



PUBLIC TRANSPARENCY REPORT

2023

WaveStone Capital

Generated 15-12-2023

About this report

PRI reporting is the largest global reporting project on responsible investment. It was developed with investors, for investors.

PRI signatories are required to report publicly on their responsible investment activities each year. In turn, they receive a number of outputs, including a public and private Transparency Report.

The public Transparency Reports, which are produced using signatories' reported information, provide accountability and support signatories to have internal discussions about their practices and to discuss these with their clients, beneficiaries, and other stakeholders.

This public Transparency Report is an export of the signatory's responses to the PRI Reporting Framework during the 2023 reporting period. It includes the signatory's responses to core indicators, as well as responses to plus indicators that the signatory has agreed to make public.

In response to signatory feedback, the PRI has not summarised signatories' responses – the information in this document is presented exactly as it was reported.

For each of the indicators in this document, all options selected by the signatory are presented, including links and qualitative responses. In some indicators, all applicable options are included for additional context.

Disclaimers

Responsible investment definitions

Within the PRI Reporting Framework Glossary, we provide definitions for key terms to guide reporting on responsible investment practices in the Reporting Framework. These definitions may differ from those used or proposed by other authorities and regulatory bodies due to evolving industry perspectives and changing legislative landscapes. Users of this report should be aware of these variations, as they may impact interpretations of the information provided.

Data accuracy

This document presents information reported directly by signatories in the 2023 reporting cycle. This information has not been audited by the PRI or any other party acting on its behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented.

The PRI has taken reasonable action to ensure that data submitted by signatories in the reporting tool is reflected in their official PRI reports accurately. However, it is possible that small data inaccuracies and/or gaps remain, and the PRI shall not be responsible or liable for such inaccuracies and gaps.

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SENIOR LEADERSHIP STATEMENT (SLS)

SENIOR LEADERSHIP STATEMENT

SENIOR LEADERSHIP STATEMENT

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SLS 1	CORE	N/A	N/A	PUBLIC	Senior Leadership Statement	GENERAL

Section 1. Our commitment

- Why does your organisation engage in responsible investment?
- What is your organisation's overall approach to responsible investment, and what major responsible investment commitment(s) have you made?

WaveStone strongly believes that responsibly managed companies are more likely to achieve a sustainable competitive advantage and provide strong long-term growth. At WaveStone Capital we approach ESG from both a risk and an opportunity perspective with a view that ESG integration can reduce overall portfolio risk and improve returns. We believe that incorporating ESG factors into our investment process enables us to assess risks and opportunities that are not yet reflected in asset values. We also view company engagement as an opportunity for value generation by working with investee companies to encourage them to improve their ESG practices.

Company engagement is an integral part of WaveStone's investment process.

At WaveStone, we believe that successful engagement can, not only reduce risks to asset owners but also create value. WaveStone engages all companies in which it invests, and those in which it intends to invest, on material ESG issues and exercises its voting rights giving consideration to the outcomes of such engagement activity. Through its active ownership practices WaveStone seeks to improve ESG performance by investee companies and encourage them to better manage their own ESG risks and opportunities

We realise the importance of sustainability for all companies, and as fund managers, have an active role to play in ensuring that companies are taking responsibility for Environmental, Social and Governance Policy (ESG) issues and are actively monitoring their compliance with best practice in this area.

This reflects our obligation to clients to both maximise medium term returns and manage risk. By improving our understanding of individual company's management of ESG issues, we hope to achieve our aim of generating above average, long term sustainable returns.

The WaveStone investment process consists of four steps:

1. Qualitative Filter: Identify businesses which exhibit Sustainable Competitive Advantage. ESG is integrated with research and active ownership undertaken
- 2.

- Financial Analysis: Apply financial risk, growth and valuation tests
3. Risk Overlay: Overlay portfolio with risk controls
 4. Portfolio Creation: Construct diversified, benchmark unaware portfolio

We use a quality screen upfront to assess and screen our investment universe. This process (through the SCA scores) screens out companies who have a poor ESG track record and outlook.

In addition, there are instances where we would adjust our valuations and an example here would be the resource sector where we explicitly model remediation costs into the valuation of individual mines. We also use a higher hurdle rate for companies that are directly or indirectly involved in thermal coal. Examples of this would be IPL and ORI who sell explosives predominantly to the thermal coal industry.

ESG considerations are embedded in the first step of the investment process - the qualitative filter. Incorporating ESG factors into our investment process enables us to assess risks and opportunities that are not yet reflected in asset values.

All potential investments are assessed in relation to WaveStone's 7 markers of Superior Corporate DNA and 8 Industry factors. We integrate ESG factors in both our fundamental research and through active ownership.

ESG integration forms a natural part of WaveStone's investment process:

- ESG Research - ESG factors are considered through qualitative fundamental analysis in the very first step of the investment process. We assess material ESG factors affecting a company and identify any improvement in ESG practices over the years.
- Active Ownership - Company engagement is an integral part of WaveStone's investment process. At WaveStone, we believe that successful engagement can, not only reduce risks to asset owners but also create value. WaveStone engages all companies in which it invests, and those in which it intends to invest, on material ESG issues and exercises its voting rights giving consideration to the outcomes of such engagement activity. Through its active ownership practices WaveStone seeks to improve ESG performance by investee companies and encourage them to better manage their own ESG risks and opportunities. The framework for setting outcome objectives is embedded within our investment process.

We maintain a strong sell discipline in relation to companies that no longer meet our investment criteria and this includes consideration of a company's ESG policies and practice. We also actively engage with our investee companies meeting Chairs and NEDs to discuss succession, climate change, diversity and remuneration.

Section 2. Annual overview

- Discuss your organisation's progress during the reporting year on the responsible investment issue you consider most relevant or material to your organisation or its assets.
- Reflect on your performance with respect to your organisation's responsible investment objectives and targets during the reporting year. Details might include, for example, outlining your single most important achievement or describing your general progress on topics such as the following (where applicable):
 - refinement of ESG analysis and incorporation
 - stewardship activities with investees and/or with policymakers
 - collaborative engagements
 - attainment of responsible investment certifications and/or awards

Refinement of ESG Analysis & Incorporation:

We provide quarterly ESG reporting to our clients which aims to shine a light on our ESG activities. Each quarter we report on our engagement activities, the Funds carbon intensity versus our benchmark for both scope 1 & 2 emissions and the most recent MSCI ESG Rating for the fund. The report also includes a deeper analysis of a material ESG issue confronting a sector with recent topics covered including an analysis of the potential impact of the Safeguard Mechanism (SM) on a selection of portfolio holdings, the inclusion of ESG metrics in REM, responsible gaming and airline decarbonisation.

In our December ESG report we explored the inclusion of ESG metrics in REM and we are using the outcome of this work to guide some of our engagement activity in 2023. Too often corporates are including ESG metrics within broader culture and strategic REM buckets. In our view, the inclusion of ESG metrics in REM should be nuanced, tailored to suit the positioning and desired strategic outcomes of the company in question. Our approach has been to suggest an improvement in practice toward the provision of targets that are quantifiable, externally verifiable, transparent yet sufficiently challenging so as to encourage a greater push for ESG integration, as opposed to allowing a simple uplift in executive pay.

We have also been asking whether ESG metrics have been considered for inclusion in the LTI given the often better alignment of that timeline with ESG goals.

Company Engagement Examples:

CSL Limited (CSL):

As a part of our engagement with CSL we have suggested they broaden their inclusion of ESG in REM to include a climate component in the LTI.

Climate policy could sit neatly against longer term targets and would be a valid focus given the emissions associated with CSL's operations, particularly plasma fractionation within CSL Behring.

Santos (STO):

We engaged with STO on the FY22 REM report along with other governance issues, including the shifting of Dorado timing and inclusion of Alaska in the growth incentive program and CEO succession planning. Our environmental discussions canvassed the impact of the SM, however with the mechanism still not signed into law and associated rules not in place, it was too early to be definitive on the impact.

The clear issue for STO will be timing at the Barossa backfill (given it has higher CO2 emissions) and needs a treaty between Australia and East Timor on the CCS project planned. On decarbonisation and their clean fuels pillar, STO have made a lot of effort to talk about their new energy strategy. Sceptics would argue that they were not spending as much money on the clean fuels pillar. The first big delivery of course is the Moomba CCS project due early next year and will be keenly watched.

Woodside (WDS):

We met with the Chair ahead of the company's AGM to discuss environmental and governance issues.

On board succession, we discussed the addition of Arnaud Breuillac and Minas Angela to the Board. We look for future board appointments with strong sustainability/transition credentials. We also discussed the management succession, merger implementation and the use of upward discretion within REM outcomes. We also canvassed a number of environmental issues including: i) the interplay between the company's growth ambitions and its new energy plans with their aspiration to be Net Zero by 2050; ii) the re-election of Ian Macfarlane; iii) the proposal for a non-binding vote on climate in 2024 and every subsequent 3 years; iv) the contentious decision to use carbon credits as WDS's primary mode of achieving climate goals; and, v) ACCR's valid question as to why Pluto 2 wasn't using e-drives to power the LNG plant.

WDS' safety performance last year was not on target. We raised with the Board that given the diverse nature of the business now, especially with GOM deep water – this is a serious issue.

Escalation of a Governance concern (ANZ's bid for SUN):

We used Livewire to publicly voice our concerns regarding ANZ's proposed acquisition of SUN. This followed on from direct engagement and was used as a tool to amplify our voice of dissent.

Why ANZ should walk away from Suncorp - Catherine Allfrey | Livewire (livewiremarkets.com). Following the rejection of the deal by the ACCC we went a step further and wrote a letter to the board, once again, asserting our concerns with the proposed transaction.

Collaborative Engagement:

- CA100+ co-lead for WDS: In June 2023 we became co-lead on the CA100+ engagement group for Woodside alongside ACSI. We joined this group at a key juncture given WDS needs to update its Climate Strategy by the end of CY23 for incorporation into the next vote in early CY24.
- 40:40 Vision
- Climate action 100+ engagement

Certification and Awards:

- RIAA identification of WaveStone as a Responsible Investment Leader for ESG in their 2023 Responsible Investment Benchmark Report.

Section 3. Next steps

- What specific steps has your organisation outlined to advance your commitment to responsible investment in the next two years?

We continually seek improvement in our engagement activities. This year we benchmarked the ESG metrics included in REM for our portfolio names and in 2023 have been using this information to guide our corporate engagement activities.

Analyst RI education and training. We leverage the capability of the ESG investment specialists within Challenger, led by Charlotte O'meara, and sell side experts to improve and hone our understanding and evolution of the ESG landscape, policies and principals.

WaveStone monitors constituent holdings commitments to Net Zero by 2050 and evaluates decarbonisation plans against best practice as part of an assessment of carbon & transition risk.

We also evaluate decarbonisation plans against the Governments Safeguard mechanism to ensure alignment with this revised policy framework and engage with corporates to both better understand their plans and to seek improvement where we believe corporate strategy is lagging against a Net Zero 2050 target. We have been exploring and testing external data providers capable of providing measurement and reporting on our climate related portfolio value at risk (VAR). This work is ongoing.

At this stage we do not have a formal procedure in place for tracking, managing and reporting on Modern Slavery Risk, other than those which are assessed within our investments.

As we continually seek to improve our ESG practices, we will spend time over the next two years exploring the release of our own Modern Slavery Statement.

Further work is being done to improve our engagement activities.

Section 4. Endorsement

'The Senior Leadership Statement has been prepared and/or reviewed by the undersigned and reflects our organisation-wide commitment and approach to responsible investment'.

Name

Raaz Bhuyan

Position

Principal

Organisation's Name

WaveStone Capital

A

'This endorsement applies only to the Senior Leadership Statement and should not be considered an endorsement of the information reported by the above-mentioned organisation in the various modules of the Reporting Framework. The Senior Leadership Statement serves as a general overview of the above-mentioned organisation's responsible investment approach. The Senior Leadership Statement does not constitute advice and should not be relied upon as such. Further, it is not a substitute for the skill, judgement and experience of any third parties, their management, employees, advisors and/or clients when making investment and other business decisions'.

B

ORGANISATIONAL OVERVIEW (OO)

ORGANISATIONAL INFORMATION

REPORTING YEAR

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 1	CORE	N/A	N/A	PUBLIC	Reporting year	GENERAL

What is the year-end date of the 12-month period you have chosen to report for PRI reporting purposes?

	Date	Month	Year
Year-end date of the 12-month period for PRI reporting purposes:	30	06	2023

SUBSIDIARY INFORMATION

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 2	CORE	N/A	OO 2.1	PUBLIC	Subsidiary information	GENERAL

Does your organisation have subsidiaries?

(A) Yes

(B) No

ASSETS UNDER MANAGEMENT

ALL ASSET CLASSES

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 4	CORE	OO 3	N/A	PUBLIC	All asset classes	GENERAL

What are your total assets under management (AUM) at the end of the reporting year, as indicated in [OO 1]?

USD

(A) AUM of your organisation, including subsidiaries, and excluding the AUM subject to execution, advisory, custody, or research advisory only

US\$ 3,548,200,000.00

(B) AUM of subsidiaries that are PRI signatories in their own right and excluded from this submission, as indicated in [OO 2.2]

US\$ 0.00

(C) AUM subject to execution, advisory, custody, or research advisory only

US\$ 0.00

ASSET BREAKDOWN

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 5	CORE	OO 3	Multiple indicators	PUBLIC	Asset breakdown	GENERAL

Provide a percentage breakdown of your total AUM at the end of the reporting year as indicated in [OO 1].

	(1) Percentage of Internally managed AUM	(2) Percentage of Externally managed AUM
(A) Listed equity	>75%	0%
(B) Fixed income	0%	0%
(C) Private equity	0%	0%
(D) Real estate	0%	0%
(E) Infrastructure	0%	0%
(F) Hedge funds	>0-10%	0%
(G) Forestry	0%	0%
(H) Farmland	0%	0%
(I) Other	0%	0%
(J) Off-balance sheet	0%	0%

ASSET BREAKDOWN: INTERNALLY MANAGED LISTED EQUITY

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 5.3 LE	CORE	OO 5	Multiple	PUBLIC	Asset breakdown: Internally managed listed equity	GENERAL

Provide a further breakdown of your internally managed listed equity AUM.

(A) Passive equity	0%
(B) Active – quantitative	0%
(C) Active – fundamental	>75%

(D) Other strategies 0%

ASSET BREAKDOWN: INTERNALLY MANAGED HEDGE FUND

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 5.3 HF	CORE	OO 5	OO 11	PUBLIC	Asset breakdown: Internally managed hedge fund	GENERAL

Provide a further breakdown of your internally managed hedge fund assets.

(A) Multi-strategy 0%

(B) Long/short equity >75%

(C) Long/short credit 0%

(D) Distressed, special situations
and event-driven fundamental 0%

(E) Structured credit 0%

(F) Global macro 0%

(G) Commodity trading advisor 0%

(H) Other strategies 0%

GEOGRAPHICAL BREAKDOWN

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 7	CORE	Multiple, see guidance	N/A	PUBLIC	Geographical breakdown	GENERAL

How much of your AUM in each asset class is invested in emerging markets and developing economies?

AUM in Emerging Markets and Developing Economies

(A) Listed equity (1) 0%

(I) Hedge funds (1) 0%

STEWARDSHIP

STEWARDSHIP

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 8	CORE	Multiple, see guidance	Multiple indicators	PUBLIC	Stewardship	GENERAL

Does your organisation conduct stewardship activities, excluding (proxy) voting, for any of your assets?

(1) Listed equity - active

(8) Hedge funds

(A) Yes, through internal staff

(B) Yes, through service providers

(C) Yes, through external managers

(D) We do not conduct
stewardship

STEWARDSHIP: (PROXY) VOTING

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 9 HF	CORE	OO 5	OO 9	PUBLIC	Stewardship: (Proxy) voting	GENERAL

Does your organisation have direct investments in listed equity across your hedge fund strategies?

(A) Yes

(B) No

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 9	CORE	Multiple, see guidance	Multiple indicators	PUBLIC	Stewardship: (Proxy) voting	GENERAL

Does your organisation conduct (proxy) voting activities for any of your listed equity holdings?

(1) Listed equity - active

(3) Hedge funds

(A) Yes, through internal staff

(B) Yes, through service providers

(C) Yes, through external
managers

(D) We do not conduct (proxy)
voting

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 9.1	CORE	OO 9	PGS 10.1, PGS 31	PUBLIC	Stewardship: (Proxy) voting	GENERAL

For each asset class, on what percentage of your listed equity holdings do you have the discretion to vote?

Percentage of your listed equity holdings over which you have the discretion to vote

(A) Listed equity – active (6) >40 to 50%

(C) Hedge funds (12) 100%

ESG INCORPORATION

INTERNALLY MANAGED ASSETS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 11	CORE	Multiple, see guidance	Multiple indicators	PUBLIC	Internally managed assets	1

For each internally managed asset class, does your organisation incorporate ESG factors into your investment decisions?

(1) Yes, we incorporate ESG factors into our investment decisions

(2) No, we do not incorporate ESG factors into our investment decisions

(C) Listed equity - active - fundamental



(M) Hedge funds - Long/short equity



ESG STRATEGIES

LISTED EQUITY

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 17 LE	CORE	OO 11	OO 17.1 LE, LE 12	PUBLIC	Listed equity	1

Which ESG incorporation approach and/or combination of approaches does your organisation apply to your internally managed active listed equity?

Percentage out of total internally managed active listed equity

(A) Screening alone 0%

(B) Thematic alone 0%

(C) Integration alone 0%

(D) Screening and integration 0%

(E) Thematic and integration 0%

(F) Screening and thematic 0%

(G) All three approaches combined >75%

(H) None 0%

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 17.1 LE	CORE	OO 17 LE	LE 9	PUBLIC	Listed equity	1

What type of screening does your organisation use for your internally managed active listed equity assets where a screening approach is applied?

Percentage coverage out of your total listed equity assets where a screening approach is applied

(A) Positive/best-in-class screening only	>75%
(B) Negative screening only	0%
(C) A combination of screening approaches	0%

ESG/SUSTAINABILITY FUNDS AND PRODUCTS

LABELLING AND MARKETING

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 18	CORE	OO 11–14	OO 18.1	PUBLIC	Labelling and marketing	1

Do you explicitly market any of your products and/or funds as ESG and/or sustainable?

- (A) Yes, we market products and/or funds as ESG and/or sustainable
- (B) No, we do not offer products or funds explicitly marketed as ESG and/or sustainable**
- (C) Not applicable; we do not offer products or funds

SUMMARY OF REPORTING REQUIREMENTS

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Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 21	CORE	Multiple indicators	Multiple indicators	PUBLIC	Summary of reporting requirements	GENERAL

The following table shows which modules are mandatory or voluntary to report on in the separate PRI asset class modules. Where a module is voluntary, indicate if you wish to report on it.

Applicable modules	(1) Mandatory to report (pre-filled based on previous responses)	(2.1) Voluntary to report. Yes, I want to opt-in to reporting on the module	(2.2) Voluntary to report. No, I want to opt-out of reporting on the module
Policy, Governance and Strategy	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Confidence Building Measures	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
(C) Listed equity – active – fundamental	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
(M) Hedge funds – Long/short equity	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>

SUBMISSION INFORMATION

REPORT DISCLOSURE

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 32	CORE	OO 3, OO 31	N/A	PUBLIC	Report disclosure	GENERAL

How would you like to disclose the detailed percentage figures you reported throughout the Reporting Framework?

- (A) Publish as absolute numbers
- (B) Publish as ranges

POLICY, GOVERNANCE AND STRATEGY (PGS)

POLICY

RESPONSIBLE INVESTMENT POLICY ELEMENTS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 1	CORE	OO 8, OO 9	Multiple indicators	PUBLIC	Responsible investment policy elements	1, 2

Which elements are covered in your formal responsible investment policy(ies)?

- (A) Overall approach to responsible investment
- (B) Guidelines on environmental factors
- (C) Guidelines on social factors
- (D) Guidelines on governance factors
- (E) Guidelines on sustainability outcomes
- (F) Guidelines tailored to the specific asset class(es) we hold
- (G) Guidelines on exclusions
- (H) Guidelines on managing conflicts of interest related to responsible investment
- (I) Stewardship: Guidelines on engagement with investees
- (J) Stewardship: Guidelines on overall political engagement
- (K) Stewardship: Guidelines on engagement with other key stakeholders
- (L) Stewardship: Guidelines on (proxy) voting
- (M) Other responsible investment elements not listed here
- (N) Our organisation does not have a formal responsible investment policy and/or our policy(ies) do not cover any responsible investment elements

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 2	CORE	PGS 1	Multiple, see guidance	PUBLIC	Responsible investment policy elements	1

Does your formal responsible investment policy(ies) include specific guidelines on systematic sustainability issues?

- (A) Specific guidelines on climate change (may be part of guidelines on environmental factors)
- (B) Specific guidelines on human rights (may be part of guidelines on social factors)
- (C) Specific guidelines on other systematic sustainability issues

Specify:

We have guidelines on: Water supply and management, waste disposal, pollution and contamination, renewable energy generation, preparedness for a transition to a low carbon economy, Carbon mitigation strategies, Occupational health and safety, Workplace relations and Working conditions, Human rights and child labour, Corporate Governance considerations and Supply chain management.

<https://www.wavestonecapital.com.au/wp-content/uploads/2023/06/WaveStone-ESG-Policy.pdf>
<http://www.fidante.com/au/WAVE-AIB-ASF.pdf>

- (D) Our formal responsible investment policy(ies) does not include guidelines on systematic sustainability issues

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 3	CORE	PGS 1, PGS 2	N/A	PUBLIC	Responsible investment policy elements	6

Which elements of your formal responsible investment policy(ies) are publicly available?

- (A) Overall approach to responsible investment**

Add link:

<https://www.wavestonecapital.com.au/wp-content/uploads/2023/06/WaveStone-ESG-Policy.pdf>

- (B) Guidelines on environmental factors**

Add link:

<https://www.wavestonecapital.com.au/wp-content/uploads/2023/06/WaveStone-ESG-Policy.pdf>

- (C) Guidelines on social factors**

Add link:

<https://www.wavestonecapital.com.au/wp-content/uploads/2023/06/WaveStone-ESG-Policy.pdf>

- (D) Guidelines on governance factors**

Add link:

<https://www.wavestonecapital.com.au/wp-content/uploads/2023/06/WaveStone-ESG-Policy.pdf>

- (F) Specific guidelines on climate change (may be part of guidelines on environmental factors)**

Add link:

<https://www.wavestonecapital.com.au/wp-content/uploads/2023/06/WaveStone-ESG-Policy.pdf>

- (G) Specific guidelines on human rights (may be part of guidelines on social factors)

- (H) Specific guidelines on other systematic sustainability issues

- (I) Guidelines tailored to the specific asset class(es) we hold

- (J) Guidelines on exclusions**

Add link:

<http://www.fidante.com/au/WAVE-AIB-ASF.pdf>

- (K) Guidelines on managing conflicts of interest related to responsible investment

- (L) Stewardship: Guidelines on engagement with investees**

Add link:

<https://www.wavestonecapital.com.au/wp-content/uploads/2020/10/WaveStone-202010-Engagement-Policy.pdf>

(O) Stewardship: Guidelines on (proxy) voting

Add link:

<https://www.wavestonecapital.com.au/wp-content/uploads/2022/04/49196-WaveStone-Proxy-Voting-Policy-R1-FINAL.pdf>

- (Q) No elements of our formal responsible investment policy(ies) are publicly available

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 4	PLUS	PGS 1	N/A	PUBLIC	Responsible investment policy elements	1 – 6

Does your formal responsible investment policy(ies) identify a link between your responsible investment activities and your fiduciary duties or equivalent obligations?

(A) Yes

Elaborate:

<https://www.wavestonecapital.com.au/wp-content/uploads/2023/06/WaveStone-ESG-Policy.pdf>

<https://www.wavestonecapital.com.au/wp-content/uploads/2020/10/WaveStone-202010-Engagement-Policy.pdf>

Wavestone strongly believes that responsibly managed companies are more likely to achieve a sustainable competitive advantage and provide strong long-term growth. At WaveStone Capital we approach ESG from both a risk and an opportunity perspective with a view that ESG integration can reduce overall portfolio risk and improve returns.

We also view company engagement as an opportunity for value generation by working with investee companies to encourage them to improve their ESG practices.

We realise the importance of sustainability for all companies, and as fund managers, have an active role to play in ensuring that companies are taking responsibility for Environmental, Social and Governance Policy (ESG) issues and are actively monitoring their compliance with best practice in this area. This reflects our obligation to clients to both maximise medium term returns and manage risk. By improving our understanding of individual company's management of ESG issues, we hope to achieve our aim of generating above average, long term sustainable returns.

A) The types of groups we engage: We aim to engage with all companies in which we have invested, and those in which we might consider investing. Our engagements will cover all aspects of the company relevant to its prospects including ESG matters. We also seek to engage with Directors to the greatest extent practical and high-level company executives as well as parties outside companies to the extent necessary to properly evaluate ESG risks and opportunities (these external parties may include competitors, regulators, Government and industry bodies).

B) Our relative focus: We consider outcomes of engagements when making decisions regarding the ownership of that company. ESG issues are integrated into the first step of our investment process, the qualitative filter, which looks to assess a company's Sustainable Competitive Advantage. Our engagement activities will also guide the lodging of proxy votes at meetings where we have the authority and where it is practicable to do so with all the issues of corporate governance given due consideration. In line with our own policies and guidelines, we also use engagement to seek improvement in ESG performance by investees, proactively engaging them on their own approaches to managing material ESG risks and opportunities.

- (B) No

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 5	CORE	PGS 1	N/A	PUBLIC	Responsible investment policy elements	2

Which elements are covered in your organisation's policy(ies) or guidelines on stewardship?

- (A) Overall stewardship objectives
- (B) Prioritisation of specific ESG factors to be advanced via stewardship activities
- (C) Criteria used by our organisation to prioritise the investees, policy makers, key stakeholders, or other entities on which to focus our stewardship efforts
- (D) How different stewardship tools and activities are used across the organisation
- (E) Approach to escalation in stewardship
- (F) Approach to collaboration in stewardship
- (G) Conflicts of interest related to stewardship
- (H) How stewardship efforts and results are communicated across the organisation to feed into investment decision-making and vice versa
- (I) Other
- (J) None of the above elements is captured in our policy(ies) or guidelines on stewardship

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 6	CORE	PGS 1	N/A	PUBLIC	Responsible investment policy elements	2

Does your policy on (proxy) voting include voting principles and/or guidelines on specific ESG factors?

- (A) Yes, it includes voting principles and/or guidelines on specific environmental factors
- (B) Yes, it includes voting principles and/or guidelines on specific social factors
- (C) Yes, it includes voting principles and/or guidelines on specific governance factors
- (D) Our policy on (proxy) voting does not include voting principles or guidelines on specific ESG factors

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 7	CORE	OO 9	N/A	PUBLIC	Responsible investment policy elements	2

Does your organisation have a policy that states how (proxy) voting is addressed in your securities lending programme?

- (A) We have a publicly available policy to address (proxy) voting in our securities lending programme
- (B) We have a policy to address (proxy) voting in our securities lending programme, but it is not publicly available
- (C) We rely on the policy of our external service provider(s)
- (D) We do not have a policy to address (proxy) voting in our securities lending programme
- (E) Not applicable; we do not have a securities lending programme

RESPONSIBLE INVESTMENT POLICY COVERAGE

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 8	CORE	PGS 1	N/A	PUBLIC	Responsible investment policy coverage	1

What percentage of your total AUM is covered by the below elements of your responsible investment policy(ies)?

Combined AUM coverage of all policy elements

(A) Overall approach to responsible investment	
(B) Guidelines on environmental factors	(7) 100%
(C) Guidelines on social factors	
(D) Guidelines on governance factors	

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 9	CORE	PGS 2	N/A	PUBLIC	Responsible investment policy coverage	1

What proportion of your AUM is covered by your formal policies or guidelines on climate change, human rights, or other systematic sustainability issues?

AUM coverage

(A) Specific guidelines on climate change

(1) for all of our AUM

(B) Specific guidelines on human rights

(1) for all of our AUM

(C) Specific guidelines on other systematic sustainability issues

(1) for all of our AUM

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 10	CORE	OO 8, OO 9, PGS 1	N/A	PUBLIC	Responsible investment policy coverage	2

Per asset class, what percentage of your AUM is covered by your policy(ies) or guidelines on stewardship with investees?

(A) Listed equity

(1) Percentage of AUM covered

- (1) >0% to 10%
- (2) >10% to 20%
- (3) >20% to 30%
- (4) >30% to 40%
- (5) >40% to 50%
- (6) >50% to 60%
- (7) >60% to 70%
- (8) >70% to 80%
- (9) >80% to 90%
- (10) >90% to <100%

(11) 100%

(F) Hedge funds

(1) Percentage of AUM covered

- (1) >0% to 10%
- (2) >10% to 20%
- (3) >20% to 30%
- (4) >30% to 40%
- (5) >40% to 50%
- (6) >50% to 60%
- (7) >60% to 70%
- (8) >70% to 80%
- (9) >80% to 90%
- (10) >90% to <100%
- (11) 100%

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 10.1	CORE	OO 9.1, PGS 1	N/A	PUBLIC	Responsible investment policy coverage	2

What percentage of your listed equity holdings is covered by your guidelines on (proxy) voting?

(A) Actively managed listed equity

(1) Percentage of your listed equity holdings over which you have the discretion to vote

- (1) >0% to 10%
- (2) >10% to 20%
- (3) >20% to 30%
- (4) >30% to 40%
- (5) >40% to 50%
- (6) >50% to 60%
- (7) >60% to 70%
- (8) >70% to 80%
- (9) >80% to 90%
- (10) >90% to <100%
- (11) 100%

(2) If your AUM coverage is below 100%, explain why: (Voluntary)

A number of WaveStone's clients elect to vote their own holdings.

(C) Direct listed equity holdings in hedge fund portfolios

(1) Percentage of your listed equity holdings over which you have the discretion to vote

- (1) >0% to 10%
- (2) >10% to 20%
- (3) >20% to 30%
- (4) >30% to 40%
- (5) >40% to 50%
- (6) >50% to 60%
- (7) >60% to 70%
- (8) >70% to 80%
- (9) >80% to 90%
- (10) >90% to <100%
- (11) 100%

GOVERNANCE

ROLES AND RESPONSIBILITIES

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 11	CORE	N/A	Multiple indicators	PUBLIC	Roles and responsibilities	1

Which senior level body(ies) or role(s) in your organisation have formal oversight over and accountability for responsible investment?

- (A) Board members, trustees, or equivalent
- (B) Senior executive-level staff, or equivalent

Specify:

The WaveStone Board has ultimate oversight for the responsible investment activities and ESG strategy and policy at WaveStone Capital. Raaz Bhuyan (Principal and Portfolio Manager) has overall responsibility for ESG within the investment team. More recently, Deputy Portfolio Manager Kirsty Mackay-Fisher has taken on ESG-related responsibilities as well, working closely with Raaz.

- (C) Investment committee, or equivalent

Specify:

All WaveStone staff have oversight/accountability for responsible investment and its implementation as it's built into the investment process. Raaz Bhuyan (Principal and Portfolio Manager) has overall responsibility for ESG within the investment team. More recently, Deputy Portfolio Manager Kirsty Mackay-Fisher has taken on ESG-related responsibilities as well, working closely with Raaz.

- (D) Head of department, or equivalent

Specify department:

Raaz Bhuyan (Principal and Portfolio Manager) has overall responsibility for ESG within the investment team. More recently, Deputy Portfolio Manager Kirsty Mackay-Fisher has taken on ESG-related responsibilities as well, working closely with Raaz.

- (E) None of the above bodies and roles have oversight over and accountability for responsible investment

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 11.1	CORE	PGS 1, PGS 2, PGS 11	N/A	PUBLIC	Roles and responsibilities	1, 2

Does your organisation's senior level body(ies) or role(s) have formal oversight over and accountability for the elements covered in your responsible investment policy(ies)?

(1) Board members, trustees, or equivalent

(2) Senior executive-level staff, investment committee, head of department, or equivalent

(A) Overall approach to responsible investment	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(B) Guidelines on environmental, social and/or governance factors	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(D) Specific guidelines on climate change (may be part of guidelines on environmental factors)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(E) Specific guidelines on human rights (may be part of guidelines on social factors)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(F) Specific guidelines on other systematic sustainability issues	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(G) Guidelines tailored to the specific asset class(es) we hold	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(H) Guidelines on exclusions	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(I) Guidelines on managing conflicts of interest related to responsible investment	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(J) Stewardship: Guidelines on engagement with investees	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(M) Stewardship: Guidelines on (proxy) voting	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(N) This role has no formal oversight over and accountability for any of the above elements covered in our responsible investment policy(ies)	<input type="checkbox"/>	<input type="checkbox"/>

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 11.2	CORE	N/A	N/A	PUBLIC	Roles and responsibilities	1 – 6

Does your organisation have governance processes or structures to ensure that your overall political engagement is aligned with your commitment to the principles of PRI, including any political engagement conducted by third parties on your behalf?

(A) Yes

Describe how you do this:

WaveStone's ESG policy makes a commitment to, through its active engagement practices and in line with it's own policies and guidelines, improve the ESG performance of investee companies.

WaveStone is also a signatory to the UN-backed PRI (PRI). As part of the requirements to be a signatory, WaveStone publishes a publicly available report on an annual basis. Additionally, through becoming a signatory to the PRI WaveStone commits to the six principles which include the following:

Principle 1: We will incorporate ESG issues into investment analysis and decision-making processes

Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices.

Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest.

Principle 4: We will promote acceptance and implementation of the Principles within the investment industry.

Principle 5: We will work together to enhance our effectiveness in implementing the Principles.

Principle 6: We will each report on our activities and progress towards implementing the Principles.

Furthermore: WaveStone maintains a Governance, Risk and Compliance (GRC) framework which documents our approach to fulfilling the contractual and fiduciary duties we owe to our clients.

This framework documents expectations for the avoidance, documentation, disclosure and management of conflicts of interest. In accordance with regulatory requirements, WaveStone maintains this conflict of interest policy to ensure that any actual, potential and/or perceived conflict of interest that may arise both between itself and its clients, a staff member and a client and between clients are identified, prevented or managed and disclosed in the best interests of clients. All WaveStone staff are required to complete annual conflicts of interest training to ensure they have the appropriate understanding to identify and report conflicts of interest which can then be prevented or managed pursuant to its conflicts of interest framework.

(B) No

(C) Not applicable, our organisation does not conduct any form of political engagement directly or through any third parties

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 12	CORE	N/A	N/A	PUBLIC	Roles and responsibilities	1

In your organisation, which internal or external roles are responsible for implementing your approach to responsible investment?

(A) Internal role(s)

Specify:

All WaveStone staff have oversight/accountability for responsible investment and its implementation as it's built into the investment process. The WaveStone Board has ultimate oversight for the responsible investment activities and ESG strategy at WaveStone Capital.

(B) External investment managers, service providers, or other external partners or suppliers

Specify:

In addition to its own proprietary research, the Wavestone investment team also utilise specialist ESG broker research teams to enhance their understanding of ESG issues. WaveStone also works closely with Fidante Partners (the Funds management division of Challenger Ltd) to work collaboratively on sourcing ESG information. Fidante Partners has a dedicated Senior ESG Specialist - Charlotte O'Meara - who also assists Wavestone with additional insights.

- (C) We do not have any internal or external roles with responsibility for implementing responsible investment

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 13	CORE	PGS 11	N/A	PUBLIC	Roles and responsibilities	1

Does your organisation use responsible investment KPIs to evaluate the performance of your board members, trustees, or equivalent?

- (A) Yes, we use responsible investment KPIs to evaluate the performance of our board members, trustees, or equivalent
- (B) No, we do not use responsible investment KPIs to evaluate the performance of our board members, trustees, or equivalent**

Explain why: (Voluntary)

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 14	CORE	PGS 11	N/A	PUBLIC	Roles and responsibilities	1

Does your organisation use responsible investment KPIs to evaluate the performance of your senior executive-level staff (or equivalent), and are these KPIs linked to compensation?

- (A) Yes, we use responsible investment KPIs to evaluate the performance of our senior executive-level staff (or equivalent)**

Indicate whether these responsible investment KPIs are linked to compensation

- (1) KPIs are linked to compensation**
- (2) KPIs are not linked to compensation as these roles do not have variable compensation
- (3) KPIs are not linked to compensation even though these roles have variable compensation

Describe: (Voluntary)

Non-owner investment staff receive a competitive base salary, reflecting market conditions per liaison and discussion with Challenger HR. The structure of the bonus payments is very transparent and linked directly to the performance of the Funds and their individual contribution to the Fund outcome (attribution of their stocks/sectors under coverage). The bonus is structured into a primary and a secondary bonus.

The primary bonus is determined by three factors:

- General assessment – business profitability, adhering to the values of the business, achieving ESG goals, contribution to the team etc.
- 3 and 5-year performance objectives for the Fund.
- Attribution to the Fund performance over 1 year.

The secondary bonus is directly linked to the attribution of the investment analyst on the long and short side for the year.

- (B) No, we do not use responsible investment KPIs to evaluate the performance of our senior executive-level staff (or equivalent)

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 15	PLUS	PGS 11	N/A	PUBLIC	Roles and responsibilities	1

What responsible investment competencies do you regularly include in the training of senior-level body(ies) or role(s) in your organisation?

	(1) Board members, trustees or equivalent	(2) Senior executive-level staff, investment committee, head of department or equivalent
(A) Specific competence in climate change mitigation and adaptation	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(B) Specific competence in investors' responsibility to respect human rights	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(C) Specific competence in other systematic sustainability issues	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(D) The regular training of this senior leadership role does not include any of the above responsible investment competencies	<input type="checkbox"/>	<input type="checkbox"/>

EXTERNAL REPORTING AND DISCLOSURES

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 16	CORE	N/A	N/A	PUBLIC	External reporting and disclosures	6

What elements are included in your regular reporting to clients and/or beneficiaries for the majority of your AUM?

- (A) Any changes in policies related to responsible investment
- (B) Any changes in governance or oversight related to responsible investment
- (C) Stewardship-related commitments
- (D) Progress towards stewardship-related commitments
- (E) Climate-related commitments
- (F) Progress towards climate-related commitments
- (G) Human rights-related commitments
- (H) Progress towards human rights-related commitments
- (I) Commitments to other systematic sustainability issues
- (J) Progress towards commitments on other systematic sustainability issues
- (K) We do not include any of these elements in our regular reporting to clients and/or beneficiaries for the majority of our AUM

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 17	CORE	N/A	N/A	PUBLIC	External reporting and disclosures	6

During the reporting year, did your organisation publicly disclose climate-related information in line with the Task Force on Climate-Related Financial Disclosures' (TCFD) recommendations?

- (A) Yes, including all governance-related recommended disclosures
- (B) Yes, including all strategy-related recommended disclosures
- (C) Yes, including all risk management-related recommended disclosures
- (D) Yes, including all applicable metrics and targets-related recommended disclosures
- (E) None of the above
Explain why: (Voluntary)

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 19	CORE	N/A	N/A	PUBLIC	External reporting and disclosures	6

During the reporting year, did your organisation publicly disclose its membership in and support for trade associations, think tanks or similar bodies that conduct any form of political engagement?

- (A) Yes, we publicly disclosed our membership in and support for trade associations, think tanks, or similar bodies that conduct any form of political engagement
- (B) No, we did not publicly disclose our membership in and support for trade associations, think tanks, or similar bodies that conduct any form of political engagement
- (C) **Not applicable, we were not members in or supporters of any trade associations, think tanks, or similar bodies that conduct any form of political engagement during the reporting year**

STRATEGY

CAPITAL ALLOCATION

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 20	CORE	N/A	N/A	PUBLIC	Capital allocation	1

Which elements do your organisation-level exclusions cover?

- (A) **Exclusions based on our organisation's values or beliefs regarding particular sectors, products or services**
- (B) Exclusions based on our organisation's values or beliefs regarding particular regions or countries
- (C) Exclusions based on minimum standards of business practice aligned with international norms such as the OECD Guidelines for Multinational Enterprises, the International Bill of Human Rights, UN Security Council sanctions or the UN Global Compact
- (D) Exclusions based on our organisation's climate change commitments
- (E) Other elements
- (F) Not applicable; our organisation does not have any organisation-level exclusions

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 21	CORE	N/A	N/A	PUBLIC	Capital allocation	1

How does your responsible investment approach influence your strategic asset allocation process?

- (A) We incorporate ESG factors into our assessment of expected asset class risks and returns
- (B) We incorporate climate change-related risks and opportunities into our assessment of expected asset class risks and returns

- (C) We incorporate human rights–related risks and opportunities into our assessment of expected asset class risks and returns
- (D) We incorporate risks and opportunities related to other systematic sustainability issues into our assessment of expected asset class risks and returns
- (E) We do not incorporate ESG factors, climate change, human rights or other systematic sustainability issues into our assessment of expected asset class risks and returns
- (F) Not applicable; we do not have a strategic asset allocation process

STEWARDSHIP: OVERALL STEWARDSHIP STRATEGY

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 22	CORE	OO 8, OO 9	N/A	PUBLIC	Stewardship: Overall stewardship strategy	2

For the majority of AUM within each asset class, which of the following best describes your primary stewardship objective?

(1) Listed equity

(6) Hedge funds

(A) Maximise our portfolio-level risk-adjusted returns. In doing so, we seek to address any risks to overall portfolio performance caused by individual investees' contribution to systematic sustainability issues.



(B) Maximise our individual investments' risk-adjusted returns. In doing so, we do not seek to address any risks to overall portfolio performance caused by individual investees' contribution to systematic sustainability issues.



Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 23	PLUS	OO 5, OO 8, OO 9	N/A	PUBLIC	Stewardship: Overall stewardship strategy	2

How does your organisation, or the external service providers or external managers acting on your behalf, prioritise the investees or other entities on which to focus its stewardship efforts?

We aim to engage with all companies in which we have invested, and those in which we might consider investing. Our engagements will cover all aspects of the company relevant to its prospects including ESG matters. We also seek to engage with Directors to the greatest extent practical and high-level company executives as well as parties outside companies to the extent necessary to properly evaluate ESG risks and opportunities (these external parties may include competitors, regulators, Government and industry bodies).

We attempt to proactively, constructively, and collaboratively engage with the management teams of the companies in which we invest. We take a long-term ownership perspective when doing this and aim to advocate for change on this basis.

From time to time we may identify an aspect of an investee company's environmental, social or governance behaviour that, in our opinion, endangers its Sustainable Competitive Advantage. This issue will then become a focus our engagement efforts with the desired outcome or objective being a positive change to that aspect of a company's behaviour or strategy. It is not always clear whether outcomes are the result of our specific efforts vs our efforts and others in combination, but this does not diminish our responsibility to advocate for change.

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 24	CORE	OO 8, OO 9	N/A	PUBLIC	Stewardship: Overall stewardship strategy	2

Which of the following best describes your organisation's default position, or the position of the external service providers or external managers acting on your behalf, concerning collaborative stewardship efforts?

- (A) We recognise the value of collective action, and as a result, we prioritise collaborative stewardship efforts wherever possible
- (B) We collaborate on a case-by-case basis
- (C) Other
- (D) We do not join collaborative stewardship efforts

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 24.1	PLUS	OO 8, OO 9	N/A	PUBLIC	Stewardship: Overall stewardship strategy	2

Elaborate on your organisation's default position on collaborative stewardship, or the position of the external service providers or external investment managers acting on your behalf, including any other details on your overall approach to collaboration.

We participate in collective efforts of engagement on ESG issues where we identify a need for a stronger voice in order to obtain a positive outcome. Our collaborative engagements, are both ongoing in the form of 40:40 Vision and Climate Action 100+, and event driven, such as RIO following the Juukan Gorge incident in 2020.

We try to take a balanced approach to Collaborative engagements. Collaboration with other shareholders (investment managers as opposed to asset owners) is pursued on an informal basis as we believe that is easier to do. The relationship with others on the buy side is at different levels of the organisation and sometimes, issues are easier discussed at the level of the sector analyst/PM rather than at the organisational level. In significant issues like the Juukan Gorge issue, we chose to participate in an industry wide approach given that we felt that gave us the best chance of having an outcome. We will continue to do that selectively.

We have always taken the approach with corporates that we will engage in a private way, ensuring that we don't use our access to overtly market ourselves to retail and institutional clients (asset gathering) via the media. This is one of the reasons corporates are happy to engage with us as they don't see a hidden agenda in our approach.

An example of our ongoing collective engagement activity is our participation in:

- CA100+. WaveStone Capital recently became co-lead on the CA100+ engagement group for Woodside alongside ACSI.
- 40:40 Vision.

Following our engagement, ANZ Bank and Tabcorp became corporate signatories and we continue to make progress with other corporates through periodic engagement on the need for better gender representation at the board and senior management level. While success on this front may be measured in terms of the number of signatories the initiative has attracted, we consider the broader progress being made toward gender diversity across our investible universe as an outcome worth encouraging. Our engagement activities with 40:40 Vision has also enabled us to share effective mechanisms for improving gender diversity within typically male dominated industries between corporates.

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 25	PLUS	OO 5, OO 8, OO 9	N/A	PUBLIC	Stewardship: Overall stewardship strategy	2

Rank the channels that are most important for your organisation in achieving its stewardship objectives.

- (A) Internal resources, e.g. stewardship team, investment team, ESG team, or staff

Select from the list:

- 1
- 5

- (B) External investment managers, third-party operators and/or external property managers, if applicable

- (C) External paid specialist stewardship services (e.g. engagement overlay services or, in private markets, sustainability consultants) excluding investment managers, real assets third-party operators, or external property managers

Select from the list:

- 4
- 5

- (D) Informal or unstructured collaborations with investors or other entities

Select from the list:

- 2
- 5

- (E) Formal collaborative engagements, e.g. PRI-coordinated collaborative engagements, Climate Action 100+, or similar

Select from the list:

- 3
- 5
- (F) We do not use any of these channels

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 26	PLUS	OO 8, OO 9, PGS 1	N/A	PUBLIC	Stewardship: Overall stewardship strategy	2

How does your organisation ensure that its policy on stewardship is implemented by the external service providers to which you have delegated stewardship activities?

- (A) Example(s) of measures taken when selecting external service providers:
- (B) Example(s) of measures taken when designing engagement mandates and/or consultancy agreements for external service providers:
- (C) Example(s) of measures taken when monitoring the stewardship activities of external service providers:

There are controls in place to ensure votes have been cast correctly. Our Administrator Fidante identifies and reports on all corporate actions and are Managed by the Corporate Actions team. As the Investment Manager we are notified of all of the relevant information about the notes. There are checks and balances within the Administrator's corporate actions team, including a maker checker process and a reconciliation process to ensure all positions and votes are reconciled on each key date.

From an operational perspective, the custodian will identify any corporate events in the first instance and report these to Fidante. Where more than one source is available, the details will be matched together to ensure consistency and then a file is created of the 'golden record' of the event. The key dates are reflected in the file and filed according to the next action date. Fund Managers are also emailed with relevant details for any events that require them to make an election. Each file has a checklist that is reviewed by a senior person in the Asset Administration team, as well as the manager on a regular basis. All positions are reconciled at each key date. WaveStone is responsible for submitting corporate actions into the ISS platform with the Fidante Asset Administration team responsible for providing redundancy in the process. There have not been any errors related to corporate actions. The process for voluntary and involuntary corporate actions is the same.

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 27	PLUS	OO 8, OO 9	N/A	PUBLIC	Stewardship: Overall stewardship strategy	2

How are your organisation's stewardship activities linked to your investment decision making, and vice versa?

Wavestone strongly believes that responsibly managed companies are more likely to achieve a sustainable competitive advantage (SCA) and provide strong long-term growth. All potential investments are assessed in relation to the 7 markers of Superior Corporate DNA and 8 Industry factors that feed into our assessment of their Sustainable Competitive Advantage (SCA). ESG considerations are embedded in the first step of the investment process - the qualitative filter. ESG issues are discussed at the Investment Committee when debating the merits of an investment from a qualitative standpoint – company’s track record/shareholder focus and also strength in systems, process & community. ESG issues can also feed through to our assessment of - Project development experience and success in execution. Any changes with regard to these criteria will likely result in a reassessment of the security’s position in the portfolio. Incorporating ESG factors into our investment process enables us to assess risks and opportunities that are not yet reflected in asset values.

We integrate ESG factors in both our fundamental research and through active ownership. We also view company engagement as an opportunity for value generation by working with investee companies to encourage them to improve their ESG practices. At WaveStone Capital we approach ESG from both a risk and an opportunity perspective with a view that ESG integration can reduce overall portfolio risk and improve returns.

We monitor our engagement activity and follow up with companies on their progress in addressing the issues we’ve raised. We consider the outcomes of engagements when making decisions regarding the ownership of that company in WaveStone’s portfolios and maintain a strong sell discipline in relation to companies that no longer meet our investment criteria; this includes consideration of a company’s ESG policies and practice.

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 28	PLUS	OO 8, OO 9	N/A	PUBLIC	Stewardship: Overall stewardship strategy	2

If relevant, provide any further details on your organisation's overall stewardship strategy.

Escalation of our engagement activity could involve one or a combination of: 1) formal written communication to the entity in question; 2) participation in a collaborative engagement to strengthen our voice; 3) early communication of our voting intentions; and 4) divestment from the fund (as was the case with RHC in CY21).

Where we plan to vote against a company, we will typically advise the corporate of our concerns, at or prior to, our meeting engagement. This is to ensure a more open and fulsome discussion during the engagement process. This verbal communication will be accompanied by written communication when we decide to vote against a particular resolution. Our engagement process leading into our voting decision typically means our decision doesn't come as a surprise.

STEWARDSHIP: (PROXY) VOTING

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 29	CORE	OO 9, PGS 1	N/A	PUBLIC	Stewardship: (Proxy) voting	2

When you use external service providers to give recommendations, how do you ensure those recommendations are consistent with your organisation's (proxy) voting policy?

(A) Before voting is executed, we review external service providers' voting recommendations for controversial and high-profile votes

Select from the below list:

- (1) in all cases**
- (2) in a majority of cases
- (3) in a minority of cases

(B) Before voting is executed, we review external service providers' voting recommendations where the application of our voting policy is unclear

Select from the below list:

- (1) in all cases**
- (2) in a majority of cases
- (3) in a minority of cases
- (D) We do not review external service providers' voting recommendations
- (E) Not applicable; we do not use external service providers to give voting recommendations

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 30	CORE	OO 9	N/A	PUBLIC	Stewardship: (Proxy) voting	2

How is voting addressed in your securities lending programme?

- (A) We recall all securities for voting on all ballot items
- (B) When a vote is deemed important according to pre-established criteria (e.g. high stake in the company), we recall all our securities for voting
- (C) Other
- (D) We do not recall our securities for voting purposes
- (E) Not applicable; we do not have a securities lending programme**

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 31	CORE	OO 9.1	N/A	PUBLIC	Stewardship: (Proxy) voting	2

For the majority of votes cast over which you have discretion to vote, which of the following best describes your decision making approach regarding shareholder resolutions (or that of your external service provider(s) if decision making is delegated to them)?

- (A) We vote in favour of resolutions expected to advance progress on our stewardship priorities, including affirming a company's good practice or prior commitment
- (B) We vote in favour of resolutions expected to advance progress on our stewardship priorities, but only if the investee company has not already publicly committed to the action(s) requested in the proposal
- (C) We vote in favour of shareholder resolutions only as an escalation measure
- (D) We vote in favour of the investee company management's recommendations by default
- (E) Not applicable; we do not vote on shareholder resolutions

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 32	CORE	OO 9	N/A	PUBLIC	Stewardship: (Proxy) voting	2

During the reporting year, how did your organisation, or your external service provider(s), pre-declare voting intentions prior to voting in annual general meetings (AGMs) or extraordinary general meetings (EGMs)?

- (A) We pre-declared our voting intentions publicly through the PRI's vote declaration system on the Resolution Database
- (B) We pre-declared our voting intentions publicly by other means, e.g. through our website
- (C) We privately communicated our voting decision to investee companies prior to the AGM/EGM
- (D) We did not privately or publicly communicate our voting intentions prior to the AGM/EGM
- (E) Not applicable; we did not cast any (proxy) votes during the reporting year

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 33	CORE	OO 9	PGS 33.1	PUBLIC	Stewardship: (Proxy) voting	2

After voting has taken place, do you publicly disclose your (proxy) voting decisions or those made on your behalf by your external service provider(s), company by company and in a central source?

- (A) Yes, for all (proxy) votes

Add link(s):

<https://vds.issgovernance.com/vds/#/NjY1Ng==/%20>

- (B) Yes, for the majority of (proxy) votes
- (C) Yes, for a minority of (proxy) votes
- (D) No, we do not publicly report our (proxy) voting decisions company-by-company and in a central source

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 33.1	CORE	PGS 33	N/A	PUBLIC	Stewardship: (Proxy) voting	2

In the majority of cases, how soon after an investee's annual general meeting (AGM) or extraordinary general meeting (EGM) do you publish your voting decisions?

- (A) Within one month of the AGM/EGM
- (B) Within three months of the AGM/EGM
- (C) Within six months of the AGM/EGM
- (D) **Within one year of the AGM/EGM**
- (E) More than one year after the AGM/EGM

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 34	CORE	OO 9	N/A	PUBLIC	Stewardship: (Proxy) voting	2

After voting has taken place, did your organisation, and/or the external service provider(s) acting on your behalf, communicate the rationale for your voting decisions during the reporting year?

(1) In cases where we abstained or voted against management recommendations

(2) In cases where we voted against an ESG-related shareholder resolution

(A) Yes, we publicly disclosed the rationale

(B) Yes, we privately communicated the rationale to the company

(1) for all votes

(1) for all votes

(C) We did not publicly or privately communicate the rationale, or we did not track this information

o

o

(D) Not applicable; we did not abstain or vote against management recommendations or ESG-related shareholder resolutions during the reporting year

o

o

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 35	PLUS	OO 9	N/A	PUBLIC	Stewardship: (Proxy) voting	2

How does your organisation ensure vote confirmation, i.e. that your votes have been cast and counted correctly?

There are controls in place to ensure votes have been cast correctly. Our Administrator Fidante identifies and reports on all corporate actions and are Managed by the Corporate Actions team. As the Investment Manager we are notified of all of the relevant information about the notes. There are checks and balances within the Administrator’s corporate actions team, including a maker checker process and a reconciliation process to ensure all positions and votes are reconciled on each key date.

From an operational perspective, the custodian will identify any corporate events in the first instance and report these to Fidante. Where more than one source is available, the details will be matched together to ensure consistency and then a file is created of the ‘golden record’ of the event. The key dates are reflected in the file and filed according to the next action date. Fund Managers are also emailed with relevant details for any events that require them to make an election. Each file has a checklist that is reviewed by a senior person in the Asset Administration team, as well as the manager on a regular basis. All positions are reconciled at each key date. WaveStone is responsible for submitting corporate actions into the ISS platform with the Fidante Asset Administration team responsible for providing redundancy in the process. There have not been any errors related to corporate actions. The process for voluntary and involuntary corporate actions is the same.

STEWARDSHIP: ESCALATION

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 36	CORE	OO 8, OO 9	N/A	PUBLIC	Stewardship: Escalation	2

For your listed equity holdings, what escalation measures did your organisation, or the external investment managers or service providers acting on your behalf, use in the past three years?

	(1) Listed equity	(2) Direct listed equity holdings in hedge fund portfolios
(A) Joining or broadening an existing collaborative engagement or creating a new one	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(B) Filing, co-filing, and/or submitting a shareholder resolution or proposal	<input type="checkbox"/>	<input type="checkbox"/>
(C) Publicly engaging the entity, e.g. signing an open letter	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(D) Voting against the re-election of one or more board directors	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(E) Voting against the chair of the board of directors, or equivalent, e.g. lead independent director	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(F) Divesting	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(G) Litigation	<input type="checkbox"/>	<input type="checkbox"/>
(H) Other	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

(I) In the past three years, we did not use any of the above escalation measures for our listed equity holdings

(H) Other - (1) Listed equity - Specify:

We used Livewire to publicly voice our concerns regarding ANZ’s proposed acquisition of SUN. This followed on from direct engagement and was used as a tool to amplify our voice of dissent. Why ANZ should walk away from Suncorp - Catherine Allfrey | Livewire (livewiremarkets.com). Following the rejection of the deal by the ACCC we went a step further and wrote a letter to the board, once again, asserting our concerns with the proposed transaction.

(H) Other - (2) Direct listed equity holdings in hedge funds portfolios - Specify:

We used Livewire to publicly voice our concerns regarding ANZ’s proposed acquisition of SUN. This followed on from direct engagement and was used as a tool to amplify our voice of dissent. Why ANZ should walk away from Suncorp - Catherine Allfrey | Livewire (livewiremarkets.com). Following the rejection of the deal by the ACCC we went a step further and wrote a letter to the board, once again, asserting our concerns with the proposed transaction.

STEWARDSHIP: ENGAGEMENT WITH POLICY MAKERS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 39	CORE	OO 8, OO 9	PGS 39.1, PGS 39.2	PUBLIC	Stewardship: Engagement with policy makers	2

Did your organisation, or the external investment managers or service providers acting on your behalf, engage with policy makers as part of your responsible investment approach during the reporting year?

- (A) Yes, we engaged with policy makers directly
- (B) Yes, we engaged with policy makers through the leadership of or active participation in working groups or collaborative initiatives, including via the PRI
- (C) Yes, we were members of, supported, or were in another way affiliated with third party organisations, including trade associations and non-profit organisations, that engage with policy makers, excluding the PRI
- (D) We did not engage with policy makers directly or indirectly during the reporting year beyond our membership in the PRI

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 39.1	CORE	PGS 39	N/A	PUBLIC	Stewardship: Engagement with policy makers	2

During the reporting year, what methods did you, or the external investment managers or service providers acting on your behalf, use to engage with policy makers as part of your responsible investment approach?

- (A) We participated in 'sign-on' letters
- (B) We responded to policy consultations
- (C) We provided technical input via government- or regulator-backed working groups
- (D) We engaged policy makers on our own initiative

Describe:

On occasion we will engage directly with policy makers either to broaden our understand on trends within the regulatory and policy landscape or to put forward an alternate view or perspective.

(E) Other methods

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 39.2	CORE	PGS 39	N/A	PUBLIC	Stewardship: Engagement with policy makers	2

During the reporting year, did your organisation publicly disclose details of your engagement with policy makers conducted as part of your responsible investment approach, including through external investment managers or service providers?

- (A) We publicly disclosed all our policy positions
- (B) We publicly disclosed details of our engagements with policy makers
- (C) **No, we did not publicly disclose details of our engagement with policy makers conducted as part of our responsible investment approach during the reporting year**

Explain why:

We only disclose this information to clients by request.

STEWARDSHIP: EXAMPLES

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 40	PLUS	OO 8, OO 9	N/A	PUBLIC	Stewardship: Examples	2

Provide examples of stewardship activities that you conducted individually or collaboratively during the reporting year that contributed to desired changes in the investees, policy makers or other entities with which you interacted.

(A) Example 1:

Title of stewardship activity:

NEC on governance and capital allocation following the decision to support the DHG capital raise

(1) Led by

- (1) **Internally led**
- (2) External service provider led
- (3) Led by an external investment manager, real assets third-party operator and/or external property manager

(2) Primary focus of stewardship activity

- (1) Environmental factors
- (2) Social factors
- (3) **Governance factors**

(3) Asset class(es)

- (1) **Listed equity**
- (2) Fixed income
- (3) Private equity
- (4) Real estate
- (5) Infrastructure
- (6) Hedge funds
- (7) Forestry
- (8) Farmland
- (9) Other

(4) Description of the activity and what was achieved. For collaborative activities, provide detail on your individual contribution.

We engaged with NEC board and management in late FY22 to raise our concerns regarding capital allocation and their support of the DHG equity raise. Ultimately (Sept 2022) better Governance, via separation of duties, was created in the decision to remove Nick Falloon from the NEC board. He retains his position of Chair at DHG.

(B) Example 2:

Title of stewardship activity:

ANZ on governance and the proposed acquisition of MYOB

(1) Led by

- (1) **Internally led**
- (2) External service provider led
- (3) Led by an external investment manager, real assets third-party operator and/or external property manager

(2) Primary focus of stewardship activity

- (1) Environmental factors
- (2) Social factors
- (3) **Governance factors**

(3) Asset class(es)

- (1) **Listed equity**
- (2) Fixed income
- (3) Private equity
- (4) Real estate
- (5) Infrastructure
- (6) Hedge funds
- (7) Forestry
- (8) Farmland
- (9) Other

(4) Description of the activity and what was achieved. For collaborative activities, provide detail on your individual contribution.

We engaged with ANZ board and management to express our concerns regarding the proposed acquisition of MYOB. Ultimately ANZ did not proceed with this transaction.

(C) Example 3:

Title of stewardship activity:

EDV Social issues around Gaming

(1) Led by

- (1) **Internally led**
- (2) External service provider led
- (3) Led by an external investment manager, real assets third-party operator and/or external property manager

(2) Primary focus of stewardship activity

- (1) Environmental factors
- (2) **Social factors**
- (3) Governance factors

(3) Asset class(es)

- (1) **Listed equity**
- (2) Fixed income
- (3) Private equity
- (4) Real estate
- (5) Infrastructure
- (6) Hedge funds
- (7) Forestry
- (8) Farmland
- (9) Other

(4) Description of the activity and what was achieved. For collaborative activities, provide detail on your individual contribution.

We engaged a number of times with EDV on their approach to ESG and our desire to see them demonstrate best practice, particularly with regard to managing social risks within their operations. Over time we have seen a shift in EDV's language, including greater disclosure in reporting, indicating they are embracing ESG issues. An example of this is EDV's recent announcement supporting the changes to Victorian gaming machine operation and adopting attenuated trading hours ahead of the Governments timeline.

(D) Example 4:

Title of stewardship activity:

ALL engagement on sustainability

(1) Led by

- (1) **Internally led**
- (2) External service provider led
- (3) Led by an external investment manager, real assets third-party operator and/or external property manager

(2) Primary focus of stewardship activity

- (1) Environmental factors
- (2) **Social factors**
- (3) Governance factors

(3) Asset class(es)

- (1) **Listed equity**
- (2) Fixed income
- (3) Private equity
- (4) Real estate
- (5) Infrastructure
- (6) Hedge funds
- (7) Forestry
- (8) Farmland
- (9) Other

(4) Description of the activity and what was achieved. For collaborative activities, provide detail on your individual contribution.

We engaged with Aristocrat management suggesting they develop a cashless gaming capability. Our view was that the shifting sentiment of both consumers and regulators (particularly in a post-covid world) would see an acceleration of priority/demand toward cashless gaming. Aristocrat is now undertaking a cashless gaming trial at Wests Newcastle, which has been endorsed by the NSW government and scoped by the Liquor and Gaming NSW. Patrons will be able to set limits on session length, frequency of play and amount spent using a digital wallet, as well as having the ability to self-exclude themselves through an app. The trial is expected to finish in 2024, whereupon the independent researcher will report the findings to the Independent Liquor & Gaming Authority. We regard this as a positive shift in behaviour.

(E) Example 5:

Title of stewardship activity:

JHX engagement on REM - governance

(1) Led by

- (1) Internally led
- (2) External service provider led
- (3) Led by an external investment manager, real assets third-party operator and/or external property manager

(2) Primary focus of stewardship activity

- (1) Environmental factors
- (2) Social factors
- (3) Governance factors

(3) Asset class(es)

- (1) Listed equity
- (2) Fixed income
- (3) Private equity
- (4) Real estate
- (5) Infrastructure
- (6) Hedge funds
- (7) Forestry
- (8) Farmland
- (9) Other

(4) Description of the activity and what was achieved. For collaborative activities, provide detail on your individual contribution.

We had a number of engagements with the board of JHX on governance factors, management and corporate strategy. One of our concerns had been the need to align REM to desired outcomes regarding the strategic priorities for the business. One particular concern we had was that with REM linked to revenue growth, management had started to grow that line item by just taking price. In our view the company was more likely to find long term success by taking/growing market share. Ultimately the board changed REM to reward market share growth which we see as a better marker of long-term success for this business.

CLIMATE CHANGE

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 41	CORE	N/A	PGS 41.1	PUBLIC	Climate change	General

Has your organisation identified climate-related risks and opportunities affecting your investments?

(A) Yes, within our standard planning horizon

Specify the risks and opportunities identified and your relevant standard planning horizon:

ESG considerations are embedded in the first step of the investment process - the qualitative filter. An assessment of a company's total carbon emission footprint, their exposure to climate-related physical and transition risks and relevant mitigation strategy will form a part of this process. We also assess a company's exposure to weather-related impacts of climate change as well as their preparedness for a transition to a low carbon economy. We believe incorporating ESG factors into our investment process enables us to assess risks and opportunities that are not yet reflected in asset values. We have a five year focus when assessing companies for inclusion in our portfolios.

Every quarter, a member of the investment team will present to the WaveStone Board the climate related risks and opportunities for their sector and assess the potential impact on the portfolio. For clients, our Quarterly ESG Update aims to shine a light on our ESG thinking and activities. Each quarter we report on our engagement activities, the Funds carbon intensity versus our benchmark for both scope 1 & 2 emissions and the most recent MSCI ESG Rating for the fund. The report also includes a deeper analysis of a material ESG issue confronting a sector with recent topics covered including an analysis of the potential impact of the Safeguard Mechanism on a selection of portfolio holdings and the inclusion of ESG metrics in REM.

Please see the attached links for recent examples of our Quarterly report:

<https://www.wavestonecapital.com.au/how-we-invest/esg/esg-activity-reports/>

The following climate related risks and opportunities are identified within the WaveStone Engagement Policy:

Climate Change - WaveStone subscribes to the scientific consensus that carbon dioxide in the atmosphere, predominantly as a result of human activity, has led to global warming.

There has been a global move to reduce carbon emissions worldwide. The Paris Agreement, which outlines country-specific targets for reducing carbon emissions, was adopted in 2015 and has since been signed by 195 countries (as of July 2018). Countries must set out their plans for meeting their reduction targets by 2020, including Australia. As part of our engagement process, we engage with companies on their climate risk exposure. Our review of climate risk exposure includes checking whether a company has sustainability policies in place including carbon mitigation strategies and whether they have a representative on the board who is responsible for the management of the company's climate -related risks including carbon reduction plans.

We also encourage investee companies to report their climate-related risks and opportunities in line with the Taskforce for Climate-Related Financial Disclosures (TCFDs).

Renewable energy generation - As the world looks to move to a low carbon economy, we expect to see a gradual shift away from fossil fuels and into renewable energy. With increased investment and technological advances in renewable energy generation and storage we expect the cost of renewable energy to continue falling and to become cheaper than traditional fossil fuel energy within a few years. We see opportunities in this space in companies which are either directly involved in renewable energy generation and storage or those which are increasing their usage of renewables in their energy sources.

(B) Yes, beyond our standard planning horizon

Specify the risks and opportunities identified and your relevant standard planning horizon:

ESG considerations are embedded in the first step of the investment process - the qualitative filter. An assessment of a company's total carbon emission footprint, their exposure to climate-related physical and transition risks and relevant mitigation strategy will form a part of this process. We also assess a company's exposure to weather-related impacts of climate change as well as their preparedness for a transition to a low carbon economy. We believe incorporating ESG factors into our investment process enables us to assess risks and opportunities that are not yet reflected in asset values. We have a five year focus when assessing companies for inclusion in our portfolios.

Every quarter, a member of the investment team will present to the WaveStone Board the climate related risks and opportunities for their sector and assess the potential impact on the portfolio. For clients, our Quarterly ESG Update aims to shine a light on our ESG thinking and activities. Each quarter we report on our engagement activities, the Funds carbon intensity versus our benchmark for both scope 1 & 2 emissions and the most recent MSCI ESG Rating for the fund. The report also includes a deeper analysis of a material ESG issue confronting a sector with recent topics covered including an analysis of the potential impact of the Safeguard Mechanism on a selection of portfolio holdings and the inclusion of ESG metrics in REM.

Please see the attached link for recent examples of our Quarterly report:
<https://www.wavestonecapital.com.au/how-we-invest/esg/esg-activity-reports/>

The following climate related risks and opportunities are identified within the WaveStone Engagement Policy:

Climate Change - WaveStone subscribes to the scientific consensus that carbon dioxide in the atmosphere, predominantly as a result of human activity, has led to global warming. There has been a global move to reduce carbon emissions worldwide. The Paris Agreement, which outlines country-specific targets for reducing carbon emissions, was adopted in 2015 and has since been signed by 195 countries (as of July 2018). Countries must set out their plans for meeting their reduction targets by 2020, including Australia. As part of our engagement process, we engage with companies on their climate risk exposure. Our review of climate risk exposure includes checking whether a company has sustainability policies in place including carbon mitigation strategies and whether they have a representative on the board who is responsible for the management of the company's climate -related risks including carbon reduction plans. We also encourage investee companies to report their climate-related risks and opportunities in line with the Taskforce for Climate-Related Financial Disclosures (TCFDs).

Renewable energy generation - As the world looks to move to a low carbon economy, we expect to see a gradual shift away from fossil fuels and into renewable energy. With increased investment and technological advances in renewable energy generation and storage we expect the cost of renewable energy to continue falling and to become cheaper than traditional fossil fuel energy within a few years. We see opportunities in this space in companies which are either directly involved in renewable energy generation and storage or those which are increasing their usage of renewables in their energy sources.

- (C) No, we have not identified climate-related risks and/or opportunities affecting our investments

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 41.1	CORE	PGS 41	N/A	PUBLIC	Climate change	General

Does your organisation integrate climate-related risks and opportunities affecting your investments in its overall investment strategy, financial planning and (if relevant) products?

● (A) Yes, our overall investment strategy, financial planning and (if relevant) products integrate climate-related risks and opportunities

Describe how climate-related risks and opportunities have affected or are expected to affect your investment strategy, financial planning and (if relevant) products:

We see the climate-related risks as one of the most material ESG themes likely to impact our performance.

We believe that incorporating climate-related risk factors into our investment process enables us to assess risks and opportunities that are not yet reflected in asset values. Climate-related risk factors are identified and considered through qualitative fundamental analysis in the very first step of the investment process. This analysis feeds into our assessment of a firm's Sustainable Competitive Advantage which is deeply engrained within our stock selection process. We hold a view that ESG integration (which includes climate-related risks) can lower overall portfolio risk and improve returns. We believe responsibly managed companies are more likely to achieve a sustainable competitive advantage and provide strong long-term growth, as such, success versus our ESG objectives should ultimately be reflected in the Fund's performance.

We exclude companies that generate more than 10% of their revenue from Thermal Coal from our portfolio. Excluding Whitehaven Coal and New Hope Corporation from the WaveStone Portfolio detracted 14bps from performance over FY23.

○ (B) No, our organisation has not yet integrated climate-related risks and opportunities into its investment strategy, financial planning and (if relevant) products

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 42	PLUS	N/A	N/A	PUBLIC	Climate change	General

Which sectors are covered by your organisation's strategy addressing high-emitting sectors?

(A) Coal

Describe your strategy:

WaveStone excludes companies that derive greater than 10% of their revenue from thermal coal. WaveStone process typically avoids owning companies that have high stranded asset risk.

(B) Gas

Describe your strategy:

We see gas as an important transition fuel as a part of the world's decarbonisation efforts. WaveStone's process typically avoids owning companies that have high stranded asset risk. In the context of gas production, this risk can be mitigated by identifying producers with a lower breakeven cost of production and a track record of responsible execution.

We have actively engaged with both Santos and Woodside on their decarbonisation plans and other climate related matters. These meetings have also canvassed their anticipated demand profiles and competitive positioning in a decarbonising world. In June 2023 we accepted a role as co-lead for the CA100+ engagement effort for Woodside, this work is ongoing.

(C) Oil

(D) Utilities

Describe your strategy:

Climate change is a significant risk for the Energy utility sector and industry participants have been caught in the crosshairs. On one hand they face shifting government requirements and consumer preferences on carbon, while on the other, falling demand and technological change have made the way forward difficult to navigate.

It is our belief that as generation becomes less centralised, the role of the energy utilities will be more one of coordination. The future of energy retail is likely to be behind the meter, controlling and coordinating demand with increasingly disaggregated storage and generation.

The move is lowering the previously high barriers to entry and therefore, the likely returns outlook for the sector.

Carbon emitters are seeing higher costs of financing and insurance as the pool of investors available for these projects shrinks and/or seeks higher compensation for assuming climate risk. The Renewables 2021 Global Status Report highlights that public sentiment is rapidly turning against fossil fuels with Public and Private institutional investors worth nearly US\$15 trillion committed to divestment as of early 2021. Access to insurance is also becoming more difficult, with many of the large insurance companies in Australia committed to not investing in nor insuring any new thermal coal.

This higher cost of capital effectively performs the role of a carbon tax, increasing the relative cost of carbon intensive generation versus the renewable alternatives.

Some examples of climate factors we would consider when assessing an investment in the utilities sector would be: i) the risk of stranded assets; ii) the potential for the asset or skill mix of the company to support decarbonisation efforts; ii) government and consumer support for decarbonisation efforts in the sector; iii) shifting consumer preferences for PV and green energy and the propensity for households to allow utilities "behind the meter"; iv) impact of technological change; and, v) the likely impact on cost of capital of being a leader (or laggard) in decarbonisation.

In 2021 we shared a review of the Utilities sector with our clients entitled "Climate Change is changing the outlook for Energy Utilities".

(E) Cement

Describe your strategy:

Cement production results in significant GHG emissions (about 5-6% of global emissions) and uses a substantial quantity of water in its production. The use of aggregates within concrete also has implications for the natural environment and biodiversity. Some examples of climate factors we would consider when assessing an investment in the cement industry would be: i) the potential use of alternate fuels and power sources in production and transport; ii) implications of resource depletion in the manufacturing process; iii) potential for the use of recycled components; iv) technological change – are there additives that could extend the life of cement, promote the absorption of CO₂ or process changes with the potential to improve the manufacturing/transport emission profile; v) implications of emerging technologies or data driven design that could lower the amount of cement required in construction projects; and vi) pricing power – the ability to pass on higher production cost associated with renewable technology, CCS or carbon cost.

(F) Steel

(G) Aviation

Describe your strategy:

We do not exclude aviation stocks from our portfolio, however, given the sectors high emissions we are mindful of the need for aviation companies to have clear decarbonisation plans. Airline emissions currently account for 2.5% of global CO2 emissions. Given the sector is difficult to decarbonise and typically grows at 3-4% per annum (Covid impacts aside), this contribution is expected to increase with time as other sectors decarbonise more quickly.

We have compared the sustainability targets of QAN to selected airlines globally.

While most airlines are making a Net-Zero 2050 commitment (in line with IATA) not all have articulated a plan for getting there. At this stage, Qantas's targets appear largely consistent the efforts being made by other top tier carriers globally (see tables below), which lowers the risk for the airlines as it should deliver a greater level of cost parity through the transition than a less co-ordinated approach. Undertaking a carbon transition is a necessity but also an additional risk that airlines will need to manage in what is already a complex operating environment. The key question we have for airline operators is how they plan to balance the inflationary impact of sustainability initiatives against customer propensity to pay and the implications of relative competitive positioning arising from both action (higher costs/capex) or inaction (loss of customers looking for a better carbon solution and/or higher taxes as a relatively higher carbon emitter).

In June 2022 we published a review of the Airline Sectors decarbonisation plans. A link to this report is provided below:

<https://www.wavestonecapital.com.au/wp-content/uploads/2023/08/2206-MIOASF-WaveStone-ESG-Report-2.pdf>

<https://www.wavestonecapital.com.au/how-we-invest/esg/esg-activity-reports/>

<https://www.wavestonecapital.com.au/wp-content/uploads/2023/06/WaveStone-ESG-Policy.pdf>.

- (H) Heavy duty road
- (I) Light duty road
- (J) Shipping
- (K) Aluminium
- (L) Agriculture, forestry, fishery
- (M) Chemicals
- (N) Construction and buildings
- (O) Textile and leather
- (P) Water
- (Q) Other
- (R) We do not have a strategy addressing high-emitting sectors

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 43	CORE	N/A	N/A	PUBLIC	Climate change	General

Has your organisation assessed the resilience of its investment strategy in different climate scenarios, including one in which the average temperature rise is held to below 2 degrees Celsius (preferably to 1.5 degrees Celsius) above pre-industrial levels?

- (A) Yes, using the Inevitable Policy Response Forecast Policy Scenario (FPS) or Required Policy Scenario (RPS)
- (B) Yes, using the One Earth Climate Model scenario
- (C) Yes, using the International Energy Agency (IEA) Net Zero scenario
- (D) Yes, using other scenarios

● (E) No, we have not assessed the resilience of our investment strategy in different climate scenarios, including one that holds temperature rise to below 2 degrees

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 44	CORE	N/A	N/A	PUBLIC	Climate change	General

Does your organisation have a process to identify, assess, and manage the climate-related risks (potentially) affecting your investments?

(A) Yes, we have a process to identify and assess climate-related risks

(1) Describe your process

ESG factors are identified and considered through qualitative fundamental analysis in the very first step of the investment process. Incorporating ESG factors into our investment process enables us to assess risks and opportunities that are not yet reflected in asset values. All potential investments are assessed in relation to 7 markers of Superior Corporate DNA and 8 Industry factors. We integrate ESG factors in both our fundamental research and through active ownership. ESG integration forms a natural part of Wavestone's investment process.

We assess material ESG factors affecting a company and identify any improvement in ESG practices over the years.

We acknowledge that sustainable business practices will be a key determinate of long term profitability, with companies that are able to understand and actively manage sustainability considerations likely to achieve a competitive advantage. We see environmental issues as not only a potential investment constraint but also an opportunity, with many companies set to benefit from the push towards sustainability.

Environmental issues are considered on a case by case basis.

The materiality of potential environmental/climate issues will dictate the degree of analysis conducted.

An assessment will be made of each company's exposure to particular environmental factors and their relative preparedness for such eventualities. Our evaluation of this response will form part of our investment decision making process.

WaveStone believes its engagement work provides an opportunity to hold corporates to account to their ESG commitments and interrogate identified issues. Each quarter our investment team reports to the Board of WaveStone on its engagement activities and the climate related risks within the portfolio.

The report includes the Funds carbon intensity versus our benchmark for both scope 1 & 2 emissions and the most recent MSCI ESG Rating for the fund. The report also includes a deeper analysis of a material ESG issue confronting a sector with recent topics covered including an analysis of the decarbonisation plans of the airline sector and the Pilbara miners, plus the likely impact of climate change on the insurance sector and an analysis of the climate risk exposures and positioning of the Banks.

Key Environmental factors considered in our analysis:

Climate Change

WaveStone subscribes to the scientific consensus that carbon dioxide in the atmosphere, predominantly as a result of human activity, has led to global warming.

There has been a global move to reduce carbon emissions worldwide. The Paris Agreement, which outlines country-specific targets for reducing carbon emissions, was adopted in 2015 and has since been signed by 195 countries (as of July 2018). Countries must set out their plans for meeting their reduction targets by 2020, including Australia.

As an Investment Manager with a fiduciary duty to protect investor capital, WaveStone is supportive of the Paris Agreement

We expect well managed companies to be aware of the extent of their exposure to climate-related physical and transition risks. We encourage them to have plans in place to mitigate their exposure to these risks including their carbon emissions in the long term. We also assess a company's exposure to weather-related impacts of climate change as well as their preparedness for a transition to a low carbon economy. Our review of climate risk exposure includes checking whether a company has sustainability policies in place including carbon mitigation strategies and whether they have a representative on the board who is responsible for the management of the company's climate-related risks including carbon reduction plans.

As part of its engagement activity, WaveStone encourages investee companies to report their climate-related risks and opportunities in line with the Taskforce for Climate-Related Financial Disclosures (TCFDs).

Additionally, we monitor the carbon intensity of our portfolios against their benchmark. In support of this Framework, WaveStone are also committed to developing portfolio level carbon metrics in line with the TCFD's guidelines.

WaveStone is also a member of the Climate Action 100+ initiative, an investor-led collaborative engagement group focused on engaging with systemically important greenhouse gas emitters and other companies across the global economy to improve governance on climate change, curb emissions and strengthen climate-related financial disclosures.

(2) Describe how this process is integrated into your overall risk management

WaveStone strongly believes that responsibly managed companies are more likely to achieve a sustainable competitive advantage (SCA) and provide strong long-term growth. All potential investments are assessed in relation to the 7 markers of Superior Corporate DNA and 8 Industry factors that feed into our assessment of their Sustainable Competitive Advantage (SCA). ESG considerations are embedded into this first step of the investment process - the qualitative filter. Incorporating ESG factors into our investment process enables us to assess risks and opportunities that are not yet reflected in asset values.

Any changes with regard our assessment of Sustainable Competitive Advantage (SCA) will likely result in a reassessment of the security's position in the portfolio. The strength of a companies SCA score, when viewed in conjunction with our assessment of long-term valuation, will determine the investment's ultimate weight in the portfolio. It is through this mechanism that climate related risks are integrated into our overall risk management.

(B) Yes, we have a process to manage climate-related risks

(1) Describe your process

We expect well managed companies to be aware of the extent of their exposure to climate-related physical and transition risks. We encourage them to have plans in place to mitigate their exposure to these risks including their carbon emissions in the long term. We also assess a company's exposure to weather-related impacts of climate change as well as their preparedness for a transition to a low carbon economy. Our review of climate risk exposure includes checking whether a company has sustainability policies in place including carbon mitigation strategies and whether they have a representative on the board who is responsible for the management of the company's climate-related risks including carbon reduction plans.

From time to time we may identify an aspect of an investee company's environmental, social or governance behaviour that, in our opinion, endangers its Sustainable Competitive Advantage.

An example here could be a climate related risk. This issue will then become a focus our engagement efforts with the desired outcome or objective being a positive change to that aspect of a company's behaviour or strategy. We attempt to proactively, constructively, and collaboratively engage with the management teams of the companies in which we invest. We take a long-term ownership perspective when doing this and aim to advocate for change on this basis. It is through engagement that we manage climate-related risks.

As part of its engagement activity, WaveStone encourages investee companies to report their climate-related risks and opportunities in line with the Taskforce for Climate-Related Financial Disclosures (TCFDs). Additionally, we monitor the carbon intensity of our portfolios against their benchmark. In support of this Framework, WaveStone are also committed to developing portfolio level carbon metrics in line with the TCFD's guidelines.

WaveStone is also a member of the Climate Action 100+ initiative, an investor-led collaborative engagement group focused on engaging with systemically important greenhouse gas emitters and other companies across the global economy to improve governance on climate change, curb emissions and strengthen climate-related financial disclosures.

(2) Describe how this process is integrated into your overall risk management

We aim to engage with all companies in which we have invested, and those in which we might consider investing. Our engagements will cover all aspects of the company relevant to its prospects including ESG matters. We also seek to engage with Directors to the greatest extent practical and high-level company executives as well as parties outside companies to the extent necessary to properly evaluate ESG risks and opportunities (these external parties may include competitors, regulators, Government and industry bodies).

In the event our assessment of climate risk results in changes to our assessment of Sustainable Competitive Advantage (SCA) this will trigger a reassessment of the security's position in the portfolio. It is the strength of the companies SCA score, when viewed in conjunction with our assessment of long-term valuation, that determines the investment's ultimate weight in the portfolio. It is through this mechanism that climate related risks are integrated into our overall risk management.

- o (C) No, we do not have any processes to identify, assess, or manage the climate-related risks affecting our investments

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 45	CORE	N/A	N/A	PUBLIC	Climate change	General

During the reporting year, which of the following climate risk metrics or variables affecting your investments did your organisation use and disclose?

- (A) Exposure to physical risk**
 - (1) Indicate whether this metric or variable was used and disclosed, including the methodology
 - (1) Metric or variable used**
 - (2) Metric or variable used and disclosed
 - (3) Metric or variable used and disclosed, including methodology
- (B) Exposure to transition risk**
 - (1) Indicate whether this metric or variable was used and disclosed, including the methodology
 - (1) Metric or variable used**
 - (2) Metric or variable used and disclosed
 - (3) Metric or variable used and disclosed, including methodology
- (C) Internal carbon price
- (D) Total carbon emissions**
 - (1) Indicate whether this metric or variable was used and disclosed, including the methodology
 - (1) Metric or variable used
 - (2) Metric or variable used and disclosed
 - (3) Metric or variable used and disclosed, including methodology**

(2) Provide link to the disclosed metric or variable, including the methodology followed, as applicable

<https://www.wavestonecapital.com.au/how-we-invest/esg/esg-activity-reports/>

(E) Weighted average carbon intensity

(1) Indicate whether this metric or variable was used and disclosed, including the methodology

- (1) Metric or variable used
- (2) Metric or variable used and disclosed

(3) Metric or variable used and disclosed, including methodology

(2) Provide link to the disclosed metric or variable, including the methodology followed, as applicable

<https://www.wavestonecapital.com.au/how-we-invest/esg/esg-activity-reports/>

(F) Avoided emissions

(G) Implied Temperature Rise (ITR)

(H) Non-ITR measure of portfolio alignment with UNFCCC Paris Agreement goals

(I) Proportion of assets or other business activities aligned with climate-related opportunities

(J) Other metrics or variables

Specify:

We disclose to investors the MSCI ESG rating of the portfolio which includes as assessment of climate/carbon related risks.

(1) Indicate whether this metric or variable was used and disclosed, including the methodology

- (1) Metric or variable used
- (2) Metric or variable used and disclosed**
- (3) Metric or variable used and disclosed, including methodology

(2) Provide link to the disclosed metric or variable, including the methodology followed, as applicable

<https://www.wavestonecapital.com.au/how-we-invest/esg/esg-activity-reports/>

(K) Our organisation did not use or disclose any climate risk metrics or variables affecting our investments during the reporting year

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 46	CORE	N/A	N/A	PUBLIC	Climate change	General

During the reporting year, did your organisation disclose its Scope 1, Scope 2, and/or Scope 3 greenhouse gas emissions?

(A) Scope 1 emissions

(1) Indicate whether this metric was disclosed, including the methodology

- (1) Metric disclosed
- (2) Metric and methodology disclosed**

(2) Provide links to the disclosed metric and methodology, as applicable

<https://www.wavestonecapital.com.au/how-we-invest/esg/esg-activity-reports/>

(B) Scope 2 emissions

(1) Indicate whether this metric was disclosed, including the methodology

- (1) Metric disclosed
- (2) Metric and methodology disclosed**

(2) Provide links to the disclosed metric and methodology, as applicable

- (C) Scope 3 emissions (including financed emissions)
- (D) Our organisation did not disclose its Scope 1, Scope 2, or Scope 3 greenhouse gas emissions during the reporting year

SUSTAINABILITY OUTCOMES

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 47	CORE	N/A	Multiple indicators	PUBLIC	Sustainability outcomes	1, 2

Has your organisation identified the intended and unintended sustainability outcomes connected to its investment activities?

- (A) Yes, we have identified one or more specific sustainability outcomes connected to our investment activities
- (B) No, we have not yet identified the sustainability outcomes connected to any of our investment activities

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 47.1	CORE	PGS 47	N/A	PUBLIC	Sustainability outcomes	1, 2

Which widely recognised frameworks has your organisation used to identify the intended and unintended sustainability outcomes connected to its investment activities?

- (A) The UN Sustainable Development Goals (SDGs) and targets
- (B) The UNFCCC Paris Agreement
- (C) The UN Guiding Principles on Business and Human Rights (UNGPs)
- (D) OECD frameworks: OECD Guidelines for Multinational Enterprises and Guidance on Responsible Business Conduct for Institutional Investors
- (E) The EU Taxonomy
- (F) Other relevant taxonomies
- (G) The International Bill of Human Rights
- (H) The International Labour Organization's Declaration on Fundamental Principles and Rights at Work and the eight core conventions
- (I) The Convention on Biological Diversity
- (J) Other international framework(s)
- (K) Other regional framework(s)
- (L) Other sectoral/issue-specific framework(s)
- (M) Our organisation did not use any widely recognised frameworks to identify the intended and unintended sustainability outcomes connected to its investment activities

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 47.2	CORE	PGS 47	PGS 48	PUBLIC	Sustainability outcomes	1, 2

What are the primary methods that your organisation has used to determine the most important intended and unintended sustainability outcomes connected to its investment activities?

- (A) Identify sustainability outcomes that are closely linked to our core investment activities
- (B) Consult with key clients and/or beneficiaries to align with their priorities
- (C) Assess which actual or potential negative outcomes for people are most severe based on their scale, scope, and irremediable character
- (D) Identify sustainability outcomes that are closely linked to systematic sustainability issues
- (E) Analyse the input from different stakeholders (e.g. affected communities, civil society, trade unions or similar)
- (F) Understand the geographical relevance of specific sustainability outcome objectives
- (G) Other method
- (H) We have not yet determined the most important sustainability outcomes connected to our investment activities

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 48	CORE	PGS 47.2	PGS 48.1, SO 1	PUBLIC	Sustainability outcomes	1, 2

Has your organisation taken action on any specific sustainability outcomes connected to its investment activities, including to prevent and mitigate actual and potential negative outcomes?

- (A) Yes, we have taken action on some of the specific sustainability outcomes connected to our investment activities
- (B) No, we have not yet taken action on any specific sustainability outcomes connected to our investment activities

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 48.1	PLUS	PGS 48	N/A	PUBLIC	Sustainability outcomes	1, 2

Why has your organisation taken action on specific sustainability outcomes connected to its investment activities?

- (A) We believe that taking action on sustainability outcomes is relevant to our financial risks and returns over both short- and long-term horizons
- (B) We believe that taking action on sustainability outcomes, although not yet relevant to our financial risks and returns, will become so over a long-time horizon
- (C) We have been requested to do so by our clients and/or beneficiaries

- (D) We want to prepare for and respond to legal and regulatory developments that are increasingly addressing sustainability outcomes
- (E) We want to protect our reputation, particularly in the event of negative sustainability outcomes connected to investments
- (F) We want to enhance our social licence-to-operate (i.e. the trust of beneficiaries, clients, and other stakeholders)
- (G) We believe that taking action on sustainability outcomes in parallel to financial return goals has merit in its own right
- (H) Other

HUMAN RIGHTS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 49	PLUS	PGS 47	PGS 49.1	PUBLIC	Human rights	1, 2

During the reporting year, what steps did your organisation take to identify and take action on the actual and potentially negative outcomes for people connected to your investment activities?

- (A) We assessed the human rights context of our potential and/or existing investments and projected how this could connect our organisation to negative human rights outcomes
- (B) We assessed whether individuals at risk or already affected might be at heightened risk of harm
- (C) We consulted with individuals and groups who were at risk or already affected, their representatives and/or other relevant stakeholders such as human rights experts
- (D) We took other steps to assess and manage the actual and potentially negative outcomes for people connected to our investment activities

Specify:

ESG considerations are embedded in the first step of WaveStone's investment process - the qualitative filter. An assessment of the human rights impacts of the company occurs in this step. We perform this assessment from both a risk and opportunity perspective with a view that ESG integration enables us to assess risks and opportunities that are not yet reflected in asset values. From time to time we may identify an aspect of an investee company's environmental, social or governance behaviour that, in our opinion, endangers its Sustainable Competitive Advantage. This issue will then become a focus our engagement efforts with the desired outcome or objective being a positive change to that aspect of a company's behaviour or strategy. It is through engagement that we manage human rights risks

Explain how these activities were conducted:

Over the course of FY23 we engaged with a number of our investee company's on human rights matters. Examples include CWY on its health and safety trajectory and strategy for improvement and its approach to driving greater diversity in the organisation. We also engaged with EDV on the risk of adverse outcomes and responsible gaming as it applies to their Hotel's division. In addition, our June quarter ESG report undertook a deep dive into safety outcomes in the resources sector given a recent string of fatalities at Australian mining and oil & gas ('O&G') operations, as well as ASX-listed companies' operations overseas.
<https://www.wavestonecapital.com.au/wp-content/uploads/2023/08/2306-MIOASF-WaveStone-ESG-Report.pdf>

- (E) We did not identify and take action on the actual and potentially negative outcomes for people connected to any of our investment activities during the reporting year

LISTED EQUITY (LE)

OVERALL APPROACH

MATERIALITY ANALYSIS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
LE 1	CORE	OO 21	N/A	PUBLIC	Materiality analysis	1

Does your organisation have a formal investment process to identify and incorporate material ESG factors across your listed equity strategies?

(3) Active - fundamental

(A) Yes, our investment process incorporates material governance factors

(1) for all of our AUM

(B) Yes, our investment process incorporates material environmental and social factors

(1) for all of our AUM

(C) Yes, our investment process incorporates material ESG factors beyond our organisation's average investment holding period

(1) for all of our AUM

(D) No, we do not have a formal process. Our investment professionals identify material ESG factors at their discretion

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(E) No, we do not have a formal or informal process to identify and incorporate material ESG factors

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MONITORING ESG TRENDS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
LE 2	CORE	OO 21	N/A	PUBLIC	Monitoring ESG trends	1

Does your organisation have a formal process for monitoring and reviewing the implications of changing ESG trends across your listed equity strategies?

(3) Active - fundamental

(A) Yes, we have a formal process that includes scenario analyses

(1) for all of our AUM

(B) Yes, we have a formal process, but it does not include scenario analyses

(C) We do not have a formal process for our listed equity strategies; our investment professionals monitor how ESG trends vary over time at their discretion

○

(D) We do not monitor and review the implications of changing ESG trends on our listed equity strategies

○

(A) Yes, we have a formal process that includes scenario analysis - Specify: (Voluntary)

We include an assessment of a company's ESG performance within our assessment of that company's Sustainable Competitive Advantage. This qualitative assessment forms a part of the first step of our investment process.

We track and monitor the ESG trends of our investee companies over time. From time to time we may identify an aspect of an investee company's environmental, social or governance behaviour that, in our opinion, endangers its Sustainable Competitive Advantage. Identified issues can result in a change to a company's SCA score which impacts the weight of the investment in the portfolio. Material issues will then become a focus our engagement efforts with the desired outcome or objective being a positive change to that aspect of a company's behaviour or strategy. For material ESG risks, analysts will apply scenarios in their modelling. An example here could be the valuation of remediation within the resources, energy and waste sectors; the modelling of exposure to carbon cost or decarbonisation expense; or higher wage rates or operational costs stemming from improved human rights and compliance outcomes.

PRE-INVESTMENT

ESG INCORPORATION IN RESEARCH

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
LE 3	CORE	OO 21	N/A	PUBLIC	ESG incorporation in research	1

How does your financial analysis and equity valuation or security rating process incorporate material ESG risks?

(2) Active - fundamental

(A) We incorporate material governance-related risks into our financial analysis and equity valuation or security rating process

(1) in all cases

(B) We incorporate material environmental and social risks into our financial analysis and equity valuation or security rating process

(1) in all cases

(C) We incorporate material environmental and social risks related to companies' supply chains into our financial analysis and equity valuation or security rating process

(1) in all cases

(D) We do not incorporate material ESG risks into our financial analysis, equity valuation or security rating processes

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Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
LE 4	CORE	OO 21	N/A	PUBLIC	ESG incorporation in research	1

What information do you incorporate when you assess the ESG performance of companies in your financial analysis, benchmark selection and/or portfolio construction process?

(3) Active - fundamental

(A) We incorporate qualitative and/or quantitative information on current performance across a range of material ESG factors	(1) in all cases
(B) We incorporate qualitative and/or quantitative information on historical performance across a range of material ESG factors	(1) in all cases
(C) We incorporate qualitative and/or quantitative information on material ESG factors that may impact or influence future corporate revenues and/or profitability	(1) in all cases
(D) We incorporate qualitative and/or quantitative information enabling current, historical and/or future performance comparison within a selected peer group across a range of material ESG factors	(1) in all cases

(E) We do not incorporate qualitative or quantitative information on material ESG factors when assessing the ESG performance of companies in our financial analysis, equity investment or portfolio construction process

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ESG INCORPORATION IN PORTFOLIO CONSTRUCTION

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
LE 5	PLUS	OO 21	N/A	PUBLIC	ESG incorporation in portfolio construction	1

Provide an example of how you incorporated ESG factors into your equity selection and research process during the reporting year.

Pilbara Minerals (PLS) - Environmental

We recently added Pilbara Minerals to our portfolio with its exposure to the decarbonisation thematic (via its lithium exposure), supporting our investment thesis.

- Quality assets located in Western Australia: Pilbara Minerals (PLS) is a lithium miner with a 100% interest in the Pilgangoora Project in Western Australia.

PLS currently produces ~580kt of spodumene which it sells to customers via long-term offtake & in the spot market.

- Credible growth plan: PLS has approved growth to >1Mtpa of lithium spodumene via the P680 Project – which is currently being developed – and the P1000 Project, which was recently Board approved. We identify a strategic benefit from having assets in production that can capitalise on current prices (which are well above consensus' long-term forecasts) & latent capacity in already-installed infrastructure which can help mitigate broader industry inflation.

- Downstream exposure with POSCO: PLS owns a minority interest in a JV with POSCO to produce 43ktpa of lithium hydroxide. This asset is expected to be commissioned late-CY'23/early-CY'24.

We believe the downstream exposure supports PLS's strategic objective to become a fully integrated lithium raw materials producer, helps capture 'value-added' margin & diversifies its reach across the industry.

- Fortress balance sheet provides strategic optionality: PLS currently has >A\$2bn of net cash (~15% of its market) which means there is negligible credit risk. We also identify this as providing strategic optionality, including for greater shareholder returns and/or participating in industry consolidation. We note that PLS paid a maiden fully franked dividend at the H1 FY'23 result.

Lithium demand set to grow materially over the next decade which requires strong supply response

- Electric vehicle penetration set to grow over the next decade: We have a positive view on the outlook for battery raw materials given changing consumer preferences that favour electric vehicles.

China & Europe are leading the transition to EVs (vs ICE) which could each have c.2/3 sales by the end of this decade and drive global EV penetration to >40%. The US has been a laggard in EV uptake (2022 penetration <10%) but recent policy announcements outline new targets for >60% of sales by early next decade.

- Lithium is agnostic to battery chemistry: A typical car battery uses 600-800g LCE ('lithium carbonate equivalent') per kWh, and an EV battery typically averages 40kWh (some models are 100kWh+). Importantly, lithium is agnostic to battery chemistry (NCM, LFP etc) unlike other commodities, such as nickel and cobalt. This is important as we expect different markets will migrate to specific chemistries over time, based on preferences such as range, cost, recharge time & safety.
 - Lithium demand to grow materially over the next decade: On the back of electrification, we estimate lithium demand growth of >15% pa CAGR over the next decade, or the market growing by 1.8Mt LCE (with upside risk) vs. current demand of ~0.8Mt.
 - Can supply keep pace with demand growth? Global supply is set to grow, especially from South America, Africa, Canada and China. However, we identify risks to this supply given: (1) commissioning & operational issues for new projects; (2) new technologies are unproven at scale (e.g. direct lithium extraction); (3) environmental permitting. As such, whilst supply will undoubtedly grow, we expect this will likely steepen the cost curve which could mean incumbents with proven operating capability should accrue the margin benefits.
 - East vs West : An emerging theme are bifurcated markets based on regional sales mix.
- We see this evidently in recent policies to incentivise down-stream battery industries, such as the 'Inflation Reduction Act' (USA) and 'Critical Raw Materials Act' (EU). Given Australia IRA-compliance, this could drive a premium for ex-China output which could introduce a structural advantage for most domestic hard-rock lithium assets.

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
LE 6	CORE	OO 21	N/A	PUBLIC	ESG incorporation in portfolio construction	1

How do material ESG factors contribute to your stock selection, portfolio construction and/or benchmark selection process?

(3) Active - fundamental

(A) Material ESG factors contribute to the selection of individual assets and/or sector weightings within our portfolio construction and/or benchmark selection process

(1) for all of our AUM

(B) Material ESG factors contribute to the portfolio weighting of individual assets within our portfolio construction and/or benchmark selection process

(1) for all of our AUM

(C) Material ESG factors contribute to the country or region weighting of assets within our portfolio construction and/or benchmark selection process

(D) Other ways material ESG factors contribute to your portfolio construction and/or benchmark selection process

(E) Our stock selection, portfolio construction or benchmark selection process does not include the incorporation of material ESG factors

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POST-INVESTMENT

ESG RISK MANAGEMENT

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
LE 10	CORE	OO 21	N/A	PUBLIC	ESG risk management	1

For the majority of your listed equity assets, do you have a formal process to identify and incorporate material ESG risks and ESG incidents into your risk management process?

(2) Active - fundamental

(A) Yes, our formal process includes reviews of quantitative and/or qualitative information on material ESG risks and ESG incidents and their implications for individual listed equity holdings

(B) Yes, our formal process includes reviews of quantitative and/or qualitative information on material ESG risks and ESG incidents and their implications for other listed equity holdings exposed to similar risks and/or incidents

(C) Yes, our formal process includes reviews of quantitative and/or qualitative information on material ESG risks and ESG incidents and their implications for our stewardship activities

(D) Yes, our formal process includes ad hoc reviews of quantitative and/or qualitative information on severe ESG incidents

(E) We do not have a formal process to identify and incorporate material ESG risks and ESG incidents into our risk management process; our investment professionals identify and incorporate material ESG risks and ESG incidents at their discretion

(F) We do not have a formal process to identify and incorporate material ESG risks and ESG incidents into our risk management process

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PERFORMANCE MONITORING

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
LE 11	PLUS	OO 21	N/A	PUBLIC	Performance monitoring	1

Provide an example of how the incorporation of ESG factors in your listed equity valuation or portfolio construction affected the realised returns of those assets.

We exclude companies that generate more than 10% of their revenue from Thermal Coal from our portfolio. Excluding Whitehaven Coal and New Hope Corporation from the WaveStone Portfolio detracted 14bps from performance over FY23.

DISCLOSURE OF ESG SCREENS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
LE 12	CORE	OO 17 LE, OO 21	N/A	PUBLIC	Disclosure of ESG screens	6

For all your listed equity assets subject to ESG screens, how do you ensure that clients understand ESG screens and their implications?

- (A) We share a list of ESG screens
- (B) We share any changes in ESG screens
- (C) We explain any implications of ESG screens, such as their deviation from a benchmark or impact on sector weightings
- (D) We do not share the above information for all our listed equity assets subject to ESG screens

CONFIDENCE-BUILDING MEASURES (CBM)

CONFIDENCE-BUILDING MEASURES

APPROACH TO CONFIDENCE-BUILDING MEASURES

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
CBM 1	CORE	N/A	Multiple indicators	PUBLIC	Approach to confidence-building measures	6

How did your organisation verify the information submitted in your PRI report this reporting year?

- (A) We conducted independent third-party assurance of selected processes and/or data related to the responsible investment processes reported in our PRI report, which resulted in a formal assurance conclusion
- (B) We conducted a third-party readiness review and are making changes to our internal controls or governance processes to be able to conduct independent third-party assurance next year
- (C) We conducted an internal audit of selected processes and/or data related to the responsible investment processes reported in our PRI report
- (D) Our board, trustees (or equivalent), senior executive-level staff (or equivalent), and/or investment committee (or equivalent) signed off on our PRI report
- (E) We conducted an external ESG audit of our holdings to verify that our funds comply with our responsible investment policy
- (F) We conducted an external ESG audit of our holdings as part of risk management, engagement identification or investment decision-making
- (G) Our responses in selected sections and/or the entirety of our PRI report were internally reviewed before submission to the PRI
 - (H) We did not verify the information submitted in our PRI report this reporting year

INTERNAL REVIEW

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
CBM 6	CORE	CBM 1	N/A	PUBLIC	Internal review	6

Who in your organisation reviewed the responses submitted in your PRI report this year?

- (A) Board, trustees, or equivalent
- (B) Senior executive-level staff, investment committee, head of department, or equivalent
 - Sections of PRI report reviewed
 - (1) the entire report
 - (2) selected sections of the report
 - (C) None of the above internal roles reviewed selected sections or the entirety of the responses submitted in our PRI report this year