Blackwattle

ESG Investment Framework and Policy

Blackwattle Investment Partners

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1. Introduction

Blackwattle aims to deliver long-term sustainable risk adjusted returns for our investors. To achieve this outcome, and to contribute to a more sustainable and responsible business environment, we believe the integration and assessment of environmental, social and governance [ESG] factors is critical. Blackwattle's key differentiator in assessing ESG is that it is a fundamental part of the investment decision making process which is overseen by an independent ESG Review Council. The purpose of this policy is to outline Blackwattle's recognition, commitment and support for the development and integration of responsible investing across its investment strategy.

For Blackwattle, these norms and best practices include:

1. **ESG Policies and Integration**: We view ESG as a natural complement to traditional financial analysis resulting in a more comprehensive analysis of a company's prospects.
2. **ESG Review Council**: Our Council members meet quarterly and provide ESG guidance in relation to our investment portfolios. These meetings provide valuable insight and include discussion and debate on various ESG themes.
3. **Annual Internal ESG Audit**: Investment portfolios are reviewed from an ESG risk perspective, with action and outcomes discussed and recorded. This provides Blackwattle with valuable information in assessing how companies and portfolios have performed.
4. **ESG Engagement**: Our investment teams engage on ESG with potential investments to better understand the business and its relevant ESG issues. Direct engagements are designed to enhance the long-term value of our shareholdings and facilitate better ESG performance in portfolio companies.
5. **Stewardship and Advocacy:** As stewards of our client's capital, we owe it to them to manage their entrusted resources actively and responsibly to unlock long term and sustained value. When required, we will advocate for change directly with the companies in which we invest.

2. ESG Policies and Integration

Policies: There are different ESG themes with varying materiality depending on sector, geography, investment style, and client objective. Below we outline the common ESG issues that investors consider when conducting investment analysis and which are a consideration in our investment process.

- **Environmental:** We believe that a sustainable business must be able to effectively respond to the physical and transition risks of climate change, and position strategy to capture opportunities from environmentally friendly products and technologies. A company should also address biodiversity loss, waste, pollution, and other environmental impacts that result from business operations.

- **Social:** We believe that a sustainable business should attract, motivate, and incentivise its workforce in a way that fosters employee engagement and creates intellectual capital. Companies with engaged workers will better anticipate, align with, and promote the interests of customers and communities. We expect companies to promote diversity and inclusion and make health and safety a priority for all workers. Product quality and safety, data privacy, human rights, sales practices, affordability of products/services, and community relations are examples of social factors that should be effectively managed over the long term.

- **Governance:** We believe that a sustainable business needs to have good corporate governance. Frameworks such as board composition and effectiveness, audit committee structure, internal controls and compliance, executive remuneration, transparency, and whistleblower schemes must be carefully designed to align incentives with the long-term economic interests of all shareholders.

Integration: We believe ESG factors can have a significant impact on company operations and performance. Blackwattle's Portfolio Managers integrate ESG factors into their fundamental analysis. These ESG factors are combined to form a Portfolio Dashboard which is the primary tool used to assess portfolio settings and ESG exposures.

ESG factors are integrated into the Portfolio Dashboard and are considered alongside other key financial factors. ESG is considered at a stock and portfolio level to enable a more holistic assessment of investment risks and opportunities and considers current ESG performance as well as the change in performance over time. Where appropriate, we conduct proprietary research to assess the impact of financially material ESG factors on companies.

Depending on the issue, corporate engagement can be part of the integration process. ESG integration is an important part of investment research, from the purely quantitative type to those based on a combination of fundamental research and qualitative judgments. There is ongoing monitoring of ESG performance by the CIO.

3. ESG Review Council

The ESG Review Council provides additional oversight from experts in the ESG space and will promote discussion, debate, and guidance around Blackwattle's investment portfolios. The Council meetings at minimum every 3 months for an in-depth workshop with each portfolio team.

The responsibilities of the ESG Review Council includes investment portfolio and process review; the monitoring of ESG trends, development and risk, the analysis of reputational risk management practices; and ensuring regulatory compliance and reporting.

The ESG Review Council is a key component of Blackwattle's approach to responsible investment and risk management. By providing oversight and guidance on ESG and reputational risk issues, the Council ensures that the Company's investments align with its values in achieving long-term sustainable risk adjusted returns for our investors.

4. Annual Internal ESG Audit

Blackwattle performs an annual review (ESG Audit) of its investment portfolios. This provides valuable information on whether ESG factors are improving or deteriorating at a company and / or portfolio level. The information collected provides valuable insight for Blackwattle and provides the Investment team with critical insight which may alter investment decision making or form the basis for engagement and advocacy.

5. ESG Engagement

Blackwattle undertakes ESG engagement with the companies it invests in, analysing and reviewing relevant ESG factors, practices, and policies. ESG engagement and review occurs in almost every company meeting.

Engagements are designed to enhance the long-term value of our shareholdings and facilitate better ESG performance in portfolio companies. These dialogues can also inform our proxy voting decisions, providing an opportunity for two-way communication.

6. Stewardship and Advocacy

We believe that as stewards of our clients' capital, we owe them a responsibility to manage their assets and to protect and enhance long-term, sustained value, while taking account of material ESG considerations.

- **Proxy Voting:** We carry out our fiduciary duty by voting at shareholder meetings and expressing our support for (or concern with) management and shareholder resolutions where appropriate. Where we have been a longer-term shareholder of the company we vote where we see the matter to be material and requiring escalation.
- **Shareholder Engagement:** Where material, we engage with executive management and boards of directors on ESG factors.
- **Collective Shareholder Engagement:** Collaborative engagement with other institutional investors and organisations to engage with companies on ESG specific issues.

Proxy Voting: We vote proxies solely in our clients' best interests, generally in accordance with our Proxy Voting Guidelines. The Guidelines are applied taking into consideration individual circumstances of each company, and under the principle of promoting good corporate governance standards. We may use third party proxy voting provider(s) to help us implement the voting policy.

Shareholder Engagements: Engagements help us better understand the business and the relevant ESG issues. Direct engagements are designed to enhance the long-term value of our shareholdings and facilitate better ESG performance in portfolio companies. These dialogues can also inform our proxy voting decisions, providing an opportunity for two-way communication.

Collective Shareholder Engagements: Engagements with other investors enable us to discuss issues of common concern. We see the benefits of joining forces with like-minded shareholder to speak collectively on governance and sustainability issues and raise matter affecting long term value creation. We maintain close relationships with various investors and stakeholders to help us guide our investee companies.

Our Proxy Voting Guidelines primarily cover the following themes:

- **Board of directors:** Board directors play a key role in ensuring company management operate in the best interests of shareholders. We support boards whose approach is consistent with creating sustainable, long-term value.
- **Capital management:** Regarding capital structure, M&A, and other transactions, we priorities the long-term economic interests of shareholders. The rationale for an action must be clearly explained and justified and should not be unnecessarily dilutive to existing shareholders.
- **Financial statements and independent auditors:** True and fair financial reporting is fundamental to capital markets. We look for effective audit committee oversight, comprehensive disclosures, and auditor independence.
- **Compensation practices:** Compensation plans are evaluated based on the alignment with corporate strategy and shareholder returns. Pay should be risk-adjusted and align to performance outcomes in the business. Overall incentive plan metrics should be appropriate, rigorous, and transparent.
- **Environmental and social (E&S) issues:** We believe high quality disclosure is key for E&S issues, and the board and management should put in place a sustainable business model considering material E&S opportunities and risks.
- **Governance:** We believe that a sustainable business needs to have good corporate governance. Frameworks such as board composition and effectiveness, audit committee structure, internal controls and compliance, executive remuneration, and whistleblower schemes must be carefully designed to align incentives with the long-term economic interests of all shareholders.