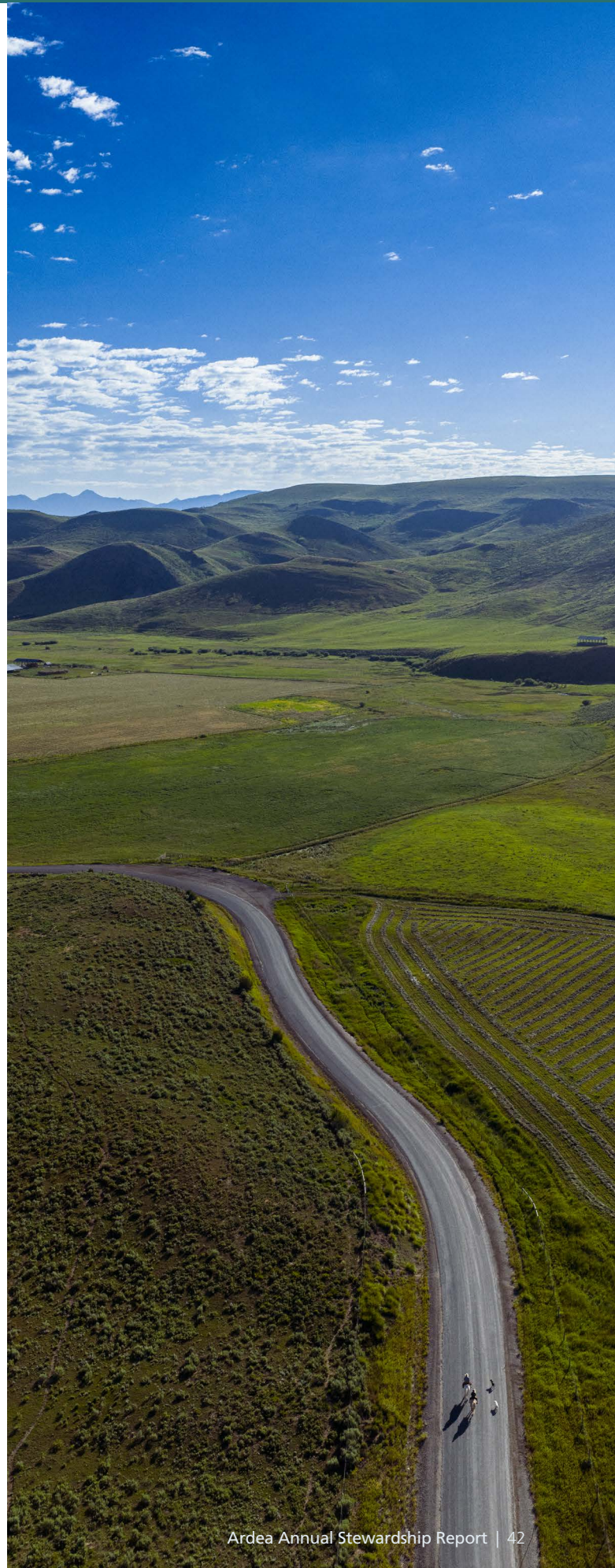
As the business invests only in advanced economy government bond markets, we have focused our engagement on issuers in the government sector. Because this provides a smaller universe of issuers, compared to say a corporate bond universe, the business has been able to focus on engaging with the major government bond issuers in the markets in which it invests.

The highly correlated nature of government bond markets also means that engaging broadly is necessary. As such, the business has focused on engaging with key issuers of green government bonds, such as the European Union, that have a material influence on government bond markets broadly, as well as focusing on key issuers in terms of assets invested, notably Australian state and federal governments, given the strong representation of Australian clients in Ardea's investor base.

A challenge that arises when engaging with governments is that the activities governments undertake are highly diverse. Without specific expertise it can be difficult to determine where risks may arise across a broad set of activities and an even broader set of policy responsibilities performed by governments. Given this, the business has focused on specific outcomes, in particular the issuance of green or ESG bonds, when engaging with governments.

The methods of engagement the business has used has primarily been through meetings with senior representatives of government bond issuers, and through follow up phone calls. As well as meeting with issuers, we have in some cases engaged with government officials. In our view this approach is effective, as the concentrated representation of the issuer universe allows ongoing engagement with each issuer. Meetings can also be an effective form of laying out areas of concern and for communicating sensitive information and expectations in relation to markets and issuance.

This engagement approach has been similar across the universe of assets the business invests in, and similar across regions (primarily the UK/Europe and Australia as the business has teams located in these regions).



Case Study

Australian Office of Financial Management Green Bond Issuance

Collaborate with the Australian Office of Financial Management to support the successful launch and ongoing development of the Australian Government Green Bond market.

Outcome and Status:

In June 2024, Ardea participated in the launch of the first Australian Government Green Bond (ACGB Green Bond), marking a significant milestone in the Australian green finance market. The issuance attracted strong demand from a broad group of investors, with interest far exceeding the available offering. Ardea contributed valuable feedback to the AOFM regarding pricing, ensuring that the bond issuance reflected fair market value, and shared insights on balancing liquidity and issuance dynamics for future tenders and syndicates.

2025 Update:

Ardea has continued its active engagement with the AOFM throughout 2025, including participation in a joint discussion with the AOFM and UNPRI. In that forum, the AOFM reiterated its commitment to expanding issuance and confirmed its intention to maximise the size of its next green bond deal, and is currently seeking broad investor feedback on preferred tenors.

During the discussion, Ardea and other investors noted that pricing at a slightly cheaper part of the curve at launch, rather than too tightly, would likely deliver stronger long-term outcomes. Participants also expressed interest in further developing the green bond curve through issuance around the more liquid 10-year point, or by establishing multiple maturities, consistent with approaches seen in other sovereign markets such as Germany. The AOFM advised it is awaiting further information on project availability within the eligible pool before proceeding.

This ongoing engagement forms part of Ardea's broader participation in sovereign ESG market development and reflects our continued commitment to supporting the growth of green finance and ensuring sustainability objectives are embedded in investment processes globally.





Principle 10

Signatories, where necessary, participate in collaborative engagement to influence issuers.

Collaborative Engagement

As a specialist investor in advanced economy government bonds, it is critical that we collaborate across the industry to amplify our influence and impact.

Since 2010, Ardea has been a signatory of the UN Principles for Responsible Investment and committed to the six key principles to develop a more sustainable financial system.

We believe it is our duty to act responsibly and sustainably with respect to our own carbon footprint and our actions as global citizens. As such, we:

- support the Paris Agreement and its goals of limiting global warming to 1.5 degrees Celsius compared to industrial levels via economic and social transformation based on the best available science¹,
- are a signatory to the [Global Investor Statement to Governments on Climate Change](#) which calls on world governments to:
 - Achieve the Paris Agreement's goals
 - Accelerate private sector investment into then net-zero transition
 - Commit to improve climate-related financial reporting.
- we are supportive of and seek to follow the recommendations as described in the "Task Force on Climate Related Financial Disclosures" (TCFD). We published our first report in December 2022 on our scope 3 financed emissions and have completed an assessment of Ardea's own Scope 1 and 2 emissions for the years 2023 and 2024.

In August 2025, Ardea aligned with the Investor Group on Climate Change (IGCC) and the Principles for Responsible Investment (PRI) to support the development of Australia's next Nationally Determined Contribution (NDC) with the highest possible level of ambition. This collective effort, with other institutional investors, aims to advocate for a strong 2035 target and ensure the NDC includes sectoral targets, adaptation goals, and clear pathways to achieve them. A key outcome of this engagement is shaping a national narrative on climate ambition, demonstrating how a robust NDC can drive strong financial returns.

A key benefit of this collaboration is leveraging economies of scale compared to engagement with governments on an individual basis. These benefits arise because:

- Working collaboratively as a group provides representation of a larger asset base. This ensures that views of the group carry significant weight and can assist in gaining access to senior decision makers.
- Working collaboratively as a group also leverages a wider field of expertise, across different topics, than what would be held by any individual member of the group. This can assist in areas of subject matter complexity, such as the energy sector's transition to net zero.

Although this collaboration has only been operating for approximately 18 months, it has already facilitated a number of senior-level meetings with state-government officials in Australia (Australia is the focus of this engagement and thus other countries have not yet been included in this process). This has ensured awareness of investor concerns at the ministerial level. The engagement has also been welcomed by governments and carries significant weight for them given the importance to governments of ensuring continued access to the investor base and ensuring that investor expectations are addressed.

Research is integral to Ardea's investment process and helps to inform our broader investment and operational ESG activities as well as to raise awareness of the importance of sustainability risks and opportunities when it comes to investing in government bonds. The potential impact of climate related risks and opportunities is a factor driving the research strategy. This has resulted in the development of several key research partnerships with academic institutions, including the University of Technology Sydney, with whom we published a joint research paper, 'Climate change transition risks on sovereign bond markets.'

Ardea actively monitors the actions of other investors, particularly in the context of government bonds and climate policies. For example, we perform scenario analysis that seeks to replicate situations like the one where Sweden divested from Australian semi-government bonds due to climate change modelling concerns over Australia's climate policies. This analysis aims to recreate a situation where a decrease in demand, driven by disapproval of climate policies, results in increased bond supply and potential changes in yields. The Swedish Government and the Swedish Pension Fund's decision to divest from Canadian state bonds over similar concerns highlights the growing influence of ESG factors in sovereign bond markets. By collaborating with other institutional investors, we amplify our influence to encourage better climate policies and promote more sustainable financial markets.

¹ <https://unfccc.int/process-and-meetings/the-paris-agreement/the-paris-agreement>

Ardea actively participates in roundtables, roadshows, webinars, and conferences to promote discussions relating to ESG and government bond investing. Our approach to engagement seeks to move beyond demonstrating the impact of ESG factors for investment returns and risk. We view engagement with stakeholders including clients, media, academia, and issuers as the most efficient and logical way to promote sustainable outcomes generally, not just within our industry or asset class. Engagement also broadens the scope to include a wider discussion on ESG issues across the key governmental entities that produce the supply of a large part of the fixed income universe, including debt management offices, governmental departments, national authorities, regulators, and other policy makers.

While issuers remain the primary focus for engagement, Ardea's approach also encompasses the following stakeholders, including:

- Our clients to understand their ESG expectations
- The media to help increase information provided to the market on ESG matters
- Research houses to understand risks and opportunities and to highlight the need for targeted research on government bond ESG matters
- Academia so that we can highlight the need for additional research on ESG outside of equities, corporate debt, and property
- Other key participants within financial markets, such as clearing houses and exchanges, which have the potential to perform new and innovative functions with respect to ESG
- Investment bank capital market desks and dealer panels, who through their market-making role, can advise sovereigns on ESG issues that might be material to pricing and would increase the attractiveness of their bonds, and
- Specific engagement with banks to promote secondary market turnover and liquidity in the global green government bond market.

Ardea has a further research partnership with the CFA Institute, Australian National University and the University of Technology Sydney investigating diversity in the Australian Finance industry. Our previous research featured in the development of the CFA Institute Policies on DEI, as well as informing our own DEI practices.



Case Study

United Kingdom Debt Management Office (DMO)

Engagement Objectives: Support the further issuance of green bonds in the United Kingdom

Outcome and Status:

Ardea has been an active participant in the UK Debt Management Office (UK DMO) Quarterly Investor Meetings, engaging directly with the UK DMO to help shape the future of their green bond strategy.

During the initial consultation in December 2022, an Ardea representative proposed the idea of further green bond issuance, highlighting that the demand for green Gilts significantly outpaces the supply, with the two existing green Gilts primarily purchased by buy-to-hold funds and infrequently traded. This impairs liquidity and price discovery, which are essential for a healthy market. Ardea's recommendation was that further issuance would be well-received and offer value for money for the issuer. The DMO responded that the limitation to further issuance was more about the number of green projects that could be funded via this method, rather than a reluctance from the issuer.

At the subsequent consultation in May 2023, Ardea again advocated for the development of a green government bond curve, beyond the 10-year green gilt under consideration. Ardea emphasised that issuing across a variety of maturities would assist in creating a more developed green curve, a crucial market indicator for the overall green economy.

In January 2024, Ardea continued its engagement at the UK DMO Quarterly Investor Meeting, reiterating the importance of not only increasing the issuance volume of green bonds but also focusing on building out a more robust and diversified green bond yield curve. This recommendation emphasised that expanding the curve—rather than simply upsizing existing green bond lines—would provide several tangible benefits:

- **Improved Market Liquidity:** A well-developed green bond curve encourages higher trading volumes, making green bonds more attractive to a broader base of investors.
- **Enhanced Benchmarking:** By issuing across a variety of maturities, issuers provide investors with better tools for evaluating green investments.
- **Increased Trust:** A broader green bond curve demonstrates a lasting commitment to green financing, helping investors feel more confident about the market's future.
- **Alignment with Sustainability Objectives:** Diversifying issuance supports the alignment of investment flows with net-zero and broader ESG goals, as investors are provided with more targeted maturity options to meet their mandates.

2025 Update:

Over the past three years, Ardea has attended both quarterly and annual meetings with the UK DMO to provide feedback on future issuance and market liquidity. The DMO had been hesitant to issue a new green bond pending completion of its green financing framework review, which began in 2024. Ardea participated in a multi-investor meeting providing feedback on the current framework, whether a new taxonomy was required, and the types of expenditure we would be willing to finance, including specific feedback on nuclear energy production.

Following publication of the review's findings in November 2025, the DMO announced it was ready to issue a new green bond. Ardea held a one-on-one video conference with the DMO and Treasury representatives to discuss the framework changes and provided extensive feedback to the banks during the pricing process. On 9 March 2026, the DMO announced the syndicated sale of a new 2037 green gilt. The bond was priced 1.5 basis points cheaper than our holdings of a similar maturity conventional bond, allowing us to sell out of the conventional bond and switch into the green bond, demonstrating a direct and tangible outcome from three years of sustained engagement.

This advocacy aligns with Ardea's broader ESG commitment. We view green bonds as a cornerstone of the transition to a low-carbon economy, and we believe that the development of the green bond market is essential for achieving impactful climate outcomes.

Ardea also recognises that effective stewardship extends beyond direct issuer engagement. In addition to collaborating with issuers and clients, Ardea contributes to public discourse through regular commentary in industry publications and mainstream media. By sharing insights on topics such as the development of green bond markets, sovereign climate risk, and evolving regulatory expectations, Ardea seeks to enhance transparency, influence market standards, and contribute to broader systemic change. Examples of recent media contributions are outlined below.

Bloomberg- Australia's First Green Bond Lures Funds Keen on Curve Building:

In a Bloomberg article our Head of Research at Ardea Investment Management, commented on Australia's inaugural sovereign green bond. She noted that the issuance attracted significant investor interest, achieving a yield of 4.295%, approximately 1.5 basis points below the nation's benchmark May 2034 bond. <https://www.bloomberg.com/news/articles/2024-06-03/australia-s-first-green-bond-lures-funds-keen-on-curve-building>

Podcast- Doing The Impossible: In this Fixed Income News podcast, Dr Laura Ryan, Head of Research at Ardea, shares her experience as a woman in finance and highlights research on gender bias in promotions. <https://www.fixedincomenews.com.au/podcast-doing-impossible-laura-ryan/>

[Gender Identity an Important Factor in Likelihood of Promotion](#) – Dr Laura Ryan our Head of Research.



Principle 11

Signatories, where necessary, escalate stewardship activities to influence issuers.

Escalate Stewardship Activities

Engagement with sovereign issuers is fundamentally different to engagement with corporate issuers. This difference, alongside regulatory, prudential, and portfolio construction requirements that necessitate owning government bonds, gives governments considerable influence over the demand for and pricing of their bonds. This is very different to the competitive, mostly-level playing field apparent in the demand and supply of capital in the corporate bond market.

Furthermore, the ability of the business to escalate stewardship issues has limitations given that as government bond holders we do not have access to conventional channels of investor engagement, such as proxy voting and meetings with company management. As a manager investing exclusively in advanced economy government bonds, we also do not have access to the same escalation channels that diversified investment managers may benefit from. Given our dedicated focus on this asset class, we are not, for example, able to escalate concerns about a corporate bond investment with a corresponding team of equity analysts covering the same company and sitting in another part of the business.

However, as government bond investors, we do have direct access to issuers and can leverage the strong alignment present between issuers and investors in ensuring that securities continue to perform within the expectations of end investors. As long-term stakeholders in the governments they invest in, we consider government bond investors, like Ardea, are well-placed to

intervene to influence government actions or policies to secure their interests as investors, and to ensure that governments pursue effective policies that benefit citizen stakeholders over the long term.

For these reasons, engagement is the most effective tool at our disposal to encourage and shape long-term, best practice ESG outcomes. Divestment or exclusion are, to our mind, punitive and short-term levers and, given the central role of government bonds in investment portfolios, of limited practical usefulness. We are focused on using our long-standing communication channels with government issuers to raise ESG issues that are deemed of importance by investors. We also believe it is important to receive feedback and communication from government issuers as to the challenges and constraints they are facing, with a view to raising awareness within the investor base and promoting two-way conversations. These efforts may span many years, as in the case of the Australian Federal Government.

We are yet to escalate any issues given the limitations of escalation mechanisms in government bond investing so there are no specific examples available. Throughout the year, we have increased and broadened our discussions with issuers on how sustainability risks are accounted for and reported on by issuers.

We accept that we are likely to gain the most traction with issuers by advocating strongly both behind closed doors and through collaborative forums, like the PRI-led engagement on Climate Change with Australian authorities. Our engagement aims to support issuers in their efforts to issue green or other ESG bonds and to convey that our clients strongly support all positive improvements that issuers can undertake. Please see Principle 4 for more detail on our engagement activity.





Principle 12

Signatories actively exercise their rights and responsibilities.

Actively exercise rights and responsibilities

As Ardea invests in advanced economy government bonds, the rights and responsibilities held relate to the responsibility of being an active owner and participant in the government bond market. Unlike equities or corporate bonds, there is not the opportunity to vote proxies or to divest.

As an active owner and participant in government fixed income markets, Ardea views a well-functioning government bond market as an essential component of a modern economy and financial system. For investors, it is a core allocation in well-diversified investment and superannuation portfolios given its low-risk, predictable returns, and high liquidity. Government bonds are also critical for the functioning of monetary policy, as a secure asset held for prudential regulatory purposes, and for use as a risk-free rate when pricing a wide range of other asset classes.

Actively exercising our rights and responsibilities in this market is therefore of critical importance.

For this reason, Ardea places a heavy reliance on engagement and specific initiatives, such as growing the green government bond market, to deliver change and create long-term value for our investors.

The standardised nature of the government bond markets in the advanced economies means that we have adopted a consistent engagement approach across funds, assets, and geographies. In exercising our rights and responsibilities, the focus has been on driving changes in the framework, priorities, and approach of government issuers, rather than changes to the terms or detail of specific securities. There is limited ability to seek amendments to the terms and conditions of government bonds, as opposed to corporate debt issuance. For this reason, the business has focused on driving improved green bond issuance through the use of our high turnover active investment strategy as a key outcome.

Ardea is also mindful of its social operating license when exercising these rights and responsibilities. In doing so, we seek to represent the long-term interests of investors in government bonds. This long-term focus of investors may differ from the short-term focus of other groups in the community, for example, voters may revise their assessment and preferences of government performance on stewardship issues at regular democratic elections. Investors, on the other hand, may invest in government bonds at much longer maturities, e.g., 30 or 50 years. That different stakeholder groups express preferences consistent with their horizons is complementary and consistent in our view.



