

FY25 ESG UPDATE FOR THE MERLON CAPITAL PARTNERS BOARD

Merlon prefers an integrated, issues based ESG approach. We delve deep into ESG issues that most affect our portfolio and reflect this research in our valuations and conviction scores, just as we do for investment issues.

As active owners, we share our learnings with portfolio companies as part of our engagement programme, with the goal to influence better investment returns and societal outcomes. We hold ourselves as a business to the same standards we ask of our portfolio companies.

In July 2024, Merlon completed the process of acquiring Fidante partner's minority interest in Merlon Capital Partners, establishing Merlon as 100% employee owned and fully aligns the business with its clients.

Following this, to strengthen Merlon's own governance and further improve on our engagement programme, Merlon established an Independent Advisory Board. The Advisory Board launched in November 2024 and consists of three independent Advisory Board members and two Executive Directors. The purpose of the Advisory Board is to strengthen Merlon governance, engagement activity and investment decision making.

A key focus of the Advisory Board ("the Board") is to ensure a high level of alignment between the investment team and the interests of investors over the long-term. Independent Advisory Board members include experts from various fields with a breadth of executive experience across the financial services, retailing, mining, and broader industrial sectors. Advisory Board members will play a key role in Merlon's investment process and portfolio company engagement. Specifically, Advisory Board approval will be required prior to formally engaging with portfolio company boards and upsizing portfolio positions.

Recurring ESG issues discussed with portfolio company Boards in FY25

Merlon acknowledges that not all ESG issues will be relevant to all investments. As such, for each of our investee companies, Merlon considers what issues matter most.

Throughout FY25, those issues which were most common across companies were:

- Capital allocation (appeared in 8 letters)
- Energy transition including net zero analysis, climate change risk, climate opportunity (7 letters)
- Executive leadership issues such as appointment, succession planning, turnover (5 letters)
- Regulatory and reputational risks, including social licence (5 letters)
- Culture and employee health and safety Remuneration (5 letters)
- Governance, including board composition and effectiveness (4 letters)

Engagement

In early 2022, we formalised our introduction letter to Boards. We continued to evolve these letters in FY25, including deeper investment integration. As part of this

| Engagement | FY25 | FY24 | FY23 |
|---|------|------|------|
| Introduction letters (including re-introduction letters) | 8 | 16 | 16 |
| Meetings arising from introduction letter | 3 | 4 | 9 |
| Written replies to introduction letter | 6 | 7 | 10 |
| AGM & other letters (e.g. M&A, inquiry submissions, franking) | 1 | 1 | 7 |
| AGM issues meetings | 12 | 5 | 12 |
| Result meetings | 60 | 54 | 37 |
| Other meetings with Directors | 9 | 2 | 1 |
| Other meetings with management teams or IR | 64 | 20 | 11 |
| Expert & industry calls | 38 | ND | ND |

We believe voting is a special and legally protected form of engagement, as such we voted on 100% of resolutions in FY25. When deciding how to vote our shares, we begin with a detailed review of all relevant information. Where we have concerns relating to a particular resolution, or if we decide to vote against a Board's recommendation, we seek to engage with them before lodging our vote. There have been situations in the past, where we have concerns relating to a particular resolution and have engaged with the company Board, resulting in the resolutions being withdrawn.

| How we voted in FY25 | FOR | AGAINST | ABSTAIN |
|-------------------------|-----|---------|---------|
| Board resolutions | 92% | 8% | NIL |
| Shareholder resolutions | 6% | 94% | NIL |

Common themes raised in AGM engagements:

- Appropriateness of executive remuneration, including short- and long-term incentives alignment with shareholder experience and Board's use of discretion.
- Board composition mix, including appropriateness of current and/or newly appointed Directors to meet skills and experience required.
- CEO recruitment and appointment, including process and reasons for selection.
- Appropriateness of corporate strategy and culture.

Portfolio & partnership snapshot

- During FY24, the investment team at Merlon initiated the process to acquire Fidante partner's minority interest in Merlon Capital Partners. This process was completed in July 2024, establishing Merlon as 100% employee owned in FY25 and fully aligns the business with its clients.

- Merlon established an Independent Advisory Board in FY25, with the first meeting held in November 2024. The purpose of the Advisory Board is to strengthen Merlon governance, engagement activity and investment decision making. One of the three Advisory Board members is female. Five meetings were held in FY25.
- Merlon had one employee depart during FY25. All other employees were retained using the principles outlined in the Merlon ESG Policy.

Climate risk and opportunities

- While formal analysis has not yet been completed, our initial investigation of our Scope 1& 2 emissions footprint suggests it is low in size given the nature of our business
- We expect the majority of our emissions will be Financed / portfolio / downstream Scope 3 emissions, which we expect to vary over time as our portfolio composition change
- Merlon applies climate change risk and opportunity scenario analysis to all investee companies. Investment opportunities arise out of companies that develop technologies or solutions to deal with the physical aspects of climate change as well as those companies that are better prepared and less exposed to the negative effects of a transition to a low carbon economy.

Modern Slavery Risk

- Merlon recognises that modern slavery, as well as being a serious ethical concern, can also pose a financial risk to businesses – both reputationally and from supply chain disruption
- Merlon conducts additional due diligence for companies with higher risk exposure to modern slavery to ensure the company has appropriate policies in place to manage these risks and treats its employees fairly. We engage regularly with companies on this issue

Non-investment ESG activities:

- 2025 UN PRI public transparency report [published on website](#)
- 2025 UN PRI significant improvement in scores achieved, including 5 stars (>90 score) across all categories.

Priorities for FY26:

- Continue Merlon Independent Advisory Board with at least 9 meetings to be held in FY26.
- Continued integration of ESG and investment issues in letters to company board directors.
- Continued meaningful engagement with portfolio companies, including meetings with company board directors.
- Continued improvement in external disclosure, including UN PRI participation.
- Retain all current Merlon employees using principles applied in our ESG Policy.