

A large, light blue background image showing concentric ripples on water, creating a sense of movement and depth. The ripples are centered on the left side and spread out towards the right.

ESG REPORT 2025

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Contents

page 3

1. Who We Are

page 4

2. ESG at Spheria

page 6

3. Spheria's FY25 ESG Highlights

page 9

4. Engagement Examples

page 10

5. Voting

page 13

6. Emissions

page 14

7. Spheria ESG Alliances

page 15

8. Community Investment

page 15

Disclaimer



1. Who We Are

Spheria Asset Management is a fundamental-based investment manager with a bottom-up focus specialising in small and microcap companies. Our mission is to achieve strong investment returns for our clients with an emphasis on risk management. Keeping an open mind to potential investments is critical to our process and expanding our horizons to consider global influences gives us a powerful edge.

Spheria's co-founders, Marcus Burns, Matthew Booker and Adam Lund have more than 50

years combined experience in the investment management industry. Since Spheria's launch in 2016 the team has grown to nine highly skilled investment professionals, providing clients with an unsurpassed level of expertise in small and microcap investing.

To better align with global reporting standards, Spheria has transitioned from a calendar year to a financial year reporting schedule.



2. **ESG** at Spheria

At Spheria we recognise that we have a fiduciary responsibility to our clients, shareholders, employees and the broader community. Since our launch in 2016, Spheria has taken an Environmental, Social and Governance (ESG) integration approach to our investment process.

We believe that integrating ESG research and engagement into our work supports a more comprehensive assessment of long-term risks and opportunities. Doing so allows a deeper understanding of companies' strategies, leadership teams and cultures, and informs investment decision-making. We believe that our ESG research and corporate engagement helps align our work to our clients' investment goals and helps address regulatory concerns with regards to long-term investment risks such as climate change. Our long investment horizon and meaningful ownership positions allow us to engage constructively with management teams on governance, strategy and ESG matters. Our ESG process has been incorporated into our investment process since inception. It has evolved over time as data availability and regulatory expectations have developed, and will continue to do so.



ESG is integrated in Spheria's investment process at the stages of due diligence research, valuation, portfolio construction and review.

Spheria has adopted an internal **ESG scoring system*** that highlights six areas of enquiry split into 26 indicators.

The six areas include:

1. Climate change
2. Natural capital and the circular economy
3. Supply chain transparency
4. Labour practices and modern slavery
5. Governance
6. Cyber security

Portfolio candidates are evaluated against these indicators and the aggregate score affects the risk premium used to value each stock. An aggregate score is also calculated for the entire portfolio, giving the investment team the ability to assess how the introduction of a particular stock would affect the ESG profile of the portfolio as a whole. Each individual investment analyst is responsible for the ESG scoring of his or her stocks. A dedicated ESG resource provides support for that scoring, aggregates the results and draws on external resources, when needed. This process also informs Spheria's engagement work.

Corporate engagement complements our ESG work both as a way of reaching a more holistic understanding of an investment

* Spheria's ESG scoring system is an internal analytical tool used to inform investment analysis. It does not represent an external sustainability rating, certification or assurance of ESG performance.

candidate and as a way of influencing corporate behaviour. Through corporate engagement, we strive to challenge management to achieve best practice and drive positive ESG outcomes, as well as superior performance. Investing responsibly is particularly important in the small and microcap sectors that we focus on, in which many companies do not face the same level of scrutiny as their large cap peers. Additionally, our ESG research helps us uncover which themes are the most relevant to focus on and where we can be most impactful in our engagement work.

Voting and active management. Spheria has a strong history of active management and advocating for better outcomes for our clients, particularly in situations of corporate takeovers and effecting management change. We view this active engagement as an integral part of our responsibility and a key driver of long-term value creation.



3. Spheria's ESG Highlights

Questionnaire Update

At Spheria we have continued our ESG research, scoring and engagement focusing on areas material to our portfolio's performance. In the prior year, we refined our proprietary ESG questionnaire to align with evolving standards and expectations.

While our core areas of inquiry remain consistent, the ESG landscape has matured since launching the questionnaire four years ago. We refined the system to reflect heightened investor and regulatory expectations, consolidating from 31 to

26 targeted questions. New additions emphasise quantitative reporting metrics (e.g., carbon-related CAPEX, OPEX, and R&D), natural capital disclosures (e.g., TNFD, biodiversity loss), and supply chain risk management (e.g., regulatory exposure).

New questions we introduced or expanded on included:

- ✓ Does the (company's) transition plan have financial or quantitative measures ie. CAPEX, OPEX, R&D?

- ✓ Natural resource use for product and packaging
- ✓ Is the company exposed to high risk from biodiversity/ecosystem loss? If so, does it have appropriate contingency plans?
- ✓ Does the supply chain mapping go beyond tier 1?
- ✓ Is the company's supply chain exposed to regulatory risk (eg. UFLPA, EU/AU legislation)?
- ✓ Issues raised by regulators or media eg. Attacks by NGOs, controversies

Questions we removed or changed included:

- TCFD Disclosure: de-emphasis on the recommendations of the TCFD which now form part of ISSB accounting standards and have been mandated in Australia through legislation introduced in 2024.
- Expanded on previously broader questions such as metrics, targets and materiality and previous social issues, asking for more specific disclosure requirements e.g. quantitative measures.

Following a shift in carbon data providers in early 2025, we discontinued the Emmi Temperature Alignment metric.

In FY26, we are focusing on AI integration to continue to drive efficiencies in the business.

Engagements

Spheria undertook 21 corporate engagements across FY25 spanning 19 domestic and 2 global investee companies. Our engagement priorities were climate change (risk exposure, circular economy), modern slavery and supply chains (risk management, remediation practices, demonstrable supply chain understanding,

disclosure quality), and governance (remuneration and strategy). These activities deepened our understanding of investee companies' material ESG risks and opportunities and enabled us to provide targeted feedback and share examples of leading practice.

In four cases, we adopted a more active ownership approach, advocating for management and/or strategic change, including corporate takeover outcomes. In these situations, we engaged directly with Management and Boards, supplemented where appropriate by formal letters and voting against selected management proposals (see Section 6. Voting for further detail).

We also participated in collaborative engagement initiatives through IAST (Investors Against Slavery and Trafficking) and the Pinnacle ESG Working Group. Through IAST APAC, we contributed to work on metrics and targets and supported the preparation of public submissions, while through Pinnacle we continue to engage our own suppliers on modern slavery and supply chain practices.

A key focus remains the highest carbon emitters in our portfolios and their pathways to net zero. We are requesting more granular information on CAPEX, OPEX, R&D and climate-related disclosures. We maintain the view that divesting from hard-to-abate sectors is not an effective way to maximise risk-adjusted returns or to address climate change.

Our team

We continue to host an annual ESG workshop to keep the investment team informed of recent developments. Our team remains active in the Pinnacle Women's & Allies Network, including its mentorship program (in both mentee and mentor

capacities), with a representative serving on the Steering Committee.

In talent development and mentoring, we welcomed two interns during the year. We take pride in providing students with substantive real-world work experience and tailored mentoring to help them realise their potential and prepare for future careers.

Focus Areas

Spheria recognises the critical value of ESG research in our investment process and our responsibility as stewards of capital for our investors. We will continue to prioritise the six ESG focus areas outlined above, leveraging our proprietary ESG scoring system which was refined in 2024 to incorporate regulatory and market developments, and our engagement program, with greater emphasis on supply chain transparency and nature dependencies.

Our core engagement priorities of climate change, nature dependencies and circular economy, supply chain transparency and modern slavery, and governance best practice remain unchanged.

4. Engagement Examples*

Domestic



Articore recently corrected content moderation policies as it balances freedom of creativity for its artists and weeding out inappropriate imagery.

Spheria appreciates Bega's long-term thinking and cooperative approach towards circular business models and its role in assisting the Government in their policy formations. They continue to be involved in cooperative R&D investments to progress ruminants' methane abatement technologies.



Breville have diversified their production base as a risk mitigation strategy, adding locations in South East Asia and Mexico, in addition to Southern China. Spheria was pleased that Breville had begun training its staff on Modern Slavery risk assessments following previous engagement suggestions.

* Not all engagements result in changes to company practices. Outcomes also depend on company-specific circumstances, governance structures and external factors.

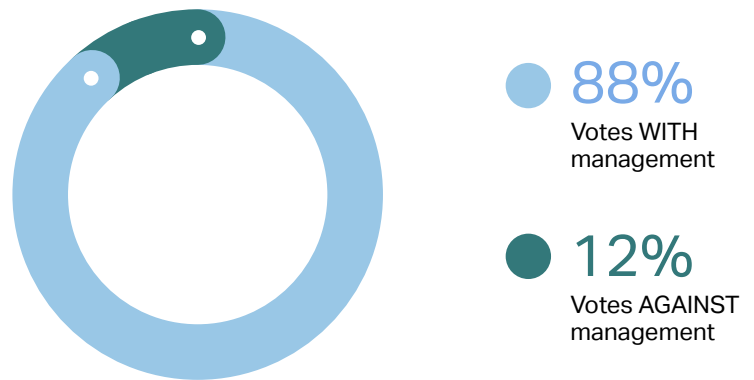
In our Global Portfolio, we engaged with Intertek to discuss ESG themes playing out in the certification, assurance and testing space. Industry trends are supportive of strong and sustained demand (particularly new regulations).



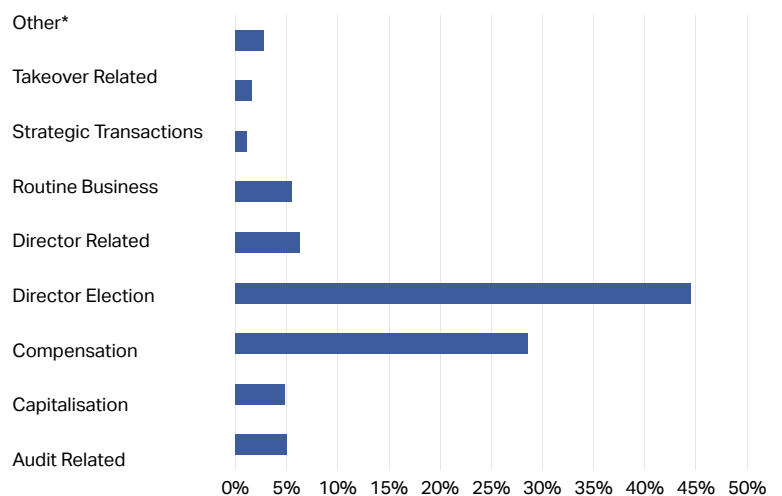
5. Voting

Spheria voted on 1094 proposals in FY25 including 16 shareholder proposals. In 88% of proposals Spheria voted "For" or "In-Line" with management, and in 12% of cases Spheria voted "Against" management. The categories in which we had most "Against" votes were on compensation grounds and director election related. As mentioned in our Proxy Voting Policy, while Spheria's preferred influencing tool is corporate engagement, we may vote against remuneration reports and director re-election when we believe that the current strategic direction of an investee company is contrary to its shareholders' interests and Spheria's engagement efforts have not been met with an adequate response by the Board.

Spheria Voting in 2025



Proposals voted by topic



* Other includes Company Articles, Social, E&S Blended, Environmental, Miscellaneous, and Non-Routine Busine

Spheria Australian Micro-Cap Fund

	Management Proposals		Shareholder Proposals		All Proposals	
	Total	Percent	Total	Percent	Total	Percent
Votable Proposals	181	100%	8	100%	189	100%
Proposals Voted	181	100%	8	100%	189	100%
FOR votes	158	87%	3	38%	161	85%
AGAINST votes	23	13%	5	63%	28	15%
ABSTAIN votes	0	0%	0	0%	0	0%
WITHHOLD votes	0	0%	0	0%	0	0%
Votes WITH management	161	89%	8	100%	169	89%
Votes AGAINST management	20	11%	0	0%	20	11%

Spheria Australian Smaller Companies Fund

	Management Proposals		Shareholder Proposals		All Proposals	
	Total	Percent	Total	Percent	Total	Percent
Votable Proposals	224	100%	4	100%	228	100%
Proposals Voted	224	100%	4	100%	228	100%
FOR votes	181	81%	2	50%	183	80%
AGAINST votes	40	18%	2	50%	42	18%
ABSTAIN votes	3	1%	0	0%	3	1%
WITHHOLD votes	0	0%	0	0%	0	0%
Votes WITH management	186	83%	4	100%	190	83%
Votes AGAINST management	38	17%	0	0%	38	17%

	Management Proposals		Shareholder Proposals		All Proposals	
	Total	Percent	Total	Percent	Total	Percent
Votable Proposals	192	100%	0		202	100%
Proposals Voted	192	100%	0		202	100%
FOR votes	161	84%	0		167	83%
AGAINST votes	27	14%	0		31	15%
ABSTAIN votes	3	2%	0		3	1%
WITHHOLD votes	0	0%	0		0	0%
Votes WITH management	165	86%	0		171	85%
Votes AGAINST management	27	14%	0		31	15%

Spheria Global Opportunities Fund

	Management Proposals		Shareholder Proposals		All Proposals	
	Total	Percent	Total	Percent	Total	Percent
Votable Proposals	481	100%	4	100%	464	100%
Proposals Voted	481	100%	4	100%	464	100%
FOR votes	440	91%	1	25%	426	92%
AGAINST votes	40	8%	3	75%	37	8%
ABSTAIN votes	1	0%	0	0%	1	0%
WITHHOLD votes	0	0%	0	0%	0	0%
Votes WITH management	441	92%	4	100%	429	92%
Votes AGAINST management	40	8%	0	0%	35	8%

Spheria exercises all its voting rights. Proxy voting consultant ISS advises us but the final decision on AGM resolutions rests with us (unless we receive specific instructions from our clients on how to vote their shares). We vote in ways

that are consistent with our over-arching goal of maximising risk-adjusted returns and welcome conversations with our investee companies' leadership teams on AGM resolutions and the reasons behind the way we vote.

6. Emissions

Spheria measures and reports our corporate greenhouse gas (GHG) emissions applying an operational control boundary. Emissions were calculated using a combination of activity-based and spend-based methods. Basis of Preparation available upon request for methodology, category relevance and exclusions.

Emissions Summary (tCO₂e)

Category	FY25 tCO ₂ e
Scope 1	0.0
Scope 2 (market based)	0.0
Scope 3 (market based)	113.8
Total Gross Emissions	113.8

Electricity Emissions (Scope 2 – Dual Reporting)

Spheria reports electricity emissions using both the market based and location based methods.

Market-based Scope 2 emissions are reported as zero, reflecting renewable electricity contracts and landlord-provided renewable supply. Location based emissions reflect the average grid factors from Australian NGA and include transmission and distribution losses.

Item	
Scope 2 – Market based	0
Scope 2 – Location based	17.1
Scope 3 – Electricity T&D (Location based)	1.0
Total Electricity Emissions (Location based)	18.1

Scope 3 Emissions

Scope 3 emissions account for the majority of our footprint (113.86 tCO₂e), consistent with a professional services organisation whose emissions largely arise from purchased services, travel, and employee commuting.

Scope 3 Breakdown (tCO₂e)

Category	FY25
Purchased Goods & Services	32.9
Waste Generated in Operations	1.2
Employee Commuting	3.9
Business Travel	73.4
Fuel and Energy Related Activities (Upstream)	0.9
Capital Goods	1.4
Total Scope 3	113.8

Spheria also provides information about financed emissions at the portfolio level to interested clients.

7. Spheria ESG Alliances



PRI Signatory:

Spheria has been a signatory of the United Nations Principles for Responsible Investment (PRI) since 2019. The principles promote the inclusion of ESG issues into investment analysis and decision-making processes and is used by Spheria as a blueprint in their ESG investment processes.



Climate Action 100+:

In September 2021, Spheria joined Climate Action 100+ and their working group in Adbri, which was acquired in 2024. Spheria continues to be a supporting member of Climate Action 100+.



Investors Against Slavery and Trafficking Asia Pacific:

The Investors Against Slavery and Trafficking Asia Pacific (IAST APAC) initiative is an investor-led, multistakeholder project. It was established in 2020 to engage with companies in the Asia Pacific region to promote effective action in finding, fixing and preventing modern slavery in operations and supply chains.

8. Community Investment



We Are Mobilise

We Are Mobilise was created to journey alongside those experiencing homelessness and explore how to best make a tangible impact in the lives of those in need. Mobilise is committed to 'connection for change' – providing a genuine human connection, time, and companionship for people experiencing homelessness – with the view to creating transformational change.

Spheria formed a partnership with Mobilise in support of the Kickstarter Program. The Mobilise Kickstarter program provides direct rental assistance for eight weeks, plus bond payments, to help people at risk of homelessness to access or maintain a rental property. Providing access to appropriate and affordable housing – and in turn creating autonomy over one's finances – can be a life-altering experience. And when financial assistance payments increase, people seeking help for financial stress decreases. The financial 'breathing room' that Kickstarter provides also allows participants to amass



a small amount of savings, often for the first time, which provides an extra layer of financial security they wouldn't otherwise have.

In May 2025, a team from Spheria and the PNI Foundation were joined by Mobilise CEO, Noah Yang and two volunteers, to participate in Mobilise's Outreach initiative. Volunteers walked through the Sydney CBD, offering conversations and genuine connections to those doing it tough on the streets. This was a rewarding experience for all, and a unique opportunity to be part of the important work of Mobilise.

[Visit **wearemobilise.org.au** for more information](https://wearemobilise.org.au)

DISCLAIMER

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