

Pendal Horizon Sustainable Australian Share Fund Sustainable objective report

12 months to 30 June 2025

Sustainability objective

The Fund aims to invest in companies that advance the transition to a more sustainable economy.

Pendal's view of a sustainable economy is one which is made up of companies:

- producing or offering products or services that provide social and/or environmental benefits; and/or
- that have leading operational practices with regard to the environment, their employees and community, conduct their business ethically; and/or
- whose actions, business models and products or services do not cause significant harm.

The Fund aims to advance the transition to a sustainable future economy by influencing business practices that support the Fund's vision of this future.

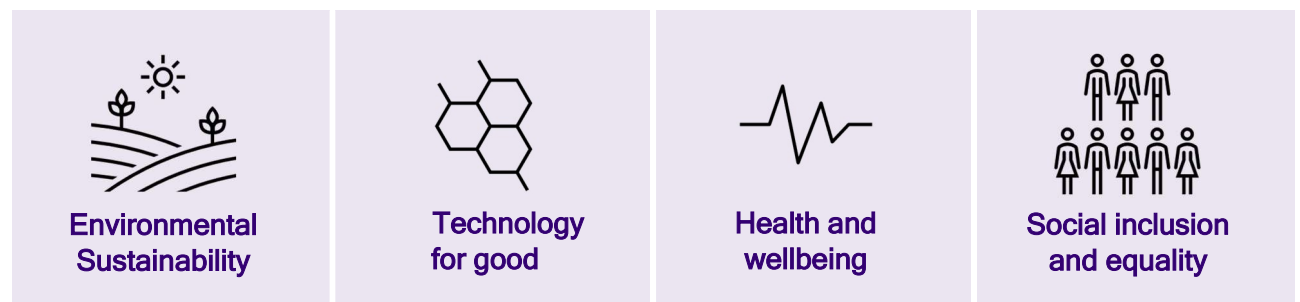
The Fund's vision of a sustainable future economy is an economic system which values environmental and social factors alongside economic factors. This includes, but is not limited to, environmental factors such as Greenhouse Gas Emissions reduction and social factors such as social equity (the fair, just, and equitable management of government and corporate institutions).

The Fund aims to achieve this by:

- Actively allocating capital to companies that advance the Fund's vision of a sustainable future economy through their products and service and/or business practices;
- Actively engaging with companies to drive systemic change and corporate behaviours to support the Fund's vision of a sustainable future economy; and
- Avoiding exposure to companies with business activities that Pendal considers to negatively impact the transition to a sustainable economy.

How sustainability objectives factor into investment decisions

The Fund focuses on four sustainable themes.



The Fund applies Pental’s sustainability assessment framework to the companies in the ASX300 Index, which draws on both qualitative and quantitative inputs to determine which companies meet our sustainability criteria. The sustainability assessment framework:

- Maps the gross revenue of the companies in the Fund’s investable universe to the Fund’s sustainability themes; and
- Companies’ data to assess and rank the companies in the Fund’s investable universe on their sustainable business practices; and
- Identifies advanced sustainable business practices for thematic engagement with companies.

To be considered as a potential investment of the Fund, companies are assessed and must fall into one of the following three categories:

<p>1. Leaders</p> <p>Companies that generate at least 50% of its gross revenue from products and services aligned with one or more of the Fund’s sustainable themes</p>	<p>2. Enablers</p> <p>Companies with business practices that Pental considers enables the transition to the Fund’s vision of a sustainable future economy.</p>	<p>3. Reformers</p> <p>Companies which Pental assessed as having the potential to improve the way they do business in a way that would support a transition to the Fund’s vision of a sustainable future economy.</p> <p>These companies do not fit into the Leaders or Enablers category, however, pass the Fund’s exclusionary screens. Companies in the Reformer category are targeted for engagement.</p>
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Measuring the Fund’s progress towards the Fund’s sustainability objective

We take a holistic approach to this assessment using multiple metrics as well as qualitative assessments to understand how the Fund positively contributes to its sustainable objective.

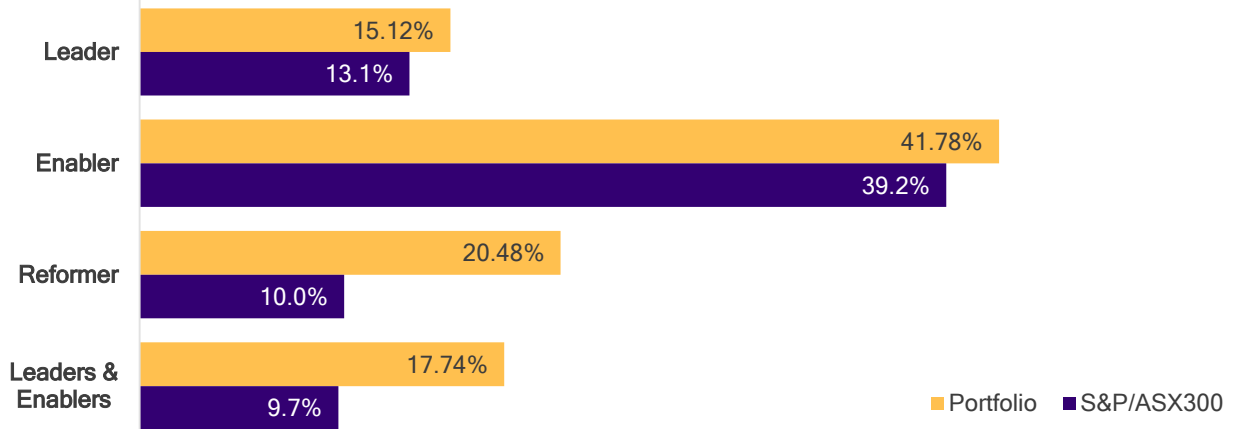
We believe the best way to measure progress towards this objective is to measure the contribution of its holdings to factors that align with or support the transition to a more sustainable economy. Our investment process aims to identify companies that will not only contribute to creating a more sustainable economy but that will thrive in such an economy. We aim to identify winners of a sustainable future economy and invest in them, with a goal of making both a return for our clients and supporting the transition to a sustainable future.

Sustainable categories versus respective benchmark weights

Proportion of the portfolio invested in companies that have >50% revenues attributable to sustainable products and services (Leaders Category). We measure these proportions at portfolio level as well as relative to their respective weights in the ASX300. The Fund aims to overweight companies in the Leaders and Enabler Category versus their respective weights in the ASX300.

This helps us to monitor that we are allocating capital to, and hence supporting, companies that advance the transition to a more sustainable future economy.

Figure 1: Pental Horizon Sustainable Australian Share Fund sustainable categories vs. respective benchmark weights, as at 30 June 2025



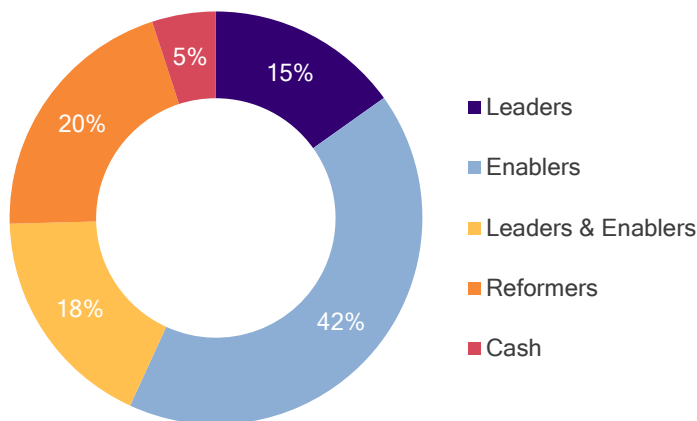
Source: Pental Group. One holding can be assigned more than one category. A breakdown of this is shown in Figure 2.

As at 30 June 2025, the Fund was overweight companies with >50% of revenues coming from products and services, that support one or more of the Fund’s sustainable themes, versus their respective weights in the benchmark. The Fund was also overweight companies with top quartile ESG operational business practices, as determined by our proprietary sustainable assessment framework.

Our fund supports the transition to a sustainable future economy by investing more capital into companies that will both drive and thrive in a more sustainable world. Our fund excludes companies that are misaligned with the type of future we envisage, we then invest that capital into the companies that will be part of the solution or pave the way for future business conduct and practices.

We actively encourage companies in our Reformer category to enhance their business practices or product mix to move into one of these leading categories.

Figure 2: Proportion of the portfolio in each sustainable category, as at 30 June 2025



Source: Pental Group.

95% of the portfolio is invested in one of our sustainable categories, with 75% in the leading categories and 20% (Reformers Category) targeted for engagement.

Weighted Average Carbon Intensity (WACI) of the fund versus benchmark.

We understand that the WACI does not paint a complete picture of the progress that a company is making towards reducing their emissions. This is a diversified equity fund, which invests across all sectors. Some sectors will be more carbon intensive than others, and some are in the hard-to-abate category.

A company’s commitment to carbon emissions reduction is a complex assessment which we approach through qualitative analysis of company commitments, actions and progress. We undertake engagements to test the credibility of company transition plans and commitments, including their contribution to industry-wide solutions and systems change required to decarbonise the hard-to-abate industries as well as their own supply chains. We speak to management and assess the commitment of senior leadership and boards on this topic to get a complete picture of whether the company is one which will support our sustainable objective.

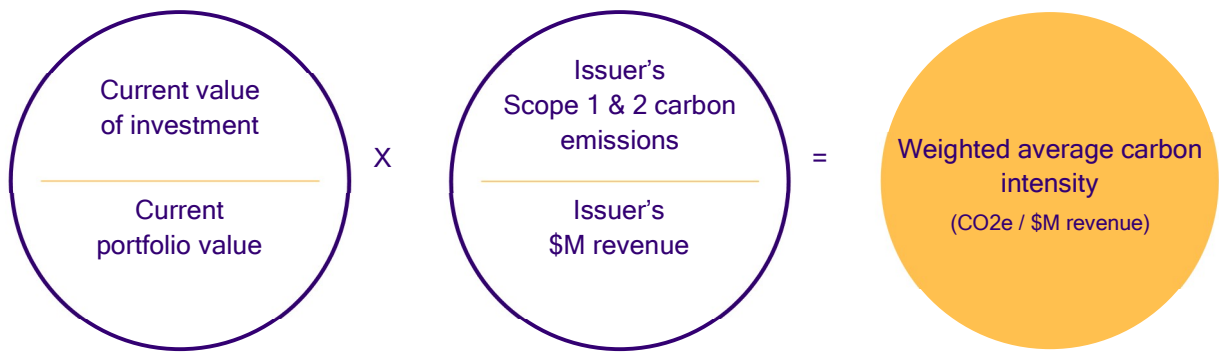
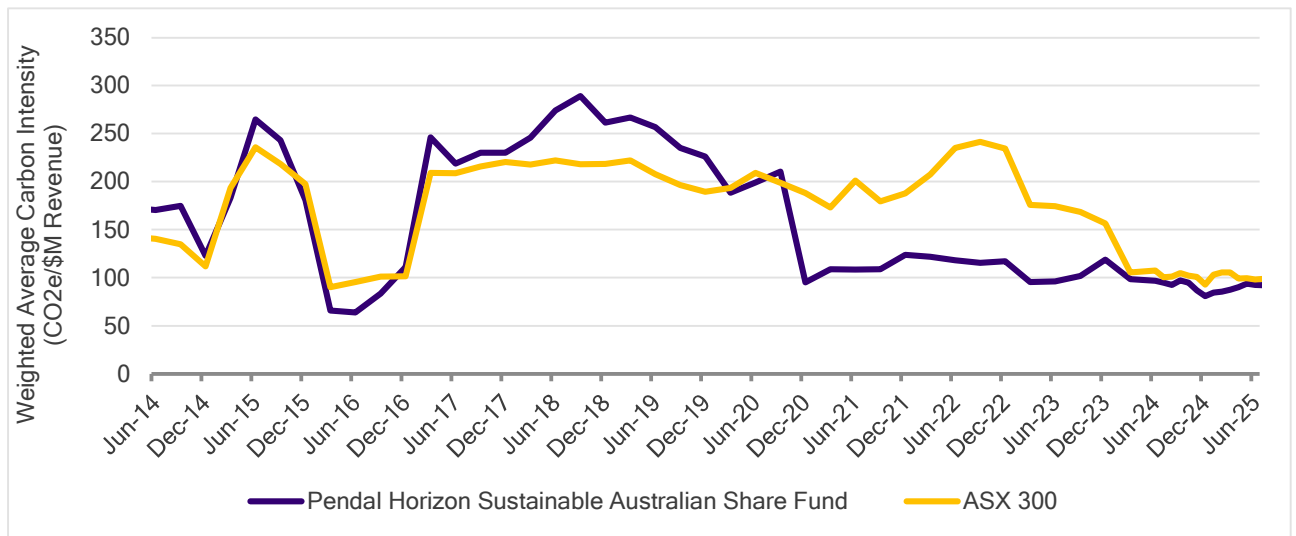


Figure 3: Weighted average carbon intensity versus benchmark to 30 June 2025



Source: Pendal Group and ISS

The Fund has maintained a WACI below that of the ASX300 since October 2020. This corresponds to the period when the Fund was redesigned from the Pendal Ethical Share Fund to the Pendal Horizon Australian Share Fund. The changes included the introduction of additional negative screens¹ including fossil fuel extraction and exploration. The fund also became more concentrated after this date, with fewer holdings at a higher conviction.

¹ Changes to the Pendal Ethical Share Fund (APIR: RFA0025AU, ARSN 096 328 219) | Pendal Group

In March 2024, the WACI for the Fund and the ASX300 converged. The primary reason for the fall in the benchmark WACI was the result of a rising oil price, which increased revenues for fossil fuel companies such as Woodside and Santos. Since company carbon emissions are normalised by company revenues in the WACI calculation, the WACI for the ASX300 fell. Companies involved in fossil fuel extraction and exploration are excluded from the Fund, The Fund therefore did not experience a corresponding drop in WACI, to the same magnitude as the ASX300. This caused the WACI for the Fund and the ASX300 to temporarily converge. The change did not represent a reduction of carbon emissions in the benchmark itself and illustrates the limitations of the WACI calculation.

Stewardship highlights

Over the last 12 months we have conducted 79 engagements that further the Fund’s sustainable objective.

Figure 5: Environment - 36 engagements discussed environmental issues



Figure 6: Social - 55 engagements discussed social issues

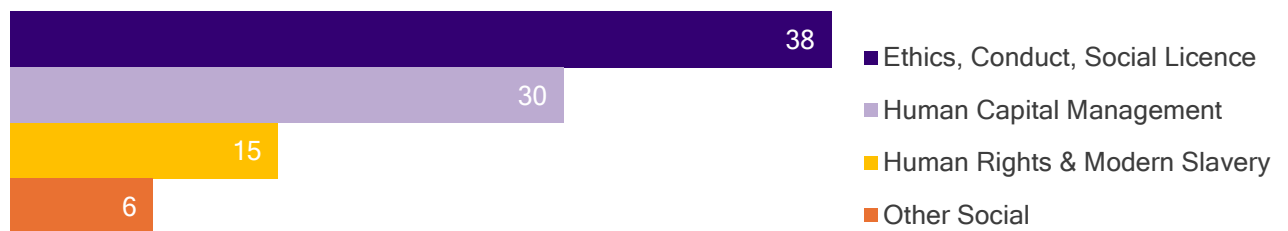


Figure 7: Governance - 30 engagements discussed governance issues



Engagement case studies

Rio Tinto

Sustainable category: Enabler

Enabling the transition through: *Leading practices in low carbon transition and climate at the core of strategy; investment and innovation; targets and reporting.*

Engagement objective: *Encourage the company to progress traditional owners' agreements & emission reductions projects, disclose detail on sustainable minerals strategy*

Description: Over the quarter, we held several meetings in relation to Rio Tinto's (RIO) heritage protection actions. We hold RIO in the Fund.

We met with representatives of indigenous groups affected by four different RIO mine sites (Panguna Bougainville, QMM Madagascar, Simandou Guinea, Robe River Pilbara) to understand the impact of RIO's operations. Following these discussions, we met with the CEO of Australia, and VP HSEC (Iron Ore), in November to raise issues including co-management and compensation for indigenous communities.

RIO is currently negotiating co-management agreements. It is doing this willingly, without a requirement to do so. We see this as a positive sign on the part of RIO. Some parties are calling for lump-sum payments for past mining activities on ethical grounds. The miner has no legal obligation to pay compensation as they were operating lawfully under the laws at the time.

We are concerned this could lead to widespread claims as the federal government is progressing legislation on cultural heritage protection and engaging with the industry. We will continue to monitor this issue as it unfolds.

We also engaged on RIO's approach to emissions reductions in their Australian operations. We tested their strategy on sourcing renewable energy for their Pacific aluminium division as well as ongoing decarbonisation of Pilbara iron ore operations. The other key focus was RIO's changing commodity portfolio with regards to critical and sustainable minerals. Specifically, we encouraged the focus on growing both financial and non-financial outcomes following their recent investments in commodities such as copper and lithium.

Qantas

Sustainable category: Enabler

Enabling the transition through: *Leading practices related to climate targets and strategy; Climate Fund and investment innovation; use and expansion of Sustainable Aviation Fuel (SAF); fleet renewal and fuel efficiency.*

Engagement objective: Gain commitment to narrowing gender pay gap & encourage further action on decarbonisation program

Description: We engaged with Qantas senior management over two meetings, examining their strategy to reduce emissions using alternative fuels and their approach to workforce and people management. The latter was instigated in response to the government's gender pay gap (GPG) results released earlier in the year. We hold Qantas in the Fund.

We first engaged with Qantas's chief sustainability officer, discussing progress in using sustainable aviation fuel (SAF) as well as the latest view on GPG within the company. From these meetings we saw that SAF would be crucial for Qantas management's long-term decarbonisation plan and a key facilitator to achieve its 2050 net-zero targets.

The company is investing in a variety of programs to develop the SAF industry with collaborations and trials in Australia and overseas. We encouraged continued investment in this area while remaining financially and environmentally efficient.

Following on from this we met with Qantas’s Chief People Officer to review the company’s approach to diversity, inclusion and its response to their GPG results.

Qantas is reporting a median GPG of 37%², which the company acknowledged was far from acceptable. Pleasingly, Qantas has identified the key areas that produced this gap (pilots, engineering and cabin crew) and had begun implementing programs to remedy the issue.

We highlighted the need for Qantas to increase its disclosure on the issue and report regularly on progress.

Suncorp

Sustainable theme: Enabler

Enabling the transition through: *Leading practices related to Responsible underwriting, investing and sustainable insurance policy; transparency and reporting; Climate Change Action Plan*

Engagement objective: Encourage the company to assess further risk management strategies to reduce impacts of extreme weather events.

Description: We met with the CEO of Suncorp where we discussed how the company was planning to manage the increasing frequency and severity of climate events.

The discussion included the potential for a multi-year stop-loss reinsurance plan aimed at reducing volatility from the physical impacts of climate change. SUN’s initial assessment suggests that IAG’s new coverage may be challenging to replicate, but the company is committed to exploring all available options. We intend to monitor how the company decides to manage the increasing physical impacts of climate change.

NEC

Sustainable category: Reformer

Reforming practices due to: *Has potential to be a meaningful player in Australia’s sustainability transition, especially in the media space, following reforms.*

Engagement objective: Follow up on the implementation of NEC’s Action Plan to accelerate, address and measure cultural change, in response to earlier allegations around toxic culture and harassment.

Description: The independent report, the action plan, acknowledgement of the issue and personnel changes are all important and positive steps in dealing with this issue. However, our key focus is to ensure that momentum is maintained.

We engaged with the Chair and management regarding the implementation of the Plan. We believe they are committed to the changes required, and we will continue to engage to ensure that the recommended actions are undertaken.

We also observe in Nine that such confronting, open reviews can act as a catalyst for important change which will be for the good of the company, its shareholders and the wider community and stakeholders.

² [Qantas Group 2025 Gender Pay Gap Statement](#)

Proxy votes on sustainability-related issues

Westpac

In recent periods, Westpac has developed and set several sector targets in key emission intensive industries. The targets appear reasonable, although a few sector targets appear less challenging than those set by other banks. Early progress towards targets is encouraging which is similar to peers. Our view is that Westpac is on track to deliver on its climate commitments, and that the proposal for all fossil fuel customers to have credible transition plans by September 2025 is overly restrictive. We will continue to monitor Westpac's development of sector targets and encourage further disclosure and progress towards these goals. We therefore supported management and voted against the shareholder resolution to tighten targets.

Thematic engagement program

Gender Pay Gap

On 4 March 2025, WGEA published the most recent 2023-24 data on the gender pay gap (GPG) for all private-sector Australian employers with 100+ staff³. The report shows that the average total remuneration gender pay gap stands at 21.8%, while the median gap is 18.3%. In practical terms, this equates to women earning 78 cents for each \$1 earned by men, resulting in a yearly shortfall of approximately A\$28,425. We believe the financial benefit to the Australian economy from reducing the GPG is substantial and would benefit all companies. We believe that reducing the GPG has the potential to increase revenues for Australian companies and to provide additional benefits for the Australian economy through widening the labour pool. Reducing the GPG is also highly aligned with driving the transition to a more sustainable Australian economy.

In 2024 we developed our Gender Pay Gap thematic engagement program.

The Pandal Australian Equities GPG thematic engagement program aims to:

1. Increase corporate awareness of the GPG, importance of the issue, business value created by solving for it and best practices.
2. Encourage companies to undertake a review of GPG drivers
3. Encourage companies to develop a clear and nuanced action plan targeting the drivers of company GPG

During the year we engaged with portfolio companies to gauge their response to the data and highlight our focus on this issue. We also worked closely with Regnan to develop an engagement brief on this topic.

In November 2024 Pandal Australian Equities also held a roundtable on the GPG, with WGEA, Champions of Change and multiple financial industry participants, to understand the challenges that our investee companies face and how we can support them, through our stewardship efforts, to close their GPG. Alongside Regnan we have developed some key engagement questions which we are using to probe the effectiveness of efforts by investee companies in identifying the drivers of their own GPG.

Critical Minerals

The rapid global shift toward clean energy has triggered a dramatic surge in demand for critical minerals—such as lithium, cobalt, nickel, rare earths, and graphite. These inputs are indispensable to the production of electric vehicles (EVs), solar panels, batteries, and wind turbines. However, the pace and scale at which

³ [Gender pay gap publishing 2025: Everything you need to know | WGEA](#)

these materials must now be extracted pose substantial challenges to the environmental and social sustainability of their supply.

According to the International Energy Agency (IEA), demand for critical minerals is expected to triple by 2030, with the market growing to over US \$770 billion by 2040⁴, up from approximately US \$325 billion today. To meet global net-zero targets, the world will require the development of more than 300 new mines for key energy-transition minerals—many of which must come online within the next 10-15 years.

While these materials are central to decarbonisation efforts, their extraction and processing carry significant ESG implications, including environmental degradation, cultural and community impacts, and supply chain human rights issues. The scale and urgency of expansion may deprioritise sustainable practices.

In 2024 we commissioned Regnan to produce research on the critical minerals industry with a focus on operational sustainability risks. This year we have developed an engagement program that targets critical minerals companies within our portfolios. We take a systems based approach to this thematic engagement, aiming to understand the challenges and best-practice solutions to these emerging risks.

Negative impacts disclosure

We acknowledge that within our portfolio, some companies will have negative effects on our sustainable objective, such as those that are in hard to abate sectors (related to carbon emissions) or those that are improving their business practices or product mix but have not reached their goal yet.

We recognise that the transition to a sustainable economy will not be linear and will take time. This may mean that some industries will take longer to decarbonise than others, and some will increase their emissions in the short-term, in the pursuit of long-term decarbonisation. We also recognise that broader systems change will be required to adequately address some of the challenges of this transition. This will require industry and government collaboration.

We take a pragmatic approach to managing these risks and setting our expectations for investee companies. We strive to contribute to meaningful change towards a more sustainable future economy. We believe that monitoring of the potential negative effects of our investments alongside continued engagement with company boards and management provides us with a depth of understanding of the challenges and potential solutions to those challenges. We can therefore be more constructive in our engagement approach.

We monitor our portfolio for high greenhouse gas (GHG) emitters, controversies and high-risk exposure to climate and modern slavery risks using proprietary risk assessment tools. We also undertake internal ESG risk assessments for each company we hold against an ESG materiality map developed by Regnan. We maintain company watchlists for incidents, climate risk exposure and modern slavery risk exposure. Additionally, we undertake thematic ESG engagements focused on systems change aligned to environmental or social issues that align with our sustainability objective.

⁴ Executive summary - Global Critical Minerals Outlook 2024 - Analysis - IEA

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