WaveStone CAPITAL

WaveStone ESG Report
Quarter ending September 2026

Key Themes Shaping the 2026 ASX AGM Season

August reporting season set the earnings baseline. AGM season is where companies provide an update, and where the governance, remuneration and sustainability disclosures in annual reports and notices of meeting come under shareholder scrutiny. We are alert to the AGM-season updates that could challenge the estimates and outlooks set in August, as the lagged effects of tighter monetary and fiscal policy become more evident.

Further, as corporate disclosures increasingly evolve for AI and LLM consumption including sentiment analysis, the value of active, bottom-up research becomes even more important. At WaveStone, direct engagement with management and boards helps us look beyond the narrative and test disclosure against the underlying economics, operating reality, future prospects and governance of a business before incorporating emerging trends into our investment view.

Climate

Mandatory reporting under AASB S2

Mandatory AASB S2 climate reporting has been a major undertaking for companies. Across our engagements, views on the value of the exercise have been mixed, with considerable variation in approach and experience. The most commonly cited positive was stronger formal governance, along with greater traction for climate conversations across operational and business teams and better ability to connect the dots into a holistic story.

A recent ASIC study identified opportunities for improvement. ASIC's review of 40 reports found that baseline compliance and governance processes were developing, while forward-looking disclosures were mixed. The main areas for improvement were quantification of financial effects, connectivity with financial reporting, materiality judgements and comparability of metrics across industries.

WaveStone's portfolio is biased towards more mature reporters, so our observations may not be representative of the ASX 300 or even the ASX 200, where practice, approach, intent and the benefits derived vary. With the Treasury consultation now out, it will be interesting to see where consensus settles. Anecdotally, our engagements suggest that some more advanced reporters would prefer the regime to remain broadly consistent from here, reflecting the significant investment already made in reporting capabilities and a desire for greater regulatory certainty.

Targets revisited

Some companies have revisited their publicly stated climate targets. Some have softened them, some have strengthened their ambitions, and others have simply added caveats or disclaimers to existing aspirations, goals or targets. Below table sets out selected examples.

Climate target changes and new commitments, August 2026 reporting

Ticker	Direction	Summary
A2M	Target softened	Scope 3 target revised from net zero to near zero[1] by 2040, citing uncertainty around methane-abatement technologies. FY30 intensity target unchanged.
COL	New plan	First Climate Transition Plan released August 2026, focused on lower-emissions and climate-resilient food systems.
DXS	Third-party verification removed	Suspended its SBTi-aligned target and does not currently intend to seek renewed SBTi validation.
IGO	Delayed timeline	Net zero Scope 1 and 2 extended from 2035 to 2050, reflecting a more gradual pathway following the planned Nova divestment.
MIN	New target	Interim target: 45% reduction in combined Scope 1 and 2 mining emissions intensity by FY35, relative to an FY24 baseline, measured on a kgCO2e emitted per wet metric tonne of product shipped.
NST	Lower target	FY30 Scope 1 and 2 reduction target cut from 35% to 25%, citing continued growth and development within the business, as well uncertainty around fleet-electrification timing and economics.
NXT	New target	Approved a 2050 net zero Scope 1 and 2 target, although customer-controlled IT electricity loads remain outside the boundary.
SGM	Increased ambition	Replaced its carbon-neutral-by-2030 ambition with operational reduction targets of 7–10% by FY30 and 13–16% by FY35 from an FY26 baseline.
VGN	Increased ambition	Developing a post-FY30 transition plan. FY30 Scope 1 intensity reduction target raised to 27% from 22%, largely reflecting offset assumptions rather than additional operational abatement. No SAF target set.
WDS	Target removed	Retired its US$5bn new-energy investment target and increasingly positions CCS as the primary decarbonisation pathway.
WOR	Commitment downgraded	Reclassified its Scope 3 objective from a formal target to an aspiration.

Source: Company disclosures, August 2026.

The end of carbon neutral claims

A key recent development has been the end of carbon neutrality claims, driven by greenwashing concerns (see the Climate Active program consultation, 2026). The wind-down of the Climate Active certification program is perhaps positive for consumer protection and we note implications for ASX companies such as below:

- **AGL**: The company faces a class action over carbon neutral claims
- **QAN:** In FY25 the company evolved its Fly Neutral program and has since renamed it to Voluntary Carbon Program
- **BRG:** No longer advertises carbon neutrality even though it purchases offsets.

The retreat from carbon-neutral claims reinforces the importance of distinguishing genuine environmental progress from claims that are superficial. For investors, any climate claims should be supported by transparent evidence, measurable progress and clear accountability.

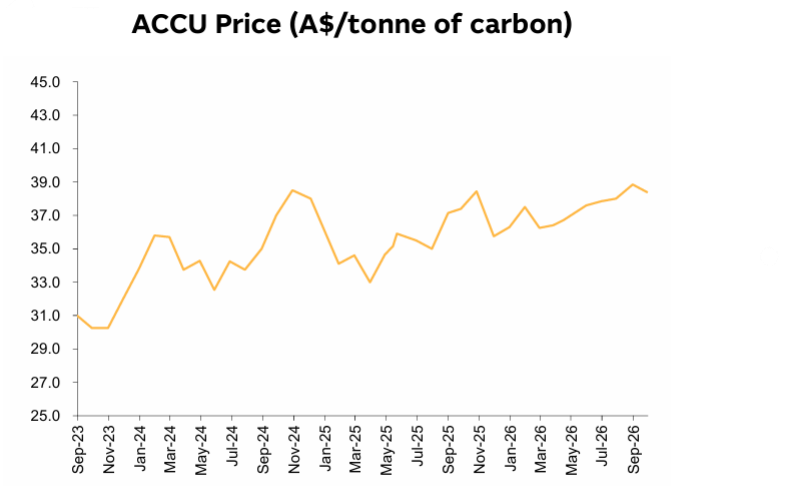
Offsets and the carbon price signal

Concerns around offset integrity remain an important consideration in assessing the credibility of net-zero commitments. A company's reported "net" emissions outcome can depend materially on the volume and quality of offsets used, rather than reductions in gross emissions. For instance, for the aviation sector, offsets

[1] Near zero is defined as the reduction of Scope 3 GHG emissions across the value chain to the lowest level that is technically and commercially feasible within a dairy value chain, recognising the inherent limitations in reducing ruminant animal emissions. The Company has a primary focus on achieving real emissions reductions within the Company's value chain, and limiting reliance on offsets outside of its value chain.

could account for around half of the stated operational decarbonization goal. The quality, additionality and durability of those offsets therefore matter to the efficacy of the overall target.

Where offsets provide a lower-cost pathway to meeting emissions commitments, there is a risk that they reduce the economic incentive to invest in more structural, and potentially more capital-intensive, emissions reductions. We therefore continue to engage companies on the balance between offsets and direct abatement, the assumptions underpinning that pathway, and the implications for future capital requirements.



Source: Core Markets, Macquarie Research, October 2026

For instance, internal carbon prices disclosed in company climate reports ranged from A$20/t$CO_2$e to A$137/tCO_2e, with several companies, including AGL, EVN and NST, using assumptions below the current ACCU price. The key question is when the carbon price signal becomes strong enough to shift behavior from offset compliance to real abatement.

Policy may help. This quarter Climate Change and Energy Minister Chris Bowen launched a review of the Safeguard Mechanism, the government's flagship industrial emissions reduction policy, which underpins Labor's 2030 and 2035 emissions targets. Under existing rules there is no limit on the number of carbon credits companies can purchase to meet their mandated targets. The review may cap the use of offsets and encourage more on-site abatement.

Safety

A recent ACTU publication reported that workplace deaths have surged to their highest level in a decade. Six industries account for around three-quarters of workplace fatalities: agriculture, construction, transport, manufacturing, health care and social assistance, and public administration and safety.

Vehicle collisions remain the leading cause of workplace deaths. Serious mental health claims have also risen from around 6,600 to 17,900 over the past decade, making psychological injury the fastest-growing category of workplace harm according to the publication.

Recorded fatalities leading upto the AGM season included the following:

- **BHP - 1 post- period fatality Sept 26** at Escondida Copper Mine
- **BHP - 1 post-period fatality** at BMA's Peak Downs mine. Investigations are underway.
- **BSL / VNT - 1 shared fatality** in Nov-25.
- **CRN - 1 contractor fatality** at Mammoth Mine on 2-Jan-26. Operations were suspended and permitted to recommence from 11-Feb-26. This follows one FY25 fatality at the Logan Mine.

- **CWY - 2 fatalities** in FY26, both in 1H26, vs. 3 in FY25. In-vehicle monitoring installed across 48% of the heavy-vehicle fleet and AI-enabled detection technology across 61% of yellow gear, targeted completion end of CY26.
- **DOW - 1 workplace fatality.** A New Zealand Road Services employee died in Jan-26.
- **ORA – 1 post-period contractor fatality.** A vehicle-related contractor fatality at the Acatlán, Mexico site on 15-Jul-26.
- **QAN – 1 fatality** at the Sydney freight terminal in Sep-25.
- **RIO – 2 fatalities** in 1H26. One fatality occurred at Simandou in Feb-26 and one employee fatality occurred at the Kennecott mine in Mar-26, vs 1 fatality in FY25. RIO Management Operating System launched on 1-Jul-26, establishing a common Group-wide approach to safety, risk and standards.
- **S32 – 1 contractor fatality** at Worsley Alumina in FY26, following a contractor fatality in FY25.
- **SFR – 1 fatality** at MATSA in Feb-26.

WaveStone's expectations

As in WaveStone's ESG Policy, we view safety, workforce culture and employee wellbeing as indicators of operational quality and long-term value creation. Our focus is on the strength of safety governance, the use of leading as well as lagging indicators, and whether executive incentives appropriately reflect safety outcomes. Serious safety failures should be accompanied by clear accountability, including remuneration consequences where appropriate.

Fatality and remuneration implications

The treatment of fatalities involving contractors, joint ventures or activities outside formal reporting boundaries can materially affect incentive outcomes. For investors, the key question is whether boards exercise appropriate discretion where formulaic safety measures do not fully capture the seriousness of an incident. The examples below show approaches to linking workplace fatalities with executive remuneration within 2026 company disclosures.

- **Transurban**[2]
  Following the fatal incident on the West Gate Tunnel Project involving a contractor engaged by the CPB Contractors and John Holland joint venture, the Board applied discretion to reduce the Contractor RIFR outcome to zero, despite the incident falling outside Transurban's RIFR reporting boundary.

- **SGH Limited**[3]
  During the year, the company introduced a Safety Modifier under which a serious workplace incident or fatality results in a minimum 10% STI impact, with the Board retaining discretion to make further adjustments depending on the circumstances. This creates a more explicit link between serious safety outcomes and executive remuneration.

- **Sandfire Resources**[4]
  From FY27, Critical Control Verifications will be introduced as a leading safety indicator, equally weighted with TRIF in the STI framework. The change increases the focus on proactively managing principal hazards with the potential to cause high-consequence injuries or fatalities.

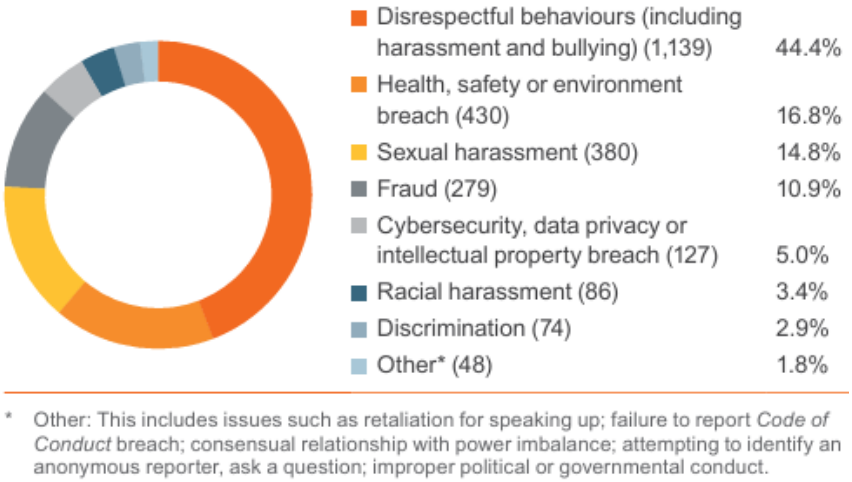
[2] **2026 Corporate Report, page 98; https://www.transurban.com/content/dam/investor-centre/04/2026-Corporate-Report.pdf**
[3] **2026 Annual Report, page 47; https://sghl.com.au/assets/Financial-Results/2026/SGH-ASX-Annual-Report-11-August-2026.pdf**
[4] **2026 Annual Report, page 174; https://www.sandfire.com.au/wp-content/uploads/2026/08/Sandfire-FY26-Annual-Report.pdf**

Conduct-related disclosures

A growing number of companies are disclosing conduct-related incidents, substantiation rates and outcomes, providing another lens into organisational culture. At WaveStone, we engage with companies to understand not only the number of reported incidents, but how they are investigated, substantiated and addressed. We view workforce culture and wellbeing as important to long-term value creation and monitor indicators including psychological safety, employee turnover and engagement, particularly as AI adoption and organisational change reshape workforces.

Case example: BHP 2026 disclosure

Figure 9: Business conduct concerns raised in FY2026[58]



* Other: This includes issues such as retaliation for speaking up; failure to report *Code of Conduct* breach; consensual relationship with power imbalance; attempting to identify an anonymous reporter, ask a question; improper political or governmental conduct.

In FY26, 2,563 reports were received through BHP's channels for raising misconduct concerns.

During FY26, 113 reports of sexual harassment (FY25: 102) were established following investigation across BHP's global operations, including conduct onsite, offsite and in offices. A further 27 reports of racial harassment (FY25: 24) were established. In total, 109 individuals responsible for sexual harassment and 22 responsible for racial harassment had their employment terminated (or were removed from site if a contractor) or resigned.

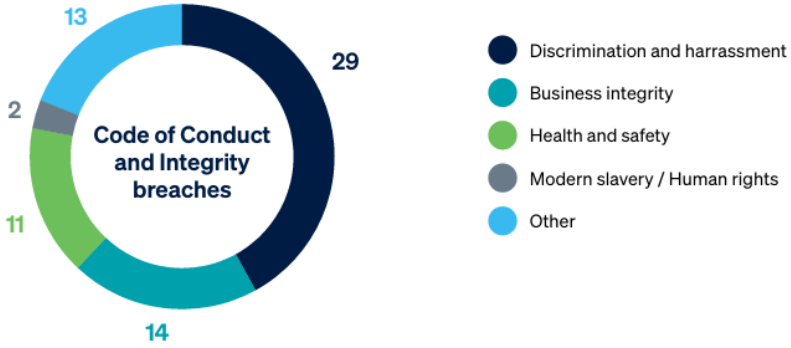
Of the 113 established sexual harassment cases:

- Nil involved sexual assault.
- 38 involved sexualised and indecent touching.
- 18 involved sexually aggressive comments, stalking, grooming or image-based harassment.
- 56 involved other forms of sexual harassment, including sexualised conversations or jokes.
- 1 also involved gender-based harassment.
- Nil also involved creating a hostile work environment based on sex.

Case example: Fortescue 2026 disclosure

Code of Conduct and Integrity breaches

In FY26, 69 of the alleged breaches of the Code of Conduct and Integrity reported through our Speak Up service were substantiated. The majority of these related to misconduct concerns, including behaviour such as discrimination and harassment. A number of investigations resulted in corrective actions, including warnings. In FY26, there were 11 dismissals relating to breaches of the Code.



In July 2026, Fortescue was served with a class action filed in the Federal Court of Australia containing allegations relating to sexual harassment, sexual discrimination and a hostile workplace. The matter is currently before the court.

Executive Remuneration

Strike risk and how boards respond

A first strike can be an important signal of shareholder concern, but the subsequent board response is arguably more informative. Remuneration concerns can persist where the underlying issues are not adequately addressed. The drivers of 2025 strikes were varied, but broadly reflected concerns around the quality of pay-for-performance alignment and board judgement:

- Weak performance linkage in equity awards, particularly time-based or tenure-based structures adopted without a correspondingly long horizon, e.g. RWC
- Upward discretion, retesting, or in-flight adjustment of outstanding awards, e.g. ORA
- Bonuses paid despite safety, regulatory or cultural failures during the performance period, e.g. CWY
- Inadequate disclosure or rigour in performance objectives, hurdles and targets, e.g. SHV
- Retention or one-off awards structured to bypass shareholder approval, e.g. NXT

Looking into the 2026 AGM season, companies carrying a first strike warrant particular attention. The fundamental question is whether the board has addressed the underlying concern or simply redesigned the remuneration structure without resolving the alignment issue.

TABLE 1: ASX 300 ISSUERS WITH A STRIKE IN 2025 AND RECORDING REPEATED STRIKES OVER 2020 TO 2025, RANKED BY NUMBER OF STRIKE YEARS AND PERCENT OF DISSENT IN 2025

Issuer	Ticker	Strike years (financial years)	2020	2021	2022	2023	2024	2025
NRW Holdings	NWH	6	42.4	39.2	49.8	58.6	26.2	73.2
Lovisa Holdings	LOV	5	8.1	47.8	32.9	73.4	73.6	76.7
Dicker Data	DDR	5	16.6	28.9	33.3	26.4	42.0	76.6
Clinuvel Pharmaceuticals	CUV	4	35.3	22.0	18.5	39.7	52.1	63.0
BrainChip	BRN	4		36.1	11.9	52.6	33.4	53.9
Champion Iron	CIA	3	18.6	22.1	24.6	53.6	32.1	37.6
IDP Education	IEL	3	18.4	33.3	6.3	4.1	33.4	35.5
Ioneer	INR	3	50.9	32.7	24.1	16.7	5.7	27.3
Accent Group	AX1	2	54.4	1.6	3.3	3.4	1.6	82.0
James Hardie	JHX	2	2.5	3.3	3.7	11.1	26.2	66.3
Reece	REH	2	12.1	2.2	4.1	20.4	34.5	44.7
CSL	CSL	2	6.3	11.4	10.1	23.0	26.4	42.3
Australian Clinical Labs	ACL	2			0.1	1.3	45.2	41.6
Cleanaway Waste	CWY	2	10.3	11.1	25.5	1.7	0.9	40.7
Reliance Worldwide	RWC	2	1.7	0.5	4.4	4.3	39.0	35.2
National Storage REIT	NSR	2	11.4	30.4	3.7	6.2	8.9	34.0
ANZ Group	ANZ	2	3.8	5.6	7.0	5.7	38.3	32.4

Note: NRW Holdings received strikes in 2018 and 2019 as well, meaning 2025 was its eighth strike.
Source: ISS STOXX Governance Research & Voting

TABLE 2: 22 ISSUERS WITH STRIKES IN 2025 BUT NOT IN 2024 (THE 'FIRST STRIKES')

Issuer	Ticker
Boss Energy	BOE
Lotus Resources	LOT
Paladin Energy	PDN
Strike Energy	STX
Ioneer	INR
Orora	ORA
South32	S32
Vault Minerals	VAU
West African Resources	WAF
Select Harvests	SHV
National Storage REIT	NSR

Issuer	Ticker
Botanix Pharmaceuticals	BOT
NextDC	NXT
Weebit Nano	WBT
WiseTech Global	WTC
Xero*	XRO
Helia Group	HLI
Macquarie Group	MQG
OFX Group	OFX
Accent Group	AX1
Cleanaway Waste Management	CWY
SRG Global	SRG

Note: Several names appear in Table 1 as well, as they did not have over 25 percent of remuneration dissent in 2024.
** Xero is listed with over 25 percent dissent, but it is incorporated under the New Zealand Companies Act and hence not subject to Australia's two-strikes mechanism. It is listed above to denote over 25 percent dissent.*
Source: ISS STOXX Governance Research & Voting

Other

Nature: progress diverges as climate reporting absorbs resources

Nature reporting moved in two directions during FY26. Some companies slowed nature-related work as resources shifted to mandatory climate reporting, while others progressed TNFD-aligned assessments, strategies and disclosures.

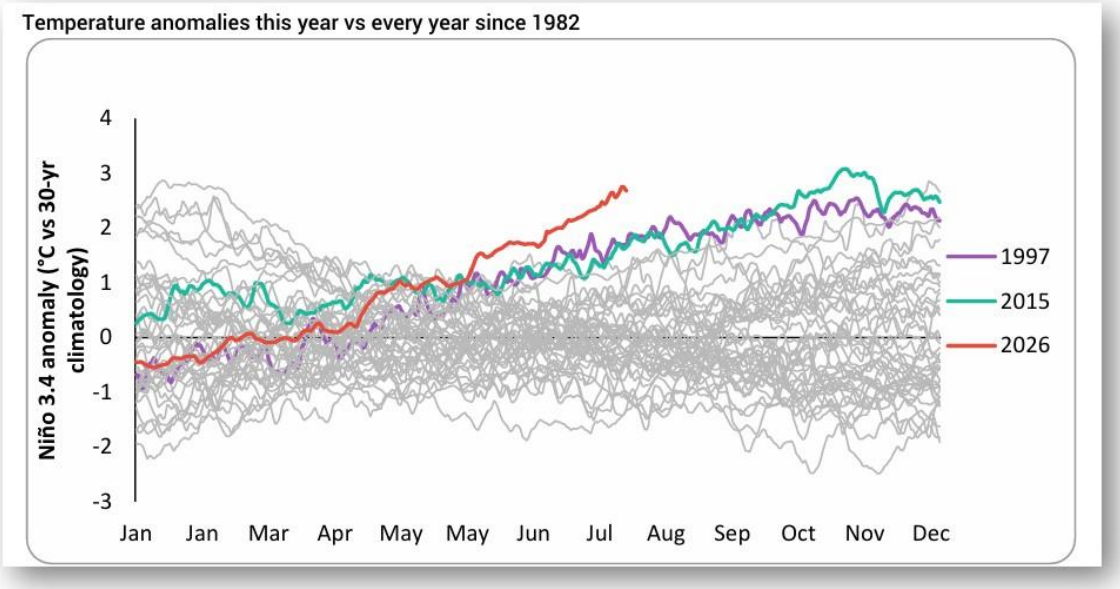
Nature 2026 disclosures

Ticker	Direction	Development
COL	Limited progress	Conceded progress on the nature pillar was 'more limited than anticipated' in FY26 because resources were prioritised toward mandatory climate reporting.
NXT	Deprioritised	Retired its standalone Climate and Nature Report and initial TNFD LEAP application; biodiversity is now a peripheral topic in its double-materiality assessment, with nature handled within enterprise risk management.
WOR	Deprioritised	Nature roadmap progress explicitly slowed in FY26 as resourcing moved to AASB S2 preparation.

Ticker	Direction	Development
WOW	Advanced	Published its first standalone Nature Report and completed a TNFD LEAP assessment across direct operations and highly traded commodities (beef, dairy, grains, horticulture and farmed seafood).
CBA	Advanced	Initial portfolio-level forest-loss assessment across Business Banking agribusiness (customers representing more than 75% of TCE); customers with more than 200 ha of potential forest loss were under 0.2% of Group TCE at 31 December 2025.
IAG	Advanced	TNFD LEAP pilot across five customer farms to assess dependencies, impacts, risks and opportunities, and began integrating nature signals into underwriting.
PLS	Advanced	Updated Biodiversity Strategy toward TNFD alignment; LEAP assessment progressed at Pilgangoora and commenced at Colina; 45,413 ha of flora and fauna surveys at Pilgangoora.
QAN	Advanced	Completed a TNFD-guided LEAP assessment and a Nature Action Plan (Reduce, Regeneration, Transform); no nature-related targets yet set.
A2M	Advanced	Set nature targets (FY24 baseline) to halt biodiversity loss in the value chain, completed two pilot on-farm baseline assessments and directed more than NZ$260,000 to nature-positive projects.
SGP	Advanced	Enhanced biodiversity disclosure aligned to updated GRI 101 and created a 9.8-hectare mangrove wetland at Shoreline (Qld) using more than 35,000 salvaged seedlings.

El Nino

El Niño is highly trackable months in advance, giving investors an opportunity to identify economic consequences before they fully materialize.

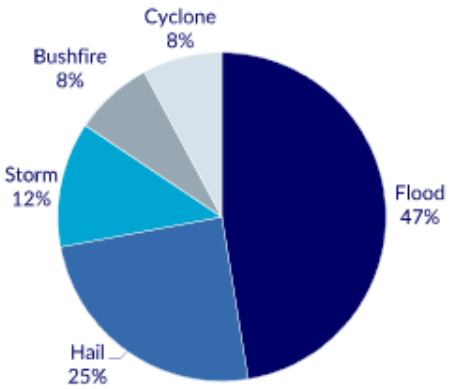


Source: Jefferies Research, Climate Dashboard

Examples of stock level implications as below:

Sector	Ticker	Impact Rating	Short Summary
Insurers	QBE IAG SUN	Net Positive	Risk moves away from flood, cyclone and East Coast Storm Losses (La Nina) to Bushfire, drought and heat risk. Bushfire is historically less costly in aggregate. Expect El Niño to deliver lower claim severity, implying lower peril losses and better insurance margins. IAG most geared to peril-mix shift.
Banks	BEN NAB	Neutral to Negative	Potential for higher non-performing agriculture book loans. BEN and NAB have the largest exposure to agriculture sector at 8% and 6% of their credit exposures.
Healthcare	RHC	Neutral to Positive	Lengthened flu/RSV seasons, which lifted community pharmacy and private hospital volumes. El Niño driven surge in respiratory illness or heat-related presentations now flows more directly into private hospital and diagnostics utilisation.
Energy	ORG	Positive	A hotter, drier summer should reverse the recent weakness in wholesale electricity prices, driven by stronger air-conditioning demand and potentially lower hydro generation out of Tasmania. Net long wholesale power should perform well on firmer pricing, with additional upside risk if thermal fleets fail during prolonged heat events and spike prices sharply.

Australia, catastrophe losses, normalised loss value by type, 2016-2025 (A$m)



Source: CLSA, Insurance Council of Australia

Looking ahead: 2026 AGM Season

The 2026 AGM season will provide another opportunity to test whether the issues highlighted through reporting season are translating into stronger governance, better operating discipline and ultimately better shareholder outcomes.

Across climate, we will be looking beyond the volume of new disclosure to the credibility of assumptions, capital allocation and execution. The resetting of targets across a number of companies is not necessarily positive or negative in itself. For fundamental investors, the more important question is whether targets reflect realistic economics, technology pathways and operational constraints, and whether changes in ambition alter the capital required, risk profile or long-term earnings potential of the business.

Safety and workplace culture remain important indicators of operational quality. The persistence of fatalities across parts of the market reinforces our focus on critical-risk controls, leading indicators and accountability, particularly where contractors, joint ventures or reporting boundaries complicate headline safety measures. We will continue to assess whether boards respond appropriately when serious incidents occur and whether remuneration outcomes genuinely reflect operational performance.

Remuneration provides a further lens into board expectations and capital discipline. Comparing disclosed vesting hurdles with consensus and our own earnings expectations helps us assess whether targets contain genuine stretch and whether management incentives are aligned with the outcomes shareholders are underwriting. Through AGM season, we will pay particular attention to companies facing a potential second strike, changes to performance hurdles and instances where strong remuneration outcomes appear difficult to reconcile with shareholder or operational outcomes.

Nature and physical climate risk are developing at different speeds across sectors. Rather than treating new disclosures as an end in themselves, our focus is on cases where these risks can affect asset values, insurance costs, supply chains, underwriting, capital expenditure or earnings. The same principle applies to El Niño and other physical-risk scenarios: the investment relevance comes from understanding individual company exposures rather than making broad sector assumptions.

As we move through the 2026 AGM season, our focus remains on the issues that can change our assessment of earnings, risk, management quality or valuation. Ultimately, that is the test of materiality for us, and where active ownership and fundamental analysis can add value for our clients.

Carbon Emission Intensity Tracker:

WaveStone – WASF	Carbon Emissions		
	Portfolio	**Benchmark**	**Difference**
Carbon Intensity Scope 1+2 (tonnes CO2e/USD M sales)	122.7	167.1	-26.5%

Source: MSCI ESG (as at 30/09/2026)
Benchmark is the S&P ASX 300 Accumulation Index

Engagement

Examples of ESG-related Engagements during the Quarter

Title	Objectives / Topics Discussed
JHX	Governance, Culture, Remuneration
MQG	Governance; Risk Management; Remuneration; Capital allocation
XRO	Executive Remuneration
CBA	Governance, Cyber, AI, Business Strategy, Public Policy
ORG	Climate and Decarbonisation, Governance, Public Policy
REA	Business strategy, Capital allocation, Governance, AI
A2M	Operations and Supply Chain, Geopolitics, Executive remuneration
JDO	Business strategy, Macroeconomic environment and Geopolitics, Culture & Governance
LNW	Sustainability disclosure, Responsible Gaming
WOW	Business Strategy, Governance, AI, People & culture
BRG	Product and Supply Chain, Geopolitics and Tariffs, AI, Governance
STO	Business & Project update, Governance
ALQ	Remuneration, Governance, Capital allocation
BHP	Operational decarbonisation, Safety, Climate, Social Value

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 Summary Scorecard**

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