NORTHCAPE
CAPITAL

ESG & Investment Stewardship Report

2022

About this report

This is Northcape's third annual Environmental, Social and Governance (ESG) and Investment Stewardship report.

The report provides readers with an overview of Northcape's approach to integrating ESG into our investment activities, as well highlighting key ESG-related achievements throughout calendar year 2022.

We share a number of case studies across all of our investment strategies – Australian Equities, Global Equities and Emerging Markets Equities – putting into context the importance we place on ESG.

The key ESG-related achievements we have focused on this year relate to further understanding climate change risks and opportunities and developing a comprehensive framework for monitoring investee companies and their progress toward net zero. We also continue to refine our modern slavery framework and improve our knowledge in specialist ESG topics via our inaugural ESG Expert series. Some of the topics covered include Biodiversity, Carbon Capture Use and Storage and Traditional Owners.

Northcape recognises that ESG related risks and opportunities are a rapidly evolving issue for our clients, and we acknowledge that continual improvement in our processes will be necessary. We look forward to working with our clients to ensure a best practice approach.

For any questions relating to this report, please contact Katie Orsini on
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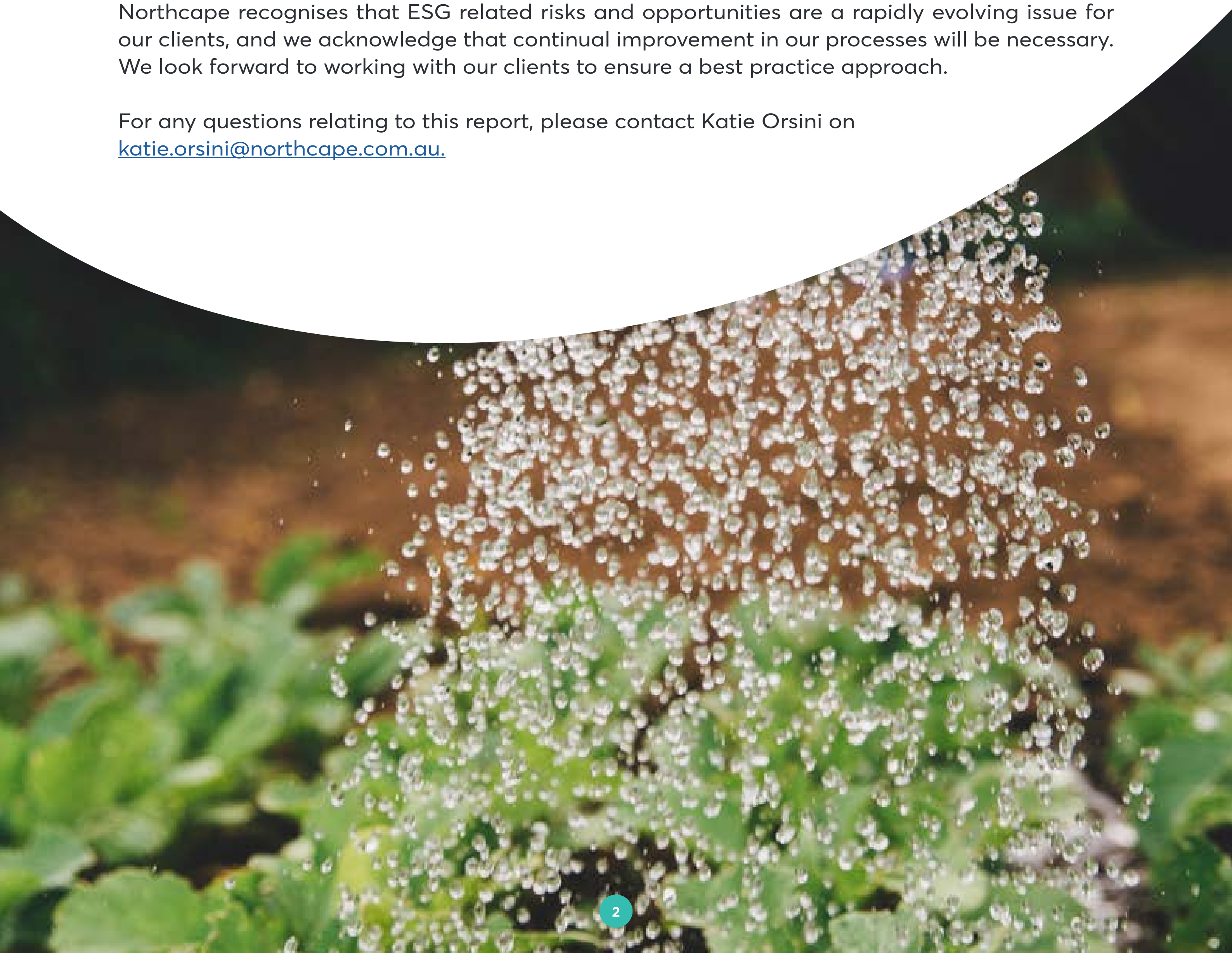

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About Our Business

Northcape Capital is a specialist equity fund manager wholly owned by its staff. We focus on managing concentrated, high-quality equity portfolios for clients.

At our inception, four senior investment professionals came together to set up a differentiated funds management company, where our clients are considered at the centre of everything we do. With relatively quick success in raising funds under management in our Australian equity strategies, we expanded our product range to include Emerging Markets and Global Equity strategies.

We hired experienced investment teams to manage these strategies and now have a diverse team of 16 investment professionals, with an average investment experience of 22 years. From the beginning our aim was to set up a best-in-class equity manager leveraging the very strong research capabilities we have here in Australia.

Since then, significant value-added returns have facilitated growth in funds under management to more than A$11.2 billion.

One of the keys to our success is our multiple portfolio manager structure, which encourages accountability, curiosity, constructive debate and diversity of thinking. This has been instrumental in attracting and retaining high calibre, experienced investment professionals across offices in Sydney and Melbourne.

Northcape has an experienced and dedicated team whose focus is solely on delivering strong performance over the long term for our clients. To facilitate this, we have invested in a large and experienced middle and back-office team to allow for minimal non-investment distractions for our investment team.

One of the things we are most proud of at Northcape is the culture we have created. It is one of inclusion and equality, where individual contributions are valued and recognised. This collegiate culture is embedded in all aspects of Northcape through our flat organisational structure, broad equity ownership and multiple portfolio manager approach. This environment has allowed for minimal staff turnover. We believe that the integrity and stability of our team are fundamental to our success, and we are proud to be home to a vastly experienced, high-quality, long-serving and cognitively diverse group of professionals.

Northcape has integrated ESG into its investment processes since the inception of the firm. While our focus in this area has evolved over time, the principles around ESG integration are the same. We aim to avoid companies with onerous ESG risks, invest in companies with a sustainable competitive advantage and engage with companies to achieve better ESG outcomes. ESG is considered in all stages of our investment process.

2004
Established

100%
Privately Owned

28
Employees

22yrs
Average investment experience

4
Strategies across Aust, Emerging Markets & Global Equities

A$11.2B
In assets under management

NORTHCAPE AT A GLANCE

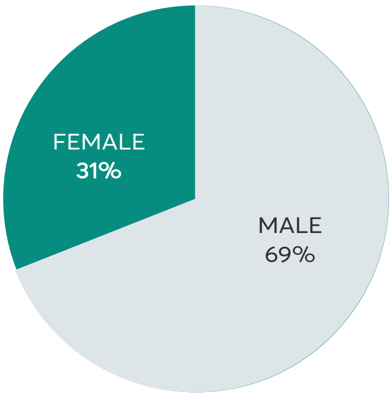
A DIVERSE AND STABLE TEAM

Northcape's team come from a range of backgrounds, ages, and experience. We celebrate and encourage this and have seen an increase in all areas of diversity in the last 12 months. Some of our diversity metrics and insights are shown in the charts below.

2021

GENDER DIVERSITY OF ALL EMPLOYEES

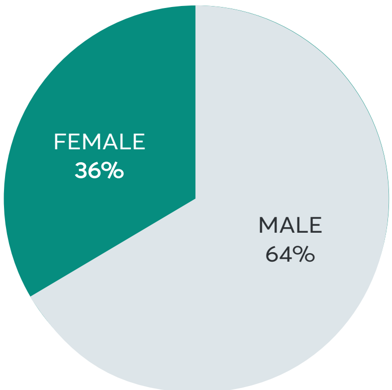
GENDER



2022

GENDER DIVERSITY OF ALL EMPLOYEES

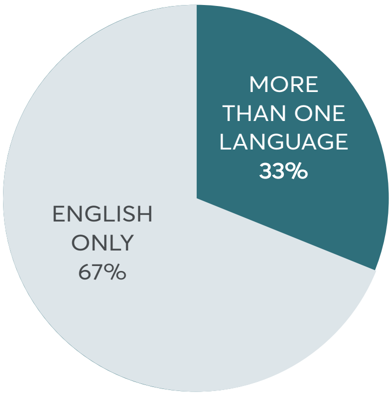
GENDER



2021

DIVERSITY OF NATIONALITES + BACKGROUNDS

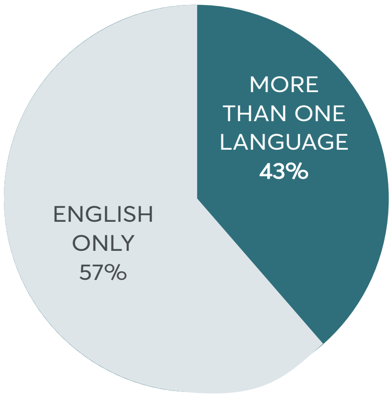
LANGUAGES



2022

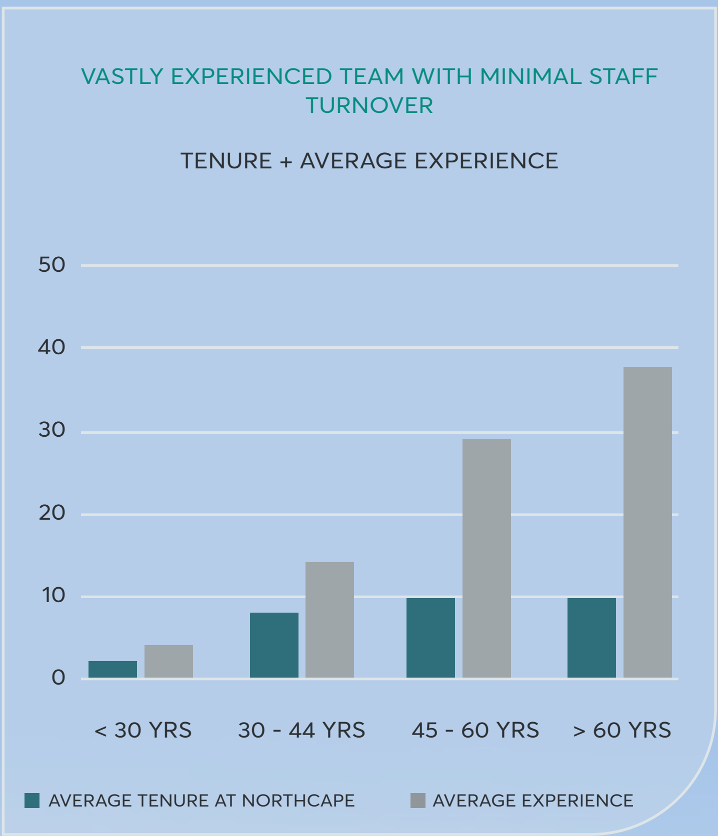
DIVERSITY OF NATIONALITES + BACKGROUNDS

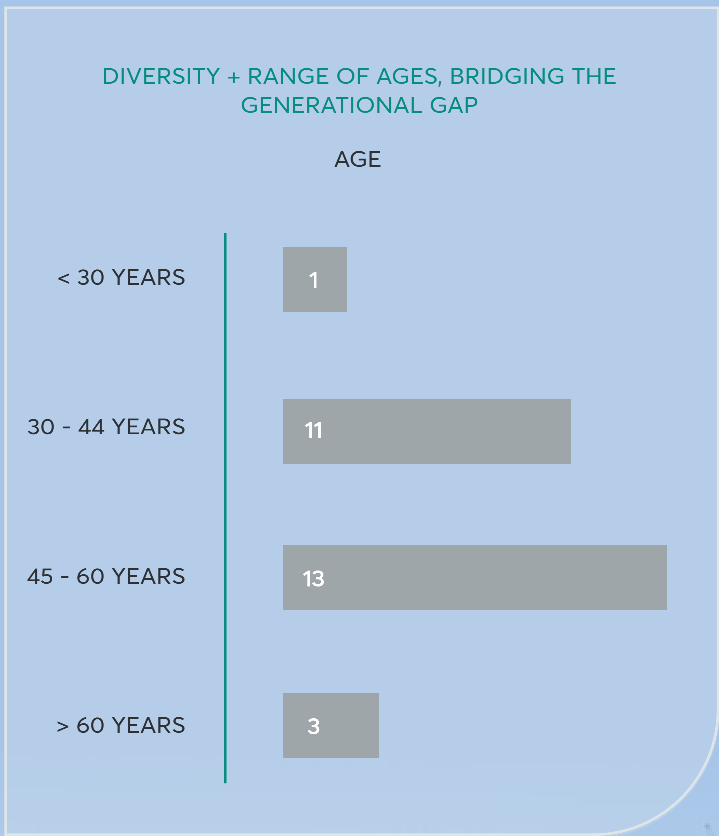
LANGUAGES



Northcape is committed to an inclusive workplace that embraces and promotes diversity. We value and respect the unique contributions of people with diverse backgrounds, experiences, and perspectives and the diversity of critical thinking that this brings.

Northcape employs experienced and motivated people who have proven expertise in their area of focus. We work closely together as a team in an open and collegiate culture. In this environment, Northcape has been able to attract high calibre investment professionals with very low levels of staff turnover.





OUR COMMITMENT TO RESPONSIBLE INVESTMENT

Northcape firmly believe that ESG factors have the potential to impact the risk return profile of a company and are key elements of long-term value.

Consideration of ESG factors have been a critical component of our investment decision making since Northcape was established in 2004.

Northcape has a duty to act in the best interests of our clients. This duty is the driver for Northcape to be a responsible capital allocator to maximise the overall value to our clients. This involves:

- Considering **overall returns** across the portfolio in addition to the risk-return profile of individual investments, including minimising harm and maximising overall non-financial value.
- Complying with **client directed** responsible investment and risk objectives.
- Considering long-term systemic **sustainability risks and opportunities**, including those that relate to transition to a Sustainable Development Goals (SDG) aligned world.
- **Protecting our client's reputation** by avoiding negative sustainability outcomes associated with any company held in their portfolio.

We believe that companies with good ESG practices and processes can better meet society's long-term expectations by contributing to the sustainable development of the environment in which they operate.

Companies focused on these issues are more resilient and are more likely to improve long-term returns for all stakeholders.

Conversely, companies that are unwilling or unable to sufficiently support an internal culture that can appropriately consider ESG issues, are more likely to be susceptible to existential threats and will deliver diminished investment value over the longer term.

As owners and active stewards of our clients' capital we believe we can make a positive impact on those companies in which we invest, and we can create a better outcome for all stakeholders.

Northcape is a signatory to the United Nations Principles for Responsible Investment (UNPRI). In signing the Principles, we as investors publicly commit to adopt and implement them, where consistent with our fiduciary responsibilities.

We also commit to evaluate the effectiveness and improve the content of the Principles over time. We believe this will improve our ability to meet commitments to beneficiaries as well as better align our investment activities with the broader interests of society.

We encourage other investors to adopt the Principles.

Our approach to Investment Stewardship

Consideration of ESG factors is integrated in all our equity portfolios. ESG is a critical factor considered when selecting high quality companies for our Approved List. The Approved List is dynamic and reflects our selection of the highest quality businesses regardless of pricing. We complete extensive due diligence on a company to ensure it passes our high ESG bar and as active managers take our role as stewards of long-term capital seriously.

INTRODUCTION

Our approach to ESG rests on a set of foundational core values. We integrate and rely on our collaborative and experienced team to work with companies to improve overall ESG outcomes for our portfolios. ESG analysis is a fundamental and integral part of our research. All of our portfolio managers and analysts are responsible for conducting rigorous bottom-up research, that is focused on understanding the sustainability of businesses.

We firmly believe that ESG factors have the potential to impact the risk-return profile of a company and are key elements of long-term value.

We believe that companies with good ESG practices and processes can better meet society's long-term expectations by contributing to the sustainable development of the environment in which they operate.

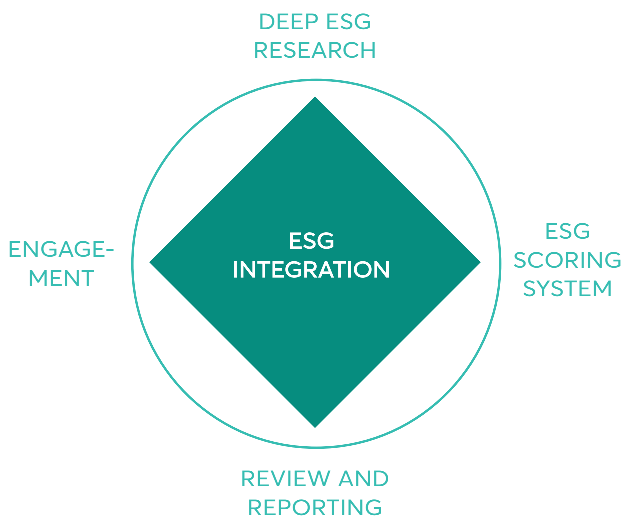
Our Responsible Investment Policy is applicable to all Northcape's funds and sets out our commitment and approach to ESG, stewardship, climate change and to anti-modern slavery.

INTEGRATION OF ESG INTO OUR INVESTMENT DECISIONS

Our processes are designed to integrate ESG risks and opportunities into our investment analysis and decision-making and to seek appropriate disclosure on ESG issues by the entities in which we invest.

Our approach to ESG integration is multifaceted and is an iterative and dynamic process.

ESG INTEGRATION:



DEEP ESG RESEARCH - ESG ASSESSMENT

An in-depth understanding of the ESG risks and opportunities of a company is a critical step in our bottom-up, fundamental analysis and is a key component of our assessment of the quality of a company.

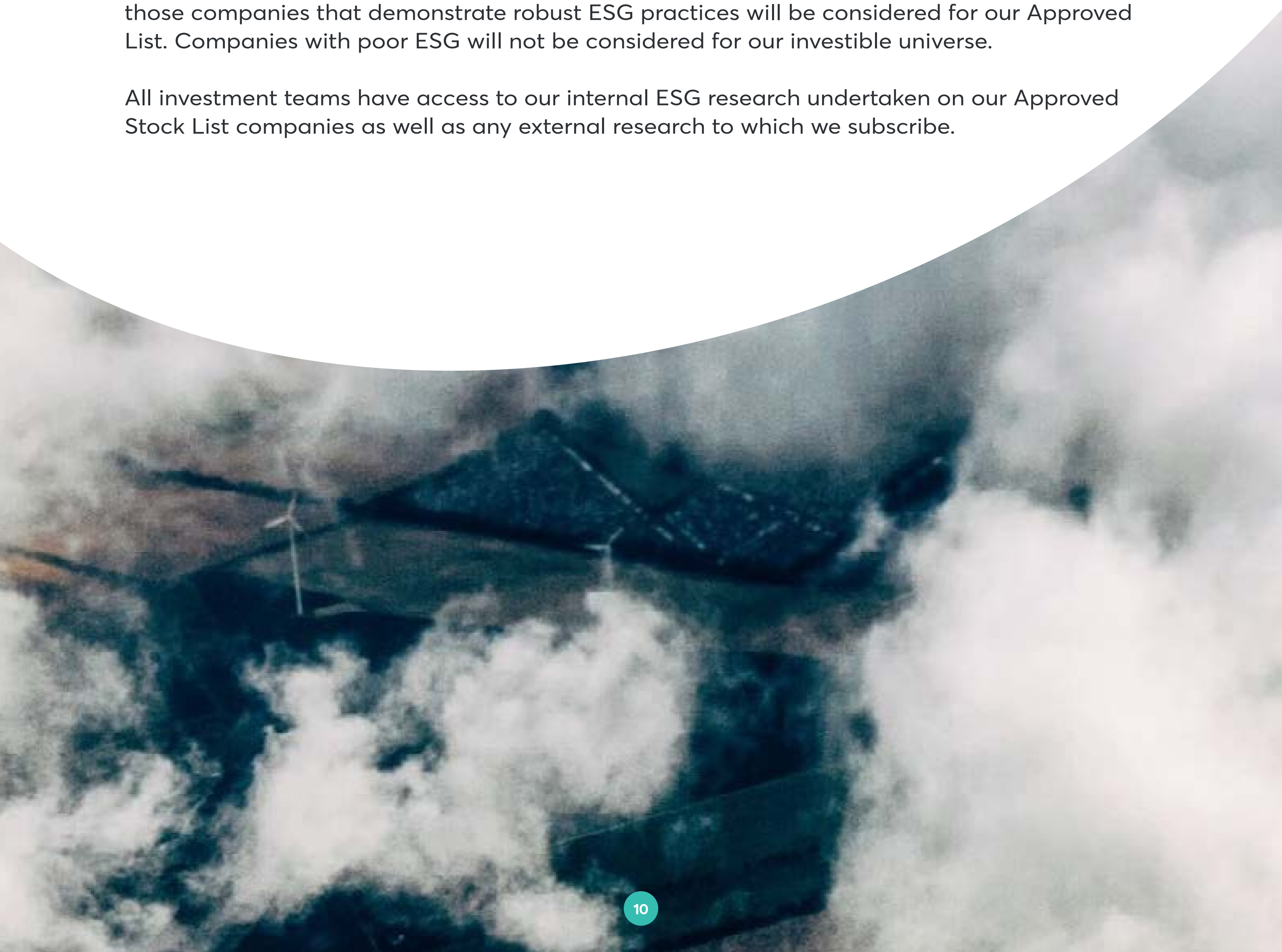
To achieve high conviction, we undertake a comprehensive ESG assessment of all prospective investments.

ESG information is gathered as part of deep, fundamental research undertaken by our analysts. We consider a comprehensive list of ESG factors, and rather than a generic check-box approach we will do independent and rigorous research including in-depth meetings with management to understand the specific ESG factors relevant to the company.

Our assessment of ESG factors impacting a company is primarily driven from internal research. We will also source external input from expert networks, stockbroker reviews, media commentary, advice from proxy advisors and ESG research and rating providers such as Sustainalytics, MSCI and ISS.

The culmination of our comprehensive ESG research is an ESG score for each company. Only those companies that demonstrate robust ESG practices will be considered for our Approved List. Companies with poor ESG will not be considered for our investible universe.

All investment teams have access to our internal ESG research undertaken on our Approved Stock List companies as well as any external research to which we subscribe.



ESG SCORING SYSTEM

We set a high ESG bar for the inclusion of companies on our Approved Stock List.

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

Our investment team will make a judgement of the materiality of ESG factors, considering context, durability and whether there has been any change in company behaviour. When considering materiality of ESG factors we assess both the financial impact as well as the companies impact on people and the environment (double materiality). This scoring system allows a peer group comparison of each company's ESG performance.

A high bar is set for each company, needing a minimum score of at least 6/10 and this must be unanimously agreed for any potential company to be included in our Approved Stock List. This effectively applies a positive screen so that only companies with strong ESG practices are included in our investment universe and this focuses our portfolios towards a stronger ESG position.

We will also apply negative screens for companies and markets subject to any domestic or international laws or sanctions, as well as negative screens to exclude investments in tobacco and controversial weapons. We also apply any other exclusions and benchmarks as directed by our clients.

A subset of the ESG issues considered is illustrated in the diagram below.

ENVIRONMENT
(3 POINTS)

Environmental risks including any possible effects of:

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

SOCIAL
(3 POINTS)

Social and workplace issues including:

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

GOVERNANCE
(4 POINTS)

Corporate Governance issues including:

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

REVIEW & REPORTING

We continually monitor for changes and stay abreast of key ESG issues to ensure the company continues to meet our standards in this area.

For each investment we create a tailored list of the most relevant ESG issues given the operations of the company and assess the adequacy of mitigation actions the company is taking against these risks. We will monitor progress in our regular research meetings, and hold separate meetings to specifically discuss ESG.

If a significant ESG issue arises, either when preparing to admit a company to the Approved List of stocks or subsequently, we will review the issue and decide the appropriate course of action.

Where material adverse developments have occurred, we consider whether or not the company should remain on our Approved List of stocks. For more minor issues, or areas that require our ongoing monitoring, the review provides an input into our company communication program.

ENGAGEMENT

We will engage directly with a company on material ESG factors or where we have a strong view.

Our view is that engagement with a company is a more effective tool than divestment alone, which links back to our ongoing assessment process. We work with companies to improve their ESG where we consider them to be underperforming. We document company engagement in a separate ESG activity log and record outcomes.

Importantly, if after our engagement, the ESG score for a company is reassessed to be below our high bar, then the company is removed from our Approved List. If the stock is also held in our portfolios, we would exit the position in an orderly manner and communicate our decision with the company.

We believe the consideration of the impact of ESG factors in investment decisions enhances a portfolio's long-term performance and this is a key step in ensuring responsible capital allocation.

STOCK EXAMPLE

ESG Intergration Process - Caution on the Gaming Sector

Our Approved List is dynamic and reflects our assessment of the highest quality companies in our investment universe. We continuously review the ESG assessment of a company to determine whether it still meets our quality criteria and if there are any ESG factors that will impede the company from delivering sustainable and growing returns over the medium term.

The gaming sector is one that we have been cautious of due to its problematic ESG profile. The key issues are responsible gambling and compliance with the law/ regulatory obligations. In 2022, the casino sector faced a reckoning after years of breaching laws and regulations relating to anti-money laundering. Breaches of legal and licence obligations were common practice in the industry until a slow-moving but wide-ranging regulatory crackdown in recent years. Star Entertainment Group (ASX: SGR) halved in market capitalisation in 2022 and ASIC is now suing its directors. We currently do not have any casino operators on our Approved List of stocks, largely due to concerns around governance and vulnerability to regulatory risk.

We also reviewed Aristocrat (ASX: ALL) during the year and decided not to add it to our Approved List for ESG reasons. In this case, the main issue is responsible gambling. While the company has made some progress in this area, there is a conflict inherent in its business model which all but ensures that responsible gambling will always be a problem. Aristocrat aims to make their games compelling to punters, with the goal of maximising revenue for the machine's owner. Any measures that protect players from over-spending are in conflict with this aim.

Aristocrat has successfully navigated this conflict for decades and may well continue to do so. But regulation in this area is evolving, for example NSW is currently proposing to increase regulation of poker machines. Meanwhile, Aristocrat has grown into new markets in digital gaming and is seeking to push into real-money online gambling. In our view, these markets face significant risk of regulatory action due to being relatively new, hard to monitor, and with potentially uncapped player losses. The materiality of this risk, along with the potential for player harm, is enough to keep Aristocrat off our Approved List.

ESG Expert Series

In 2022 Northcape implemented a program of periodic ESG Expert Meetings to cover a range of ESG topics relevant to our investment portfolios. Our aim of these meetings is to gain specialist insights to supplement our own internal ESG research.

Topics covered in our ESG Expert meeting so far:

Carbon Capture Use and Storage (CCUS): Northcape had a discussion with independent expert to assess the status of this technology in order to gauge the potential of CCUS to help mitigate gross emissions. We feel the industry is developing rapidly and has some potential in situations with the right characteristics. The key features are a high concentration of CO_2 in the source gas (>10% min) and suitable geography.

Biodiversity: Northcape had a discussion with independent expert on biodiversity. At this meeting we learned more about what biodiversity is, we discussed environmental regulation/policies to prevent biodiversity and nature loss. Noting that the problem stems from human activities encroaching on the animal and plant world. We learnt about the challenges and some economic opportunities in this space such as eco tourism. We also discussed what Northcape should be looking for to understand if a company is taking biodiversity seriously.

Traditional Owners: Royalty agreements can fund a lot of good for disadvantaged communities, but they can also create serious problems including infighting and hopelessness. They need to be carefully structured from the outset to ensure the money is beneficially used and that all the relevant people have been consulted. The process is inherently hard because the community may be dispersed, divided, intermingled with other groups. The individuals leading negotiations may not be aligned with the whole community and/or may not be up to the job. The miners require patience and authenticity. The big miners have quite different approaches to dealing with traditional owners. Fortescue Metals Group stands out for being focused on jobs and skills over cash, but implementation is sometimes lacking. Miners and government are under much more pressure to get things right post the Juukan Gorge destruction. This is likely to slow project approvals. Climate activists have begun to weaponise native title in their battles with oil & gas producers. This runs the risk of jeopardising projects that could benefit the relevant community.

Proxy Voting

Northcape has a policy of active involvement in all matters affecting the shareholders of companies that we invest in. Participation in company meetings by exercising votes is a critical right of shareholders and an important tool that Northcape uses to influence the governance practices of companies. Our primary objective when exercising our vote is to maximise the value of our client's investments.

In 2022 we voted on all resolutions across all our equity strategies where we have voting rights. A summary of how ownership rights have been executed over 2022 is provided in the table below. Our full proxy voting record for calendar year 2022 is shown in our Northcape's Annual Proxy Voting Report.

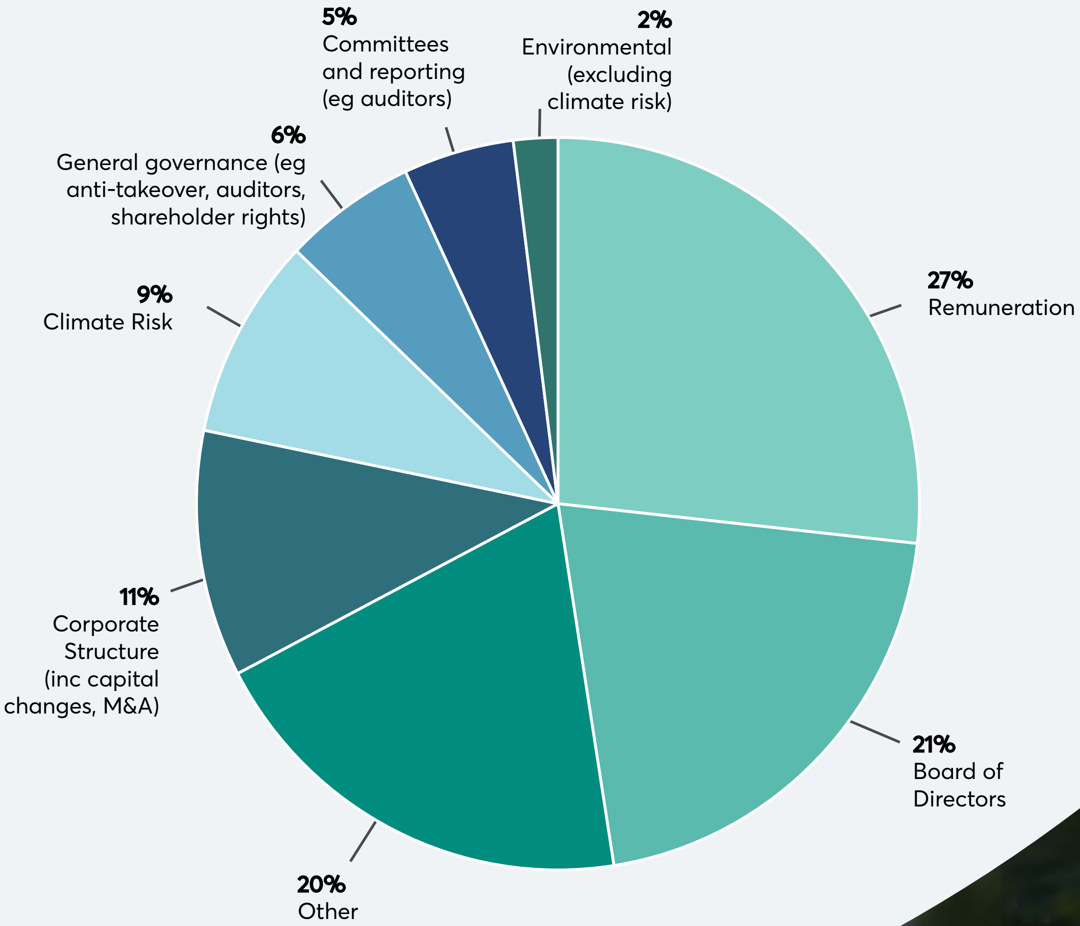
NORTHCAPE VOTING SUMMARY CALENDAR YEAR 2022	TOTAL
Shareholder meetings at which our clients' shares were voted	118
Number of Resolutions voted	1085
% of resolutions voted with board recommendations	92%
% of resolutions voted against board recommendations	8%
% of abstentions	0%

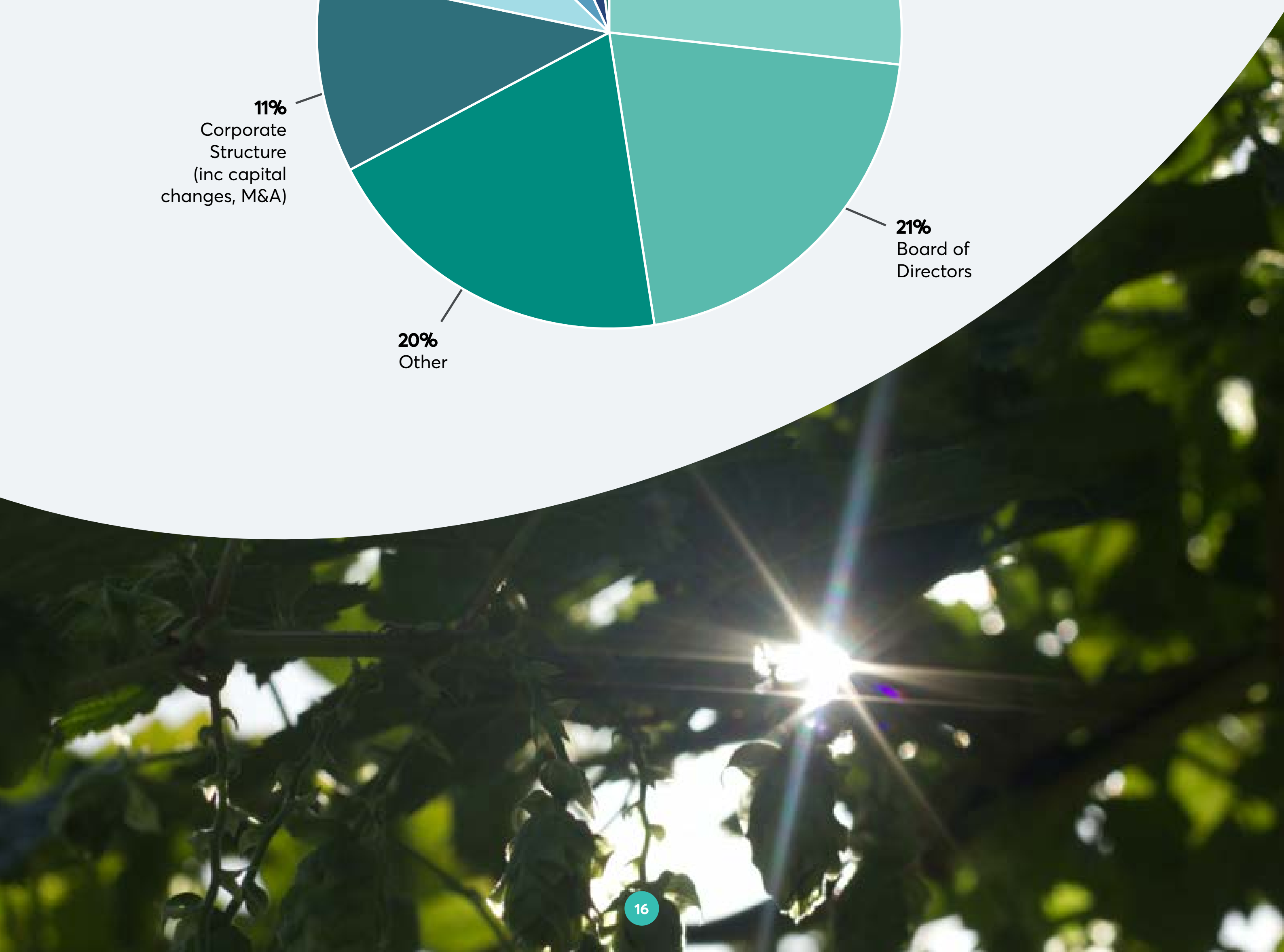
When there are issues that involve a degree of controversy, Northcape will contact the company to seek more information and/or clarification. Where we vote against the recommendation of the board, we aim to engage with the company before, and where applicable, after the vote to explain our reasoning.

Even if the vote is ultimately approved and behaviours remain unchanged, we believe that continual engagement with the company on these issues will bring increased focus and scrutiny on company practices and lead to a better outcome for all stakeholders.

Active ownership: As owners and active stewards of our clients' capital we believe we can make a positive impact on companies that we invest in and create a better outcome for all stakeholders by maximising returns, minimising harm, and maximising overall non-financial value.

In 2022, Remuneration received the most 'Against' votes. As a general theme, our major point of contention involves the setting of inadequate performance hurdles for executive remuneration schemes or a lack of disclosure surrounding performance hurdles. We are also continuing to engage with investee companies to build ESG KPIs into executive compensation. The below chart provides a breakdown of the topics for votes 'Against' management recommendations.





STOCK EXAMPLE

Proxy Voting - CBRE Group Inc

Northcape's Global Equities portfolio holds a position in CBRE Group Inc (CBRE), the largest commercial real estate services company with an integrated platform across various service lines operating in over 100 countries. CBRE has been a steady market share grower. Over the past few years, the company has been diversifying its revenue streams into more recurring revenue businesses including project management, outsourced real estate management and funds management. CBRE has the leading brand which results in quality customer relationships and enables it to attract and retain the top talent. Having scale both geographically and an integrated platform service offering also helps to enable cross-selling and provides a one-stop shop for customers.

The company was added to our Approved List in 2020. However, despite our positive view on the core business, our ESG assessment raised a governance concern:

- Weaknesses in accounting internal control procedures related to the Global Workplace Solutions EMEA segment were identified within the Audit and Risk oversight area.

- An appropriate level of oversight was not implemented in relation to internal controls over financial reporting to keep pace with the increased complexity and size of this business segment following a number of acquisitions.

Northcape sought clarification directly with the CFO and Investor Relations on these issues during 2022 and expressed our dissatisfaction in the length of time it has taken to remediate these issues. Our expectation was the material weakness in accounting controls should have been fully remediated in 2022. We continue to monitor progress and we hope to see an update in their 2022 Annual Report, which is the next key reassessment point.

Given our concerns we voted against the re-election of all directors on the Audit Committee in 2022 to reflect our goal of effecting improvement with CBRE's governance practices and to show we hold the relevant Directors on the Board accountable.

Although there was no material misstatement in the company's financial reporting and we appreciate the complexities of implementing standardised internal controls during COVID when travel was curtailed, we nevertheless want to minimise this risk through ensuring proper accounting internal controls are operational.

Company Engagement

We believe that engagement is a more powerful tool than divestment alone. We enter into the engagement process with the desire to influence the company to enact change and to achieve a specific outcome for the benefit of our clients. We will hold companies to account and will seek confirmation of progress.

We continuously engage with companies on our Approved List, and with those that we are considering for investment, as part of our research process. We believe this is the most effective way to gain a detailed understanding of the ESG risks and opportunities for that company.

Northcape engages with companies on all matters it believes will have a material impact on the long-term sustainable value, and on ESG matters where we have a strong view. We record all ESG activities separately in an engagement log where we monitor progress and outcomes.

We aim to be proactive in our company engagements. To facilitate this, for each investment we create a tailored list of the most relevant specific ESG issues given the operations of the company and assess the adequacy of mitigation actions the company is taking against these risks.

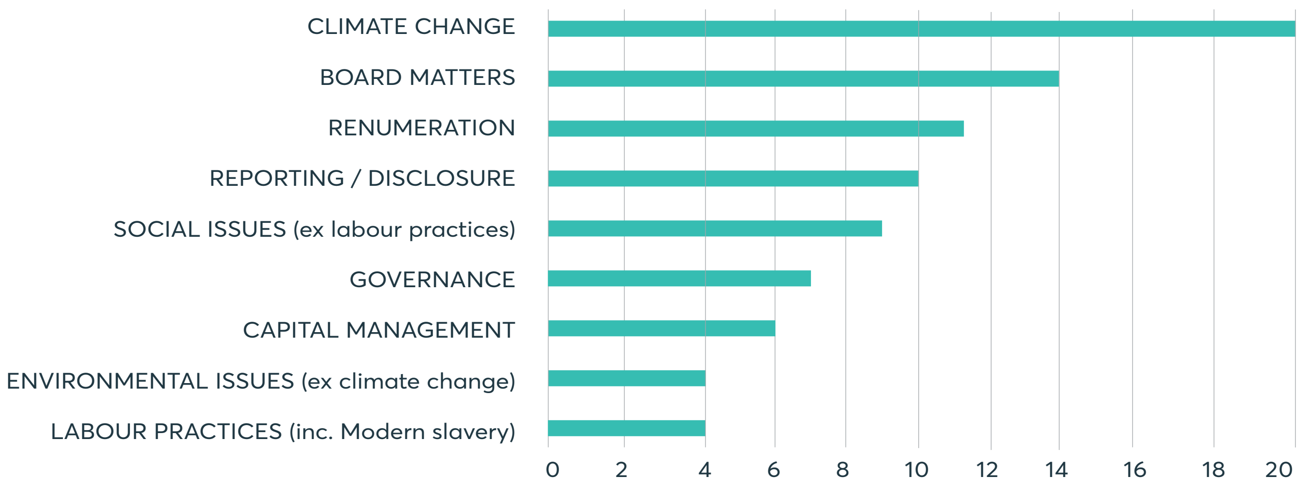
This provides input into our company communication program and enables us to track and monitor outcomes against the set of risks.

In 2022 we conducted 85 company engagements across our domestic and international equity funds with a specific focus on ESG. This was separate to other investment meetings with the companies. The chart below provides a summary of the main ESG themes discussed as part of our engagement activity.

Pleasingly, as our climate change and modern slavery policies have evolved, we have increased our efforts in taking an active stewardship role on these matters. Climate change represents a significant issue for the global economy and as such has been a key topic for engagement over the last year. In this area, we are engaging companies to be more transparent with their GHG emissions, encouraging them to start reporting climate statistics and to set achievable climate targets.

The table on the next page provides a full list of engagements by company over the course of 2022, including the specific topics discussed.

NUMBER OF ENGAGEMENTS BY CATEGORY



ANNUAL ESG ENGAGEMENT SUMMARY – CALENDAR YEAR 2022

Company	Country	Climate Change	Environmental Matters (Exc Climate Change)	Labour Practices	Social Issues (Exc Labour)	Renumeration	Corporate Governance (Exc Rem)*
Advanced Info Service Plc.	Thailand	●	●				●
AIA	Hong Kong					●	●
Amcor	Australia		●				
America Movil	Mexico						●
Ampol	Australia	●					
Aristocrat Leisure	Australia				●		●
ASX	Australia						●
Bangkok Dusit Medical Services PCL	Thailand	●					
Beach Energy	Australia		●				●
Capitec	Sth Africa					●	●
CBRE	USA						●
Coca-Cola FEMSA	Mexico						
Commonwealth Bank of Australia	Australia	●					●
DKSH Holding AG	Switzerland	●					●
FEMSA	Mexico	●		●			
Foshan Haitian	China	●					
GAP Airports	Mexico	●					●
Haier Smart Home	China	●					●
HDFC Life	India	●					●
IDP Education	Australia						●
Insurance Group Australia	Australia					●	●
James Hardie Industries	Ireland	●			●		●
Malaysia Airports	Malaysia						●
National Australia Bank	Australia	●			●		
Newcrest Mining	Australia				●		●
Origin	Australia	●					
PT Indocement	Indonesia	●	●			●	
Public Bank	Malaysia			●		●	●
Qantas	Australia	●			●	●	
Raia Drogasil	Brazil			●			●
REA Group	Australia	●			●		●
Santos	Australia	●					●
SEEK	Australia				●	●	●
Silver Corp Metals	China						●
Tata Consultancy Services	India						●
Techtronic	Hong Kong						●
Top Glove	Malaysia	●					
Transurban	Australia						●
Unilever PLC	UK					●	●
WEG	Brazil						●
Westpac Banking Corporation	Australia				●		
Woodside	Australia	●					
Xero	Australia						●
Zoetis	United States				●		●

* includes Board Matters, Voting Issues, Capital Management and Reporting & Disclosure that are not Climate change related.

STOCK EXAMPLE

Engagement - PT Indocement

PT Indocement (Indocement) is Indonesia's second largest cement producer in terms of market share with 13 plants producing about 20 million tons pa of product. Its main facility in Bogor (near Jakarta) is currently one of the largest cement factories in the world. The investment thesis supporting our ownership of Indocement reflects the fact that Indonesia has an enormous housing and infrastructure deficit, which underpins long-term demand growth for cement, coupled with an improving industry structure, delivering prospects of rising returns on capital for Indocement.

The manufacturing process of cement itself creates CO_2 emissions from calcination – the chemical reaction that occurs when limestone is exposed to extremely high temperatures to make clinker. Indeed, cement is one of the most GHG intensive products today, accounting for about 6% of global emissions, and has one of the greatest challenges it terms of abating its emissions. As such, Indocement is one of the largest GHG emitters in the Northcape EM strategy at 12mt CO_2e in 2021.

Northcape has engaged with the company on its GHG emissions and targets, as well as other environmental and social issues in the past. In 2022, we visited the company's main operation near Jakarta and questioned management directly on these issues, especially on strategies to lower GHG emissions.

Indocement has been developing it's emissions reporting capability, which has led to restating of emissions over time. We engaged on the issue of improving its measurement systems. In response the company made it clear that they are working toward automation of emissions data with its parent company HeidelbergCement (Germany) to develop more robust processes and systems for reporting. The company is aware that carbon taxes will come eventually, and environmental issues get board level attention, hence having accurate emission data is vital.

Indocement along with its parent is committed to carbon neutrality by 2050, and on an interim basis achieving an 8% reduction in carbon intensity to 575 Kg CO_2e/t by 2025 (versus its 2020 base). The parent company has committed to a target of 400 Kg CO_2e/t by 2030 (a 35% drop versus its 2020 base). Note: Achieving carbon emission targets is part of Indocement/ HeidelbergCement executive renumeration KPIs. Current efforts to reduce GHG emissions include:

- Changing production to supply increasing volumes of hydraulic cement, which has lower GHGs per unit
- Increasing the proportion of refuse derived fuel (RDF), as a substitute to coal which has higher emissions
- Reducing the amount of clinker in cement, substituting with strength enhancing compounds such as fly ash
- Install solar power at plants

We also note that there are other technologies such as graphene additives that can reduce GHGs, and ultimately the potential for carbon, capture and storage (CCS). Indocement also has access to the HeidelbergCement group R&D initiatives on emission reduction strategies. We will be keeping up our engagement with Indocement on the progress of these new technologies, as they hold the potential for substantial GHG reduction in the years ahead.

Northcape was also pleased to see Indocement brought in a Sustainability/ ESG committee in 2021 which reports to its Board of Directors. It is also the only cement company in Indonesia using IBAT data base in bio-diversity, while introducing bio-diversity staff training.

Climate Impact Assessment

Northcape acknowledges that climate change is a rapidly evolving global risk which presents challenges to the valuation of stocks.

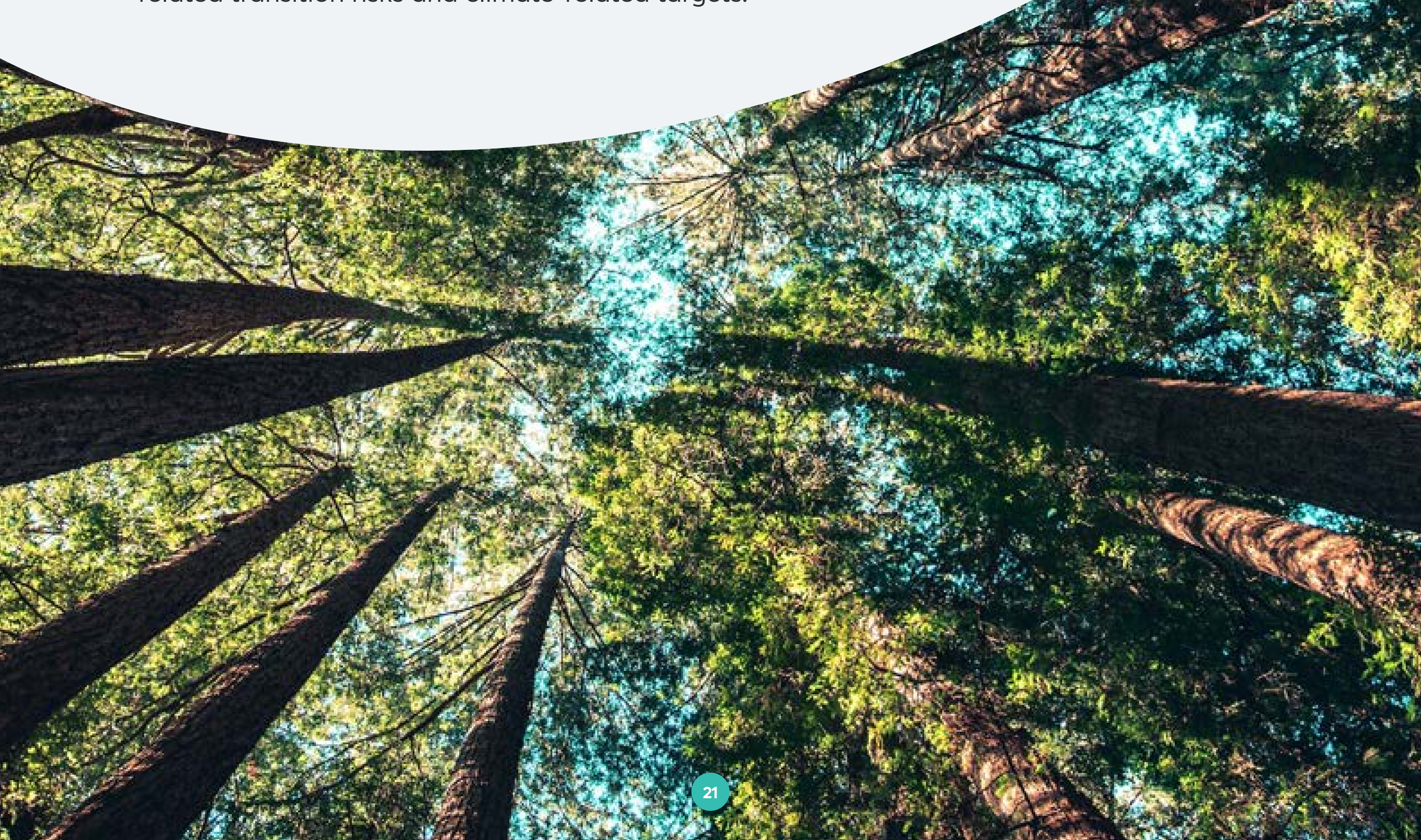
Northcape also recognises that limiting the increase in global temperatures to 1.5 to 2 degrees Celsius above pre-industrial levels requires significant changes in government policies and coordinated action from all parties, including investors, private business, and government.

There has been a global move to reduce carbon emissions worldwide and as an investment manager with a fiduciary duty to protect investors capital, Northcape is supportive of this.

Climate change is one of many ESG risks and opportunities to be considered in our investment process, but it is one of the most globally significant and topical issues and therefore separately addressed in our Responsible Investment Policy and in this report. To enable greater transparency and clarity around risks to the financial markets and individual companies, we support and encourage disclosure in line with the recommendations of the Task Force on Climate Related Financial Disclosures (TCFD).

In 2022, Northcape signed the Statement of Support for the TCFD Recommendations. By expressing our support for the TCFD recommendations we joined a cohort of leading companies that are taking action against climate change and considering how climate change will impact their business.

We have selected some climate metrics to include in this report to meet the standards of the TCFD. These are shown in the following pages and include metrics to assess the GHG emissions of our assets under management, the weighted-average carbon intensity (WACI) of our portfolios, climate-related transition risks and climate-related targets.



CARBON PORTFOLIO METRICS

Northcape monitors the carbon intensity of our portfolios against their benchmark and calculates portfolio carbon metrics, such as portfolio carbon exposure, carbon intensity and basic scenario analysis, utilising third party provider Institutional Shareholder Services (ISS).

Extracts from the ISS report show that across our equity strategies, our total share of emissions in 2022 was 423,268 tones of Co2e, which is 70% below the aggregate benchmark emissions of 1,399,576 tonnes of Co2e. A summary of the weighted average carbon intensity by strategy is shown in the charts below.

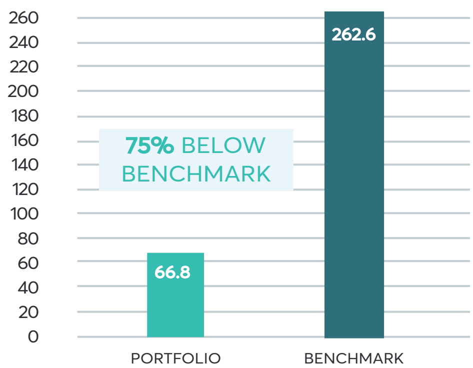
Our domestic equity carbon emission exposure is higher than our international portfolios, largely due to the higher concentration in this equity market to materials and energy sectors. Our top 2 contributors to our domestic equity carbon emissions footprint are Qantas and BHP. However, we hold no exposure to the top index emitters including AGL, South 32, Origin Energy and Santos.

Having a lower carbon footprint is clearly desirable from an environmental perspective, but it also means that there are lower risks that such companies will breach emissions standards, which could result in environmental fines, and increasingly in the future, carbon taxes – which will dent their valuations. Further, it is our firm belief that the very best companies care about managing their emissions because it is the right thing to do. We find such companies are invariably more resilient, and more likely to improve long-term returns for all stakeholders.

Weighted-average carbon intensity (WACI)

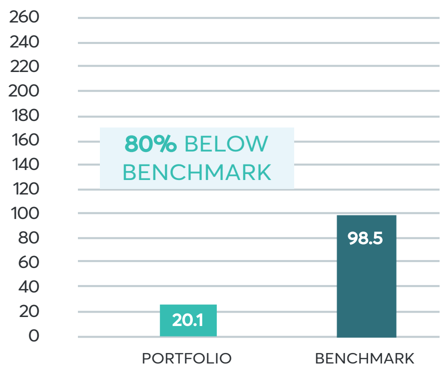
NORTHCAPE
EMERGING MARKETS PORTFOLIO

EMISSIONS EXPOSURE (tCO_2e /invested)



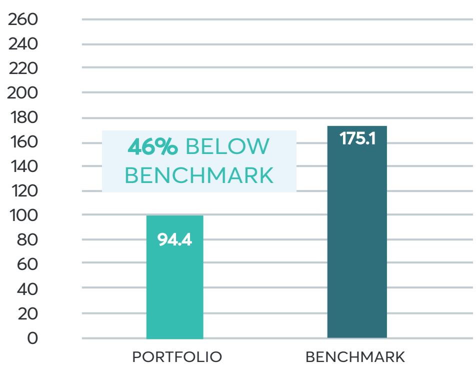
NORTHCAPE
GLOBAL EQUITIES PORTFOLIO

EMISSIONS EXPOSURE (tCO_2e /invested)



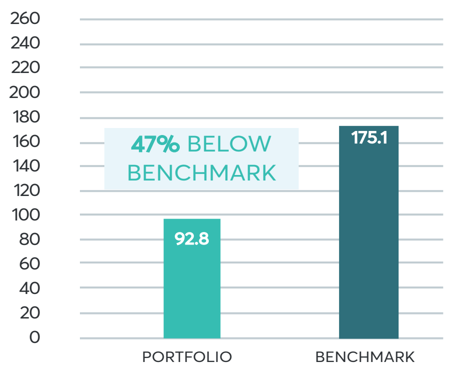
NORTHCAPE
AUSTRALIAN EQUITIES CORE

EMISSIONS EXPOSURE (tCO_2e /invested)



NORTHCAPE
AUSTRALIAN EQUITIES CONCENTRATED

EMISSIONS EXPOSURE (tCO_2e /invested)



Source: Institutional Shareholder Services (ISS)

The main purpose of measuring portfolio carbon metrics is to identify large contributors to our overall emissions intensity and prioritise engagement with these companies.

25%
of our company engagement activity in 2022 was on climate change.

We do have some companies in the portfolio with disproportionately high emissions (relative to their revenues), which drag our overall emissions intensity higher. We could simply dispose of such companies, but our first preference is to engage with management to push them to lift their game and work towards reducing their emissions. Otherwise, the ownership of such companies will simply end up in the hands of investors who ignore the environmental impact of their holdings, do not hold management to account, and their high emissions will remain a persistent problem. We believe this monitoring and engagement is an important factor behind our portfolios much lower-than-benchmark emissions.

Positive Contributors to the Energy Transition

While our lower than benchmark emissions data is encouraging, we don't believe it tells the whole story as many of the companies we invest in are making meaningful contributions to sustainable development and reduction in emissions.

- **Worley** has invested in capability to pivot its engineering services business from traditional oil and gas customers to sustainability projects including renewables, recycling, energy efficiency and critical minerals.

- **Macquarie Group** finances and develops green infrastructure including wind, solar, hydrogen, waste to energy, carbon capture and battery storage technologies.

- **Voltronic** is a leading manufacturer of inverter technologies, a vital component within solar power installations. Inverters convert direct current (DC) electricity, which is what a solar panel generates, to alternating current (AC) electricity, which the electrical grid uses, and as such is directly enabling the global growth of renewables.

- **Samsung SDI** is a leading producer of lithium-ion batteries, which are widely used as a clean battery energy source for EVs, power tools and stationery storage systems for utilities.

- **Enphase Energy and SolarEdge Technologies** are leading manufacturers of solar energy equipment with their products playing a big part in residential and commercial solar installations through inverters, battery storage and EV chargers worldwide. Their products and high level of efficiency are essential in generating renewable solar power. The equipment they manufacture are estimated to generate >300x greenhouse gas (GHG) savings from their use over 15 years in a solar installation compared to the GHG emissions involved in manufacturing the equipment.

- **Intertek** is a leading Assurance, Testing, Inspection and Certification firm. As part of its services Intertek offers ESG and Total Sustainability Assurance as well as Corporate Sustainability Certification to its clients. The company recently introduced two new products Carbon Clear™ and Carbon Zero™ which help organisations access independent third-party certification that verify emissions incurred per unit produced and achievement of carbon neutrality.

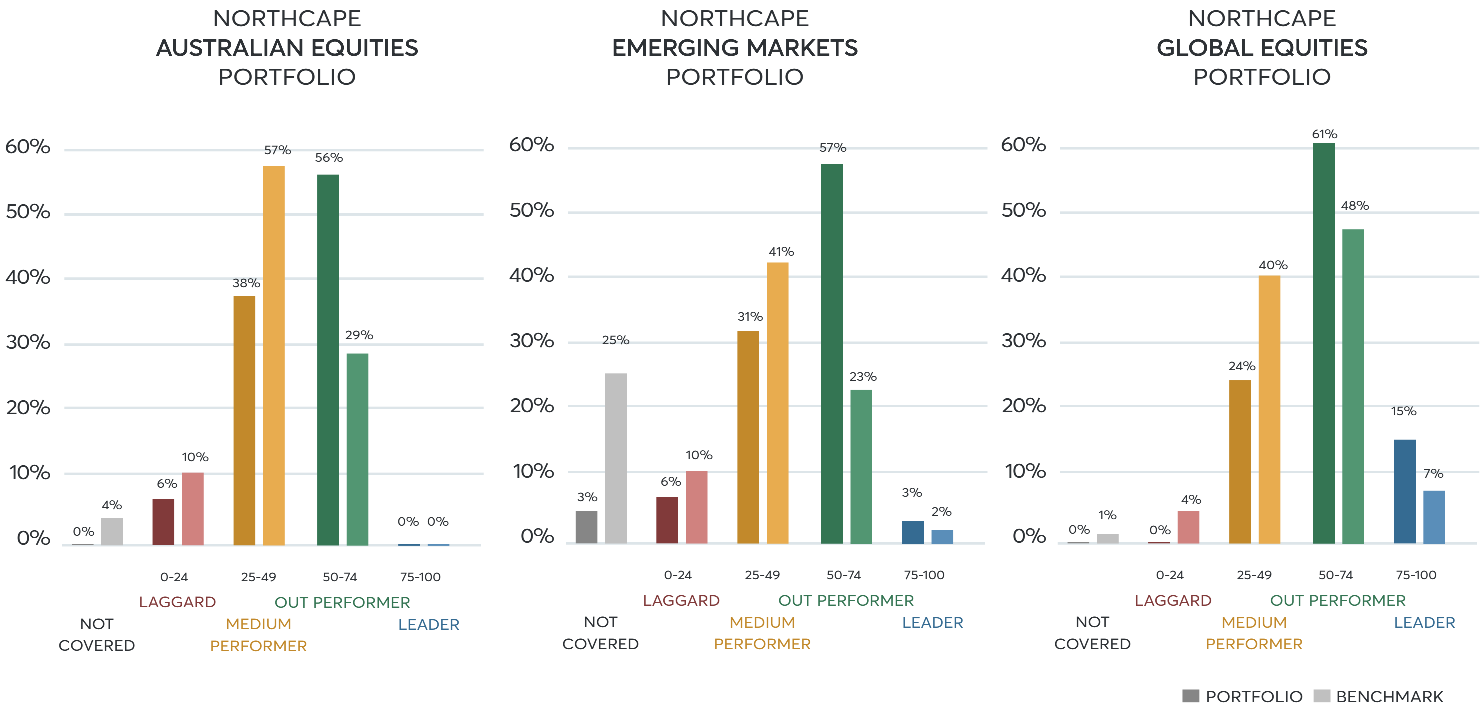
- **Legrand** through its energy efficient solutions (such as power optimising transformers) aims to enable its customers to avoid emission of 12m tonnes of Co2 2022-24. At the same time it aims to continue to reduce its own CO2 emissions through manufacturing improvements and renewable energy deployment. By 2023 the company aims to achieve 80% of its sales with eco-responsible solutions. At the end of 2020 the company disclosed that it generated 13.5% of revenue from low carbon products.

TRANSITION CLIMATE RISK ANALYSIS

Northcape is passionate about a responsible transition to net zero and we recognise the direct and indirect impact of transition on workers, customers, and communities. For this reason, we promote a nuanced consideration of the circumstances of each company. Companies facing the most profound near-term transition risks are not in our portfolios. This is not simply because such industries are high emitters, but companies in these sectors do not have the predictable earnings that we seek. Such businesses are simply inconsistent with our framework of owning high quality companies, with sustainable competitive advantages, that we expect to own for at least five years and ideally longer. However, we continue to engage with companies even where we are not shareholders to drive better climate outcomes and management of risk.

ISS's report also analyses Northcape's portfolios to Transition Climate Risk using a Carbon Risk Rating (CRR). The CRR is a proprietary classification, which assesses how exposed companies are to climate risks and opportunities, and whether these are managed in a way to seize opportunities, and to avoid or mitigate risks. More than 50% of our companies were considered Outperformers or Leaders in this area, which is well above the benchmark.

CRR DISTRIBUTION PORTFOLIO VS. BENCHMARK



COST OF CARBON SENSITIVITY ANALYSIS

Northcape has undertaken sensitivity analysis on the impact of costs of carbon. This is a critical risk we have considered in light of the impost of carbon border taxes in Europe, which are expected to be imposed from 2023 onwards and no later than 2026 for financial adjustments.

For each of our portfolios the impost of a A$100/ton carbon tax would reduce the EBIT by:

EMERGING MARKETS	GLOBAL EQUITIES	AUSTRALIAN EQUITIES
2.5%*	1.5%	<3%
APPROX	APPROX	APPROX
*weighted		

NET ZERO 2050

Northcape has set a net zero or low carbon objective for both its business operations and its investment portfolios.

From an organisational perspective, Northcape's operational energy use is small (primarily electricity, air travel and operational goods like IT and paper). We are implementing a policy to offset all our energy use and expect to have net zero emissions by the end of 2023. We aim to have this independently certified.

For our investment portfolios, we expect all our portfolio companies to have a credible pathway to transition their business to net zero by 2050. On an annual basis, Northcape reviews the carbon data of our portfolio and Approved List companies, and the progress they are making towards their long-term targets and to reducing their emissions. Where progress is lacking, or their long-term aspirations are unclear, we engage with management and encourage them to do better.

We have not set a short-term emissions target for our portfolios because this could only be achieved by changing portfolio weights of a small number of high-emitting companies, which may not be in the best interests of our investors. While we monitor our portfolio emissions, we caution investors about focusing on short term targets for this metric because outcomes are likely to reflect changes in portfolio weights, not underlying action on emissions.

Northcape's preference is to engage with companies on their net zero pathway and look for opportunities to invest in companies that are likely to positively benefit from climate change and the energy transition. In 2022, we prioritized our engagement with companies that are the largest carbon emitters overall and those with the greatest contribution to our portfolio carbon footprints. We track and measure outcomes of our engagement activity in this area (refer to page 18).

We note through discussions with our largest emitters, most of these companies have plans underway to reduce their carbon footprints over the next 5-10 years (some significantly), and this should therefore yield a reduction in the carbon intensity in Northcape's portfolios.

We acknowledge that some companies will rely on carbon offsets to achieve this.

STOCK EXAMPLE

Pathway to Net Zero - Qantas

Qantas is an example of a high emitting company with a long pathway to decarbonisation. We think aviation is an essential service, particularly in Australia where both domestic and international travel distances are so large there is often no alternative to flying. Divesting Qantas on climate grounds would not benefit the environment, travellers, or our investors, so our focus is on assessing the company's plans to decarbonise its operations by 2050.

Qantas made a commitment to attain net zero by 2050 in 2019, becoming the second airline group globally to make this pledge. However, attaining this solely through direct action is not possible with technology that is currently available. As a result, Qantas's Climate Action Plan (CAP) focuses effort in 3 areas: improving fleet efficiency; sourcing Sustainable Aviation Fuels (SAF); as well as the use of a carbon offset program. Fundamentally, we are supportive of this CAP. It would be disingenuous to announce a plan to achieve net zero by 2050 that heavily relied upon future technological breakthroughs.

A key feature of Qantas's CAP is measurable targets over the short to medium term and plans to link remuneration targets to measurable outcomes against these plans from the current financial year. Areas of focus during our ongoing discussions with senior management and the chairman relate to the measurability and integrity of the carbon offset program, the rate of change of fleet efficiency (and the associated fleet renewal program) and progress on initiatives to initiate a domestic SAF industry.

NORTHCAPE

CAPITAL

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