

NOTICE TO INVESTORS

WARAKIRRI ETHICAL AUSTRALIAN EQUITIES FUND – ARSN 642 393 299

WARAKIRRI ETHICAL GLOBAL EQUITIES FUND – ARSN 642 393 799

WARAKIRRI CONCENTRATED AUSTRALIAN EQUITIES FUND – ARSN 642 392 041

WARAKIRRI GLOBAL EMERGING MARKETS FUND – ARSN 642 392 863

(together, the “Funds”)

26 September 2023

Update to Additional Information Booklet

Background

As Responsible Entity of the Funds, Warakirri Asset Management would like to inform you of an update to the Fund’s Additional Information Booklet (AIB) and specifically to section “3.4 Labour standards, environmental, social or ethical considerations”.

The AIB dated 26 September 2023 has been updated to provide additional disclosure with respect to the extent to which certain sustainability-related factors are incorporated into investment decisions and specifically with regards to the underlying investment manager of the Funds, Northcape Capital’s (Northcape) approach to investing.

What’s been updated?

The sub-section “All Funds” has been updated as follows:

Northcape’s investment procedures are designed to incorporate Environment, Social and Governance (ESG) issues into the investment analysis and decision-making processes. In particular, ESG factors are used as a screen to assess if a company is suitable for inclusion on Northcape’s approved list of companies for investment.

Northcape’s investment teams carefully analyse a long list of ESG factors and assess a company’s practice and performance across these crucial areas. The investment teams use an ESG scoring system as a base, which lists E, S and G factors that may apply to a company. This framework is used to consider ESG issues and opportunities which may affect an investment into a company.

The analyst with primary coverage for a stock has the responsibility for considering the ESG risks for that company. This is done by way of an ESG template that must be included for every new stock added to the approved list. There are no rules or constraints placed on the analyst and his/her research methodology.

The Northcape investment team will make a judgement of the materiality of ESG factors and assess both the financial impact as well as the companies impact on people and the environment (double materiality). This scoring system allows a peer group comparison of each company’s ESG performance.



Northcape's ESG test is applied based on a scoring system as follows:

- Environmental practices (3 points total).
- Social practices (3 points total).
- Governance (4 points total).

This effectively applies a positive screen so that only companies which Northcape considers have strong ESG practices, with an ESG score of at least 6 points out of a total of 10 points, are included in the investment universe.

A subset of the ESG issues considered is outlined below.

ENVIRONMENT (3 POINTS)

The scoring of environmental risks includes any possible effects of:

- Appropriate environmental measurement systems
- Potential for liabilities from pollution, toxic waste and/ or resources depletion
- Civil resistance and reputation risk
- Opportunities for environment targeted products
- Exposure to current and future emissions targets
- History of environmental fine

SOCIAL (3 POINTS)

The scoring of social and workplace issues (labour standards) includes:

- Child labour risks
- Workplace health and safety
- Community relations
- Human rights
- Government relations
- History of poor corporate behaviour
- Turnover / retention

GOVERNANCE (4 POINTS)

The scoring of corporate governance issues includes:

- Board structure and accountability
- Accounting disclosure and practice
- Audit committee and auditors
- Executive compensation
- Probity
- Transparency, accountability, disclosure
- Is the business run for the shareholders
- Influence of large shareholders
- Track record of major capital allocation decisions
- Board composition and performance
- Red flags from third party advisors

If a company passes Northcape's ESG test (which requires achieving a score of at least 6 out of 10 in relation to the above scoring system), then a detailed research paper is prepared for consideration by Northcape's investment team for the company to be included in Northcape's approved list of companies for investment.

Northcape stays abreast of key ESG issues to ensure the company continues to meet their standards in this area. For each company a tailored list of the most relevant ESG issues related to the operations of

that company is created and an assessment made of the adequacy of mitigation actions the company is taking against these risks.

Northcape has no set time frame for monitoring or reviewing ESG issues, rather Northcape's investment team consider ESG issues in the normal course of investment activities. Most notably, this will occur:

- during the presentation and discussion of a company for admission into Northcape's approved list;
- during the regular stock review meetings; and
- at all times when a company vote is called.

No change to Warakirri Ethical Overlay

For the Warakirri Ethical Australian Equities Fund and Warakirri Ethical Global Equities Fund, the portfolio of each of the above Funds is also subject to a proprietary ethical screen overlay applied by Warakirri. The portfolios comprise companies that are considered to have sustainable long-term environmental, social and governance practices. A negative screen is also applied which excludes investment in companies with significant business, that is revenue of greater than 5% from the audited financial statements of a company, in the:

- manufacture of alcoholic beverages;
- manufacture of tobacco products;
- provision of gaming products and/or services;
- manufacture of products contributing to increased levels of obesity;
- manufacture of products for military applications; and
- extraction of thermal coal and/or coal seam gas.

There have been no changes to the overlay outlined above for these two funds.

More information

If you have any questions or require further information regarding the above, please email contact@warkairri.com.au or call us on 1300 927 254.

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