



PUBLIC RI REPORT

2021 PILOT

Ardea Investment Management

Generated 2022-11-21

About this report

The PRI Reporting Framework helps to build a common language and industry standard for reporting responsible investment activities. **Public RI Reports** provide accountability and transparency on signatories' responsible investment activities and support dialogue within signatories' organisations, as well as with their clients, beneficiaries and other stakeholders.

This **Public RI Report** is an export of the signatory's responses to the PRI Reporting Framework during the 2021 reporting period. It includes the signatory's responses to mandatory indicators, as well as responses to voluntary indicators that the signatory has agreed to make public.

The information is presented exactly as it was reported. Where an indicator offered a multiple-choice response, all options that were available to select from are included for context. While presenting the information verbatim results in lengthy reports, the approach is informed by signatory feedback that signatories prefer that the PRI does not summarise the information.

Context

In consultation with signatories, between 2018 and 2020 the PRI extensively reviewed the Reporting and Assessment processes and set the ambitious objective of launching in 2021 a completely new investor Reporting Framework, together with a new reporting tool.

We ran the new investor Reporting and Assessment process as a pilot in its first year, and such process included providing additional opportunities for signatories to provide feedback on the Reporting Framework, the online reporting tool and the resulting reports. The feedback from this pilot phase has been, and is continuing to be analysed, in order to identify any improvements that can be included in future reporting cycles.

PRI disclaimer

This document presents information reported directly by signatories in the 2021 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.

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Senior Leadership Statement (SLS)

Senior leadership statement

Our commitment

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SLS 1 S1	CORE	N/A	N/A	PUBLIC	Our commitment	GENERAL

- o **Why does your organisation engage in responsible investment?**
- o **What is your organisation’s overall approach to responsible investment?**
- o **What are the main differences between your organisation’s approach to responsible investment in its ESG practice and in other practices, across asset classes?**

At Ardea Investment Management, we believe sustainable investing is a necessity for long-term value creation. Conversely, we also believe that ignoring the impacts of ESG factors on portfolios amounts to an intolerable risk to the funds we manage on behalf of our clients. It is therefore our fiduciary responsibility to integrate these considerations into our investment process and our engagement process.

Our approach is driven by three pillars; Research, Integration and Engagement. In terms of research, we see this as the driving force of our Integration and Engagement pillars.

We have a formalised collaboration with the University of Technology Sydney (UTS) to investigate the role that ESG factors have on Sovereign bond markets. See <https://www.ardea.com.au/press-release-ardea-and-university-of-technology-sydney-launch-research-partnership/>. We are currently working on a research paper for submission to an academic journal which investigates how both physical risks and transition risks impact government bond yields. The results of this research feeds directly into our integration policy and how we engage with our stakeholders.

Our ESG integration policy revolves around the development of a “White List” of issuers from which our Portfolio Managers are free to trade. The Whitelist contains a list of issuers who have not been flagged as ESG risks according to our internal ranking system. The ranking system is a function of the ESG scores from a third party provider and risk factors that we have determined to be significant as a result of the academic research we have done in conjunction with UTS.

While issuers remain a key component of engagement, Ardea’s approach encompasses more than the issuer and the debt management office (e.g. AOFM). For example we engage with:

- Our clients to understand what their expectations are
- 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. Indeed, we are partnering with the UTS on joint research projects to fill this void.
- 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
- Policy makers and regulators, whose interests are often aligned with ESG-aware investors due to taking a longer-term focus than private financial market participants
- 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.

Annual overview

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SLS 1 S2	CORE	N/A	N/A	PUBLIC	Annual overview	GENERAL

- **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. This might involve e.g. outlining your single most important achievement, or describing your general progress, on topics such as the following:**
 - **refinement of ESG analysis and incorporation**
 - **stewardship activities with investees and/or with policy makers**
 - **collaborative engagements**
 - **attainment of responsible investment certifications and/or awards**

This year our goal is to have our stakeholders (including PRI, asset consultants and clients) view us as leaders in ESG. As such we have materially boosted our ESG resourcing through the formation of a Research team and the collaborative initiative with the University of Technology Sydney (UTS). We do however see our work in this area as evolving and iterative and welcome feedback on the processes and research we have developed to date.

Our most notable achievement is the co-authoring of a research paper which investigates the role physical and transition risks have on sovereign bond yields. This is of great significance to not only the sovereign bond market but other asset classes as the yield curve forms the basis for which all other asset classes are priced off.

Currently there is very little academic research on how climate change is impacting sovereign bond yields, and many market participants are ignoring the risks climate change poses. We see this research as a way to not only contribute to the knowledge base, but also a way to contribute to helping market participants appreciate the risks. We believe that robust, academic research co-authored by both market participants (Ardea) and Academia (UTS) will help bring credibility to the issue and change the narrative.

Next steps

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SLS 1 S3	CORE	N/A	N/A	PUBLIC	Next steps	GENERAL

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

Historically, our portfolio managers / investment analysts have been responsible for performing RI/ESG analysis, however our newly created Research Team is now primarily responsible for how responsible investing is incorporated into the investment and engagement processes. The research team works with the PMs to identify trade ideas, risks and opportunities through research and the development of technology. ESG is an integral part of the trade idea generation and risk management processes. Dr. Laura Ryan is the Head of Research and will be leading on future research projects in sustainable investing. The team is also in the process of hiring another PhD researcher who will investigate ESG risks for sovereigns.

Endorsement

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SLS 1 S4	CORE	N/A	N/A	PUBLIC	Endorsement	GENERAL

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	Laura Ryan
Position	Head of Research
Organisation's name	Ardea Investment Management

● This endorsement is for the Senior Leadership Statement only and is not an endorsement of the information reported by Ardea Investment Management in the various modules of the Reporting Framework. The Senior Leadership Statement is simply provided as a general overview of Ardea Investment Management's responsible investment approach. The Senior Leadership Statement does not constitute advice and should not be relied upon as such, and 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.

Organisational Overview (OO)

Organisational information

Categorisation

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 1	CORE	Signatory category	Multiple, see guidance	PUBLIC	Categorisation	GENERAL

Select the type that best describes your organisation or the services you provide.

(O) Fund management

(1) This is our only (or primary) type

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 that are also PRI signatories in their own right?

- (A) Yes
- (B) No

Reporting year

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 3	CORE	N/A	N/A	PUBLIC	Reporting year	GENERAL

Indicate the year-end date for your reporting year.

	Month	Day	Year
Reporting year end date:	June	30	2020

Assets under management

All asset classes

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 4	CORE	OO 4.1, OO 4.2	N/A	PUBLIC	All asset classes	GENERAL

What were your total assets under management (AUM) at the end of the indicated reporting year? Provide the amount in USD.

(A) AUM of your organisation, including subsidiaries	US\$ 9,942,345,714.00
(B) AUM of subsidiaries that are PRI signatories in their own right and excluded from this submission	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	Multiple, see guidance	Multiple, see guidance	PUBLIC	Asset breakdown	GENERAL

Provide a percentage breakdown of your total assets under management at the end of your indicated reporting year.

	Percentage of AUM
(A) Listed equity – internal	0.0%
(B) Listed equity – external	0.0%
(C) Fixed income – internal	100.0%
(D) Fixed income – external	0.0%
(E) Private equity – internal	0.0%
(F) Private equity – external	0.0%
(G) Real estate – internal	0.0%
(H) Real estate – external	0.0%
(I) Infrastructure – internal	0.0%
(J) Infrastructure – external	0.0%
(K) Hedge funds – internal	0.0%
(L) Hedge funds – external	0.0%
(M) Forestry – internal	0.0%
(N) Forestry – external	0.0%
(O) Farmland – internal	0.0%

(P) Farmland – external	0.0%
(Q) Other – internal, please specify:	0.0%
(R) Other – external, please specify:	0.0%
(S) Off-balance sheet – internal	0.0%
(T) Off-balance sheet – external	0.0%

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 5.2 FI	CORE	OO 5, OO 5.1	Multiple, see guidance	PUBLIC	Asset breakdown	GENERAL

Provide a further breakdown of your fixed income assets.

(A) Internal allocation

(1) Passive – SSA	0.0%
(2) Passive – corporate	0.0%
(3) Passive – securitised	0.0%
(4) Active – SSA	100.0%
(5) Active – corporate	0.0%
(6) Active – securitised	0.0%
(7) Private debt	0.0%

ESG strategies

Fixed income

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 6 FI	CORE	OO 5.2 FI	Multiple, see guidance	PUBLIC	Fixed income	1

Which ESG incorporation strategy and/or combination of strategies do you apply to your internally managed active fixed income?

(1) Fixed income – SSA

(A) Screening alone	0.0%
(B) Thematic alone	0.0%
(C) Integration alone	0.0%
(D) Screening and integration	0.0%
(E) Thematic and integration	0.0%
(F) Screening and thematic	0.0%
(G) All three strategies combined	100.0%
(H) None	0.0%

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 6.1 FI	CORE	OO 6 FI	N/A	PUBLIC	Fixed income	1

What type of screening is applied to your internally managed active fixed income?

(1) Fixed income – SSA

(A) Positive/best-in-class screening only	0.0%
(B) Negative screening only	100.0%
(C) A combination of positive/best-in-class and negative screening	0.0%

Stewardship

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 9 FI	CORE	OO 5, OO 5.2 FI	Multiple, see guidance	PUBLIC	Fixed income	2

Does your organisation conduct stewardship activities for your fixed income assets?

(4) Active – SSA

(A) Through service providers	<input type="checkbox"/>
(C) Through internal staff	<input checked="" type="checkbox"/>
(D) Collaboratively	<input checked="" type="checkbox"/>
(E) We did not conduct this stewardship activity for this strategy/asset type	<input type="checkbox"/>

ESG incorporation

Internally managed assets

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 10	CORE	Multiple, see guidance	Multiple, see guidance	PUBLIC	Internally managed assets	1

For each internally managed asset class, select whether or not you incorporate ESG into your investment decisions.

(1) ESG incorporated into investment decisions

(2) ESG not incorporated into investment decisions

(F) Fixed income – SSA



Voluntary reporting

Voluntary modules

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 14	CORE	Multiple, see guidance	Multiple, see guidance	PUBLIC	Voluntary modules	GENERAL

The following modules are mandatory to report on as they account for 10% or more of your total AUM or are over USD 10 billion. The ISP (Investment and Stewardship Policy) module is always applicable for reporting.

(1) Yes, report on the module

ISP: Investment and Stewardship Policy



(B) Fixed income – SSA



ESG/sustainability funds and products

Labelling and marketing

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 16	CORE	Multiple, see guidance	Multiple, see guidance	PUBLIC	Labelling and marketing	GENERAL

What percentage of your assets under management in each asset class are ESG/sustainability marketed funds or products, and/or ESG/RI certified or labelled assets? Percentage figures can be rounded to the nearest 5% and should combine internally and externally managed assets.

Percentage

(D) Fixed income – active	0.0%
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Climate investments

Asset breakdown

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 17	CORE	N/A	N/A	PUBLIC	Asset breakdown	GENERAL

What percentage of your assets under management is in targeted low-carbon or climate-resilient investments?

0.0%

Other asset breakdowns

Geographical breakdown

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 18	CORE	Multiple, see guidance	N/A	PUBLIC	Geographical breakdown	GENERAL

What is the geographical breakdown of your organisation's assets under management by investment destination (i.e. where the investments are located)?

(2) Fixed income – SSA

(A) Developed	100.0%
(B) Emerging	0.0%
(C) Frontier	0.0%
(D) Other	0.0%

Fixed income constraints

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 20	CORE	OO 5.2 FI	OO 20.1	PUBLIC	Fixed income constraints	GENERAL

What percentage of your fixed income assets are subject to constraints? The constraints may be regulatory requirements, credit quality restrictions, currency constraints or similar.

Internal and external fixed income assets subject to constraints

(A) Fixed income – SSA	100.0%
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Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 20.1	CORE	OO 20	N/A	PUBLIC	Fixed income constraints	GENERAL

Describe the constraints to your fixed income assets.

Fixed income constraints

(A) Fixed income – SSA

Eligible investment universe, credit quality, interest rate risk (duration), currency hedging, leverage limits

Investment and Stewardship Policy (ISP)

Responsible investment policy & governance

Responsible investment policy

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 1	CORE	N/A	ISP 1.1, ISP 1.2	PUBLIC	Responsible investment policy	1

Does your organisation have a formal policy or policies covering your approach to responsible investment? Your approach to responsible investment may be set out in a standalone guideline, covered in multiple standalone guidelines or be part of a broader investment policy. Your policy may cover various responsible investment elements such as stewardship, ESG guidelines, sustainability outcomes, specific climate-related guidelines, RI governance and similar.

- (A) Yes, we do have a policy covering our approach to responsible investment
- (B) No, we do not have a policy covering our approach to responsible investment

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 1.1	CORE	ISP 1	Multiple, see guidance	PUBLIC	Responsible investment policy	1

What elements does your responsible investment policy cover? The responsible investment elements may be set out in one or multiple standalone guidelines, or they may be part of a broader investment policy.

- (A) Overall approach to responsible investment
- (B) Guidelines on environmental factors
- (C) Guidelines on social factors
- (D) Guidelines on governance factors
- (E) Approach to stewardship
- (F) Approach to sustainability outcomes
- (G) Approach to exclusions
- (H) Asset class-specific guidelines that describe how ESG incorporation is implemented
- (I) Definition of responsible investment and how it relates to our fiduciary duty
- (J) Definition of responsible investment and how it relates to our investment objectives
- (K) Responsible investment governance structure
- (L) Internal reporting and verification related to responsible investment
- (M) External reporting related to responsible investment
- (N) Managing conflicts of interest related to responsible investment
- (O) Other responsible investment aspects not listed here, please specify:

Approach to engagement with the broader stakeholder universe including media, academia, government, asset consultants, clients, data providers and ratings agencies.

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 1.2	PLUS	ISP 1	N/A	PUBLIC	Responsible investment policy	1

What mechanisms do you have in place to ensure that your policies are implemented in an aligned and consistent way across the organisation?

The Ardea ESG Policy is part of the overall Governance, Risk and Compliance (GRC) Framework, managed by the Ardea Compliance Manager. The Compliance Manager is responsible for the implementation and day-to-day operation of the GRC Framework, with the support of the Fidante Compliance team's resources. All staff are provided with a copy of Ardea's GRC Framework and are required to sign the GRC Framework Acknowledgement to acknowledge that they have read and will abide by the policies and procedures contained within it. As the ESG Policy forms part of this Framework the Compliance Manager is responsible for ensuring adherence with this Policy.

In terms of the development of the policy, this is primarily the responsibility of the Research team. Historically, our PMs/ investment analysts have been responsible for performing RI/ESG analysis, however, given the importance research plays in understanding ESG risks, the newly created Research Team will now take ownership of this role. The research team works with the PMs to identify trade ideas, risks and opportunities through research and the development of technology. ESG is an integral part of the trade idea generation and risk management processes.

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 2	CORE	ISP 1.1	N/A	PUBLIC	Responsible investment policy	6

Indicate which of your responsible investment policy elements are publicly available and provide links.

- (A) Overall approach to responsible investment. Add link(s):
<https://www.ardea.com.au/our-strategy/esg-policy/>
- (B) Guidelines on environmental factors. Add link(s):
<https://www.ardea.com.au/our-strategy/esg-policy/>
- (C) Guidelines on social factors. Add link(s):
<https://www.ardea.com.au/our-strategy/esg-policy/>
- (D) Guidelines on governance factors. Add link(s):
<https://www.ardea.com.au/our-strategy/esg-policy/>
- (F) Approach to sustainability outcomes. Add link(s):
<https://www.ardea.com.au/our-strategy/esg-policy/>
- (I) Definition of responsible investment and how it relates to our fiduciary duty. Add link(s):
- (J) Definition of responsible investment and how it relates to our investment objectives. Add link(s):
- (M) External reporting related to responsible investment. Add link(s):
<https://www.ardea.com.au/our-strategy/esg-policy/>
- (N) Managing conflicts of interest related to responsible investment. Add link(s):
<https://www.ardea.com.au/our-strategy/esg-policy/>
- (O) Other responsible investment aspects [as specified] Add link(s):
<https://www.ardea.com.au/our-strategy/esg-policy/>
- (P) Our responsible investment policy elements are not publicly available

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 3	CORE	ISP 1.1	N/A	PUBLIC	Responsible investment policy	1

What percentage of your total assets under management are covered by your policy elements on overall approach to responsible investment and/or guidelines on environmental, social and governance factors?

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

AUM coverage of all policy elements in total:

100.0%

Governance

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 6	CORE	N/A	ISP 8	PUBLIC	Governance	1

Do your organisation's board, chief-level staff, investment committee and/or head of department have formal oversight and accountability for responsible investment?

- (A) Board and/or trustees
- (B) Chief-level staff (e.g. Chief Executive Officer (CEO), Chief Investment Officer (CIO) or Chief Operating Officer (COO))
- (C) Investment committee
- (D) Other chief-level staff, please specify:
- (E) Head of department, please specify department:
 - Head of Research
- (F) None of the above roles have oversight and accountability for responsible investment

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 7	CORE	N/A	ISP 8	PUBLIC	Governance	1

In your organisation, which internal or external roles have responsibility for implementing responsible investment?

- (A) Board and/or trustees
- (B) Chief-level staff (e.g. Chief Executive Officer (CEO), Chief Investment Officer (CIO) or Chief Operating Officer (COO))
- (C) Investment committee
- (D) Other chief-level staff [as specified]
- (E) Head of department [as specified]
- (F) Portfolio managers
- (G) Investment analysts
- (H) Dedicated responsible investment staff
- (I) Investor relations
- (J) External managers or service providers
- (K) Other role, please specify:
- (L) Other role, please specify:
- (M) We do not have roles with responsibility for implementing responsible investment.

People and capabilities

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 8	CORE	ISP 6, ISP 7	ISP 8.1, ISP 8.2	PUBLIC	People and capabilities	General

What formal objectives for responsible investment do the roles in your organisation have?

	(1) Board and/or trustees	(2) Chief-level staff	(3) Investment committee	(5) Head of department [as specified]
(A) Objective for ESG incorporation in investment activities	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(B) Objective for contributing to the development of the organisation's ESG incorporation approach	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

(C) Objective for contributing to the organisation's stewardship activities (e.g. through sharing findings from continuous ESG research or investment decisions)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(D) Objective for ESG performance	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(E) Other objective related to responsible investment [as specified]	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
(F) Other objective related to responsible investment [as specified]	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(G) No formal objectives for responsible investment exist for this role	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	(6) Portfolio managers	(7) Investment analysts	(8) Dedicated responsible investment staff	
(A) Objective for ESG incorporation in investment activities	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
(B) Objective for contributing to the development of the organisation's ESG incorporation approach	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
(C) Objective for contributing to the organisation's stewardship activities (e.g. through sharing findings from continuous ESG research or investment decisions)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
(D) Objective for ESG performance	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
(E) Other objective related to responsible investment [as specified]	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

(F) Other objective related to responsible investment [as specified]

(G) No formal objectives for responsible investment exist for this role

Please specify for "(E) Other objective related to responsible investment".

The research team is responsible for the development and implementation of the Engagement policy. The CIOs and PMs are also responsible for implementing aspects of the Engagement policy (particularly engaging with issuers)

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 8.1	PLUS	ISP 8	N/A	PUBLIC	People and capabilities	General

Describe the key responsible investment performance indicators (KPIs) or benchmarks that your organisation uses to compare and assess the performance of your professionals in relation to their responsible investment objectives.

With respect to engagement our responsible investment objectives are to:

- Our clients to understand what their expectations are
- 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. Indeed, we are partnering with the UTS on joint research projects to fill this void.
- 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
- Policy makers and regulators, whose interests are often aligned with ESG-aware investors due to taking a longer-term focus than private financial market participants
- 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.

As part of our commitment to the PRI we seek to be active owners . Ardea’s active ownership and engagement goals include:

- To help sovereigns better understand the increasing ESG demands of investors

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

We have mandatory engagement activities which include:

- discussing ESG considerations as part of a client’s periodic portfolio review
- discussing ESG in some form at all meetings with issuers

We report on these engagement activities in our engagement log and this forms the basis of the assessment of performance.

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 8.2	CORE	ISP 8	N/A	PUBLIC	People and capabilities	General

Which responsible investment objectives are linked to variable compensation for roles in your organisation?

RI objectives linked to variable compensation for roles in your organisation:

(1) Board and/or trustees

(A) Objective for ESG incorporation in investment activities



(2) Chief-level staff (e.g. Chief Executive Officer (CEO), Chief Investment Officer (CIO) or Chief Operating Officer (COO))

(A) Objective for ESG incorporation in investment activities

(B) Objective for contributing to the development of the organisation's ESG incorporation approach

(C) Objective for contributing to the organisation's stewardship activities (e.g. through sharing findings from continuous ESG research or investment decisions)

(D) Objective for ESG performance

(3) Investment committee

(A) Objective for ESG incorporation in investment activities

(B) Objective for contributing to the development of the organisation's ESG incorporation approach

(C) Objective for contributing to the organisation's stewardship activities (e.g. through sharing findings from continuous ESG research or investment decisions)

(D) Objective for ESG performance

(5) Head of department

(A) Objective for ESG incorporation in investment activities

(B) Objective for contributing to the development of the organisation's ESG incorporation approach

(C) Objective for contributing to the organisation's stewardship activities (e.g. through sharing findings from continuous ESG research or investment decisions)

(D) Objective for ESG performance

(E) Other objective related to responsible investment (as specified in ISP 8 option E)

(6) Portfolio managers

(A) Objective on ESG incorporation in investment activities	<input checked="" type="checkbox"/>
(B) Objective for contributing to the development of the organisation's ESG incorporation approach	<input checked="" type="checkbox"/>
(C) Objective for contributing to the organisation's stewardship activities (e.g. through sharing findings from continuous ESG research or investment decisions)	<input checked="" type="checkbox"/>
(D) Objective for ESG performance	<input checked="" type="checkbox"/>
(E) Other objective related to responsible investment (as specified in ISP 8 option E)	<input type="checkbox"/>

(7) Investment analysts

(A) Objective for ESG incorporation in investment activities	<input type="checkbox"/>
(B) Objective for contributing to the development of the organisation's ESG incorporation approach	<input checked="" type="checkbox"/>
(C) Objective for contributing to the organisation's stewardship activities (e.g. through sharing findings from continuous ESG research or investment decisions)	<input checked="" type="checkbox"/>
(D) Objective for ESG performance	<input checked="" type="checkbox"/>

(8) Dedicated responsible investment staff

(A) Objective for ESG incorporation in investment activities	<input type="checkbox"/>
(B) Objective for contributing to the development of the organisation's ESG incorporation approach	<input checked="" type="checkbox"/>
(C) Objective for contributing to the organisation's stewardship activities (e.g. through sharing findings from continuous ESG research or investment decisions)	<input checked="" type="checkbox"/>
(D) Objective for ESG performance	<input type="checkbox"/>

(G) We have not linked any RI objectives to variable compensation

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 9	CORE	N/A	N/A	PUBLIC	People and capabilities	General

How frequently does your organisation assess the responsible investment capabilities and training needs among your investment professionals?

- (A) Quarterly or more frequently
- (B) **Bi-annually**
- (C) Annually
- (D) Less frequently than annually
- (E) On an ad hoc basis
- (F) We do not have a process for assessing the responsible investment capabilities and training needs among our investment professionals

Strategic asset allocation

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 10	CORE	N/A	ISP 10.1	PUBLIC	Strategic asset allocation	1

Does your organisation incorporate ESG factors into your strategic asset allocation?

- (A) We incorporate ESG factors into calculations for expected risks and returns of asset classes
- (B) We specifically incorporate physical, transition and regulatory changes related to climate change into calculations for expected risks and returns of asset classes
- (C) No, we do not incorporate ESG considerations into our strategic asset allocation
- (D) **Not applicable, we do not have a strategic asset allocation process**

Climate change

Public support

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 26	CORE	N/A	N/A	PUBLIC	Public support	General

Does your organisation publicly support the Paris Agreement?

(A) Yes, we publicly support the Paris Agreement Add link(s) to webpage or other public document/text expressing support for the Paris Agreement:

<https://www.ardea.com.au/our-strategy/esg-policy/>

(B) No, we currently do not publicly support the Paris Agreement

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 27	CORE	N/A	N/A	PUBLIC	Public support	General

Does your organisation publicly support the Task Force on Climate-Related Financial Disclosures (TCFD)?

(A) Yes, we publicly support the TCFD Add link(s) to webpage or other public document/text expressing support for the TCFD:

<https://www.ardea.com.au/our-strategy/esg-policy/>

(B) No, we currently do not publicly support the TCFD

Governance

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 28	CORE	N/A	N/A	PUBLIC	Governance	General

How does the board or the equivalent function exercise oversight over climate-related risks and opportunities?

(A) By establishing internal processes through which the board or the equivalent function are informed about climate-related risks and opportunities. Specify:

(B) By articulating internal/external roles and responsibilities related to climate. Specify:

(C) **By engaging with beneficiaries to understand how their preferences are evolving with regard to climate change. Specify:**

We periodically (at least annually) consult with clients to confirm our understanding of their investment objectives and the role that we play as part of their broader portfolio as part of our portfolio monitoring initiative.

The portfolio monitoring database systematically documents key parameters for every portfolio and makes this information easily accessible to everyone in the firm. This information is used by the investment team to ensure portfolios are constructed and managed appropriately and by the broader team to understand our obligations with regards to other stewardship considerations such as engagement and reporting on emissions.

Currently our communications as part of this process have focused more on gathering client's investment expectations and communicating investment outcomes to clients.

Our portfolio monitoring database includes the following investment questions for our client:

- reporting on climate change exposure for the relative value strategy in general and for their portfolio specifically
- emissions exposure specific to their portfolio
- engagement activities (e.g. issuers, academia, media, collaborations)
- changes to our integration policy

(D) **By incorporating climate change into investment beliefs and policies. Specify:**

There is very little in the academic literature regarding climate change risks may impact the government bond market, nor has the industry seen this as a risk worthy of research. These factors together suggest that it is highly likely that financial markets will fail to adequately incorporate the likelihood and magnitude of ESG risks into investment decisions. Therefore, we have been working on a research project in conjunction with UTS which has helped us to identify how climate change risks are being priced by the government bond market. The research identified how climate change has impacted yields historically. Government bond yields are modelled as a function of control variables such as real GDP, inflation, the debt to GDP ratio and quality. We also model climate change vulnerability and resilience and we find both vulnerability and resilience are significant factors in determining yields. This research is informing our integration and engagement policies.

(E) By monitoring progress on climate-related metrics and targets. Specify:

(F) By defining the link between fiduciary duty and climate risks and opportunities. Specify:

(G) **Other measures to exercise oversight, please specify:**

By publishing research into the effects of climate risk on government bond yields, our expectation is that over time this will raise awareness and drive discussion of these risks, providing a form of oversight to the broader government fixed income sector and across a wider set of participants.

(H) The board or the equivalent function does not exercise oversight over climate-related risks and opportunities

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 29	CORE	N/A	N/A	PUBLIC	Governance	General

What is the role of management in assessing and managing climate-related risks and opportunities?

(A) Management is responsible for identifying climate-related risks/opportunities and reporting them back to the board or the equivalent function. Specify:

As part of our research process, management undertake a process of identifying climate related risks and publishing their findings. Published findings are reported to the board and management.

(B) Management implements the agreed-upon risk management measures. Specify:

(C) Management monitors and reports on climate-related risks and opportunities. Specify:

Monitoring and reporting of climate-related risks and opportunities occurs as part of our research process. The process of undertaking publically-available research on the impact of climate-related risk factors on government bond yields involves monitoring and reporting of climate-related risks and opportunities.

(D) Management ensures adequate resources, including staff, training and budget, are available to assess, implement and monitor climate-related risks/opportunities and measures. Specify:

The COO and CEO are responsible for ensuring the research team are adequately resourced to properly implement and evolve the way climate risks and opportunities are accounted for. However, it is the Research team who holds ultimate responsibility for the identification of opportunities and risks associated with climate change. The research team is integrated with the portfolio management team. The research team is responsible for building tools and technology and undertaking research to assist the portfolio managers with the identification of risks and opportunities.

(E) Other roles management takes on to assess and manage climate-related risks/opportunities, please specify:

(F) Our management does not have responsibility for assessing and managing climate-related risks and opportunities

Strategy

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 30	CORE	N/A	Multiple, see guidance	PUBLIC	Strategy	General

Which climate-related risks and opportunities has your organisation identified within its investment time horizon(s)?

(A) Specific financial risks in different asset classes. Specify:

Our research process for climate-related risks includes a broad range of issues affecting sovereign government bonds as well as green bond issuance. Our work supporting clients in the insurance industry also spans all asset classes and incorporates climate-related risk factors.

(B) Specific sectors and/or assets that are at risk of being stranded. Specify:

(C) Assets with exposure to direct physical climate risk. Specify:

Government bonds include direct physical climate risk due to the reliance of governments on revenue streams that are directly exposed to physical climate risk, as well as the wider policy exposure that governments have with respect to policies to mitigate risks from physical climate risk, as well as substantial costs of dealing with the immediate and long-term impacts of physical climate risk on communities.

(D) Assets with exposure to indirect physical climate risk. Specify:

Government bonds also include exposure to a wide range of indirect physical climate risks. These include the second-round impacts of physical climate risk on economic output and economic activity, which greatly alter the policy options available to government and by extension their fiscal strength.

(E) Specific sectors and/or assets that are likely to benefit under a range of climate scenarios. Specify:

Our research into climate risks for government bonds comes with policy recommendations that involve issuance in specific programs such as green bonds that are likely to counter to some extent the elevated funding costs of worsening climate scenarios.

(F) Specific sectors and/or assets that contribute significantly to achieving our climate goals. Specify:

(G) Other climate-related risks and opportunities identified. Specify:

We have studied whether the impact of climate change transition risk, as measured by carbon dioxide emissions, natural resources rents and renewable energy consumption, are factored into sovereign bond yield spreads. Higher transition risk results in higher default risk and hence, higher costs of debt in international capital markets. We hypothesise that that countries with higher carbon emissions and natural resources rents will incur a risk premium on sovereign borrowing costs. Moreover, countries with higher renewable energy consumption relative to total consumption will be rewarded with a discount on sovereign borrowing cost. Using a sample of data from 23 developed and 21 emerging markets from 2000-2018, we show that governments who 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.

While ESG considerations do present risks, they also present opportunities. Over the last few years, there has been significant growth in global green bond issuance volumes. The market has risen to be over US \$1tn of outstanding debt. In 2020 over \$200bn of green bonds have been issued globally, one of the largest on record. Europe has committed to fund around 30% of its COVID joint fiscal response with green bonds, amounting to around €225bn (source: Commonwealth Bank Research and the Climate Bonds Initiative). Supranational and regional issuers have been more active than individual sovereign issuers. However, this trend could be shifting. For instance, the German federal government issued its first green bond alongside its regular funding program in August 2020.

There is significant variation in issuance volumes across the world. Australia, for example, has not yet issued a green bond at the federal level. But global SSA issuers have been active in AUD and the Australian semi-government issuers have provided more than one third of the total supply of AUD green bonds in 2019. QTC, for example, is now a “programmatic issuer” of Climate Bonds Initiative-certified green bonds. The state was recognised by the Climate Bonds Initiative for the largest Subnational Green Bond Deal of 2019, with the issue of a \$1.7bn green bond in 2019. QTC and NSWTC have issued green bonds in 2020.

Semi government issuers proactive stance on green bond issuance is unlikely to be impacting the performance of its bonds, in-and-of-itself. However, ESG bonds attract a more diverse investor base and support the funding of historically large issuance programs. The use of ESG funding programs could support the performance of semi-government issuers over the long run.

Periodic variations in investor interest in green bonds relative to the size of the green issues (and underlying pool of eligible assets) could impact relative value on semi curves in the future, so investor and issuer activity in this space needs to be monitored.

(H) We have not identified specific climate-related risks and opportunities within our organisation's investment time horizon

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 30.1	CORE	ISP 30	N/A	PUBLIC	Strategy	General

For each of the identified climate-related risks and opportunities, indicate within which investment time-horizon they were identified.

	(1) 3–5 months	(2) 6 months to 2 years	(3) 2–4 years	(4) 5–10 years
(A) Specific financial risks in different asset classes [as specified]	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(C) Assets with exposure to direct physical climate risk [as specified]	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(D) Assets with exposure to indirect physical climate risk [as specified]	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(E) Specific sectors and/or assets that are likely to benefit under a range of climate scenarios [as specified]	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(G) Other climate-related risks and opportunities identified [as specified]	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
	(5) 11–20 years	(6) 21–30 years	(7) >30 years	
(A) Specific financial risks in different asset classes [as specified]	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
(C) Assets with exposure to direct physical climate risk [as specified]	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
(D) Assets with exposure to indirect physical climate risk [as specified]	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
(E) Specific sectors and/or assets that are likely to benefit under a range of climate scenarios [as specified]	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
(G) Other climate-related risks and opportunities identified [as specified]	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 31	CORE	N/A	N/A	PUBLIC	Strategy	General

Which climate-related risks and opportunities has your organisation identified beyond its investment time horizon(s)?

(A) **Specific financial risks in different asset classes. Specify:**

Climate related risks and opportunities are typically well beyond the investment horizon for most investors in government bonds. This relates to the risk profile inherent within government fixed income instruments as an asset class, but also to the much broader risk profile that the government as the issuer is exposed to. These include the risk of remediation or assistance for entire economic sectors, and the need for long-term and emergency assistance for sectors of the community affected specifically by climate risk. All these risks weigh upon the government's own financial risk profile.

(B) Specific sectors and/or assets that are at risk of being stranded. Specify:

(C) **Assets with exposure to direct physical climate risk. Specify:**

Assets with direct physical climate risk that create an exposure for government fixed income that lies outside the investment horizon include government's reliance on taxation revenue streams from key sectors with direct exposure to physical climate risk. These include agriculture, tourism, and the cost of financial support for sectors affected, including the cost of support for direct financial assistance to households also impacted by physical climate risk.

(D) **Assets with exposure to indirect physical climate risk. Specify:**

Assets with exposure to indirect climate risk in relation to government bonds, where the investment horizon extends beyond the horizon of most investors in the sector, include the substantial risk profile carried by government issuers with respect to reliance of unrelated sectors of the economy on other sectors that do have direct physical climate risk. For example, sectors with high carbon emissions may require transition and/or remediation, and without this support other unrelated industries such as healthcare and education may be adversely impacted.

(E) **Specific sectors and/or assets that are likely to benefit under a range of climate scenarios. Specify:**

Green bonds are a specific sector and asset class that is likely to benefit under a range of climate scenarios.

(F) Specific sectors and/or assets that contribute significantly to achieving our climate goals. Specify:

(G) **Other climate-related risks and opportunities identified, please specify:**

We have multiple investment horizons. The horizon over which an investor should expect to see the return and risk target achieved is 2 years. But the horizon over which trade PNL materialises ranges from the very short term to very long term. Further, from a stewardship perspective, for our business to remain sustainable we must consider an investment horizon long term in nature (i.e. 30 years).

The risks we have identified as part of our research apply to all horizons. We do however believe that the risks and opportunities will materially increase over time as the market starts to realise the very material impact climate change will have on economies and therefore the price of debt and credit ratings. So, while our research shows that these risks are being somewhat priced in currently, we expect these risks to become even more significant over even short horizons.

(H) We have not identified specific climate-related risks and opportunities beyond our organisation's investment time horizon

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 32	PLUS	N/A	N/A	PUBLIC	Strategy	General

Describe the impact of climate-related risks and opportunities on your organization's investment strategy, products (where relevant) and financial planning.

Our Integration policy revolves around the development of a “White List” of issuers from which our Portfolio Managers are free to trade from. The Whitelist contains a list of issuers who have not been flagged as ESG risks according to our internal ranking system. The ranking system is a function of the ESG scores from a third party provider and risk factors that we have determined to be significant as a result of the academic research we have done in conjunction with UTS.

Given the nature of our portfolios and specifically our focus on a pure relative value investing style, the integration of ESG factors as a material source of risk or value-add is not as clear cut as it would be for corporate-only investment styles, or for fundamentally-driven investors. Traditional bond portfolio construction methods harvest yield via exposure to default, interest rate and liquidity risk. In contrast, our strategy seeks out exposure to mis pricing between securities which are exposed to the same risks. This mispricing is driven by demand and supply dynamics in interest rate markets and is independent of the premiums associated with interest rates, credit and liquidity risk. ESG risks, and how the market prices these risks via the premiums attached to duration exposure, default and illiquidity factors is therefore likely to operate independently of our strategy. ESG factors are likely to play out over both long and indeed short horizons as risks come to the fore and are realised in market pricing, but this process can coexist with relative value investment styles. Other strategies such as long-term buy and hold strategies are more likely to be in direct opposition to ESG integration and ESG risk factors.

Strategy: Scenario analysis

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 33	CORE	N/A	ISP 33.1	PUBLIC	Strategy: Scenario analysis	General

Does your organisation use scenario analysis to assess climate-related investment risks and opportunities? Select the range of scenarios used.

- (A) An orderly transition to a 2°C or lower scenario
- (B) An abrupt transition consistent with the Inevitable Policy Response
- (C) A failure to transition, based on a 4°C or higher scenario
- (D) **Other climate scenario, specify:**

We shock the risk factors that we have found to be significant in driving sovereign bond yields to understand how various changes to transition risks (as measured by natural resource rents, emissions and renewable energy consumption) will impact sovereign bond yields. For the advanced country group, a 1% increase in carbon dioxide emissions is associated with a 0.05% increase in sovereign yield spread, on average. In a similar direction, a 1% increase in rents from natural resources is associated with a 0.146% increase in sovereign yield spread, on average. Renewable energy consumption has the opposite effect, with a 1% increase associated with an average 0.071% decrease in sovereign yield spread. For developing countries, higher carbon dioxide emissions are linked to a 0.142% increase in sovereign bond yield spread. Though neither natural resources rents nor renewable energy consumption appears to have a significant effect on yield spread. For developing markets it appears that investors may consider other factors to be of more importance (for example political risk and its relationship to short term GDP growth)

(E) We do not use scenario analysis to assess climate-related investment risks and opportunities

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 33.1	PLUS	ISP 33	N/A	PUBLIC	Strategy: Scenario analysis	General

Describe how climate scenario analysis is used to test the resilience of your organisation's investment strategy and inform investments in specific asset classes.

(D) **Other climate scenario**

In modelling the way sovereign bond yields move as a result of changes to reliance on natural resource rents, the degree of emissions and the percentage of renewable energy consumption we are able to go some way to understanding how climate change risks will impact our relative value strategy in the future.

Ardea adopts an alternative approach to fixed income investing that generates returns from 'relative value' (RV) strategies. This approach delivers reliable risk-adjusted returns that are independent of market direction and exhibit low correlation to broader fixed income and equity markets. RV mispricing is caused by market inefficiency and occurs when comparable securities that are closely related and have similar risk characteristics, are priced differently. Fixed income market inefficiency has proven to be persistent over time and across market cycles because the underlying drivers are structural in nature. This persistence makes market inefficiency a reliable source of returns around which a repeatable investment process can be built to capture a vast and diverse range of RV mispricing opportunities.

True RV strategies need the right risk management tools and strategies to isolate the mispricing being targeted from broader market movements in order to generate reliable returns. Doing this properly requires experience and expertise in using a wide range of derivative instruments and strategies, including during periods of extreme market stress.

Our portfolios are constructed to achieve risk diversification by combining many modestly sized and diverse RV trades, so that no single trade becomes a dominant driver of overall portfolio risk. These RV trades start with specific bonds (or other fixed income securities) that are mispriced relative to comparable securities, and then paired with risk management strategies to isolate that relative mispricing from interest rate movements and strip out other unwanted market risks.

By properly understanding the determinants of yields, we are then better able to identify where mispricing between securities may be occurring.

Additionally, our portfolios include 'risk-off' strategies, which are explicitly designed to profit during periods of market stress and therefore provide protection against market volatility and downside tail risks. This is an important aspect of portfolio construction that is always present, irrespective of the prevailing market environment. If we can understand the drivers of volatility (i.e. the drivers of yield changes) then we can better understand when volatility may be considered "cheap" or "dear" - this is clearly important for understanding when to buy volatility protection.

Risk management

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 34	PLUS	ISP 30	N/A	PUBLIC	Risk management	General

Which risk management processes do you have in place to identify and assess climate-related risks?

(A) Internal carbon pricing. Describe:

(B) Hot spot analysis. Describe:

(C) **Sensitivity analysis. Describe:**

We shock the risk factors that we have found to be significant in driving sovereign bond yields to understand how various changes to transition risks (as measured by natural resource rents, emissions and renewable energy consumption) will impact sovereign bond yields. For the advanced country group, a 1% increase in carbon dioxide emissions is associated with a 0.05% increase in sovereign yield spread, on average. In a similar direction, a 1% increase in rents from natural resources is associated with a 0.146% increase in sovereign yield spread, on average. Renewable energy consumption has the opposite effect, with a 1% increase associated with an average 0.071% decrease in sovereign yield spread. For developing countries, higher carbon dioxide emissions are linked to a 0.142% increase in sovereign bond yield spread. Though neither natural resources rents nor renewable energy consumption appears to have a significant effect on yield spread. For developing markets it appears that investors may consider other factors to be of more importance (for example political risk and its relationship to short term GDP growth)

(D) TCFD reporting requirements on external investment managers where we have externally managed assets. Describe:

(E) TCFD reporting requirements on companies. Describe:

(F) Other risk management processes in place, please describe:

(G) We do not have any risk management processes in place to identify and assess climate-related risks

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 35	PLUS	Multiple, see guidance	N/A	PUBLIC	Risk management	General

In which investment processes do you track and manage climate-related risks?

(A) In our engagements with investee entities, and/or in engagements conducted on our behalf by service providers and/or external managers. Describe:

(E) In the asset class benchmark selection process. Describe:

(F) **In our financial analysis process. Describe:**

We have studied whether the impact of climate change transition risk, as measured by carbon dioxide emissions, natural resources rents and renewable energy consumption, are factored into sovereign bond yield spreads. Higher transition risk results in higher default risk and hence, higher costs of debt in international capital markets. We hypothesise that that countries with higher carbon emissions and natural resources rents will incur a risk premium on sovereign borrowing costs. Moreover, countries with higher renewable energy consumption relative to total consumption will be rewarded with a discount on sovereign borrowing cost. Using a sample of data from 23 developed and 21 emerging markets from 2000-2018, we show that governments who 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.

(G) Other investment process(es). Describe:

(H) We are not tracking and managing climate-related risks in specific investment processes

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 36	PLUS	N/A	N/A	PUBLIC	Risk management	General

How are the processes for identifying, assessing and managing climate-related risks incorporated into your organisation's overall risk management?

(A) The risk committee or the equivalent function is formally responsible for identifying, assessing and managing climate risks. Describe:

(B) Climate risks are incorporated into traditional risks (e.g. credit risk, market risk, liquidity risk or operational risk). Describe:

(C) **Climate risks are prioritised based on their relative materiality, as defined by our organisation's materiality analysis.** Describe:

Our Integration policy revolves around the development of a “White List” of issuers from which our Portfolio Managers are free to trade from. The Whitelist contains a list of issuers who have not been flagged as ESG risks according to our internal ranking system. The ranking system is a function of the ESG scores from a third party provider and risk factors that we have determined to be significant as a result of the academic research we have done in conjunction with UTS.

Please see previous responses for explanation of the research we have undertaken to identify which climate risks drive bond markets.

(D) Executive remuneration is linked to climate-related KPIs. Describe:

(E) Management remuneration is linked to climate-related KPIs. Describe:

(F) Climate risks are included in the enterprise risk management system. Describe:

(G) Other methods for incorporating climate risks into overall risk management, please describe:

(H) Processes for identifying, assessing and managing climate-related risks are not integrated into our overall risk management

Metrics and targets

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 37	PLUS	N/A	ISP 37.1	PUBLIC	Metrics and targets	General

Have you set any organisation-wide targets on climate change?

(A) Reducing carbon intensity of portfolios

(B) Reducing exposure to assets with significant climate transition risks

(C) Investing in low-carbon, energy-efficient climate adaptation opportunities in different asset classes

(D) Aligning entire group-wide portfolio with net zero

(E) Other target, please specify:

(F) **No, we have not set any climate-related targets**

Metrics and targets: Transition risk

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 38	PLUS	N/A	ISP 38.1	PUBLIC	Metrics and targets: Transition risk	General

What climate-related metric(s) has your organisation identified for transition risk monitoring and management?

- (A) Total carbon emissions
- (B) Carbon footprint
- (C) Carbon intensity
- (D) Weighted average carbon intensity
- (E) Implied temperature warming
- (F) Percentage of assets aligned with the EU Taxonomy (or similar taxonomy)
- (G) Avoided emissions metrics (real assets)
- (H) Other metrics, please specify:

Carbon dioxide emissions, natural resources rents, renewable energy consumption (identified as significant via our proprietary research. We also look at resilience and vulnerability scores (as measured by the NDGAIN Index). Resilience and vulnerability scores were found to be significant by the IMF in their paper <https://www.imf.org/en/Publications/WP/Issues/2020/06/05/This-Changes-Everything-Climate-Shocks-and-Sovereign-Bonds-49476>

- (I) No, we have not identified any climate-related metrics for transition risk monitoring

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 38.1	PLUS	ISP 38	N/A	PUBLIC	Metrics and targets: Transition risk	General

Provide details about the metric(s) you have identified for transition risk monitoring and management.

	(1) Coverage of AUM	(2) Purpose
(A) Total carbon emissions	(2) for the majority of our assets	To identify candidates for our whitelist
(H) Other metrics [as specified]	(2) for the majority of our assets	o identify candidates for our whitelist
	(3) Metric unit	(4) Methodology

(A) Total carbon emissions

per capital, emissions kilograms per GDP

Based on European Commission report & extracted from the World Bank database and calculated as CO2 emissions kilograms per purchasing power parity (PPP) of 2017 GDP

(H) Other metrics [as specified]

rents relative to GDP & percentage of renewable energy consumption relative to total energy consumption

sum of oil rents, natural gas rents, coal rents (hard and soft), mineral rents and forest rents relative to GDP (World-Bank, 2019). & Our World In Data's "substitution method" whereby the total energy consumption is normalised in exajoules (EJ) to take account for inefficiencies in fossil fuel production.¹²The original data is extracted from the BP World Energy Statistics database

Metrics and targets: Physical risk

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 39	PLUS	N/A	ISP 39.1	PUBLIC	Metrics and targets: Physical risk	General

What climate-related metric(s) has your organisation identified for physical risk monitoring and management?

- (A) Weather-related operational losses for real assets or the insurance business unit
- (B) Proportion of our property, infrastructure or other alternative asset portfolios in an area subject to flooding, heat stress or water stress
- (C) Other metrics, please specify:
 - We use the ND Gain Index which determines resilience and vulnerability indices
- (D) Other metrics, please specify:
- (E) We have not identified any metrics for physical risk monitoring

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 39.1	PLUS	ISP 39	N/A	PUBLIC	Metrics and targets: Physical risk	General

Provide details about the metric(s) you have identified for physical risk monitoring and management.

(1) Coverage of AUM		(2) Purpose
(C) Other metrics [as specified]	(2) for the majority of our assets	To identify candidates for our whitelist (i.e. screening)
(3) Metric unit		(4) Methodology
(C) Other metrics [as specified]	Multiple	https://gain.nd.edu/our-work/country-index/

Sustainability outcomes

Set policies on sustainability outcomes

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 40	CORE	ISP 1.1	N/A	PUBLIC	Set policies on sustainability outcomes	1, 2

Where is your approach to sustainability outcomes set out? Your policy/guideline may be a standalone document or part of a wider responsible investment policy.

- (A) Our approach to sustainability outcomes is set out in our responsible investment policy
- (B) Our approach to sustainability outcomes is set out in our exclusion policy
- (C) Our approach to sustainability outcomes is set out in our stewardship policy
- (D) Our approach to sustainability outcomes is set out in asset class-specific investment guidelines
- (E) Our approach to sustainability outcomes is set out in separate guidelines on specific outcomes (e.g. the SDGs, climate or human rights)

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 41	CORE	ISP 1.1	N/A	PUBLIC	Set policies on sustainability outcomes	1, 2

Which global or regionally recognised frameworks do your policies and guidelines on sustainability outcomes refer to?

- (A) The SDG goals and targets
- (B) **The Paris Agreement**
- (C) The UN Guiding Principles on Business and Human Rights
- (D) The OECD Guidelines for Multinational Enterprises, including guidance on Responsible Business Conduct for Institutional Investors
- (E) **Other frameworks, please specify:**
 Other frameworks include: - Task Force on Climate Related Financial Disclosures (TCFD) - Global Investor Statement to Governments on Climate Change
- (F) Other frameworks, please specify:

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 42	PLUS	ISP 1.1	N/A	PUBLIC	Set policies on sustainability outcomes	1, 2

What are the main reasons that your organisation has established policies or guidelines on sustainability outcomes? Select a maximum of three options.

- (A) **Because we understand which potential financial risks and opportunities are likely to exist in (and during the transition to) an SDG-aligned world**
- (B) Because we see it as a way to identify opportunities, such as through changes to business models, across supply chains and through new and expanded products and services
- (C) Because we want to prepare for and respond to legal and regulatory developments, including those that may lead to stranded assets
- (D) **Because we want to protect our reputation and licence-to-operate (i.e. the trust of beneficiaries, clients and other stakeholders), particularly in the event of negative sustainability outcomes from investments**
- (E) Because we want to meet institutional commitments on global goals (including those based on client or beneficiaries' preferences), and communicate on progress towards meeting those objectives
- (F) **Because we consider materiality over longer time horizons to include transition risks, tail risks, financial system risks and similar**
- (G) Because we want to minimise negative sustainability outcomes and increase positive sustainability outcomes of investments

Identify sustainability outcomes

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 43	CORE	N/A	Multiple, see guidance	PUBLIC	Identify sustainability outcomes	1

Has your organisation identified the intended and unintended sustainability outcomes from any of its activities?

- (A) No, we have not identified the sustainability outcomes from our activities
- (B) Yes, we have identified one or more sustainability outcomes from some or all of our activities

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 44	CORE	ISP 43	ISP 44.1	PUBLIC	Identify sustainability outcomes	1

What frameworks/tools did your organisation use to identify the sustainability outcomes from its activities? Indicate the tools or frameworks you have used to identify and map some or all of your sustainability outcomes.

- (A) The UN Sustainable Development Goals (SDGs) and targets
- (B) The Paris Agreement
- (C) The UN Guiding Principles on Business and Human Rights (UNGPs)
- (D) The OECD Guidelines for Multinational Enterprises, including guidance on Responsible Business Conduct for Institutional Investors
- (E) The EU Taxonomy
- (F) Other taxonomies (e.g. similar to the EU Taxonomy), please specify:
- (G) Other framework/tool, please specify:
- (H) Other framework/tool, please specify:
- (I) Other framework/tool, please specify:

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 44.1	CORE	ISP 44	N/A	PUBLIC	Identify sustainability outcomes	1

At what level(s) did your organisation identify the sustainability outcomes from its activities?

- (A) At the asset level
- (B) At the economic activity level
- (C) At the company level
- (D) At the sector level
- (E) At the country/region level
- (F) At the global level
- (G) Other level(s), please specify:
- (H) We do not track at what level(s) our sustainability outcomes were identified

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 45	CORE	ISP 43	SO 1	PUBLIC	Identify sustainability outcomes	1

How has your organisation determined your most important sustainability outcome objectives?

- (A) Identifying sustainability outcomes that are closely linked to our core investment activities
- (B) Consulting with key clients and/or beneficiaries to align with their priorities
- (C) Assessing the potential severity (e.g. probability and amplitude) of specific negative outcomes over different timeframes
- (D) Focusing on the potential for systemic impacts (e.g. due to high level of interconnectedness with other global challenges)
- (E) Evaluating the potential for certain outcome objectives to act as a catalyst/enabler to achieve a broad range of goals (e.g. gender or education)
- (F) Analysing the input from different stakeholders (e.g. affected communities, civil society or similar)
- (G) Understanding the geographical relevance of specific sustainability outcome objectives
- (H) Other method, please 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.

- (I) We have not yet determined our most important sustainability outcome objectives

Transparency & Confidence-Building Measures

Information disclosed – All assets

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 49	CORE	N/A	N/A	PUBLIC	Information disclosed – All assets	6

For the majority of your total assets under management, what information about your ESG approach do you (or the external managers/service providers acting on your behalf) include in material shared with clients, beneficiaries and/or the public? The material may be marketing material, information targeted towards existing or prospective clients or information for beneficiaries.

- (A) A commitment to responsible investment (e.g. that we are a PRI signatory)
- (B) Industry-specific and asset class-specific standards that we align with (e.g. TCFD, or GRESB for property and infrastructure)
- (C) Our responsible investment policy (at minimum a summary of our high-level approach)
- (D) A description of our investment process and how ESG is considered
- (E) ESG objectives of individual funds
- (F) Information about the ESG benchmark(s) that we use to measure fund performance
- (G) Our stewardship approach
- (H) A description of the ESG criteria applied (e.g. sectors, products, activities, ratings and similar)
- (I) The thresholds for the ESG criteria applied in our investment decisions or universe construction
- (J) A list of our main investments and holdings
- (K) ESG case study/example from existing fund(s)
- (L) We do not include our approach to ESG in material shared with clients/beneficiaries/the public for the majority of our assets under management

Client reporting – All assets

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 50	CORE	Multiple, see guidance	N/A	PUBLIC	Client reporting – All assets	6

What ESG information is included in your client reporting for the majority of your assets under management?

- (A) Qualitative ESG analysis, descriptive examples or case studies
- (B) Quantitative analysis or key performance indicators (KPIs) related to ESG performance
- (C) Progress on our sustainability outcome objectives
- (D) Stewardship results
- (E) Information on ESG incidents where applicable
- (F) Analysis of ESG contribution to portfolio financial performance
- (G) We do not include ESG information in client reporting for the majority of our assets under management

Frequency of client reporting – All assets

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 51	CORE	Multiple, see guidance	N/A	PUBLIC	Frequency of client reporting – All assets	6

For the majority of each asset class, how frequently do you report ESG-related information to your clients?

(B) Fixed income

(1) Quarterly

Confidence-building measures

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 52	CORE	OO 16.1	Multiple, see guidance	PUBLIC	Confidence-building measures	6

What verification has your organisation had regarding the information you have provided in your PRI Transparency Report this year?

- (A) We received third-party independent assurance of selected processes and/or data related to our responsible investment processes, which resulted in a formal assurance conclusion
- (B) We conducted a third-party readiness review and are making changes to our internal controls/governance or processes to be able to conduct an external assurance next year
- (C) The internal audit function team performed an independent audit of selected processes/and or data related to our responsible investment processes reported in this PRI report
- (D) **Our board, CEO, other C-level equivalent and/or investment committee has signed off on our PRI report**
- (F) We conducted an external ESG audit of our ESG/sustainability marketed funds or products (excluding ESG/RI certified or labelled assets)
- (G) We conducted an external ESG audit of our holdings to check that our funds comply with our RI policy (e.g. exclusion list or investee companies in portfolio above certain ESG rating)
- (H) We conducted an external ESG audit of our holdings as part of risk management, engagement identification or investment decision-making
- (I) **Responses related to our RI practices documented in this report have been internally reviewed before submission to the PRI**
- (J) None of the above

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 58	CORE	ISP 52	N/A	PUBLIC	Confidence-building measures	6

Who has reviewed/verified the entirety of or selected data from your PRI report?

(A) Board and/or trustees	(1) the entire report
(B) Chief-level staff (e.g. Chief Executive Officer (CEO), Chief Investment Officer (CIO) or Chief Operating Officer (COO))	(1) the entire report
(C) Investment committee	(4) report not reviewed

(D) Other chief-level staff, please specify:	NA	(4) report not reviewed
(E) Head of department, please specify:	Head of research	(1) the entire report
(F) Compliance/risk management team		(1) the entire report
(G) Legal team		(4) report not reviewed
(H) RI/ ESG team		(1) the entire report
(I) Investment teams		(1) the entire report

Fixed Income (FI)

Pre-investment phase

Materiality analysis

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 1	CORE	OO 10	FI 1.1	PUBLIC	Materiality analysis	1

Does your organisation have a formal investment process to identify material ESG factors for its fixed income assets?

(1) SSA

(A) Yes, we have a formal process to identify material ESG factors for all of our assets	<input checked="" type="radio"/>
(B) Yes, we have a formal process to identify material ESG factors for the majority of our assets	<input type="radio"/>

(C) Yes, we have a formal process to identify material ESG factors for a minority of our assets

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

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

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 1.1	CORE	FI 1	N/A	PUBLIC	Materiality analysis	1

How does your current investment process incorporate material ESG factors?

(1) SSA

(A) The investment process incorporates material governance factors

(B) The investment process incorporates material environmental and social factors

(C) The investment process incorporates material ESG factors beyond our organisation's typical investment time horizon

(D) The investment process incorporates the effect of material ESG factors on revenues and business operations

ESG risk management

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 2	CORE	OO 10	FI 2.1	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/group, have a qualitative ESG veto

(B) Companies, sectors, countries and currency are monitored for changes in ESG exposure and for breaches of risk limits

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

(D) Other method of incorporating ESG factors into risk management process, please specify below:

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

Please specify for "(D) Other method of incorporating ESG factors into risk management process".

Our research process is structured to provide a robust framework for making ESG investment decisions, including by being based on rigorous research findings and measurable outcomes.

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 2.1	CORE	FI 2	N/A	PUBLIC	ESG risk management	1

For what proportion of your fixed income assets are material ESG factors incorporated into your portfolio risk management process?

(1) SSA

(B) Companies, sectors, countries and currency are monitored for changes in ESG exposure and for breaches of risk limits	(2) for the majority of our assets
(C) Overall exposure to specific ESG factors is measured for our portfolio construction, and sizing or hedging adjustments are made depending on individual issuers' sensitivity to these factors	(2) for the majority of our assets
(D) Other method of incorporating ESG factors into risk management process	(2) for the majority of our assets

ESG incorporation in asset valuation

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 3	CORE	OO 10	FI 3.1	PUBLIC	ESG incorporation in asset valuation	1

How do you incorporate the evolution of ESG factors into your fixed income asset valuation process?

(1) SSA

(A) We incorporate it into the forecast of cash flow, revenues and profitability	<input type="checkbox"/>
(B) We anticipate how the evolution of ESG factors may change the ESG profile of the debt issuer	<input checked="" type="checkbox"/>

(C) We do not incorporate the evolution of ESG factors into our fixed income asset valuation process

□

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 3.1	CORE	FI 3	N/A	PUBLIC	ESG incorporation in asset valuation	1

In what proportion of cases do you incorporate the evolution of ESG factors into your fixed income asset valuation process?

(1) SSA

(B) We anticipate how the evolution of ESG factors may change the ESG profile of the debt issuer

(2) in the majority of cases

Performance monitoring

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 4	PLUS	OO 5.2 FI, OO 10	N/A	PUBLIC	Performance monitoring	1

Provide an example of an ESG factor that your organisation incorporated into your fixed income valuation or portfolio construction and describe how that affected the returns of those assets.

Example:

(A) Example from your active management strategies:

In January 2020, Moody's published a report highlighting the long term risks to Australian federal and state government finances from more frequent natural disasters. No ratings action was flagged, and the research was published within a sector comment. ESG Impact on Investment Decision: The risks to the rating were deemed to be very long term and highly uncertain. However, there is little research by rating agencies and in the literature with respect to the market impact of climate change. It is, therefore conceivable that climate risks could eventually lead to adverse ratings action, bonds to underperform, issuance to rise and curves to steepen. But it was deemed that this risk is not material in the foreseeable future relative to the wide range of other much bigger drivers of the market. This report did not warrant any change in investment strategy. We do however acknowledge that our conclusion may have changed if there was more credible research on which to rely. In which case, we are conducting our own research into the risks of climate change on markets.

ESG incorporation in portfolio construction

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 5	CORE	OO 10	FI 5.1	PUBLIC	ESG incorporation in portfolio construction	1

How do ESG factors influence your portfolio construction?

(1) SSA

(A) The selection of individual assets within our portfolio is influenced by ESG factors

(B) The holding period of individual assets within our portfolio is influenced by ESG factors

(C) The portfolio weighting of individual assets within our portfolio or benchmark is influenced by ESG factors

(D) The allocation of assets across multi-asset portfolios is influenced by ESG factors through the strategic asset allocation process

(E) Other expressions of conviction, please specify below:

(F) The portfolio construction or benchmark selection does not explicitly include the incorporation of ESG factors

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 5.1	CORE	FI 5	N/A	PUBLIC	ESG incorporation in portfolio construction	1

In what proportion of cases do ESG factors influence your portfolio construction?

(1) SSA

(A) The selection of individual assets within our portfolio is influenced by ESG factors (2) in the majority of cases

(B) The holding period of individual assets within our portfolio is influenced by ESG factors (2) in the majority of cases

(C) The portfolio weighting of individual assets within our portfolio or benchmark is influenced by ESG factors (2) in the majority of cases

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 6	PLUS	OO 10	N/A	PUBLIC	ESG incorporation in portfolio construction	1

Please provide two examples of how ESG factors have influenced weightings and tilts in either passive or active fixed income.

Please provide examples below:

(A) Example 1:

In January 2020, Moody's published a report highlighting the long term risks to Australian federal and state government finances from more frequent natural disasters. No ratings action was flagged, and the research was published within sector comment.

The risks to the rating were deemed to be very long term and highly uncertain. However, there is little research by rating agencies and in the literature with respect to the market impact of climate change. It is, therefore conceivable that climate risks could eventually lead to adverse ratings action, bonds to underperform, issuance to rise and curves to steepen. But it was deemed that this risk is not material in the foreseeable future relative to the wide range of other much bigger drivers of the market. This report did not warrant any change in investment strategy. We do however acknowledge that our conclusion may have changed if there was more credible research on which to rely. In which case, we are conducting our own research into the risks of climate change on markets.

(B) Example 2:

While ESG considerations do present risks, they also present opportunities. Over the last few years, there has been significant growth in global green bond issuance volumes. The market has risen to be over US \$1tn of outstanding debt. In 2020 over \$200bn of green bonds have been issued globally, one of the largest on record. Europe has committed to fund around 30% of its COVID joint fiscal response with green bonds, amounting to around €225bn (source: Commonwealth Bank Research and the Climate Bonds Initiative). Supranational and regional issuers have been more active than individual sovereign issuers. **(response continued in row below)**

However, this trend could be shifting. For instance, the German federal government issued its first green bond alongside its regular funding program in August 2020. There is significant variation in issuance volumes across the world. Australia, for example, has not yet issued a green bond at the federal level. But global SSA issuers have been active in AUD and the Australian semigovernment issuers have provided more than one third of the total supply of AUD green bonds in 2019. QTC, for example, is now a “programmatically issuer” of Climate Bonds Initiative-certified green bonds. **(response continued in row below)**

The state was recognised by the Climate Bonds Initiative for the largest Subnational Green Bond Deal of 2019, with the issue of a \$1.7bn green bond in 2019. QTC and NSWTC have issued green bonds in 2020. Semi government issuers proactive stance on green bond issuance is unlikely to be impacting the performance of its bonds, in-and-of-itself. However, ESG bonds attract a more diverse investor base and support the funding of historically large issuance programs. The use of ESG funding programs could support the performance of semi-government issuers over the long run. Periodic variations in investor interest in green bonds relative to the size of the green issues (and underlying pool of eligible assets) could impact relative value on semi curves in the future, so investor and issuer activity in this space needs to be monitored.

ESG incorporation in assessment of issuers

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 7	CORE	OO 10	N/A	PUBLIC	ESG incorporation in assessment of issuers	1

When assessing issuers'/borrowers' credit quality, how does your organisation incorporate material ESG risks in the majority of cases?

(1) SSA

(A) In the majority of cases, we incorporate material governance-related risks

○

(B) In addition to incorporating governance-related risks, in the majority of cases we also incorporate material environmental and social risks



(C) We do not incorporate material ESG risks for the majority of our credit quality assessments of issuers/borrowers



ESG performance

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 8	CORE	OO 10	N/A	PUBLIC	ESG performance	1

In the majority of cases, how do you assess the relative ESG performance of a borrower within a peer group as part of your investment process?

(1) SSA

(A) We use the relative ESG performance of a borrower to adjust the internal credit assessments of borrowers by modifying forecasted financials and future cash flow estimates



(B) We use the relative ESG performance of a borrower to make relative sizing decisions in portfolio construction



(C) We use the relative ESG performance of a borrower to screen for outliers when comparing credit spreads to ESG relative performance within a similar peer group



(D) We consider the ESG performance of a borrower only on a standalone basis and do not compare it within peer groups of other benchmarks

(E) We do not have an internal ESG performance assessment methodology

Post-investment phase

ESG risk management

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 12	CORE	OO 10	N/A	PUBLIC	ESG risk management	1

Do your regular reviews incorporate ESG risks?

(1) SSA

(A) Our regular reviews include quantitative information on material ESG risks specific to individual fixed income assets

(B) Our regular reviews include aggregated quantitative information on material ESG risks at a fund level

(C) Our regular reviews only highlight fund holdings where ESG ratings have changed

(D) We do not conduct regular reviews. Risk reviews of ESG factors are conducted at the discretion of the individual fund manager and vary in frequency

(E) We do not conduct reviews that incorporate ESG risks

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 13	CORE	OO 10	N/A	PUBLIC	ESG risk management	1

Do you regularly identify and incorporate ESG incidents into the investment process for your fixed income assets?

(1) SSA

(A) Yes, we have a formal process in place for regularly identifying and incorporating ESG incidents into all of our investment decisions	<input type="radio"/>
(B) Yes, we have a formal process in place for regularly identifying and incorporating ESG incidents into the majority of our investment decisions	<input type="radio"/>
(C) Yes, we have a formal process in place for regularly identifying and incorporating ESG incidents into a minority of our investment decisions	<input type="radio"/>
(D) Yes, we have an ad hoc process in place for identifying and incorporating ESG incidents	<input checked="" type="radio"/>
(E) We do not have a process in place for regularly identifying and incorporating ESG incidents into our investment decision-making	<input type="radio"/>

Time horizons

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 14	CORE	OO 10	N/A	PUBLIC	Time horizons	1

In the majority of cases, how does your investment process account for differing time horizons of holdings and how they may affect ESG factors?

(1) SSA

(A) We take into account current risks



(B) We take into account medium-term risks



(C) We take into account long-term risks



(D) We do not take into account differing time horizons of holdings and how they may affect ESG factors



Long-term ESG trend analysis

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 15	CORE	OO 10	N/A	PUBLIC	Long-term ESG trend analysis	1

Do you continuously monitor a list of identified long-term ESG trends related to your fixed income assets?

(1) SSA

(A) We monitor long-term ESG trends for all of our assets



(B) We monitor long-term ESG trends for the majority of our assets ○

(C) We monitor long-term ESG trends for a minority of our assets ○

(D) We do not continuously monitor long-term ESG trends in our investment process ○

Examples of leading practice

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 17	PLUS	OO 10	N/A	PUBLIC	Examples of leading practice	1 to 6

Describe any leading responsible investment practices that you have adopted for some or all of your fixed income assets.

Description per fixed income asset type:

(A) SSA

We study whether the impact of climate change transition risk, as measured by carbon dioxide emissions, natural resources rents and renewable energy consumption, are factored into sovereign bond yield spreads. Higher transition risk results in higher default risk and hence, higher costs of debt in international capital markets. We hypothesise that that countries with higher carbon emissions and natural resources rents will incur a risk premium on sovereign borrowing costs. Moreover, countries with higher renewable energy consumption relative to total consumption will be rewarded with a discount on sovereign borrowing cost. Using a sample of data from 23 developed and 21 emerging markets from 2000-2018, we show that governments who 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.

Thematic bonds

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 18	PLUS	OO 6 FI	FI 18.1	PUBLIC	Thematic bonds	1

What proportion of your total thematic investments are labelled green bonds, social bonds and/or sustainability bonds by the issuers in accordance with the four ICMA Social/Green Bond Principles?

Proportion out of total thematic fixed income investments:

(A) Proportion of green/SDG bonds linked to environmental goals 0.0%

(B) Proportion of social/SDG bonds linked to social goals 0.0%

(C) Proportion of sustainability/SDG bonds (i.e. combination of green and social bonds linked to multiple SDG categories) 0.0%

(D) None of the above 100.0%

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 19	CORE	OO 6 FI	N/A	PUBLIC	Thematic bonds	1

How do you determine which non-labelled thematic bonds to invest in?

- (A) By reviewing the bond's use of proceeds
- (B) By reviewing companies' ESG targets
- (C) By reviewing companies' progress towards achieving ESG targets
- (D) We do not invest in non-labelled thematic bonds

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 20	CORE	OO 6 FI	N/A	PUBLIC	Thematic bonds	1, 2, 6

What action do you take in the majority of cases where proceeds of a thematic bond issuer are not allocated to the original plan?

- (A) We engage with the issuer
- (B) We alert regulators
- (C) We alert thematic bond certification agencies
- (D) We sell the security
- (E) We publicly disclose the breach
- (F) We blacklist the issuer
- (G) Other action, please specify:
- (H) We do not take any specific actions when proceeds from bond issuers are not allocated in accordance with the original plan

Reporting/Disclosure

ESG screens

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

How do you ensure that clients and/or beneficiaries understand ESG screens and their implications?

(A) We publish a list of ESG screens and share it on a publicly accessible platform such as a website or through fund documentation Voluntary URL link(s) to list of ESG screens: (4) for none of our assets subject to ESG screens

(B) We publish any changes in ESG screens and share it on a publicly accessible platform such as a website or through fund documentation Voluntary URL link(s) to ESG screen changes: (4) for none of our assets subject to ESG screens

(C) We outline any implications of ESG screens, such as deviation from a benchmark or impact on sector weightings, to clients and/or beneficiaries (2) for the majority of our fixed income assets subject to ESG screens

Engagement

Engaging with issuers/borrowers

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 22	CORE	OO 9 FI	FI 22.1	PUBLIC	Engaging with issuers/borrowers	2

At which stages does your organisation engage with issuers/borrowers?

(1) SSA

(A) At the pre-issuance/pre-deal stage	<input checked="" type="checkbox"/>
(B) At the pre-investment stage	<input checked="" type="checkbox"/>
(C) During the holding period	<input checked="" type="checkbox"/>
(D) At the refinancing stage	<input checked="" type="checkbox"/>
(E) When issuers/borrowers default	<input checked="" type="checkbox"/>

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 22.1	PLUS	FI 22	N/A	PUBLIC	Engaging with issuers/borrowers	2

Describe your approach to engagement.

Engagement approach per fixed income asset type or general description for all your fixed income engagement:

(A) Description of engagement approach for all of our fixed income

We engage with a wide variety of stakeholders including issuers, governments, media, academia, consultants, clients, industry groups and bodies, data providers, and ratings agencies. This reflects our view that the effectiveness of engagement is maximised when the roles and positions of all participants are considered and included. Engagement takes the form of meetings and other communications with issuers, providing feedback to government representatives, liaising with media, undertaking research with academics, conferences and education sessions with consultants and clients, and planning and development discussions with data providers and ratings agencies. Our approach to engagement is outcomes-driven and we log engagement activities and track subsequent progress in the form of concrete measures where available or assess advancements and improvements qualitatively as appropriate.

(C) Description of engagement approach for our SSA fixed income

Our approach for engaging within the SSA sector is the same as our approach for all fixed income as outlined above.

Sovereign bonds

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 23	CORE	OO 9 FI	N/A	PUBLIC	Sovereign bonds	2

For the majority of your sovereign bond engagements, which non-issuer stakeholders do you engage with to promote your engagement objectives?

- (A) Non-ruling parties
- (B) Originators and primary dealers
- (C) Index and ESG data providers
- (D) Multinational companies/state-owned enterprises (SOEs)
- (E) Supranational organisations
- (F) Credit rating agencies (CRAs)
- (G) Business associations
- (H) Media
- (I) NGOs, think tanks and academics
- (J) Other non-issuer stakeholders, please specify:
 - ▮ '-Advocacy organisations such as IGCC -Research providers (e.g. banks) -Consultants other than asset consultants (e.g. Deloitte)
- (K) We do not engage with any of the above stakeholders for the majority of our sovereign bond engagements

Sustainability Outcomes (SO)

Set targets on sustainability outcomes

Outcome objectives

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SO 1	PLUS	ISP 45	SO 1.1, SO 2	PUBLIC	Outcome objectives	1

Has your organisation chosen to shape any specific sustainability outcomes?

- (A) Yes
 (B) No

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SO 2	PLUS	SO 1	SO 3	PUBLIC	Outcome objectives	1

Please list up to 10 of the specific sustainability outcomes that your organisation has chosen to shape.

Sustainability outcomes

(A) Sustainability Outcome #1	Emissions
(B) Sustainability Outcome #2	Water
(C) Sustainability Outcome #3	Energy
(D) Sustainability Outcome #4	Health
(E) Sustainability Outcome #5	Education

Target-setting process

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SO 3	PLUS	SO 2	SO 3.1	PUBLIC	Target-setting process	1

Have you set any targets for your sustainability outcomes? Indicate how many targets you have set for each sustainability outcome.

(A) Sustainability Outcome #1: (1) No target

(B) Sustainability Outcome #2: (1) No target

(C) Sustainability Outcome #3: (1) No target

(D) Sustainability Outcome #4: (1) No target

(E) Sustainability Outcome #5: (1) No target