PENDAL

Pendal 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 do this by:

- Investing in companies that provide sustainable products and services, which contribute to the fund's four mega themes **energy transformation, sustainable environment, human basics, increasing prosperity**;

- Investing in companies that demonstrate leading sustainable operational practices and good business conduct;
- Engaging with companies to improve their:
  - operational practices or conduct; and/or
  - enhance the sustainability of their existing products or services; and/or
  - grow their product mix to include or increase their sustainable products and services; and
  - manage risk and realise potential opportunities over the long term
- Avoiding companies whose actions, business models and products or services cause significant harm.

How sustainability objectives factor into investment decisions

Companies are assessed on how they help advance the transition to a more sustainable economy either through their products and services or their business practices and conduct. They are placed in one of 4 categories.

Investments must fall into one of the following four categories:

1. Sustainable Products and Services:

- Companies producing or offering products and services that are beneficial to the environment and/or society; and
- Companies whose sustainable products are affecting positive change to the environment and/or society.

2. Sustainable Leaders

- Companies conducting activities or product improvements with outcomes that are beneficial to the environment and/or society; and
- Companies with corporate strategies to affect positive change to the environment and/or society.

3. Sustainable Improvement

- Companies with scope to progress their sustainable performance of their products and services or operations; and
- Companies where Pendal will seek to influence the continued progress of company practices through active engagement.

4. Monitor and Repair

- Companies that have been identified as having elevated ESG risks and are addressing their poor sustainable practices; and
- Companies where Pendal will seek to influence the repair of company practices through active engagement.

Measuring the Fund's progress towards the Fund's sustainability objective

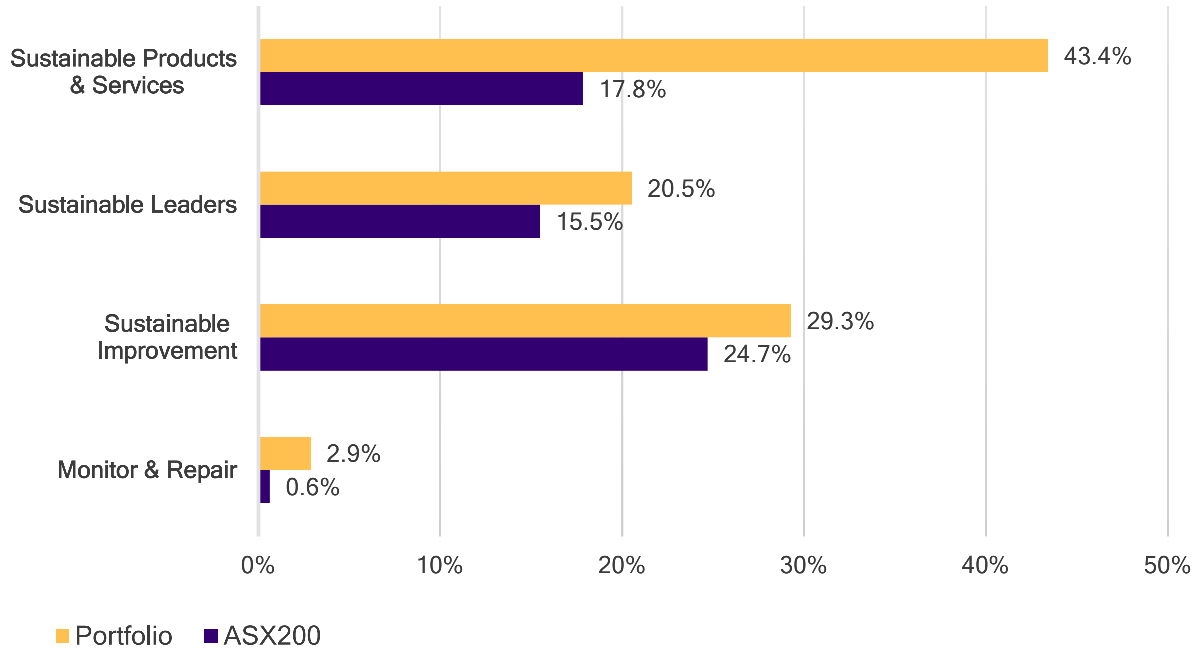
We take a holistic approach to this assessment using multiple metrics as well as qualitative assessments to understand how the Fund positively contributes to its sustainable objective.
We believe the best way to measure progress towards this objective is to measure the contribution of its holdings to 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 (Sustainable Products and Services Category). We measure these proportions at portfolio level as well as relative to their respective weights in the ASX200. The Fund aims to overweight companies in the Sustainable Products and Services Category versus their respective weights in the ASX200. This is monitored and disclosed on a quarterly basis in our Fund Factsheet.

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

Figure1: **Pendal Sustainable Australian Share Fund sustainable categories vs. respective benchmark weights, as at 30 June 2025**



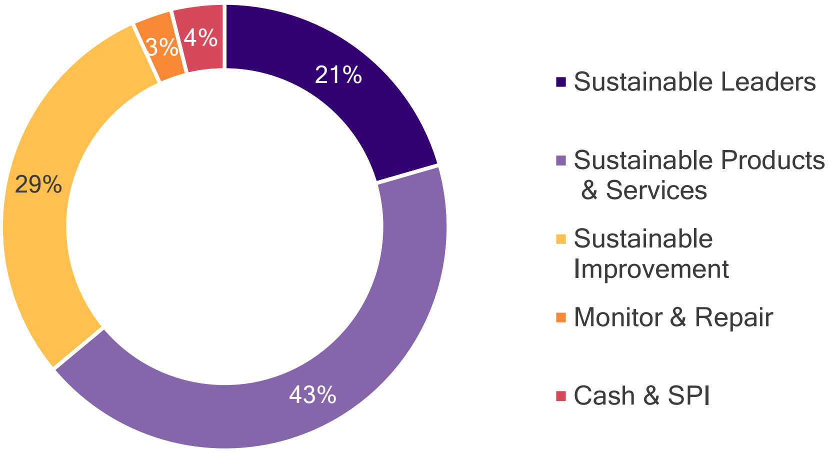
Source: Pendal Group

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 mega themes, versus their respective weights in the benchmark. The Fund was also overweight companies with top quintile ESG operational business practices, as determined by our proprietary sustainable assessment framework.

Our fund supports the transition to a sustainable 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 Sustainable Improvement 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**



93% of the portfolio is invested in one of our sustainable categories, with 64% in the leading categories and 32% (Sustainable Improvement and Monitor and Repair) targeted for engagement. These companies are permitted in the portfolio only if they demonstrate the potential and willingness to enhance their business practices or product mix in a way that supports the transition to a more sustainable economy.

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

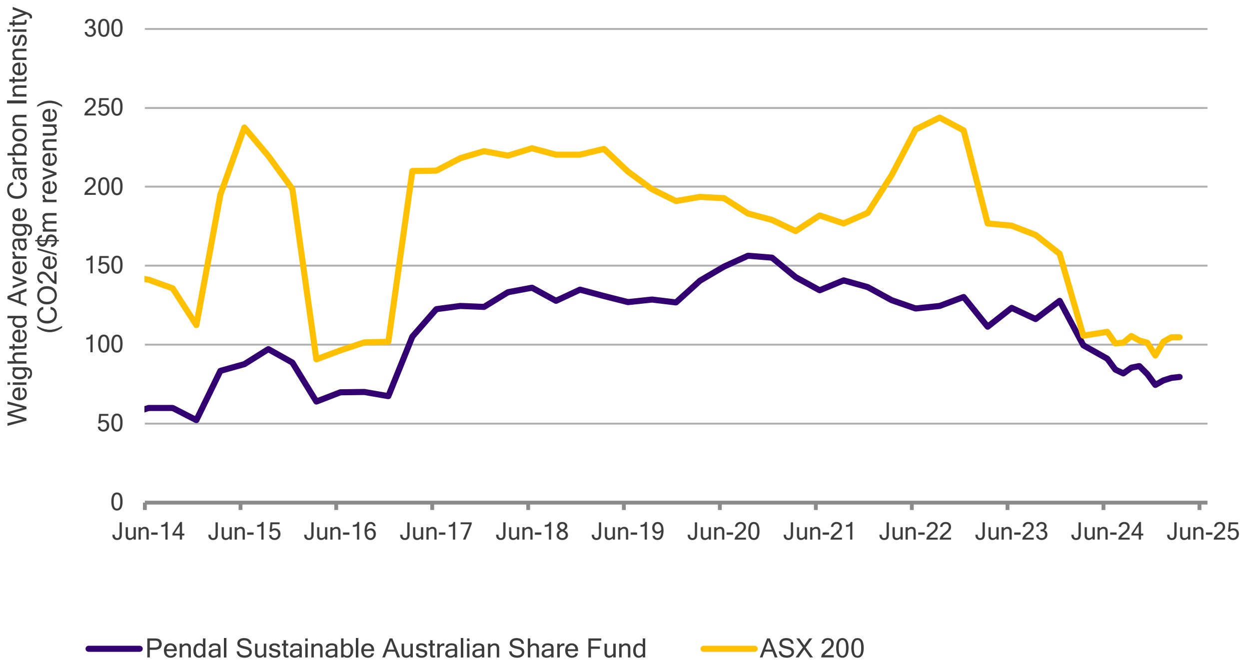
The Fund aims to maintain a WACI of 10% or more below that of the benchmark.

This is not the goal of the Fund but rather a guide to help us flag any unexpected increases in the WACI of our portfolio. 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.

$$\frac{\text{Current value of investment}}{\text{Current portfolio value}} \times \frac{\text{Issuer's Scope 1 \& 2 carbon emissions}}{\text{Issuer's \$M revenue}} = \text{Weighted average carbon intensity (CO2e / \$M revenue)}$$

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 ASX200 for the last 10 years. In March 2024, the WACI for the Fund and the ASX200 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 ASX200. This caused the WACI for the Fund and the ASX200 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 88 engagements that further the Fund's sustainable objective.

Figure 5: **Environment** – 44 engagements discussed **environmental** issues

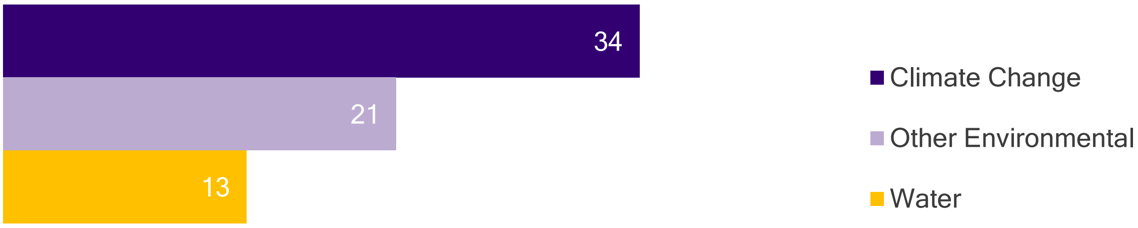


Figure 6: **Social** – 64 engagements discussed **social** issues

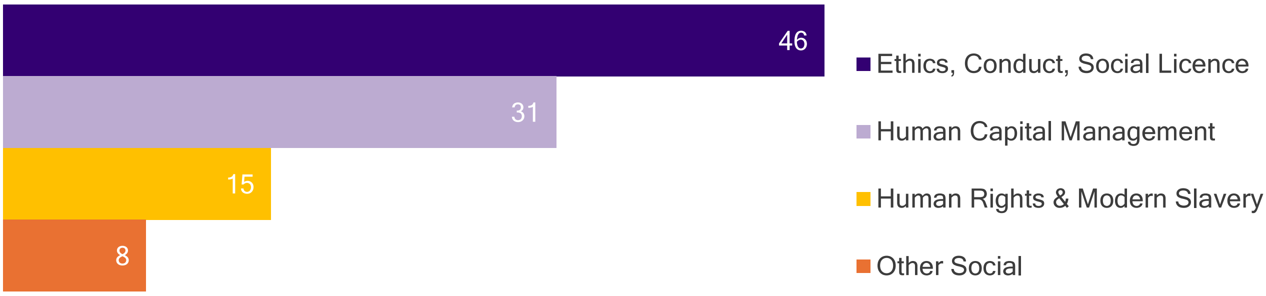


Figure 7: **Governance** – 30 engagements discussed **governance** issues

Engagements with companies in the Sustainable Improvement and Monitor and Repair category

The Fund held 10 stocks in the Sustainable Improvement and Monitor and Repair category.

We held multiple engagements with these companies with an aim to enhance their operations and/or product mix. The purpose of these targeted engagements is to support companies that are both willing and able to transition into the Sustainable Products and Services or the Sustainable Leaders categories. This supports our sustainable objective

Rio Tinto

Sustainable Mega theme:
Human Basics (Gender equality),
Energy Transformation (Sustainable Minerals, Emissions Reduction)

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 many of our portfolios.

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 Mega theme:
Human Basics (Gender equality),
Energy Transformation (Emissions Reduction)

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 several of our portfolios.

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%[1], 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 Mega theme:
Increasing Prosperity (Sustainable Cities, Climate Resilience & Adaption)

Sustainable Mega theme: Increasing Prosperity (Sustainable Cities, Climate Resilience & Adaption)

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.

Charter Hall

Sustainable Mega theme:
Human Basics (Gender equality),
Energy Transformation (Emissions Reduction)

Sustainable Mega theme: Human Basics, Energy Transformation (Gender Equality, Emissions Reduction)

Engagement objective: Test company's approach to gender equity and seek confirmation of commitment to climate goals

Description: We met with Chair of Charter Hall Group (CHC) to dig deeper on a variety of topics including their gender equity metrics, net zero objectives, and executive remuneration.

On gender equity, CHC achieved a Silver status in the workplace equality index which is a higher rating than many of its peers. In addition, their incoming female CFO received the same compensation as her male predecessor which we view positively.

[1] 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+ staff[2]. 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 Pendal 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 Pendal 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

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[2] 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 2040[3], 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.

[3] Critical Minerals - Energy System - IEA

This report has been prepared by Pendal Fund Services Limited (**PFSL**) ABN 13 161 249 332, AFSL No 431426 and the information contained within is current as at 30 June 2025.

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The Fund's estimated Weighted Average Carbon Intensity (WACI) reported to 30th June 2025. Actual results may differ and subsequent changes in circumstances may occur at any time that impact the accuracy of the results. The ISS Data, Metrics have not been verified by PFSL and may be inaccurate or incomplete. The estimates are therefore indicative only and are provided for illustrative purposes and should not be relied on for the purpose of making investment decisions.

This report is general information only and is not intended to provide you with financial advice or take into account your objectives, financial situation or needs. You should consider whether the information is suitable for your circumstances and we recommend that you seek professional advice.

The product disclosure statement (**PDS**) for the Fund, issued by PFSL, should be considered before deciding whether to acquire, dispose, or hold units in the Fund. The PDS and Target Market Determination can be obtained by calling 1800 813 886 or visiting our website www.pendalgroup.com.

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For more information, please call Customer Relations on 1300 346 821 8.00am to 6:00pm (Sydney time) or visit our website www.pendalgroup.com.