

WaveStone ESG Report

Quarter ending December 2025

ESG Quarterly: Insights and Trends from the 2025 AGM Season

The 2025 AGM season revealed a continued trend of active shareholder scrutiny, focusing on Board accountability, leadership governance, executive remuneration, climate disclosures and emerging themes such as AI and Nature.

As an active bottom-up ASX investor, it is our observation that shareholder voting patterns reflect an increased demand for accountability, particularly when corporate performance is tracking weak.

Evolving Investor Corporate Engagement Dynamics

We've observed a significant shift in Investor Corporate Engagement. Firstly, these engagements have become much more technical and sophisticated, with investors closely scrutinizing companies. The expectation is that Boards must be well-versed in a wide range of critical issues, from environmental concerns and climate change to safety risks and corporate finance. Boards are also increasingly seeking the expertise of professional consultants to navigate these complex issues.

Secondly, trust and relationships have become crucial in determining voting outcomes. This trust is built through consistent, authentic, and effective engagement over time. Investors need to believe that company leadership is genuinely committed to acting in the best interests of shareholders. External proxy solicitation firms, while useful, often fall short in securing favourable voting results. In our view, the company itself must drive the narrative, building trust and alignment over time.

Finally, companies sometimes underestimate the impact of environmental and social factors on voting outcomes and trust. Strong financial performance alone may not guarantee a successful AGM outcome. A comprehensive representation of the company's sustainability efforts and credibility is now essential to securing investor confidence and support.

At WaveStone, we take pride in our ability to engage with Boards and management for candid discussions on both tough and strategic matters. This approach enables us to offer our clients a pragmatic perspective on ESG issues, with a nuanced understanding of the operating business context.

This report outlines key themes from the 2025 AGM season, highlighting notable voting patterns, trends, and shareholder concerns, and provides insight into key topics of continued focus in 2026.

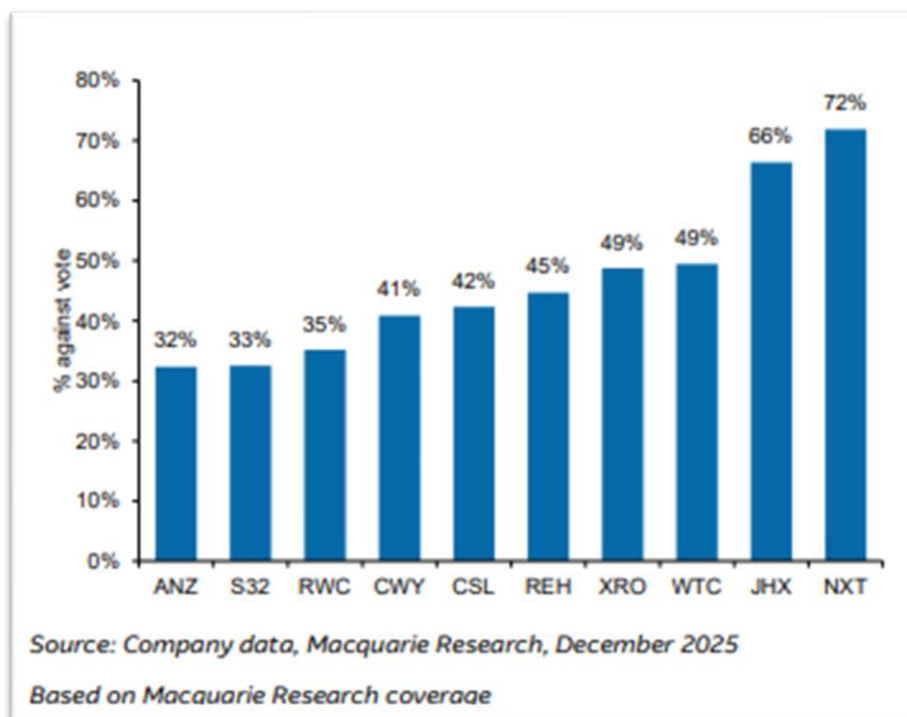
1. Executive Remuneration and Strikes

Executive remuneration continues to be closely scrutinised for several reasons:

- Provides valuable insights for investors into the Board-Management relationship
- Reveals the effectiveness of Board oversight, particularly when discretion is exercised to adjust remuneration outcomes
- There is signal in performance hurdles set by the Board
- Assess alignment between management incentives and long-term shareholder value creation.

Notable strikes in ASX100 included **CSL** (42.3% against); **ANZ** (32% against); **CWY** (40.7% vote against); **JHX** (66.3% against); **WTC** (49.5% vote against), **MQG** (25.4% against) and **XRO** (48.8% against).

Figure 1: ASX100 companies that received a strike in CY25



There appears to be several drivers for remuneration strikes in 2025, with reported vs actual pay; US style remuneration structures; company underperformance; and the use of Board discretion as some examples.

WaveStone Perspective:

We are by no means prescriptive in what we look for in remuneration structures. In our view, remuneration structures should reflect the desired strategic outcomes of the company over the medium to long term balancing risk appetite and sustainability credentials. We believe best practice should be the provision of targets that are quantifiable, externally verifiable, transparent and sufficiently challenging so as to encourage a greater push as opposed to allowing a simple uplift in executive pay or any tick the box exercise. What is most suitable is likely to, and should, evolve over time to reflect the changing operating landscape.

2. Climate Holds Focus

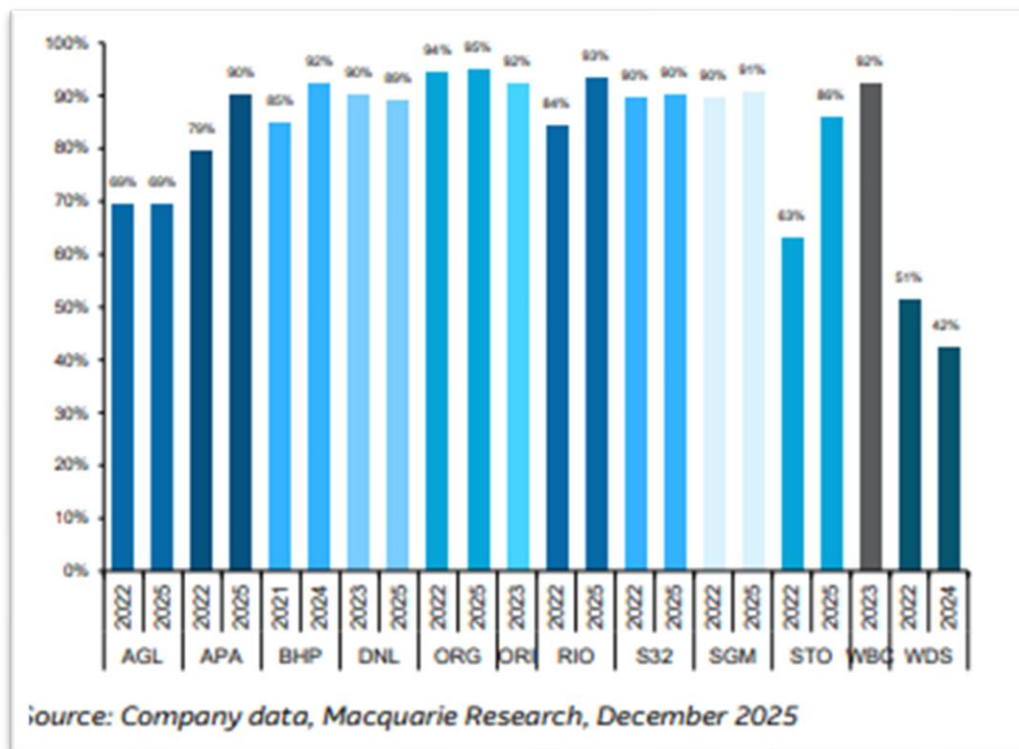
There were several ‘Say on Climate’ resolutions in 2025. Given the new Australian mandatory climate disclosure regime will come into full force this year, the disclosure landscape has significantly evolved as companies are required to integrate transition and physical risks directly into financial statements.

Companies that held a ‘Say on Climate’ Vote in 2025 included: **AGL** (69.2% support), **APA** (89.8%), **DNL** (88.8%), **ORG** (94.6%), **RIO** (93.3%), **SGM** (90.6%), **S32** (90%) and **STO** (85.8%).

Looking at 2026, companies that are expected to hold a vote (based on them having a vote in 2023) include **ORI** and **WBC**.

Most companies received significant investor backing for their climate-related disclosures, reflecting healthy support for climate action and transition plans. However, the varying levels of support also suggest that some companies will need to improve the depth and transparency of their climate-related disclosures to meet investor expectations.

Figure 2. Support for Say on Climate held in 2021-25



WaveStone Perspective:

Climate issues remain a core part of investor focus and increasingly we observe that more informed and technical questions are being asked at AGMs and company engagements. Mandatory climate disclosures will be a major theme in 2026, with the focus shifting to how companies credibly integrate climate risks into their financial statements. As fundamental investors, we will be closely monitoring how companies handle the first wave of climate-related disclosures in 2026. Key considerations will include the credibility of their transition plans, the alignment of climate targets with capital expenditures, and the overall integration of climate risk management into business strategies. Companies that fail to provide transparent, robust, and consistent disclosures may face regulatory, financial, and reputational risks. We will also be closely monitoring companies’ ongoing commitment to including ‘Say on Climate’ resolutions for shareholder voting at their AGMs.

2. Shareholder Resolutions: Emerging Focus on Nature

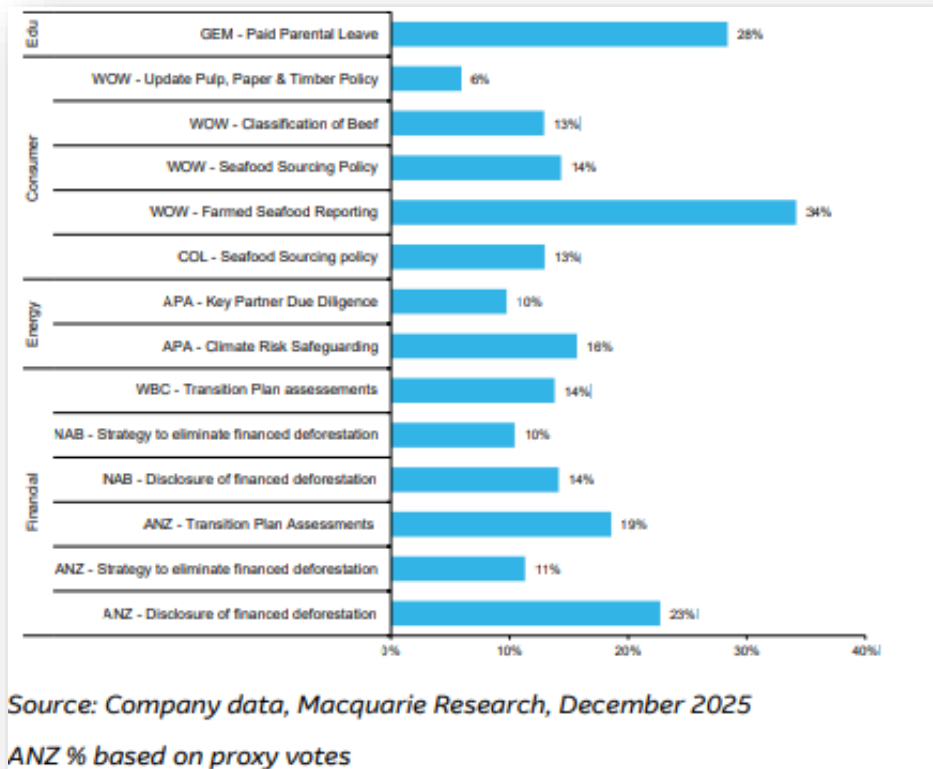
Shareholder resolutions in 2025 continued to be majorly focused on environmental issues, particularly climate change and nature.

Notable companies facing shareholder resolutions:

- Major banks namely **ANZ, NAB** and **WBC** received shareholder resolutions on financed deforestation and approach to customer transition plans. WaveStone engaged with each of these banks and noted varying approaches. In terms of monitoring financed deforestation, it’s clear that much work remains to be done around data collection, definitions, standardisation, and customer engagement. On the customer transition front, we noted significant progress, particularly with sector-based decarbonisation strategies. Of the three, NAB made significant iterative improvements in their customer transition assessments.

- **COL** and **WOW** faced shareholder resolutions in relation to salmon farming reporting and sourcing. **WOW** also faced additional resolutions relating to beef classification for deforestation and updates to Pulp, Paper & Timber policy. As noted earlier, engagement strategies ahead of AGMs must be both effective and authentic. Notably, over 34% of **WOW**'s proxy votes supported enhanced disclosure on farmed seafood. We recommend that **WOW** take a proactive approach in engaging with investors on this issue in the coming year.

Figure 3. 2025 ordinary shareholder proposed resolutions by company and % of support received



WaveStone Perspective:

These shareholder resolutions reflect the ongoing and evolving nature of investor activism on environmental and sustainability issues. As bottom-up investors, we closely monitor such resolutions, as they often highlight the maturity (or lack thereof) in company’s approach to managing social and environmental risks. Companies that do not adequately address these concerns could face considerable reputational risks, including jeopardizing their social license to operate.

4. Director Elections

A series of high-profile Board chairs, committee chairs and other Directors have faced significant protest votes this year.

The most prominent case being that of **JHX** 2025 AGM where shareholders voted out the chairwoman, Anne Lloyd, and two other Directors, Peter-John Davis and Rada Rodriguez, in a protest against the handling of the company’s \$14 billion AZEK acquisition with complete disdain for shareholder rights and good governance standards.

Earlier in CY2025 we also noted voting for **WDS** non-executive Director, Ann Pickard, the chair of WDS climate risk committee, who faced an almost 20% protest vote against her re-election, reflecting investor discontent with company’s climate strategy.

In October, **SUL**'s chairwoman Judith Swales received a 25% vote against her re-election in response to the company's handling of a matter involving the CEO, one year after she was appointed as chair.

At **WBC** Director Peter Nash received approximately 39% vote against his re-election, reflecting investor concerns about his prior role at the ASX during a period of operational and governance issues, and questions about perceived conflicts given his former senior leadership at KPMG while KPMG audits Westpac.

At **WTC**, Director Maree Isaac's re-election received approximately 21% votes against, reflecting investor discontent with the governance fallout with ex-CEO and founder Richard White and the resulting shareholder value erosion.

WaveStone Perspective:

As active equity investors, we are increasingly focused on Board composition and Director performance. We note that where a Director is associated with governance or performance issues on one Board, dissatisfaction can carry into votes at another company where that Director also serves. Boards should treat this as a signal that individual accountability is now being tested more directly. This trend is likely to continue, and we will remain vigilant in assessing the independence, skills, and performance of Boards in 2026.

Founder-Led Companies: Risk vs Reward

Founder-led companies are often viewed by investors as high-growth opportunities, driven by the founder's deep personal investment and commitment to the business, leadership's intimate understanding of their product/service and market landscape. The founder's significant "skin in the game" can lead to innovative strategies and a strong sense of purpose that resonates with shareholders.

A study by Bain & Company, tracking 200 founder-led S&P500 companies over 25 years, showed that founder-led businesses consistently outperformed their peers. Some of the most valuable companies in the world have also been founder-led, including Apple, Amazon, Facebook, Google and Oracle. However, it's important to recognize that these companies also come with unique risks, particularly in areas like leadership transitions and governance structures.

Recent cases, such as those involving **WTC**, **SDF** and **MIN**, have underscored the potential negative impact of leadership scandals linked to founder involvement, particularly on share prices and market sentiment.

WTC shares fell 15% after the Board said that it was reviewing allegations against Richard White - the firm's founder and CEO - of historical inappropriate behaviour. When Mr White stepped down from his position as CEO, the company's share price rebounded by 12.7% over the day.

SDF shares fell by as much as 19% after CEO Robert Kelly temporarily stepped aside following a workplace complaint in late October 2025.

MIN's share price declined 10% following the release of an AFR investigation into the company which alleged that Chris Ellison evaded tax over a decade as well as defrauded shareholders by selling machinery equipment to MIN at inflated prices and claiming tax deductions.

These incidents highlight the vulnerabilities that can arise when the leadership is tightly tied to one individual, especially in situations where governance practices may be less robust.

WaveStone Perspective:

Given these dynamics, we remain cautious and continue to assess both the growth potential and governance risks inherent in founder-led businesses. While the reward can be significant, the risk of sudden leadership changes or governance challenges requires careful ongoing evaluation.

Insider Trading and Governance Integrity

In 2025 ASX companies such as **NXL**, **WTC** and **DRO**, faced significant scrutiny following insider trading allegations. These incidents not only had a notable impact on investor sentiment and share prices but also carried a credible risk of destabilizing management due to the distraction from the associated scrutiny. It is known that market criticism and public perception surrounding allegations of inappropriate trading can damage a company's reputation and lead to both business and legal repercussions, even in the absence of any proven breach of insider trading laws.

We reviewed the security trading policies of a sample of ASX companies and identified two key areas where practices vary being Permissible Trading Windows and the Process for Directors to Obtain Trading Approval.

WaveStone Perspective

WaveStone believes that listed entities should implement trading policies that not only mitigate the legal risks of insider trading but also actively seek to avoid the appearance or perception of misconduct. This goes beyond mere technical compliance with the ASX listing rules, which outline the minimum regulatory requirements.

Our overarching view is that the integrity of Directors and their adherence to the spirit of the law—rather than just the letter—are fundamental in preserving governance integrity. In particular, avoiding the potential for speculation or allegations of insider trading is crucial for maintaining trust.

Given these concerns, we will continue to closely monitor this area in the coming year.

Conclusion

The 2025 AGM season underscores the ongoing shift towards more transparent, accountable, and responsible corporate governance. For active bottom-up investors, these trends are critical to understanding the long-term potential and risks associated with the companies in our portfolios. Looking ahead to 2026, we will maintain our focus on key areas such as executive remuneration, climate-related disclosures, Director performance, and governance integrity, alongside emerging topics like AI and Nature.

Further, we continue to encourage corporates to navigate with prudence the evolved Investor Corporate Engagement landscape as highlighted above. Companies that fail to address these issues as well as engage effectively with their stakeholders risk increased scrutiny, reputational damage, and operational challenges that could undermine their ability to create long-term value. Conversely, those that demonstrate strong governance and alignment with shareholder interests are more likely to achieve sustainable growth and deliver value over the long term.

Carbon Emission and Intensity Tracker:

WaveStone – Australian Share Fund (WASF)	Carbon Emissions		
	Portfolio	Benchmark	Difference
Carbon Emissions Scope 1+2 (tonnes CO2e/USD M invested)	96.8	102.8	-5.8%
Carbon Intensity Scope 1+2 (tonnes CO2e/USD sales)	134.9	160.4	-15.9%

Source: MSCI ESG (as at 31/12/2025)

Benchmark is the S&P ASX 300 Accumulation Index

Engagement

ESG-related Engagements during the Quarter

Company	ESG Category	Topics
CBA	Environment Social Governance	ESG performance and report, physical risks, scams and fraud, AI and workforce implications, strategy, investment/AI, capital allocation, CEO succession, management retention and remuneration, BOD
NAB	Environment Social Governance	ESG performance and report, climate transition plans, physical climate risks, climate disclosures, AI/jobs/productivity
ANZ	Governance	BOD oversight/governance, risk culture, Chair succession, business strategy and execution, KMP appointments, operational cost out program, 3-5 year business outlook, remuneration
STO	Environment Social	Mandatory climate disclosure, Darwin gas leak, ESG performance and update, decommissioning
GMG	Governance	Executive remuneration
WTC	Governance	Governance, ASIC investigation, BOD succession, new CEO, CFO position
BRG	Governance	CEO succession, remuneration
SIG	Governance	Governance, related party transactions, succession
ORG	Environment Social Governance	Climate Transition Action Plan proposal
ARB	Governance	Remuneration
COH	Governance	Strategic planning given geopolitics, succession planning, BOD skills mix, Remuneration – STI structure
CSL	Governance	Executive remuneration, business strategy, Board oversight
WES	Environment Social Governance	Sustainability strategy and disclosure
RWC	Governance	Strategy/portfolio, remuneration, CEO succession, management retention, BOD composition
CAR	Governance	CEO and BOD succession
ORI	Governance	Chair succession

Memberships and initiatives

- Principles of Responsible Investment (PRI)
- Climate Action 100+
- 40:40 Vision

Links to WaveStone Policies

- ESG Policy: **WaveStone ESG Policy**
- ESG Activity Report: **WaveStone ESG Activity Reports**
- Proxy Voting Policy: **WaveStone Proxy Voting Policy**
- Proxy Voting Records: **WaveStone Proxy Voting Records**
- Engagement Policy: **WaveStone Engagement Policy**
- **WaveStone PRI Transparency Report 2023**
- **WaveStone PRI Assessment Report 2023**

Want more information?

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