

Blackwattle Investment Partners Climate Change and Nature (Biodiversity) Policy

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Owner: Managing Director and CIO

Approved by: Blackwattle Board of Directors

Next scheduled review: At least annually, and earlier if material regulatory/market developments occur.

1. Purpose

This Policy describes how Blackwattle Investment Partners (“Blackwattle”, “we”, “our”) considers climate change and nature/biodiversity issues as part of:

- fundamental investment research and portfolio construction;
- stewardship activities (engagement and proxy voting); and
- risk management and disclosure.

This Policy is designed to support Blackwattle’s investment objective of delivering long-term, sustainable, risk-adjusted returns. It is not intended to represent that any Blackwattle strategy is an “ESG fund”, “ethical fund”, or “impact fund”.

This Policy should be read alongside Blackwattle’s ESG Policy, which confirms our ESG integration approach.

2. Scope

This Policy applies to:

- Blackwattle’s investment activities across applicable listed equity strategies (and related instruments where used); and
- Stewardship activities undertaken by Blackwattle in its capacity as a manager/investor.

Important scope note: The ability to vote and directly engage is generally strongest where Blackwattle holds equity securities and voting rights. Where exposures are achieved through other instruments, stewardship levers may be different or limited; however, climate and nature risks may still be assessed for investment decision-making.

3. Guiding principles

3.1 Financial materiality and long-term value

We consider climate and nature issues where they are financially material to business quality, risk, valuation, and long-term outcomes.

3.2 Pragmatism (we are not an ESG-labelled manager)

Blackwattle’s ESG Policy highlights that we integrate ESG into fundamental analysis and do not undertake thematic ESG investing as a standard part of portfolio construction.

Consistent with that approach, this Policy focuses on decision-useful climate and nature considerations rather than values-based screening.

3.3 Active stewardship

Blackwattle’s approach includes ongoing engagement and proxy voting in clients’ best interests, focusing on matters we deem material and where escalation may be required.

3.4 Transparency and anti-greenwashing discipline

We will avoid vague or absolute claims, and ensure any forward-looking claims (e.g., targets) have reasonable grounds and are appropriately evidenced.

3.5 Proportionality and continuous improvement

Data and methodologies for both climate and nature are evolving. We will apply a proportionate approach, improve over time, and be transparent about limitations.

4. Governance and accountability

4.1 Board and executive oversight

- The Board and CIO are responsible for overseeing Blackwattle’s approach to material climate and nature risks, consistent with fiduciary obligations and our investment objectives.

- Blackwattle has established independent ESG advisory council, an external ESG advisory council function and internal review processes.

4.2 ESG Advisory Council / ESG Review Council

Blackwattle's ESG Advisory Council provides independent, non-binding advisory input on ESG-related matters. Final decision-making authority remains with the Portfolio Managers and CIO.

Our ESG Policy describes periodic ESG advisory workshops and review processes.

4.3 Portfolio teams

Portfolio Managers and Analysts are responsible for:

- identifying and assessing material climate and nature risks/opportunities in covered companies;
- integrating those insights into investment decisions where necessary, and ongoing monitoring; and
- executing engagement and voting actions consistent with this Policy.

Blackwattle's ESG Policy confirms ESG factors are integrated into fundamental analysis and incorporated into an internal ESG Dashboard used to inform assessment of portfolio exposures and material risk themes. The Dashboard does not operate as a mechanical scoring or automatic exclusion tool (except as described in the ESG Policy).

4.4 Compliance and communications controls

Blackwattle's Compliance Risk Committee will regularly review this document to ensure that remains relevant. In addition:

- Compliance supports governance around public statements and client communications relevant to climate/nature.
- Marketing and public materials attempt to always reflect this Policy's anti-greenwashing controls (Section 10).

5. Climate Change Policy

5.1 Why climate change is financially relevant

Climate change can create physical risks, transition risks, and liability risks that affect companies' assets, costs, revenues, competitiveness, access to capital, and valuation. This framing is widely used in financial risk management (including in Australian prudential guidance).

We recognise that Australia's reporting environment is evolving, including the staged introduction of mandatory climate reporting requirements for certain entities. We monitor these developments relevant to our investee companies and our own disclosure obligations.

5.2 Our climate beliefs and position

1. Climate risk is investment risk: when it affects cashflows, risk premia, or terminal value.
2. Disclosure quality matters: credible governance, transparent data, and decision-useful reporting should support better capital allocation.
3. Transition pathways differ by sector and company: we attempt to not apply one-size-fits-all judgments.
4. Engagement can be value-relevant: improved governance, risk management, and disclosure can reduce downside risk and improve long-term outcomes.

5.3 How we integrate climate considerations into investment decisions

Climate considerations may be assessed at stock and or portfolio level through Blackwattle's fundamental research, and Blackwattle's ESG Dashboard acts to highlight current or emerge risks to investment teams.

Depending on the company and sector, our analysis may include:

A. Governance and accountability

- Board oversight of climate risk; management accountability; incentives; internal controls.

B. Strategy and resilience

- Exposure to transition drivers (policy, technology, demand shifts).
- Exposure to physical risk (sites, supply chain, insured losses, operational disruption).

C. Metrics and data (used carefully)

Where useful and available, we may consider:

- operational emissions disclosures (Scopes 1–3 where relevant);
- waste and water usage.

- carbon or net zero targets.
- company policies and targets;
- quality of assumptions and limitations in company reporting.

Data caution: climate data can be incomplete, inconsistent, modelled, or revised. Climate data may be incomplete, estimated, modelled, or subject to revision. We treat such metrics as inputs into broader financial analysis and do not rely solely on quantitative climate indicators for investment decisions.

5.4 Climate engagement priorities

Blackwattle considers material ESG issues, including climate and nature matters, in company engagements where relevant to the business model, risk profile, or investment thesis. In regard to climate, our engagement focus may include:

1. **Governance:** clear board oversight, appropriate skills, and accountability.
2. **Disclosure:** decision-useful disclosure aligned with evolving expectations and the provision of data to the public and or key research organisations.
3. **Transition planning:** credibility of transition pathways, capex plans, operational plans, and transparency around reliance on offsets (if any).
4. **Risk management:** how climate risks are identified, monitored, and integrated into enterprise risk management.

5.5 Escalation

If we believe climate risk management or disclosure is persistently inadequate relative to financial materiality, escalation options may include:

- follow-up meetings and written communication;
- supporting targeted shareholder resolutions (case-by-case);
- voting against relevant directors/committee chairs (case-by-case);
- reassessing position size or investment thesis where risk/return becomes unattractive.

5.6 Proxy voting on climate matters

Consistent with our ESG Policy, we attempt to vote in clients' best interests and focus attention on material matters.

Climate-related voting is case-by-case and may consider:

- whether disclosures are decision-useful and proportionate;
- whether governance structures are credible;
- whether shareholder proposals are reasonable, targeted, and likely to improve shareholder outcomes; and
- whether management responses are timely and substantive.

5.7 Reporting

Blackwattle may provide climate-related commentary to specific mandates or clients where relevant and proportionate, including:

- qualitative discussion of material risks/opportunities;
- engagement themes and outcomes (where appropriate); and

We do not claim outcomes, alignment (e.g., "Paris-aligned"), or targets unless we can substantiate them with clear scope, methodology, and reasonable grounds (see Section 10).

Blackwattle does not represent any portfolio as "Paris-aligned", "net zero", "climate-aligned", or similar unless:

- the scope of assets covered is clearly defined;
- the methodology and key assumptions are disclosed; and
- we have reasonable grounds and an evidence base supporting the representation.

6. Nature and Biodiversity Policy

6.1 Why nature and biodiversity are financially relevant

Nature underpins economic activity through ecosystem services and natural capital. Degradation of biodiversity and ecosystems can create:

- **physical risks** (resource scarcity, reduced productivity, water stress, flood risk);
- **transition risks** (regulation, litigation, shifts in demand, land-use constraints); and
- **reputational and social licence risks** (community opposition, supply chain disruptions).

6.2 Our nature/biodiversity beliefs and position

Our position is as follows:

1. Nature-related risks can be financially material, but measurement is still developing.
2. We prioritise decision-useful assessment over superficial scoring.
3. Where nature-related risks are financially material, we may focus analysis and engagement on sectors and companies such as land use, extractives, agriculture-linked supply chains, water-intensive industries, infrastructure, and pollution-intensive operations.
4. Engagement is often the most practical lever to improve governance, risk management, and disclosure.

6.3 How we integrate nature considerations into investment decisions

Blackwattle's ESG assessment recognises biodiversity impacts such as pollution, waste, and water usage. Building on that, our nature/biodiversity assessment may include:

A. Dependencies and impacts (where material)

- dependencies on water availability, healthy soils, pollination, coastal protection, natural hazard mitigation;
- operational and supply-chain impacts: land conversion, habitat disruption, pollution, waste, deforestation exposure.

B. Governance and controls

- board oversight of material nature risks;
- policies (e.g., deforestation-free supply chains, water stewardship, pollution controls);
- supplier screening and traceability where relevant.

6.4 Nature/biodiversity engagement priorities

Where nature-related issues are financially material, engagement topics may include:

- **Deforestation and land-use change:** credible no-deforestation commitments (where relevant), traceability, supplier standards, grievance mechanisms.
- **Water stewardship:** water risk assessment, water efficiency, discharge quality, catchment impacts, contingency planning in stressed regions.
- **Pollution and waste:** reduction and control of pollutants, plastics and hazardous waste management, product stewardship, circularity where financially relevant.
- **Disclosure and risk management:** transparency on material nature dependencies/impacts and how these translate into financial risks;

6.5 Escalation and proxy voting on nature matters

Escalation and voting follow the same principles as climate:

- we seek constructive outcomes first;
- we escalate where issues are financially material and persistent;
- we vote case-by-case, including on shareholder proposals relating to deforestation, water risk, pollution and broader nature governance, where relevant to long-term value.

7. Interaction between climate and nature

Climate and nature risks often reinforce each other:

- nature degradation can worsen climate physical risks (e.g., flooding, heat, water stress);
- climate transition policies can create nature impacts if poorly designed;
- nature-based solutions may create opportunities but require integrity and robust measurement.

We encourage investee companies to consider these interactions when material.

8. Stewardship alignment and collaboration

Blackwattle may, where appropriate, participate in collaborative engagement or industry forums to improve outcomes on systemic issues, consistent with our fiduciary obligations and client interests.

Blackwattle's ESG Policy contemplates collective engagement with other investors where beneficial.

9. Recordkeeping, monitoring and review

We maintain records (proportionate to the investment and issue) of:

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- material climate/nature considerations in investment research (proportionate to the investment);
- engagement dates, persons and topics discussed (where applicable);
- key voting decisions on material issues (where applicable).

This Policy will be reviewed at least annually, and may be updated as standards evolve (e.g., ISSB/AASB climate reporting expectations and the maturation of TNFD-aligned nature practices).

10. Greenwashing prevention

Because climate and biodiversity are areas with high regulatory scrutiny and high risk of misunderstanding, Blackwattle applies the following controls:

10.1 Truth in promotion

We will ensure descriptions of our approach are consistent across:

- website statements, presentations, and commentary; and
- formal disclosure documents.

ASIC highlights the importance of “true to label” descriptions, clear explanations of how sustainability considerations are incorporated, and avoiding vague claims.

Again, to reiterate, investment objective of delivering long-term, sustainable, risk-adjusted returns. It is not intended to represent that any Blackwattle strategy is an “ESG fund”, “ethical fund”, or “impact fund”.

10.2 Reasonable grounds for forward-looking statements

Where statements relate to future matters (e.g., targets), we will ensure there are reasonable grounds, supported by documented assumptions and methodology, for any forward-looking representation.

10.3 No unsupported portfolio-level claims

We will not make broad claims such as “Paris-aligned”, “net zero portfolio”, “nature positive portfolio”, or similar unless:

- scope is defined (which portfolios, which assets, what methodology);
- data coverage and limitations are disclosed; and
- progress reporting is feasible and planned.

10.4 Evidence-based stewardship claims

We will not overstate our level of influence over investee companies and will describe stewardship activities in factual, evidence-based terms. ASIC explicitly notes the need not to overstate the degree of influence an issuer could reasonably have in stewardship activities.

The consideration of climate and nature factors does not require Blackwattle to prioritise such factors over financial return objectives, and investment decisions remain based on an assessment of overall risk-adjusted return.

11. Definitions

Climate-related risks: potential negative effects from climate change including physical, transition and (where relevant) liability risks.

Nature-related issues: dependencies and impacts on nature that can give rise to risks and opportunities, as framed in TNFD materials.