

## Guide to our Sustainable Investment Process

### Pendal Sustainable Balanced Fund – Class R

APIR Code: BTA0122AU

- (referred to as the Fund)



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#### Read this

This Guide to our Sustainable Investment Process (**Guide**) has been prepared by Pendal Fund Services Limited (ABN 13 161 249 332, AFSL 431 426).

The information in this Guide forms part of the Product Disclosure Statement (**PDS**) for the Class R units of the Pendal Sustainable Balanced Fund, ARSN 637 429 237 (**Class R Units** or **Fund**) dated 28 November 2025. **You should read this information, together with the PDS and the Additional Information to the Product Disclosure Statement before making a decision to invest in the Fund.**

References in this document to 'Units', 'Class R Units' or 'Fund' refers to the 'Class R' class of units in the registered managed investment scheme, the Pendal Sustainable Balanced Fund ARSN 637 429 237 (**Scheme**). All rights and entitlements of a unit relate to the rights, entitlements, liabilities and other amounts referable to the Class R Units. No other fund, trust or class of units is offered in this document.

The information in this Guide is general information only and does not take into account your personal objectives, financial situation or needs. The information in this Guide is current as at the issue date. However, information in this Guide is subject to change and may be updated by us from time to time.

### Labour, Environmental, Social and Ethical considerations

This Guide contains further information on the environmental, social (including labour standards) and ethical considerations that we take into account when selecting, retaining or realising investments in the Fund's Australian and International shares, Australian and International fixed interest and part of the Fund's Alternative investments asset classes. These considerations are incorporated into our sustainability assessment framework and the Fund's exclusionary screens.

#### 1. Exclusionary Screens

The Fund applies exclusionary screens to its investments in the Australian and International shares, Australian and International fixed interest and part of its Alternative investments asset classes. The Fund's exclusionary screens aim to avoid exposure to companies and issuers with business activities that Pendal considers to negatively impact the environment and/or society.<sup>1</sup>

Exclusionary screens are not applied to investments in the Fund's Australian and International property securities asset classes, part of the Fund's Alternative investments asset class, government securities, semi-government securities, supranational securities, derivatives and cash. This is because such investments, financial instruments or issuers are not able to be reasonably screened for involvement in activities that Pendal considers to negatively impact the environment and/or society<sup>1</sup>

The use of derivatives may result in the Fund having indirect exposure to companies or issuers that would otherwise be excluded.

Exclusionary screens are applied across each asset class as outlined below.

<sup>1</sup> As defined by the Fund's exclusionary screens and gross revenue thresholds.

In some cases, revenue thresholds for specific activities may be lower than stated, and additional exclusionary screen criteria may also be implemented.

## Australian Shares

The Fund's Australian shares asset class will not invest in companies which:

### Fossil Fuels

- Directly extract or explore for fossil fuels (specifically, coal, oil and gas);
- Derive 10% or more of their gross revenue from fossil fuel-based power generation (coal, oil and gas)\*;
- Derive 10% or more of their gross revenue from fossil fuel refinement (coal, oil and gas)\*;
- Derive 10% or more of their gross revenue from fossil fuel distribution (coal, oil and gas)\*; or
- Derive 10% or more of their gross revenue from the provision of supplies or services which relate specifically to fossil fuel extraction or exploration (coal, oil and gas)\*.

*\* Companies with a climate transition plan may be exempted from this exclusion, provided that they have in place a Paris Agreement aligned transition plan and produce climate-related financial disclosures annually, which in both cases we consider credible.*

### Uranium

- Derive 10% or more of their gross revenue from directly mining uranium for the purpose of nuclear power generation.

### Logging

- Derive 10% or more of their gross revenue from unsustainable forestry or forest products, including non-Forest Stewardship Council certified forest products or non-Roundtable on Sustainable Palm Oil certified palm oil production.

### Gambling

- Directly manufacture, own or operate gambling facilities, gambling services or other forms of wagering; or
- Derive 10% or more of their gross revenue from the indirect provision of gambling (for example, through telecommunications platforms).

### Pornography

- Produce pornography; or
- Derive 10% or more of their gross revenue from the distribution or retailing of pornography.

### Weapons

- Manufacture controversial weapons (including biological weapons, blinding laser weapons, chemical weapons, cluster munitions, depleted uranium weapons, incendiary weapons, landmines, non-detectable fragments, nuclear weapons and white phosphorus weapons);
- Supply goods or services specifically related to controversial weapons;
- Manufacture non-controversial weapons or armaments (including civilian firearms or military equipment);
- Derive 10% or more of their gross revenue from the distribution or retailing of non-controversial weapons or armaments (including civilian firearms or military equipment); or
- Derive 10% or more of their gross revenue from the supply of goods or services specifically related to non-controversial weapons or armaments.

### Alcohol

- Produce alcoholic beverages; or
- Derive 10% or more of their gross revenue from the distribution or retailing of alcoholic beverages.

### Tobacco

- Produce tobacco (including e-cigarettes and inhalers);
- Derive 10% or more of their gross revenue from the distribution of tobacco (including e-cigarettes and inhalers); or
- Derive 10% or more of their gross revenue from the supply of goods or services specifically related to the tobacco industry (for example, packaging or promotion).

### Animal cruelty

- Directly undertake animal testing for cosmetic products; or
- Directly undertake live animal export.

### Predatory lending

- Directly provide products or services with lending practices that are unfair or deceptive to ordinary borrowers, including small amount short term loans at higher than commercial rates of interest (for example, payday loans, pawn loans or the use of aggressive sales tactics).

## Breaches and misconduct

- We consider to have been found to have significant breaches of social or environmental norms or regulations, or are subject to serious and substantiated allegations of unethical conduct, which we consider have not been remedied or adequately addressed.

## International Shares

The Fund's International shares asset class will not invest in companies which directly:

- Produce tobacco (including e-cigarettes and inhalers);
- Manufacture controversial weapons (including biological weapons, blinding laser weapons, chemical weapons, cluster munitions, depleted uranium weapons, incendiary weapons, landmines, non-detectable fragments, nuclear weapons and white phosphorus weapons);
- Supply goods or services specifically related to controversial weapons; or
- Extract or explore for fossil fuels (specifically, coal, oil and natural gas).

The Fund's International shares asset class will also not invest in companies which derive 10% or more of their gross revenue directly from:

- Fossil fuel-based power generation (coal, oil and natural gas)\*;
- Fossil fuel distribution (coal, oil and natural gas)\*;
- Fossil fuel refinement (coal, oil and natural gas)\*;
- The production of alcoholic beverages;
- The manufacture, ownership or operation of gambling facilities, gambling services or other forms of wagering;
- The manufacture of non-controversial weapons or armaments;
- The manufacture or distribution of pornography; or
- Uranium mining for the purpose of nuclear power generation.

*\*Companies with a climate transition plan may be exempted from this exclusion, provided that they have in place a Paris Agreement aligned transition plan and produce climate-related financial disclosures annually, which in both cases we consider credible.*

## Australian Fixed Interest

The Fund's Australian fixed interest asset class will not invest in issuers which directly:

- Produce tobacco (including e-cigarettes and inhalers);
- Manufacture controversial weapons (including biological weapons, blinding laser weapons, chemical weapons, cluster munitions, depleted uranium weapons, incendiary weapons, landmines, non-detectable fragments, nuclear weapons and white phosphorus weapons); or
- Supply goods or services specifically related to controversial weapons.

The Fund's Australian fixed interest asset class will also not invest in issuers which derive 5% or more of their gross revenue directly from:

- The exploration, extraction or refinement of fossil fuels (specifically coal, oil and gas);
- The production of alcoholic beverages;
- The manufacture or provision of gambling facilities;
- The manufacture of non-controversial weapons or armaments; or
- The manufacture or distribution of pornography.

## International Fixed Interest

The Fund's International fixed interest asset class will not invest in issuers which directly:

- Produce tobacco (including e-cigarettes and inhalers);
- Manufacture controversial weapons (including biological weapons, blinding laser weapons, chemical weapons, cluster munitions, depleted uranium weapons, incendiary weapons, landmines, non-detectable fragments and nuclear weapons); or
- Supply goods or services specifically related to controversial weapons.

The Fund's International fixed interest asset class will also not invest in issuers which derive 10% or more of their gross revenue directly from:

- The extraction of thermal coal and oil sands production;
- The production of alcoholic beverages;
- The manufacture or provision of gambling facilities;

- The manufacture of non-controversial weapons or armaments; or
- The manufacture or distribution of pornography.

## Alternatives

Additional exclusionary screens are applied to only part of the Fund's Alternative investments asset class. This is because some investments cannot be reasonably screened for involvement in activities that Pandal considers to negatively impact the environment and/or society.<sup>2</sup>

Where exclusionary screens can be applied to Alternative investments, the Fund's Alternative investments asset class will not invest in companies or issuers which directly:

- Produce tobacco (including e-cigarettes and inhalers);
- Manufacture controversial weapons (including biological weapons, blinding laser weapons, chemical weapons, cluster munitions, depleted uranium weapons, incendiary weapons, landmines, non-detectable fragments, nuclear weapons and white phosphorus weapons); or
- Supply goods or services specifically related to controversial weapons.

Where exclusionary screens can be applied to Alternative investments, the Fund's Alternative investments asset class will also not invest in companies or issuers which derive 10% or more of their gross revenue directly from:

- The extraction of thermal coal and oil sands production.
- The production of alcoholic beverages;
- The manufacture, ownership or operation of gambling facilities, gaming services or other forms of wagering;
- The manufacture of non-controversial weapons or armaments;
- The manufacture or distribution of pornography; or
- Direct mining of uranium for the purpose of nuclear power generation.

All reasonable care has been taken to implement the Fund's exclusionary screens to meet the criteria described above.

To determine whether an investment is subject to the Fund's exclusionary screens, Pandal relies on internal and supplementary external research, believed to be accurate. However, as the nature and conduct of businesses may change over time, and publicly available financial or other information is not always comprehensive or up to date, we do not guarantee that the Fund's investments will meet all of the Fund's exclusionary screen criteria at all times.

Where the Fund invests in non-Pandal funds or non-Pandal exchange traded funds, listed investment companies and listed investment trusts, we do not guarantee that these investments will meet all of the Fund's exclusionary screen criteria at all times. This is because Pandal does not control the exclusionary screening methodology applied by such funds, exchange traded funds, listed investment companies and listed investment trusts and relies on publicly available information to monitor their compliance with the Fund's exclusionary screens.

Pandal reviews investments subject to the Fund's exclusionary screens monthly, however some investments within the Fund's Alternative investments asset class are reviewed quarterly. We monitor the Fund's compliance with its exclusionary screens daily.

If we determine that an investment no longer meets our exclusionary screen criteria, we will divest the holding (usually within six months) having regard to the interests of investors. The time it takes to sell an investment depends on factors including, but not limited to, the size and liquidity of the investment (which may have an impact on the Fund's performance returns), and the time it takes for Pandal to seek and assess suitable replacement investments that meet the Fund's exclusionary screens and sustainability criteria.

## 2. Sustainability Assessment Framework

The Fund has a sustainability objective which aims to support the transition to a more sustainable economy (the **Sustainability Objective**). We define a sustainable economy as an economic system which balances environmental, social, and economic factors.

The Fund aims to support the transition to a more sustainable economy by aligning 50% or more of its capital, within the Australian and International shares, Australian and International fixed interest and part of the Alternative investments asset classes of the Fund, in aggregate, with investments that advance this transition.

We apply our sustainability assessment to investments in the Fund's Australian and International shares, Australian fixed interest and part of the Alternative investments asset classes of the Fund. The types of sustainability characteristics that we may consider as part of our sustainability assessment include:

- Positive screening or positive tilts

We consider whether the investment has a strategy in place that intentionally favours companies or assets that are considered to support positive environmental and/or social change via their investment processes;

<sup>2</sup> As defined by the Fund's exclusionary screens and gross revenue thresholds.

- Approach to active ownership

Active ownership refers to the influence that can be applied to management teams and relevant stakeholders of investee companies and assets by asset owners via engagement and voting activities;

- Exclusionary screening process

We consider the investment's approach to screening out securities that are considered to negatively impact the environment and/or society<sup>3</sup>;

- Sustainability reporting

We consider the investment's approach to reporting their sustainability targets and commitments.

We continuously monitor the sustainability characteristics of the Fund's investments. If we determine that an investment no longer meets the Fund's sustainability criteria, we may choose to engage with the underlying manager, company or issuer to address the issue. If we determine that our engagement is unsuccessful, we may divest the holding (usually within six months) having regard to the interests of investors. The time it takes to sell an investment depends on factors including, but not limited to, the size and liquidity of the investment (which may have an impact on the Fund's performance returns), and the time it takes for us to assess suitable replacement investments that meet the Fund's sustainability criteria and exclusionary screens.

### 3. Glossary

#### Terms used in this Guide

**'Alternative investments'** refer to a range of investments that do not fall within the four main asset classes of shares, property, fixed interest and cash. They can be based on publicly traded securities like shares, bonds and derivatives, and may include hedge funds, absolute return funds and commodity investments. Some alternatives are based on private securities; these include venture capital and private equity. Investment strategies that may be found in some alternative investments include the use of gearing, short selling (selling something you do not own with a view to buying it back later at a lower price), and more extensive use of derivatives;

**'Derivative'** is an instrument whose value is derived from the value of an underlying asset (such as a share) or reference index;

**'Exchange traded fund'** is a managed fund that you can buy or sell on an exchange such as the Australian Securities Exchange (ASX). Exchange traded funds are 'open-ended' funds which means that units can be created or redeemed to match investor demand. Units in an exchange traded fund are designed to track the fund's net asset value closely. When you invest in an exchange traded fund, you don't own the underlying investments. You own units in the exchange traded fund;

**'Listed investment company'** is an investment listed on an exchange such as the ASX, incorporated as a company. Listed investment companies are 'closed-ended' which means they don't issue new shares or cancel existing shares, as investors join or leave. Instead, they issue a fixed number of shares in an initial public offering. Investors then buy and sell those shares on the exchange. The shares may trade at a premium or discount price to their net asset value;

**'Listed investment trust'** is an investment listed on an exchange such as the ASX, incorporated as a trust. Listed investment trusts are also closed-ended funds that issue a fixed number of units so investors then buy and sell those units on the exchange. The units may trade at a premium or discount price to their net asset value;

**'responsible entity'** means Pandal Fund Services Limited ABN 13 161 249 332, AFSL 431426;

**'Scheme'** means the Pandal Sustainable Balanced Fund ARSN 637 429 237;

**'we', 'our', 'us' or 'Pandal'** means the responsible entity of the Scheme and, where appropriate, Pandal Institutional Limited;

Asset values of the Fund for the purposes described in the PDS are determined in accordance with the Scheme's constitution.

<sup>3</sup> As defined by the Fund's exclusionary screens and gross revenue thresholds.