

## 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”)

12 February 2024

### 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 12 February 2024 has been updated to provide information on 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:

#### ESG Ratings

For consideration for the Approved List for each fund, companies must attain a minimum internal ESG rating of 6 points out of 10. The avoidance of egregious ESG risks is a central objective of the assessment process, with the aim of fewer capital loss events and/or adverse sustainability outcomes.

Each company is rated out of a maximum of 10 points, split between the ESG pillars of Environmental (3 points), Social (3 points), and Governance (4 points). Analysts make assessments of the materiality of a specific risk to the business and rate the company on those perceived to be material. Deductions are made from the maximum possible score for each identified material risk factor.

In summary, the main objectives of the ESG rating process are:

- To identify and assess material ESG risks and opportunities faced by investee companies.
- To enhance and protect returns through judgements about the impact of ESG factors on the sustainability of returns and company suitability for investment portfolios.
- To inform investment stewardship activities to manage ESG risks and opportunities.



## ESG Factors

Environmental factors (3 points) that may be considered by analysts, where relevant, include:

- Transition risk and decarbonisation.
- Physical risks of climate change.
- Waste, pollution, packaging, and water use.
- Risks related to the use of natural resources.
- Energy transition opportunities.

Social factors (3 points) that may be considered, where relevant, include:

- Human rights and supply chain risks.
- Labour rights and practices.
- First nations rights.
- Human capital development.
- Employee health and safety.
- Customer protection and safety.
- Product quality and stewardship.
- Social opportunities.

Governance factors (4 points) that may be considered, where relevant, include:

- Board independence and probity.
- Audit and disclosure quality.
- Executive and board remuneration.
- Shareholder rights, including voting rights and capital management alignment.
- Board composition and diversity.
- Influence of large shareholders.
- Regulatory issues and other controversies.

ESG ratings are monitored by analysts for new information or company disclosure. If the ESG rating falls to below the minimum threshold, the company is removed from the Approved List, and if held, divested.

### Limitations of ESG integration

Northcape recognises ESG integration involves a series of judgements about the likely impact of ESG factors on company returns over the long-term investment horizon. However, the financial materiality of ESG factors can vary over time and are among many drivers of investment value. It is therefore not certain ESG integration will meet the objectives of capital enhancement and protection over the investment period.

Nonetheless, the rating process provides investment teams a valuable opportunity to consider long-term risks and opportunities that may fall outside traditional financial analysis to inform the stock selection process, better understand the sustainability outcomes from investment activities, and prioritise stewardship efforts.

In summary, consideration of ESG factors does not imply:

- That there are restrictions on the investment universe, other than the exclusions outlined in Warakirri's proprietary ethical screen outlined previously.
- That ESG factors are given more or less consideration than other types of factors.
- That all ESG factors are given equal consideration.
- That the resulting portfolio will have any characteristics .



**More information**

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

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