ESG Investment Policy

Blackwattle Investment Partners – ESG Investment Policy

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1. Purpose and Scope

Purpose: This ESG Investment Policy outlines Blackwattle Investment Partners' ("Blackwattle", "we", "our") commitment to responsible investment and how we integrate Environmental, Social, and Governance (ESG) considerations into our investment processes.

Blackwattle's goal is to deliver long-term, sustainable risk-adjusted returns for our clients whilst also thoughtfully incorporating ESG factors, in line with our fiduciary duty.

We recognise that ESG issues can materially impact company performance and portfolio risk, and thus integrating ESG is prudent in investment management.

Scope: This policy applies to all of Blackwattle's equities investment strategies. While Blackwattle is not managing an "ESG fund", we do embed ESG analysis and stewardship into our process to enhance long-term outcomes.

We integrate ESG considerations as a natural part of investment decision-making with the aim of improving returns and managing risks over the long term. We communicate transparently about our ESG approach and include appropriate disclaimers so that investors understand the role ESG plays in our process, consistent with regulatory guidance to ensure all sustainability-related claims are truthful and not misleading.

2. Definitions

For clarity, key terms and acronyms used in this document are defined below:

- **ESG:** Environmental, Social, and Governance factors. These are criteria used to evaluate a company's practices and risk profile beyond traditional financial metrics.
  Environmental factors include climate change impacts, resource use, pollution, etc.
  Social factors include labour practices, product safety, community impact, etc.
  Governance factors include board structure, ethics, transparency, and shareholder rights.
  Blackwattle believes material ESG issues must be evaluated because they can significantly influence long-term corporate performance.
- **PRI:** United Nations-supported Principles for Responsible Investment. A leading global framework comprising six principles that encourage investors to integrate ESG issues into investment analysis, be active owners, seek appropriate ESG disclosure from companies, and report on their progress. Blackwattle is not yet a signatory to UN PRI, but we **support its principles** and strive to align our practices with its guidance (e.g. incorporating ESG into decision-making and ownership policies).
- **TCFD:** Task Force on Climate-related Financial Disclosures. A framework that provides recommendations for companies (and investors) to disclose climate-related risks and opportunities in a clear, consistent way, organised under four pillars: Governance, Strategy, Risk Management, and Metrics & Targets.
  Blackwattle supports the TCFD recommendations and is working to progressively implement TCFD-aligned climate risk assessment and disclosure in our investment process and client reporting.
- **SDGs:** Sustainable Development Goals. 17 global goals set by the UN to address society's greatest challenges by 2030 (such as climate action, poverty reduction, health, education, equality, etc.). While our funds are not explicitly structured as "impact" funds targeting SDGs, Blackwattle acknowledges the SDGs as an important global framework.
- **UN Global Compact:** A UN initiative that outlines ten principles for businesses in the areas of human rights, labour standards, environment, and anti-corruption. Companies deemed to be in serious breach of the UN Global Compact principles, for instance, persistent involvement in human rights abuses or egregious environmental harm, are subject to exclusion under our policy (see Section 7).

Other technical terms or acronyms used in this Policy will be explained in context as needed.

3. ESG Philosophy and Commitment

Our Investment Belief: Blackwattle believes that ESG integration is a natural complement to fundamental investing, enhancing our ability to identify high-quality companies and manage risks. We view ESG factors not as a separate or secondary mandate, but as part of holistic risk analysis that supports long-term value creation for our clients. In practice, this means our portfolio managers and analysts evaluate relevant ESG issues alongside financial metrics when assessing companies. By doing so, we gain a more complete view of each investment's true risk/reward profile.

We emphasise that our strategies are not branded as dedicated ESG or sustainable funds - our foremost objective is superior risk-adjusted returns, not ethical or impact outcomes alone.

We do however, consider responsible investment principles as fully aligned with our fiduciary duty: integrating ESG into our process helps protect and enhance returns over the long term. We explicitly avoid marketing-driven ESG claims or superficial approaches. Instead, our commitment is genuine and focused on material ESG factors that could affect portfolio performance. By maintaining this focus, we ensure we meet client return objectives while also meeting our responsibilities as stewards of capital.

Long-Term Horizon: Blackwattle's investment philosophy inherently favours long-term, sustainable business models, or more specifically we seek out "good and great businesses with a forward advantage" for enduring performance.

In that context, companies that effectively manage environmental and social risks and uphold strong governance, we believe are more likely to prosper over our investment horizon. Therefore, integrating ESG is integral to identifying high-quality businesses and avoiding those with hidden liabilities or poor stewardship. We believe that doing well (financially) and doing right (responsibly) are not in conflict but can be mutually reinforcing.

Alignment with Best Practices: We strive to ensure our ESG approach is in line with industry best practices and evolving standards. We draw on frameworks like the PRI, and TCFD to guide our strategy (see next section). We also monitor guidance from Australian regulators and industry bodies regarding ESG and climate risk.

4. Alignment with Global Frameworks and Standards

Blackwattle supports the principles of many key global responsible investment frameworks. While we may not have formally signed onto all of these initiatives as of the policy's date, we endeavour to conduct our ESG practices in the spirit of their guidelines:

- **PRI:** We endorse the Principles for Responsible Investment, which call for incorporating ESG issues into investment analysis, being active owners, seeking enhanced ESG disclosure from investee companies, and promoting responsible investment. We are not currently a PRI signatory. We nonetheless seek to align elements of our process with relevant PRI principles, including ESG integration and stewardship, where appropriate.

  Blackwattle's policy and procedures strives to mirror these principles wherever possible, for example; our ESG integration process (Section 5) addresses Principle 1 (ESG incorporation), and our engagement and voting activities (Section 6) address Principle 2 (active ownership).

- **Task Force on Climate-related Financial Disclosures (TCFD):** We recognise climate change as a financial risk. Blackwattle is committed to progressively implementing the TCFD recommendations where possible, as the framework provides a globally recognised method for climate risk disclosure across four core elements: Governance, Strategy, Risk Management, and Metrics & Targets.

  Internally, we incorporate climate assessment and considerations into our portfolio assessments (e.g. scope 2 emissions from portfolios. Where data is available and decision-useful, we measure and monitor climate-related metrics at portfolio level (such as carbon footprint and emissions intensity) using third-party data and internal analysis.

  As regulation around climate risk disclosure gains momentum, Blackwattle will strive to ensure our practices meet TCFD-aligned requirements. Ultimately, if we can align with TCFD requirements, we believe it will strengthen our portfolios against climate-related risks and possibly seize opportunities in the transition to a low-carbon economy.

- **Other Standards and Codes:** As the regulatory environment evolves (e.g. ASIC and ACCC guidance on ESG disclosures and avoiding greenwashing), we will monitor the standards and codes, adapting where necessary, striving to remain fully compliant.

In summary, Blackwattle's ESG approach is informed by these frameworks, even prior to formal endorsement. We see alignment with global best practices as both an ethical responsibility and a mark of quality in our investment management.

5. ESG Integration in Investment Analysis and Decision-Making

Approach: ESG integration at Blackwattle means that we consider relevant ESG factors alongside traditional financial factors as part of our investment due diligence and ongoing monitoring.

Our Portfolio Managers and analysts often incorporate ESG insights into company research, stock valuation, portfolio construction, and risk management. This integration is not a one-time screen or a separate module, it is integrated throughout our investment process to ensure a comprehensive view of each company's quality and long-term prospects.

Material ESG Factors: We recognise that the significance of ESG issues can vary by industry, business model, and context. Our research process is therefore focuses on the ESG factors most likely to impact a company's financial performance or risk profile. Common areas of analysis include:

- **Environmental Factors:** How the company manages its environmental impact and exposure to environmental risks. For example, we may assess a company's strategy for climate change (both physical risks from climate impacts and transition risks as the economy shifts to low-carbon) and the associated cost of carbon impact.
  We look for data and metric that may provide evidence companies are reducing greenhouse gas emissions, improving energy efficiency, and planning for scenarios like carbon pricing or stricter regulations.
  We also examine issues like waste management, pollution control, water usage, and any efforts to innovate.
  Companies that can effectively respond to environmental challenges and opportunities are viewed more favourably, while those with heavy exposure to environmental liabilities (e.g. unsustainable resource use, unmanaged pollution or climate risk) may be penalised in our analysis or potentially excluded if the risks are too great.

- **Social Factors:** How the company manages relationships with stakeholders - employees, customers, suppliers, and communities. We believe a sustainable business should treat its workforce well and cultivate a positive, inclusive culture to drive innovation and productivity. Thus, we review labour practices (health and safety records, labour rights, employee engagement), talent management, and whether the company promotes diversity and inclusion.
  We review supply chain standards (e.g. sourcing and human rights), data privacy and cybersecurity (especially for tech and finance firms), and community relations when necessary.
  Companies that align with societal expectations, for instance, by supporting community development or demonstrating fairness and integrity, are often more likely to be resilient and reputable. Those involved in egregious social controversies (e.g. poor treatment of workers, human rights violations, exploitative practices) may well trigger heightened scrutiny or exclusion under our policy (especially if they violate global norms like the UN Global Compact).

- **Governance Factors:** The quality of a company's leadership, oversight, and internal controls.
  We place strong emphasis on **good corporate governance** as a foundation for sustainable performance. Key governance aspects we evaluate include board composition and effectiveness (independence, relevant expertise, diversity on boards), executive remuneration (alignment of pay with long-term performance), shareholder rights and capital allocation discipline, audit integrity and financial transparency, and the presence of robust ethics and compliance systems.
  We believe companies with accountable, experienced boards and management, high levels of transparency, and alignment between management and shareholders are better positioned to create long-term value. Conversely, we are cautious on companies with weak governance structures, without checks and balances, a history of misconduct or accounting red flags. Such governance concerns may preclude investment, as they often presage financial underperformance or scandal.

In practice, our analysts incorporate these ESG considerations into their investment analysis. For example, material ESG risks might inform our cash flow projections, required risk premium, or scenario analysis for a company.

If a company faces a material ESG issue (say a potential regulatory penalty for pollution or a workforce strike due to labour disputes), we factor that into downside scenarios or adjust our target price accordingly.

Likewise, strong ESG performance (say a company's successful sustainability strategy that opens new markets or reduces costs) can positively influence our investment thesis.

Proprietary ESG Research: Blackwattle has developed its own proprietary ESG risk assessment tools and research processes to support integration.

We maintain an internal **ESG research dashboard** for our portfolios, which aggregates ESG data and scores on each holding and flags major ESG risk exposures.

We utilise both 3rd party data and our own.

This dashboard, overseen by the CIO, is used in portfolio reviews to help ensure we are consciously managing ESG-related risks and that no material issue is overlooked. Our team performs in-house analysis on critical ESG topics, for instance: modelling the financial impact of different carbon price on a mining company or assessing the governance structure of a company undergoing a leadership change.

This in-depth proprietary research enables us to go beyond surface-level ESG ratings and truly understand how ESG factors drive or threaten value in each investment.

Third-Party ESG Data: In addition to our internal analysis, we use credible third-party ESG data and research to broaden our perspective. We subscribe to leading ESG research providers (for example, LSEG Refinitiv, Bloomberg and Australian Investment Banks) to obtain independent scores, controversies monitoring, and sector reports.

These external data sources serve as a useful baseline and cross-check, helping identify potential ESG red flags or compare a company's ESG performance against peers.

However, we do not rely on third-party ratings as a definitive judgment. All external data is analysed critically and augmented with our own due diligence.

If our internal view differs from a third-party opinion (for example, if an ESG rating looks overly negative or positive in our judgment), we investigate the reasons and form our own conclusion.

This approach ensures we benefit from the breadth of external ESG research while ultimately making our own investment decisions based on forward-looking, financially material ESG insights.

Integration Outcomes: By systematically integrating ESG, Blackwattle aims to achieve several outcomes:

- **Enhanced Risk Management:** We seek to identify and mitigate ESG-related risks before they materialise into financial losses. For instance, recognising governance or safety issues early can help us avoid stocks that later depreciate in value from scandals or accidents.

  Our internal ESG Audit (see Section 9) helps identify ESG risk in the portfolios, enabling timely action if needed.

- **Improved Long-Term Returns:** We believe companies with positive ESG characteristics, e.g. efficient in resource use, respectful of stakeholders, governed well, tend to perform better over the long term, due to fewer liabilities and a more sustainable business model.

  Integrating ESG aids our ability to tilt our portfolios towards quality companies. Conversely, avoiding or bring underweight companies with poor ESG practices can shield the portfolio from value erosion (such as litigation costs, fines, reputational loss, or stranded assets).

  This integrated approach strives to support sustainable alpha generation consistent with our high-quality equity strategy.

- **Holistic View of Quality:** ESG integration deepens our understanding of what constitutes a "high-quality" company. Traditional financial analysis might overlook certain intangible factors (like corporate culture or climate adaptability) that ESG analysis captures. By often folding ESG into our definition of quality, we ensure our portfolios reflect companies that are not only financially strong but also responsibly managed and resilient. This holistic perspective aligns with our ambition to be the "best-in-class active equities" manager committed to excellence on all fronts.

In summary, ESG integration at Blackwattle is thorough and pragmatic. Investments we make undergo ESG scrutiny proportionate to its importance.

The process is driven by our investment team with oversight from the CIO and ESG Advisory Council, ensuring accountability.

ESG factors are assessed within our investment analysis, aiding our goal of strong, sustainable returns to clients.

6. Active Ownership: ESG Engagement and Proxy Voting

Blackwattle views active ownership: engaging with companies and exercising our voting rights where we see a necessity.

In line with our fiduciary role as stewards of client capital, we actively use our influence as shareholders to promote better corporate governance and ESG practices where we can.

Our active ownership activities encompass both direct corporate engagement and proxy voting, as detailed below.

6.1 ESG Engagement with Companies

Philosophy of Engagement: We believe that constructive dialogue with companies can lead to improved ESG outcomes and reduce risks, ultimately protecting the value of our investments. Before resorting to exclusion of a company for ESG reasons, we prefer to engage and encourage better practices if we see willingness to change.

Engagement also helps us as investors to better understand the business and the ESG challenges it faces, enabling more informed investment decisions.

More details on our engagement policy can be found here: Stewardship and Engagement Policy

Process: Blackwattle's investment team regularly engages with company management and boards on material ESG issues. These engagements occur through various channels: scheduled management meetings, dedicated ESG calls, letters to the board, or collaborative investor initiatives.

In our company engagements, we routinely consider ESG factors that are relevant to the company's business model and material risks, alongside financial and strategic issues. For more significant concerns, we will explicitly raise the issue with senior executives or directors. Examples of engagement topics include:

- Remuneration alignment - engaging on executive pay structure if we feel it does not sufficiently account for long-term performance or ESG criteria.
- Climate strategy and targets for high-emitting companies.
- Workplace safety improvements and culture change for companies with safety incidents.
- Supply chain oversight for retailers or manufacturers to eliminate forced labour or other human rights risks.
- Board composition and diversity for companies with governance gaps.
- Transparency improvements - encouraging companies to publish better ESG disclosures and provide data to 3rd parties, such as sustainability reports aligned with TCFD or Global Reporting Initiative, if current disclosure is lacking.

Objectives: Our engagements are purposeful and outcome focused. We attempt to set objectives for what we would like the company to improve or address. Many engagements can be part of a multi-month or year dialogue. For instance, we might start by asking a company to acknowledge a problem high carbon intensity and or disclose data; next, encourage it to set targets; later, push for evidence of implementation.

We document these interactions and escalate if we see no adequate response. If dialogue fails and a company remains unwilling to address critical ESG issues, we will reconsider our investment (including the option to divest, especially if the issue poses a significant financial risk or moral concern).

Collaborative Engagement: Where appropriate, Blackwattle is open to collaborating with other investors to amplify our voice on systemic ESG issues. This can include joining legally allowed investor actions or signing joint letters for issues like climate action, modern slavery, or improved corporate governance.

By speaking collectively, investors can often press for changes that a single shareholder might not achieve alone. We ensure any collaborative engagement aligns with our objectives and does not contravene regulations (we act in line with anti-collusion rules and proper conduct).

Escalation and Outcomes: Our engagement philosophy is based on being patient yet assertive owners. We give management reasonable time to respond and improve. However, if a company consistently fails to meet minimum expectations or address a material ESG risk, we will escalate our stance where possible.

Escalation measures may include enhanced engagement with senior management/boards, voting against relevant resolutions or directors, and where appropriate collaborating with other investors. If we lose confidence that material risks are being managed, we may reduce or exit the position.

In extreme cases (such as involvement in banned weapons or severe misconduct), we may bypass engagement and exclude immediately per our policy (see Section 7 on Exclusions). Generally, though, we view engagement as a more constructive first step that can yield positive change and protect value.

Blackwattle tracks engagements through our internal reporting process. We consider an engagement successful if the company takes tangible steps or commits to improvement on the issue raised (for example, setting a new policy, increasing disclosure, meeting a sustainability target). These outcomes are discussed with our ESG Advisory Council and inform our ongoing investment stance. Through persistent engagement, we aim to both reduce investment risk and contribute to better ESG practices in the market, consistent with Principle 2 of the UN PRI (active ownership) and our responsibility as long-term shareholders.

6.2 Proxy Voting Policy and Guidelines

Fiduciary Duty in Voting: Blackwattle exercises its proxy voting rights actively and thoughtfully wherever possible, as another lever to influence corporate behaviour and protect our clients' interests.

We consider shareholder voting an integral part of our stewardship duties. Proxies are voted in what we believe to be the best long-term interests of our clients, and in accordance with our internally established Proxy Voting Guidelines.

Proxy Voting Guidelines: Our voting guidelines outline our stance on common proposal types and ESG-related resolutions, ensuring consistency and alignment with our investment values. These guidelines are reviewed regularly and approved by our CIO. While each vote is considered on a case-by-case basis, our general approach includes:

- **Board of Directors:** We typically support boards with a majority of independent, qualified directors that demonstrate effective oversight. We may vote against or withhold votes from directors at companies where governance is inadequate (e.g., entrenched boards, lack of diversity or relevant expertise, poor attendance, or failure to respond to shareholder concerns). We favour separation of Chairman/CEO roles and well-structured board committees (audit, remuneration, etc.). If a board has persistently failed to address material ESG risks or has overseen ethical lapses, we may hold them accountable through our votes.
- **Executive Remuneration:** We scrutinise pay plans to ensure they are aligned with long-term shareholder value creation. Pay should be linked to performance, with appropriate ESG or safety metrics included where appropriate. We generally vote 'for' remuneration reports or equity grants that incentivise sustainable performance, and 'against' excessive or poorly structured pay (for example, large awards not tied to performance, or misalignment between pay and company results). We expect transparency in pay disclosures and will oppose plans that we deem unfair or not in shareholders' interests.
- **Capital Management:** On issues like new share issuance, mergers/acquisitions, or capital returns, we consider whether the proposal is value-accretive and fair to shareholders. We typically support management on capital allocation if the rationale is sound and in line with stated strategy. However, we will vote 'against' dilutive share issues or transactions that we believe are not in the best long-term interest of existing shareholders.
- **Shareholder Rights and Governance Proposals:** We generally support measures that strengthen shareholder rights (such as the right to call special meetings, majority voting for director elections, improved disclosure of political donations, etc.). We tend to oppose anti-takeover mechanisms or other management proposals that entrench management at the expense of shareholders (e.g., poison pills without sunset, classified boards). Good governance practices that enhance accountability are favoured.

- **Environmental and Social Resolutions:** We typically evaluate shareholder proposals on environmental or social issues on their merits. If a proposal addresses a material ESG issue and asks the company for reasonable action or disclosure (for example, reporting aligned with TCFD, setting science-based emission targets, improving workforce oversight), we will often support it as long as it does not seem excessively prescriptive or against shareholders' broader interests.
  Our guiding principle is whether the proposal will likely enhance long-term shareholder value by mitigating a risk or improving the company's sustainability. We consider management's response; if the company has been unresponsive on a legitimate issue, we are inclined to support shareholder requests for more transparency or action. Conversely, if a proposal seems to micromanage or is not material, we may abstain or vote against.

Implementation: Blackwattle's proxy voting is managed by the investment team, with oversight from the CIO. We utilise a combination of internal analysis and proxy research from a third-party provider to inform our decisions. However, all voting decisions are ultimately made in-house, reflecting our guidelines and case-by-case judgment. For operational efficiency, we may utilse a proxy voting service, but we do not follow any provider's recommendations blindly; each vote is instructed according to our deliberations.

In cases of potential conflict of interest (e.g. voting shares of a business partner), we have procedures to ensure votes are cast in clients' interests, such conflicts are rare in our context but handled via independent review if needed.

Record and Disclosure: We maintain records of all proxy votes cast. In the interest of transparency, Blackwattle may provide clients with proxy voting reports if requested. This transparency is part of our commitment to avoid greenwashing and to be accountable for how we exercise our stewardship responsibilities.

Through diligent proxy voting, Blackwattle leverages its rights as a shareholder to advocate for strong governance and sustainability in our portfolio companies. We believe, that voting, combined with engagement, gives us a powerful toolkit to influence corporate behaviour in a manner consistent with long-term value creation and responsible investment principles.

7. Exclusions and Restricted Investments

While Blackwattle prefers engagement to address ESG issues, we also recognise that certain activities fundamentally conflict with responsible investment values (or pose unacceptably high risks) and as a result, exclusion is warranted.

Therefore, we maintain a clear Exclusions List for specific sectors and business activities. These exclusions apply firm-wide across all equity portfolios under our management, however funds with the ability to short-sell may choose to short-sell companies on the Exclusions List. Blackwattle will not directly invest in companies that meet the objective criteria in the Exclusions List below (including revenue-based thresholds and/or direct involvement tests):

- **Tobacco:** Companies that manufacture tobacco products (e.g. cigarettes, cigars, e-cigarettes) are excluded from our investable universe. This reflects both ethical and financial considerations: the public health impact of tobacco is severe, and the industry faces regulatory, legal, and long-term decline risks.
  We seek to exclude companies that manufacture tobacco products where we judge that tobacco manufacturing contributes ≥10% of group revenue (based on the most recent available financial year and third-party revenue classifications, supplemented by our internal review where required).
  Distributors or retailers of tobacco are generally not automatically excluded (unless their business is overwhelmingly tied to tobacco), but we monitor them carefully. *Rationale:* Tobacco exclusion is in line with many institutional investors' policies, and we consider it a baseline responsible investment practice (Australia's largest pension funds similarly exclude tobacco on sustainability grounds).

- **Controversial Weapons:** We exclude companies involved in the production or sale of controversial weapons, specifically: cluster munitions, landmines, chemical and biological weapons, and nuclear weapons warheads or whole nuclear explosive devices.
  These weapon types are widely condemned by the international community (often subject to international bans or treaties) due to their indiscriminate and inhumane impact. Blackwattle will not invest in any company directly involved in the manufacture of such weapons or critical components specifically designed for them. *Rationale:* Aside from ethical considerations, these companies often face international sanctions or legal prohibitions, making them unsuitable for investment.

- **Pornography and Adult Entertainment:** We exclude companies where we judge that the adult entertainment/pornographic content contributes ≥10% of group revenue, based on third-party classifications and our internal review where required. This includes producers of hardcore pornography materials. We impose this exclusion due to client/community expectations and reputational risk considerations, and because we do not consider the sector aligned with our responsible investment approach. While adult entertainment is legal in many jurisdictions, as stewards of our clients' capital we choose to avoid profiting from this industry, aligning with the values of many of our investors. *Rationale:* Many institutional investors avoid the pornography industry under their ESG policies as a matter of social responsibility and to maintain alignment with community standards. We follow suit, believing any short-term gains are outweighed by ethical concerns and long-term social risks.

- **Severe ESG Norms Violations:** We will generally exclude companies that are found to be in severe and unremedied violation of global norms on human rights, labour, environment, or anti-corruption. In practice, this often means companies singled out for serious breaches the OECD Guidelines for Multinational Enterprises. Examples might include a company complicit in egregious human rights abuses (forced labour, child labour), a company with catastrophic environmental damage and no corrective action, or a company involved in systemic fraud or corruption at the highest levels. Such exclusions are typically informed by credible sources, which may include UN Global Compact-related assessments, regulatory findings, court outcomes, sanctions lists, and reputable third-party controversy and norms-based screening providers, supplemented by review.

- **Other Potential Exclusions:** We continually assess our exclusion list in light of emerging issues and client expectations. For instance, we monitor industries like gambling, predatory lending, coal etc., and while we have no blanket exclusion on these at present, we may implement new exclusions if we determine the ESG risks cannot be adequately managed through integration and engagement alone. Any additions to our exclusion policy will be communicated in updates to this document and in offering materials.

Implementation of Exclusions: Blackwattle maintains an internal Restricted List that is embedded in our compliance/trading controls. The list is generated using third-party classifications (e.g., revenue exposure and business involvement flags) and internal verification where needed. Portfolio Managers are informed of any updates to the list promptly.

In cases where a company's business evolves such that it triggers an exclusion (for example, a conglomerate acquires a banned weapons subsidiary), we will seek to divest our position in an orderly manner. Exceptions to exclusions are generally not permitted, but if one were considered (e.g., in a passively held index component), it would require clear rationale and justification. We apply these exclusions through pre-trade controls and compliance checks. Limited exceptions may occur due to corporate actions, index/ETF look-through limitations, data errors, or timing issues. Any exception must be documented, approved by Compliance, and remediated as soon as reasonably practical.

Consistency and Credibility: We note that our exclusion list is broadly consistent with, what we believe, is expected of equity managers in Australia. Research often look for tobacco and controversial weapons exclusions as indicators of a robust ESG policy. By explicitly including these, we attempt to ensure our policy meets high standards of credibility and avoids any perception of greenwashing.

We attempt to avoid arbitrary or overly broad exclusions, focusing only on areas with strong ethical consensus or clear risk justification. This balanced approach strives to ensure that we don't unduly limit our investment universe, while still honouring important responsible investment principles.

In summary, Blackwattle's exclusion policy is a safeguard against investing in areas of highest ESG concern. It operates in tandem with our integration and engagement efforts, so that we can concentrate our capital in companies that meet, at least, basic sustainability thresholds and then work with them to further improve. We believe this enhances the quality and integrity of our portfolios, aligning them with both our clients' values and long-term financial interests.

8. ESG Data, Research Resources, and Verification

To effectively implement ESG integration and oversight, Blackwattle leverages a combination of proprietary tools and third-party resources. Ensuring we have robust data and research on ESG topics is critical for informed decision-making and for avoiding reliance on any single perspective. Below is how we manage our ESG information ecosystem:

- **Proprietary ESG Tools:** As mentioned in Section 5, Blackwattle has developed in-house ESG assessment methodology. Our proprietary ESG risk assessment tool (Portfolio ESG Dashboard) consolidates relevant ESG metrics for all holdings.

  This tool is customised to our investment approach, emphasising factors we deem most material. It draws inputs from financial data, 3rd party ESG data, news/controversy tracking, and external ESG scores, but applies our weighting, method and scoring.

  The output is an internal rating or commentary for each company on key ESG dimensions. This aids Portfolio Managers in quickly identifying which holdings or watchlist names have elevated ESG risks or which excel in ESG management.

  The tool is continuously refined as we learn more or as new data becomes available. Because it is proprietary, it offers us a differentiated insight compared to off-the-shelf ESG ratings, and it aligns directly with our investment philosophy.

- **External ESG Data Providers:** We subscribe to several reputable data and research services to supplement our internal analysis. This currently includes LSEG and Bloomberg for ESG data, controversy and ratings, and ownership matters for proxy votes guidelines and deadlines. We also utilise ESG specialists at several Investment Banks for advice, data and research.

  We strive to ensure that any external data providers we use adhere to rigorous methodologies and are widely recognised by the industry for credibility.

  By using multiple sources, we mitigate biases or blind spots that any single provider might have. For example, we might use Provider A for broad ESG scores and data, and Provider B to provide cross reference or data checking. This multi-source approach gives us a richer picture of each company's ESG profile.

- **ESG Research and Broker Insights:** In addition to dedicated ESG providers, we tap into ESG research from investment banks, independent research firms, and industry experts. Many brokers now publish ESG thematic reports or ESG scorecards for companies under coverage. We review these materials as part of our analysis mosaic.

  Furthermore, we may consult with ESG industry bodies or forums for deeper insights on complex issues. The goal is to ensure our team is well-informed by the latest ESG knowledge and trends.

- **Data Verification and Quality Control:** Recognising that ESG data can sometimes be inconsistent or self-reported by companies, we place importance on verifying and cross-checking critical data points.

  Our analysts may go to the primary source e.g., the company's own sustainability report or official filings, or engage with executives, to verify claims (like emissions numbers, diversity statistics, etc.). If discrepancies are found between different sources, we will strive to investigate further.

  We also specifically engage companies directly to clarify ESG data during our meetings (e.g., asking for context on their targets or why a metric changed year-on-year). This scrutiny helps ensure we base decisions on reliable information.

- **ESG Integration in Investment Systems:** We have integrated ESG data into several our core investment systems and processes. For example, many of our stock research templates have dedicated sections for ESG factors, ensuring analysts address them in every report.

  Our portfolio management ESG risk reviews analyses integration breadth and depth. This encourages our team to remain cognisant of ESG factors in daily portfolio management. Additionally, compliance systems are set with our exclusion list (Section 7) and can automatically flag any prohibited securities - adding a layer of control that prevents unintended breaches of policy.

- **Training and Expertise:** A resource often overlooked is human capital. Blackwattle invests in training our investment professionals on ESG matters. We hold internal workshops, facilitated by our ESG council members, to build knowledge on topics like climate scenario analysis, the latest regulatory developments, or evolving best practices in corporate sustainability.

  Team members may attend ESG conferences if they present as relevant. By continually educating our staff, we attempt ensure that our use of data and tools is effective and that we stay contemporary in regard to ESG integration techniques.

- **ESG Advisory Council Inputs:** Our ESG Advisory Council (see Section 9) is another vital resource for ESG intelligence. The Council members, being experts in ESG trends and risks, share insights on macro ESG developments that could affect our portfolios (such as new climate policies, emerging social issues, etc.).

  They may recommend research pieces or data sources to consider. This helps broaden the perspective of the investment team beyond day-to-day company data and connects our decision-making with the bigger ESG picture.

In conclusion, Blackwattle's approach to ESG data and research is multi-faceted. We blend the strengths of proprietary analysis with the breadth of external datasets, underpinned by verification and our ongoing learning. We do this, in an attempt to ensure that our ESG integration is grounded in solid evidence and that we are not "flying blind" on important sustainability issues.

By equipping our team with quality information and tools, we believe that we enhance our ability to make prudent investment judgments and uphold the commitments set out in this policy.

9. Governance and Oversight of ESG Implementation

Robust oversight is crucial to ensure that our ESG commitments are translated into practice and continually improved. Blackwattle has established clear governance structures and processes for ESG oversight, involving both internal management and external expert input. These structures ensure accountability and credibility of our ESG approach.

9.1 ESG Advisory Council

Blackwattle has an independent ESG Advisory Council (also referred to as the ESG Review Council) that provides expert oversight of our ESG integration and practices. This Council is a cornerstone of our ESG governance.

- **Composition:** The ESG Advisory Council comprises experienced ESG professionals and industry thought leaders, including independent external members. We purposefully include external experts to bring objective perspectives and challenge our internal thinking.

  Council members have backgrounds spanning areas like sustainable finance, corporate governance, environmental science, or social impact – providing a well-rounded expertise pool. The Council is chaired by an independent member (not by Blackwattle management) to reinforce its advisory autonomy.

- **Mandate:** The Council's mandate is to review and guide Blackwattle's ESG approach at a strategic level. The council meets formally at least quarterly for in-depth workshops with each portfolio team.

In these sessions, the Council examines our portfolios' ESG exposures, discusses key ESG themes or emerging risks, and evaluates how we are managing ESG issues in specific investments.

They provide guidance on improving ESG integration, flagging any blind spots and risk, and anticipating future ESG challenges. The Council also reviews the portfolio in its entirety and its associated ESG scores.

Additionally, they monitor broader trends: regulatory changes, new best practices, to ensure our policy and processes remain leading-edge.

- **Influence on Decisions:** While final investment decisions rest with our Portfolio Managers and CIO, the ESG Advisory Council's insights carry significant weight. For example, if the Council raises concerns about a particular holding's ESG risk, we will formally reassess the identified risk.

  If the Council suggests tightening an aspect of our policy (say, adding an exclusion or strengthening a guideline), management will evaluate and likely implement it.

  Essentially, the Council acts as an independent check and balance, helping align our investments with our ESG philosophy and values. This oversight mechanism is deliberately instituted to avoid insular decision-making and to ensure ESG is not deprioritised when market pressures rise.

- **Reporting Line:** The ESG Advisory Council is independent, and at times will report to the Managing Director and or the Board of Directors on its observations and recommendations. At least annually, the Council presents to the Board on the state of ESG integration at Blackwattle, noting achievements, challenges, and recommendations for improvement.

  This direct line to the Board ensures that senior leadership is fully engaged in overseeing ESG and that the Council's voice is heard at the highest governance level.

The presence of the ESG Advisory Council is a distinguishing feature of our firm. This structure is intended to strengthen oversight and challenge our internal assumptions. We believe it demonstrates Blackwattle's dedication to transparency and accountability in ESG.

9.2 Annual Internal ESG Audit

In addition to continuous oversight, Blackwattle conducts an Annual ESG Audit of its investment portfolios. This is a formal yearly review process led by the CIO's team (often with input from the ESG Advisory Council) to evaluate how ESG factors have been managed over the year.

- **Scope of Audit:** The ESG Audit examines each portfolio on multiple dimensions:
  - It measures the ESG performance of the portfolio (using aggregated metrics like average ESG rating, carbon footprint, etc.), how it compares to the benchmark and how that has changed compared to the prior year. In time we will be able to check whether our portfolios' ESG profiles are improving, stable, or deteriorating and why.
  - It reviews engagement and voting activities undertaken during the year. Did companies respond to our engagements? Did we exercise our votes in line with our policy? Are there instances where we should have engaged more or voted differently in hindsight?
  - It checks compliance with the ESG policy, including whether any excluded securities were inadvertently held (which should not happen due to controls, but the audit double-checks), and whether any deviations occurred and the reasons.
- **Process:** The audit is carried out by the CIO and is reviewed by the ESG Advisory Council if deemed necessary. Data for each portfolio is compiled (ESG metrics, transactions, engagement logs, etc.). The data is used to produce an **ESG Audit Report** with key findings.
- **Outcomes:** Findings from the ESG Audit are used to create an action plan. If a portfolio has areas of weakness, we may set targets or steps for the next year (for instance, engaging two specific companies on climate, or reducing aggregate coal exposure by a certain amount).

  If any holdings are flagged as problematic from an ESG standpoint without sufficient justification, the investment team will conduct fundamental research to re-evaluate those positions promptly.

  The audit might also lead to enhancements in process e.g., if it found that we lacked data on a particular risk, we might invest in better data coverage for next year, or incorporate a new ESG factor into our dashboard.
- **Reporting:** The results of the annual ESG Audit are presented to the ESG Advisory Council and the Board. This audit mechanism ensures continuous improvement, each year we aim to show progress or explain and address any setbacks, reinforcing a cycle of accountability.

In summary, the Annual ESG Audit is our way of "auditing ourselves" on ESG. It's an introspective process to make sure our integration is not static but is advancing and that we are truly delivering on the promises of this policy.

9.3 Internal Roles and Responsibilities

Beyond the Council and Audit, ESG oversight is also embedded in internal roles:

- **Lead Portfolio Managers:** Each Fund's Portfolio Managers holds ultimate responsibility for ESG integration within investment decisions. The CIO also monitors ESG risks at the portfolio level on an ongoing basis, ensures the investment team has the tools and training needed, and intervenes if a portfolio manager is not adequately considering ESG in their process.

- **Portfolio Managers and Analysts:** They are on the front line of ESG integration and are accountable for implementing this policy in their daily work. They are expected to document ESG analysis in investment write-ups where ever necessary, and justify holdings that might be controversial from an ESG perspective, either via a thesis for improvement or clear risk mitigation.

- **Risk and Compliance Team:** This team ensures adherence to the exclusion list and any client-specific ESG mandates. Pre-trade compliance checks are run against our restricted list which is embedded in our Order Management System. Trades cannot be placed without first going through pre-trade compliance.

  Compliance may also review marketing materials and reports for accurate representation of our ESG approach. In line with ASIC's focus on truthful ESG disclosures, compliance acts as a gatekeeper so that our communications match our actual practices, with appropriate disclaimers as needed.

- **Board of Directors:** The Board oversees Blackwattle's ESG strategy at a high level. They approve this ESG Investment Policy and any material updates. The Board also reviews ESG risk reports periodically, including summaries from the ESG Advisory Council and Annual Audit. Board involvement underscores that ESG is taken seriously at the top governance level of our firm, not just as an operational detail.

- **External Review and Ratings:** While not an internal role, we treat external assessments (e.g., ratings from research houses or client due diligence feedback) as an additional oversight tool. If key consultants evaluate our ESG capabilities, we incorporate their feedback for further improvements. For example, if an external review highlighted a gap (say lack of a certain disclosure), we would address it. In a sense, we welcome such external scrutiny as it keeps us aligned with industry best practices.

Continual Review of Policy: Finally, as part of our governance, this ESG Investment Policy document itself will be reviewed typically annually (and more frequently if needed) by the CIO, and if deemed necessary the ESG Advisory Council and the Board. This ensures the policy remains up-to-date with evolving standards and the firm's practices. Any revisions will be approved by the Board and communicated to all staff and made publicly available. We maintain version control (as evident in the version number and date on this document) to track improvements. Our last version was used as a base, and this upgraded policy significantly enhances clarity, credibility, and best-practice alignment as guided by our stakeholders.

Through these layers of oversight and clear assignment of responsibilities, Blackwattle strives to ensure that ESG integration is not a static policy on paper, but a living practice that is monitored, enforced, and refined over time.

10. ESG Performance, Impact Metrics and Reporting

Blackwattle is committed to monitoring where necessary the outcomes of our ESG integration. We believe that "what gets measured, gets managed," so we have established key metrics to track ESG performance at both company and portfolio levels. Furthermore, while we are not an impact-focused fund, we are conscious of the real-world effects our investments may have and thus monitor certain impact indicators (especially environmental ones) to inform our strategy.

10.1 ESG Performance Metrics

We track various ESG performance indicators for our portfolios, using data from our internal ESG dashboard and external sources. Some of the core metrics include:

- **Carbon Footprint and Emissions Intensity:** We calculate the portfolio's carbon footprint (tons of CO_2 emissions per million dollars invested, for example) as well as carbon intensity (emissions per revenue of companies). This is done to monitor climate risk exposure and alignment with climate goals over time. We compare this to relevant benchmarks (e.g., the ASX200 index's carbon intensity).

- **ESG Ratings Distribution:** Using either our internal scoring or an external ESG rating, we monitor scores in real time or via time history. ESG ratings and metrics are inputs to our assessment of risk and quality. We do not apply a portfolio-wide minimum ESG score threshold (except for the exclusions described in Section 7), and holdings may have varying ESG profiles depending on the investment thesis and risk controls. If there are lower-rated holdings, we will typically investigate the cause of lower scoring (perhaps turnaround or undervalued scenario) and if an engagement plan is required to improve them. Over time, we would like to see the average ESG rating of the portfolio improve, reflecting both positive selection and genuine improvements at companies we hold.

- **Governance and Diversity Stats:** We aggregate certain governance metrics of our holdings - for example, average board independence percentage, average board gender diversity (% female directors), or auditor tenure. These indicators give a sense of the governance quality across our portfolio. If a significant subset of portfolio companies lags on diversity or other governance aspects, that may prompt greater investigation or direct our engagement focus.

- **Engagement and Voting Statistics:** We quantify our active ownership efforts each year e.g., number of companies engaged, and number of material ESG issues addressed via engagements. These stats attempt to demonstrate that we are walking the talk on stewardship.

By tracking these metrics we strive to show whether our ESG integration is translating into tangible differences in the portfolios compared to benchmarks or previous years.

10.3 Disclosure

Our ESG Investment Policy itself is made available to clients and prospective investors, demonstrating our transparency. Any client queries about our ESG approach are welcomed, and we endeavour to answer with data-backed specifics.

Blackwattle's approach to metrics and reporting ensures that we track our progress, remain accountable to our investors, and continuously demonstrate the role ESG plays in our investment outcomes. We balance the need for comprehensive disclosure with clarity, providing enough detail to be meaningful, but in a format that is understandable and actionable for our clients.

11. Transparency, Disclaimers, and Avoidance of Greenwashing

Transparency is a core value at Blackwattle. We understand that trust is earned by being open about what we do and by doing exactly what we say. In the realm of ESG, where greenwashing (misrepresenting one's practices as more sustainable than they are) is a concern, we take extra care to ensure our communications are clear, factual, and not overstated.

This section outlines how we manage transparency and the disclaimers we use to avoid any misleading impressions about our ESG integration.

11.1 Public Communication of ESG Approach: We publicly disclose our ESG Investment Policy (this document) on our website and provide it to clients or consultants upon request. This allows all stakeholders to examine our commitments in detail. We also summarise our ESG approach in marketing materials, fund documents (PDS - Product Disclosure Statements), and RFP responses. These summaries are carefully reviewed to ensure accuracy and consistency with our actual process.

We avoid vague buzzwords; instead of just saying "we are sustainable investors", we describe concrete steps e.g., "we integrate ESG factors into analysis and have exclusions on X, Y, Z". If a certain ESG aspect is not applicable to a strategy, we explicitly say so. This precision attempts to prevent misunderstandings.

11.2 Truthful ESG Claims: Blackwattle commits that all ESG-related claims we make can be substantiated with evidence or examples. For instance, if we claim to quantify ESG via propriety scoring methodology, then we have internal system to deliver such scoring (as outlined in previous sections). If we claim to engage with companies, we have documented engagement logs.

We align with regulatory guidance (such as ASIC's guidance on avoiding greenwashing) which emphasises that headlines and marketing claims should not be misleading and that detailed disclosures should provide the supporting detail. Our compliance procedures require that any new ESG initiative or achievement we tout.

11.3 Not an ESG or Impact Fund - Clear Positioning: A critical disclaimer we convey is that Blackwattle's funds are not categorized as "ESG funds" under current regulatory definitions.

We do not market them as ethical, sustainable, or impact-themed products. Instead, we position them as traditional funds with ESG integration for risk management and value enhancement. this kind of disclosure ensures investors know exactly what they are (and are not) getting in terms of ESG. We explicitly state that no specific sustainability outcome is promised and that we prioritise financial returns, albeit achieved responsibly.

11.4 Marketing and Website Content: In our marketing collateral and website, we highlight ESG as a strength of our firm (e.g., mentioning our ESG Advisory Council, or proprietary ESG tools). But we present these factually: for instance, rather than saying "Blackwattle is a leader in sustainable investing" (a subjective claim), we'll note "Blackwattle integrates ESG risk analysis across all portfolios and has an external ESG Advisory Council for oversight" - a verifiable fact. If we reference frameworks (UN PRI, TCFD), we clarify our status (supporter vs signatory) to avoid any confusion.

11.5 Client Conversations: Our client-facing team is trained to discuss our ESG approach candidly. If potential or existing clients have questions (e.g., "Will you invest in fossil fuels?" or "How do you ensure you're not greenwashing?"), we answer with specifics, referencing this policy and real examples. If a client wants us to do more (like exclude something additional or report certain data), we consider it and respond transparently about what we can, or cannot do.

11.6 Handling of Accolades and Ratings: If our funds receive ESG-related ratings or labels (say, a high score from a consultant or a Responsible Investment certification), we will mention those, but accurately and with context.

11.7 Compliance with Regulations: We strive to stay informed about current and upcoming regulations on sustainability disclosures. Globally and in Australia, regulators are cracking down on greenwashing, and there are likely to be formal taxonomy or disclosure rules (e.g., EU's SFDR or the ASIC's guidance locally). Blackwattle will always strive to comply with all applicable requirements.

In essence, Blackwattle's stance is to be honest and transparent about our responsible investment journey. We believe our investors appreciate candour; including knowing the constraints and that we balance ESG with return objectives.

12. Continuous Improvement and Review of the Policy

ESG in investment is a dynamic field: new issues emerge, standards evolve, data improves, and stakeholder expectations shift. Blackwattle is committed to continuous improvement in our ESG practices and to keeping this policy up-to-date as a living document.

Annual Policy Review: We will formally review this ESG Investment Policy ideally at least once per year, or more frequently if needed (for example, if there are major developments like new regulations or if our strategy changes significantly). The review is conducted by the CIO, consulting with the ESG Council where needed. Any proposed changes are then taken to the Board for approval.

Stakeholder Feedback: We value input from our clients, research analysts, and industry peers on our ESG approach. If through engagements with stakeholders we receive constructive feedback (e.g., a client wants more detail on a certain ESG factor or a consultant suggests adding a particular metric), we consider incorporating that into our policy or processes. By being responsive, we ensure our policy remains relevant and client-aligned.

Training and Culture: Continuous improvement is also driven by ongoing training (as mentioned in Section 8) and cultivating a culture of responsibility. We encourage team members to raise ideas for better ESG integration or point out if they see any disconnect between our policy and practice.

Regulatory Changes: We keep a keen eye on regulatory changes. For example, if Australia introduces mandatory climate risk reporting aligned with TCFD for asset managers, we will integrate those requirements in our process and reflect it here. Or if terminology standards (like the upcoming ISSB Sustainability Standards) get adopted, we will strive to adjust our language and metrics to be in line. This policy will reference relevant regulations once in force, reinforcing that we are fully compliant.

Documentation: All revisions of this policy are version-controlled. This current version supersedes the prior ESG Policy document we had (which served as a base). The enhancements made here improve clarity, credibility, and alignment with global best practice as was our objective.

In conclusion, Blackwattle's ESG Investment Policy is not a set-and-forget document - it aims to be an evolving blueprint that will grow with us. Our dedication to balancing fiduciary responsibility, regulatory awareness, and industry leadership means we will regularly refine our approach to remain at the forefront of responsible investing. We believe this continuous improvement mindset ultimately benefits our clients (through stronger portfolios and risk management) and contributes positively to the broader investment community by raising standards.