Climate Report 2025

Investment Portfolio

FUNDS SA

Government of South Australia

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Chief Executive Officer
Mr John Piteo

Funds SA Act
Superannuation Funds Management Corporation of South Australia Act 1995

Funds SA Regulations
Superannuation Funds Management Corporation of South Australia Regulations 2025

About Funds SA

Superannuation Funds Management Corporation of South Australia (Funds SA) is a South Australian government-owned corporation established in July 1995 under its own legislation, the *Superannuation Funds Management Corporation of South Australia Act 1995* (SA) (Funds SA Act). Funds SA is the investment management partner for South Australian public sector superannuation funds and approved authorities, and manages over $47 billion in total assets under management as at 30 June 2025 on behalf of its clients.

Funds SA is an instrumentality of the Crown and reports to the South Australian Parliament annually. Funds SA falls under the responsibility of the Treasurer of South Australia and is governed by a Board of directors.

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Front Cover: Pennington Bay, Kangaroo Island | Isaac Forman | media.southaustralia.com

Cape Willoughby, Kangaroo Island | Gab Rivera | media.southaustralia.com

A message from our CEO

John Piteo

I am pleased to present Funds SA's 2025 Climate Report, which outlines our continued commitment to managing climate-related risks and opportunities in our investment portfolio.

Over the past year, we have continued to make progress in our approach to climate risk management. In June 2025, our Board approved an enhanced investment strategy, informed by a comprehensive review of long-term structural trends, including the energy transition and climate change. We recognise that the transition to net zero will impact investment returns, particularly in real assets, and that diversification across geography, market and sector is critical to managing these risks. At the same time, we see growing opportunities in sustainability-aligned assets, especially in infrastructure, where early movers may stand to benefit.

At the policy level, the Board also approved updated proxy voting guidelines, and from July 2025, Funds SA brought all proxy voting activities in-house for Australian equities and the Socially Responsible Investment (SRI) option's equities portfolio, supported by a specialist proxy adviser. This has enabled Funds SA to closely monitor and consider material resolutions, including climate-related shareholder proposals, of ASX-listed companies to which our investment portfolio has significant exposure from climate risk perspectives.

As a manager of managers, Funds SA continued to work closely with our investment managers with Environmental, Social, and Governance (ESG) integration and climate risk management remaining an important part of our due diligence and ongoing monitoring activities. We have commenced integrating our commitment to net zero financed emissions by 2050 within our investment management agreements for our equities and fixed income discrete mandates.

As an asset owner, our financed emissions are typically influenced broadly by government policies and corporate efforts in decarbonisation. With our enhanced investment strategy, for instance, we expect our Australian equities portfolio to increasingly reflect the domestic economy's progress toward decarbonisation as we incorporate a more passive approach. While divesting from high-emitting companies can materially reduce our financed emissions, it does not necessarily drive or support decarbonisation in the broader economy. We recognise the importance of taking a constructive approach that both supports and influences real-world decarbonisation.

Although the ultimate responsibility for decarbonisation lies with companies themselves, we believe stewardship and engagement are the most effective levers to drive real-world decarbonisation as an investor. Based on our analysis, Australian equities present a material climate risk to our investment portfolio. Positively, this is an area where Funds SA has relatively greater influence—making it a likely key focus for our stewardship activities going forward.

With the announcement of the Australian Government's 2035 national emissions reduction target in September 2025, Funds SA reaffirms its commitment to supporting the transition to a low-carbon economy, managing climate risks responsibly and delivering long-term value for our clients. In 2026, Funds SA will update its Climate Change Position Statement and introduce an updated Climate Risk Response Plan for our investment portfolio. I would like to thank our Board, management team, investment partners, and stakeholders for their ongoing support and collaboration.

John Piteo
Chief Executive Officer

Marion Bay, Yorke Peninsula | Annie Beth Photography | media.southaustralia.com

About this Climate Report

This Climate Report (Report) is Funds SA's voluntary annual disclosure on its activities, actions and processes in relation to its management of climate-related risks and opportunities in its investment portfolio over the period 1 July 2024 to 30 June 2025, unless otherwise specified.

Funds SA has structured the disclosures contained within this report with consideration to the Task Force on Climate-related Financial Disclosure (TCFD)'s recommendation to make climate-related portfolio-specific disclosures around four thematic areas that represent core elements of how organisations operate – governance, strategy, risk management, and metrics and targets.

We acknowledge that the TCFD has been incorporated into the International Sustainability Standards Board (ISSB) following its release of the IFRS S2 Climate-related Disclosures. As a statutory authority of the South Australian Government, Funds SA is also committed to supporting South Australia's whole-of-government objectives, including the Premier and Cabinet's Climate Ready Government initiative (PC007). We will take steps to strengthen how we assess and manage climate-related risks and opportunities, while also working to reduce our operational greenhouse gas emissions.

Governance

Our governance around climate-related risks and opportunities

Board Oversight

Under the Funds SA Act, our statutory objective is to achieve the highest return possible on investment while having proper regard to: the need to maintain the risks relating to investment at an acceptable level; the need for liquidity; and any other matters prescribed by regulation (Statutory Objective). Funds SA recognises that climate change risk is an investment risk affecting its investment portfolio, thereby affecting its ability to meet its Statutory Objective.

A Board of Directors is established under the Funds SA Act as the governing body of Funds SA. Funds SA's Board consists of non-executive directors, including the Chair. Funds SA's Board oversees, and is ultimately responsible for, Funds SA's Investment Governance Framework.

The Investment Governance Framework is the totality of structures, policies, processes, systems and people through which we fulfil our legislated investment function and our Statutory Objective. In its design, Funds SA has considered the requirements set out in APRA Prudential Standard SPS 530 Investment Governance.

Funds SA's Board approves several policies included within the Investment Governance Framework, which outline how we manage the risks and opportunities associated with climate change in our investment portfolio. Key policies related to climate risk that the Board approves and oversees include:

- **Investment Policy Statement:** outlines how we formulate, implement, monitor and review our investment strategy. The Investment Policy Statement recognises climate change as a key investment risk.
- **Responsible Investment Policy:** outlines the explicit inclusion of ESG factors in investment analysis and decisions, including climate-related investment risks in Funds SA's investments. The Responsible Investment Policy also sets out specific investment exclusions in relation to climate-related risk.
- **Climate Change Position Statement and Climate Risk Response Plan:** outlines our commitment to transitioning our investment portfolio to Net Zero by 2050 and the key actions to address climate change risks and opportunities for our investment portfolio.
- **Proxy Voting Position Statement and Proxy Voting Approach and Guidelines:** outlines how Funds SA exercises its voting rights associated with its listed equity investments on behalf of clients. This includes how we seek to focus our voting efforts on certain resolutions concerning material ESG issues, such as climate change.

The Board maintains oversight of the implementation of these policies by management through regular policy review cycles. The Board is also updated annually on the actions that management has taken to manage climate related risks and opportunities in our investment portfolio, including proxy voting and stewardship outcomes.

Management Responsibility

Funds SA's management is responsible for implementing the Board-approved policies related to climate risks and opportunities in its investment portfolio. The Chief Investment Officer (CIO) and Funds SA's Investment Committee oversee the management of these climate-related risks and opportunities.

Investment Committee

Funds SA's Board delegates the management of the investment portfolio to Funds SA's CIO, subject to conditions and limitations. In certain circumstances, the CIO may only exercise delegations following endorsement by the Investment Committee.

The Investment Committee reviews and monitors the investment portfolio's positioning, performance, liquidity and risks as well as providing advice to the CIO in accordance with the guidelines and objectives of our Investment Policy Statement.

From July 2025, the Investment Committee is chaired by an independent consultant and comprises Funds SA's key executives, including the CEO, CIO and heads of each asset class in Funds SA's Investment Team. Funds SA's management are also supported by JANA Investment Advisors (JANA), whose representatives provide advice to the Investment Committee for investment decision-making.

Investment Team

Funds SA's Investment Team comprises asset class teams, including Equities, Debt and Liquid Alternatives, Private Markets and Infrastructure, Property, as well as Investment Strategy and Risk, Portfolio Implementation, and Responsible Investment.

Each team is responsible for the implementation of actions outlined in our Climate Risk Response Plan, relevant to its asset class and/or team function. The Responsible Investment Team supports each asset class team with management of climate-related risks and opportunities in investment due diligence and monitoring activities.

Stuart Highway, Port Augusta | Morgan Sette | Tourism Australia/South Australian Tourism Commission

Strategy

Energy transition and climate change as key long-term structural themes

In June 2025, Funds SA's Board approved an enhanced investment strategy following a review led by Funds SA's asset consultant, JANA. The review assessed investment objectives and strategic asset allocation in light of long-term structural trends, including climate change and the energy transition.

The investment strategy recognises the economic linkages and potential market impacts of transitioning to net zero, including the impact of long-term capital expenditure needs, carbon pricing, and policy incentives. The International Energy Agency (IEA) estimates that tripling renewables and doubling energy efficiency could achieve two-thirds of the progress needed by 2030. However, a persistent green financing gap risks delaying this transition, particularly in emerging economies facing high financing costs and public debt.

The climate scenario analysis used to inform the strategy indicates that investment returns, especially in real assets, will be affected as markets price in transition risks. Failure to meet Paris-aligned goals could result in long-term economic losses and increased exposure to physical climate risks. Our approach is to seek risk-adjusted returns. Diversification across geography, market, and sector is also critical in managing these risks.

Despite these challenges, the energy transition and climate change also present significant investment opportunities. Sustainability-aligned assets, particularly in infrastructure, are growing, and early movers likely stand to benefit. Funds SA continues to assess climate-related risks and opportunities across short-, medium-, and long-term horizons.

The types of climate risks that Funds SA may consider in investment activities are as follows:

Transition risks to Funds SA's investments	Short to 2030	Medium 2030-2050	Long 2050 +
Policy	✓	✓	✓
Risk of evolving policy landscape which constrains actions that adversely contribute to climate change. This may include carbon pricing mechanisms, the removal of subsidies for high-emitting industries, or increased reporting requirements. **This can impact investment value through additional costs for high-emitting industries.**			
Litigation	✓	✓	✓
Risk of litigation brought by stakeholders against a company for failing to mitigate or adapt to the impacts of climate change. Climate-related litigation claims are being brought more frequently. **This can impact investment value through increased legal costs and fines, as well as court-mandated action which may require additional capital or operational expenditure.**			
Technology	✓	✓	✓
Risk of new technology displacing existing methods and systems. The timing of technology development and deployment is a key uncertainty in assessing this risk. **This can impact investment value through lost market share for incumbent companies or potential obsolescence if technological advancements are not adopted in line with disruptors.**			
Market	✓	✓	✓
Risk of shifting supply and demand for products (including commodities) and services as the transition to a low-carbon economy progresses and climate-related risks are increasingly factored in by stakeholders. **This can impact investment value through decreased demand for a company's goods and/or services.**			
Reputational	✓	✓	✓
Reputational risk may arise for companies and their shareholders, as a result of failing to align to a credible Net Zero pathway or continuing their operations in high-emitting industries. This may impact a company's social license to operate, with consumers disengaging from or publicly criticising the company. **This can impact investment value through the loss of customers or a fall in share price, perpetrated by negative publicity.**			
Stranded Assets	✓	✓	✓
Risk of company assets not being able to produce a viable economic return as their economic life is curtailed due to a combination of the above risks. **This can impact investment value as assets are written down or sold at a significant discount.**			
Physical risks to Funds SA's investments			
Acute	✓	✓	✓
Risk of more frequent severe weather events such as floods, hail, bushfires, cyclones and hurricanes. **This can impact investment value through direct damage to physical assets that need to be repaired, replaced or cannot be sold. These impacts may extend to a company's supply chain and supporting infrastructure.**			
Chronic	✓	✓	✓
Risk of longer-term shifts in climate patterns including sustained higher temperatures leading to sea-level rise and/or heat waves. **This can impact investment value through increased adaptation costs such as on building attributes, and through energy use to regulate temperature. Water quality and availability may bring additional challenges.**			

Baird Bay, Eyre Peninsula | Morgan Sette | Tourism Australia/South Australian Tourism Commission

The same climate scenario modelling used in our 2023 and 2024 investment strategy was applied to assess the potential impacts of different climate outcomes on Funds SA's 2025 investment strategy. The following scenarios were used in this analysis, sourcing from the IEA:

Current Path
3°C Scenario

Adapted from IEA Stated Policies Scenario (STEPS). Reflects announced policy intentions and targets, with no material policy uplift.

Sustained Action
2°C Scenario

Adapted from IEA Announced Pledges Scenario (APS). Reflects a surge in clean energy policies and investment that puts the energy system on track to meet UN Sustainable Development Goals and global emissions on track for Net Zero by 2070.

Net Zero by 2050
1.5°C Scenario

Adapted from IEA Net Zero Emissions by 2050 Scenario (NZE). Reflects a level of action across all geographies which will put the world on track for Net Zero by 2050.

The scenario modelling output showed the return impacts for all three scenarios under the previous investment strategy (2024) and the enhanced investment strategy (2025). The estimated impact on investment return was based on projected impacts on Gross Domestic Product and estimated future exposure to 'Green' and 'Brown' assets in each asset class. 'Green' assets are those likely to benefit from energy and climate transition, such as renewable energy. 'Brown' assets are those that are likely to face decreasing demand as the transition progresses, such as those where fossil fuels are part of the energy mix. The new investment strategy has a slightly better outcome in the 'Current Path' scenario in 2030 and the 'Net Zero by 2050' scenario in 2040 (Figure 1).

Impact to Funds SA's Balanced Investment Option

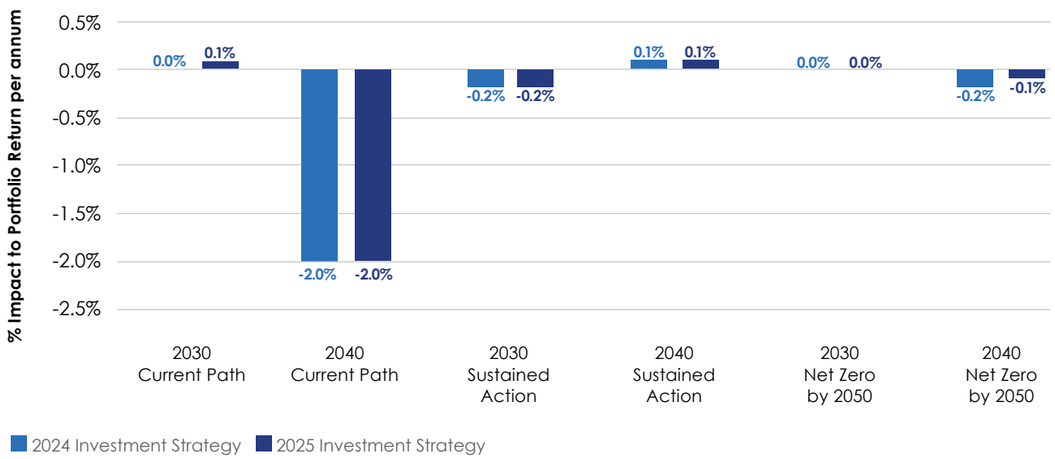

Figure 1. Impact to Funds SA's Portfolio Expected Return of our Balance Investment option per annum under three different IEA scenarios: Current Path (3°C), Sustained Action (2°C) and Net Zero by 2050 (1.5 °C). Based on data from International Energy Agency as modified by JANA.

Deep Creek National Park, Fleurieu Peninsula | Harry Vick | media.southaustralia.com

Risk Management

The processes we use to identify, assess and manage climate-related risks

Robust processes for integrating climate and broader sustainability risks into investment decisions, whether directly or through our investment managers, alongside sufficient diversification across geographies and markets, remain key to managing climate-related risks effectively.

Funds SA identifies and assesses climate-related risks and opportunities in its investment portfolio through due diligence of investment managers, co-investments and direct investments. Our active ownership and stewardship activities are also part of our risk management processes to monitor and address climate-related risks and opportunities. Table 1 shows how our different risk management approaches are applied depending on asset classes.

Our Investment Managers

As a manager of managers, Funds SA works with investment managers to deliver tailored investment solutions that meet specific needs of each asset class. This enables us to build diversified investment options to meet our clients' investment objectives. As at 30 June 2025, Funds SA has over 70 investment managers represented within our investment options.

Manager Due Diligence

Funds SA's manager due diligence process is one way in which we consider climate-related risks and opportunities. Funds SA typically require prospective investment managers to complete Funds SA's ESG Manager Survey (ESG Survey) for any new strategies/funds. Asset class teams, in collaboration with the Responsible Investment Team, utilise investment manager responses to the ESG Survey to assess each prospective managers' approach to the integration of ESG risks, including climate risks.

Under the manager of managers model, appointed investment managers are responsible for managing climate-related risks and opportunities within their portfolio. As such, a thorough assessment of their climate risk management practices is essential to Funds SA's overall climate risk management.

Manager Monitoring

Funds SA monitors the climate risk management approaches of its investment managers on an ongoing basis. This includes through our biennial ESG Survey update where all current investment managers are required to report or update on their ESG integration approach, including climate risk management practices implemented within their investment portfolios.

Within the ESG Survey, managers self-rate their ESG integration approach, which is then reviewed by Funds SA. The results provide us with a high-level view of ESG and climate risk management across asset classes and the total portfolio.

Net Zero Commitments

To support our commitment to net zero financed emissions in our investment portfolio by 2050, Funds SA seeks to include climate alignment clauses in Investment Management Agreements, where practical and appropriate. These clauses clarify our investment managers' ability to support or align with this commitment, particularly for discrete active mandates.

Physical Climate Risk

Funds SA annually assesses the actions being taken by its unlisted property and infrastructure investment managers through a climate-focused questionnaire. This questionnaire aims to identify assets that are potentially at "high risk" due to the physical impacts of climate change and understand managers' capital expenditure plans to address any identified physical climate risks.

Direct & Co-Investments

In addition to the manager due diligence set out above, Funds SA typically conducts ESG due diligence at the asset or company level when considering direct or co-investments in unlisted assets. This process focuses on identifying material ESG risks relevant to the business model, including climate-related risks, and is informed by industry frameworks such as the Sustainability Accounting Standards Board (SASB) Standards. The assessment considers risk mitigation measures or treatment plans in place. Residual ESG risks rated as moderate or higher are flagged to Funds SA's Investment Committee with a recommendation for ongoing monitoring.

Table 1.

Different climate risk management approaches as part of ESG risk management applied across asset classes:

Approach	Integration			Stewardship		Exclusion – Thermal Coal
Asset Class	Manager Due Diligence and Selection	Contract provisions	Direct/ Co-investment Due Diligence	Direct or collaborative Engagement	Proxy Voting	
Australian Equities	✓	✓	N/A	✓	✓	✓
International Equities	✓	✓[2]	N/A		✓	✓
SRI Equities	✓	✓	N/A		✓	✓
Sovereign Bonds	✓	✓[2]	N/A		N/A	✓
Australian IG[1] Credit	✓	✓	N/A		N/A	✓
Sub-IG Credit	✓	✓	N/A		N/A	✓
Private Markets	✓		✓		N/A	
Core Infrastructure	✓		✓		N/A	
Property	✓		✓		N/A	
Private Credit	✓	✓	N/A		N/A	✓
Alternatives	✓		N/A		N/A	

[1]Investment Grade (IG)
[2]The majority of mandates in this asset class include these provisions.

Active Ownership & Investment Stewardship

As a signatory of the Principles of Responsible Investment[3], Funds SA is committed to being an active owner. Key stewardship tools are manager engagement, engagement with portfolio companies, and proxy voting.

Company Engagement

Funds SA is part of Climate Action 100+ and directly engages an ASX-listed company as a contributing investor in collaboration with other Australian asset owner and investment managers with support from the Investor Group on Climate Change (IGCC).

Manager Engagement

In addition to direct engagement, we monitor how our investment managers engage with portfolio companies, including in relation to climate. Investment managers are central to how we manage climate-related risks and opportunities. For listed equities, manager engagement is informed by MSCI ESG Research data, such as financed emissions, Climate Value at Risk (VaR), and our Net Zero Alignment Pathway (NZAP) framework which helps assess the net zero alignment of the underlying portfolio. This data helps us prioritise manager engagements, particularly with active Australian managers holding companies with material climate risk exposure. Such companies are also added to our Focus Company List for our proxy voting activities for our Australian equities portfolio.

Proxy Voting

Proxy voting is the exercise of voting rights attached to shares in publicly listed companies. In 2025, Funds SA updated its proxy voting guidelines, bringing all voting for Australian equities and Funds SA's Socially Responsible Investment Option (SRI Option)'s equity holdings in-house, supported by a specialist proxy advisor. Proxy voting for international equities (excluding the SRI Option's international equities portfolio) remains delegated to external investment managers.

For internal proxy voting, Funds SA applies a materiality-based approach, focusing on material holdings in the Australian equity market and companies identified in our Focus Company List as having material climate risk-related factors. Within these holdings, we prioritise resolutions of elevated importance, including 'Say on Climate' votes and climate-related shareholder proposals. Voting decisions are informed by engagement with our investment managers to understand their perspectives and company-level climate engagement.

Thermal Coal Exclusion

Since 2022, Funds SA has sought to minimise its exposure to investments in companies involved in thermal coal mining and extraction to reduce portfolio exposure to climate-related transition risk. During the reporting period, we updated our thermal coal exclusion methodology from a GICS[4]-based exclusion to a revenue threshold. Companies that derive 10% or more of revenue from thermal coal mining and/or sale to external parties are excluded, unless a credible transition plan is in place. This exclusion applies to discrete investment mandates where Funds SA has a tailored Investment Management Agreement with its external managers. Please see Funds SA's Responsible Investment Policy, available on our website for further details.

Socially Responsible Investment Option

Funds SA manages an SRI Option guided by values-based criteria, including strict fossil fuel exclusions and a focus on climate-related opportunities, such as renewable energy. During the reporting period, the MSCI SRI equity index methodology was updated to introduce additional fossil fuel-related exclusions in the international equities portfolio, reducing value-chain exposure. Companies deriving 10% or more of revenue from oil-related activities or 50% or more from gas-related activities, including exploration, extraction, production, distribution, refining, transportation, are now excluded.

[3] The Principles for Responsible Investment (PRI) is a global initiative on responsible investment. The PRI is a global network of asset owners, managers, and service providers working towards putting responsible investment into practice. Funds SA became a signatory to the PRI in 2021.
[4] Using the Coal and Consumable Fuels sub-industry according to the Global Industry Classification Standard (GICS) methodology.

Talia Caves, Eyre Peninsula | Michael Waterhouse | media.southaustralia.com

Metrics and Targets

The metrics and targets we use to assess and manage relevant climate-related risks and opportunities

We measure progress towards achieving our Net Zero by 2050 commitment in a number of different ways. Firstly, we measure the progress against our 5-Pillar Climate Risk Response Plan and the twenty actions in Phase 1. Additionally, we monitor our progress based on a range of historical metrics, such as absolute and relative financed emissions, as well as forward-looking metrics, such as Climate Value at Risk, Implied Temperature Rise and Net Zero Alignment Pathway (NZAP).

Progress against Climate Risk Response Plan

Progress against our 5-Pillar Climate Risk Response Plan and the twenty actions in Phase 1 were measured as either **Ongoing**, **In Progress**, or have become **Business As Usual (BAU)**. (Table 2). Most of the actions under the Climate Risk Response Plan Phase 1 have been achieved and are now part of Funds SA's business-as-usual activities. Similar to our FY2024 Report, those actions previously reported as "Met" are not repeated in the below table unless there are further updates on the action taken in FY2025. Funds SA is developing a renewed Climate Risk Response Plan to support our ongoing progress towards net zero by 2050.

Table 2.

Progress against the Climate Risk Response Plan Phase 1 for FY2025

Pillar	Action	Timeframe	Progress
Governance & Culture	Utilise scientific and financial analysis to oversee, assess, and manage climate change-related risks and opportunities	2022 onwards	Achieved and BAU: Continued to investigate climate-related risks and opportunities in our investment portfolio based on third party data as well as scientific and industry reports and conferences.
Investment Strategy	Progressively incorporate climate risks and opportunities into portfolio construction and asset allocation decisions	2022 onwards	Achieved and BAU: We annually use Capital Market Assumptions for our multi-asset modelling that incorporates climate-related risks and opportunities. These inform our asset allocation decisions. Climate risk has been embedded as a specific item for our Investment Committee to consider when assessing new investment opportunities where relevant to the proposed investment.
	Phase out thermal coal exposure except where a credible transition plan exists	2022	We implemented a revenue-based exclusion in 2025, where companies that derive revenue that is equal to or greater than 10% from the mining of thermal coal and/or its sale to external parties are not permitted, unless a credible transition plan exists.
	Actively seek new opportunities and investments that are part of the solution to achieve a Net Zero by 2050 outcome	2022 onwards	We explored a variety of new investment opportunities with prospective fund managers, such as climate transition credit and equities strategies.
	Build an average 5 Star NABERS Energy rating for office buildings and ensure that a credible transition plan is in place for lower rated buildings	2025 or sooner	As at 30 June 2025, our average 5 star NABERS Energy rating for office buildings was maintained. With the return to office trend post-COVID, the average NABERS energy rating for some office buildings slightly decreased in 2025. We have engaged our managers to discuss future NABERS rating improvement plans.
	Undertake analysis to better understand the resilience of the portfolio to the physical impacts of climate change	2022 onwards	We conducted our annual survey of our unlisted core infrastructure and property investment managers about the physical impacts of climate change on the assets invested and mitigation measures in place to manage the risks if material.
Engagement	Expand our manager monitoring and engagement process to achieve alignment with Net Zero by 2050	2022	For discrete mandates, we commenced formalising the integration of our investment managers' ability to support, or align their portfolios with our net zero by 2050 goal within investment management agreements. From this exercise, we see that passive or passive-enhanced mandates are difficult to achieve net zero unless the real economy achieves decarbonisation. Hence, our focus will shift towards real-economy decarbonisation through engagement and by incorporating high climate risk companies within our focus company list for proxy voting (see below).
	Encourage our investment managers to commit to Net Zero by 2050	2023 onwards	
	Encourage high-risk companies owned to commit to Net Zero by 2050	2023 onwards	We commenced formally incorporating high climate risk companies in our focus company list for our proxy voting on Australian companies so that we monitor their climate commitment and transition through Say on Climate proposals. Direct company engagement is normally delegated to our investment managers, but we will look to consider more direct engagement in the future.
Advocacy	Increase partnerships with other investors to strengthen our collective voice and impact in engagements with companies owned	2023 onwards	We participated in Sovereign Wealth Fund meetings as well as industry roundtables, such as PRI investor roundtables in 2025. We continue supporting collaborative engagement through Climate Action 100+ as a contributing investor.
Disclosure	Publish the Climate Risk Response Plan, report on progress, and ongoing review of our Plan	2022 onwards	Achieved and BAU: We published the Climate Risk Response Plan on our website, produced this report on progress and commenced developing an updated Plan.
	Publish an annual climate risk report in alignment with the TCFD framework[5]	2023 onwards	Achieved and BAU: We continue to report annually on our climate-related metrics, including financed emissions and other climate-related data.

[5] As noted previously within this Report, the TCFD has been replaced by the International Sustainability Standards Board (ISSB).

Middle River, Kangaroo Island | Wander/ Remy Brand Creative | media.southaustralia.com

Financed Emissions

Our financed emissions are influenced by three broad factors. First, government policies play a crucial role globally in shaping the boundaries within which investments are made. Policies aimed at achieving net zero by 2050 can drive the economy and companies towards decarbonisation. On the other hand, the absence of such policies can slow down the transition. Second, companies have operational control over their own emissions, with their efforts and speed of decarbonisation typically outside the direct control of investors. This means that while investors can influence companies through engagement and investment choices, the ultimate responsibility for emissions reduction lies with the companies themselves. Third, we rely on third-party data providers to measure our financed emissions. These factors need to be considered in understanding our emissions.

Presented below in Table 3 are Funds SA's financed emissions. These emissions consist of our financed Scope 1 and Scope 2 carbon emissions[6]. These emissions consist of our financed Scope 1 and Scope 2 carbon emissions in the current and previous reporting periods.

Table 3.

Financed emissions for Funds SA's asset classes

Asset classes	Financed emissions Thousand Tonnes CO_2e					Data Coverage[7]	Relative Carbon Footprint[8]	Emissions Intensity[9]
	FY25	FY24	FY23	FY22	FY21	FY25	FY25	FY25
Australian Equities	457.1	517.7	458.9	520.2	532.9	96.3	47	134
International Equities	227.6	272.6	264.5	315.4	413.6	96.2	16	74
SRI Equities	3.5	5.0	4.8	4.3	3.3	99.8	13	56
Credit	45.4	66.5	77.6	58.7	30.9	36.4	20	152
Australian IG Credit	9.3	17.1	14.8	15.4	3.4	85.4	16	61
Sovereign Bonds	384.0	959.9	577.7	595.4	790.4	99.9	162	293
Australian State & Territory Bonds	101.3					100.0	158	287
Listed Property	-	0.4	1.0	1.8	1.8	-	-	-
Unlisted Property	11.0	6.0	8.5	7.6	10.7	100.0	3	3
Unlisted Infrastructure	546.5	81.5	41.8	-	-	95.8	153	153
SRI Infrastructure	3.4	1.0	0.4	-	-	100.0	116	116
Total	**1,789.2**	**1,927.6**	**1,449.9**	**1,518.9**	**1,787.1**			

Source: MSCI via FactSet, EDGAR (2024), Australia's National Greenhouse Accounts (2024), Investment Managers.
Portfolio data is as at 30 June 2025

Several factors may have impacted our absolute financed emissions results in FY2025, including investment decisions (e.g. divestment) and data coverage (see footnotes for further information on data coverage). Despite increased data coverage, the total emissions (excluding non-covered asset classes such as private markets and alternatives) decreased compared to the previous year.

Total financed emissions from the Australian and International Equities asset classes recorded a downward trend, largely attributed to investment decisions (see the next section Emissions Attribution for further analysis). Sovereign Bond emissions have fallen significantly compared to the previous year. This can be attributed to a reduction in allocation to emerging market sovereign bonds. Australian State-level bonds were split out into their own category in FY2025 to improve the accuracy of calculations and correctly attribute the emissions. In previous years, Australian state-level bonds were assumed to follow the whole of Australia emissions profile. Listed Property, previously a minor asset class with low emissions, was fully divested in October 2024, resulting in zero emissions as of 30 June 2025 and a very small contribution to portfolio emissions throughout FY2025.

In terms of data coverage, unlisted infrastructure emissions have risen substantially compared to the previous period. This is primarily due to enhanced data coverage for assets within one global infrastructure fund. This fund is the major source of financed emissions in the Unlisted Infrastructure asset class, responsible for 82% of the asset class' emissions, as it includes assets in high-emitting sectors such as Electric and Natural Gas Utilities, Roads, and Transport Services. Data coverage in the Credit asset class has declined over the past four years, which may be linked to lower financed emissions. Conversely, data coverage has increased for the Australian Investment Grade Credit asset class, while its total emissions have decreased, partly attributable to reduced asset class allocation during the reporting period.

Across all asset classes, a small number of stocks/companies account for a significant portion of portfolio emissions, underscoring the nature of concentrated impacts of high-emitting companies on the overall portfolio emissions at an asset class level. For instance, within the Credit portfolio, OCI Global (AMS:OCI), a European manufacturer of fertilisers and natural gas-based chemicals, accounted for approximately one third of the total financed emissions for the asset class, despite only a 0.3% portfolio weight. Similarly, within the Australian Investment Grade Credit asset class, holdings in Qantas Airways Ltd (ASX:QAN) accounted for over half of the financed emissions of the asset class despite only a 2% weighting in the portfolio.

The below tables are the Top 10 holdings in the Australian and International Equities asset classes by financed emissions as at 30 June 2025 (Tables 4 and 5), showing that emissions in the Australian Equities asset class are largely concentrated in a small group of companies. This compares to our International Equities asset class where emissions are more evenly spread across companies.

Table 4.

Funds SA's top 10 Australian Equities holdings by absolute financed emissions as at 30 June 2025

Top 10 Australian Equities holdings	Sector	Portfolio Emissions (tonnes CO2e)	% of Asset Class Emissions (Scope 1 + 2)
AGL Energy	Utilities	77,648	16.9%
South32	Materials	63,314	13.7%
Bluescope Steel	Materials	62,110	13.5%
Origin Energy	Utilities	45,721	9.9%
BHP Group	Materials	30,543	6.6%
Dyno Nobel	Materials	26,749	5.8%
Rio Tinto	Materials	14,847	3.2%
Cleanaway Waste Management	Industrials	12,902	2.8%
Woodside Energy Group	Energy	12,470	2.7%
Santos	Energy	11,562	2.5%
Total		**357,866**	**77.7%**

[6] Our data providers, investee companies and those managing real assets are continually amending or improving their approach to reporting climate-related data as capabilities and technology evolve. Although we conduct thorough evaluations on the data used in this report, we acknowledge there is a possibility that inaccuracies may exist in this reporting despite our best efforts to ensure reliability. Our third-party data providers use proxies for estimating emissions where they are not publicly reported. These proxies are based off industry averages, meaning the data is likely to be inexact.
[7] % of market value. Refer to Appendix for historical data coverage.
[8] Tonnes CO2e/AUD Invested (in million $)
[9] Tonnes CO2e/AUD revenue (in million $) or Tonnes CO2e/GDP or Tonnes CO2e /invested, depending on asset classes

Table 5.

Funds SA's top 10 International Equities holdings by absolute financed emissions as at 30 June 2025

Top 10 International Equities holdings	Sector	Portfolio Emissions (tonnes CO_2e)	% of Asset Class Emissions (Scope 1 + 2)
Xcel Energy	Utilities	12,496	5.4%
Delta Air Lines	Industrials	12,142	5.3%
Pampa Energia	Utilities	11,054	4.8%
United Airlines	Industrials	8,131	3.5%
Ryanair	Industrials	4,794	2.1%
Shell	Energy	4,041	1.8%
Glencore	Materials	4,014	1.7%
Exxon Mobil	Energy	3,728	1.6%
ConocoPhillips	Energy	3,613	1.6%
HD Hyundai Co Ltd.	Energy	3,304	1.4%
Total		**67,317**	**29.2%**

Emissions Attribution

When evaluating changes in financed emissions levels, it is important to distinguish between genuine emissions reductions achieved by companies/issuers and changes resulting from portfolio management or improved data coverage. We used the following categories to attribute changes in financed emissions across the portfolio for the FY2025:

(1) Data Coverage: Changes in reported emissions due to previously uncovered securities now included in the dataset.

(2) Portfolio Drivers:

- *Divestment:* Reduction in emissions resulting from the complete sale of companies previously held in the portfolio.
- *New Investment:* Increase in emissions from companies that were not held at the start of the financial year but were added during the period.
- *Allocation:* Changes in emissions due to adjustments in the portfolio weights of companies already held.

(3) Company Drivers:

- *Company's Decarbonisation Efforts/Carbon Emissions:* Changes in the actual financed emissions of companies held, reflecting real-world emissions performance.
- *Enterprise Value Including Cash (EVIC):* Changes in the enterprise value (outstanding debt plus equity) of companies, which affect the proportion of emissions attributable to Funds SA's investment. A lower EVIC, with the same Funds SA exposure, increases the share of emissions attributed to the portfolio.

Australian Equities

The main driver of reduced Australian Equities emissions was the allocation effect (Figure 2). This was largely because the asset class moved towards a more passive strategy during the reporting period. This resulted in reduced financed emissions due to some active managers with relatively high allocations to high-emitting companies being replaced by lower-emission passive portfolios. For example, this strategy change reduced our exposure to high-emitting companies such as AGL Energy Limited (ASX:AGL). Emissions reduction at the asset class level also resulted from the decarbonisation efforts by companies in the portfolio to an extent, reflecting that they may be reducing the carbon emissions from their operations.

Carbon Intensity Reduction Drivers – Australian Equities

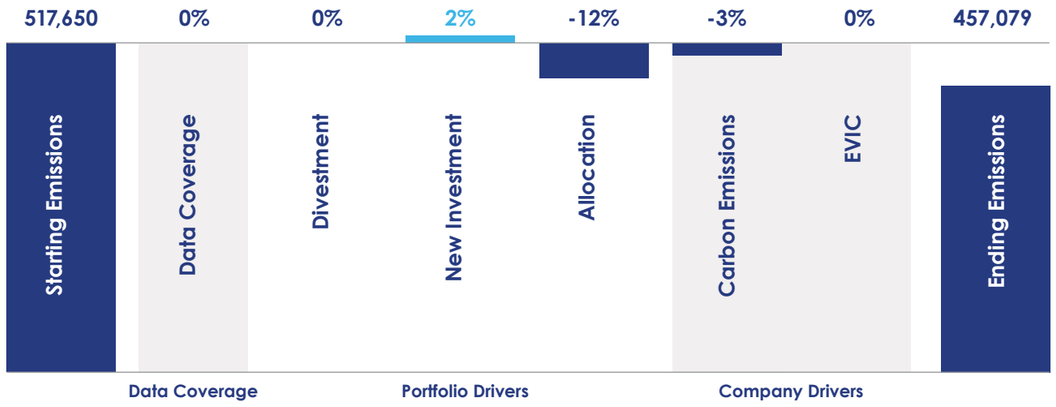

Figure 2. Emissions attribution of Australian Equities in FY2025
Source: MSCI via FactSet. Portfolio data is as at 30 June 2025. Methodology courtesy of UNEPFI.

International Equities

The main drivers of reduced emissions for the International Equities asset class were a combined change in companies' emissions and EVIC effects, noted as Company Drivers (Figure 3). The emissions effect comes from companies in the portfolio decreasing their emissions over the year as a result of operational changes. The EVIC effect occurs when companies increase in size (measured by equity market capitalisation and debt issued) at a greater rate than the increase in emissions, assuming Funds SA's exposure to these companies remains constant. The inference from the EVIC effect is that emissions may decrease solely as a function of increased market capitalisation.

While financed emissions for the International Equities asset class reduced during the reporting period mainly as a result of Company Drivers described above, the asset class also moved towards a more passive strategy during the year. This change in strategy involved reducing and/or terminating active managers whose portfolios had lower emissions profiles than the index which added to the financed emissions as shown in Figure 3 below.

Carbon Intensity Reduction Drivers – International Equities

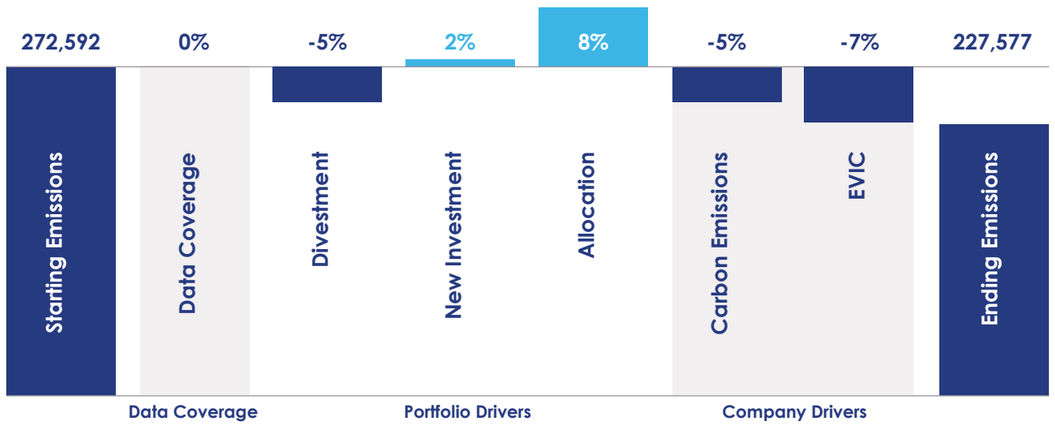

Figure 3. Emissions attribution of International Equities in FY2025
Source: MSCI via FactSet. Portfolio data is as at 30 June 2025. Methodology courtesy of UNEPFI.

Relative Carbon Emissions Intensity (WACI)

Year on year, Funds SA's total funds under management have increased, from approximately $44.2 billion as at FY2024, to $47.8 billion as at FY2025. This means that total absolute financed emissions are assumed to increase if portfolio company emissions stay at a constant level. Hence, we also use a relative carbon emissions metric, such as Weighted Average Carbon Intensity (WACI) to measure the portfolio's carbon intensity.

WACI is calculated in terms of the average greenhouse gas emissions (Scopes 1 and 2) per million dollars of company revenue, weighted by each holding's value in the portfolio. As shown (Figure 4), all Funds SA portfolios currently report WACI below their respective benchmarks. This metric enables comparison across portfolios and benchmarks. SRI Equities are benchmarked against a non-SRI composite index (ASX 300 and MSCI ACWI ex-Australia) to highlight the emissions reduction benefit of the SRI approach.

The higher WACI of Australian Equities reflects the sector composition of the Australian market, which has greater allocations to the Utilities, Energy, and Materials sectors. This compares to the International Equities benchmark that is more heavily weighted to lower-emitting sectors such as Information Technology.

It is important to note that WACI, as well as absolute financed emissions, is based on reported Scope 1 and 2 emissions and does not capture Scope 3 emissions. Scope 3 emissions may become more material in the future, particularly as sectors such as Information Technology expand their utilisation of energy-intensive data centres for artificial intelligence. Moreover, WACI and carbon intensity metrics do not indicate a company's net zero alignment or the effectiveness of its climate transition strategy. For example, a company may currently have high emissions but be actively investing in decarbonisation. Divesting from such companies may lower portfolio WACI but not necessarily contribute to real-world emissions reductions. Nonetheless, WACI is a useful indicator to gauge the nature of challenges in decarbonisation associated with each asset class.

Portfolio vs Benchmark WACI

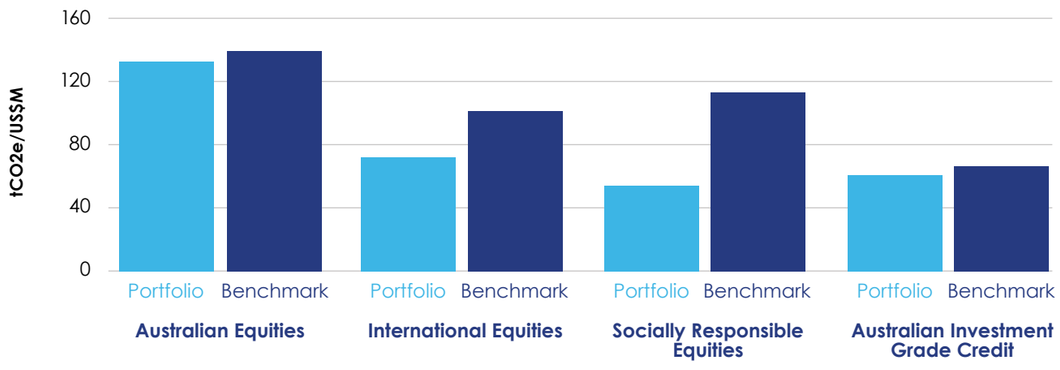

Figure 4. Funds SA's portfolio's carbon intensity (WACI) against the benchmark in the three equities categories in FY2025.

Source: MSCI via FactSet. Portfolio data is as at 30 June 2025. Australian Equities Benchmark is the S&P ASX 300, International Equities Benchmark is the MSCI All Country World ex-Australia Index, Socially Responsible Equities Benchmark is a weighted blend of the non-SRI benchmark consisting of the aforementioned Australian and International Equities benchmarks, Australian Investment Grade Credit Benchmark is the Bloomberg AusBond Credit 0-5 Years Index.

Forward-Looking Climate Risk Metrics

While financed emissions data provide insights into our portfolio's historical carbon performance, forward-looking metrics help us assess its alignment with future pathways toward the Paris Agreement goal. We use these forward-looking results to guide our climate risk management, including identifying Focus Companies for Australian proxy voting. Based on the outcomes shown below, we plan to integrate these metrics into the next iteration of our Climate Risk Response Plan to shape future actions.

Implied Temperature Rise

Implied Temperature Rise (ITR) is a forward-looking metric that estimates the potential global temperature increase associated with the emissions trajectories of companies or portfolios, based on current business models and climate commitments. ITR helps us understand the deviation of our investment portfolios from the Paris Agreement's climate goals, specifically the targets of limiting warming to well below 2°C and pursuing efforts to limit it to 1.5°C.

We grouped portfolio holdings into ITR categories — (1) below 1.5°C, (2) 1.5–2.0°C, (3) 2.0-3.2°C and (4) above 3.2°C—based on each company's projected contribution to global warming. The allocation to each group reflects the share of the portfolio's 'carbon budget' consumed by those holdings, weighted by market capitalisation and debt.

Our analysis shows that Australian Equities have a higher ITR than International and SRI Equities. This is primarily due to its greater exposure to the Utilities, Energy and Materials sectors (Figure 5). None of our portfolios is currently aligned with a 2°C pathway, though International and SRI Equities are closer to this threshold. It is important to note that as SRI Equities is a passive portfolio, it is compared to a non-SRI composite portfolio of the S&P ASX 300 and MSCI All Country World ex-Australia Index. This comparison shows the difference in ITR between the SRI Equities portfolio and a similar passive non-SRI focused exposure is significant, partially and largely driven by the SRI Equities portfolio having reduced exposure to the energy industry as at June 2025.

A lower ITR is generally associated with lower transition risk and greater alignment with future climate policies. However, lower ITR in a portfolio does not necessarily mean that our portfolio achieved real-world emissions reductions. ITR is also subject to methodological limitations. These include its reliance on public disclosures, assumptions about future policy and the evolving nature of climate commitments. As a result, ITR should be considered alongside other metrics such as financed emissions, climate value at risk, and net zero alignment.

Equity Portfolio vs Benchmark ITR Allocation

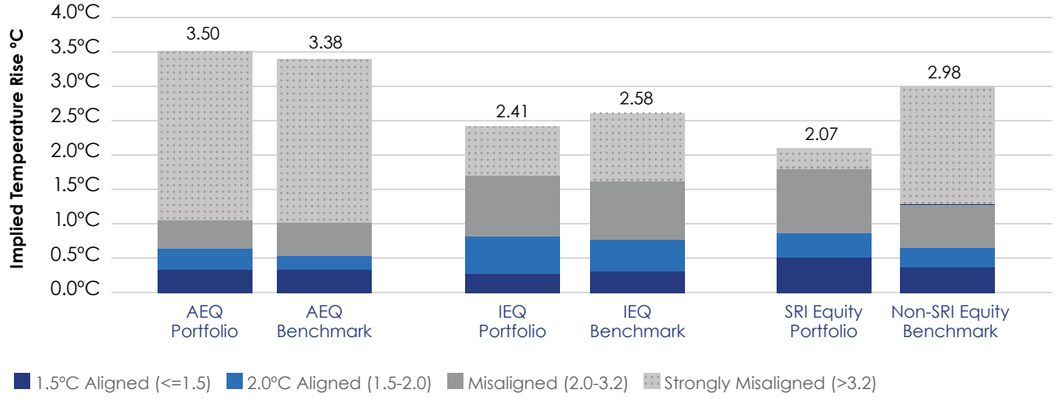

Figure 5. Implied Temperature Rise Analysis of Australian Equities, International Equities and SRI Equities portfolios as at 30 June 2025.

Source: MSCI via FactSet. Portfolio data is as at 30 June 2025. Australian Equities Benchmark is the S&P ASX 300, International Equities Benchmark is the MSCI All Country World ex-Australia Index, Socially Responsible Equities Benchmark is a weighted blend of the non-SRI benchmark consisting of the aforementioned Australian and International Equities benchmarks.

Climate Value at Risk

Another forward-looking metric we used to understand climate-related risk exposure is Climate Value at Risk (Climate VaR). As defined by MSCI, Climate VaR is a forward-looking, return-based metric that estimates the potential financial impact of climate-related risks and opportunities on an investment portfolio. Expressed as a percentage (ranging from -100% to +100%), Climate VaR represents the estimated change in portfolio value under various climate policy scenarios for 2050, such as a disorderly global 2°C or 3°C transition.

It is important to interpret Climate VaR as an estimate based on a set of assumptions and available data. The metric does not account for all possible market factors, and actual outcomes may differ. It is a more bottom-up view of climate value at risk to each portfolio company, aggregated at the portfolio level, rather than a top-down view which may incorporate the systemic impacts of physical climate effects on the macroeconomy. Therefore, comparing the relative differences between portfolios is generally more informative than analysing the absolute values.

Our analysis (Figure 6) indicates that our International and SRI Equity portfolios have lower Climate VaR, suggesting greater resilience to future climate policy changes. In contrast, Australian Equities have higher exposure to transition risks, particularly under more ambitious policy scenarios. Notably, policy risk tends to be greater in the 2 degree scenario than the 3 degree scenario as companies that are currently high emitters would face additional pressure to reduce emissions from Governments and regulators and so may have to change their operations to be more carbon efficient or pay for carbon offsets.

The Climate VaR metric incorporates factors such as carbon pricing, energy costs and regulatory changes and is particularly sensitive to sector allocation. For example, Australian Equities exhibit higher Climate VaR due to greater exposure to the Utilities, Energy and Materials sectors. This compares to the International Equities portfolio, where the sector exposure is more diversified.

Climate Aggregate Policy Value at Risk (2050 Scenario)

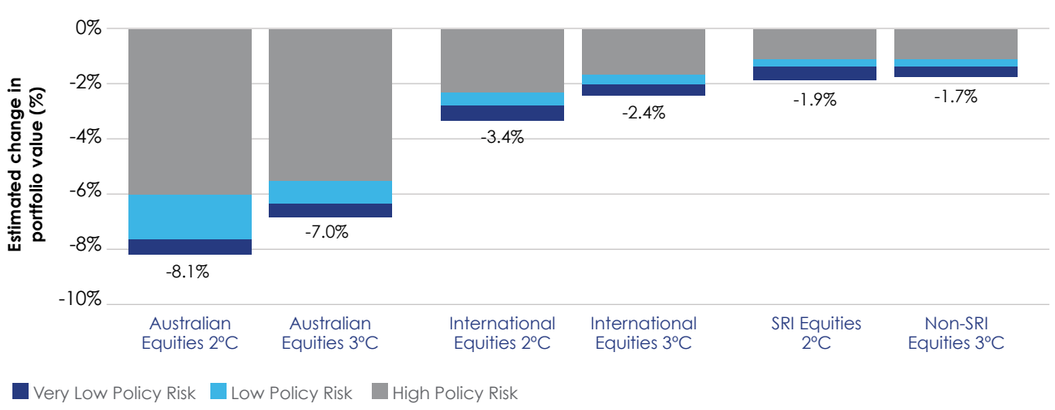

Figure 6. Climate Value at Risk Analysis (policy risk) of Funds SA's Australian Equities, International Equities and SRI Equities portfolios as at 30 June 2025

Source: MSCI via FactSet. Portfolio data is as at 30 June 2025.

Figure 7 shows the total Climate Value at Risk when combining aggregate policy risk with technology opportunities and extreme weather physical risk impacts on the companies in each portfolio. The combined data was only available for the 3 degree scenario; however, for this scenario coverage was around 95% of the portfolio. The three risks/ opportunities (policy risk, technology opportunity, physical risk) faced by individual companies were measured independently and any interaction between risks and companies that would exist in reality was not considered. Despite these limitations, this chart shows the extent to which Australian companies are exposed to physical risks and policy risks, but also, the technology opportunities available to contribute to climate positive projects for financial gain.

Total Climate Value at Risk – 3°C 2025 Scenario

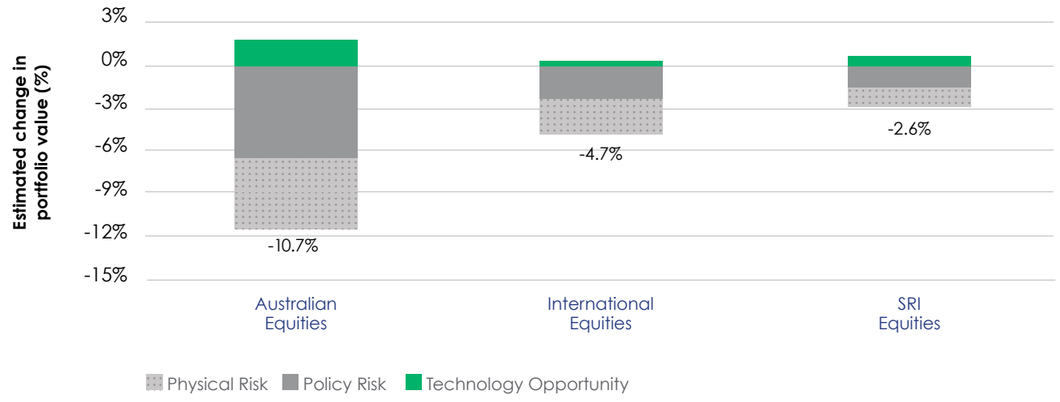

Figure 7. Climate Value at Risk Analysis (physical and policy risk as well as technology opportunities) of Funds SA's Australian Equities, International Equities and SRI Equities portfolios as at 30 June

Source: MSCI via FactSet. Portfolio data is as at 30 June 2025.

Net Zero Alignment Pathway

To assess the progress of our investment portfolio and its transition to Net Zero by 2050, Funds SA has created its own net zero alignment methodology (Net Zero Alignment Pathway, or NZAP) based on the Net Zero Investment Framework (NZIF), developed by the Paris Aligned Investment Initiative and the Institutional Investor Group on Climate Change (IIGCC). The NZAP analysis is limited to our listed equities, credit and government bond portfolio based on data availability for FY2025.

Companies/issuers are rated in terms of the level of their net zero alignment, classified into five levels:

'Not aligned': Refers to assets without a commitment to decarbonise in a manner consistent with achieving global net zero.

'Committed to aligning': Refers to assets with a long-term decarbonisation goal consistent with achieving global net zero by 2050.

'Aligning': Refers to assets with emissions performance not equal to a contextually relevant net zero pathway. However, importantly they have science-based targets and a decarbonisation plan, and are thus ready to transition.

'Aligned': Refers to assets which have science based targets, a decarbonisation plan, and current absolute or emissions intensity at least equal to a relevant net zero pathway. This category broadly signifies that transition risk is being managed at an asset level.

'Net Zero': Typically, refers to when assets meet all relevant criteria and have an emissions performance at net zero which can be expected to continue.

Additionally, due to some companies/issuers lacking available data, we also assign the following categories under our NZAP model:

- **No Data** – Companies/issuers with no data coverage
- **Low Data Coverage, Low Emitting** – Companies/issuers that disclose insufficient data but there is data to support that their projected emissions are not expected to overshoot the carbon budget if temperature rises are to remain below 1.5°C.

For this reporting period, Funds SA's NZAP was updated to take into account Net Zero Investment Framework (NZIF) v2.0 guidance. As a result, a number of changes were implemented to how we assess the alignment of our listed equity and credit portfolio with net zero. These changes have sought to place a greater emphasis on ensuring that high climate-impact companies (which are defined as those involved in sectors critical for achieving net zero) are assessed adequately, whilst not placing excessive requirements on low-impact companies (see footnotes for full details). Also new to our FY2025 NZAP assessment is our government bonds portfolio, utilising data from the Assessing Sovereign Climate-related Opportunities and Risks (ASCOR) Project and the Climate Action Tracker, an independent scientific project that tracks and assesses government climate action.

As shown in Table 6, at 30 June 2025 the SRI equities portfolio had a slightly greater portion of companies that are 'Aligning', 'Aligned' and 'Net Zero' when compared to the Australian Equities and International Equities portfolios. When compared against the respective benchmarks (Figure 8), the differences observed in the Australian and International Equities portfolios were primarily driven by active holdings. In contrast, the SRI equities portfolio's best-in-class ESG ratings and stricter exclusion criteria resulted in greater exposure to some 'Not Aligned' IT companies and lower exposure to 'Aligning' large-cap stocks.

For the government bonds asset class, due to limited data availability, and the fact that no government is achieving net zero emissions at the present time, our NZAP assessment of sovereign bonds currently does not include a Net Zero alignment level. The maximum level of alignment that a government bond asset can receive is 'Aligned'. No government bond issuer was 'Aligned' in FY2025. This indicates that no government had emissions performance trending in line with the Paris Agreement's net zero target. The majority of Funds SA's government bond portfolio is rated as 'Committed to Aligning'. This indicates that most countries have made long-term net zero by 2050 commitments but have not set adequate short- and medium-term targets or are not decarbonising in line with a net zero pathway.

Data availability remains a challenge for the Credit asset class due to the presence of private companies, which disclose less on their climate performance compared to listed companies.

Table 6.

Net Zero Alignment Pathway results of Funds SA's Australian Equities, International Equities, SRI Equities, Credit and Government Bond portfolios as at 30 June 2025.

	No Data	Low Data Coverage, Low Emitting	Not Aligned	Committed to Aligning	Aligning	Aligned	Net Zero
Australian Equities	1.7%	3.4%	23.3%	16.8%	54.4%	0.1%	0.3%
International Equities	1.4%	2.7%	32.2%	4.7%	57.2%	0.3%	1.4%
SRI Equities	0.0%	5.0%	26.1%	7.9%	58.9%	0.4%	1.6%
Credit	55.9%	1.5%	26.6%	2.7%	13.1%	0.1%	0.1%
Government Bonds	2.2%	0.0%	13.3%	81.0%	3.5%	0.0%	NA

Source: MSCI via FactSet, ASCOR, CAT. Portfolio exposures as at 30 June 2025, based on MSCI data extracted in January 2026. ASCOR and CAT data is lagged as at various points in time from 0-4 years prior. NZAP classification methodology is internally developed based on NZIF 2.0 framework and guidelines.

Bridal Gap, Flinders Ranges | Great Walks of Australia | Graham Michael Freeman | media.southaustralia.com

Active NZAP Positioning

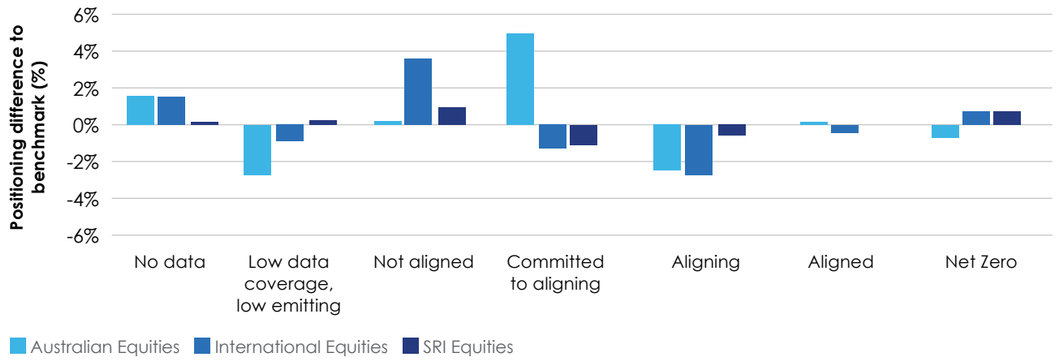

Figure 8. Comparison of the NZAP among Funds SA's equity portfolios.

Source: MSCI via Factset. Portfolio data is at at 30 June 2025, based on data extracted in January 2026. Australian Equities Benchmark is the S&P ASX 300, International Equities Benchmark is the MSCI All Country World ex-Australia Index, Socially Responsible Equities Benchmark is a weighted blend of the non-SRI benchmark consisting of the aforementioned Australian and International Equities benchmarks.

Next Steps

Over the past few years, we have gained a better understanding of our portfolio's climate-risk exposure through a range of backward- and forward-looking metrics. These insights have shown us that portfolio or paper-based decarbonisation alone does not drive the global transition to a low-carbon economy. The next phase of our approach to climate risk management will focus on supporting real-world decarbonisation as key part of our fiduciary duties. This would involve working collaboratively with various stakeholders, including other asset owners and investment managers, to turn analysis into action. We remain committed to reporting transparently on our progress, addressing remaining data gaps—particularly in private markets—and refining our NZAP assessments to ensure they reflect evolving methodologies and best practice.

Appendix

(1) Historical Carbon Emission Data Coverage

Asset Class	Coverage by (% of market value)				
	FY21	FY22	FY23	FY24	FY25
Australian Equities	93.1	95.2	98.0	98.5	96.3
International Equities	93.8	94.7	98.0	97.9	96.2
SRI Equities	96.1	98.5	99.1	99.5	99.8
Credit	46.4	46.9	46.9	41.6	36.4
Australian IG Credit	17.2	48.0	42.4	65.6	85.4
Sovereign Bonds	99.9	99.9	99.8	97.8	99.9
Australian State & Territory Bonds					100.0
Listed Property	99.1	100.0	100.0	99.0	-
Unlisted Property	100.0	100.0	100.0	100.0	100.0
Unlisted Infrastructure			67.9	92.4	95.8
SRI Infrastructure			99.9	100.0	100.0

(2) Emissions Methodology

The Scope 1 and Scope 2 GHG emissions of Funds SA's investee companies and assets are known as our financed emissions.

We use carbon dioxide equivalent (CO2e) data for reporting, which factors in all GHG emissions. The methodologies for reporting Funds SA's financed emissions are displayed below, differing depending on asset type.

Listed Equity, Listed Property, Corporate Credit & Bonds

$$\frac{\text{Outstanding amount}}{\text{EVIC}} \times \text{Company emissions}$$

Sovereign and Australian Semi-Government Bonds

$$\frac{\text{Exposure amount (\$USD)}}{\text{PPP-adjusted GDP (international USD)}} \times \text{Sovereign emissions}$$

Unlisted Property and Infrastructure

$$\frac{\text{Outstanding amount}}{\text{Asset Value}} \times \text{Asset emissions}$$

Using data sourced from our data providers and our investment managers, we can report on the asset classes shown in the body of the report. Year-end reporting dates vary between companies and assets.

The data presented is at 30 June 2025 and excludes cash and derivatives. Assured data has been provided by our Unlisted Property and Infrastructure investment managers, where available.

Below are the sources of methodologies and data for different asset classes:

- **Methodology:** Partnership for Carbon Accounting Financials (PCAF). The Global GHG Accounting and Reporting Standard Part A: Financed Emissions. Second Edition: https://carbonaccountingfinancials.com/files/downloads/PCAF-Global-GHG-Standard.pdf
- **EVIC** is Enterprise Value Including Cash. Sourced from MSCI through FactSet for listed companies.
- **Corporate Emissions (Equity and Corporate debt)** sourced from MSCI through FactSet.
- **PPP-adjusted GDP** (international USD) is an adjustment to the Gross Domestic Product of a country by the Purchasing Power Parity (PPP) rate to improve comparability. The PPP rate is the rate at which the currency of one country would have to be converted into that of another country to buy the same amounts of goods and services.
- **GDP Data** from the International Monetary Fund, World Economic Outlook Database, October 2024 https://www.imf.org/en/publications/weo/weo-database/2024/october
- **Sovereign** production emissions sourced from Emissions Database for Global Atmospheric Research (EDGAR), that provides independent estimates of emissions produced domestically, including exports. EDGAR (Emissions Database for Global Atmospheric Research) Community GHG Database (a collaboration between the European Commission, Joint Research Centre (JRC), the International Energy Agency (IEA), and comprising IEA-EDGAR CO2, EDGAR CH4, EDGAR N2O, EDGAR F-GASES (2024) European Commission. EDGAR report webpage (https://edgar.jrc.ec.europa.eu/report_2024) and EDGAR_2024_GHG website (https://edgar.jrc.ec.europa.eu/dataset_ghg2024) and/or relevant reports.
- **Property Coverage** relates to buildings under the investment manager's operational control and excludes properties under development. Investment managers have either reported location-based or market-based emissions as defined by the GHG Protocol Scope 2 Guidance.
- **Property and infrastructure values** are calculated as at 30 June 2025
- **Assured data** is data that was verified through a third-party assurance process.

(3) NZAP model update based on NZIF v2.0 guidance

Funds SA's NZAP framework considers a range of data points on the climate commitments and actions of its investment portfolio. The data points utilised varies between asset classes; however, the high-level criteria that underpin our NZAP assessment for companies/issuers are:

- **Ambition:** A long-term 2050 goal has been committed to for the asset, consistent with achieving global net zero
- **Targets:** Short- and medium-term emissions reduction targets are in place that are aligned with global net zero goals
- **Disclosure:** There is disclosure of material emissions
- **Emissions Performance:** Emissions are on track to meeting Paris-aligned targets
- **Decarbonisation Strategy:** A robust strategy is in place to deliver decarbonisation goals

The following updates were made to our previous NZAP model:

- **Stricter Requirements to reach 'Aligned' and 'Aligning' Status:** Low-Impact companies, which are defined as companies that operate in sectors not critical to achieving net zero, are now additionally expected to have both a long-term 2050 goal consistent with achieving net zero and credible short- and medium-term emissions reduction targets to reach 'Aligned' status. To reach 'Aligning' status, all companies are now also expected to have a long-term 2050 net zero goal. This has made reaching 'Aligned' and 'Aligning' status more difficult to achieve. NZIF v2.0 expects all companies to reach these minimum standards in order to be considered 'Aligning' and 'Aligned'.
- **To reach 'Net Zero', 'Aligned' and 'Aligning' Status, Low Impact Companies are no longer assessed on Decarbonisation Strategy:** For companies, such as smaller software or financial services businesses with little to no exposure to carbon intensive sectors or processes, there is no requirement to pass an assessment of their decarbonisation strategy to reach 'Net Zero', 'Aligned' and 'Aligning' status, given the low impact of their operations on climate change. As a result, our NZAP model now only requires High-Impact companies to meet this hurdle to reach these statuses.
- **Science Based Target Initiative (SBTi) Commitments**: The SBTi is a globally recognised corporate climate action organisation that works with corporates, to verify science-based climate targets and action plans. Due to the advanced standards of the SBTi, companies that have a validated SBTi target now automatically qualify as 'Aligning'. Likewise, if a company demonstrates that it has committed to work with SBTi to develop a target consistent with achieving net zero, it now qualifies as 'Committed to Aligning'. This has contributed to an increase in rating for some companies that are working on or have validated SBTi targets.

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