



PUBLIC TRANSPARENCY REPORT

2023

Ardea Investment Management

Generated 15-12-2023

About this report

PRI reporting is the largest global reporting project on responsible investment. It was developed with investors, for investors.

PRI signatories are required to report publicly on their responsible investment activities each year. In turn, they receive a number of outputs, including a public and private Transparency Report.

The public Transparency Reports, which are produced using signatories' reported information, provide accountability and support signatories to have internal discussions about their practices and to discuss these with their clients, beneficiaries, and other stakeholders.

This public Transparency Report is an export of the signatory's responses to the PRI Reporting Framework during the 2023 reporting period. It includes the signatory's responses to core indicators, as well as responses to plus indicators that the signatory has agreed to make public.

In response to signatory feedback, the PRI has not summarised signatories' responses – the information in this document is presented exactly as it was reported.

For each of the indicators in this document, all options selected by the signatory are presented, including links and qualitative responses. In some indicators, all applicable options are included for additional context.

Disclaimers

Responsible investment definitions

Within the PRI Reporting Framework Glossary, we provide definitions for key terms to guide reporting on responsible investment practices in the Reporting Framework. These definitions may differ from those used or proposed by other authorities and regulatory bodies due to evolving industry perspectives and changing legislative landscapes. Users of this report should be aware of these variations, as they may impact interpretations of the information provided.

Data accuracy

This document presents information reported directly by signatories in the 2023 reporting cycle. This information has not been audited by the PRI or any other party acting on its behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented.

The PRI has taken reasonable action to ensure that data submitted by signatories in the reporting tool is reflected in their official PRI reports accurately. However, it is possible that small data inaccuracies and/or gaps remain, and the PRI shall not be responsible or liable for such inaccuracies and gaps.

Table of Contents

Module	Page
SENIOR LEADERSHIP STATEMENT (SLS)	4
ORGANISATIONAL OVERVIEW (OO)	7
POLICY, GOVERNANCE AND STRATEGY (PGS)	15
FIXED INCOME (FI)	46
SUSTAINABILITY OUTCOMES (SO)	56
CONFIDENCE-BUILDING MEASURES (CBM)	71

SENIOR LEADERSHIP STATEMENT (SLS)

SENIOR LEADERSHIP STATEMENT

SENIOR LEADERSHIP STATEMENT

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SLS 1	CORE	N/A	N/A	PUBLIC	Senior Leadership Statement	GENERAL

Section 1. Our commitment

- Why does your organisation engage in responsible investment?
- What is your organisation's overall approach to responsible investment, and what major responsible investment commitment(s) have you made?

Ardea is a specialist fixed income investment manager serving a diverse range of global clients. Founded in 2008, Ardea became a signatory of the UN Principles for Responsible Investment in 2010 and is committed to developing a more sustainable financial system.

To meet its commitments to sustainability, Ardea has prioritised the following ESG activities:

1. Research,
2. Investment Integration,
3. Engagement, and
4. Corporate Sustainability.

With an investment focus on advanced economy sovereign bond markets, Ardea sees climate change as the ESG risk of most concern. Ardea has direct access to bond issuers and is committed to use its knowledge and influence to effect change in these markets arising from the realisation of risks related to climate change.

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 global 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:

- Preference trading green bonds over conventional bonds when the relative value is similar, and
- Regular engagement with government bond issuers to advocate for more green bond issuance, including participation in new bond syndications when the relative value is attractive.

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.

Ardea strongly advocates for engagement, in contrast to exclusion or divestment, to influence change and encourage long-term value creation.

Whilst focusing on climate change and transition risks, we are cognisant of the potential flow-on social and governance impacts to underlying communities and the broader economy. Through our research, engagement, and corporate activities, these important and interrelated factors are further considered.

Section 2. Annual overview

- Discuss your organisation's progress during the reporting year on the responsible investment issue you consider most relevant or material to your organisation or its assets.
- Reflect on your performance with respect to your organisation's responsible investment objectives and targets during the reporting year. Details might include, for example, outlining your single most important achievement or describing your general progress on topics such as the following (where applicable):
 - refinement of ESG analysis and incorporation
 - stewardship activities with investees and/or with policymakers
 - collaborative engagements
 - attainment of responsible investment certifications and/or awards

Over the last 12 months, Ardea has materially increased our engagement activities with issuers and the broader market. We view engagement as the most effective tool at our disposal to encourage and shape long-term, best practice ESG outcomes. Our approach to engagement is to utilise our long-standing communication channels, particularly with government issuers, to raise ESG issues that are deemed of importance by our investors.

Through regular engagement with government bond issuers, we also advocate for more green bond issuance, and participate in new bond syndications when the relative value is attractive. By creating more opportunities for trading and enhancing price discovery, our aim is to contribute to advancing the development and growth of the government green bond market globally, to fund national projects that have positive environmental and/or climate benefits. In engaging with governments to issue more green bonds, including further developing our own participation in the issuance of different instrument types, currencies, and maturities with a skew towards market segments which need developing, this 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 or those investors that utilise government bonds for the pricing of a wide range of other financial assets.

In December 2022, Ardea's Global Alpha Fund was determined to be an Article 8 Fund under the European Union's Sustainable Finance Disclosure Regulation (SFDR). Our first Annex IV report was completed in April 2023.

In January 2023, Ardea published its first Taskforce on Climate-Related Financial Disclosure (TCFD) report for Scope 3 emissions. We are supportive of and seek to follow the recommendations, as described in the TCFD, and specifically to help investors make better informed capital allocation decisions with respect to climate-related risks.

In early 2023, Ardea established its Sustainability Committee to take responsibility for overseeing Ardea's sustainability initiatives and ensuring that investments are consistent with ESG principles. The committee is chaired by the CEO and is composed of senior managers from across the firm, including the CIOs, Head of Research, Head of Client Management, Chief Operating Officer, as well as two representatives from the investment team and an external advisor from our partner, Fidante.

At a firmwide level, we have continued to evolve our corporate approach, including:

- assigning an ESG objective or Key Performance Indicator to each Ardea employee to embed sustainability as a core corporate value,
- training applicable full-time employees on ESG-related matters, for example, diversity, equity and inclusion, First Nations peoples, and modern slavery, and
- measuring and fostering our existing diverse talent and inclusive culture.

Section 3. Next steps

- What specific steps has your organisation outlined to advance your commitment to responsible investment in the next two years?

Ardea has prioritised the following activities to be completed over the coming two years:

1. Formalise engagement with counterparties / banks,
2. Update ongoing DD on counterparties and vendors to include ESG questions,
3. Review our external ESG data provider,
4. Update our COI policy to include Sustainability Risks,
5. Increase collaborative efforts on ESG, and
6. Explore how Human Rights may be integrated into Ardea's ESG practices.

Section 4. Endorsement

'The Senior Leadership Statement has been prepared and/or reviewed by the undersigned and reflects our organisation-wide commitment and approach to responsible investment'.

Name

Stephen Clout

Position

Chief Executive Officer

Organisation's Name

Ardea Investment Management

● A

'This endorsement applies only to the Senior Leadership Statement and should not be considered an endorsement of the information reported by the above-mentioned organisation in the various modules of the Reporting Framework. The Senior Leadership Statement serves as a general overview of the above-mentioned organisation's responsible investment approach. The Senior Leadership Statement does not constitute advice and should not be relied upon as such. Further, it is not a substitute for the skill, judgement and experience of any third parties, their management, employees, advisors and/or clients when making investment and other business decisions'.

○ B

ORGANISATIONAL OVERVIEW (OO)

ORGANISATIONAL INFORMATION

REPORTING YEAR

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 1	CORE	N/A	N/A	PUBLIC	Reporting year	GENERAL

What is the year-end date of the 12-month period you have chosen to report for PRI reporting purposes?

	Date	Month	Year
Year-end date of the 12-month period for PRI reporting purposes:	30	06	2023

SUBSIDIARY INFORMATION

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 2	CORE	N/A	OO 2.1	PUBLIC	Subsidiary information	GENERAL

Does your organisation have subsidiaries?

- ☒ (A) Yes
☐ (B) No

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 2.1	CORE	OO 2	OO 2.2	PUBLIC	Subsidiary information	GENERAL

Are any of your organisation's subsidiaries PRI signatories in their own right?

- ☐ (A) Yes
☒ (B) No

ASSETS UNDER MANAGEMENT

ALL ASSET CLASSES

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 4	CORE	OO 3	N/A	PUBLIC	All asset classes	GENERAL

What are your total assets under management (AUM) at the end of the reporting year, as indicated in [OO 1]?

USD

(A) AUM of your organisation, including subsidiaries, and excluding the AUM subject to execution, advisory, custody, or research advisory only

US\$ 15,003,356,575.00

(B) AUM of subsidiaries that are PRI signatories in their own right and excluded from this submission, as indicated in [OO 2.2]

US\$ 0.00

(C) AUM subject to execution, advisory, custody, or research advisory only

US\$ 0.00

ASSET BREAKDOWN

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 5	CORE	OO 3	Multiple indicators	PUBLIC	Asset breakdown	GENERAL

Provide a percentage breakdown of your total AUM at the end of the reporting year as indicated in [OO 1].

	(1) Percentage of Internally managed AUM	(2) Percentage of Externally managed AUM
(A) Listed equity	0%	0%
(B) Fixed income	100%	0%
(C) Private equity	0%	0%
(D) Real estate	0%	0%
(E) Infrastructure	0%	0%
(F) Hedge funds	0%	0%
(G) Forestry	0%	0%
(H) Farmland	0%	0%
(I) Other	0%	0%
(J) Off-balance sheet	0%	0%

ASSET BREAKDOWN: INTERNALLY MANAGED FIXED INCOME

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 5.3 FI	CORE	OO 5	Multiple	PUBLIC	Asset breakdown: Internally managed fixed income	GENERAL

Provide a further breakdown of your internally managed fixed income AUM.

(A) Passive – SSA	0%
(B) Passive – corporate	0%
(C) Active – SSA	100%

(D) Active – corporate 0%

(E) Securitised 0%

(F) Private debt 0%

GEOGRAPHICAL BREAKDOWN

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 7	CORE	Multiple, see guidance	N/A	PUBLIC	Geographical breakdown	GENERAL

How much of your AUM in each asset class is invested in emerging markets and developing economies?

AUM in Emerging Markets and Developing Economies

(B) Fixed income – SSA (1) 0%

STEWARDSHIP

STEWARDSHIP

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 8	CORE	Multiple, see guidance	Multiple indicators	PUBLIC	Stewardship	GENERAL

Does your organisation conduct stewardship activities, excluding (proxy) voting, for any of your assets?

(3) Fixed income - active

(A) Yes, through internal staff ☒

(B) Yes, through service providers ☐

(C) Yes, through external managers

☐

(D) We do not conduct stewardship

☐

ESG INCORPORATION

INTERNALLY MANAGED ASSETS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 11	CORE	Multiple, see guidance	Multiple indicators	PUBLIC	Internally managed assets	1

For each internally managed asset class, does your organisation incorporate ESG factors into your investment decisions?

(1) Yes, we incorporate ESG factors into our investment decisions

(2) No, we do not incorporate ESG factors into our investment decisions

(E) Fixed income - SSA

☒

☐

ESG STRATEGIES

FIXED INCOME

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 17 FI	CORE	OO 5.3 FI, OO 11	Multiple, see guidance	PUBLIC	Fixed income	1

Which ESG incorporation approach and/or combination of approaches does your organisation apply to your internally managed active fixed income?

(1) Fixed income - SSA

(A) Screening alone	0%
(B) Thematic alone	0%
(C) Integration alone	0%
(D) Screening and integration	0%
(E) Thematic and integration	100%
(F) Screening and thematic	0%
(G) All three approaches combined	0%
(H) None	0%

ESG/SUSTAINABILITY FUNDS AND PRODUCTS

LABELLING AND MARKETING

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 18	CORE	OO 11–14	OO 18.1	PUBLIC	Labelling and marketing	1

Do you explicitly market any of your products and/or funds as ESG and/or sustainable?

- ☐ (A) Yes, we market products and/or funds as ESG and/or sustainable
- ☒ (B) No, we do not offer products or funds explicitly marketed as ESG and/or sustainable
- ☐ (C) Not applicable; we do not offer products or funds

THEMATIC BONDS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 20	CORE	OO 17 FI	FI 15, FI 17	PUBLIC	Thematic bonds	1

What percentage of your total environmental and/or social thematic bonds are labelled by the issuers in accordance with industry-recognised standards?

Percentage of your total environmental and/or social thematic bonds labelled by the issuers	
(A) Green or climate bonds	100%
(B) Social bonds	0%
(C) Sustainability bonds	0%
(D) Sustainability-linked bonds	0%
(E) SDG or SDG-linked bonds	0%
(F) Other	0%
(G) Bonds not labelled by the issuer	0%

SUMMARY OF REPORTING REQUIREMENTS

SUMMARY OF REPORTING REQUIREMENTS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 21	CORE	Multiple indicators	Multiple indicators	PUBLIC	Summary of reporting requirements	GENERAL

The following table shows which modules are mandatory or voluntary to report on in the separate PRI asset class modules. Where a module is voluntary, indicate if you wish to report on it.

Applicable modules	(1) Mandatory to report (pre-filled based on previous responses)	(2.1) Voluntary to report. Yes, I want to opt-in to reporting on the module	(2.2) Voluntary to report. No, I want to opt-out of reporting on the module
Policy, Governance and Strategy	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Confidence Building Measures	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
(E) Fixed income – SSA	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>

SUBMISSION INFORMATION

REPORT DISCLOSURE

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 32	CORE	OO 3, OO 31	N/A	PUBLIC	Report disclosure	GENERAL

How would you like to disclose the detailed percentage figures you reported throughout the Reporting Framework?

- ☒ (A) Publish as absolute numbers
- ☐ (B) Publish as ranges

POLICY, GOVERNANCE AND STRATEGY (PGS)

POLICY

RESPONSIBLE INVESTMENT POLICY ELEMENTS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 1	CORE	OO 8, OO 9	Multiple indicators	PUBLIC	Responsible investment policy elements	1, 2

Which elements are covered in your formal responsible investment policy(ies)?

- ☒ (A) Overall approach to responsible investment
- ☒ (B) Guidelines on environmental factors
- ☒ (C) Guidelines on social factors
- ☒ (D) Guidelines on governance factors
- ☒ (E) Guidelines on sustainability outcomes
- ☒ (F) Guidelines tailored to the specific asset class(es) we hold
- ☐ (G) Guidelines on exclusions
- ☒ (H) Guidelines on managing conflicts of interest related to responsible investment
- ☒ (I) Stewardship: Guidelines on engagement with investees
- ☐ (J) Stewardship: Guidelines on overall political engagement
- ☒ (K) Stewardship: Guidelines on engagement with other key stakeholders
- ☐ (M) Other responsible investment elements not listed here
 - (N) Our organisation does not have a formal responsible investment policy and/or our policy(ies) do not cover any responsible investment elements

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 2	CORE	PGS 1	Multiple, see guidance	PUBLIC	Responsible investment policy elements	1

Does your formal responsible investment policy(ies) include specific guidelines on systematic sustainability issues?

- ☒ (A) Specific guidelines on climate change (may be part of guidelines on environmental factors)
- ☒ (B) Specific guidelines on human rights (may be part of guidelines on social factors)
- ☒ (C) Specific guidelines on other systematic sustainability issues

Specify:

Financial sustainability of governments' fiscal burdens

- (D) Our formal responsible investment policy(ies) does not include guidelines on systematic sustainability issues

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 3	CORE	PGS 1, PGS 2	N/A	PUBLIC	Responsible investment policy elements	6

Which elements of your formal responsible investment policy(ies) are publicly available?

☒ **(A) Overall approach to responsible investment**

Add link:

<https://www.ardea.com.au/wp-content/uploads/Ardea-ESG-Policy.pdf>

☒ **(B) Guidelines on environmental factors**

Add link:

<https://www.ardea.com.au/wp-content/uploads/Ardea-ESG-Policy.pdf>

☒ **(C) Guidelines on social factors**

Add link:

<https://www.ardea.com.au/wp-content/uploads/Ardea-ESG-Policy.pdf>

☒ **(D) Guidelines on governance factors**

Add link:

<https://www.ardea.com.au/wp-content/uploads/Ardea-ESG-Policy.pdf>

☒ **(E) Guidelines on sustainability outcomes**

Add link:

<https://www.ardea.com.au/wp-content/uploads/Ardea-ESG-Policy.pdf>

☒ **(F) Specific guidelines on climate change (may be part of guidelines on environmental factors)**

Add link:

<https://www.ardea.com.au/wp-content/uploads/Ardea-ESG-Policy.pdf>

☒ **(G) Specific guidelines on human rights (may be part of guidelines on social factors)**

Add link:

<https://www.ardea.com.au/wp-content/uploads/Ardea-ESG-Policy.pdf>

☒ **(H) Specific guidelines on other systematic sustainability issues**

Add link:

<https://www.ardea.com.au/wp-content/uploads/Ardea-ESG-Policy.pdf>

☒ **(I) Guidelines tailored to the specific asset class(es) we hold**

Add link:

<https://www.ardea.com.au/wp-content/uploads/Ardea-ESG-Policy.pdf>

☒ **(K) Guidelines on managing conflicts of interest related to responsible investment**

Add link:

<https://www.ardea.com.au/wp-content/uploads/Ardea-ESG-Policy.pdf>

☒ **(L) Stewardship: Guidelines on engagement with investees**

Add link:

<https://www.ardea.com.au/wp-content/uploads/Ardea-ESG-Policy.pdf>

☒ **(N) Stewardship: Guidelines on engagement with other key stakeholders**

Add link:

<https://www.ardea.com.au/wp-content/uploads/Ardea-ESG-Policy.pdf>

- (Q) No elements of our formal responsible investment policy(ies) are publicly available

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 4	PLUS	PGS 1	N/A	PUBLIC	Responsible investment policy elements	1 – 6

Does your formal responsible investment policy(ies) identify a link between your responsible investment activities and your fiduciary duties or equivalent obligations?

☒ **(A) Yes**

Elaborate:

As stewards of capital, we recognise our duty to operate and invest sustainably. Our policies address regulatory and fiduciary risks relating to ESG with the Board having oversight of these policies and processes. We also conduct training on fiduciary duties with full-time employees.

- (B) No

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 5	CORE	PGS 1	N/A	PUBLIC	Responsible investment policy elements	2

Which elements are covered in your organisation's policy(ies) or guidelines on stewardship?

- ☒ **(A) Overall stewardship objectives**
- ☒ **(B) Prioritisation of specific ESG factors to be advanced via stewardship activities**
- ☒ **(C) Criteria used by our organisation to prioritise the investees, policy makers, key stakeholders, or other entities on which to focus our stewardship efforts**
- ☒ **(D) How different stewardship tools and activities are used across the organisation**
- ☒ **(E) Approach to escalation in stewardship**
- ☒ **(F) Approach to collaboration in stewardship**
- ☒ **(G) Conflicts of interest related to stewardship**
- ☒ **(H) How stewardship efforts and results are communicated across the organisation to feed into investment decision-making and vice versa**
- ☐ **(I) Other**
- (J) None of the above elements is captured in our policy(ies) or guidelines on stewardship

RESPONSIBLE INVESTMENT POLICY COVERAGE

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 8	CORE	PGS 1	N/A	PUBLIC	Responsible investment policy coverage	1

What percentage of your total AUM is covered by the below elements of your responsible investment policy(ies)?

Combined AUM coverage of all policy elements

(A) Overall approach to responsible investment
 (B) Guidelines on environmental factors
 (C) Guidelines on social factors
 (D) Guidelines on governance factors

(7) 100%

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 9	CORE	PGS 2	N/A	PUBLIC	Responsible investment policy coverage	1

What proportion of your AUM is covered by your formal policies or guidelines on climate change, human rights, or other systematic sustainability issues?

AUM coverage

(A) Specific guidelines on climate change
 (1) for all of our AUM

(B) Specific guidelines on human rights
 (1) for all of our AUM

(C) Specific guidelines on other systematic sustainability issues

(1) for all of our AUM

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 10	CORE	OO 8, OO 9, PGS 1	N/A	PUBLIC	Responsible investment policy coverage	2

Per asset class, what percentage of your AUM is covered by your policy(ies) or guidelines on stewardship with investees?

☒ **(B) Fixed income**

(1) Percentage of AUM covered

- ☐ (1) >0% to 10%
- ☐ (2) >10% to 20%
- ☐ (3) >20% to 30%
- ☐ (4) >30% to 40%
- ☐ (5) >40% to 50%
- ☐ (6) >50% to 60%
- ☐ (7) >60% to 70%
- ☐ (8) >70% to 80%
- ☐ (9) >80% to 90%
- ☐ (10) >90% to <100%

☒ **(11) 100%**

GOVERNANCE

ROLES AND RESPONSIBILITIES

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 11	CORE	N/A	Multiple indicators	PUBLIC	Roles and responsibilities	1

Which senior level body(ies) or role(s) in your organisation have formal oversight over and accountability for responsible investment?

☒ **(A) Board members, trustees, or equivalent**

☒ **(B) Senior executive-level staff, or equivalent**

Specify:

The CEO reports to the Board of Directors and, together with the co-CIOs, ensures that the ESG Policy is consistent with Ardea's investment philosophy, risk management approach, and overall strategy.

☒ **(C) Investment committee, or equivalent**

Specify:

Implementation of the ESG Policy is delegated to the research and investment teams within Ardea.

☐ (D) Head of department, or equivalent

☐ (E) None of the above bodies and roles have oversight over and accountability for responsible investment

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 11.1	CORE	PGS 1, PGS 2, PGS 11	N/A	PUBLIC	Roles and responsibilities	1, 2

Does your organisation's senior level body(ies) or role(s) have formal oversight over and accountability for the elements covered in your responsible investment policy(ies)?

	(1) Board members, trustees, or equivalent	(2) Senior executive-level staff, investment committee, head of department, or equivalent
(A) Overall approach to responsible investment	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(B) Guidelines on environmental, social and/or governance factors	<input type="checkbox"/>	<input checked="" type="checkbox"/>
(C) Guidelines on sustainability outcomes	<input type="checkbox"/>	<input checked="" type="checkbox"/>
(D) Specific guidelines on climate change (may be part of guidelines on environmental factors)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
(E) Specific guidelines on human rights (may be part of guidelines on social factors)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
(F) Specific guidelines on other systematic sustainability issues	<input type="checkbox"/>	<input checked="" type="checkbox"/>
(G) Guidelines tailored to the specific asset class(es) we hold	<input type="checkbox"/>	<input checked="" type="checkbox"/>

(I) Guidelines on managing conflicts of interest related to responsible investment	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(J) Stewardship: Guidelines on engagement with investees	<input type="checkbox"/>	<input checked="" type="checkbox"/>
(L) Stewardship: Guidelines on engagement with other key stakeholders	<input type="checkbox"/>	<input checked="" type="checkbox"/>
(N) This role has no formal oversight over and accountability for any of the above elements covered in our responsible investment policy(ies)	<input type="radio"/>	<input type="radio"/>

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 11.2	CORE	N/A	N/A	PUBLIC	Roles and responsibilities	1 – 6

Does your organisation have governance processes or structures to ensure that your overall political engagement is aligned with your commitment to the principles of PRI, including any political engagement conducted by third parties on your behalf?

- ☐ (A) Yes
- ☐ (B) No
- ☒ **(C) Not applicable, our organisation does not conduct any form of political engagement directly or through any third parties**

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 12	CORE	N/A	N/A	PUBLIC	Roles and responsibilities	1

In your organisation, which internal or external roles are responsible for implementing your approach to responsible investment?

- ☒ **(A) Internal role(s)**
Specify:

The Sustainability Committee is responsible for overseeing Ardea's sustainability initiatives and ensuring that investments are consistent with ESG principles. Implementation is delegated to the research and investment teams within Ardea.

- ☐ (B) External investment managers, service providers, or other external partners or suppliers
- ☐ (C) We do not have any internal or external roles with responsibility for implementing responsible investment

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 13	CORE	PGS 11	N/A	PUBLIC	Roles and responsibilities	1

Does your organisation use responsible investment KPIs to evaluate the performance of your board members, trustees, or equivalent?

- ☐ (A) Yes, we use responsible investment KPIs to evaluate the performance of our board members, trustees, or equivalent
- ☒ **(B) No, we do not use responsible investment KPIs to evaluate the performance of our board members, trustees, or equivalent**
Explain why: (Voluntary)

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 14	CORE	PGS 11	N/A	PUBLIC	Roles and responsibilities	1

Does your organisation use responsible investment KPIs to evaluate the performance of your senior executive-level staff (or equivalent), and are these KPIs linked to compensation?

- ☒ **(A) Yes, we use responsible investment KPIs to evaluate the performance of our senior executive-level staff (or equivalent)**

Indicate whether these responsible investment KPIs are linked to compensation

- ☒ **(1) KPIs are linked to compensation**
- ☐ (2) KPIs are not linked to compensation as these roles do not have variable compensation
- ☐ (3) KPIs are not linked to compensation even though these roles have variable compensation

Describe: (Voluntary)

- ☐ (B) No, we do not use responsible investment KPIs to evaluate the performance of our senior executive-level staff (or equivalent)

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 15	PLUS	PGS 11	N/A	PUBLIC	Roles and responsibilities	1

What responsible investment competencies do you regularly include in the training of senior-level body(ies) or role(s) in your organisation?

	(1) Board members, trustees or equivalent	(2) Senior executive-level staff, investment committee, head of department or equivalent
(A) Specific competence in climate change mitigation and adaptation	<input checked="" type="checkbox"/>	<input type="checkbox"/>
(B) Specific competence in investors' responsibility to respect human rights	<input type="checkbox"/>	<input type="checkbox"/>
(C) Specific competence in other systematic sustainability issues	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(D) The regular training of this senior leadership role does not include any of the above responsible investment competencies	<input type="radio"/>	<input type="radio"/>

EXTERNAL REPORTING AND DISCLOSURES

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 16	CORE	N/A	N/A	PUBLIC	External reporting and disclosures	6

What elements are included in your regular reporting to clients and/or beneficiaries for the majority of your AUM?

- ☒ (A) Any changes in policies related to responsible investment
- ☒ (B) Any changes in governance or oversight related to responsible investment
- ☒ (C) Stewardship-related commitments
- ☒ (D) Progress towards stewardship-related commitments
- ☒ (E) Climate-related commitments
- ☐ (F) Progress towards climate-related commitments
- ☐ (G) Human rights-related commitments
- ☐ (H) Progress towards human rights-related commitments
- ☒ (I) Commitments to other systematic sustainability issues
- ☒ (J) Progress towards commitments on other systematic sustainability issues
- ☐ (K) We do not include any of these elements in our regular reporting to clients and/or beneficiaries for the majority of our AUM

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 17	CORE	N/A	N/A	PUBLIC	External reporting and disclosures	6

During the reporting year, did your organisation publicly disclose climate-related information in line with the Task Force on Climate-Related Financial Disclosures' (TCFD) recommendations?

- ☒ (A) Yes, including all governance-related recommended disclosures
- ☒ (B) Yes, including all strategy-related recommended disclosures
- ☒ (C) Yes, including all risk management-related recommended disclosures
- ☐ (D) Yes, including all applicable metrics and targets-related recommended disclosures
- ☐ (E) None of the above

Add link(s):

https://www.ardea.com.au/wp-content/uploads/Ardea-Investment-Management-TCFD-Report_AU.pdf

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 18	PLUS	N/A	N/A	PUBLIC	External reporting and disclosures	6

During the reporting year, to which international responsible investment standards, frameworks, or regulations did your organisation report?

☒ **(A) Disclosures against the European Union's Sustainable Finance Disclosure Regulation (SFDR)**

Link to example of public disclosures

<https://www.ardea.com.au/our-strategy/sustainability-related-disclosures/>

- ☐ (B) Disclosures against the European Union's Taxonomy
- ☐ (C) Disclosures against the CFA's ESG Disclosures Standard
- ☐ (D) Disclosures against other international standards, frameworks or regulations
- ☐ (E) Disclosures against other international standards, frameworks or regulations
- ☐ (F) Disclosures against other international standards, frameworks or regulations
- ☐ (G) Disclosures against other international standards, frameworks or regulations

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 19	CORE	N/A	N/A	PUBLIC	External reporting and disclosures	6

During the reporting year, did your organisation publicly disclose its membership in and support for trade associations, think tanks or similar bodies that conduct any form of political engagement?

- (A) Yes, we publicly disclosed our membership in and support for trade associations, think tanks, or similar bodies that conduct any form of political engagement
- (B) No, we did not publicly disclose our membership in and support for trade associations, think tanks, or similar bodies that conduct any form of political engagement
- **(C) Not applicable, we were not members in or supporters of any trade associations, think tanks, or similar bodies that conduct any form of political engagement during the reporting year**

STRATEGY

CAPITAL ALLOCATION

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 20	CORE	N/A	N/A	PUBLIC	Capital allocation	1

Which elements do your organisation-level exclusions cover?

- ☐ (A) Exclusions based on our organisation's values or beliefs regarding particular sectors, products or services
- ☐ (B) Exclusions based on our organisation's values or beliefs regarding particular regions or countries
- ☐ (C) Exclusions based on minimum standards of business practice aligned with international norms such as the OECD Guidelines for Multinational Enterprises, the International Bill of Human Rights, UN Security Council sanctions or the UN Global Compact
- ☐ (D) Exclusions based on our organisation's climate change commitments
- ☐ (E) Other elements
- ☒ (F) Not applicable; our organisation does not have any organisation-level exclusions

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 21	CORE	N/A	N/A	PUBLIC	Capital allocation	1

How does your responsible investment approach influence your strategic asset allocation process?

- ☐ (A) We incorporate ESG factors into our assessment of expected asset class risks and returns
- ☐ (B) We incorporate climate change-related risks and opportunities into our assessment of expected asset class risks and returns
- ☐ (C) We incorporate human rights-related risks and opportunities into our assessment of expected asset class risks and returns
- ☐ (D) We incorporate risks and opportunities related to other systematic sustainability issues into our assessment of expected asset class risks and returns
- ☐ (E) We do not incorporate ESG factors, climate change, human rights or other systematic sustainability issues into our assessment of expected asset class risks and returns
- ☒ (F) Not applicable; we do not have a strategic asset allocation process

STEWARDSHIP: OVERALL STEWARDSHIP STRATEGY

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 22	CORE	OO 8, OO 9	N/A	PUBLIC	Stewardship: Overall stewardship strategy	2

For the majority of AUM within each asset class, which of the following best describes your primary stewardship objective?

(2) Fixed income

(A) Maximise our portfolio-level risk-adjusted returns. In doing so, we seek to address any risks to overall portfolio performance caused by individual investees' contribution to systematic sustainability issues.



(B) Maximise our individual investments' risk-adjusted returns. In doing so, we do not seek to address any risks to overall portfolio performance caused by individual investees' contribution to systematic sustainability issues.



Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 23	PLUS	OO 5, OO 8, OO 9	N/A	PUBLIC	Stewardship: Overall stewardship strategy	2

How does your organisation, or the external service providers or external managers acting on your behalf, prioritise the investees or other entities on which to focus its stewardship efforts?

As investors in advanced economy sovereign bonds, we regularly meet with senior representatives of government bond issuers. The concentrated representation of the issuer universe allows ongoing engagement with each issuer. The highly correlated nature of government bond markets also means that engaging broadly is necessary. Therefore, this engagement approach has been consistent across markets and similar across our global offices.

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 24	CORE	OO 8, OO 9	N/A	PUBLIC	Stewardship: Overall stewardship strategy	2

Which of the following best describes your organisation's default position, or the position of the external service providers or external managers acting on your behalf, concerning collaborative stewardship efforts?

- ☐ (A) We recognise the value of collective action, and as a result, we prioritise collaborative stewardship efforts wherever possible
- ☒ (B) We collaborate on a case-by-case basis
- ☐ (C) Other
- ☐ (D) We do not join collaborative stewardship efforts

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 24.1	PLUS	OO 8, OO 9	N/A	PUBLIC	Stewardship: Overall stewardship strategy	2

Elaborate on your organisation's default position on collaborative stewardship, or the position of the external service providers or external investment managers acting on your behalf, including any other details on your overall approach to collaboration.

As a specialist investor in advanced economy sovereign bonds, it is critical that we collaborate across the industry to amplify our influence and impact. As such, Ardea actively participates in roundtables, roadshows, webinars, and conferences to promote discussions relating to ESG and government bond investing. 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.

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 25	PLUS	OO 5, OO 8, OO 9	N/A	PUBLIC	Stewardship: Overall stewardship strategy	2

Rank the channels that are most important for your organisation in achieving its stewardship objectives.

- ☒ (A) Internal resources, e.g. stewardship team, investment team, ESG team, or staff

Select from the list:

- ☒ 1
- ☐ 4
- ☐ 5

☐ (B) External investment managers, third-party operators and/or external property managers, if applicable

☐ (C) External paid specialist stewardship services (e.g. engagement overlay services or, in private markets, sustainability consultants) excluding investment managers, real assets third-party operators, or external property managers

☒ (D) Informal or unstructured collaborations with investors or other entities

Select from the list:

- ☒ 2
- ☐ 4
- ☐ 5

☒ (E) Formal collaborative engagements, e.g. PRI-coordinated collaborative engagements, Climate Action 100+, or similar

Select from the list:

- ☒ 3
- ☐ 4
- ☐ 5

☐ (F) We do not use any of these channels

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 27	PLUS	OO 8, OO 9	N/A	PUBLIC	Stewardship: Overall stewardship strategy	2

How are your organisation's stewardship activities linked to your investment decision making, and vice versa?

In prioritising ESG integration into our investment process, 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 risk factors are most likely to be material determinants of sovereign bond markets.

We therefore place a reliance on engagement and specific initiatives, such as growing green bond turnover, to deliver change. 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:

- Preference trading green bonds over conventional bonds when the relative value is similar, and
- Regular engagement with government bond issuers to advocate for more green bond issuance, including participation in new bond syndications when the relative value is attractive.

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, including to further develop our participation in the issuance of different instrument types, currencies, and maturities with a skew towards market segments which need developing.

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 28	PLUS	OO 8, OO 9	N/A	PUBLIC	Stewardship: Overall stewardship strategy	2

If relevant, provide any further details on your organisation's overall stewardship strategy.

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 take seriously our rights and responsibilities as an active owner and participant in the global government bond market. We view a well-functioning government bond market as an essential component of a modern economy and financial system, and essential for investors seeking 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.

Given the large number of investors in advanced economy sovereign bond markets, we acknowledge that our ability to influence is limited. Furthermore, much of the governance and social risks which may present in government bond markets are reduced by default given Ardea's strategies restrict the investable universe to countries with high governance and transparency standards.

However, environmental risks are not currently adequately addressed by credit ratings given the longer time horizon of some of these risks. Further, we believe that environmental risks (and climate change) will become increasingly important over time and that sustainability factors will increasingly become more material to the pricing and performance of sovereign bonds.

We therefore 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. 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.

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.

STEWARDSHIP: ESCALATION

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 37	CORE	Multiple, see guidance	N/A	PUBLIC	Stewardship: Escalation	2

For your corporate fixed income assets, what escalation measures did your organisation, or the external investment managers or service providers acting on your behalf, use in the past three years?

- ☐ (A) Joining or broadening an existing collaborative engagement or creating a new one
- ☐ (B) Publicly engaging the entity, e.g. signing an open letter
- ☐ (C) Not investing
- ☐ (D) Reducing exposure to the investee entity
- ☐ (E) Divesting
- ☐ (F) Litigation

☒ (G) Other

Specify:

We do not hold corporate fixed income assets.

- (H) In the past three years, we did not use any of the above escalation measures for our corporate fixed income assets

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 38	PLUS	OO 8, OO 5.3 FI	N/A	PUBLIC	Stewardship: Escalation	2

Describe your approach to escalation for your internally managed SSA and/or private debt fixed income assets.

(A) SSA - Approach to escalation

Ardea has not found itself in a position where it has needed to escalate a stewardship matter.

We would note that 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 or meeting with company management. The dominant role of government bond markets, and the dominant role of governments themselves, means that governments have a much greater degree of control over the very markets they seek to raise capital from.

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. We also accept that we are likely to gain the most traction with issuers by advocating strongly both behind closed doors and in public forums, while at the same time making clear to issuers that we support their efforts to move forward and that our clients strongly support positive improvements that issuers can undertake.

STEWARDSHIP: ENGAGEMENT WITH POLICY MAKERS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 39	CORE	OO 8, OO 9	PGS 39.1, PGS 39.2	PUBLIC	Stewardship: Engagement with policy makers	2

Did your organisation, or the external investment managers or service providers acting on your behalf, engage with policy makers as part of your responsible investment approach during the reporting year?

- ☒ (A) Yes, we engaged with policy makers directly
- ☐ (B) Yes, we engaged with policy makers through the leadership of or active participation in working groups or collaborative initiatives, including via the PRI
- ☐ (C) Yes, we were members of, supported, or were in another way affiliated with third party organisations, including trade associations and non-profit organisations, that engage with policy makers, excluding the PRI
- ☐ (D) We did not engage with policy makers directly or indirectly during the reporting year beyond our membership in the PRI

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 39.1	CORE	PGS 39	N/A	PUBLIC	Stewardship: Engagement with policy makers	2

During the reporting year, what methods did you, or the external investment managers or service providers acting on your behalf, use to engage with policy makers as part of your responsible investment approach?

- ☐ (A) We participated in 'sign-on' letters
- ☐ (B) We responded to policy consultations
- ☐ (C) We provided technical input via government- or regulator-backed working groups
- ☒ (D) We engaged policy makers on our own initiative

Describe:

Over the twelve months to 30 June 2023, Ardea held 44 engagements with 34 separate entities.

- ☐ (E) Other methods

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 39.2	CORE	PGS 39	N/A	PUBLIC	Stewardship: Engagement with policy makers	2

During the reporting year, did your organisation publicly disclose details of your engagement with policy makers conducted as part of your responsible investment approach, including through external investment managers or service providers?

- ☐ (A) We publicly disclosed all our policy positions
- ☐ (B) We publicly disclosed details of our engagements with policy makers
- ☒ (C) No, we did not publicly disclose details of our engagement with policy makers conducted as part of our responsible investment approach during the reporting year

Explain why:

This information is shared regularly with consultants and clients but is not publicly available on our website.

STEWARDSHIP: EXAMPLES

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 40	PLUS	OO 8, OO 9	N/A	PUBLIC	Stewardship: Examples	2

Provide examples of stewardship activities that you conducted individually or collaboratively during the reporting year that contributed to desired changes in the investees, policy makers or other entities with which you interacted.

(A) Example 1:

Title of stewardship activity:

Meeting with Australian Office of Financial Management - market development of green bonds

(1) Led by

- ☒ (1) Internally led
- ☐ (2) External service provider led
- ☐ (3) Led by an external investment manager, real assets third-party operator and/or external property manager

(2) Primary focus of stewardship activity

- ☒ (1) Environmental factors
- ☐ (2) Social factors
- ☐ (3) Governance factors

(3) Asset class(es)

- ☐ (1) Listed equity
- ☒ (2) Fixed income
- ☐ (3) Private equity
- ☐ (4) Real estate
- ☐ (5) Infrastructure
- ☐ (6) Hedge funds
- ☐ (7) Forestry
- ☐ (8) Farmland
- ☐ (9) Other

(4) Description of the activity and what was achieved. For collaborative activities, provide detail on your individual contribution.

Australia is among the shrinking group of sovereign government bond issuers that has not yet brought to market a dedicated green bond program at the sovereign level (Australian state governments have issued green bonds). Our key concern is that the fundamental qualities of the asset class, such as liquidity and a stable source of low-risk returns, may be adversely affected over time should the central government not prioritise development of a green bond market.

In raising our concerns over a series of meetings commencing in 2021 and continuing through to the present, we have emphasised the importance of providing issuance that remains eligible for the growing number of investors that require green or sustainable bond issuance. Over time this approach has resulted in increasing agreement by the issuer that change is needed, although the process of implementation remains complex given that Australia's federal structure means that most assets suitable for funding by green and sustainable bond programs exist at the state level and not the federal level. Recent announcements by the government have indicated that Australia would bring a green bond program to market in mid-2024.

While the announcement of a program is encouraging, the timetable is late. This means the focus will now turn to the quality of the program, and given long delays, expectations regarding quality will be high. As key investors in government bonds, we look forward to contributing to and shaping these discussions.

A further component of this engagement has been elevating the concerns around green bond issuance to policy staff at the Australian Treasury. Emphasising the importance of green bond development to policy decisionmakers and talking through market implications should assist with a higher quality green bond program than otherwise.

(B) Example 2:

Title of stewardship activity:

Bundesrepublik Deutschland Finanzagentur - Market development of green bonds

(1) Led by

- ☒ (1) Internally led
- ☐ (2) External service provider led
- ☐ (3) Led by an external investment manager, real assets third-party operator and/or external property manager

(2) Primary focus of stewardship activity

- ☒ (1) Environmental factors
- ☐ (2) Social factors
- ☐ (3) Governance factors

(3) Asset class(es)

- ☐ (1) Listed equity
- ☒ (2) Fixed income
- ☐ (3) Private equity
- ☐ (4) Real estate
- ☐ (5) Infrastructure
- ☐ (6) Hedge funds
- ☐ (7) Forestry
- ☐ (8) Farmland
- ☐ (9) Other

(4) Description of the activity and what was achieved. For collaborative activities, provide detail on your individual contribution.

This was selected as a contemporary example of proactive engagement with an issuer where Ardea's input was sought on future green bond issuance.

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 commenced this year with two meetings held to discuss the German government green bond programme. Meetings were held between senior leaders of the German DMO and the Ardea investment team. Our feedback was to a preference for new 5 year and 20 year bonds to develop the curve.

In April, Germany issued a 10 year bond, and in June issued E4.84b in a new green 30-year bond, a twin to the existing 2053 brown bond, and seventh point on green curve. Ardea was allocated E315m / 70% of our order.

To support the new green bond, Ardea sold a large holding in existing 2053 brown bond given similar Relative Value levels.

(C) Example 3:

Title of stewardship activity:

EU Commission - market development of green bonds

(1) Led by

- ☒ (1) Internally led
- ☐ (2) External service provider led
- ☐ (3) Led by an external investment manager, real assets third-party operator and/or external property manager

(2) Primary focus of stewardship activity

- ☒ (1) Environmental factors
- ☐ (2) Social factors
- ☐ (3) Governance factors

(3) Asset class(es)

- ☐ (1) Listed equity
- ☒ (2) Fixed income
- ☐ (3) Private equity
- ☐ (4) Real estate
- ☐ (5) Infrastructure
- ☐ (6) Hedge funds
- ☐ (7) Forestry
- ☐ (8) Farmland
- ☐ (9) Other

(4) Description of the activity and what was achieved. For collaborative activities, provide detail on your individual contribution.

The European Union as an issuer has become one of the biggest in European bond markets since the Covid19 pandemic when a framework was put in place to fund the EU's income support programs. As one of the largest European SSA issuers, Ardea is extremely active in trading EU green and brown bonds.

In February, Ardea participated in an investor roundtable and raised specifically our support for further primary issuance. Our aim was to being a dialogue with the issuer so that they would have confidence that there was a real demand for green bonds. The following month, Ardea provided detailed feedback to the issuer on which bonds we would have the most demand for, at what level, and an indication of the size we could accommodate.

A syndication was then held on 28 March where the EU sold €6bn of their 15-year green bond, of which Ardea was allocated €350m. This was 50% of our order, a relatively high percentage given the deal was 12x oversubscribed. We sold some of our existing brown bond holdings to make room for the new green bond.

(D) Example 4:

Title of stewardship activity:

(1) Led by

- ☐ (1) Internally led
- ☐ (2) External service provider led
- ☐ (3) Led by an external investment manager, real assets third-party operator and/or external property manager

(2) Primary focus of stewardship activity

- ☐ (1) Environmental factors
- ☐ (2) Social factors
- ☐ (3) Governance factors

(3) Asset class(es)

- ☐ (1) Listed equity
- ☐ (2) Fixed income
- ☐ (3) Private equity
- ☐ (4) Real estate
- ☐ (5) Infrastructure
- ☐ (6) Hedge funds
- ☐ (7) Forestry
- ☐ (8) Farmland
- ☐ (9) Other

(4) Description of the activity and what was achieved. For collaborative activities, provide detail on your individual contribution.

(E) Example 5:

Title of stewardship activity:

(1) Led by

- ☐ (1) Internally led
- ☐ (2) External service provider led
- ☐ (3) Led by an external investment manager, real assets third-party operator and/or external property manager

(2) Primary focus of stewardship activity

- ☐ (1) Environmental factors
- ☐ (2) Social factors
- ☐ (3) Governance factors

(3) Asset class(es)

- ☐ (1) Listed equity
- ☐ (2) Fixed income
- ☐ (3) Private equity
- ☐ (4) Real estate
- ☐ (5) Infrastructure
- ☐ (6) Hedge funds
- ☐ (7) Forestry
- ☐ (8) Farmland
- ☐ (9) Other

(4) Description of the activity and what was achieved. For collaborative activities, provide detail on your individual contribution.

CLIMATE CHANGE

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 41	CORE	N/A	PGS 41.1	PUBLIC	Climate change	General

Has your organisation identified climate-related risks and opportunities affecting your investments?

☒ (A) Yes, within our standard planning horizon

Specify the risks and opportunities identified and your relevant standard planning horizon:

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 IM 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 IM's active trading style that allows for the dynamic rebalancing of positions. We continue to refine our risk management processes related to climate change as the market and data continue to evolve.

☐ (B) Yes, beyond our standard planning horizon

- o (C) No, we have not identified climate-related risks and/or opportunities affecting our investments

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 41.1	CORE	PGS 41	N/A	PUBLIC	Climate change	General

Does your organisation integrate climate-related risks and opportunities affecting your investments in its overall investment strategy, financial planning and (if relevant) products?

● (A) Yes, our overall investment strategy, financial planning and (if relevant) products integrate climate-related risks and opportunities

Describe how climate-related risks and opportunities have affected or are expected to affect your investment strategy, financial planning and (if relevant) products:

The primary opportunity for Ardea is the growth of the Government Green Bond Market. To practically integrate these ideas into our investment process, Ardea IM is committed to:

- Preference trading green bonds over conventional bonds when the relative value is similar, and
- Regular engagement with government bond issuers to advocate for more green bond issuance, including participation in new bond syndications when the relative value is attractive.

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.

Ardea also utilises engagement as the most logical and efficient way to promote sustainable outcomes generally. In prioritising ESG into our investment process, and therefore our engagement with issuers, Ardea IM has focused on system-wide risks such as climate change and the financial sustainability of governments' fiscal burdens. We consider that effective policy in these areas could materially improve key outcomes, such as levels of economic growth and lowering inflation risks, contributing directly to a higher structural rate of return on government fixed income.

By way of risks, many in the investing community claim that climate transition risks are not being factored into government bond markets; therefore, sovereign bond yields are not fully reflecting the impact of climate change and a country's effort to transition to a low-carbon economy in line with the 2015 Paris Agreement.

Through a joint research project with the University of Technology, Sydney, we challenge this narrative and find that carbon dioxide emissions, natural resources rents, and renewable energy consumption, as measures of transition risk, significantly impact yields and spreads. Countries with lower carbon emissions incur a lower borrowing cost. Advanced countries reducing their earnings from natural resource rents and increasing renewable energy consumption are associated with lower borrowing costs, which differs from the effects in developing countries. The necessity to support developing countries to meet climate change targets also emerges. The research findings are published on our website.

In investment markets, transition risks have materialised much faster than physical risks. The physical risk of climate change is currently impacting GDP levels globally. Over the medium to longer term, the physical impacts of more frequent natural disasters will impact the credit ratings of Governments by ratings agencies. Our research has identified that advanced economies that perform poorly in managing their climate transition may encounter increased sovereign borrowing costs, liquidity constraints, reduced capacity to effectively manage climate transition and the inability to finance economic recovery from severe climate shocks or natural disasters.

- (B) No, our organisation has not yet integrated climate-related risks and opportunities into its investment strategy, financial planning and (if relevant) products

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 42	PLUS	N/A	N/A	PUBLIC	Climate change	General

Which sectors are covered by your organisation's strategy addressing high-emitting sectors?

- ☐ (A) Coal
- ☐ (B) Gas
- ☐ (C) Oil
- ☐ (D) Utilities
- ☐ (E) Cement
- ☐ (F) Steel
- ☐ (G) Aviation
- ☐ (H) Heavy duty road

- ☐ (I) Light duty road
- ☐ (J) Shipping
- ☐ (K) Aluminium
- ☐ (L) Agriculture, forestry, fishery
- ☐ (M) Chemicals
- ☐ (N) Construction and buildings
- ☐ (O) Textile and leather
- ☐ (P) Water
- ☐ (Q) Other
- ☒ (R) We do not have a strategy addressing high-emitting sectors

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 43	CORE	N/A	N/A	PUBLIC	Climate change	General

Has your organisation assessed the resilience of its investment strategy in different climate scenarios, including one in which the average temperature rise is held to below 2 degrees Celsius (preferably to 1.5 degrees Celsius) above pre-industrial levels?

- ☒ (A) Yes, using the Inevitable Policy Response Forecast Policy Scenario (FPS) or Required Policy Scenario (RPS)
- ☐ (B) Yes, using the One Earth Climate Model scenario
- ☒ (C) Yes, using the International Energy Agency (IEA) Net Zero scenario
- ☐ (D) Yes, using other scenarios
- ☐ (E) No, we have not assessed the resilience of our investment strategy in different climate scenarios, including one that holds temperature rise to below 2 degrees

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 44	CORE	N/A	N/A	PUBLIC	Climate change	General

Does your organisation have a process to identify, assess, and manage the climate-related risks (potentially) affecting your investments?

- ☒ (A) Yes, we have a process to identify and assess climate-related risks
- (1) Describe your process

Through the research and integration pillars of the Ardea IM ESG framework, we are to identify and assess climate related risks in the portfolio.

Risks and opportunities are identified via research (in house in conjunction with academic institutions, the literature, research houses and ratings agencies). Investment ideas and climate related risks are discussed at our weekly risk and strategy meetings.

Ardea examines key transition risk factors in the portfolio that are relevant to government bonds including:

- ☐ Carbon emissions
- ☐ Renewable energy consumption
- ☐ Resource rents

(2) Describe how this process is integrated into your overall risk management

The initial focus for Ardea was to identify climate related risk through the research and ESG integration process. In the first half of 2023, Ardea has incorporated climate risk into its enterprise risk management framework. This will ensure that climate related risks are assessed in the same way as all other business risks and benefit from existing established processes and frameworks for assessing these risks.

☒ (B) Yes, we have a process to manage climate-related risks

(1) Describe your process

The business accepts that by investing in government bonds on behalf of its clients, it incurs material exposure to climate change risks as well as potential upside from opportunities arising from climate change. In incurring these risks, the business recognises that the government bond market differs considerably from private sector capital markets in that government bonds represent an asset class for which there are no real substitutes.

Moreover, in addition to the unique properties of the asset class, many investors in the sector hold government bonds not just because of their risk and return properties, but also because of stringent regulatory or prudential requirements. Together, these attributes mean that imposing market discipline as a means of managing and ultimately reducing climate related risks is of only limited effectiveness.

We monitor climate change risk through the scenario analysis outlined in the Strategy disclosure above. This allows us to monitor the likely impact of different climate scenarios, including physical and transition risks.

Given this backdrop, the business accepts that it will incur material climate related risks in investing funds on behalf of clients and as such the business has devoted considerable effort in undertaking research to measure and assess these risks.

(2) Describe how this process is integrated into your overall risk management

The initial focus for Ardea was to identify climate related risk through the research and ESG integration process. In the first half of 2023, Ardea has incorporated climate risk into its enterprise risk management framework. This will ensure that climate related risks are assessed in the same way as all other business risks and benefit from existing established processes and frameworks for assessing these risks.

☐ (C) No, we do not have any processes to identify, assess, or manage the climate-related risks affecting our investments

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 45	CORE	N/A	N/A	PUBLIC	Climate change	General

During the reporting year, which of the following climate risk metrics or variables affecting your investments did your organisation use and disclose?

- ☐ (A) Exposure to physical risk
☐ (B) Exposure to transition risk
☐ (C) Internal carbon price

☒ (D) Total carbon emissions

(1) Indicate whether this metric or variable was used and disclosed, including the methodology

- ☐ (1) Metric or variable used
☐ (2) Metric or variable used and disclosed

☒ (3) Metric or variable used and disclosed, including methodology

(2) Provide link to the disclosed metric or variable, including the methodology followed, as applicable

https://www.ardea.com.au/wp-content/uploads/Ardea-Investment-Management-TCFD-Report_AU.pdf

☒ **(E) Weighted average carbon intensity**

(1) Indicate whether this metric or variable was used and disclosed, including the methodology

- ☐ (1) Metric or variable used
- ☐ (2) Metric or variable used and disclosed

☒ **(3) Metric or variable used and disclosed, including methodology**

(2) Provide link to the disclosed metric or variable, including the methodology followed, as applicable

https://www.ardea.com.au/wp-content/uploads/Ardea-Investment-Management-TCFD-Report_AU.pdf

☐ (F) Avoided emissions

☐ (G) Implied Temperature Rise (ITR)

☐ (H) Non-ITR measure of portfolio alignment with UNFCCC Paris Agreement goals

☐ (I) Proportion of assets or other business activities aligned with climate-related opportunities

☐ (J) Other metrics or variables

☐ (K) Our organisation did not use or disclose any climate risk metrics or variables affecting our investments during the reporting year

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 46	CORE	N/A	N/A	PUBLIC	Climate change	General

During the reporting year, did your organisation disclose its Scope 1, Scope 2, and/or Scope 3 greenhouse gas emissions?

☐ (A) Scope 1 emissions

☐ (B) Scope 2 emissions

☒ **(C) Scope 3 emissions (including financed emissions)**

(1) Indicate whether this metric was disclosed, including the methodology

- ☐ (1) Metric disclosed

☒ **(2) Metric and methodology disclosed**

(2) Provide links to the disclosed metric and methodology, as applicable

https://www.ardea.com.au/wp-content/uploads/Ardea-Investment-Management-TCFD-Report_AU.pdf

☐ (D) Our organisation did not disclose its Scope 1, Scope 2, or Scope 3 greenhouse gas emissions during the reporting year

SUSTAINABILITY OUTCOMES

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 47	CORE	N/A	Multiple indicators	PUBLIC	Sustainability outcomes	1, 2

Has your organisation identified the intended and unintended sustainability outcomes connected to its investment activities?

- ☒ (A) Yes, we have identified one or more specific sustainability outcomes connected to our investment activities
- ☐ (B) No, we have not yet identified the sustainability outcomes connected to any of our investment activities

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 47.1	CORE	PGS 47	N/A	PUBLIC	Sustainability outcomes	1, 2

Which widely recognised frameworks has your organisation used to identify the intended and unintended sustainability outcomes connected to its investment activities?

- ☐ (A) The UN Sustainable Development Goals (SDGs) and targets
- ☒ (B) The UNFCCC Paris Agreement
- ☐ (C) The UN Guiding Principles on Business and Human Rights (UNGPs)
- ☐ (D) OECD frameworks: OECD Guidelines for Multinational Enterprises and Guidance on Responsible Business Conduct for Institutional Investors
- ☐ (E) The EU Taxonomy
- ☐ (F) Other relevant taxonomies
- ☐ (G) The International Bill of Human Rights
- ☐ (H) The International Labour Organization's Declaration on Fundamental Principles and Rights at Work and the eight core conventions
- ☐ (I) The Convention on Biological Diversity
- ☒ (J) Other international framework(s)
Specify:
Task Force on Climate Related Financial Disclosures (TCFD)
Global Investor Statement on Climate Change
- ☐ (K) Other regional framework(s)
- ☒ (L) Other sectoral/issue-specific framework(s)
Specify:
Green Bond Principles
- ☐ (M) Our organisation did not use any widely recognised frameworks to identify the intended and unintended sustainability outcomes connected to its investment activities

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 47.2	CORE	PGS 47	PGS 48	PUBLIC	Sustainability outcomes	1, 2

What are the primary methods that your organisation has used to determine the most important intended and unintended sustainability outcomes connected to its investment activities?

- ☒ (A) Identify sustainability outcomes that are closely linked to our core investment activities
- ☒ (B) Consult with key clients and/or beneficiaries to align with their priorities
- ☐ (C) Assess which actual or potential negative outcomes for people are most severe based on their scale, scope, and irremediable character
- ☒ (D) Identify sustainability outcomes that are closely linked to systematic sustainability issues
- ☐ (E) Analyse the input from different stakeholders (e.g. affected communities, civil society, trade unions or similar)
- ☐ (F) Understand the geographical relevance of specific sustainability outcome objectives
- ☒ (G) Other method

Specify:

One component of sustainability not addressed in the above selections is the importance of emphasising sustainability when engaging with government bond issuers. As governments are among the oldest and longest-lasting institutions in operation, it follows that governments are best able to pursue sustainability goals over very long periods of time. In our engagement discussions with sovereign issuers, we emphasise the critical importance of effective public policy outcomes, because of the very strong underpinning this provides for sustainability outcomes. For instance, a country with a well-run, equitable, and efficient tax system and financial system can expect to enjoy benefits across the wider economy and benefits in terms of more stable and resilient government finances. These alter the risk profiles of the government and the entire country to one that stands a better prospect of achieving sustainability goals. This is also why it is often the case that the greatest results-to-effort ratio can be obtained by engaging governments on sustainability, relative to engaging individual companies.

- (H) We have not yet determined the most important sustainability outcomes connected to our investment activities

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 48	CORE	PGS 47.2	PGS 48.1, SO 1	PUBLIC	Sustainability outcomes	1, 2

Has your organisation taken action on any specific sustainability outcomes connected to its investment activities, including to prevent and mitigate actual and potential negative outcomes?

- ☒ (A) Yes, we have taken action on some of the specific sustainability outcomes connected to our investment activities
- (B) No, we have not yet taken action on any specific sustainability outcomes connected to our investment activities

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 48.1	PLUS	PGS 48	N/A	PUBLIC	Sustainability outcomes	1, 2

Why has your organisation taken action on specific sustainability outcomes connected to its investment activities?

- ☒ (A) We believe that taking action on sustainability outcomes is relevant to our financial risks and returns over both short- and long-term horizons
- ☐ (B) We believe that taking action on sustainability outcomes, although not yet relevant to our financial risks and returns, will become so over a long-time horizon
- ☒ (C) We have been requested to do so by our clients and/or beneficiaries
- ☐ (D) We want to prepare for and respond to legal and regulatory developments that are increasingly addressing sustainability outcomes
- ☐ (E) We want to protect our reputation, particularly in the event of negative sustainability outcomes connected to investments
- ☒ (F) We want to enhance our social licence-to-operate (i.e. the trust of beneficiaries, clients, and other stakeholders)
- ☒ (G) We believe that taking action on sustainability outcomes in parallel to financial return goals has merit in its own right
- ☐ (H) Other

HUMAN RIGHTS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 49	PLUS	PGS 47	PGS 49.1	PUBLIC	Human rights	1, 2

During the reporting year, what steps did your organisation take to identify and take action on the actual and potentially negative outcomes for people connected to your investment activities?

- ☐ (A) We assessed the human rights context of our potential and/or existing investments and projected how this could connect our organisation to negative human rights outcomes
- ☐ (B) We assessed whether individuals at risk or already affected might be at heightened risk of harm
- ☐ (C) We consulted with individuals and groups who were at risk or already affected, their representatives and/or other relevant stakeholders such as human rights experts
- ☐ (D) We took other steps to assess and manage the actual and potentially negative outcomes for people connected to our investment activities
- ☒ (E) We did not identify and take action on the actual and potentially negative outcomes for people connected to any of our investment activities during the reporting year

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 49.2	PLUS	PGS 47	N/A	PUBLIC	Human rights	1, 2

During the reporting year, what information sources did your organisation use to identify the actual and potentially negative outcomes for people connected to its investment activities?

- ☐ (A) Corporate disclosures
- ☐ (B) Media reports
- ☐ (C) Reports and other information from NGOs and human rights institutions
- ☐ (D) Country reports, for example, by multilateral institutions, e.g. OECD, World Bank
- ☐ (E) Data provider scores or benchmarks
- ☐ (F) Human rights violation alerts
- ☐ (G) Sell-side research
- ☐ (H) Investor networks or other investors
- ☐ (I) Information provided directly by affected stakeholders or their representatives
- ☐ (J) Social media analysis

☒ **(K) Other**

Specify:

Walk Free - Modern Slavery

Provide further detail on how your organisation used these information sources:

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 50	PLUS	PGS 47	N/A	PUBLIC	Human rights	1, 2

During the reporting year, did your organisation, directly or through influence over investees, enable access to remedy for people affected by negative human rights outcomes connected to your investment activities?

- ☐ (A) Yes, we enabled access to remedy directly for people affected by negative human rights outcomes we caused or contributed to through our investment activities
- ☐ (B) Yes, we used our influence to ensure that our investees provided access to remedies for people affected by negative human rights outcomes we were linked to through our investment activities
- ☒ **(C) No, we did not enable access to remedy directly, or through the use of influence over investees, for people affected by negative human rights outcomes connected to our investment activities during the reporting year**

Explain why:

Much of the governance and social risks which may present in government bond markets are reduced by default given Ardea's strategies restrict the investible universe to advanced economy countries with high governance and transparency standards.

FIXED INCOME (FI)

OVERALL APPROACH

MATERIALITY ANALYSIS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 1	CORE	OO 21	N/A	PUBLIC	Materiality analysis	1

Does your organisation have a formal investment process to identify and incorporate material ESG factors across your fixed income assets?

(1) SSA

(A) Yes, our investment process incorporates material governance factors

(1) for all of our AUM

(B) Yes, our investment process incorporates material environmental and social factors

(1) for all of our AUM

(C) Yes, our investment process incorporates material ESG factors depending on different investment time horizons

(1) for all of our AUM

(D) No, we do not have a formal process; our investment professionals identify material ESG factors at their discretion

○

(E) No, we do not have a formal or informal process to identify and incorporate material ESG factors

○

MONITORING ESG TRENDS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 2	CORE	OO 21	N/A	PUBLIC	Monitoring ESG trends	1

Does your organisation have a formal process for monitoring and reviewing the implications of changing ESG trends across your fixed income assets?

(1) SSA

(A) Yes, we have a formal process that includes scenario analyses

(1) for all of our AUM

(B) Yes, we have a formal process, but does it not include scenario analyses

(C) We do not have a formal process for our fixed income assets; our investment professionals monitor how ESG trends vary over time at their discretion

○

(D) We do not monitor and review the implications of changing ESG trends on our fixed income assets

○

PRE-INVESTMENT

ESG INCORPORATION IN RESEARCH

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 3	CORE	OO 21	N/A	PUBLIC	ESG incorporation in research	1

For the majority of your fixed income investments, does your organisation incorporate material ESG factors when assessing their credit quality?

(1) SSA

(A) We incorporate material environmental and social factors



(B) We incorporate material governance-related factors



(C) We do not incorporate material ESG factors for the majority of our fixed income investments



Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 4	CORE	OO 21	N/A	PUBLIC	ESG incorporation in research	1

Does your organisation have a framework that differentiates ESG risks by issuer country, region and/or sector?

(1) SSA

(A) Yes, we have a framework that differentiates ESG risks by country and/or region (e.g. local governance and labour practices)

(1) for all of our AUM

(B) Yes, we have a framework that differentiates ESG risks by sector

(C) No, we do not have a framework that differentiates ESG risks by issuer country, region and/or sector

o

(D) Not applicable; we are not able to differentiate ESG risks by issuer country, region and/or sector due to the limited universe of our issuers

o

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 6	CORE	OO 21	N/A	PUBLIC	ESG incorporation in research	1

How do you incorporate significant changes in material ESG factors over time into your fixed income asset valuation process?

(1) SSA

(A) We incorporate it into the forecast of financial metrics or other quantitative assessments

(1) for all of our AUM

(B) We make a qualitative assessment of how material ESG factors may evolve

(C) We do not incorporate significant changes in material ESG factors

o

ESG INCORPORATION IN PORTFOLIO CONSTRUCTION

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 8	CORE	OO 21	N/A	PUBLIC	ESG incorporation in portfolio construction	1

How do material ESG factors contribute to your security selection, portfolio construction and/or benchmark selection process?

(1) SSA

(A) Material ESG factors contribute to the selection of individual assets and/or sector weightings within our portfolio construction and/or benchmark selection process

(2) for a majority of our AUM

(B) Material ESG factors contribute to determining the holding period of individual assets within our portfolio construction and/or benchmark selection process

(2) for a majority of our AUM

(C) Material ESG factors contribute to the portfolio weighting of individual assets within our portfolio construction and/or benchmark selection process

(2) for a majority of our AUM

(D) Material ESG factors contribute to the country or region weighting of assets within our portfolio construction and/or benchmark selection process

(E) Material ESG factors contribute to our portfolio construction and/or benchmark selection process in other ways

(F) Our security selection, portfolio construction or benchmark selection process does not include the incorporation of material ESG factors

o

POST-INVESTMENT

ESG RISK MANAGEMENT

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 11	CORE	OO 21	N/A	PUBLIC	ESG risk management	1

How are material ESG factors incorporated into your portfolio risk management process?

(1) SSA

(A) Investment committee members, or the equivalent function or group, can veto investment decisions based on ESG considerations

(B) Companies, sectors, countries and/or currencies are monitored for changes in exposure to material ESG factors and any breaches of risk limits

(2) for a majority of our AUM

(C) Overall exposure to specific material ESG factors is measured for our portfolio construction, and sizing or hedging adjustments are made depending on the individual issuer or issue sensitivity to these factors

(2) for a majority of our AUM

(D) We use another method of incorporating material ESG factors into our portfolio's risk management process

(2) for a majority of our AUM

(E) We do not have a process to incorporate material ESG factors into our portfolio's risk management process

o

(D) We use another method of incorporating material ESG factors into our portfolio's risk management process - Specify:

Climate change scenario models

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 12	CORE	OO 21	N/A	PUBLIC	ESG risk management	1

For the majority of your fixed income assets, do you have a formal process to identify and incorporate material ESG risks and ESG incidents into your risk management process?

(1) SSA

(A) Yes, our formal process includes reviews of quantitative and/or qualitative information on material ESG risks and ESG incidents and their implications for individual fixed income holdings

☒

(B) Yes, our formal process includes reviews of quantitative and/or qualitative information on material ESG risks and ESG incidents, and their implications for other fixed income holdings exposed to similar risks and/or incidents

☐

(C) Yes, our formal process includes reviews of quantitative and/or qualitative information on material ESG risks and ESG incidents, and their implications for our stewardship activities



(D) Yes, our formal process includes ad hoc reviews of quantitative and/or qualitative information on severe ESG incidents



(E) We do not have a formal process to identify and incorporate ESG risks and ESG incidents; our investment professionals identify and incorporate ESG risks and ESG incidents at their discretion



(F) We do not have a formal process to identify and incorporate ESG risks and ESG incidents into our risk management process



PERFORMANCE MONITORING

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 14	PLUS	OO 5.3 FI, OO 21	N/A	PUBLIC	Performance monitoring	1

Provide an example of how the incorporation of environmental and/or social factors in your fixed income valuation or portfolio construction affected the realised returns of those assets.

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 publishing a joint research paper, 'Climate change transition risks on sovereign bond markets.'

We use the risks identified in our research paper with UTS that finds that climate transition risk is priced into government bond markets. We use these risks as the basis for our scenario analysis, and to inform our other policies (in particular our policy regarding participation in the green and "brown" bond markets).

We note that the physical risk of climate change is currently impacting GDP levels globally. The Australian example is a case in point: "The economic implications are profound," the Australian Reserve Bank governor told the Australia-Canada Economic Leadership Forum, February 2020. "The world is getting hotter and the climate's more variable, and we're seeing already in Australia, perhaps more than anywhere else in the world, the effects of that." This means that even if investors are not making the explicit link between the decline in current levels of GDP to the physical risk of climate change, climate change is being priced into government bond yields as a result of investors accounting for concurrent GDP levels.

Given the range of scenarios over which climate change might be realised, there is inherently a degree of uncertainty for the business in whether investors can continue to be adequately protected against these risks, and therefore whether the business can continue to operate its funds management services. As these risks are existential for investors and for the business, considerable resources have been allocated from the research team and from across the business towards addressing and mitigating these risks. While we cannot have absolute certainty that the business and its investors will be resilient to all risks across all scenarios, we seek to lower these risks wherever possible.

As guided by APRA in CPG 229, we incorporate the following considerations into our scenario analysis:

Future Temperature Rises

- global average temperatures continuing to rise in the absence of mitigating actions and policies
- limiting global average temperature increase to well below 2°C by 2100, consistent with the Paris Agreement, reducing the magnitude of longer-term physical risks.

Economic Transition Pathway

- an orderly transition to a lower-emissions economy, with policies and activities to address climate change being introduced early and gradually becoming more stringent, minimising both physical and transition risks; and
- a disorderly transition to a lower-emissions economy, with delayed action to reduce emissions leading to an increase in acute transition risks

We then apply the shocks above to our portfolios daily. The resulting profit and loss is reviewed as part of our investment process along with other scenarios and risk sensitivities. If undesirable risk exposures are identified via climate, or other, scenarios, the Investment Team is tasked with adjusting portfolios accordingly.

Ardea's portfolios are generally observed to outperform their respective benchmarks in the climate scenarios below due to exposure to interest rate convexity. On the other hand, portfolios with fixed income benchmarks are expected to experience significant losses on an absolute basis due to exposure to government bonds.

THEMATIC BONDS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 15	PLUS	OO 20, OO 21	N/A	PUBLIC	Thematic bonds	3

What percentage of environmental, social and/or other labelled thematic bonds held by your organisation has been verified?

As a percentage of your total labelled bonds:

(A) Third-party assurance	(5) >75%
(B) Second-party opinion	(5) >75%
(C) Approved verifiers or external reviewers (e.g. via CBI or ICMA)	(5) >75%

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 16	CORE	OO 17 FI, OO 21	N/A	PUBLIC	Thematic bonds	1

What pre-determined criteria does your organisation use to identify which non-labelled thematic bonds to invest in?

- ☐ (A) The bond's use of proceeds
- ☐ (B) The issuers' targets
- ☐ (C) The issuers' progress towards achieving their targets
- ☐ (D) The issuer profile and how it contributes to their targets
- ☒ (E) **We do not use pre-determined criteria to identify which non-labelled thematic bonds to invest in**
- ☐ (F) Not applicable; we do not invest in non-labelled thematic bonds

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 17	CORE	Multiple, see guidance	N/A	PUBLIC	Thematic bonds	1, 2, 6

During the reporting year, what action did you take in the majority of cases when you felt that the proceeds of a thematic bond were not allocated appropriately or in accordance with the terms of the bond deal or prospectus?

- ☐ (A) We engaged with the issuer
- ☐ (B) We alerted thematic bond certification agencies
- ☐ (C) We sold the security
- ☐ (D) We blacklisted the issuer
- ☐ (E) Other action

- (F) We did not take any specific actions when the proceeds of a thematic bond were not allocated according to the terms of the bond deal during the reporting year
- (G) Not applicable; in the majority of cases, the proceeds of thematic bonds were allocated according to the terms of the bond deal during the reporting year

SUSTAINABILITY OUTCOMES (SO)

SETTING TARGETS AND TRACKING PROGRESS

SETTING TARGETS ON SUSTAINABILITY OUTCOMES

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SO 1	PLUS	PGS 48	SO 2, SO 2.1, SO 3	PUBLIC	Setting targets on sustainability outcomes	1, 2

What specific sustainability outcomes connected to its investment activities has your organisation taken action on?

- ☒ (A) Sustainability outcome #1
 - (1) Widely recognised frameworks used to guide action on this sustainability outcome
 - ☐ (1) The UN Sustainable Development Goals (SDGs) and targets
 - ☐ (2) The UNFCCC Paris Agreement
 - ☐ (3) The UN Guiding Principles on Business and Human Rights (UNGPs)
 - ☐ (4) OECD frameworks: OECD Guidelines for Multinational Enterprises and Guidance on Responsible Business Conduct for Institutional Investors
 - ☐ (5) The EU Taxonomy
 - ☐ (6) Other relevant taxonomies
 - ☐ (7) The International Bill of Human Rights
 - ☐ (8) The International Labour Organization's Declaration on Fundamental Principles and Rights at Work and the eight core conventions
 - ☐ (9) The Convention on Biological Diversity
 - ☒ (10) Other international, regional, sector-based or issue-specific framework(s)
 - (2) Classification of sustainability outcome
 - ☒ (1) Environmental
 - ☐ (2) Social
 - ☐ (3) Governance-related
 - ☐ (4) Other
 - (3) Sustainability outcome name

Promote the growth and development of the global government green bond market
 - (4) Number of targets set for this outcome
 - (1) No target
 - (2) One target
 - (3) Two or more targets
- ☐ (B) Sustainability outcome #2
- ☐ (C) Sustainability outcome #3
- ☐ (D) Sustainability outcome #4
- ☐ (E) Sustainability outcome #5
- ☐ (F) Sustainability outcome #6
- ☐ (G) Sustainability outcome #7
- ☐ (H) Sustainability outcome #8
- ☐ (I) Sustainability outcome #9
- ☐ (J) Sustainability outcome #10

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SO 2	PLUS	SO 1	SO 2.1, SO 4, SO 5	PUBLIC	Setting targets on sustainability outcomes	1

For each sustainability outcome, provide details of up to two of your nearest-term targets.

(A1) Sustainability Outcome #1: Target details

(A1) Sustainability Outcome #1:	Promote the growth and development of the global government green bond market
(1) Target name	Growth of global green sovereign bond market
(2) Baseline year	2022
(3) Target to be met by	
(4) Methodology	<p>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.</p> <p>To practically integrate these ideas into our investment process, Ardea is committed to:</p> <ul style="list-style-type: none"> - Preference trading green bonds over conventional bonds when the relative value is similar, and - Regular engagement with government bond issuers to advocate for more green bond issuance, including participation in new bond syndications when the relative value is attractive. <p>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.</p>

- Increased primary issuance of green bonds
- Increased secondary market liquidity and price discovery of green bonds

(7) Baseline level or amount (if relevant):

(9) Percentage of total AUM covered in your baseline year for target setting

(1) Yes

For each sustainability outcome, provide details of up to two of your long-term targets.



PRI | Principles for Responsible Investment

TRACKING PROGRESS AGAINST TARGETS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SO 4	PLUS	SO 2	SO 4.1	PUBLIC	Tracking progress against targets	1

Does your organisation track progress against your nearest-term sustainability outcomes targets?

(A1) Sustainability outcome #1:

(A1) Sustainability outcome #1: Promote the growth and development of the global government green bond market

Target name: Growth of global green sovereign bond market

Does your organisation track progress against your nearest-term sustainability outcome targets? (1) Yes

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SO 4.1	PLUS	SO 4	N/A	PUBLIC	Tracking progress against targets	1

During the reporting year, what qualitative or quantitative progress did your organisation achieve against your nearest-term sustainability outcome targets?

(A1) Sustainability Outcome #1: Target details

(A1) Sustainability Outcome #1: Promote the growth and development of the global government green bond market

(1) Target name: Growth of global green sovereign bond market

(2) Target to be met by

(3) Metric used (if relevant)	- Increased primary issuance of green bonds - Increased secondary market liquidity and price discovery of green bonds
(4) Current level or amount (if relevant)	
(5) Other qualitative or quantitative progress	
(6) Methodology for tracking progress	

INDIVIDUAL AND COLLABORATIVE INVESTOR ACTION ON OUTCOMES

LEVERS USED TO TAKE ACTION ON SUSTAINABILITY OUTCOMES

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SO 5	PLUS	SO 2	Multiple	PUBLIC	Levers used to take action on sustainability outcomes	1, 2, 5

During the reporting year, which of the following levers did your organisation use to take action on sustainability outcomes, including to prevent and mitigate actual and potential negative outcomes?

- ☒ **(A) Stewardship with investees, including engagement, (proxy) voting, and direct influence with privately held assets**
Select from drop down list:
 - ☒ **(1) Individually**
 - ☐ (2) With other investors or stakeholders
- ☐ (B) Stewardship: engagement with external investment managers
- ☒ **(C) Stewardship: engagement with policy makers**
Select from drop down list:
 - ☒ **(1) Individually**
 - ☐ (2) With other investors or stakeholders
- ☒ **(D) Stewardship: engagement with other key stakeholders**
Select from drop down list:
 - ☒ **(1) Individually**
 - ☐ (2) With other investors or stakeholders
- ☒ **(E) Capital allocation**
- ☐ (F) Our organisation did not use any of the above levers to take action on sustainability outcomes during the reporting year

CAPITAL ALLOCATION

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SO 6	PLUS	SO 5	N/A	PUBLIC	Capital allocation	1

During the reporting year, how did your organisation use capital allocation to take action on sustainability outcomes, including to prevent and mitigate actual and potential negative outcomes?

(A) Across all sustainability outcomes

(1) Capital allocation activities used	(2) Sector allocation
(2) Explain through an example	<p>The European Union as an issuer has become one of the biggest in European bond markets since the Covid19 pandemic when a framework was put in place to fund the EU's income support programs. As one of the largest European SSA issuers, Ardea is extremely active in trading EU green and brown bonds.</p> <p>In February, Ardea participated in an investor roundtable and raised specifically our support for further primary issuance. Our aim was to being a dialogue with the issuer so that they would have confidence that there was a real demand for green bonds. The following month, Ardea provided detailed feedback to the issuer on which bonds we would have the most demand for, at what level, and an indication of the size we could accommodate.</p> <p>A syndication was then held on 28 March where the EU sold €6bn of their 15-year green bond, of which Ardea was allocated €350m. This was 50% of our order, a relatively high percentage given the deal was 12x oversubscribed. We sold some of our existing brown bond holdings to make room for the new green bond.</p>
(B) Sustainability Outcome #1:	
(B) Sustainability Outcome #1:	Promote the growth and development of the global government green bond market
(1) Capital allocation activities used	(2) Sector allocation

(2) Explain through an example

The European Union as an issuer has become one of the biggest in European bond markets since the Covid19 pandemic when a framework was put in place to fund the EU's income support programs. As one of the largest European SSA issuers, Ardea is extremely active in trading EU green and brown bonds.

In February, Ardea participated in an investor roundtable and raised specifically our support for further primary issuance.

Our aim was to being a dialogue with the issuer so that they would have confidence that there was a real demand for green bonds. The following month, Ardea provided detailed feedback to the issuer on which bonds we would have the most demand for, at what level, and an indication of the size we could accommodate.

A syndication was then held on 28 March where the EU sold €6bn of their 15-year green bond, of which Ardea was allocated €350m.

This was 50% of our order, a relatively high percentage given the deal was 12x oversubscribed. We sold some of our existing brown bond holdings to make room for the new green bond.

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SO 7	PLUS	OO 17 FI, SO 1	N/A	PUBLIC	Capital allocation	1

During the reporting year, did you use thematic bonds to take action on sustainability outcomes, including to prevent and mitigate actual and potential negative outcomes?

Thematic bond(s) label

(A) Sustainability Outcome #1:
Promote the growth and
development of the global
government green bond market

(A) Green/climate bonds

STEWARDSHIP WITH INVESTEEES

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SO 8	PLUS	SO 5	N/A	PUBLIC	Stewardship with investees	2

During the reporting year, how did your organisation use stewardship with investees to take action on sustainability outcomes, including preventing and mitigating actual and potential negative outcomes?

(A) Across all sustainability outcomes

(1) Describe your approach

We take seriously our rights and responsibilities as an active owner and participant in the global government bond market. We view a well-functioning government bond market as an essential component of a modern economy and financial system, and essential for investors seeking 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.

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.

We consider engagement to be 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.

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 sovereigns 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.

(2) Stewardship tools or activities used

(1) Engagement

(3) Example

This was selected as a contemporary example of proactive engagement with an issuer where Ardea's input was sought on future green bond issuance.

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 commenced this year with two meetings held to discuss the German government green bond programme.

Meetings were held between senior leaders of the German DMO and the Ardea investment team. Our feedback was to a preference for new 5 year and 20 year bonds to develop the curve.

In April, Germany issued a 10 year bond, and in June issued E4.84b in a new green 30-year bond, a twin to the existing 2053 brown bond, and seventh point on green curve.

Ardea was allocated E315m / 70% of our order.

To support the new green bond, Ardea sold a large holding in existing 2053 brown bond given similar Relative Value levels.

(B) Sustainability Outcome #1:

(B) Sustainability Outcome #1:

Promote the growth and development of the global government green bond market

(1) Describe your approach

We take seriously our rights and responsibilities as an active owner and participant in the global government bond market. We view a well-functioning government bond market as an essential component of a modern economy and financial system, and essential for investors seeking 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.

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.

We consider engagement to be 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.

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 sovereigns 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.

(2) Stewardship tools or activities used	(1) Engagement
(3) Example	<p>This was selected as a contemporary example of proactive engagement with an issuer where Ardea's input was sought on future green bond issuance.</p> <p>Green German Federal securities were first issued in 2020 with a stated "twin bond" approach.</p> <p>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.</p> <p>Engagement commenced this year with two meetings held to discuss the German government green bond programme.</p> <p>Meetings were held between senior leaders of the German DMO and the Ardea investment team. Our feedback was to a preference for new 5 year and 20 year bonds to develop the curve.</p> <p>In April, Germany issued a 10 year bond, and in June issued E4.84b in a new green 30-year bond, a twin to the existing 2053 brown bond, and seventh point on green curve.</p> <p>Ardea was allocated E315m / 70% of our order.</p> <p>To support the new green bond, Ardea sold a large holding in existing 2053 brown bond given similar Relative Value levels.</p>

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SO 9	PLUS	SO 5	N/A	PUBLIC	Stewardship with investees	2

How does your organisation prioritise the investees you conduct stewardship with to take action on sustainability outcomes, including preventing and mitigating actual and potential negative outcomes?

- ☒ **(A) We prioritise the most strategically important companies in our portfolio.**
Describe how you do this:

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 highly correlated nature of government bond markets also means that engaging broadly across a number of the key sovereign and semi-sovereign issuers is necessary. Therefore, this engagement approach has been consistent across markets and similar across our global offices. Meetings have been held with issuers in most markets where Ardea currently invests.

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.

Select from the list:

- ☒ 1
- ☐ 2
- ☐ 3
- ☐ 4

- ☐ (B) We prioritise the companies in our portfolio most significantly connected to sustainability outcomes.
- ☐ (C) We prioritise the companies in our portfolio to ensure that we cover a certain proportion of the sustainability outcomes we are taking action on.
- ☐ (D) Other

STEWARDSHIP: ENGAGEMENT WITH POLICY MAKERS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SO 11	PLUS	SO 5	N/A	PUBLIC	Stewardship: Engagement with policy makers	2

During the reporting year, how did your organisation use engagement with policy makers to take action on sustainability outcomes, including preventing and mitigating actual and potential negative outcomes?

(A) Across all sustainability outcomes

<p>(1) Describe your approach</p> <p>(2) Engagement tools or activities used</p>	<p>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.</p> <p>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.</p> <p>The highly correlated nature of government bond markets also means that engaging broadly across a number of the key sovereign and semi-sovereign issuers is necessary. Therefore, this engagement approach has been consistent across markets and similar across our global offices.</p> <p>(4) We engaged policy makers on our own initiative</p>
<p>(3) Example(s) of policies engaged on</p>	<p>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:</p> <ul style="list-style-type: none"><input type="checkbox"/> help sovereigns better understand the increasing ESG demands of investors<input type="checkbox"/> convey expectations and concerns on behalf of our clients<input type="checkbox"/> promote discussions between investors, sovereign issuers, and other stakeholders<input type="checkbox"/> increase the information provided to the market on ESG matters<input type="checkbox"/> extract ESG information important for our analysis, and<input type="checkbox"/> encourage ESG data transparency.

(B) Sustainability Outcome #1:

(B) Sustainability Outcome #1:	Promote the growth and development of the global government green bond market
(1) Describe your approach	<p>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.</p> <p>The primary method of engagement has been through meetings with senior representatives of government bond issuers and through follow up telephone calls.</p> <p>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.</p> <p>The highly correlated nature of government bond markets also means that engaging broadly across a number of the key sovereign and semi-sovereign issuers is necessary. Therefore, this engagement approach has been consistent across markets and similar across our global offices.</p>
(2) Engagement tools or activities used	(4) We engaged policy makers on our own initiative
(3) Example(s) of policies engaged on	<p>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:</p> <ul style="list-style-type: none"><input type="checkbox"/> help sovereigns better understand the increasing ESG demands of investors<input type="checkbox"/> convey expectations and concerns on behalf of our clients<input type="checkbox"/> promote discussions between investors, sovereign issuers, and other stakeholders<input type="checkbox"/> increase the information provided to the market on ESG matters<input type="checkbox"/> extract ESG information important for our analysis, and<input type="checkbox"/> encourage ESG data transparency.

STEWARDSHIP: ENGAGEMENT WITH OTHER KEY STAKEHOLDERS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SO 12	PLUS	SO 5	N/A	PUBLIC	Stewardship: Engagement with other key stakeholders	2, 5

Does your organisation engage with other key stakeholders to support the development of financial products, services, research, and/or data aligned with global sustainability goals and thresholds?

(A) Across all sustainability outcomes

(1) Key stakeholders engaged	<p>(6) External service providers (e.g. proxy advisers, investment consultants, data providers)</p> <p>(7) Academia</p> <p>(9) Other key stakeholders</p>
(2) Provide further detail on your engagement	<p>As a specialist investor in advanced economy sovereign bonds, it is critical that we collaborate across the industry to amplify our influence and impact. As such, Ardea actively participates in roundtables, roadshows, webinars, and conferences to promote discussions relating to ESG and government bond investing.</p> <p>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.</p> <p>While issuers remain the primary focus for engagement, Ardea's approach also encompasses the following stakeholders, including:</p> <ul style="list-style-type: none"> □ 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 sovereign 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.

(B) Sustainability Outcome #1:

(B) Sustainability Outcome #1: Promote the growth and development of the global government green bond market

(1) Key stakeholders engaged

(2) Provide further detail on your engagement

CONFIDENCE-BUILDING MEASURES (CBM)

CONFIDENCE-BUILDING MEASURES

APPROACH TO CONFIDENCE-BUILDING MEASURES

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
CBM 1	CORE	N/A	Multiple indicators	PUBLIC	Approach to confidence-building measures	6

How did your organisation verify the information submitted in your PRI report this reporting year?

- ☐ (A) We conducted independent third-party assurance of selected processes and/or data related to the responsible investment processes reported in our PRI report, which resulted in a formal assurance conclusion
- ☐ (B) We conducted a third-party readiness review and are making changes to our internal controls or governance processes to be able to conduct independent third-party assurance next year
- ☐ (C) We conducted an internal audit of selected processes and/or data related to the responsible investment processes reported in our PRI report
- ☒ (D) Our board, trustees (or equivalent), senior executive-level staff (or equivalent), and/or investment committee (or equivalent) signed off on our PRI report

- ☐ (E) We conducted an external ESG audit of our holdings to verify that our funds comply with our responsible investment policy
- ☐ (F) We conducted an external ESG audit of our holdings as part of risk management, engagement identification or investment decision-making
- ☒ (G) Our responses in selected sections and/or the entirety of our PRI report were internally reviewed before submission to the PRI
- ☐ (H) We did not verify the information submitted in our PRI report this reporting year

INTERNAL REVIEW

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
CBM 6	CORE	CBM 1	N/A	PUBLIC	Internal review	6

Who in your organisation reviewed the responses submitted in your PRI report this year?

- ☐ (A) Board, trustees, or equivalent
- ☒ (B) Senior executive-level staff, investment committee, head of department, or equivalent
 - Sections of PRI report reviewed
 - ☒ (1) the entire report
 - ☐ (2) selected sections of the report
 - ☐ (C) None of the above internal roles reviewed selected sections or the entirety of the responses submitted in our PRI report this year