



Firetrail

Invest with Conviction

Stewardship Report 2023

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01.

Who We Are

Firetrail Investments Pty Limited (**Firetrail**) is an investment management boutique that specialises in high conviction equity investing. Our team of 23 investment professionals build concentrated portfolios of Australian and Global companies, to generate outstanding long-term performance for our clients.

Our mission is simple. To generate outstanding investment performance for our clients.

We believe we have an important role to play in the allocation of capital, both as active owners and long-term stewards of the assets in which we invest on behalf of our clients.

As a majority staff-owned business, sustainability is a core element of our purpose. We incorporate sustainability into our business operations and our investment process, working with investee companies to help them operate more sustainably to generate superior long-term returns.

Pinnacle Investment Management Group Limited (**Pinnacle**), a multi-affiliate investment management firm listed on the ASX (**ASX: PNI**), holds a minority stake (23.5%) in Firetrail. Pinnacle oversees Firetrail's middle and back-office operations, IT, financial, HR, and legal services, as well as business distribution support.

The Firetrail Board of Directors (**Board**) is ultimately responsible for considering the social, ethical, and environmental impact of our activities and monitoring sustainability practices. This includes overseeing the implementation and execution of our broader sustainability strategy and adoption of sustainability-related policies. The Firetrail Management Committee are responsible for oversight of the company's sustainability risks and opportunities in day-to-day operations.



Actively managed

Invest in our best Australian and Global equities ideas



High conviction

Gain an edge through deep research focused on "What Matters"



Experienced people

An award-winning team with a proven investment approach



Performance alignment

Investment staff are co-owners of the firm and invest alongside our clients

02.

About this Report

Firetrail is proud to release its 2023 Stewardship Report (**Report**). This Report includes insights on sustainability topics across the Firetrail business, as well as our work with companies to support them on their sustainability journeys, for the period covering 1 July 2022 to 30 June 2023 (**FY23**). As a responsible steward of capital, Firetrail aims to build trust and influence in our industry to drive long-term positive change.

We hope this report provides you with greater insight into our ESG philosophy and approach, the importance of stewardship across our business, and how we incorporate this into our investment and business activities.

This Report is to be read in conjunction with our other publicly available sustainability materials, including our Environmental, Social and Governance (**ESG**) Policy, Human Rights Policy, Diversity & Inclusion Policy, and Proxy Voting Policy.

Where appropriate, these documents are referenced throughout this document.

Please direct any feedback to the Firetrail Investment Specialist team at investmentspecialist@firetrail.com

03.

Welcome from our Managing Director

It is with great pleasure and a deep sense of responsibility that I present Firetrail Investments' Stewardship Report for FY23.

The investment sector is pivotal in steering the global economy towards sustainability, benefiting the environment, individuals, and society at large. As we navigate a rapidly evolving world, our role in facilitating a fair transition to a more sustainable economy is crucial. At Firetrail, we constantly strive to meet our clients' changing needs and assist the companies we invest in to advance their own sustainable transitions.

As active investors, we can be a force for good through our investment decisions and use our influence to deliver positive change through stewardship and broader advocacy. Firetrail Investments has been incorporating ESG factors into our investment strategies since our inception in 2018 and we've made substantial strides in responsible investment each year. We are continuing to engage with the companies in which we invest on their ESG actions, policies, and plans.

We're enthusiastic about the new opportunities responsible investing is creating for funds management. We're making steady progress in sustainability areas, but we acknowledge there's more to learn and accomplish. We're constantly evaluating our progress on strategic initiatives and responsible investment goals.

At Firetrail, we continue to place great emphasis on fostering positive relationships within our organisation. Firetrail strives to have a fully inclusive and equitable workplace, with a workforce that reflects the communities where we work and invest. We believe a diverse team, working in an inclusive environment, drives the best outcomes for our clients.

This report aims to showcase our daily efforts to incorporate sustainable thinking into our business while fulfilling our mission - to deliver exceptional investment performance for our clients. We're eager to continue advancing our sustainability efforts and contribute to a responsible investment environment alongside our clients, portfolio companies, and peers.

Our team's unwavering commitment to incorporating sustainability into our business is evident. This report reflects our continuous efforts to positively impact society and the environment while generating the long-term performance outcomes that our clients seek from their investments.

Thank you for taking the time to read this report, and I hope you enjoy reading about our progress.



Patrick Hodgens

Managing Director

December 2023

FY23 Developments

Firetrail have integrated ESG factors into our investment approach since the business began in 2018. We recognise that the understanding of sustainability factors is constantly improving, and thus strive for a process of perpetual improvement in relation to our business approach to sustainability. We want to be responsible stewards of the funds management industry.

Over the past year we have continued on our pathway to embed sustainable thinking into the way we conduct our business. Please find examples outlined below.

Increased transparency around our sustainability initiatives. This has included publicly reporting our ESG Policy, Proxy Voting Policy, Human Rights Policy, and Diversity & Inclusion Policy. We believe that by providing this increased transparency around our sustainability policies we are contributing to the continuous improvement of the investment management community on material sustainability areas.

Increased publication of thought pieces on sustainability topics. Following the launch of the S3 Global Opportunities Fund in 2021, we have increased the insight pieces written by the team on various sustainability topics. Some highlights from the past year, available on our website, have included;

- The style bias in emissions, and the opportunities in low carbon enablers,
- The importance of decarbonising steel to help the world meet its emission targets,
- A deep dive into the heating, ventilation and air conditioning (HVAC) sector, and
- Understanding Scope 4 or avoided emissions.

Continuous focused company engagement.

On behalf of our investors, we have engaged with company management over 330 times on

environmental, social and governance issues to drive positive change. We engage with companies listed across global indices, and have conducted increased research projects across companies on topics such as carbon capture and storage and direct air capture as well as the increased energy efficiency of heat pumps. We have also published recent global company engagements on our website to improve our transparency on company discussions.

Supporting sustainability initiatives. We remain a signatory to the PRI and a member of RIAA. We have also been strong supporters of the Pinnacle ESG Working Group, and Pinnacle Supplier Engagement Group, as well as a founding member and member of the organising committee of the Pinnacle Women and Allies Network.

Tracking our operational carbon emissions. We have continued to measure the carbon emissions from our operations since inception into FY23 and invest in credible offsets for these emissions to reduce the environmental impact of our business.

Supporting diversity in the investment management industry. We continued our support of diversity within investment management through involvement with the Women in Finance Scholarship recipients, and are proud that our investment team continues to be over 30% female, with women across senior positions such as Portfolio Manager, Head of Dealing and Senior Investment Specialist.

Continuing to support our wider community. Firetrail have been proud supporters of Mirabel since 2019, and have supported NASCA since 2022. The team enjoyed supporting these foundations through tutoring and volunteering events.

05.

Firetrail Funds and Sustainability Philosophy

Our Funds

Firetrail has four strategies across domestic and global equities with total funds under management of A\$7.1 billion as at 30 June 2023.

Firetrail Australian High Conviction Fund

The Firetrail Australian High Conviction Fund is a concentrated portfolio (approximately 25 companies) of our most compelling equity ideas. The strategy is built on fundamental, deep dive research guided by the philosophy that 'every company has a price'.

The Fund aims to outperform the S&P/ASX 200 Accumulation Index over the medium to long term after fees.

The strategy inception is 29 November 2005 and Firetrail Fund inception is 14 March 2018.

Firetrail Australian Small Companies Fund

The Firetrail Australian Small Companies Fund is a concentrated portfolio of our most compelling Australian Small Company ideas. The strategy is built on fundamental, deep dive research guided by the philosophy that 'every company has a price'.

The Fund aims to outperform the S&P/ASX Small Ordinaries Accumulation Index over the medium to long term after fees.

The Fund inception date is 20 February 2020.

Firetrail Absolute Return Fund

The Firetrail Absolute Return Fund is a market-neutral, uncorrelated alternative of Firetrail's best ideas. Long only positions are selected using in-depth fundamental analysis.

The short portfolio is constructed using a combination of fundamental analysis, systematic strategies and other value-adding strategies.

The Fund aims to outperform the RBA Cash Rate over the medium to long term after fees.

The strategy inception is 30 June 2015 and Firetrail Fund inception is 14 March 2018.

Firetrail S3 Global Opportunities Fund

The Firetrail S3 Global Opportunities Fund (Managed Fund) is a concentrated portfolio of Firetrail's best global equity ideas. The investment process employs fundamental analysis to identify the most attractive investment opportunities with sustainable characteristics.

The Fund aims to outperform the MSCI World

Net Total Return Index (AUD) over the long term after fees.

The Fund is also available as an active ETF – accessible for investment on the ASX under the ticker S3GO.

The Fund inception is 3 November 2021.

More detail on the Firetrail S3 Global Opportunities Fund can be found on page 10.

Our Sustainability Philosophy

Firetrail believe ESG factors can affect the value of investments. Therefore, ESG issues are a key component of the Firetrail investment process. By integrating ESG criteria into our investment process, Firetrail will attempt to directly influence companies to improve performance to the benefit of our investors. We aim to ensure our ESG engagement contributes to a more stable, sustainable, and inclusive global economy.

Firetrail recognises its responsibility to its clients, shareholders, and employees as well as to the community and the environment.

Firetrail seek to integrate ESG awareness into all aspects of the business, including both investment and business operations, as part of our duty as a responsible member of the Australian investment management industry.

There are three key components to Firetrail’s integration of ESG factors from an investment perspective:

1. Own it - each analyst owns ESG under their industry coverage. Analysts are the experts.
2. Measure it - ESG issues are investment issues. They must be measured.
3. Engage on it - Firetrail actively engages to address key ESG concerns. We do not screen out companies with high ESG risk.

Please refer to our **ESG policy** for further detail.

Alignment with RIAA’s responsible investment spectrum

Approach	Traditional Investment	Responsible and ethical investment						Philanthropy	
		ESG Integration	Exclusionary/negative screening	Norms based screening	Corporate engagement and shareholder action	Positive/best-in-class screening	Sustainability-themed Investing		Impact Investing
Method	Providing limited or no regard for environmental, social, governance and ethical factors in investment decision making	Explicitly including ESG risks and opportunities into financial analysis and investment decisions based on a systematic process and appropriate research sources	Excluding certain sectors, companies, countries or issues based on activities considered not investable due principally to unacceptable downside risk or values mis-alignment	Screening of companies and issuers that do not meet minimum standards of business practice based on international norms and conventions; can include screening for involvement in controversies	Executing shareholders rights and fulfilling fiduciary duties to signal desired corporate behaviours - includes corporate engagement and filing or co-filing shareholder proposals, and proxy voting guided by comprehensive ESG guidelines	Intentionally titling a proportion of a portfolio towards solutions; or targeting companies or industries assessed to have better ESG performance relative to benchmarks or peers	Specifically targeting investment themes e.g. sustainable agriculture, green property, 'low carbon', Paris or SDG-aligned	Investing to achieve positive social and environmental impacts - requires measuring and reporting against these, demonstrating the intentionality of investor and underlying asset/investee and (ideally) the investor contribution	Using grants to target positive social and environmental outcomes with no direct financial return

Firetrail Australian High Conviction Fund
Firetrail Australian Small Companies Fund
Firetrail Absolute Return Fund

Firetrail S3 Global Opportunities Fund

Sustainability initiatives



Firetrail is a signatory of the United Nations-supported Principles for Responsible Investment (PRI), committed to including ESG factors in their decision making. For more information on the PRI, please visit: www.unpri.org.

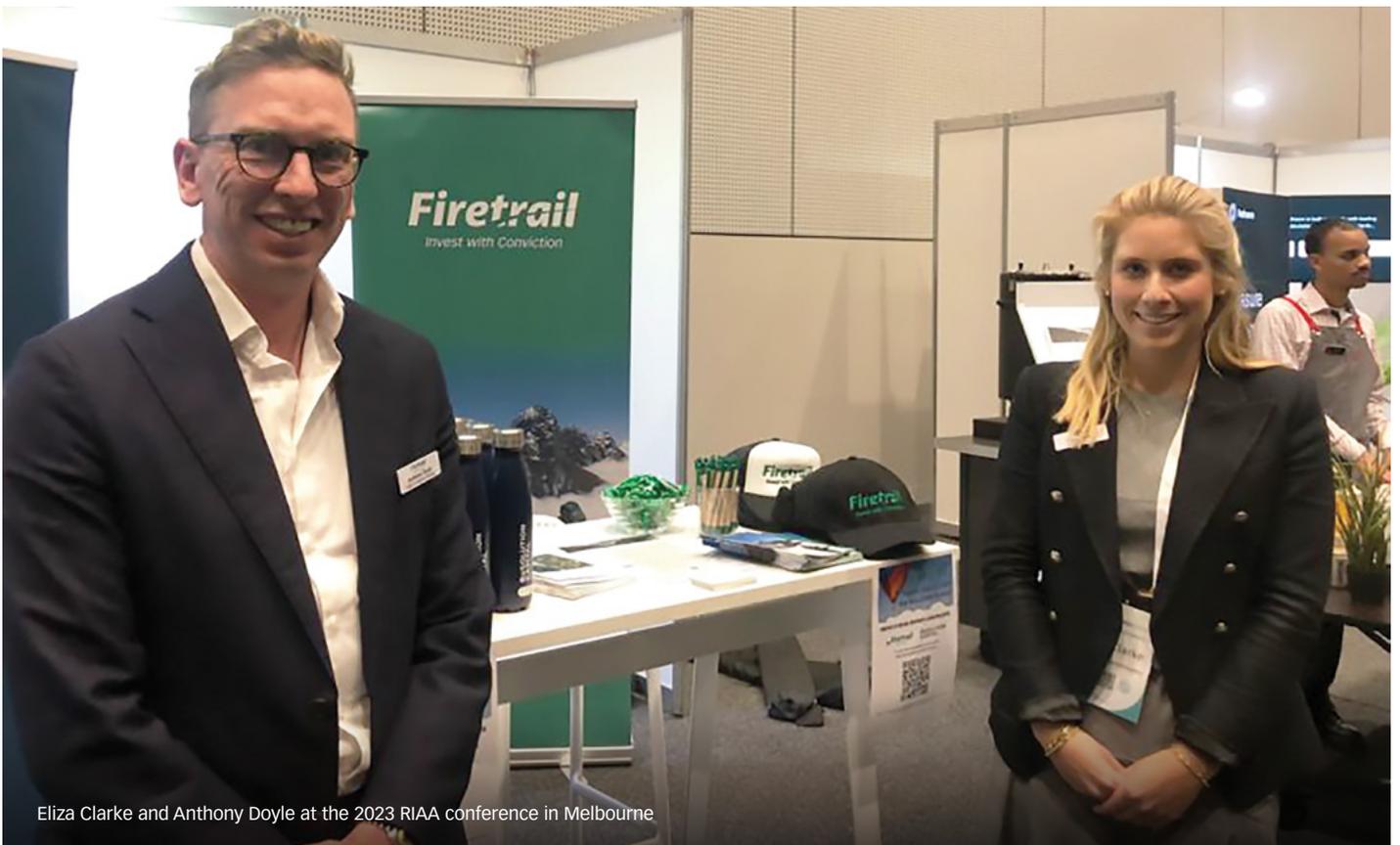


Firetrail is an official supporter of the Task Force on Climate-related Financial Disclosures (TCFD) to improve and increase reporting of climate-related financial information. For more information on TCFD, please visit www.fsb-tcdf.org.



Firetrail is a Member of the Responsible Investment Association Australasia (RIAA) and the Firetrail S3 Global Opportunities Fund achieved RIAA's Responsible Investment Certification in 2022. Our Head of Investment Strategy, Anthony Doyle, also sits on the RIAA certification assessment panel. RIAA champions responsible investing and a sustainable financial

system in Australia and New Zealand, ensuring capital is aligned with achieving a healthy society, environment, and economy. The Responsible Investment Certification Symbol is the leading mark for distinguishing quality, responsible and ethical investment products. For more information on RIAA, please visit: www.responsibleinvestment.org.



Eliza Clarke and Anthony Doyle at the 2023 RIAA conference in Melbourne

06.

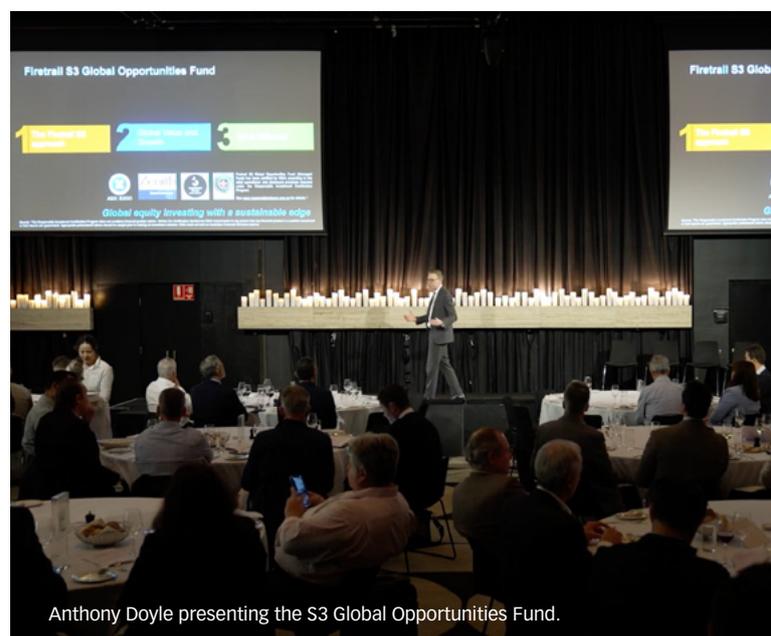
The Firetrail S3 Global Opportunities Fund

Firetrail was pleased to launch the S3 Global Opportunities Fund in November 2021, following years of research and preparation. The Firetrail S3 Global Opportunities Fund is a concentrated portfolio of Firetrail's best global equity ideas. The investment process employs fundamental analysis to identify the most attractive investment opportunities with sustainable characteristics.

At Firetrail, we believe that it is important to look beyond the current champions in positive change that often trade on expensive valuations. By backing overlooked companies that are early in their positive change progress, and facilitating their journey through stewardship, it is possible to generate meaningful alpha for clients. As these companies improve their sustainability credentials in the eyes of the market, we believe their share prices should re-rate higher. The Firetrail S3 Global Opportunities Fund is a concentrated portfolio of global equities that follows a high conviction approach. The Fund's philosophy is built on three key investment principles.

- 1. Sustainable companies deserve premium valuations** – Companies that the market perceives to have sustainable characteristics, such as good environmental practices, a social license to continue operations over the long-term, or strong corporate governance, deserve premium valuations relative to companies that do not.

- 2. Share prices follow earnings** – No matter how undervalued a company may seem, if earnings expectations are downgraded, the share price will generally fall. Companies generally reach fair value when they meet or beat market earnings expectations.
- 3. The market is slow to recognise positive change** – Companies can change for the better or worse. Fundamental analysis is the best way to uncover companies that can benefit from positive change in their business, industry, or markets.



Anthony Doyle presenting the S3 Global Opportunities Fund.

Unlike a traditional ESG approach, the fund invests in companies that are helping to drive the transition to a more sustainable future. To ensure sufficient diversity in the fund, companies are categorised according to one of Firetrail's four positive change themes which have been grouped from the United Nations Sustainable Development Goals.



1. Health & Wellbeing

An example of a company which may meet this sustainable investment theme is a health care company that develops technologies to ensure the integrity of chemical compounds used in the manufacture of pharmaceuticals.



2. Innovation & Equality

An example of a company which may meet this sustainable investment theme is a semiconductor company whose products are used in electric vehicles, consumer electronics, and computers.



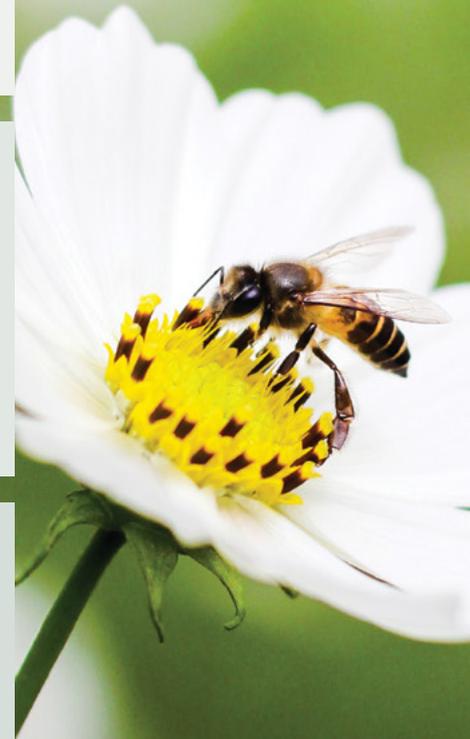
3. Climate Impact

An example of a company which may meet this sustainable investment theme is a utility company actively reducing its carbon emissions over the next 5-years by investing in renewable technologies.

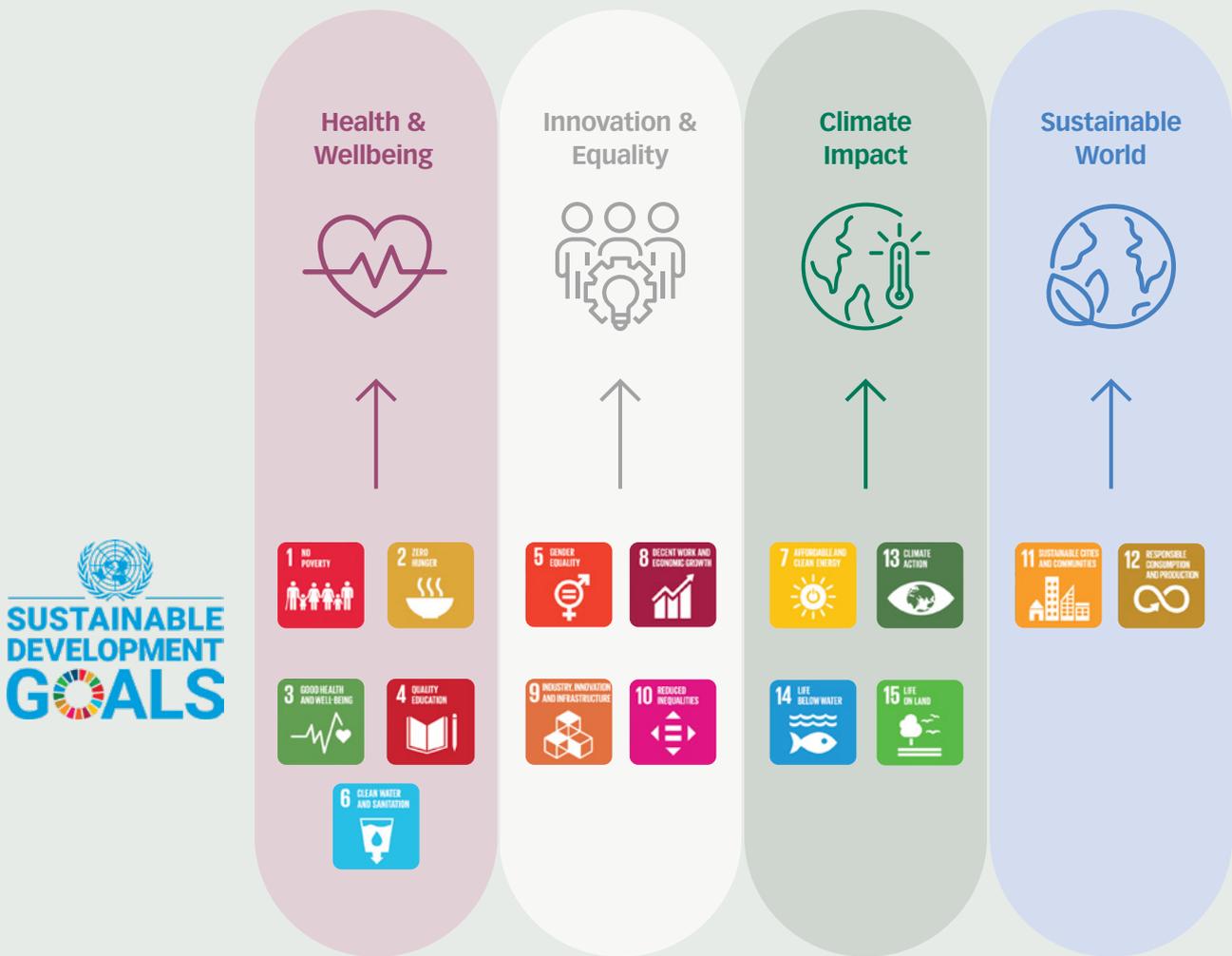


4. Sustainable World

An example of a company which may meet this sustainable investment theme is a biofuel supplier that creates the key ingredient for renewable diesel, an important alternative energy source to petroleum-derived diesel.



Firetrail S3 Global Opportunities Fund Positive Change Themes



Our best value and growth ideas with a sustainable edge

Source: Firetrail, The Firetrail S3 Global Opportunities Funds Positive change themes recalibrate the Sustainable Development Goals into investable, forward looking themes.

At Firetrail, we believe that backing the future leaders in positive change represents a material opportunity for global equity investors to generate meaningful investment performance over the medium term. Firetrail’s focus on deep fundamental analysis and a forward looking approach helps to identify those global

companies that are the very best candidates for a significant improvement in positive change. In doing so, we aim to invest in companies at more compelling valuations, and benefit from the rerating of the shares as the market realises the future potential of these businesses. This is global equity investing with a sustainable edge.



We are proud that the Firetrail S3 Global Opportunities Strategy has been certified by RIAA according to the strict operational and disclosure practices required under the Responsible Investment Certification Program.

See www.responsiblereturns.com.au for more details¹.

Offset portfolio emissions

On the Firetrail website, investors in the S3 Global Opportunities Fund are able to input their investment amount to calculate the estimated annual emissions of their investment. Investors may then choose to offset these emissions through the purchase of high-quality carbon offsets. We provide this for investors to increase the transparency of the carbon emissions profile of the portfolio, and contribute to improving the environmental impact of the Fund.

- ¹ The Responsible Investment Certification Program does not constitute financial product advice. Neither the Certification Symbol nor RIAA recommends to any person that any financial product is a suitable investment or that returns are guaranteed. Appropriate professional advice should be sought prior to making an investment decision. RIAA does not hold an Australian Financial Services Licence.

Offset your investment's carbon emissions

Use the calculator below to calculate the estimated annual emissions of your investment in Firetrail S3 Global Opportunities Fund (Managed Fund). As an investor, you may wish to offset these emissions through the purchase of high-quality carbon offsets.

Amount Invested in the S3 Firetrail Global Opportunities Fund (Managed Fund):

Carbon footprint (Tonnes of CO₂):

0.050

Visit <https://firetrail.com/funds/firetrail-s3-global-opportunities-fund-managed-fund/#offset-your-emissions> for more information on how to offset your investments emissions.



07.

Sustainability and ESG: the Global Landscape

The Firetrail S3 Global Opportunities Fund is made up of eight Portfolio Managers and Analysts who spend their time researching companies, as well as staying up to date on the developing risks and opportunities in the sustainability space. Below we present key themes they are keeping track of.

7.1 The current landscape – Europe leading the US

The ESG regulatory landscape continued to evolve in FY23, with Europe moving ahead of the US in terms of oversight and implementation.

In Europe we have seen the early effects of the Sustainable Finance Disclosure Regulation (SFDR) and the EU Taxonomy which aims to improve transparency, comparability, and sustainability of the financial sector by requiring financial participants (companies and funds) to disclose more about their ESG practices and prevent greenwashing.

The second phase of the EU Taxonomy provides increased reporting disclosures and requires companies to report across the remaining four of the six environmental objectives (climate mitigation, climate adaptation, sustainable water resources, circular economy, pollution prevention, biodiversity, and ecosystem protection).

Since companies must report across revenue, operating expenditure and capital expenditure, the EU taxonomy can highlight unexpected transition supportive companies. This often presents itself as necessary operating expenditure coupled with proactive transition capital expenditure – for example, a traditional car manufacturer investing in electric vehicles.

Firetrail proactively monitors this signal as a potential risk and opportunity.

7.2 The increase in focus – a push to disclose Scope Three emissions

Scope One emissions are direct emissions (for example, emissions from onsite fuel usage), while Scope Two emissions are indirect emissions (for example, emissions resulting from electricity purchased from the grid). By contrast, Scope Three are upstream and downstream emissions along a company's entire value chain – put simply the emissions produced by suppliers as well as those generated by customers when using a company's product or service.

In FY23, focus globally shifted to Scope Three emissions as investors looking at climate risk increased their sophistication and breadth. Scope Three emissions on average make up more than two thirds of emissions and form an important indicator as to the climate risk inherent in a business or product.

Many companies have well formed abilities to report their Scope One and Scope Two emissions, however quantifying Scope Three emissions is currently both more recent and more difficult.

Firetrail is monitoring this situation, as we expect that reporting Scope Three emissions will become mandatory in some major jurisdictions.

7.3 Standards being set – the focus on Scope Three emissions is coinciding with many jurisdictions looking to set their reporting standards

The Task Force on Climate-related Financial Disclosures (TCFD) is an independently formed, country agnostic, climate reporting framework which is designed to improve companies' disclosure of climate and sustainability related risks and opportunities. It is structured around four pillars: governance, strategy, risk management and metrics and targets.

Alignment to TCFD remains voluntary, but it has gained significant traction globally with the number of companies providing TCFD aligned reporting increasing, and regulators around the world who are pushing to standardise non-

financial disclosures continuing to use TCFD recommendations in developing climate related reporting requirements and standards.

In FY23, leading developed market jurisdictions were at various phases on proposing and implementing TCFD alignment into mandatory non-financial reporting requirements.

In the US, the SEC announced a preliminary reporting standard that will attempt to provide standardised climate risk and emissions reporting, with the objective of the mandatory reporting to provide investors with more consistent, comparable, and useful information. We expect these proposals to cover Scope One, Two and Three emissions.

We expect that any company that is already reporting in a TCFD aligned manner will already be compliant with the SEC's proposals when implemented for their Scope One and Scope Two emissions – however, in many cases, there is still more work to be done to provide accurate reporting on Scope Three emissions.

Firetrail is an official supporter of the TCFD to improve and increase reporting of climate-related financial information.

7.4 The next phase – Biodiversity, Deforestation and TNFD

Moving forward, we expect Biodiversity Risk, Deforestation, and the Task Force on Nature-related Financial Disclosures (**TNFD**) to be the next main frontiers of climate related disclosures – indeed, work on these has already begun.

EU deforestation laws cover seven key commodities and products derived from them. The regulation requires companies trading products derived from these commodities to do extensive due diligence and ensure the goods are not a result of deforestation, forest degradation or breaches to local environmental and social laws.

The EU deforestation regulation will begin to be phased in from 2024, with potential fines of up to 4% of turnover for noncompliance.

TNFD is a nature related reporting framework which is designed to improve companies' disclosure of around biodiversity loss and ecosystem degradation. The structure of the

framework is based on the same four key pillars as TCFD.

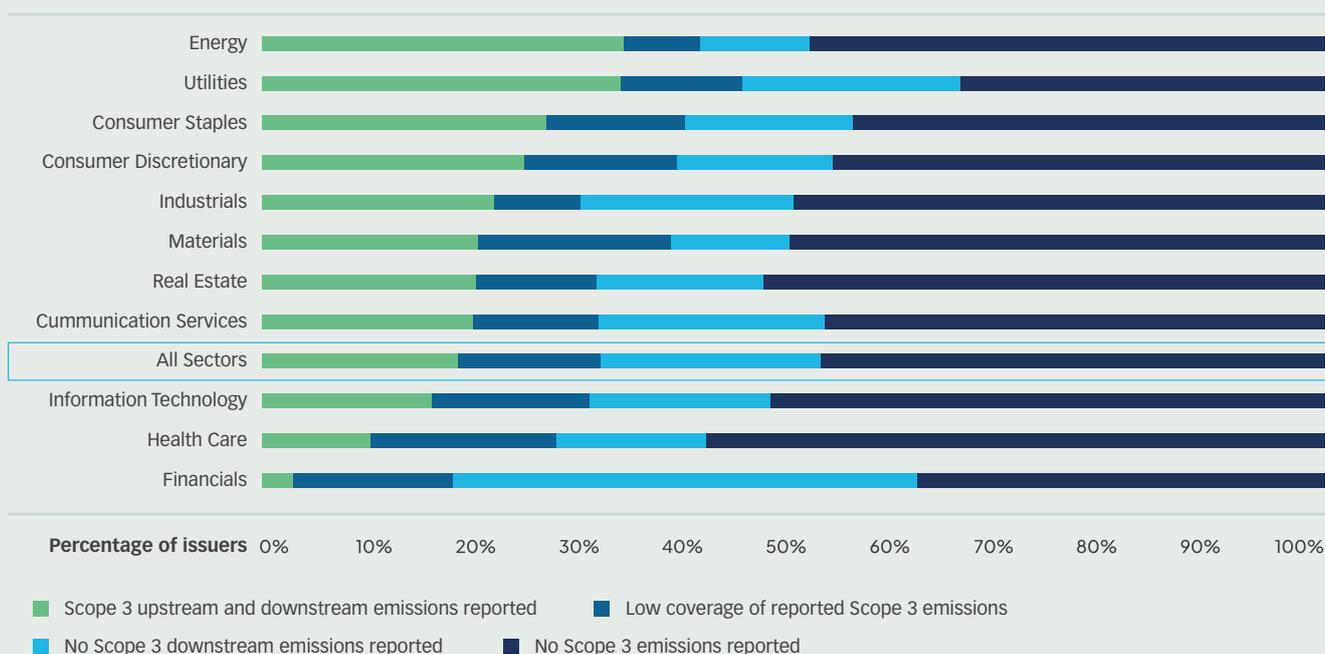
In 2024 we expect to begin to see some standardisation in nature and biodiversity reporting in line with this framework.

Biodiversity risk for companies can arise from the loss or threat to an ecosystem, driven by a change in the use of land or sea, direct environmental exploitation, climate change, pollution, and the introduction of invasive species.

As investors turned more focus to TNFD and EU Deforestation laws, Biodiversity as a key ESG theme will continue to gain momentum as the next major frontier of ESG investing.

As a result of our prediction in increased focused and impact of Biodiversity, TNFD and EU deforestation regulation, we have identified some high-risk sectors (forestry, agriculture, construction and packaging), however we continue to monitor and refine our views.

Limited disclosures of Scope 3 emissions across sectors



*Low coverage of reported Scope 3 emissions means less than half of the MSCI estimation.

Source: Allianz Global Investors, Emissions data from MSCI as of 7 June 2023 applied to MSCI ACWI Index by GICS sectors, June 2023.

Carbon Approach

Firetrail recognises the urgency of near-term action on carbon emissions and believe that reducing our carbon footprint is essential for the environment. As investors, sustainability is an important part of our decision-making. We believe that well-governed businesses, run in a sustainable manner, deliver stronger, more resilient investment returns, creating better outcomes for society and the environment.

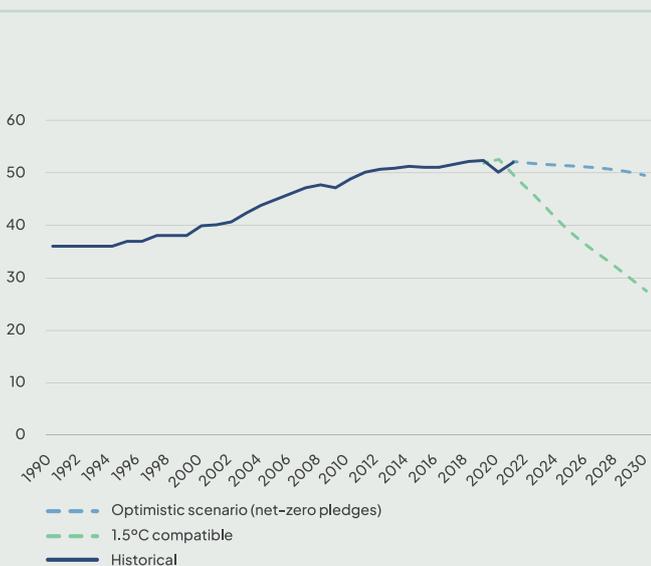
In this section, we will share with you how we measure, manage, and mitigate Firetrail’s operational carbon emissions, as well as how we identify and invest in opportunities that contribute to a low-carbon economy.

Why this matters

The Intergovernmental Panel on Climate Change (IPCC) is clear that all pathways that limit global warming to 1.5°C – with no or limited overshoot – as well as those that keep the temperature rise within 2°C, require rapid and deep greenhouse gas emissions (GHG) reductions this decade (for 1.5°C, a 43% decrease by 2030 against a 2019 baseline).

The world is not decarbonising at anywhere near the scale and pace needed.

2030 Emissions Gaps



Atmospheric CO₂ at Manua Loa Observatory



Source: Climate Analytics and NewClimate Institute, National Oceanic and Atmospheric Administration (NOAA) Global Monitoring Laboratory.

As a responsible business, we strive to minimise our emissions.

Firetrail has implemented a waste minimisation strategy throughout its operations, with all staff educated and trained on appropriate waste minimisation techniques. Initiatives include:

- Minimisation of printed materials unless necessary. Document reviews in digital format.
- No individual waste bins at employee workstations.
- Waste, paper, glass, and plastic bins provided for recycling.
- Recycling of coffee cups, coffee pods, paper, printer cartridges, batteries.

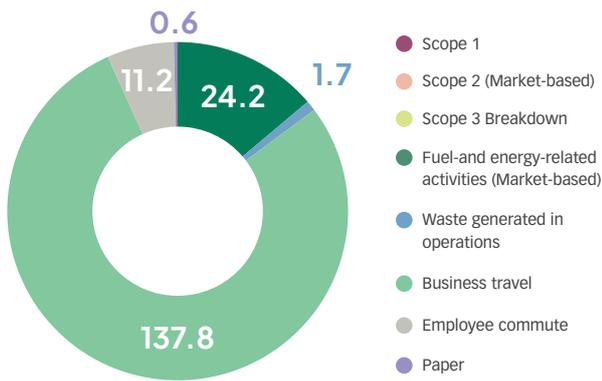
- Encouraging sustainable, low emissions, transport to the workplace where possible – cycle, walk, train.
- Purchase of high-quality carbon offsets for workplace commuting where necessary.
- Energy efficient lights and air-conditioning based on movement sensors, energy efficient blinds.

We offset any residual operational emissions through verified projects. The table below shows our emissions breakdown for the financial year 2023, based on the GHG Protocol Corporate Standards. We have calculated our scope one and two emissions from our direct operations and purchased energy, as well as our scope three emissions from our business travel, water, waste, electricity and paper consumption.

Breakdown of our FY23 Carbon Emissions

		FY23	FY22	FY21
Scope 1		-	-	-
Scope 2 (Market-based)		-	-	2.2
Scope 3 breakdown				
Fuel and energy-related activities (Market-based)	Emission associated with the production of fuels and energy purchased and consumed	24.2	16.0	6.5
Waste generated in operations	Emissions associated with disposal in landfill, water wastewater treatment	1.7	0.5	0.9
Business travel	Transportation of employees for business-related activities (in vehicles we do not own or operate) and hotel stays	137.8	39.6	7.5
Employee commute	Emissions generated by employees travelling to and from our offices and employees working remotely	11.2	8.8	9.8
Paper	Emissions associated with purchased paper	0.6	0.2	0.2
Total Emissions		175.6	65.2	27.0

Firetrail carbon emissions breakdown FY23



To offset our operational emissions, we have carefully selected projects that meet our criteria of quality, additionality, and co-benefits. These projects include renewable energy, energy efficiency, forest conservation and restoration, and community development. We have verified that these projects have reduced or avoided emissions equivalent to or greater than our own emissions, and that they have been certified by reputable standards.

A focus on tangible emissions reduction

One of the first steps we took at Firetrail was to understand the most cost-effective ways to reduce carbon emissions. We used the global abatement cost curve as a tool to analyse the potential and the cost of different mitigation options across sectors and regions. This is a pragmatic approach that allows us to prioritise the actions that can have the most impact at the lowest cost.

Our approach is to focus on tangible emissions reduction, rather than on aspirational targets or promises. We are aware that many companies have announced net zero goals for 2040 or 2050, but we are more interested in what they are doing in the short to medium term to achieve those goals. We also monitor the developments in carbon capture and storage technologies, which are becoming more economically viable and could play a key role in decarbonising hard-to-abate sectors such as heavy industry and heavy-duty transport.

Monitoring companies across the globe

In the Firetrail S3 Global Opportunities Fund, we aim to invest in companies that have lower

emissions than their peers or the benchmark index, as well as in companies that are transitioning to a low-carbon business model or providing solutions for a low-carbon economy. We measure the scope 1 and 2 emissions of our portfolio companies using data from Trucost, and we compare the portfolio with the emissions of the MSCI World Index. During FY23, we were on average 64% below the index in terms of emissions intensity*. Where possible, we also forecast the tangible change in emissions that our portfolio companies can achieve through their strategies and initiatives.

We also look for opportunities to invest in companies that have high levels of Scope 4 emissions, which are the emissions avoided or reduced by a company's products or services compared to a baseline scenario. For example, we own Air Liquide, a leading industrial gas company that provides hydrogen and oxygen for clean energy applications, such as fuel cells and oxycombustion. Another example is Darling Ingredients, a global leader in converting animal by-products and organic waste into renewable fuels, such as biodiesel and renewable diesel.

Finally, we recognise the value of trees as a natural carbon sink that can sequester CO₂ from the atmosphere and store it in biomass and soil. We invest in companies that own or manage sustainable forests, such as Weyerhaeuser and Rayonier. These companies practice responsible forestry practices that protect biodiversity, water quality and social values. They also produce wood products that can substitute more carbon-intensive materials, such as steel or concrete.

We account for the carbon sequestration benefits of these companies' using data from Forest Trends. We also account for any emissions from disturbances such as wildfires or pests.

We hope that this section has given you a clear and comprehensive overview of our carbon performance and strategy. We believe that by working together, we can make a positive difference for the climate and for our future.

* Using monthly data of carbon intensity per \$1m AUD invested, relative to the MSCI World Index. Includes net carbon removals for timberland assets.

09.

Inclusion and Diversity

Firetrail is committed to creating an inclusive workplace and recognizes the significance of fostering diversity, which drives innovation and problem-solving. Additionally, it enhances employee morale and engagement by creating an inclusive environment where every voice is valued.

This year Firetrail has published its Diversity and Inclusion policy, available on our website, which outlines the benefits of a diverse workforce, the objectives and initiatives for the company, and how these will be reported and measured within the company.



Firetrail diversity survey

The Firetrail team is made up of 23 investment staff. This year we had two new team members join. John Zhu joined us as a quantitative risk analyst and Sophie Carran joined the Australian High Conviction Fund as an analyst.

We pride ourselves on our diverse team, made up of members from different genders, ethnic backgrounds, and educational fields. Over 30% of our investment team are females, and we are actively working to increase this figure, see more detail below. Over 30% of our investment team were born outside Australia, in places such as Iran, Singapore, Germany, the United Kingdom and New Zealand. And our investment team have had varied educational backgrounds, in fields such as Commerce, Maths, Science and Engineering.

Firetrail has a clear hiring policy that aims to promote key objectives of diversity and delivering outstanding performance outcomes for clients. The hiring philosophy promotes diversity throughout the hiring process; we strive to include inclusive language in our job advertisements, aim to select a gender-diverse candidate pool to move through to the interview stage, and include all staff in the interview process to reduce personal bias. Ultimately, we aim to ensure that the best person for the role and team is hired.

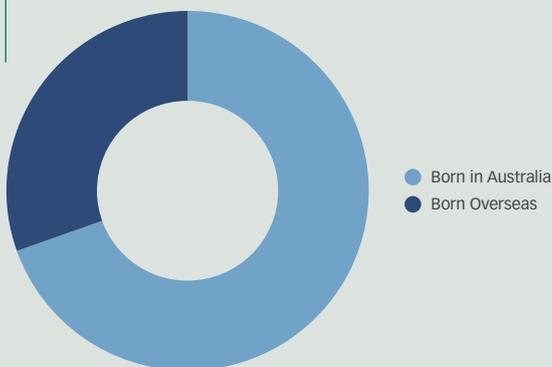


Team Diversity metrics for FY23

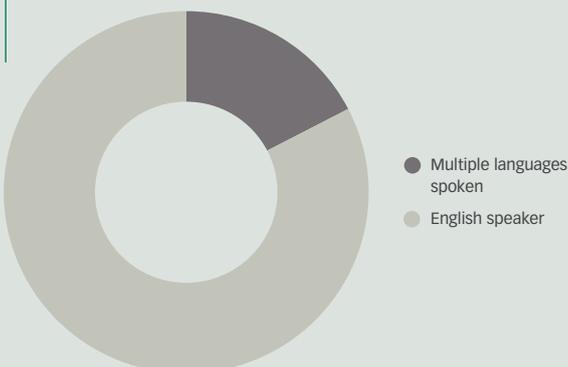
Gender Diversity



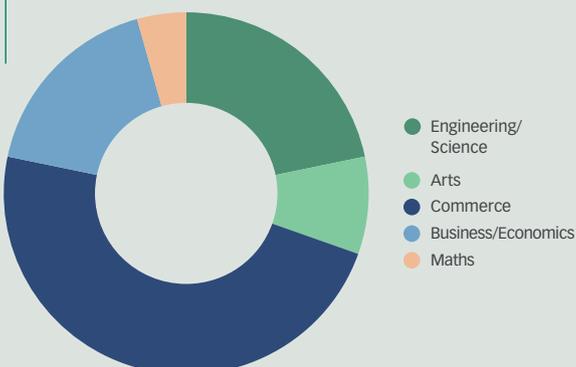
Location of Birth



Spoken Languages



Educational Field



Initiatives that Firetrail support to encourage diversity and inclusion in our business and beyond

Supporting Women in Finance

Gender diversity is a key focus for Firetrail. We recognize the underrepresentation of women in leadership positions across the wider Funds Management industry, and aim to make an impact toward fostering a more diverse, inclusive, and ultimately, a stronger, financial sector.

There are multiple organisations and initiatives that Firetrail is involved with to support women in the industry and employed women at work.

30% Club Australia Supporter

The 30% Club Australia's aim was to have 30% women on ASX 200 boards by the end of 2018. This goal was reached at 31% in 2021. The campaign is still ongoing however as the club is now focusing on boards of ASX 300 companies that have not reached their targets, and other emerging economies. Firetrail supports this campaign and considers this when engaging with companies within its portfolio.

Supporter of Women in Finance Scholarships

Firetrail are committed to supporting and enabling talented female students to gain exposure, knowledge, and experience in investment management. One of the ways in which this is done is via the Women in Finance Scholarships through University of Queensland. Each year, Firetrail offer select scholars summer internships and an empowering work environment in which to learn and grow. Firetrail also offer part time work opportunities to scholars to support them in an ongoing way as they complete their studies in a related field.

The interns work from the Firetrail office amongst our investment team, attending internal and company meetings and presenting an investment committee on a stock they have worked on. We believe it is critical to not only give women a chance to start their careers in finance but also confidence to develop their career within the industry.



Firetrail Women attend the inaugural Pinnacle Women & Allies Network event in Sydney.

Women & Allies Network

The Pinnacle Group Women and Allies Network is a group-wide community of women and their supporters. The Network aims to develop and foster a supportive, diverse, and inspiring community of women and allies across Pinnacle and Affiliates through networking, awareness-raising forums, and peer mentoring.

There are both male and female Firetrail employees that are members of the Pinnacle Women & Allies Network. Firetrail also has a representative on the board of the network. Activities have included events for women to network across the affiliates to promote mentorship and collaboration. Members are encouraged to start meaningful conversations with their peers on how the business can support women to navigate the industry.

Firetrail women in the community:

Firetrail have been proud of the role our employees have played in the investment community in encouraging diversity.

Carta Ryan, Small Companies Fund Equity Analyst, joined the inaugural Macquarie University Women Entering Business panel during Harmony Week. She gave insights to younger women looking to enter the finance world on what it is really like on the inside!



Carta Ryan at the Macquarie University Women Entering Business event.

Eliza Clarke, Investment Specialist, spoke on the inaugural pre-career event hosted by 100 Women in Finance, sharing valuable advice to the student attendees and aiming to inspire the next generation of women to join our dynamic, challenging and rewarding industry.

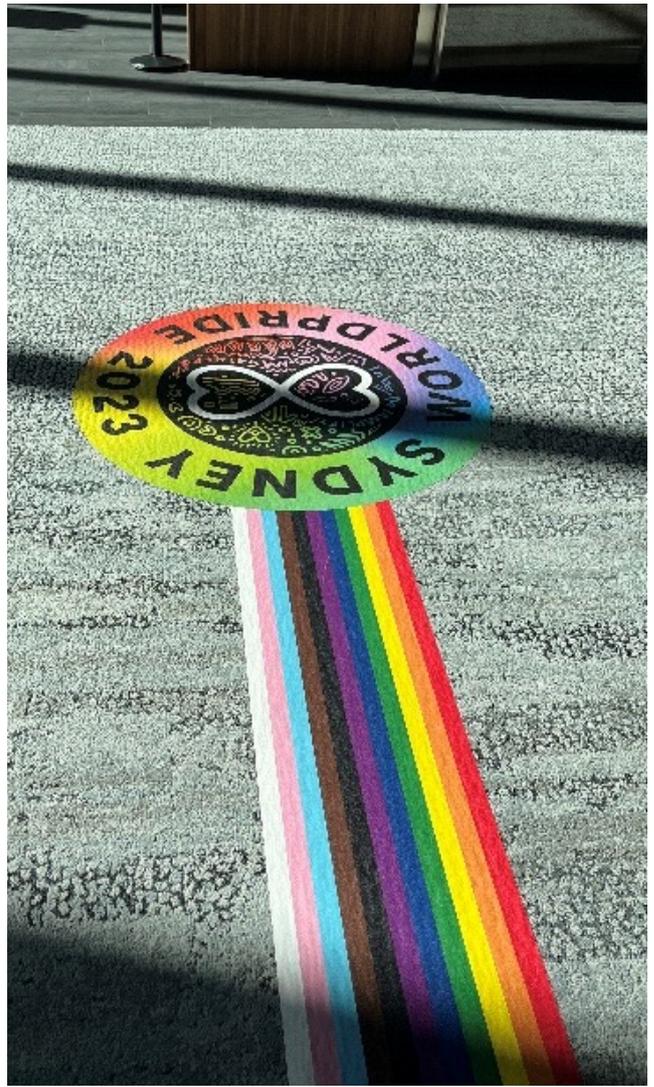


Eliza Clarke (centre) at the inaugural 100 Women in Finance pre-career event.

Attendance at the UN Human Rights Conference, Sydney World Pride 2023

In March 2023, Sydney hosted the World Pride festival - a celebration of the LGBTQIA+ community. The festival included many events across the city, one of these being the United Nations Human Rights Conference. Over three days human rights defenders and activists, First Nations elders, parliamentarians, UN experts, academics and business and community leaders spoke on the key human rights issues facing LGBTQIA+ people around the world.

Daisy Venn, Business Manager, attended the conference to better understand these worldwide issues that affect the community, so that as a business Firetrail can be aware, as well as consider, these issues when developing our company culture. One of the areas of focus was Pink Washing. Pink Washing is when a company uses LGBTQIA+ rights as a way to promote their products or improve their public image, while not necessarily making substantial contributions to the causes they claim to support. We used these insights in drafting our Inclusion and Diversity policy.



Firetrail Stewardship Report 2023



Daisy Venn at the Sydney World Pride Conference.

10.

Portfolio Engagement

Engagement overview

We believe the best way to advocate for change is to engage with company management and the board. A key part of this process is ensuring appropriate disclosure on key ESG issues from the companies in the portfolio.

Proactive company engagement forms a key part of the investment process. Firetrail engages with company management to advocate for change when it is believed to be in the interest of shareholders.

When specific issues arise, or where our investment process identifies that a company is not meeting minimum acceptable standards, management consultation and debate is sought.

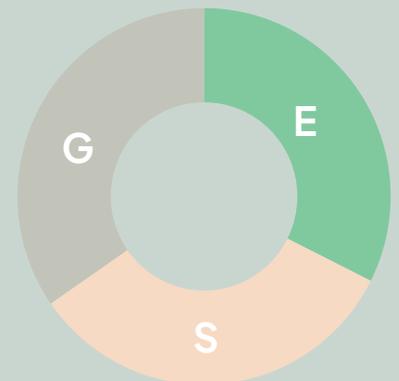
Many issues can be resolved satisfactorily through representation prior to a formal meeting. These opportunities are welcomed to improve corporate governance and ESG practices, with the ultimate objective of improving returns. In instances where we believe a company

demonstrates wilful disregard for ESG principles, we may choose to avoid investing or to divest.

The Firetrail investment team continued regular company engagements in the 12 months to June 2023. The team met with companies not only domestically, and via virtual meetings, but took advantage of opportunities to travel internationally to meet companies on the ground, conducting several research trips across Asia, the US and Europe during the year.

In our 333 company engagements across the Australian and Global funds, climate change and decarbonisation continued to be a key focus area as the impacts of global warming are becoming increasingly observable. Management characteristics, shareholder alignment and capital allocation also featured strongly in discussions, as well as changing regulatory conditions. On social issues, engagements were centred around employee wellbeing and the impact of company operations on local communities.

A summary of Firetrail's engagement activities in FY23 is provided below:



Australian engagement case studies:

Staying on top of a developing decarbonisation technology

Carbon Capture and Storage (CCS) and Direct Air Capture (DAC) are two emerging technologies with the ability to remove carbon dioxide emissions from the atmosphere. Key Firetrail portfolio holding Santos continues to progress on its Moomba, Bayu Undan, and Carnarvon basin CCS projects.

Firetrail believes that CCS provides the greatest potential for Australia to reduce emissions from our stationary energy sector. We maintained our continuous engagement with Santos during FY23 to understand their plans and the impact these projects will have, both environmentally and financially. We also engaged to understand management's commitment to CCS and the opportunities to sell carbon storage space to third parties. We continue to be pleased with Santos' deep commitment to CCS, and came away with the comfort that there is material demand for their CCS solution in Moomba, Barossa (including the potential to import CO2), and potentially Alaska.

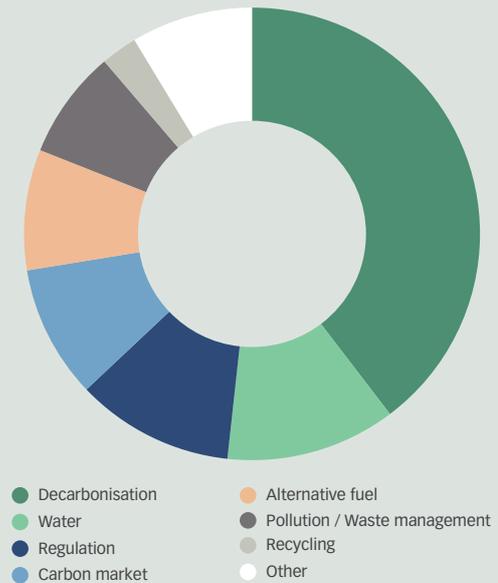
During the financial year, we also conducted a broader engagement program on CCS and DAC, engaging with Worley in Australia and several companies across Europe, including Air Liquide. Worley showed optimism on CCS and DAC, particularly in the US which is rich in depleted hydrocarbon reservoirs ready for CO2 storage. However, consensus among companies we met with in Europe was that DAC may turn out to be uneconomical due to the low carbon content and low pressure of the general atmosphere. On the other hand, CCS is much more promising as it extracts carbon directly from high carbon-emitting industrial processes.

We continue to monitor developments in these technologies and engage with Santos on its CCS journey.

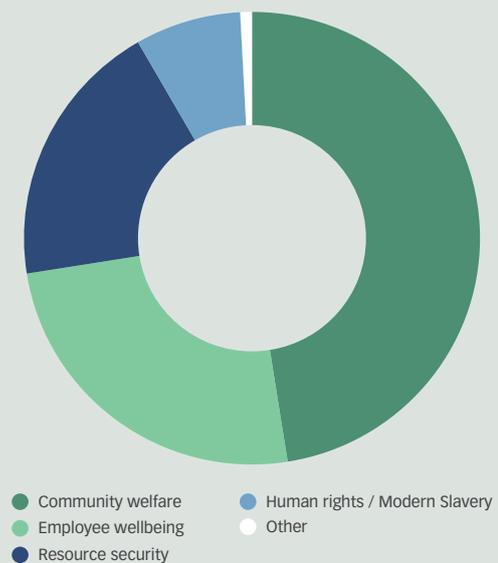
Happy franchisees, happy shareholders

Firetrail added Domino's Pizza Enterprises to the High Conviction Fund during FY23. As a franchisor, the company's treatment of its franchisees is a key social issue which

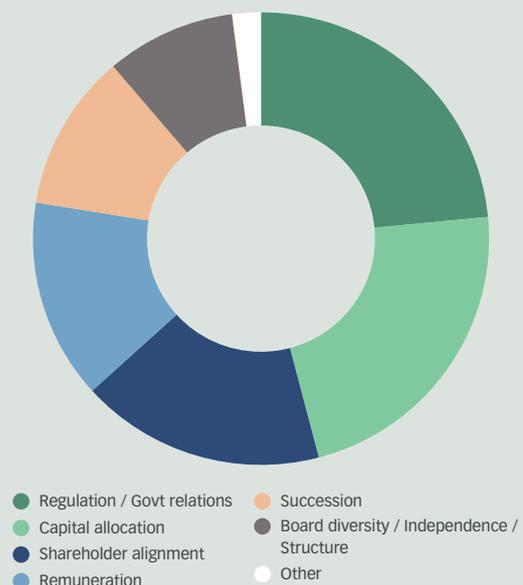
Environmental engagements focus areas



Social engagements focus areas



Governance engagements focus areas



impacts Domino's social license to operate. Healthy franchisor/franchisee relations and franchisee profitability have a positive impact on Domino's social and financial performance. Without profitable, happy franchisees, Domino's becomes a more capital intensive and less profitable business. Firetrail engaged with Domino's management and met with a number of franchisees to understand the balance of the relationship. We came away comfortable that while the operating environment had been difficult, a fair share of the economics was being split between franchisee and franchisor.

Later in the year, after persistent inflation and rising interest rates, we became concerned that franchisee profitability had deteriorated due to rising cost inflation and consumer sensitivity to higher delivery prices. We engaged again with the Domino's CEO in a one-on-one meeting. The difficulty of economic conditions was being felt by both franchisees and Domino's in general. We came away confident that Domino's was doing everything it reasonably could to share the load with franchisees and improve franchisee profitability going forward. We continue to watch this metric closely and will monitor whether improvements come through in future results.

Keeping management teams honest with capital management

Qantas was a key holding in the Firetrail High Conviction strategy during FY23. During Q3 of calendar year 2022, Qantas announced that it would be undertaking a \$400 million on-market share buyback. The announcement surprised the market, given it was announced in conjunction with the release of annual results which revealed FY22 losses of \$1.8 billion. Capital management is a crucial component of corporate governance and can have a significant impact on shareholder returns.

We met with the Qantas CEO and CFO after the announcement to understand the rationale for the buyback given continued losses and capital expenditure in the pipeline. We came away comfortable that the buyback was in the interests of shareholders. The buyback was undertaken opportunistically and reflected confidence in the earnings outlook.

Pushing for change when the Board isn't right

Bravura Solutions is a specialist software and professional service provider, held in the Firetrail Small Companies Fund. Bravura's product suite is mission critical to the back and middle office functions of its wealth management and superannuation clients.

However, behind the scenes at Bravura, the company was suffering from years of poor management: Bravura had gone through three CEOs in the space of 2 years, and it had become apparent that the company lacked a clear capital allocation framework and client change management policy. Poor governance led to Bravura failing to generate sufficient returns to justify a blow out in its level of IT investment.

No meaningful attempts to improve cost control or the commercial model were made until a new CEO stepped into the role in late 2022, but it was too late to avoid an equity raise. The company undertook a dilutive 1-for-2 share issuance in early March 2023, a disappointing outcome for existing shareholders. An equity raise could have been avoided if better management and corporate governance practices had been instilled by the Board.

Firetrail, along with several other key shareholders, felt strongly that the level of governance and corporate oversight needed to improve. Greater input and enterprise technology expertise at the board level was required to ensure the planned change program was successful.

Firetrail actively engaged with the Chairman of Bravura following the equity capital raise, seeking to understand whether the level of planned cost-out was appropriate under different revenue scenarios. Firetrail was not satisfied with the response provided by the Chairman or the level of involvement the Chairman had in the organisational change program.

Firetrail came to the view that the Chairman was not up to the task of supporting a return of Bravura to historical levels of profitability. As a result, Firetrail actively engaged with other major shareholders to seek the removal of the Bravura Chairman from the Board.

Sufficient support was garnered from major shareholders to compel the Chairman to publicly

resign. Andrew Russell, the previous CEO of ASX-listed technology player Class Ltd, was appointed Interim Chair. Mr Russell brought critical software and change management expertise to the business.

Shezad Okhai was also appointed to the Bravura Board, bringing valuable global enterprise software expertise. Shezad is Chief Investment Officer at Pinetree Capital and was previously Head of M&A at Constellation Software, a US\$62 billion Toronto-listed diversified software company.

The Bravura Board refresh was an excellent outcome for Bravura shareholders, providing the right expertise to support management in executing on its organisational change program. Firetrail believes that by actively engaging with the Board and other key shareholders, we have helped ensure the company is in a better position to return to historical levels of profitability and earnings growth.

Evolution in the Australian aged care sector

Aged care operator Estia Health was a key holding in the Firetrail Small Companies Fund in FY23. Aged care is a key part of Australia's social infrastructure, particularly with the backdrop of an ageing population. The recent Royal Commission into Aged Care Quality and Safety uncovered some serious issues in Australia's aged care sector, including lack of access to appropriate care, low quality of care, and in some cases abuse.

A lack of adequate funding was a contributor to poor profitability for aged care providers, leading to poor outcomes for aged care consumers. As a part of the response to the Royal Commission's findings, the Government worked through the development of a new aged care funding model throughout FY23.

We engaged with Estia Health's management team to understand their views on the government funding required to attract sufficient capital into the aged care sector to build the infrastructure Australia needs for an ageing population. Estia Health management agreed that the profitability of the sector was not where it needs to be. Over >50% of the sector were unprofitable under the then regime. The objective of Government to improve profitability in the

sector was clear but the pathway was still murky.

Late in 2022, the Government put in place the new Australian National Aged Care Classification (AN-ACC) funding model, replacing the previous Aged Care Funding Instrument (ACFI). We engaged Estia Health again to assess the likely impact of the new government funding commitments on the sector's profitability.

We came away confident that Government was incentivised to ensure operators generate sufficient return on capital, supporting the investment in beds required to meet the needs of an ageing population. As a result, we expect provider profitability and consumer outcomes to improve in the future. This was recognised by Bain Capital who made a takeover bid for Estia Health at a substantial premium during the financial year.

Global engagement

FY23 was the first full year for the S3 Global Opportunities Fund. Unlike a traditional ESG approach, the fund invests in companies that are helping to drive the transition to a more sustainable future.

The fund has developed a proprietary framework for ensuring diversity across the portfolio by recalibrating the 17 United Nations Sustainable Development Goals (SDGs) into four forward looking investment themes: Health and Wellbeing, Innovation and Equality, Climate Impact, and Sustainable World. It is rare that a Global company meeting will be conducted without discussing at least one sustainability topic, and we develop strong working relationships with portfolio companies to support them on their positive change journey. Below we have provided insight into some of the more prominent sustainability topics we discussed over the year, including biodiversity, temperature control, safety, shrink, and diversity.

Global engagement case studies

Biodiversity is growing

In FY23 we began to engage more closely with

companies on biodiversity risk. By doing so we are better able to understand the potential threats and opportunities biodiversity presents to our investments. Two areas of focus in FY23 were agriculture and forests, two sectors we believe have heightened biodiversity risk.

The S3 Global Opportunities Fund holds two forestry companies, Weyerhaeuser and Rayonier. In May 2023 we visited the Rayonier forests in Florida, where we were better able to understand the sustainable forestry management techniques the business is using to protect local biodiversity. Initiatives undertaken include only planting on ~70% of land to enable wildlife corridors, water flow, and biodiversity to flourish. Rayonier also has some of the most advanced soil management systems, which are designed to minimise soil erosion and prevent sediment entering water ways during forest management activities.

We believe biodiversity risk will become an increasingly important topic as companies and investors look to the Taskforce on Nature-related Financial Disclosures (TNFD) framework as best practice. We continue to actively engage with companies on their biodiversity awareness.

Taking the temperature on HVAC

Heating and cooling of buildings is responsible for 16% of all global greenhouse gas emissions. Improving energy efficiency of these products and lowering their global warming potential is a huge opportunity for positive change.

During FY23 we met with the management teams of Carrier, Trane, Lennox, Johnson Controls, Daikin, and NIBE to understand the risks and opportunities facing the heating, ventilation, and air conditioning (HVAC) industry. By engaging with management teams across the industry, we were able to gain a better understanding on the importance of regulation in driving energy efficiency and lower emissions across both commercial and residential buildings.

On average, a new unit will improve energy consumption and emissions by around 30%. Continuous engagement on this topic has given us confidence that HVAC provides some of the simplest and most achievable decarbonisation solutions for corporations and households, which will underpin future growth for the industry.

In 2022 the sector also began reporting Scope 4 emissions (commonly called 'avoided emissions'), something Firetrail thinks is critical to consider when evaluating the ESG credentials of a company, and we supported portfolio holding Carrier in their development.

Safety Procedures on site

As part of our regular portfolio holding engagement process, we participated in numerous site visits in the Netherlands, Switzerland, Indonesia, the United States, and Australia across transport, materials, healthcare, and forests. By visiting portfolio holdings in person, we are better able to understand the company's operations and the associated ESG risks.

During FY23 we participated in a site visit to a passenger train manufacturing location of portfolio holding Alstom which had been acquired as part of a merger. During the visit we were able to learn from the Head of the site about the significant investment that had occurred around improving safety procedures through the implementation of the "12 critical risks" framework. At the time of our visit, this had resulted in 201 consecutive days since the last incident at the site – a strong safety report card.

The rise of shrink

An emerging social risk for businesses in the United States, if not the world, has been the rising amount of 'shrink' (stolen inventory) over the past year. Not only is this organised crime bad for companies' earnings, but the theft also impacts employee safety.

Upon engaging with leading specialty beauty retailer ULTA, we learnt that the rise of shrink has coincided with a change in US legislation that lifted the minimum value of stolen goods before culprits may be prosecuted to \$5,000.

In response to the rising amount of theft in their stores, ULTA has undertaken a series of investments to improve employee safety - including locking up valuable goods such as fragrances, increasing store head count, and offering counselling services to employees exposed to such events.

We continue to engage with the company to better understand the shrink challenge, as our

concerns around this topic have precluded us from investing to date.

Encouraging diversity globally

A key portfolio holding in the S3 Global Opportunities Fund is Ryan Speciality Group (RYAN). RYAN listed on the New York Stock Exchange in July 2021 and is a wholesale insurance broker that specialises in placing hard to insure risks.

At the time of our initial investment in January 2022, RYAN's board was relatively homogenous in nature with 8 out of 9 members being male. Whilst the lack of diversification was a governance red flag, we appreciated that RYAN had only recently become a public company, and that the board navigating this process was highly

skilled. We also recognise that the pace of change in relation to increasing diversity differs across the globe.

We have continuously engaged with the RYAN team by discussing the optimal board make up in terms of industry expertise and independence, as well as the benefits of diversity to ensure the long-term success and sustainability of the business.

In February 2023, one board member sadly passed away, which presented an opportunity for RYAN to appoint a new member to the board. We were pleased that our numerous engagement touch points had contributed to the board appointing its first independent female director in July 2023.



Proxy Voting

Firetrail Proxy voting policy

Firetrail considers the exercise of proxy voting central to our stewardship responsibilities. When executing votes, we believe it is critical to have the best interests of our clients at the forefront of our minds. The investment team votes on all material issues, with its main concern being to protect the value of its clients' investments. Our policy is to scrutinise all tabled resolutions on a case-by-case basis.

If Firetrail receives a direction from the client in relation to the appointment of a proxy and the way the proxy should be voted, Firetrail will use its best endeavours to implement the direction. In the absence of any direction, Firetrail may exercise or not exercise the right to vote as it sees fit, having regards to any direction specified in the Investment Management Agreement with our client.

Below we provide a summary of the proxy voting activity undertaken by our investment team in FY23.

Proxy voting activity in FY23

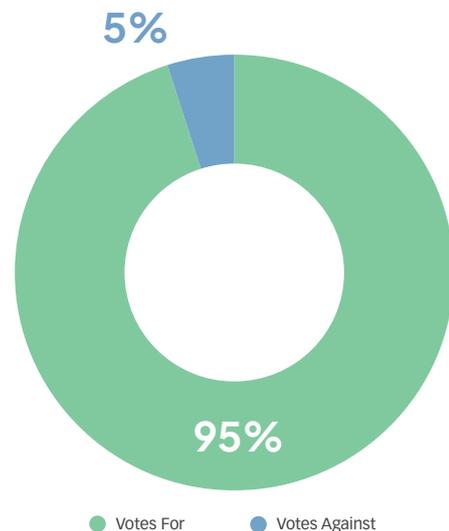
The Firetrail investment team voted on 1,021 proposals at 116 company meetings between 1 July 2022 and 30 June 2023. This compares to FY22 where the team voted on 562 proposals at 91 company meetings. The largest increase in category over the year was from Director Related – Elect Director proposals. This increased from 186 proposals in FY22 to 437 proposals in FY23. Another category that has increased in its proportion of voting proposals is compensation related votes.

25 proposals were put forward by shareholders this year and the remainder by company management. The categories for Shareholder proposals were Environmental, Social, Director Related, Director Election, Company Articles and Compensation. The most proposals were related to Environmental items.

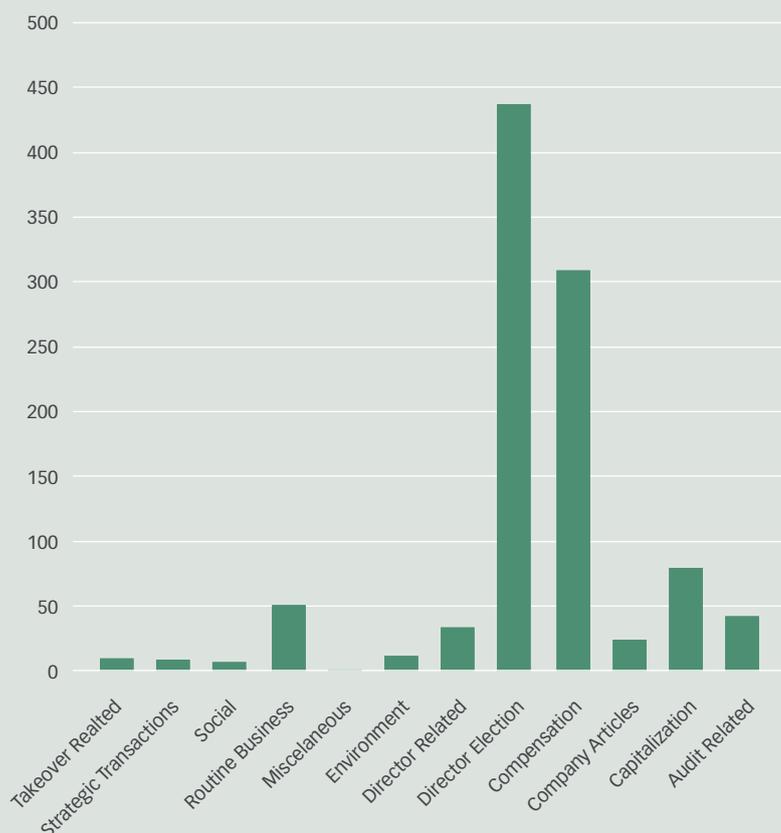
Firetrail voted in line with Management on 1,000 (98%) proposals and against management on 21 (2%) proposals. Our regular engagement with company Board and management teams means we are aware of the rationale management have for bringing proposals in their company meetings. On rare occasions where our engagement has not sought our desired result, we may choose to vote against management. The most common categories for disagreement were Compensation such as Ratifying Named Executive Officers' Compensation and Director Election. The areas in which Firetrail voted against Shareholders included Director Related, Environmental, and Compensation.

To assist in our decision making, Firetrail subscribes to ISS, a proxy voting service which provides independent analysis and voting recommendations on key governance issues. Firetrail considers these recommendations when arriving at a decision. Firetrail voted in line with ISS on 936 (92%) proposals and against for 85 (8%). Common disagreements were related to Director Election & other Director Related proposals. Out of Director Related proposals the most common voted against was Approve Share Plan Grant.

Summary of how Firetrail voted across all proposals in FY23

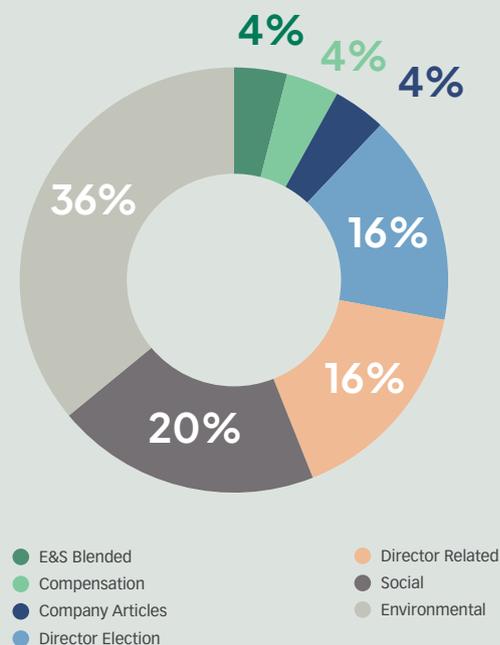


Firetrail voting category split across all proposals in FY23...



...We saw a growing number of shareholder proposals, predominantly related to environmental topics.

Shareholder proposals by topic



Australian Case Study – Votes Against Shareholders

At the Santos AGM there were two Shareholder proposals raised at the meeting, in which Firetrail voted Against, in line with managements recommendations. A group of shareholders had given notice under section 249N of the Corporations Act requisitioning a special resolution to seek amendments to the company's constitution and if passed to consider a proposal requesting the company to disclose information that demonstrates how the company will facilitate the efficient managing down of oil and gas operations and assets. We believed providing the level of detail requested may put the company at a competitive disadvantage in the regions it operates in which will harm shareholder returns when negotiating with Governments and nearby infrastructure owners.

The second Shareholder proposal was regarding Disclosure of Capital Allocation Alignment with a Net Zero by 2050 Scenario. We voted against this

as we believe the company has been very clear around its ambitions to get to net zero by 2040, ahead of the broader Net Zero 2050 goals. In addition, the company is one of the world leaders in chasing the opportunity in CCS where it has a global competitive advantage of CO2 stripping and empty oil and gas reservoirs.

Australian Case Study – Votes Against Management

Firetrail voted against Management at Genesis Minerals' AGM in November 2022. The proposal raised by management was to approve Amendment to Terms of Incentive Options Held by a non-executive director (NED). Firetrail voted against this due to the fact that the grant of termination benefits to a non-executive director was not in line with local market standards of corporate governance. Moreover, local market standards do not support the granting of incentive options to NEDs.

In another instance, Firetrail voted against management at Australia Oil & Gas' AGM. The proposals were for approval of Issuance of Performance Rights to management and an Employee Equity Incentive Plan. For both of these proposals we believed that the introduction of the new Employee Incentive Plan structure did not adequately align executive remuneration with shareholders given the removal of relative total shareholder return and Return on Funds Employed hurdles.

Global Case Study – Director independence

Interactive Brokers proposed the re-election of several non-independent directors, including the founder and chairman, at their AGM.

Firetrail's proxy advisor recommended a vote against the resolutions given the company had failed to elect a majority independent board. Whilst we agree that an independent board is considered best practice, a one size fits all approach can have unintended consequences and a pragmatic approach can produce better long-term results for shareholders - particularly when considering founder led businesses.

The founder of this business still owns a majority stake (78%) and has demonstrated long term

strategic thinking and shareholder alignment over several decades. In this case, we believe that the existing board has proven to have the requisite expertise in guiding the business, and we were comfortable voting in favour of the non-independent directors being re-elected.

Global Case Study – Remuneration

During FY23 Schneider Electric proposed the granting of Long-Term Incentives (LTI) as part of the outgoing CEO's compensation package. The individual had served as CEO for seventeen years and chairman for ten years, and it was planned for them to continue to remain chairman after vacating the CEO role.

Firetrail's proxy advisor recommended a vote against the resolutions given the individual will no longer be working in the business.

After careful consideration of the LTI vesting and considering the individual is continuing on as Chairman, we became comfortable with the proposed compensation and voted for the resolution despite the proxy advisor's recommendation.



Human Rights

Human rights refer to the basic standards of treatment that all people are entitled to receive, and presupposes that economic, social and cultural rights, as well as civil and political rights can be enjoyed by all.

Firetrail is committed to respecting and protecting the fundamental human rights expressed, and supporting the principles contained, within the International Bill of Human Rights, the International Labour Organisation's (ILO) Declaration on Fundamental Principles and Rights at Work, and the OECD Guidelines for Multinational Enterprises. In line with these principles, we believe that universally every individual is entitled to fundamental human rights covering, but not limited to:

- the right to non-discrimination
- the right to health
- the right to an adequate standard of living
- freedom of expression
- the right to privacy
- the right to a living wage

irrespective of nationality, place of residence, sex, national or ethnic origin, colour, religion, language, or any other status.

We acknowledge our responsibility to respect all human rights. Responsibility begins with our employees and extends to the rights of those indirectly affected by our operations. Namely, through our supply chain and our investments.

Modern Slavery

Modern slavery is a violation of an individual's human rights and dignity. It is a social issue with a specific focus on human costs that poses a material risk to investment returns. The financial materiality of modern slavery risk is often

indirect, through reputational damages or its impact on earnings sustainability.

Our approach to identifying and mitigating modern slavery risk is two-fold. We focus on exposure to modern slavery risk in our **supply chain** and **investment operations**.

We recognise the importance of addressing modern slavery risk across our value chain. However, we see the greatest potential for positive influence in our investment activity. While we do not screen out companies due to modern slavery risk, its impact is factored into our company valuations. We also directly engage on modern slavery with company management and company Boards at least annually, as well as when an issue has been identified.

Firetrail's assessment of modern slavery risks in portfolio companies

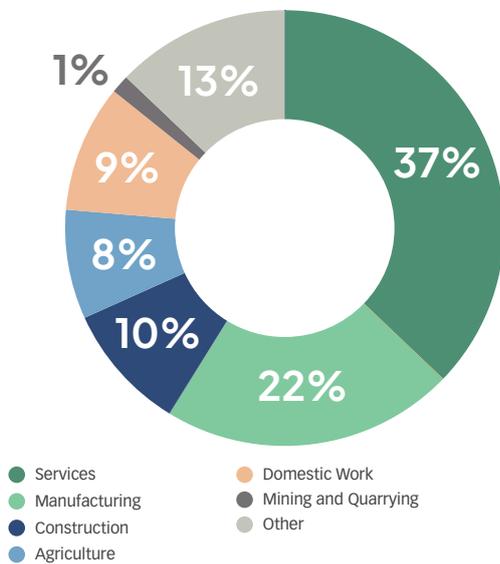
The foundation of our modern slavery risk assessment is the identification of high-risk geographies and sectors. We look at the factors that make people vulnerable to exploitation and the current estimates of modern slavery around the world.

High risk geographies tend to be conflict-affected zones, countries with a weak rule of law, high corruption, or a high number of migrant workers. The Asia Pacific region has the largest concentration of people in slavery-like conditions in the world. It is host to more than half of all incidents of forced labour. As a proportion of the population, the countries with the highest prevalence of modern slavery are: North Korea, Eritrea, Burundi, the Central African Republic, Afghanistan, Mauritania, South Sudan, Pakistan, Cambodia, and Iran.

High risk sectors are often labour intensive and tend to employ a large proportion of workers who

are migrants, unskilled, casual, or contracted. These workers tend to be in situations of vulnerability. Whether it be migrants who are not protected by domestic law, or women and children who have not had the opportunity complete schooling. Often, they will have paid extortionate fees to recruitment agencies, unable to leave their job until they have been paid, or will have had their passports held as ransom. The five sectors with the highest risk level are services, manufacturing, construction, agriculture, and domestic work.

Forced labour, by sector



Source: Walk Free Foundation, 2022

In FY23, we assessed the exposure of the Firetrail S3 Global Opportunities Fund to higher risk countries and sectors, as defined above. Where elevated risk has been identified in companies' operations, we have engaged with management.

The engagement process is iterative, and we continue to maintain close relationships with investee companies.

Actions to address modern slavery risks

Case Study – BTPN Syariah

PT Bank BTPN Syariah Tbk (**BTPN**) is a portfolio holding located in a higher-risk geography, Indonesia.

BTPN is a microfinance bank that offers specialised loans to female, micro borrowers in rural Indonesia. The bank has coverage across 23 provinces, including Java, Sumatera and Sulawesi. The loans are typically 2 million Rp (US\$140) in size, with a duration of one year and are issued for 'productive purposes.' Their customers have no credit history so cannot undergo a formal credit assessment. Instead, they must participate in a five-day financial literacy program prior to receiving a loan.

BTPN has a unique business model that focuses on group lending, only to women. The groups meet fortnightly where repayments are collected. The group lending model creates a sense of shared-responsibility and risk sharing. BTPN currently have 4.2 million active customers.

Our assessment of BTPN's modern slavery risk exposure focuses on two areas: the agents and officers who enforce loan repayments; and what the loans are funding.

The Bank has approximately 12,000 employees. 95% of employees are female, 45% are high school graduates, and 60% are contracted. They are paid a salary that is greater than or equal to the minimum wage in Indonesia. The company also uses agents, 'Mitra Tepat,' who act as an extension of the bank but are not formally employed by BTPN. They are former customers or group members and receive commission-based payments. The risk of modern slavery is low because the work is voluntary.

BTPN focuses its financing distribution on the unbanked women in Indonesia. 80% of BTPN customers have never dealt with a formal financial services provider before. They undergo no formal credit assessment but must be able to prove that the funds are going toward a productive enterprise. Most customers are business owners or are getting financing to start a business. At the group meetings, the women receiving credit make their fortnightly repayments and discuss their small business's progress. The meeting structure ensures borrower accountability for the impact of their operations on their community.

BTPN is part of the solution to eradicating forced labour. By providing credit, the microfinance bank helps lift millions of customers above the poverty line. BTPN empowers women and

children, who are disproportionately represented in forced labour statistics. Through participation in the program, customers can afford to send their children to school. The company reports a meaningful decline in the number of children who are not in school. Access to education will provide children with future access to higher-skilled jobs, and should have a measurable impact on the prevalence of modern slavery.

Our Australian investment operations

In FY22 we measured the modern slavery risk exposure of the Firetrail Australian High Conviction Fund through looking at the proportion of portfolio holdings with Modern Slavery Statements. In FY23, we extended this assessment to include the Firetrail Australian Small Companies Fund.

In the High Conviction Portfolio, only one company within the portfolio is yet to publish its first Modern Slavery Statement. However, we note this company has only recently passed the revenue threshold for mandatory reporting, and this is an area we will engage them on as their reporting deadline approaches.

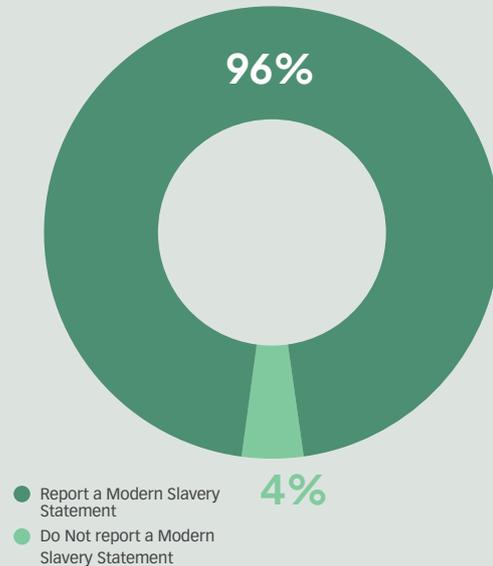
In the Small Companies portfolio, all companies that are required to report a statement, based on the revenue threshold, have done so. Encouragingly, 60% of the portfolio companies have reported a modern slavery statement, despite only 50% of them passing the revenue threshold. We recognise it is harder as a smaller company to implement policies to cover all activities, due to the relatively lower access to resources and time availability. We engage heavily with all small companies portfolio companies, and are glad to see the increased importance placed on developing policies and processes to deal with modern slavery. We will continue to encourage those companies that are yet to report a modern slavery statement to do so.

Actions to address modern slavery risks

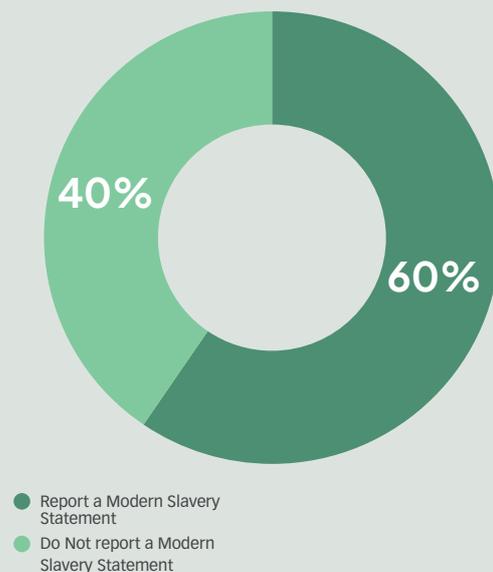
Case study: Lynas Rare Earths

Lynas operates a rare earth mine at Mt Weld in Western Australia, processing facilities in Malaysia and Kalgoorlie, and has their corporate office in Perth. The company's last Modern Slavery Statement was released covering 2022.

Australian High Conviction Fund portfolio companies with a Modern Slavery Statement



Australian Small Companies Fund portfolio companies with a Modern Slavery Statement



Lynas had 928 employees as at June 2022, most of which are located in Malaysia. The company also has an elevated level of contractors in Western Australia currently as it completes construction on mine and process infrastructure. The company's supply chain includes contract mining services, maintenance and repair, cleaning, chemical and raw material inputs, utilities and freight logistics. Lynas ensures that all suppliers comply with its Supplier Sustainability Code of Conduct, which prohibits suppliers from engaging in any form of modern slavery. The company reports on Modern Slavery in line with the Australian Modern Slavery Act and the UN Guiding Principles on Business and Human Rights.

Modern slavery risks arise in Lynas' supply chain through its operations in Malaysia and its procurement of shipping logistics and maintenance contractors. Lynas targets these higher-risk suppliers as part of its audit process.

To ensure that new supply chain risks are identified, Lynas reassesses suppliers and requires each of them to self-assess via questionnaire. Lynas also has a formal training programme for its employees to identify and report potential risks of Modern Slavery. Employees have multiple official channels to report to, and are protected by a Whistleblower Policy, consistent with relevant legislation.

Lynas has frameworks in place to identify and measure modern slavery risk in its supply chain. We will continue to engage with the portfolio holding on the improvement of its statement.

Case study: Domino's Pizza

Domino's Pizza Enterprises holds the exclusive master franchisor rights for the Domino's brand across Australia, New Zealand, Japan, Taiwan, Belgium, France, the Netherlands, Germany, Luxembourg, Denmark, Singapore, and Malaysia. Consequently, it has a complex, cross border supply chain and business relationships with thousands of franchisees. Additionally, Domino's has ~100,000 employees, many of whom are young and employed on either a part time or casual basis. This complexity gives rise to modern slavery risks which have the potential to cause both negative financial impacts and reputational damage to Domino's. Management of these risks is gaining more focus at a management and board level. Moreover, management

remuneration includes clawbacks which cover instances of reputational damage which would of course include modern slavery controversies.

Modern slavery risks in Domino's direct operations predominantly arise from the large front line work force. Many employees come from vulnerable groups such as school-aged children and migrants. This raises the prospect of underpayment at the hands of unscrupulous franchisees. In the past such instances have been identified by Domino's which has led the company to significantly strengthen its controls and monitoring. Domino's makes use of considerable data to benchmark store labour costs and screen for red flags. Moreover, Domino's takes a zero-tolerance approach and has terminated franchisees found to be in breach of standards. As the most mature region within the Domino's network, Australia and New Zealand are the most sophisticated at monitoring modern slavery risks in store. However, Domino's have been progressively applying these processes to the other regions such as through the rollout of a whistle-blower policy. As a part of our due diligence, we have extensively discussed labour standards and franchisee health with the company. Going forward we will continue to engage on these areas. Especially after the ASEAN acquisitions which mark Domino's first foray into emerging markets and therefore increase the potential exposure to modern slavery.

Modern slavery risks in Domino's supply chains relate primarily to sourcing of goods for sale. Domino's commissions an independent firm to conduct a supplier questionnaire to identify red flags for possible modern slavery breaches. Moreover, Domino's has enhanced its Business Partner Code of Conduct, which all suppliers must adhere to, to explicitly incorporate expectations on human rights and modern slavery. As modern slavery in the supply chain garners greater focus, Domino's have committed to increase disclosure of key metrics and targets to allow investors to monitor their progress. The company has also appointed a Chief ESG Officer to the Global Leadership Team to enable more sophisticated monitoring of modern slavery and other ESG risks.

Case study: City Chic

City Chic is a plus size clothing retailer that operates a collective of brands, including City Chic, Avenue, Evans, CCX, Hips & Curves, and

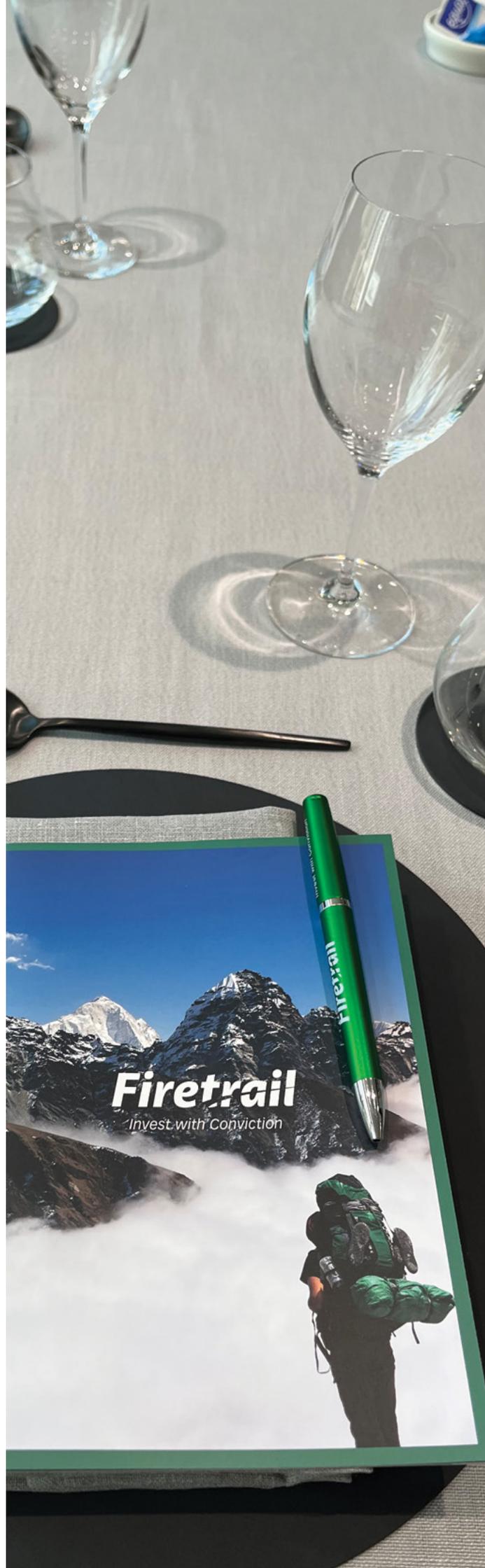
Fox and Royal. It sources products from factories located in South-East Asia, namely China, Bangladesh, India, and Vietnam. City Chic employs a relatively large workforce of >40,000 people at these factories.

Modern slavery risk in City Chic's supply chain arises from its procurement of goods from high-risk geographies, including China, Bangladesh, India, and Vietnam. Additionally, factory work is exposed to modern slavery risk because they are often employed by third-party labour providers rather than directly by the retailer. City Chic does not own or partially own any of its factories.

As part of our due diligence, we engaged with City Chic on their approach to monitoring modern slavery risk within their supply chain. In 2020, City Chic introduced the Worker Voice Program. The initiative aims to empower their factory workers to voice their concerns and opinions through grievance hotlines and independent worker surveys, among other methods. The program covers topics such as modern slavery, labour practices, health and safety, and worker satisfaction. During our engagement, we discussed their progress toward rolling out the Program to all factories in City Chic's supply chain. All factories in China and Bangladesh are covered by the Program, and management are making progress in India.

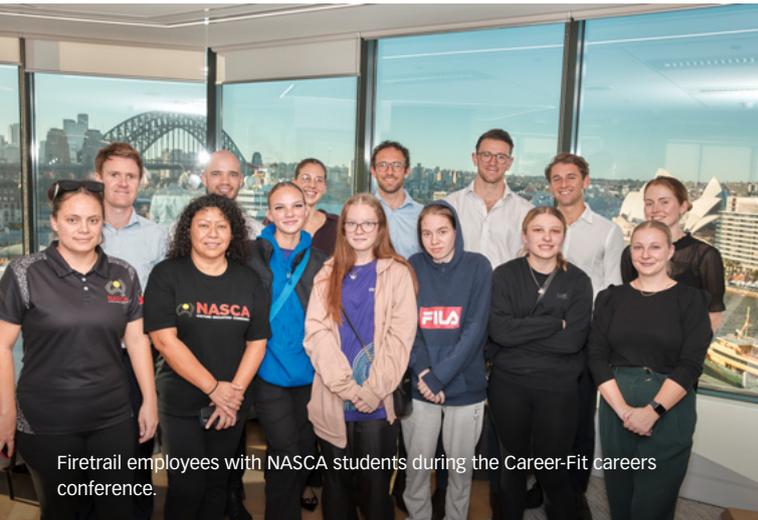
In our engagement, we also discussed City Chic's commitment toward closing the gap between a living wage and a minimum wage. City Chic have established an audit process, through which they train and ask their factories to establish a living wage calculation. From this data, City Chic have developed a living wage tracker that is used across its factories to ensure factory owners are aware of how their wages compare. They use a scale to monitor the progress of all factories toward paying a living wage. As at June 2023, 74% of City Chic's tier 1 suppliers were in the top band of their audit risk ratings.

We believe City Chic's measurable audit system and bottom-up Voice program demonstrate a strong commitment to respecting human dignity. However, we recognise that the company's higher exposure to modern slavery risk warrants continuous engagement.



13.

Community Engagement



Firetrail employees with NASCA students during the Career-Fit careers conference.



Firetrail employees competing in the NASCA Traditional Indigenous Games Corporate Challenge.

NASCA

Firetrail has been a proud sponsor of the National Aboriginal Sporting Chance Academy (NASCA) since 2022. NASCA utilises the power of structured educational, sporting, and cultural programs to harness the aspirations of Aboriginal and Torres Strait Islander young people. For over 25 years, NASCA has worked closely with communities to strengthen cultural pride and identity, and build life skills, personal development, and long-term resilience.

In FY23 we were delighted to support NASCA's third annual CareerFit careers conference. This four-day event brought over 60 Aboriginal and Torres Strait Islander students aged 16-18 to Sydney with a goal of exposing them to a range of career opportunities and experiences. As a part of the conference a subset of the students visited the Firetrail office for lunch and a workshop on financial literacy and career opportunities within the financial services sector. This was a great opportunity for members of our team to engage with the young people and we look forward to hosting a new crop of NASCA students in 2023.

Firetrail also participated in the NASCA Traditional Indigenous Games Corporate Challenge. It is a core pillar of NASCA's program to use culture, sports, arts, and academic support as tools to provide mentorship for the young people involved in the program. This event strongly embodied NASCA's philosophy, allowing the Firetrail team to learn more about Aboriginal and Torres Strait Islander culture while enjoying an active day playing two classic games – Buroinjin and Munhanganing. After taking out first place last year, we thought it was only fair to give another team a chance this year. But we will be back next year to bring home the trophy with vengeance!

Mirabel

Firetrail has been a proud supporter of the Mirabel Foundation since November 2019. The Mirabel Foundation is an organization that specifically addresses the needs of children who have been orphaned or abandoned due to parental drug use. Mirabel currently supports over 1,800 children and young people, aged 0 to 17 years who live in kinship care. Its programs focus on the child and their needs and aim to restore their sense of worth, belonging and hope for the future.

In FY23, the Firetrail team continued to participate in the Mirabel tutoring program, the Mirabel Online Learning Club (MOLC). The program runs throughout the school-term and involves weekly, one-on-one tutoring sessions. It is hugely beneficial for the Mirabel young people who increase their confidence and build strong relationships with their tutors. We look forward to continuing our participation in the program in FY24.

With our support, the Mirabel Foundation operates Youth Support and Therapeutic Groups

in the Hunter Valley region. The program is focused on taking preventative action, by working one-on-one with families experiencing a crisis regarding a child's behaviour. It also includes group activities which bring children and young teens together in a regular format, to connect with each other based on shared experience.

City 2 Surf

This year 20 members of the team from Firetrail tackled the City2Surf, the world's largest fun run. The 14km route starts in Hyde Park and ends at Bondi Beach, with an incline known as "Heartbreak Hill" thrown in for good measure. This year we ran in support of Little Wings Ltd, a non-profit organisation that provides free, professional, safe flight and ground transport services for seriously ill children in rural and regional NSW. It was great to see the Team's passions for fitness and fundraising brought together in this event. It was the first running of the event since Covid, and we look forward to more opportunities to compete as a team going forward.



Firetrail employees after finishing the City2Surf

World Pride comes to Sydney!

At Firetrail, our aim is to create an equal workplace where everybody, regardless of their sexual orientation, feels like they belong and can always bring their whole authentic selves to work.

A truly inclusive workplace is in action every single day, helping us to deliver our very best for our clients, for each other, and for society.

We are very proud that our home city of Sydney hosted WorldPride this year, an LGBTQIA+ festival that incorporates the Sydney Gay and Lesbian Mardi Gras.

We changed our logo to celebrate Pride and participated in various events over the festival period!



14.

Looking Ahead

We have built a strong philosophy on which we approach sustainability from an investment and business perspective. We appreciate the opportunity to engage with clients, peers, and corporates on any aspects of sustainability, and use these encounters to reflect upon, and enhance, our approach.

We do not anticipate significant shifts in our areas of focus on sustainability, as we believe they are grounded in enduring factors that will continue to be relevant.

Looking ahead, we plan to:

- Continue our direct engagement with companies across our investment universes to constantly develop our knowledge on sustainability practices, as well as share learnings with our peers, corporates, and clients.
- Increase the initiatives we support to improve our community involvement around

sustainability, particularly in areas we believe Firetrail have a competitive advantage in. This includes areas like gender diversity, where we hope to share our learnings with our peers and the wider community to improve diversity across the industry.

- Continue looking for ways to reduce our operational carbon emissions, as well as measuring the carbon emissions of the business and portfolios, and investigating whether it is appropriate to verify the emissions through an independent source.
- Support the development of sustainability standards to improve the transparency and consistency of reporting across our investee companies and peers.

We look forward to continuing our progress on sustainability measures and contributing to a responsible investment environment alongside our clients, portfolio companies and peers.



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Links to the Product Disclosure Statement: [WHT3810AU](#); [WHT5134AU](#); [WHT3093AU](#); [WHT7794AU](#); and [WHT4609AU](#)

Links to the Target Market Determination: [WHT3810AU](#); [WHT5134AU](#); [WHT3093AU](#); [WHT7794AU](#); and [WHT4609AU](#)

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Positive change definition: Firetrail has recalibrated fifteen of the UN Sustainable Development Goals (SDGs) into the Firetrail Positive Change themes to describe the global investment opportunity set. Financial and non-financial metrics are combined via proprietary quantitative models

to reduce a starting universe of over 20,000 companies to a target investment universe of around 800 global opportunities. Firetrail then conducts deep-dive fundamental analysis on the most attractive opportunities within this 800-company global opportunity set. Upon conducting fundamental analysis, a qualitative assessment by the Firetrail analyst is conducted to ensure the company is appropriately categorised according to Firetrail's Positive Change themes. A company is also assigned a qualitative categorisation of 'future leader' or 'current leader' according to the company's position on the Firetrail Positive Change curve (an illustrative representation of the relationship between valuation and positive change progress). Positive Change theme categorisations are reviewed weekly by the portfolio management team.

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