DIMENSIONAL INVESTMENT FUNDS

Climate Statements

31st March 2025

Prepared by FundRock NZ Limited in
Compliance with the Aotearoa New Zealand Climate Standards

CONTENTS

1. INTRODUCTION

FundRock NZ Limited ("**FundRock**") has prepared these climate statements (the "**Statements**") for Dimensional Investment Funds (the "**Scheme**") in collaboration with DFA Australia Limited ("**Dimensional Australia**") and in compliance with the requirements of the Aotearoa New Zealand Climate Standards (the "**Standards**"). These Statements cover the reporting period between 1st April 2024 and 31st March 2025 (inclusive) and the following funds (collectively, the "**Funds**"):

- Dimensional Australian Sustainability PIE Fund ("**Australian Sustainability Fund**");
- Dimensional Five-Year Diversified Fixed Interest PIE Fund ("**Five-Year Diversified Fixed Interest Fund**");
- Dimensional Global Bond Sustainability PIE Fund ("**Global Bond Sustainability Fund**");
- Dimensional Global Sustainability PIE Fund ("**Global Sustainability Fund**"); and
- Dimensional Two-Year Sustainability Fixed Interest PIE Fund ("**Two-Year Sustainability Fixed Interest Fund**")

Dimensional Australia is the investment manager for the Scheme, as detailed in the Scheme's governing documents and the Product Disclosure Statements for the Funds.

FundRock is a fund hosting business; we issue and manage funds on behalf of investment managers who want to provide Aotearoa New Zealand investors with access to their investment solutions via Portfolio Investment Entities (PIE funds) under our MIS ("managed investment scheme") manager licence. FundRock's goal is to provide Aotearoa New Zealand investors with access to leading global and boutique domestic investment managers. Our funds cover all major asset classes and a broad variety of strategies.

While FundRock retains sole authority over all aspects of fund management, all decisions about investments have been delegated to Dimensional Australia, in accordance with the Investment Management Agreement. These statements reflect this arrangement: certain sections are focused on how FundRock manages Climate-Related Risks and Opportunities ("**CRR&O**"); certain others, on how Dimensional Australia does it; and still others present both. It is important when reading these statements to consider these arrangements, and the respective responsibilities, to understand the Funds' strategy in relation to CRR&O. For the avoidance of doubt, where there is ambiguity regarding the origins of a statement – the statement shall be construed as having been made by FundRock.

FundRock is part of the Apex Group, which has published a Sustainability Report where more details on the group's approach to sustainability can be found. At the level of schemes and funds (that at which these Statements were prepared), FundRock's approach to climate-change varies and is strongly influenced by the Funds' investment manager.

Dimensional[1] was founded in 1981 and has since been dedicated to translating the great ideas of financial science into investment solutions that seek to help clients meet their long-term goals. The assets Dimensional manages represent the savings, commitments, and resources of their clients around the world. Careful stewardship of clients' assets, in line with their objectives, is a responsibility Dimensional takes extremely seriously.

In reading this document, investors should consider the *Product Disclosure Statements*, *Other Material Information* document and *Statement of Investment Policy and Objectives*, which are available at FundRock's website and on the Climate-related Disclosures Register.

[1] "Dimensional" may refer to the Dimensional separate but affiliated entities generally, rather than one particular entity. These entities are Dimensional Fund Advisors LP, Dimensional Fund Advisors Ltd., Dimensional Australia, Dimensional Fund Advisors Canada ULC, Dimensional Fund Advisors Pte. Ltd., Dimensional Ireland Limited, and Dimensional Japan Ltd. Dimensional UK delegates portfolio management and other services as the context requires, to the Dimensional affiliated entities. The Dimensional affiliated entities take a global approach to portfolio management and as such those delegations to the Dimensional affiliated entities are not selected based on climate related parameters.

The Dimensional Australian Sustainability PIE Fund, the Dimensional Global Bond Sustainability PIE Fund, the Dimensional Global Sustainability PIE Fund, and the Dimensional Two-Year Sustainability Fixed Interest PIE Fund are collectively referred to throughout this statement as the '**Sustainability Funds'**. The Dimensional Five-Year Diversified Fixed Interest PIE Fund is not considered a Sustainability Fund. Detailed information regarding how certain non-financial sustainability considerations are taken into account when selecting, retaining or realising investments ('**Sustainability Considerations**') can be found within the *Statement of Investment Policy and Objectives.*

1.1. Adoption Provisions

In preparing these Statements, FundRock relied on the following adoption provisions in the Aotearoa New Zealand Climate Standard 2 (the "**CS2**"):

- **(A)** Adoption provision 2 (Anticipated financial impacts);
- **(B)** Adoption Provision 4 (Scope 3 GHG emissions);
- **(C)** Adoption provision 7 (Analysis of trends);
- **(D)** Adoption Provision 8 (Scope 3 GHG emissions assurance).

1.2. Cautionary Note and Limitations

This report is a summary of FundRock's assessment of future CRR&O and its resulting strategy. It contains FundRock's current assessment of the future CRR&O which could affect its business and customers, as well as its current planning to address these risks. This process necessarily involves estimates, projections, and assumptions about the future, which are inherently uncertain and are not forecasts of future performance by FundRock or Dimensional.

This report contains statements that are, or may be deemed to be, forward looking statements, including climate-related goals, targets, pathways, ambitions, and related risks and opportunities, as well as FundRock's current planning to address related risks. By their very nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties, many of which are beyond our control and give rise to the possibility that our predictions, forecasts, projections, expectations or conclusions will not prove to be accurate, that our assumptions may not be correct, and that our objectives, vision, commitments, goals, targets, and strategies to mitigate and adapt to CRR&O will not be achieved. FundRock has set out the basis and limitations of its analysis in these Statements and reserves the right to revisit its assumptions and assessments as it develops its understanding of CRR&O and its response to climate change. This section should be read together with the limitations identified elsewhere in these Statements. Many of the assumptions, standards, metrics, and measurements used in preparing these Statements continue to evolve and are based on assumptions believed to be reasonable at the time of preparation, but should not be considered guarantees, or representations of such by either FundRock or Dimensional.

In light of the above, while FundRock has taken due care in preparing these Statements, including its scenarios and assumptions, FundRock makes no representation as to their accuracy, completeness, or reliability, in particular in relation to FundRock's assumptions regarding future events. FundRock expressly disclaims responsibility for, and makes no representation, and gives no warranty, assurance, or guarantee, as to the accuracy, completeness, or reliability of any contents of these Statements. To the greatest extent possible under New Zealand law, FundRock also expressly disclaims all liability for any loss (direct, indirect, consequential, or otherwise) or damage arising from the use of these Statements. We recommend you seek independent advice before acting or relying on any information in this report. FundRock reserves the right to revise statements made and its strategy or business activities described in these Statements without notice.

1.3. Directors' Approval and Statement of Compliance

Signed on 28 July 2025 by the Directors identified below on behalf of FundRock, approving compliance with the Standards:

Hugh Stevens

Hugh Stevens

Jeremy Valentine

2. GOVERNANCE

2.1. Governance Body

FundRock's Board of Directors (the "**Board**") is the governance body for the Scheme (as well as all the schemes and funds managed by FundRock). It is accountable for the long-term stewardship and resilience vis-à-vis potential impacts of climate change.

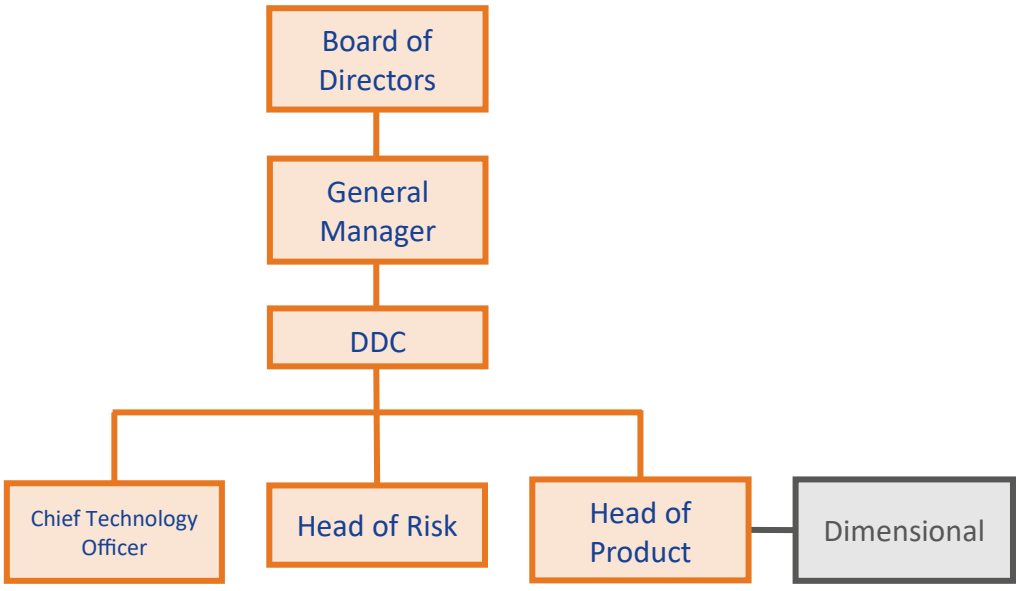
The Board takes into account compliance and regulatory risks arising from possible changes to the regulatory framework of Aotearoa New Zealand's investment industry when developing and overseeing the implementation of FundRock's strategy. CRR&O that are specific to the Scheme and/or Funds (such as those associated with the assets held by a fund) are addressed at the management level.

2.1.1. CRR&O Governance Structure

The Board engages quarterly with FundRock's General Manager, who reports on the most material entity-level CRR&O. These reports are reviewed by the Due Diligence Committee (the "**DDC**") prior to being made available to the General Manager. The DDC also reviews key deliverables of the Climate Related Disclosure ("**CRD**") regime (including these Statements) and either approves them or attests their orderliness for submission to the Board.

For CRD purposes, interactions with Dimensional Australia are managed by FundRock's Product team (led by the Head of Product). As part of its role, the Product team engages with Dimensional Australia regarding their climate-related practices and objectives.

The chart below illustrates the structure described above:



- **Board**: performs the role of governance body, as described in this Statement.
- **General Manager**: ensures project is adequately resourced, defines success, and acts as liaison between the Board and FundRock management.
- **DDC**: manages CRD-related activities, as described in this Statement.
- **Head of Product**: leads the execution of CRD-related activities.
- **Head of Risk**: leads the management of CRD-related compliance risks and provision of risk management expertise.
- **Chief Technology Officer**: leads the provision of IT support and data expertise.

Dimensional applies a team-based approach to responsible investment[2]. Responsible investment activities comprise a significant amount of effort across Dimensional's Portfolio Management, Investment Stewardship, Research, and Investment Analytics & Data teams. Dimensional's Head of Responsible Investment coordinates environmental, social, and governance ("**ESG**") activities globally across these various groups. Dimensional's Head of Responsible Investment, North America, works closely with the Head of Responsible Investment to coordinate ESG initiatives specific to the US and Canada.

Dimensional's approach to responsible investment is focused on building science-based solutions that allow clients to align their investment and sustainability goals. Dimensional's responsible investment efforts include combining the knowledge of dedicated personnel along with ESG specialists and contributors integrated within their respective functional teams. Approximately 60 investment professionals contribute to ESG initiatives across Dimensional's global offices.

More details on Dimensional's corporate governance can be found in Schedule A below.

2.1.2. Skills & Competencies

The Board continues to develop the skills and competencies of its members in respect to CRD and CRR&O. There were two changes to the Board's composition in August 2024, including the investiture of a director with extensive experience in ESG and assurance. The Board remains committed to receiving training on CRD and CRR&O at its quarterly meetings (see Section 2.1 above).

At Dimensional, ESG matters are handled by several teams, including a dedicated Responsible Investment team, as well as personnel in other departments who engage in ESG activities as part of their jobs. Investment personnel involved in the management of portfolios (including sustainability and socially screened portfolios) must undergo formal training, review, and testing before becoming eligible to make investment-related decisions. This process involves all aspects of Dimensional's investment philosophy, including Dimensional's approach to ESG matters.

Dimensional makes ESG training available to investment staff through Dimensional University, which contains a mix of videos, classroom training, and written coursework. Dimensional also regularly hosts in-person events and webinars from thought leaders in ESG-related matters. To assist with this, Dimensional has established a network of scientists, academics, and other notable contributors in ESG-related fields.

2.1.3. Metrics & Targets

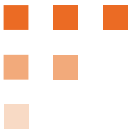
The General Manager will report to the Board quarterly on the Funds' performance against their metrics (to the extent that the Funds are publishing metrics and data is available) and targets (if any).

The Board has not set CRD or CRR&O-related targets or key performance indicators for any of FundRock's staff or the Scheme. Nonetheless, the investment manager may choose to set such targets or indicators for the Schemes or Funds, which is indeed the case – see Section 5.8 below.

2.2. Management

The DDC reviews key deliverables of the CRD regime as they are prepared, and the most material CRR&O (at the entity level) quarterly (see Section 2.1.1 above). It also engages with the Product team regarding the work on CRD in the relevant reporting period and associated risks and opportunities. The Product team, in turn, is in contact with

[2] At Dimensional, "responsible investment" refers to the consideration and implementation of ESG matters in the investment process for the benefit of clients, which includes material climate-related risks and opportunities.



Dimensional Australia throughout the reporting period and receives regular updates on their CRD-related processes and their status.

In Dimensional's view, the most effective way to manage risks is by using the information in market prices, maintaining broad diversification, and encouraging effective board oversight of material risks at portfolio companies.

Section 4 below provides more details on the risk management process (including a full description on Dimensional's processes for identifying, assessing and managing climate-related risks) and Schedule A below for the committees that assist in managing Dimensional's risk management efforts.

3. STRATEGY

3.1. Current Impacts

At the entity level, the costs of compliance with CRD regulations continue to be the most significant impact of CRR&O. FundRock dedicated material resources to ensure compliance with it, and the cost of data for the metrics in Section 5 remains significant. While these costs may not be passed on to the investors directly, mounting regulation may lead to fee increases.

Dimensional's general investment philosophy is based on the belief that, in liquid capital markets, prices reflect publicly available information. This includes, but is not limited to, information about a portfolio company's strategy, financial and nonfinancial performance, risk, capital structure, social and environmental impact, and corporate governance. It also includes forward-looking information such as models, forecasts, and expectations about future economic or regulatory developments, such as the potential impact that carbon taxes, cap and trade markets, or other carbon policies may have. Dimensional believes that competition among market participants drives prices toward fair value, and that the prices of securities reflect the aggregate risk and return expectations of investors.

Consistent with Dimensional's investment philosophy, it believes that current information about climate change is priced by capital markets. This does not mean that markets are prescient, nor that unforeseen risks may not abruptly materialise. Much about climate change is still unknown; as new information becomes known, market prices will adjust. But empirical research supports the belief that market prices are forward-looking and incorporate the collective views of market participants about material risks and opportunities. Dimensional sees no reason why climate risks and opportunities are an exception.

3.1.1. Current Financial Impacts

FundRock is unable to provide a meaningful, reliable, and quantifiable measure of the financial impacts that climate change had on the Scheme or Funds during the current reporting period for the following reasons.

The price of a financial asset reflects investors' expectations of its returns for an undetermined future period. These expectations are based on all material information regarding the asset that is publicly available, and it is impractical to segregate the impact of one piece of information from that of another. A price movement can sometimes be linked to a specific event, but this is ephemeral: new developments eventuate, and soon it becomes impossible to establish a quantifiable connection between the asset's price and the event of interest. In addition, using an arbitrary timeframe to measure the impact of events would produce arbitrary results.

These challenges are *in addition* to the challenge of determining what is an event caused by climate change. Diversified investment funds have dynamic holdings, the real-world assets that sit under their portfolios (i.e., the facilities, infrastructure, etc. connected to its investees) are geographically dispersed, and the universe of events affecting them is too broad for meaningful analysis. It took more than a year after cyclone Gabrielle hit Gisborne in early 2023 for a team of scientists to conclude that it was made 10% worse by climate change[3]; FundRock is not equipped to determine (with reasonable certainty and within the timeframe available to complete these Statements) which, of all events that affected the assets it holds in a certain year, can be linked to climate change – let alone to quantify their effects.

[3] See Stone, Dáithí A. *et alii*, *Cyclone Gabrielle as a Design Storm for Northeastern Aotearoa New Zealand Under Anthropogenic Warming*, available at https://doi.org/10.1029/2024EF004772 (consulted on 11 Sep 2024).

These reasons also mean that it is difficult to provide a qualitative assessment of the current financial impacts of climate change.

3.2. Scenario Analysis

FundRock has used the sector scenario analysis produced on behalf of the Financial Services Council to conduct its own scenario analysis (the *Climate Scenario Narratives for the Financial Services Sector* and the *Climate Risk Database*, hereinafter jointly called the "**Sector Scenario Analysis**"). The reasons for making this choice were:

- **(A)** adoption of the Sector Scenario Analysis across the industry makes it easier for investors to compare the climate-related strategies adopted by fund managers;
- **(B)** the Sector Scenario Analysis benefits from the knowledge of experts; and
- **(C)** adopting the Sector Scenario Analysis firmly grounds FundRock in a framework that is compliant with applicable regulations.

The Sector Scenario Analysis was not adopted without judgement, however. In an iterative process, FundRock **(1)** identified the driving forces underlying development of the three scenarios, **(2)** modelled their relationship[4], and **(3)** identified those with deeper or broader impacts on the scenarios (i.e., the key driving forces). Further along the process, FundRock analysed the risks identified in the Sector Scenario Analysis, integrating the information in the *Climate Scenario Narratives for the Financial Services Sector* and its companion *Climate Scenarios – Risk Database* and systematizing the risk classification for use with diversified portfolios. Finally, the portfolio of the Funds was used to identify the most critical risks and how they may impact the Funds within the timeframe of the scenario analysis.

3.2.1. Methods & Assumptions

FundRock have analysed the three scenarios from the Sector Scenario Analysis: Orderly (1.5°C), Too Little, Too Late (2°C), and Hothouse (3°C). These scenarios are informed (respectively) by the Intergovernmental Panel on Climate Change ("**IPCC**") SSP 1-1.9, SSP 2-4.5, and SSP 5-8.5 scenarios[5], and are relevant and appropriate for the following reasons:

- **(A)** They comply with the regulatory requirements, which stipulate that climate reporting entities must analyse a 1.5°C, a 3°C scenario, and a third scenario of their choice.
- **(B)** The Orderly and Hothouse scenarios:
  - **(i)** represent extremes, and therefore allow FundRock to analyse how the Scheme and Funds would fare under the most challenging circumstances; and
  - **(ii)** are widely used by businesses, both in the financial services and other industries – their widespread adoption will make it easier for investors to compare offers and products.
- **(C)** The *Too Little, Too Late* and the *Disorderly* scenarios were considered as the third option, and the former was selected as per the Sector Scenario Analysis Report[6] this was deemed the most likely path for Aotearoa New Zealand. It is also more challenging than the *Disorderly* scenario, which assumes lower physical and transition risks and a lower long-term temperature increase[7].

The description of the scenarios and certain further details on methodology can be found in Schedule B below.

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4 See Footnote No 10 for the meaning of "model" in the context of scenario analysis.

5 *Climate Scenario Narratives for the Financial Services Sector*, p 12.

6 See Sector Scenario Analysis Report, p 12.

7 See *Network for Greening the Financial System, NGFS Scenarios for central banks and supervisors*, November 2023, pp 11 and 20.

3.2.2. Scenario Analysis Process

The scenario analysis followed the six-step process detailed in the guidance published by the External Reporting Board ("**XRB**"), particularly the *Staff Guidance Entity Scenario Development*[8]. An overview of the process is provided below:

- **(A)** *Engage with Stakeholders*: see Subsections 3.2.2.1 and 3.2.2.2 below for details.
- **(B)** *Define the Problem*: the focal question was adopted from recommendations by the Task Force on Climate-Related Financial Disclosures ("**TCFD**")[9] and all Funds were considered in scope. For information on time horizons, see Section B.i below.
- **(C)** *Identify driving forces and critical uncertainties*: the Sector Scenario Analysis was reviewed and analysed to produce a conceptual model[10].
- **(D)** *Select temperature outcomes and pathways*: temperature outcomes and pathways were adopted from the Sector Scenario Analysis (see Section 3.2 above for more details).
- **(E)** *Draft narratives and quantify*: narratives were adapted from the Sector Scenario Analysis, taking into consideration the distinctions of the schemes and funds. No quantification was attempted.
- **(F)** *Assess strategic resilience*: completed through discussion with Dimensional Australia.

3.2.2.1. Integration & Governance

The Board set the governance for scenario analysis, ensuring appropriate processes were in place; and FundRock's management has reviewed and approved the scenario analysis framework (which was based on the Sector Scenario Analysis, as described above) and its results (as reflected in this statement).

Scenario analysis was conducted by FundRock as a standalone process, but its results (particularly the risks and impacts which identification and assessment it enabled) were shared with investment managers for their consideration and (when material for FundRock as an entity) integrated into FundRock's risk management processes.

3.2.2.2. External Stakeholders

FundRock has completed scenario analysis for the Scheme and Funds. FundRock provided Dimensional Australia with a scenario analysis framework (derived from the Sector Scenario Analysis, as described above), a structured plan, and output requirements.

Dimensional Australia has reviewed and considered the scenario analysis. However, for reasons discussed throughout Section 4 below, Dimensional Australia does not intend to change the approach of its investment strategy for the Funds based on the scenario analysis output.

3.3. Climate-Related Risks & Opportunities (CRR&O)

The Sector Scenario Analysis included a *Climate Risk Database*, on which FundRock relied to identify and assess the risks for the Scheme and Funds. As indicated in Section 3.2 above, the risks found in the Sector Scenario Analysis were systematised by FundRock to allow for their application across the variety of schemes and funds we manage.

Diversified investment funds will be exposed to most, if not all, climate-related risks. For example, it is likely that at least one of their investees will be exposed to the impacts associated with rising sea levels or stranded assets. FundRock has chosen to highlight the risks that it assessed to be material to the Scheme and Funds. This assessment was based on the Funds' portfolios and the Sector Scenario Analysis.

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[8] Which is itself an adaptation of *Task Force on Climate-Related Financial Disclosures*, *Guidance on Scenario Analysis for Non-Financial Companies*, October 2020 – also consulted.

[9] Task Force on Climate-related Financial Disclosures, *Guidance on Scenario Analysis for Non-Financial Companies*, 2020 p 72.

[10] A conceptual model is a "simple representation of a system focused on the relationship expected to be seen between variables" (XRB, *Staff Guidance Entity Scenario Development*, 2023, pp 11 and 27).

The risk of policy and regulatory impacts is material for all schemes and funds managed by FundRock, including those in these Statements' scope:

Name	Type	Term	Sector/Geography	Description
Policy & Regulatory Impacts	Transition	Short/Medium	Aotearoa New Zealand	Increasingly stringent climate change regulations (e.g. disclosure, emissions reduction, green buildings requirements, etc.) creating additional processes and costs.

The publication of mandatory climate statements is an early manifestation of this risk (as mentioned in Section 3.1 above). Other material CRR&O are listed in the table in Schedule C below.

Dimensional Australia believes that portfolio companies face varying exposure to these categories of climate-related risk over the short-, medium-, and long-term. These exposures will differ depending on the specifics of the portfolio company's business. For example, a real estate company whose properties are located in coastal areas may have high exposure to physical risks but low exposure to transition risks. Such a company may stand to benefit from a rapid transition. A coal miner, in contrast, may face significant transition risks but lower exposure to physical risks. Such a company may stand to benefit if the climate transition is delayed.

The potential risks and opportunities of climate change differ across regions, companies, and industries. For some portfolio companies, the risks associated with climate change are material for their businesses. For other portfolio companies, changes in technology and consumer preferences represent opportunities. A portfolio company's exposure to different categories of climate risk may also change through time depending on the future path of emissions and the sociopolitical response.

3.3.1. Definitions of Short-, Medium-, & Long-Term

FundRock adopts the timeframes from the Sector Scenario Analysis (see Section B.i below).

3.3.2. CRR&O & Decision Making

Management of entity-level CRR&O has been integrated into FundRock's overall risk management framework. That framework involves discussing risks in a monthly risk controls meeting attended by the General Manager. If the relevant risk cannot be properly addressed at this level, they may be highlighted in the quarterly Board reports (see Section 2.1.1 above) and addressed with the Board. Should the Product team identify the need for reviewing the level of resources dedicated to addressing climate risks, it would express its view to the General Manager in the relevant monthly meeting or through the Board report. Senior management and directors would consider said needs within the context of FundRock's goals and the environment in which it operates, and make capital deployment decisions as required by their duties, taking into account the Apex Group's policies.

At FundRock, entity-level CRR&O receive the same treatment as all other risks and opportunities in all risk-related process and procedures and at all levels of the organisation. As a rule, risks are prioritised based on their likelihood and expected impact.

Given Dimensional's belief that market prices incorporate relevant climate and sustainability-related information, it does not attempt to identify companies that are mispriced based on their climate and sustainability-related profile. Numerous academic studies show the collective wisdom of the market is typically better than any individual investor at pricing risks and opportunities. In Dimensional's view, the most effective way to manage risks is by using the information in the latest market prices through a daily investment process, maintaining broad diversification, and encouraging effective board oversight of material risks at portfolio companies.

See Section 4 below for further details.

3.4. Anticipated Impacts

From an institutional perspective, FundRock continues to see changes to the cost of compliance with climate-related policies and regulations as the main anticipated impact of CRR&O. The review of NZ CS 2 in late 2024 reduced the cost pressure for the current reporting year. Looking ahead, FundRock sees substantial uncertainty as both the Ministry for Business, Innovation, and Employment and XRB have opened or indicated their intention to open consultations on the future of the CRD regime. There is a chance that legislation and regulations emerging from these consultations will stabilize the cost of compliance with CRD requirements. Nonetheless, as it is the data on GHG emissions will be subject to assurance from the 2025/2026 reporting period onwards. This would significantly increase compliance costs.

Dimensional Australia believes that quantitative climate risk models are too unreliable to be useful for risk management of a diversified equity or fixed interest portfolio. Dimensional Australia does not believe that climate-related risk metrics provide actionable insights for investment risk management. Dimensional Australia therefore does not use such models to incorporate climate risks and opportunities into its investment strategies, including assessing resilience of portfolios against explicit climate scenarios. Dimensional Australia instead relies on general risk management principles to manage climate risks and opportunities. These include leveraging the information in market prices, enforcing broad diversification in the design of Dimensional Australia's investment strategies, and encouraging effective board oversight of material risks at portfolio companies. See Section 4 below for further information.

Modelling future economic damages from climate change poses immense challenges. It is unknown where and when physical effects will occur, how quickly climate policies will be introduced, how politics and societal norms will develop, how these developments will affect GDP growth, or what innovations will take place. With all these uncertainties, different climate models can diverge widely in their conclusions.

A growing number of tools attempt to estimate a portfolio's exposure to climate risks. Some concentrate on transition risks. Transition risk models often assume that policies consistent with a particular climate scenario, will be enacted and estimate the impact of such policies on portfolio companies. Studies show that, even for the same climate scenario, there is significant heterogeneity in the output from different models of transition risk[11]. Other tools focus on physical risks. Modelling the physical risks a company faces requires detailed information about the location and vulnerability of physical assets and supply chains — not just now, but also in the future. Given this complexity, it is unsurprising that the physical risk scores from different providers show substantial variation[12].

Long time-horizons, deep uncertainties, and non-linearities make modelling the physical impacts of climate change exceptionally challenging. Attempting to forecast how societies and companies will evolve decades into the future magnifies this challenge. Many climate risk models seek to forecast key financial variables such as interest rates, inflation, and commodity prices for 30, 50, or even 80 years into the future. But industry experts and economists have historically performed very poorly at making financial market forecasts[13]. Furthermore, a portfolio's exposure to climate risks is typically calculated based on what it holds today. But markets will continue to evolve. Few listed companies have survived in their current form for 20 years or more and several of today's largest companies did not exist 20 years ago.

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11 Bingler, Julia Anna, Chiara Colesanti Senni, and Pierre Monnin. "Understand what you measure: Where climate transition risk metrics converge and why they diverge." Finance Research Letters 50 (2022): 103265.

12 Hein, Koelbel and Leippold (2021) find that the correlation between firm-level physical-risk scores from six different providers ranges between –0.10 and 0.49. See Hain, Linda I., Julian F. Kölbel, and Markus Leippold. "Let's get physical: Comparing metrics of physical climate risk." Finance Research Letters 46 (2022): 102406.

13 For example, on efforts to forecast exchange rates, see Meese, Richard A., and Kenneth Rogoff. "*Empirical exchange rate models of the seventies: Do they fit out of sample?*" Journal of international economics 14, no. 1-2 (1983): 3-24, and Rogoff, Kenneth S., and Vania Stavrakeva. *The continuing puzzle of short horizon exchange rate forecasting*. No. w14071. National Bureau of Economic Research, 2008.

An investor's portfolio today is unlikely a good indication of the portfolio they will hold when anticipated long-term climate risks materialise. Finally, it is difficult to test or calibrate such models, since some of the most impactful manifestations of climate change predicted have not yet materialised.

3.5. Transition Plan Aspects of Strategy

FundRock is a fund hosting business. We provide services to domestic and international investment managers who want to operate in Aotearoa New Zealand but would prefer to outsource fund management to us, normally because they believe this to be the most cost-effective way of offering their services in the country.

Our business model is very resilient to investment risks (climate-related or otherwise) thanks to the broad variety of schemes and funds we can accommodate. As long as there is continued demand for managed investment schemes in Aotearoa New Zealand, we can evolve and adapt to political, economic, and societal changes: we can work with existing investment managers to make strategic adjustment to their products, and whenever this proves impractical, new products (more aligned with prevailing market winds) may be developed in collaboration with current or new investment managers, replacing those retired.

FundRock's knowledge of and experience in Aotearoa New Zealand's investment funds market will be invaluable in the process of identifying the adaptations required and assessing the viability of both existing and prospective products. Understanding the CRR&O specifically associated with this market must be part of this.

A description of how Dimensional manages the funds can be found in Section 3.5.1 and Section 4 below.

3.5.1. Current Business Model & Strategy

The Funds' investment philosophy is based on dimensions of expected returns that have been identified by academic research.

For equities, this includes:

(1) The overall market - stocks have higher expected returns than bonds.
(2) Company size - small company stocks have higher expected returns than large company stocks.
(3) Relative price - low relative price or 'value' stocks have higher expected returns than high relative price stocks.
(4) Profitability - stocks with higher profitability have higher expected returns than stocks with lower profitability.

For fixed interest, this includes:

(1) Bond maturity - bonds that mature further in the future are subject to higher risk of unexpected changes in interest rates. Extending bond maturities generally increases potential returns.
(2) Credit quality - bonds with lower credit quality are subject to higher risk of default. Reducing credit quality generally increases potential returns.

Subject to portfolio constraints, which for the Sustainability Funds includes the Sustainability Considerations and for fixed interest funds includes controls on portfolio maturity, security maturity, credit quality and diversification, the Funds seek to emphasise investment in securities with a higher expected return considering the dimensions described above.

3.5.1.1. Sustainability

Dimensional Australia incorporates insights from climate science to determine the Sustainability Considerations in its Sustainability Funds. Environmental science leads Dimensional Australia to focus on climate change, and climate science identifies GHG emissions as the most significant driver of climate change. Therefore, the primary goal of

Dimensional Australia's approach to sustainability investing in the Sustainability Funds is to reduce exposure to GHG emissions.

Dimensional Australia starts with a broadly diversified, systematic investment strategy that emphasises securities with higher expected returns, as indicated by research, while also aiming to minimise unnecessary turnover and trading costs. For equity strategies this means a greater focus on securities with smaller market capitalisations, lower relative prices, and higher profitability. The fixed interest strategies will change the portfolio's exposure to term risk and, depending on the strategy, credit risk in response to changes in security prices. Informed by the work of leading academics and climate scientists, the Sustainability Funds prioritise a set of climate change-related exclusion and criteria that can be incorporated into a broadly diversified strategy. To do this, Dimensional Australia needs to understand not only the science of sustainability and the issues that matter to investors, but the availability, reliability, and usability of sustainability data, too. The Sustainability Funds' approach prioritises reducing exposure to the primary driver of climate change — GHG emissions — while also considering related sustainability concerns, such as a company's land use, toxic waste production, and water management, in a manner that permits company-level sustainability data to be integrated systematically across hundreds or thousands of holdings. Additionally, emissions data are readily available from multiple sources, allowing for better data validation.

The Sustainability Funds evaluate portfolio companies relative to the entire market and to their industry peers using a sustainability scoring system primarily focused on GHG emissions. Securities of portfolio companies with high GHG emissions intensity and potential GHG emissions from reserves may be underweighted or excluded, and securities of portfolio companies with low GHG emissions intensity and potential GHG emissions from reserves may be overweighted. These strategies may also exclude portfolio companies involved in coal, palm oil, factory farming, child labour, tobacco, alcohol, gambling, adult entertainment, controversial weapons, nuclear weapons, personal firearms and private prisons. With this methodology, investors in the Sustainability Funds can achieve significant reductions in exposure to actual and potential GHG emissions within broadly diversified portfolios.

Dimensional Australia has pursued implementing these dual goals for the Sustainability Funds using this investment methodology for more than 15 years. By starting with a robust investment framework, incorporating sustainability considerations guided by climate science, and applying its many decades of experience in data management, Dimensional Australia is able to offer a cost-effective approach that provides investors the opportunity to align their investment and sustainability goals.

Please refer to the *Statement of Investment Policy and Objectives* for further details on how the Sustainability Funds take into account certain non-financial Sustainability Considerations.

3.5.2. Transition Plan

Given the resilience of FundRock's business model expressed above, it currently has no plans to change its strategic direction based on CRR&O or adopt any targets for itself. Our core concern will continue to be regulatory transition risks, which have already been integrated into our risk management (see Section 4 below) and governance (see Section 2.1.1 above) processes.

Going forward, FundRock expects that the level of resources dedicated to address CRR&O will increase to accommodate assurance requirements. Otherwise, resourcing and costs are likely to remain stable (in real terms). We expect the funds to pay for all costs associated with the CRD regime and CRR&O via the fees charged from investors. We have not yet increased fees to address these costs, but we may have to do this if they do not stabilize.

Dimensional Australia does not intend to change its investment approach for the Funds. A detailed description of Dimensional's approach can be found in Section 4 below.

Dimensional Australia is aware of Aotearoa New Zealand's commitment to net zero emissions by 2050 under the Climate Change Response Act. However, climate scientists and policy experts generally agree that major technological and societal changes—beyond the control of any one actor or industry—will be required for any country, industry or portfolio company to achieve net zero. Dimensional Australia has not yet set a net zero 2050 target for in-scope AUM; it does not want to commit to a goal without a clear idea of how it can get there.

Careful stewardship of its clients' assets, in line with their objectives, is a responsibility Dimensional Australia takes extremely seriously. Dimensional Australia is mindful that there may be trade-offs involved with net zero transition strategies that conflict with its clients' objectives. For example, if the real-world economy does not decarbonise at the rate required to achieve net zero, a transition strategy may be faced with an increasingly constrained investment universe and reduced diversification. Such trade-offs may not align with the investment objectives of some investors, either now or in the future.

For investors with net zero transition goals, Dimensional Australia is committed to designing strategies to help them align their investments with their sustainability goals. Likewise, for clients interested in reducing the carbon footprint of their portfolios, Dimensional Australia provides strategies that are designed to offer a meaningful reduction in exposure to carbon emissions.

4. RISK MANAGEMENT

FundRock manages entity-level CRR&O directly. We have identified them by referencing applicable regulations, and assessed them by appraising their expected impact, the processes and controls we have in place, and the resources of which we dispose. The processes for monitoring and managing said CRR&O are summarised in Section 3.3.2 above.

4.1. Dimensional's Approach

In Dimensional Australia's view, the most effective way to manage risks in the Funds is by using the information in market prices, maintaining broad diversification, and encouraging effective board oversight of material risks at portfolio companies. Dimensional Australia's sustainability approach within the Sustainability Funds incorporates sustainability considerations guided by climate science, providing investors the opportunity to align their investment and sustainability goals.

4.1.1. Leveraging Market Prices

Consistent with Dimensional's investment philosophy, Dimensional believes that company specific risk and broad systemic risks that are material to company valuations are priced by capital markets. These risks include both physical and transitional risks associated with climate change.

In recent years, academics have done a great deal of work to try to understand whether markets respond to climate-related information. As Dimensional discusses in its research paper Climate Change and Asset Prices, that generally seems to be the case. Studies find that cities exposed to flooding risk face higher long-term borrowing costs.[14] Another study finds that stock prices of oil and gas companies fell when a landmark paper on the risk of fossil fuel assets becoming stranded was published.[15] Given the uncertainty involved, there is ongoing debate about whether climate risks are priced correctly by the market. However, numerous studies show investors have a poor track record of outguessing market prices.[16] In other words, the collective wisdom of the market is typically better than any individual investor at pricing risks and opportunities. Dimensional sees no reason why climate risks should be an exception.

That does not mean the market portfolio is immune from climate risks. If global warming, carbon taxes, or other material developments differ from current expectations, assets will be repriced. The market is also unlikely to be pricing environmental or societal risks that are not expected to be material to a company's valuation. Many things that people value — such as rich biodiversity, natural beauty, temperate climates, and quality of life — may not be priced by the market.

But when it comes to managing climate risks, Dimensional believes that market prices are the best place to start. Market prices are derived from a much richer information set than can be captured by any model. Dimensional therefore uses market prices extensively throughout its investment process. For example, its approach to portfolio construction for equity strategies uses market prices as a starting point for risk management, by adjusting a security's

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[14] See, for example Hallegatte, Stephane, et al. 2013. "Future Flood Losses in Major Coastal Cities." *Nature Climate Change 3*, no. 9: 802–806; and Hinkel, Jochen, et al. 2014. "Coastal Flood Damage and Adaptation Costs Under 21st Century Sea-Level Rise." *Proceedings of the National Academy of Sciences* 111, no. 9: 3292–3297.

[15] See Griffin, Paul A., et al. 2015. "Science and the Stock Market: Investors' Recognition of Unburnable Carbon." *Energy Economics* 52: 1–12.

[16] See, for example, Dimensional Fund Advisors, *Mutual Fund Landscape 2021: A Study of US-Based Mutual Fund Performance*, available at https://my.dimensional.com/xlink/6JZObWgaeCzj5SzFFo5UbD5C80mkJedkb2VDvzK8bL-gxa2PTLFYXzmiPd4CwYpMktavv6eiHAc3_JwtZkwhmY6UOniRqE63jicnLLZNd4xvcF58-SyRbJYZy3HYeZunN9snpwET40lrG7ynsg-gQfTSxqLQdPQLIX2cn4rbXMY1; S&P Dow Jones Indices, *SPIVA Scorecards*, available at https://www.spglobal.com/spdji/en/research-insights/spiva/; Fama, Eugene and Ken French, "Luck versus Skill in the Cross-Section of Mutual Fund Returns," *The Journal of Finance*, Vol. LXV, No. 5 (October 2010), available at https://mba.tuck.dartmouth.edu/bespeneckbo/default/AFA611-Eckbo%20web%20site/AFA611-S8C-FamaFrench-LuckvSkill-JF10.pdf.

weight in the portfolio based on its current price and relying on current market prices to provide real-time information about changes in expected returns.

4.1.2. Investment Process

Dimensional seeks to protect and enhance shareholder and bondholder value and may consider climate and sustainability-related information to do so, including when defining and monitoring the investment universe of the portfolios it manages. As part of Dimensional's process for defining an eligible fixed-income universe, it reviews country risks as well as the external and market-implied credit ratings of individual securities. As part of Dimensional's process for defining an eligible equity universe, it reviews country risks, exchange listing standards, as well as structural, governance-related issues. For example, Dimensional may exclude companies from eligibility if they are closely held; such companies may not have adequate risk controls to protect the interests of minority shareholders against abusive practices by company insiders.

Furthermore, as part of Dimensional's risk management arrangements, it monitors securities in its eligible equity universe for reports of potential involvement in significant controversies, including climate and sustainability-related controversies. If Dimensional believes that a controversy may have a material impact on a portfolio company's financials, it may temporarily exclude securities issued by that company from further purchase in both its equity and fixed interest portfolios.

Given Dimensional's belief that market prices incorporate relevant climate and sustainability-related information, Dimensional does not attempt to identify securities that are mispriced based on their climate and sustainability-related profile. Numerous academic studies show the collective wisdom of the market is typically better than any individual investor at pricing risks and opportunities. In Dimensional's view, the most effective way to manage risks is by using the information in market prices, maintaining broad diversification, and encouraging effective board oversight of material risks at portfolio companies.

4.1.3. Diversification

Given its global scope and broad economic impact, it is reasonable to assume that climate risk may be a systemic risk; it cannot be fully mitigated through diversification. But diversification still has an important role to play in addressing idiosyncratic climate risks.

The effects of climate change are expected to be far reaching and global in scope, but Dimensional Australia does not expect that they will be experienced by all countries and companies in the same way or at the same time. By diversifying across geographies, exposure to country or region-specific physical risks (such as localised flooding) is reduced. By diversifying across companies and industries, exposure to company specific transitional risks (such as changes in consumer preferences for a company's products) is also reduced.

Diversification can also bring opportunity. Dimensional Australia believes that owning a broad universe of securities is often the most effective way to participate in the rewards of ingenuity and innovation.[17] If some assets become stranded, others may become more valuable; if some business models become obsolete, others may become more dominant. A diversified portfolio will hold companies that both drive, and benefit from, climate-related risks and opportunities.

[17] What Drives Investment Returns? Start with Ingenuity. (dimensional.com)

4.1.4. Investment Stewardship

Dimensional believes that market prices reflect information about current corporate governance practices, and that material improvements in corporate governance may be rewarded with higher market prices. Dimensional therefore conducts stewardship activities on behalf of all its equity portfolios in a manner that it believes is in the best interests of such portfolios, and which seeks to maximise the value of their investments, subject to applicable legal and regulatory standards and any specific investing or voting guidelines.

Dimensional's stewardship efforts, which include proxy voting, engagement, industry participation, and public policy advocacy, are intended to promote practices that academic research suggests benefit shareholder value. Dimensional's stewardship priorities include protecting shareholder rights and encouraging strong and independent boards of directors that effectively oversee portfolio company management on behalf of shareholders and implement robust policies and procedures to manage material financial risks (including material environmental and social risks). Although Dimensional may discuss governance matters with portfolio companies to represent client interests, Dimensional's stewardship activities are not undertaken with the purpose or intended effect of changing, or influencing, the control of any portfolio company.

Dimensional Australia seeks to use investment stewardship to ensure that portfolio companies that disclose climate related risks as a material risk are providing adequate disclosure on how that risk is being managed. Dimensional Australia believes that it is important for management and boards of portfolio companies to have oversight of material climate risks to their business and to provide adequate disclosure of such risks to shareholders. Dimensional Australia seeks to elect board members for portfolio companies that have the appropriate skills to oversee and mitigate climate risks.

When a portfolio company's oversight of climate risks, or disclosure of those risks, seems unclear or inadequate, Dimensional Australia may use engagement to learn more about the portfolio company's approach to the oversight of climate risks and disclosure of those risks. During the reporting year, Dimensional engaged with 106 portfolio companies on climate risk oversight and disclosure.[18]

Additionally, Dimensional may vote against directors or other ballot items if, for example, there have been material failures of governance, risk oversight, fiduciary responsibilities, or a lack of accountability to shareholders.

4.1.5. Sustainability approach

Dimensional Australia's approach to sustainability is focused on building science-based solutions that allow clients to align their investment and sustainability goals. Please refer to section 3.5.1. and the *Statement of Investment Policy and Objectives* for more information on how sustainability considerations are incorporated in the Sustainability Funds.

4.2. Prioritisation Process

FundRock prioritises entity-level risks based on their likelihood and expected impact. Risks are classified across both axis and assigned a risk rating. Both inherent and residual ratings are considered[19].

These risks are reassessed monthly according to the processes summarised in Section 3.3.2 above.

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[18] Dimensional from time to time discusses governance matters with portfolio companies to represent client interests; however, Dimensional, on behalf of its clients, regardless of such conversations, acquires securities solely for the purpose of investment and not with the purpose or intended effect of changing or influencing the control of any portfolio company.

[19] An inherent risk is that before any controls or mitigations are applied, while a residual risk is that left after this is done. The inherent risk of losing a house to a fire is that of simply moving into it; the residual risk is that after smoke detectors and sprinklers have been installed and fire insurance has been acquired.

Dimensional's general investment philosophy is based on the belief that, in liquid capital markets, prices reflect publicly available information. This includes, but is not limited to, information about a portfolio company's strategy, financial and nonfinancial performance, risk, capital structure, social and environmental impact, and corporate governance. It also includes forward-looking information such as models, forecasts, and expectations about future economic or regulatory developments, such as the potential impact that carbon taxes, cap and trade markets, or other carbon policies may have. Dimensional believes that competition among market participants drives prices toward fair value, and that the prices of securities reflect the aggregate risk and return expectations of investors.

Consistent with its investment philosophy, Dimensional believes that current information about climate change is priced by capital markets. This does not mean that markets are prescient, nor that unforeseen risks may not abruptly materialise. Much about climate change is still unknown; as new information becomes known, market prices will adjust. But empirical research supports the belief that market prices are forward-looking and incorporate the collective views of market participants about material risks and opportunities. Dimensional sees no reason why climate risks and opportunities are an exception.

Dimensional does not directly prioritise climate risks relative to other types of risks.

4.3. Short-, Medium-, and Long-Terms

For CRR&O, FundRock uses the time horizons adopted for scenario analysis (see Section B.i below) for risk assessment.

Dimensional Australia believes that short-, medium-, and long-term climate risks are all relevant to the Funds. Climate risks are one of the many types of risks that might affect a company's ability to generate profits.

For over 40 years, Dimensional's mission has been to translate financial research into effective investment solutions targeted at helping its clients achieve their long-term goals. Dimensional works primarily with institutional asset owners, fee-only financial advisors, and other intermediaries that use its funds for their clients. For many of Dimensional's clients, their long-term goals may lie decades in the future.

Dimensional Australia does not explicitly define short-, medium-, and long-term horizons as part of its climate risk management process. However, given the forward-looking nature of market prices, Dimensional Australia believes that current information about material climate risks over all time horizons is relevant to current market prices. Dimensional Australia expects material news about a company's plans for managing long-term climate risks to be reflected in market prices today. Irrespective of an investor's holding period, material climate risks across all time horizons may be relevant.

4.4. Parts of Value Chain Not Included

The risk assessment process considered fund management, investment management, and the Funds' investments. Distribution risks were not considered because they do not directly pertain to the Funds and FundRock does not believe their analysis would provide material information for the Funds' investors.

4.5. Assessment Frequency

FundRock assesses entity-level risks monthly, following the processes summarised in Section 3.3.2 above.

As discussed above, Dimensional expects that information about climate risks is reflected in market prices, and so the assessment frequency is a function of Dimensional's use of market prices. Dimensional Australia manages the Funds using a daily investment process which incorporates the latest prices. A strong link to current price is critical because up-to-the-minute news and changes in expectations, including those related to climate risk, are reflected in current prices.

5. METRICS & TARGETS

The primary sustainability objective of Dimensional Australia's Sustainability Funds is to reduce exposure to GHG emissions, mainly by reducing weight in or excluding higher emitting companies based on current carbon intensity and potential emissions from fossil fuel reserves. As such, Dimensional Australia has disclosed metrics and targets primarily relating to these areas. For the financial year ending 31 March 2025, GHG emissions disclosures have not been assured.

Dimensional Australia reviewed certain other climate-related metrics and has determined not to include these in this report due to concerns with data accuracy and comparability, as well as these metrics not being directly related to the investment management approach of the Funds.

Metrics can be found below and further details on the methodology for the metrics are found in Schedule D.

5.1. Dimensional Five-Year Diversified Fixed Interest PIE Fund

FundRock has decided not to publish metrics for the Dimensional Five-Year Diversified Fixed Interest PIE Fund in these statements.

In late 2024, Adoption Provision 4 was amended to exempt climate-reporting entities from publishing Scope 3 emission in their first *and second* reporting period[20]. In the statements for its first reporting period, FundRock opted *not* to use this adoption provision; however, changes in circumstances have led to a review of this decision. While FundRock was aware that MIS managers may have been exempted from publishing GHG emissions in their first reporting period, at the time it was uncertain whether this was an acceptable interpretation of legal and regulatory requirements. It has since become clearer that all funds' emissions are considered Scope 3 from perspective of the CRD regime, allowing FundRock to reconsider this decision.

Specifically regarding GHG emissions, FundRock relies on the exemption granted by Adoption Provision 4. FundRock considered publishing metrics in other categories[21] and has come to conclude that (under current circumstances) they are not material for the Dimensional Five-Year Diversified Fixed Interest PIE Fund, for the following reasons:

(A) **Lack of Comparability**: while GHG emissions metrics have shortcoming which makes it difficult for investors to compare the values reported by different fund managers, these challenges are exponentially increased when it comes to other metrics. There is little to no consistency on which metrics are reported, and even metrics that share a name (such as climate value at risk or temperature alignment) can vary significantly with data provider.

(B) **Lesser Utility**: due to the higher reliability of GHG emissions, they are generally seen as the standard by which funds' climate performance is assessed. They also provide context for the interpretation of other metrics. Publishing other secondary metrics only (without the underlying GHG emissions data) would not allow investors to make informed decisions – in fact, they could be misleading, as investors may not appreciate their shortcomings.

(C) **Lesser Relevance**: the Dimensional Five-Year Diversified Fixed Interest PIE Fund makes no environmental, social, sustainability, or "green-ness" claims. FundRock does not expect climate metrics to play a material role in investors and prospective investors' decisions to invest in or divest from the Dimensional Five-Year Diversified Fixed Interest PIE Fund. Furthermore, since the publication of the climate statements for the previous reporting period FundRock has seen no evidence that investors are interested in this data.

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[20] See CS2. Note that MIS Managers are not required to disclose Scope 1 and 2 GHG emissions because S461O of the Financial Markets Conduct Act 2013 defines MIS Managers as climate reporting entities in respect of the schemes they manage, and those schemes do not have Scope 1 and 2 GHG emissions. In accordance with the Greenhouse Gas Protocol (GHG Protocol), all the emissions of the investee companies are considered Scope 3 (financed) emissions for the Fund[s].

[21] Transition risks, physical risks, climate-related opportunities, capital deployment, internal emissions price, and remuneration, as per CS1, 22.

(D) **Cost**: there are substantial costs associated with acquiring climate metrics from data providers, which are borne by the Dimensional Five-Year Diversified Fixed Interest PIE Fund's investors. Given the above, FundRock does not believe these costs to be justified.

These decisions will be reviewed for the next reporting period.

5.2. Financed GHG Emissions

MIS Managers are not required to disclose Scope 1 and 2 GHG emissions because section 461O of the Financial Markets Conduct Act 2013 defines MIS Managers as climate reporting entities in respect of the schemes they manage, and those schemes do not have Scope 1 and 2 GHG emissions. In accordance with the Greenhouse Gas Protocol (GHG Protocol), all the emissions of the investee companies are considered Scope 3 (financed) emissions for the Funds. The breakdown of the investees' emissions into Scope 1, 2, and 3 in these Statements reflects industry practices and takes the perspective of the investees themselves.

5.2.1. Financed GHG Emissions Metrics

Fund	Scope 1 Gross Emissions (t CO2e)	Scope 2 Gross Emissions (t CO2e)	Scope 3 Gross Emissions (t CO2e)	Wtd Avg Carbon Intensity (tCO2e/USD millions sales)	Wtd Avg Potential Emissions from Reserves (MtCO2)
Dimensional Global Sustainability PIE Fund	837 (1,398)	554 (753)	N/A	22.1 (27.7)	0.0 (0.0)
Dimensional Australian Sustainability PIE Fund	736 (593)	341 (302)	N/A	58.0 (67.1)	0.0 (0.0)
Dimensional Global Bond Sustainability PIE Fund	88.8 (N/A)	162.8 (N/A)	N/A	12.1 (N/A)	0.0 (N/A)
Dimensional Two-Year Sustainability Fixed Interest PIE Fund	18.9 (N/A)	34.5 (N/A)	N/A	6.7 (N/A)	0.0 (N/A)

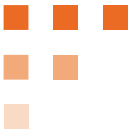
The figures presented are as of 31 March 2025, those within brackets () are as of 31 March 2024 where available.

Gross Emissions are found by using the recently reported or estimated by MSCI Scope 1 (direct), Scope 2 (indirect), or Scope 3 (indirect) GHG emissions in carbon dioxide equivalents (CO_2e), scaled by the portion of the company held by the portfolio. The company is defined as Enterprise Value Including Cash[22]. GHGs included are carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride (SF_6), and nitrogen trifluoride (NF_3).

Weighted Average Carbon Intensity is found by calculating the recently reported or estimated by MSCI and ISS Scope 1 (direct) + Scope 2 (indirect) GHG emissions in carbon dioxide equivalents (CO_2e) normalised by sales in USD (metric tons CO_2e per USD million sales) for each portfolio company and calculating the weighted average by portfolio weight. GhGs included are carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride (SF_6), and nitrogen trifluoride (NF_3).

Weighted Average Potential Emissions from Reserves is found using a theoretical estimate calculated by MSCI of carbon dioxide produced if a company's reported reserves of oil, gas, and coal were converted to energy, given

[22] Enterprise Value Including Cash: The sum of the market capitalisation of ordinary shares, the market capitalisation of preferred shares, and the book value of total debt and non-controlling interests, without the deduction of cash or cash equivalents.



estimated carbon and energy densities of the respective reserves, for each portfolio company and calculating the weighted average by portfolio weight.

Dimensional Australia has determined not to include investees' Scope 3 emissions in this report.

Dimensional Australia believes that the integration of sustainability factors in an investment solution should be based on robust, relevant, and comparable data. For those reasons, Dimensional Australia does not believe it is currently prudent to consider Scope 3 emissions in the investment process. Methodologies to calculate Scope 3 GHG emissions currently lack detailed, standardised requirements that would enable meaningful comparisons between companies. Additionally, most of the available Scope 3 GHG emissions data available for companies are based on modelled data. Hence, the estimation of Scope 3 emissions is based on various assumptions depending on a company's industry, business lines and supply chain profile.

The Sustainability Funds aim to reduce their respective carbon footprint compared to their respective benchmark (see Section 5.8.1), and are not explicitly designed to reduce their carbon footprint year-on-year. As such, comparisons of emissions data year-to-year have limited informational benefit, and could simply reflect a changing carbon footprint of the benchmark.

As this is the first reporting period for the Dimensional Global Bond Sustainability PIE Fund and the Dimensional Two-Year Sustainability Fixed Interest PIE Fund, comparative metrics are not available for these Funds.

5.3. Transition Risks

As discussed in Section 3.4 above, transition risk models often assume that policies consistent with a particular climate scenario, will be enacted and estimate the impact of such policies on portfolio companies. Studies show that, even for the same climate scenario, there is significant heterogeneity in the output from different models of transition risk.[23]

For investors interested in reducing the carbon footprint of their portfolios, the Sustainability Funds are designed to offer a meaningful reduction in exposure to carbon emissions, as described in Section 4.1 above. Progress towards the Portfolio Carbon Footprint Reduction Goals of the Sustainability Funds is assessed and published on a quarterly basis in the Sustainability Reports.

Fund/Benchmark	Wtd Avg Carbon Intensity (tCO2e/USD millions sales)	Wtd Avg Potential Emissions from Reserves (MtCO2)
Dimensional Global Sustainability PIE Fund	22.1 (27.7)	0.0 (0.0)
MSCI World ex Australia Index	96.5 (97.3)	135.0 (135.7)
Dimensional Australian Sustainability PIE Fund	58.0 (67.1)	0.0 (0.0)
S&P/ASX 300 Index	146.6 (144.3)	205.6 (383.7)
Dimensional Global Bond Sustainability PIE Fund	12.1 (N/A)	0.0 (N/A)
Bloomberg Global Aggregate Bond Index	192.3 (N/A)	89.6 (N/A)
Dimensional Two-Year Sustainability Fixed Interest PIE Fund	6.7 (N/A)	0.0 (N/A)
Bloomberg Global Aggregate Bond Index 1-3 Years	110.5 (N/A)	64.5 (N/A)

The figures presented are as of 31 March 2025, those within brackets () are as of 31 March 2024 where available.

[23] Bingler, Julia Anna, Chiara Colesanti Senni, and Pierre Monnin. "Understand what you measure: Where climate transition risk metrics converge and why they diverge." Finance Research Letters 50 (2022): 103265.

The comparison of these metrics has been discussed in Section 5.2.1 above.

5.4. Physical Risks

FundRock and Dimensional Australia have determined not to include metrics on physical risks in this report.

Climate value-at-risk ("**Climate VaR**") and implied temperature rise ("**ITR**") calculations are novel approaches to attempting to quantify climate risk. Climate VaR and ITR are subject to significant data and modelling challenges and values may vary materially between different providers. Dimensional Australia does not use either Climate VaR or ITR in the design or management of the Funds and has elected not to calculate or disclose them due to concerns the resulting disclosure may be misleading.

5.5. Opportunities

Dimensional Australia believes that owning a broad universe of securities is often the most effective way to participate in the rewards of ingenuity and innovation.[24] If some assets become stranded, others may become more valuable; if some business models become obsolete, others may become more dominant. A diversified portfolio will hold companies that both drive, and benefit from, climate-related risks and opportunities.

As at 31st of March 2025, the Funds maintained a high level of diversification within the eligible universe of the strategy:

Fund	Number of Holdings
Dimensional Global Sustainability PIE Fund	3,860 (3,831)
Dimensional Australian Sustainability PIE Fund	324 (290)
Dimensional Global Bond Sustainability PIE Fund	438 (N/A)
Dimensional Two-Year Sustainability Fixed Interest PIE Fund	218 (N/A)

The figures presented are as of 31 March 2025, those within brackets () are as of 31 March 2024 where available.

There is no material change in the number of holdings for the Dimensional Global Sustainability PIE Fund and the Dimensional Australian Sustainability PIE Fund compared to the previous period.

As this is the first reporting period for the Dimensional Global Bond Sustainability PIE Fund and the Dimensional Two-Year Sustainability Fixed Interest PIE Fund, comparative metrics are not available for these Funds.

5.6. Capital Expenditure

Dimensional Australia seeks to address environmental impact issues while emphasising higher expected return securities and maintaining broad diversification. Based on research into matters most impactful to the environment, Dimensional Australia's Sustainability Funds are currently primarily designed to decrease exposure to companies that are significant contributors to emissions or those with large fossil fuel reserves (such as oil, gas, and coal) that may lead to future emissions. The Sustainability Funds evaluate companies based on carbon intensity and potential emissions from reserves across the entirety of a portfolio and within individual sectors. The worst offenders across all industries may be deemphasised or excluded from the Sustainability Funds altogether. An across-industry comparison of this nature provides an efficient way to significantly reduce the aggregate carbon intensity per unit of revenue

[24] What Drives Investment Returns? Start with Ingenuity. (dimensional.com)

produced by portfolio companies. The Sustainability Funds then rank portfolio companies on sustainability considerations relative to their sector peers, emphasising industry leaders with better environmental profiles and underweighting or excluding sustainability laggards. These rankings are based on proprietary sustainability scores that Dimensional Australia calculates, which are primarily driven again by carbon intensity.

See below for the weight distribution by carbon intensity for each of the equity funds.

Fund/Benchmark	Fund/Benchmark Weight as of 31 March 2025				
	Highest Carbon Intensity	Above Average Carbon Intensity	Average Carbon Intensity	Below Average Carbon Intensity	Lowest Carbon Intensity
Dimensional Global Sustainability PIE Fund	2% (2%)	13% (13%)	44% (43%)	28% (25%)	13% (17%)
MSCI World ex Australia Index	8% (8%)	17% (18%)	45% (43%)	23% (20%)	7% (11%)
Dimensional Australian Sustainability PIE Fund	0% (4%)	17% (21%)	41% (35%)	23% (27%)	18% (12%)
S&P/ASX 300 Index	6% (8%)	27% (34%)	43% (38%)	17% (16%)	6% (5%)

The figures presented are as of 31 March 2025, those within brackets () are as of 31 March 2024 where available.

Within a portfolio's target market, portfolio companies are classified from highest carbon intensity to lowest carbon intensity. The Lowest Carbon Intensity group is defined as approximately the 10% of companies with the lowest carbon intensity. The Below Average Carbon Intensity group is defined as the next 20%; Average Carbon Intensity is defined as the next 40%; Above Average Carbon Intensity is defined as the next 20%; and the Highest Carbon Intensity group is defined as approximately the 10% of companies with the highest carbon intensity.

The reported changes for the Dimensional Global Sustainability PIE Fund and the Dimensional Australian Sustainability PIE Fund compared to the previous period are not significant and generally similar to changes in their respective broad market index.

See below for the weight distribution by carbon intensity for each of the fixed interest funds.

Fund/Benchmark	Fund/Benchmark Weight as of 31 March 2025		
	Highest Carbon Intensity	Average Carbon Intensity	Lowest Carbon Intensity
Dimensional Global Bond Sustainability PIE Fund	10.9% (N/A)	42.2% (N/A)	46.8% (N/A)
Bloomberg Global Aggregate Bond Index	33.0% (N/A)	33.0% (N/A)	34.0% (N/A)
Dimensional Two-Year Sustainability Fixed Interest PIE Fund	12.6% (N/A)	44.6% (N/A)	42.7% (N/A)
Bloomberg Global Aggregate Bond Index 1-3 Years	33.0% (N/A)	33.9% (N/A)	33.1% (N/A)

The figures presented are as of 31 March 2025, those within brackets () are as of 31 March 2024 where available.

Weight Distribution by Carbon Intensity within Fixed Interest considers corporate bonds only. Within a portfolio's target market, portfolio companies are classified from Lowest Carbon Intensity to Highest Carbon Intensity. The Lowest Carbon Intensity group is defined as approximately the third of companies with the lowest carbon intensity. The Average Carbon Intensity group is defined as the next third; and the Highest Carbon Intensity is defined as approximately the third of companies with the highest carbon intensity. See Section 5.2.1 above for definition of carbon intensity.

As this is the first reporting period for the Dimensional Global Bond Sustainability PIE Fund and the Dimensional Two-Year Sustainability Fixed Interest PIE Fund, comparative metrics are not available for these Funds.

5.7. Management Remuneration

FundRock has not elected to link any part of management remuneration to CRR&O.

5.7.1. Dimensional

Dimensional Australia does not incorporate climate-related performance metrics into remuneration policies. It has a collaborative team-based culture and follows a systematic, process-driven investment approach. Portfolio Managers are compensated based on their experience, ability to work collaboratively to implement portfolios, the quality of their work efforts, and their overall contribution to the firm, rather than the performance of the portfolios that they manage. This incentivises the behaviours Dimensional Australia believes help create long-term value for clients and aligns well with its guiding principles and culture. Delivery on ESG objectives (such as contributing to the development of the firm's ESG approach, contributing to stewardship activities and oversight of ESG data incorporated into investment activities) is incorporated into goal setting and performance reviews for employees tasked with these ESG-related projects.

5.8. Targets

Dimensional employs a systematic and process-driven investment approach. The investment guidelines of the portfolio, set by Dimensional's Investment Committee, dictate the types of securities that can be bought and sold. Portfolio Managers have no discretion to purchase securities that do not meet the parameters of the portfolio, including, if applicable to the strategy, relevant ESG guidelines. The compliance status of the portfolios is typically reported to Dimensional's Investment Committee twice each month.

Dimensional Australia offers Sustainability Funds that are designed to offer a meaningful reduction in exposure to actual and potential carbon emissions for clients seeking to reduce the carbon footprint of their portfolios.

Each of the Sustainability Funds have a Portfolio Carbon Footprint Reduction Goal.

5.8.1. Portfolio Carbon Footprint Reduction Goal

Each of the Sustainability Funds has a portfolio carbon footprint reduction goal. Specifically, the Sustainability Funds aim to have a reduction in their weighted average carbon intensity exposure and weighted average potential emissions from reserves exposure relative to a particular benchmark index (the 'Portfolio Carbon Footprint Reduction Goal') as detailed in the table below. There is no guarantee that a Sustainability Fund will meet its Portfolio Carbon Footprint Reduction Goal. The Portfolio Carbon Footprint Reduction Goal for the Global Bond Sustainability Fund and the Two-Year Sustainability Fixed Interest Fund applies to holdings of corporate issuers only.

Fund	Relevant Benchmark Index	Wtd Avg Carbon Intensity (tCO2e/USD millions sales)	Wtd Avg Potential Emissions from Reserves (MtCO2)
Dimensional Australian Sustainability PIE Fund	S&P/ASX 300 Index	25%	75%
Dimensional Global Sustainability PIE Fund	MSCI World ex-Australia Index	50%	75%
Dimensional Global Bond Sustainability PIE Fund	Bloomberg Global Aggregate Corporate Bond Index	50%	75%
Dimensional Two-Year Sustainability Fixed Interest PIE Fund	Bloomberg Global Aggregate Corporate Bond Index 1-3 Years	50%	75%

See Section 5.2.1 above for definitions of carbon intensity and potential emissions from reserves.

5.8.2. Time Frame / Interim Targets / Base Year / Performance

The Sustainability Funds' Portfolio Carbon Footprint Reduction Goals are assessed on an ongoing basis and published quarterly in the Sustainability Reports. As such, the Portfolio Carbon Footprint Reduction Goal is not subject to a base year or interim targets.

Dimensional Australia's Global Sustainability PIE Fund was launched in June 2022. Since inception, the Fund has met its Portfolio Carbon Footprint Reduction Goals.

Dimensional Australia's Australian Sustainability PIE Fund was launched in October 2023. Since inception, the Fund has met its Portfolio Carbon Footprint Reduction Goals.

The Dimensional Global Bond Sustainability PIE Fund and the Dimensional Two-Year Sustainability Fixed Interest PIE Fund were launched in November 2024. Since inception, both Funds have met their Portfolio Carbon Footprint Reduction Goals.

5.8.3. Specificities of GHG Emissions Targets

5.8.3.1. Nature

Dimensional Australia's Sustainability Funds are designed to reduce exposure to higher carbon intensity companies.

5.8.3.2. Contribution to Limiting Global Warming to 1.5°C

Dimensional Australia's approach to responsible investment is focused on building science-based solutions that allow clients to align their investment and sustainability goals.

Although Dimensional Australia's Sustainability Funds are designed to reduce exposure to higher carbon intensity companies and increase exposure to lower carbon intensity companies, all else being equal, these strategies overweight companies that are contributing less to global warming than sector peers.

It is important to distinguish between portfolio company contribution and investor contribution, however. Overweighting portfolio companies with lower carbon intensity does not directly reduce GHG emissions in the real world. There may be indirect mechanisms whereby secondary market investors have an impact. These include influencing the cost-of-capital, investor stewardship, or signalling social norms. It is exceptionally difficult to quantify impact through these channels, however, and any impact will depend on the aggregate efforts of investors. It is generally impossible to measure the contribution of an individual investor to this aggregate effect.

5.8.3.3. Reliance on Offsets

The Sustainability Funds do not utilise offsets to meet their respective Portfolio Carbon Footprint Reduction Goals.

SCHEDULE A. DIMENSIONAL'S CORPORATE GOVERNANCE

Dimensional utilises the following committees to assist in the implementation of its firm-wide responsible investment strategy:

- **Investment Committee**: Dimensional's Investment Committee is responsible for setting Dimensional's proxy voting policy and guidelines for voting and overseeing each Dimensional entity's proxy voting process. It is further responsible for overseeing the incorporation of environmental, social, and governance considerations into certain portfolios' design and construction. The Investment Committee reviews investment guidelines for all Dimensional-managed portfolios at least annually and approves any changes on an as-needed basis.
- **Investment Stewardship Committee**: Investment stewardship at Dimensional is a global effort supported by multiple teams. Dimensional's stewardship efforts are overseen by Dimensional's Investment Stewardship Committee. This group of senior employees and directors includes members of Dimensional's Portfolio Management, Executive, and Compliance teams, as well as the Head of Responsible Investment and members of Dimensional's Board of Directors. The Investment Stewardship Committee is responsible for developing Dimensional's policies and approach to investment stewardship, which are then executed by the Investment Stewardship Group in coordination with other groups. The Investment Stewardship Group, which sits within Dimensional's Portfolio Management team, implements stewardship efforts by conducting engagements, instructing proxy votes, and making recommendations to the Investment Stewardship Committee on potential enhancements to the firm's stewardship policies, procedures, and operations. The head of the Investment Stewardship Group chairs the Investment Stewardship Committee.
- **ESG Steering Committee**: Dimensional's ESG Steering Committee's role is to strategically coordinate and communicate Dimensional's ESG efforts across business functions to deliver a robust approach to ESG informed by Dimensional client needs and guided by science. The ESG Steering Committee is supported by cross-functional ESG working groups within each of the major regions where Dimensional operates. These working groups are responsible for keeping up to date on industry and regulatory developments within their local regions, coordinating sustainability events and conferences, and supporting regional ESG training activities.
- **Legal and Regulatory Committee**: Dimensional's Legal and Regulatory Committee shares information related to legal and regulatory updates with impacted departments and personnel across Dimensional.

Broadly, these committees, working with firm leadership and teams across Dimensional's business and investment units, assist in managing Dimensional's risk management efforts with respect to investment, operational and regulatory risk. Dimensional continues to investigate ways to improve its risk management framework as the risk environment evolves. One area of focus is climate-related regulations. Climate-related regulations are evolving rapidly, and Dimensional actively monitor developments in this area.

A.i. Governance of Dimensional Australia

As of 31 December 2024, the board of directors of Dimensional Australia (the "**DFA Board**") is comprised of three Australian-based executive directors and four US-based executive directors. The DFA Board is responsible for the overall governance of Dimensional Australia. The DFA Board convenes quarterly, and reviews regular reports provided by internal business groups.

The DFA Board has established committees to assist it in fulfilling its governance responsibilities. Dimensional Australia's Management Committee coordinates day-to-day operations and management of Dimensional Australia and the implementation of business strategy. The Management Committee consists of the Chief Executive Officer and heads of department. Other committees established by the DFA Board include a Compliance Committee, and a Risk and Fiduciary Committee. The Chief Executive Officer is a member of each of these committees along with specialists in those areas from across Dimensional. The committees discuss and consider climate-related risks, opportunities and potential impacts, as appropriate.

A.ii. Management Oversight

The Dimensional Responsible Investment team sits within the Portfolio Management department, and the Head of Responsible Investment, Jim Whittington[25], reports to Dimensional's Global Head of Portfolio Management. The Responsible Investment team coordinates Dimensional's ESG strategy across areas such as ESG product design, data, regulatory requirements, research, and thought leadership. The team's efforts are supported by Dimensional's ESG Steering Committee and regional ESG working groups.

Dimensional's Investment Stewardship Group manages Dimensional's global stewardship activities. The group sits within Dimensional's Portfolio Management department and consists of dedicated stewardship personnel who work closely with Portfolio Managers. The group communicates directly with boards and management of portfolio companies, monitors day-to-day operations, and conducts research on governance-related matters under the supervision of Dimensional's Investment Stewardship Committee.

[25] On 1st July 2025, Stephanie Hui joined Dimensional's Investment Solutions Group and replaced Jim Whittington as Dimensional's Head of Responsible Investment.

SCHEDULE B. ANALYSED SCENARIOS

FundRock have analysed the three scenarios from the Sector Scenario Analysis: Orderly (1.5°C), Too Little, Too Late (2°C), and Hothouse (3°C). These scenarios are informed (respectively) by the Intergovernmental Panel on Climate Change ("**IPCC**") SSP 1-1.9, SSP 2-4.5, and SSP 5-8.5 scenarios[26].

B.i. Time Horizons

FundRock adopted the time horizons set in the Sector Scenario Analysis:

Term	Time Horizon
Short	1-3 Years
Medium	5-10 Years
Long	30 Years

This decision was made to maintain consistency with the Sector Scenario Analysis and for the reasons below:

(E) Short-term horizon is aligned with short-term investment goals (e.g., an overseas holiday next year).

(F) Medium-term horizon is aligned with strategic planning and medium-term investment goals (e.g., first home acquisition).

(G) Long-term horizon is aligned with aspirational planning (e.g., mission and purpose), long-term investment goals (e.g., retirement) and international decarbonisation targets.

B.ii. Scenario 1: Orderly Transition

In the *Orderly* scenario there are steady and constant changes to technology, policy, and behaviour to support the transition to a low carbon global economy – including increasing carbon prices. The long-term chronic impacts from historic GHG emissions occur nonetheless, but the coordinated and timely action succeeds in preventing the worst.

Increasing carbon prices (NZD 250 and USD 400 by 2050, in Aotearoa New Zealand and globally respectively) and regulatory requirements (such as mandatory climate reporting) result in increasing costs for emissions-intensive entities. Societal changes, supported by legally mandated reporting, lead investors and lenders to withdraw financing and funding from emission-intensive sectors and entities in favour of those supportive of decarbonisation.

The development of low-emissions technology, coupled with customers' preference for low-emissions products and business, impacts the viability of entities who offer neither, especially in the energy and transport sectors. Emissions-intensive sectors and entities are driven to last ditch decarbonisation attempts to maintain the viability of their businesses as they struggle with increasing costs and disinterest from investors and lenders.

While the reduction in global GhG emissions helps minimise the most significant physical impacts of climate change, minor impacts on sectors and entities reliant on the natural environment for their outputs or service delivery are nonetheless felt.

At a geographical level, entities in economies that historically relied on emissions-intensive sectors and that have been slow to transition face economic impacts in the short-term – as do governments, who feel the economic impacts as worsening conditions reduce their revenue and expenditure is required to keep pace with transition being made by the rest of the world (e.g., electrification of transport infrastructure).

[26] *Climate Scenario Narratives for the Financial Services Sector*, p 12.

B.ii.a. Emissions Pathways

Global emissions fall at accelerating rates, averaging a 3.4% reduction per year. Net global emissions reach 25.9 $BtCO_2e$ (billion tonnes of CO_2-equivalent) by 2030 and −294.82 $MtCO_2e$ by 2050[27]. This is cause and effect of the following[28]:

- Consumer preferences shift towards low-emissions products and services. Climate activism (including through litigation) and negative media attention impact entities perceived as not taking action. Population growth slows down in the medium term, reaching 8.5 billion in 2050.
- Policies [e.g., national and international emissions reduction requirements, carbon taxes (including border adjustments), and the ban of emission-intensive activities] are adopted globally. Global carbon prices reach USD 124 per tonne in 2030 and USD 400 by 2050.
- Development of low emissions and emissions abatement technology accelerates, and technologies are rapidly adopted. Electric vehicles see widespread adoption but heavy trucks and aviation struggle to reduce emissions. 55% of global energy production (and 61% of electricity) comes from renewable sources by 2030, and 67% by 2050 (88% of electricity). Emissions from processes such as cement and steel making remain hard to abate, however.
- Farmers implement ambitious changes to become more emission-efficient, reducing biogenic methane through widespread adoption of new technology and low emissions stock variants, and conversion of land from livestock to horticulture is substantial. The waste sector also reduces methane emissions, with nearly three quarters of organic waste recovery rate by 2050 and major expansion of landfill gas capture.
- Successful limitation of GHG emissions curbs the most significant physical impacts of climate change. Global average temperature increases by 1.4°C by 2100.
- The global economy benefits from a stable transition to a low carbon economy, with global GDP reaching USD 289 trillion by 2050 (recovering from USD 176 trillion in 2030). The Aotearoa New Zealand economy is also positively impacted. The challenges of transformational change (such as job losses and skill shortages) are managed effectively with the help of stable climate, economy, and international relations.

B.iii. Scenario 2: Too Little, Too Late

In the *Too Little, Too Late* scenario, transition to a low carbon economy is misaligned and delayed across different parts of the world. Certain geographies (as designated in the *Climate Scenario Narratives for the Financial Services Sector*: the European Union, Japan, China, the United Kingdom, the United States[29], Canada, and Aotearoa New Zealand — the "**Early Movers**") introduce policies that bring about net-zero emissions by 2050. But in other parts of the world there is very little action, with fossil-fuelled development continuing throughout much of the remaining first half of the century. Global efforts to address climate change begin to align and exceed those by Early Movers from mid-century, but changes come too late to prevent wide ranging acute and chronic physical climate impacts.

Emissions-intensive entities located in Early Mover economies face the following pressures:

- increased costs, resulting from increased GHG emissions prices and regulatory requirements; and
- those without emissions reduction or climate-risk management plans, reduced sales and revenue, increased difficulty and cost for raising funds, decreased employee attraction and retention, and supply chain impacts, resulting from changes to stakeholder preferences.

Impacts are lesser outside these regions – except for exporters, who experience the same impacts as entities in Early Movers' regions, including through carbon taxes.

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[27] *Climate Scenario Narratives for the Financial Services Sector*, p 31.

[28] The emissions pathways described in Subsections B.ii.a, B.iii.a, and B.iv.a below were adapted from *Climate Scenario Narratives for the Financial Services Sector*.

[29] Recent developments in American politics would challenge the assumption that the United States would be an early mover. Scenario analysis looks 30 years forward, though, and it is still too early to determine the long-term impact of these developments.

Significant physical climate risks impact sectors and geographies at varying degrees:

- Agricultural output and renewable energy generation are impacted by extreme weather events and gradual weather changes, which decrease revenue and increase costs. More fertiliser is needed to grow crops, and coal or gas is needed to generate energy, increasing emissions and physical impacts.
- Extreme weather events impair the ability of entities in the communication, utilities, information technology, and transport sectors to provide services. Customer satisfaction and revenue decline, and operational costs (repair costs and higher insurance premiums) increase.
- Significant financial impacts reduce demand for discretionary products and services.
- The health sector deals with increased demand as physical climate impacts and reduced economic stability affect individuals' health.
- At a geography level, Asia (*ex* China and Japan) and the Middle East are the most impacted, both because of the magnitude of impacts and inadequate adaptation. In Asia, this manifests as floods; in the Middle East, as water stress and drought. Food security, water availability, and housing challenges increase, leading to political unrest and migration. There are wide-ranging effects on governments and economies in these regions: the costs of disruptions and remediation are high both for public and private entities, and the latter face increased costs and reduced revenue.

B.iii.a. Emissions Pathways

Emissions fall steadily and at accelerating rates (particularly after 2030), but slower than in the *Orderly* scenario, averaging about 1% per year. Global emissions reach 35.1 $BtCO_2e$ by 2030 and 26.7 $BtCO_2e$ by 2050 – 31% less than 2020[30], but substantially more than zero. This is cause and effect of the following:

- High transition risks and medium physical risks lead to significant financial impacts and a decline in economic growth by the medium term: global GDP reaches US 274 trillion by 2050. Coupled with a global population of 9.2 billion people, standards of living decline for many across the globe.
- Behavioural changes and social pressure drive decarbonisation in Europe, the United States, Canada, Australia, and Aotearoa New Zealand in the short term, but the same does not occur elsewhere until the medium term. Developed nations prioritise their own transition costs; regions with limited resources experience higher negative physical impacts. Marginalised nations are further exposed to poverty and instability (political and economic). Migration and geopolitical tensions increase. Challenges in agriculture, food security, and water availability exacerbate these trends.
- The Early Movers adopt climate policies in the short term, but elsewhere there is very little action until the mid-century, when climate policies begin to align and accelerate. Global carbon prices reach USD 34 per tonne in 2030 and USD 50 in 2050.
- Development of low emissions and emissions abatement technology is delayed; even early movers make limited progress until closer to the medium term. 19% of global energy production (and 46% of electricity) comes from renewable sources by 2030, and 37% by 2050 (71% of electricity). Much of Aotearoa New Zealand's progress is driven by the rise in renewable electricity and the conversion of low-process heat boilers to biomass and electricity.
- Delay in abatement efforts results in the materialisation of various physical climate risks. Average temperature increases by 2.7°C by 2100. The increased energy contained in the atmosphere drives greater extreme weather events, especially in the latter half of the century. Impacts are distributed unevenly: temperatures increase more at higher latitudes and in the Northern hemisphere; precipitation decreases in parts of northern and central Europe, eastern Africa, and southern Australia, but increases in parts of South and East Asia; and Sub-Saharan Africa experiences both increases and decreases in precipitation. Sea levels rise by 0.20m in 2050 (0.56m by 2100), affecting coastal areas and island countries. These changes impact food security (especially in marginalised regions); cause loss of land, damage to infrastructure, and displacement of populations; and impact coastal ecosystems and trade routes.

[30] *Climate Scenario Narratives for the Financial Services Sector*, p 40.

B.iv. Scenario 3: Hothouse

In the *Hothouse* scenario there is little change towards a low emissions future despite increasing social, economic, and environmental degradation. Emissions continue to grow higher throughout the remaining 21st century and lead to the increasing severity of extreme weather in its first half, with the addition of rising sea levels in the later half.

Entities in most sectors have increased costs (such as repair and remediation costs) and reduced productivity, and therefore reduced profitability.

In the agricultural sector, the increased frequency of extreme weather events and gradual weather changes (such as temperature and precipitation) have significant impacts on:

- stock and crop quality and yield;
- property, plant, and the equipment required to run facilities, provide access to water and food access, and prevent pest proliferation; and
- the infrastructure required for both downstream and upstream supply chain access.

There are also material impacts to the utilities sector, with a risk to potable water supplies, production of energy (particularly hydropower), and delivery of services (such as wastewater treatment). Transport infrastructure and services are affected too.

There is increased demand in the health sector, as in high-emitting sectors – increased cooling requirements because of higher mean temperatures, increased need for coal and gas energy because of impacts upon renewable energy generation, and increased need for fertilisers. With growth in high-emitting sectors limited by climate policies, entities enjoy increased profit margins.

All geographies are affected by physical climate impacts, which are exacerbated by the lack of investment in adaptation infrastructure by governments in the short- and medium-term.

Financial impacts follow. Demand for sectors such as consumer discretionary spending falls, and sectors providing necessities deal with impacts on margin and difficult questions as costs increase but consumers' ability to pay for goods and services is reduced. Food and water shortages and declining health and financial outcomes drive political unrest and further destabilise economies. Governments come under increasing pressure to support individuals, businesses (especially those providing essential services), and public health services while facing significant repair and remediation costs. Financial flow on effects reduce tax income, putting them under further strain.

B.iv.a.Emissions Pathways

Emissions increase slightly until 2025, and then decrease at discrete rates, averaging about 0.4% per year. Global emissions reach 38.6 BtCO2e by 2030, and 34.3 BtCO2e by 2050[31] (28% more than in the *Too Little, Too Late* scenario). This is cause and effect of the following:

- Behavioural change and social pressure for decarbonisation are limited. The focus on growth by any means necessary drives higher rates of economic inequality, increasing political instability and geopolitical tensions. There is an increase in displaced people seeking to migrate to safer living conditions while physical impacts increase logistics and construction costs.
- The European Union, the United Kingdom, the United States, Canada, and Aotearoa New Zealand are early adopters of progressive climate policy, but eventually roll them back. Japan, China, and Australia pause the development and implementation of climate policies currently under development. Global carbon prices drop to USD 6 per tonne in 2030 and remain stable until 2050. Investment in adaptation is minimal.

[31] *Climate Scenario Narratives for the Financial Services Sector*, p 49.

- There is little technological change to support emissions reduction, and fossil fuels continue to be the dominant source of primary energy: 16% of global energy production (and 42% of electricity) comes from renewable sources by 2030, and 26% by 2050 (60% of electricity).
- Unabated productivity by emission-intensive industries pushes for high economic growth, but the physical impacts of climate change eclipse that: global GDP reaches USD 175 trillion in 2030, and USD 273 trillion in 2050. With a global population of 8.6 billion people by 2050, means average living standards are lower than that in the *Orderly* scenario, but better than that in the *Too Little, Too Late* scenario (though "surplus" is not evenly distributed). Logistics are affected by events such as storms and flooding, disrupting trade.
- Fossil fuel-based fertilisers and machinery underpin agricultural growth, but in the long term the impacts of extreme weather makes it increasingly difficult to sustain said growth.
- Global average temperature rises by 4.4°C by 2100, leading to severe physical impacts. They are similar to those in the *Too Little, Too Late* scenario, but worse across the board.

B.v. Sources of Data

The scenarios described in this Statement were produced during the 2023/2024 reporting year using data from the Sector Scenario Analysis. FundRock has also consulted the Network for Greening the Financial System's scenarios portal[32] to enhance its understanding of climate change in general and the Sector Scenario Analysis in particular.

[32] See https://www.ngfs.net/ngfs-scenarios-portal/. This includes the *Guide to climate scenario analysis for central banks and supervisors* mentioned above, the Phase 4 Scenario Explorer, *NGFS Scenarios for central banks and supervisors*, and *Climate impact explorer*.

SCHEDULE C. CLIMATE-RELATED RISKS

FundRock has chosen to highlight the below risks that it assessed to be material to the Scheme and Equity and Fixed Interest Funds.

C.i. Equity Funds

The equity funds are the Australian Sustainability Fund and the Global Sustainability Fund.

Name	Type	Term	Sector/Geography	Description
Compliance with CRD Regulations	Transition	Short	N.A./Aotearoa New Zealand	FundRock could fail to comply with one or more aspects of CRD regulations and expose itself to regulatory action by the FMA.
Economic Impacts on Customers (Physical)	Physical	Medium/Long	All/Global	Second order effects of climate-change (such as job-loss, potential declines in economic growth, population migration, geopolitical conflict, etc.) affecting financial position of customers/potential customers.
Increased Carbon Price	Transition	Medium/Long	All/Global	• Energy, materials, operations, or transport/distribution increasing in cost due to carbon price. • Emissions may be subject to carbon price, increasing operational costs.
Large Amount of Policy Intervention	Transition	Short/Medium	All/Global	Policy intervention (e.g. high carbon price, large climate funds, disclosure requirements, emission reduction targets) reducing an economy's GHG Emissions intensity and driving innovation.
Mean Temperature Increase	Physical	Medium/Long	All/Global	Increasing mean temperatures **(i)** making pests and pathogens (human, animal, and plant-based) outbreaks more frequent and severe, posing a threat to both human health and food security; **(ii)** negatively impacting agriculture yields due to the increased heat stress experienced by plants and animals; and **(iii)** increasing the risk of geographical movement disruption (people and goods) due to a desire to minimise spread of disease.
Reliance on Emissions Intensive Sectors	Transition	Medium/Long	All/Global (especially Australia)	Economies reliant on GhG intensive sectors (e.g. oil and gas, agriculture, coal, manufacturing, fracking) being impacted as the world transitions to renewable energy and low carbon products.

Name	Type	Term	Sector/Geography	Description
Stakeholder Preference Change	Transition	Short/Medium	All/Global	Increasing stakeholder expectation of entity to be proactive in reducing their emissions and in addressing their climate-related risks.
Wildfire	Physical	Medium/Long	All/Global	A wildfire is an uncontrolled fire that burns in the wildland vegetation, often in rural areas. Wildfires can burn in forests, grasslands, savannas, and other ecosystems, and have been doing so for hundreds of millions of years. They are not limited to a particular continent or environment.

C.ii. Fixed Interest Funds

The fixed interest funds are Five-Year Diversified Fixed Interest Fund, Global Bond Sustainability Fund, and Two-Year Sustainability Fixed Interest Fund.

Name	Type	Term	Sector/Geography	Description
Compliance with CRD Regulations	Transition	Short	N.A./Aotearoa New Zealand	FundRock could fail to comply with one or more aspects of CRD regulations and expose itself to regulatory action by the FMA.
Large Amount of Policy Intervention	Transition	Short/Medium	All/Global	Policy intervention (e.g. high carbon price, large climate funds, disclosure requirements, emission reduction targets) reducing an economy's GHG emissions intensity and driving innovation.
Mean Temperature Increase	Physical	Medium/Long	All/Global	Increasing mean temperatures **(i)** making pests and pathogens (human, animal, and plant-based) outbreaks more frequent and severe, posing a threat to both human health and food security; **(ii)** negatively impacting agriculture yields due to the increased heat stress experienced by plants and animals; and **(iii)** increasing the risk of geographical movement disruption (people and goods) due to a desire to minimise spread of disease.
Physical Risk Impacting Government	Physical	Medium/Long	All/Global	Physical risk increasing governmental expenditure due to increased costs of infrastructure, increased demand on emergency services, and greater reliance on government for financial support. This is exacerbated by **(i)** the impacts of physical risk on the private sector reducing governmental revenue (decrease in income collected from taxation due to a weaker economy); and **(ii)** difficulty in obtaining finance due to decreasing government bond credit ratings.

Name	Type	Term	Sector/Geography	Description
Transition Risk Impacting Government	Transition	Medium/Long	All/Global	Transition risk can increase governmental expenditure due to increased administrative costs for policy interventions and increased expenditure on infrastructure. This is exacerbated by **(i)** the impacts of transition risk on the private sector reducing governmental revenue (decrease in income collected from taxation due to a weaker economy); and **(ii)** difficulties obtaining finance due to decreasing government bond credit ratings.
Wildfire	Physical	Medium/Long	All/Global	A wildfire is an uncontrolled fire that burns in the wildland vegetation, often in rural areas. Wildfires can burn in forests, grasslands, savannas, and other ecosystems, and have been doing so for hundreds of millions of years. They are not limited to a particular continent or environment.

SCHEDULE D. FURTHER DETAILS ON METRICS' METHODOLOGY

D.i. Financed GHG Emissions Measurement Standards

Dimensional Australia relies on external GHG datasets provided by MSCI ESG Research ("**MSCI**") and Institutional Shareholder Services ("**ISS**") to calculate GHG emissions of the Sustainability Funds. MSCI collects carbon emissions data for the companies in their coverage universe. Data is collected once per year from most recent corporate sources, including annual reports, Corporate Social Responsibility reports or websites. In addition, MSCI uses the carbon emissions data reported through CDP (formerly the Carbon Disclosure Project) or government databases when reported data is not available through direct corporate disclosure. To ensure consistency, MSCI estimates emissions if a company's reporting does not align with the Greenhouse Gas Protocol (GHG Protocol)[33] framework or does not represent emissions across all its geographies and operations. To do so, MSCI applies their proprietary Carbon Emissions Estimation models. The same applies for companies that do not report carbon emissions data.

Dimensional Australia also relies on ISS datasets to supplement the MSCI datasets for companies for which MSCI does not provide emissions intensity data. Note that this data is only used in the calculation of GHG emissions intensity, not the Scope 1 and Scope 2 Gross Emissions attributed to funds. The data provided by ISS is updated regularly: Financial and asset data is updated throughout the year while company emissions data is updated annually. ISS has dedicated a research team that collects qualitative and quantitative data from a variety of sources, including corporate disclosures, disclosures to national and international environmental protection agencies, and voluntary disclosure initiatives. ISS's dataset also includes modelled estimations for companies with non-disclosed emissions, or companies who report with a low trust metric according to ISS's internal analysis. ISS utilises a proprietary approximation system to estimate emissions, which includes over 800 climate-relevant sector and subsector-specific models. The modelling system was developed over the course of three years in partnership with the Swiss Federal Institute of Technology (ETH Zurich).

D.ii. Financed GHG Emissions Consolidation Approach

The MSCI datasets that Dimensional Australia relies upon generally seek to prioritise reported emissions data that aligns with the GHG Protocol framework. However, when reported emissions data is available for a company using multiple consolidation approaches, MSCI chooses a single consolidation approach based primarily on two major considerations. First, MSCI seeks to choose the consolidation methodology that most closely aligns with the financial accounting standards that the company uses. This judgement is made to ensure consistency in metrics that are scaled by financial metrics, such as carbon emissions/sales. Second, MSCI seeks to maintain historical consistency with previous data reports. This judgement is made to ensure consistency across time for each company. No single consolidation approach receives preferential treatment outside of these criteria.

The ISS datasets that Dimensional Australia relies upon generally seek to prioritise reported emissions data that has a high level of trust, where trust is determined by internal analysis by ISS. However, when reported emissions data is available for a company using multiple consolidation approaches, ISS takes a conservative approach and chooses whichever consolidation approach results in a higher emissions value.

[33] See the GHG Protocol website.

D.iii. Source of Emissions Factors

The MSCI datasets that Dimensional Australia relies upon uses GHGs included in the Greenhouse Gas Protocol ("**GHG Protocol**") and the GWP coefficients specified per the Intergovernmental Panel on Climate Change ("**IPCC**"). These coefficients are:

Greenhouse Gas	100-year Global Warming Potential (CO2e)
Carbon Dioxide (CO2)	1
Methane (CH4)	28
Nitrous Oxide (N2O)	265
Hydrofluorocarbons (HFCs)	4 - 12,400
Perfluorocarbons (PFCs)	6,630 - 17,400

D.iv. Summary of Exclusions

The MSCI datasets that Dimensional Australia relies upon generally seek to prioritise reported emissions data that aligns with the GHG Protocol framework. The GHG Protocol includes carbon accounting standards that ensure that sources of emissions are not excluded without reasonable justification. Additionally, MSCI estimates emissions if a company's reporting does not align with the GHG Protocol framework or does not represent emissions across all its geographies and operations. MSCI seeks to estimate total emissions based on the company's past reported data, industry segment, and, for power-generating electric utilities, power generation mix data. Inclusion or exclusion of sources of emissions in these estimation modules will conform to accounting standards of the GHG Protocol.

D.v. Methods & Assumptions

MSCI has three distinct modules for estimating Scope 1 and Scope 2 carbon emissions. These modules are a power generation model, company-specific intensity model, and industry segment-specific intensity model.

For power-generating electric utilities, MSCI uses fuel-mix (power generation mix) data to estimate Scope 1 carbon emissions from their power-generation activities. In the first step, MSCI collects total power generation volume by fuel type. In the next step, MSCI then multiplies the power-generation volume by fuel type by the respective average carbon emission factor to calculate the carbon emissions by fuel type. In the last step, MSCI sums the estimated carbon emissions by fuel type to compute the company's Scope 1 emissions from power generation.

For companies that have reported carbon emissions data in the past but not for all years, MSCI uses a company-specific intensity model. First, MSCI calculates the company's own carbon emissions intensity based on reported carbon emissions and revenue data from past years, where intensity = emissions / revenue. MSCI then multiplies this calculated intensity figure by the revenue for the year(s) missing reported carbon emissions to derive an estimated carbon emissions figure. Because these estimates are based on data previously reported by the company, they already reflect the specifics of the businesses and geographies in which the company operates and its own production processes. However, MSCI does not use this model for companies that have undergone corporate actions (for example, mergers & acquisitions) even if such companies have reported data in the past because the reported data may not represent the company's current operational characteristics.

For companies that have not reported any carbon emissions data in the past, or companies that have reported carbon emissions data in the past but have undergone corporate actions that means that past reported data may not

represent the company's current operational characteristics, MSCI uses an industry segment-specific intensity model. This model has the following steps:

- **(A)** Estimate average carbon emissions intensity for 1,000+ industry segments using company specific carbon emission intensities.
- **(B)** Apply these average intensities to each of the company's reported industry segments for the year in question and multiply each intensity figure by the relevant segment's revenue to calculate estimated emissions.
- **(C)** Sum the estimated emissions for each industry segment to calculate the company's total estimated carbon emissions for the year in question.

ISS uses estimated or modelled data if disclosed data is insufficient or inadequate. Estimated figures are based on clear estimation and modelling rules to ensure that results are based on reasonable assumptions with medium to high certainty. For companies which do not disclose emissions, and those who report with a low trust metric (according to ISS's internal analysis), ISS utilises a proprietary approximation system to estimate emissions, which includes over 800 climate-relevant sector and subsector-specific models. The modelling system was developed over the course of three years in partnership with the Swiss Federal Institute of Technology (ETH Zurich).

D.vi. Quantification Uncertainties & Their Effects

There is uncertainty introduced into Dimensional Australia's GHG emissions calculations from entities which MSCI do not provide carbon emissions data for. This includes bond issuances from government-related and sovereign issuers, as well as a small proportion of corporate equity and fixed interest issuers that are not included in MSCI's coverage universe. In these cases, Dimensional Australia has not attempted to estimate Scope 1 and Scope 2 emissions for these entities and excluded them from its portfolio carbon emissions calculations.

There is further uncertainty introduced where estimated data is provided by MSCI. MSCI uses estimated emissions data for a material portion of the market. As of November 2023, approximately 15% of the MSCI All Country World Investible Market Index (IMI) by weight had estimated Scope 1 emissions and approximately 17% of the MSCI All Country World IMI by weight had estimated Scope 2 emissions. These estimates could have a material impact on the quantification of Dimensional Australia's portfolios' GHG Emissions if they deviate from actual emissions.