WaveStone CAPITAL

Engagement Policy

Introduction

WaveStone recognises the importance of sustainability for all companies, and that we, as fund managers, have an active role to play in ensuring that companies are taking responsibility for Environmental, Social and Governance (ESG) issues and are actively working towards adopting best practice in this area. This reflects our obligation to clients to both maximise long term returns and manage risk. By improving our understanding of individual company management of ESG issues, we hope to achieve our aim of generating above average, long term sustainable risk adjusted returns.

We strongly believe that responsibly managed companies are more likely to achieve a Sustainable Competitive Advantage, as outlined in the ESG Policy. We engage with all companies in which we invest, and those in which we intend to invest, on material ESG issues, giving consideration to the efficacy of such engagement activity, as well exercise our voting rights. Through active ownership practices we seek to improve ESG performance at investee companies and encourage them to better manage their own ESG risks and opportunities. We also see engagement and active ownership as a core element of fulfilling our stewardship obligations.

Purpose

The purpose of the Engagement Policy is to set out WaveStone's approach and general framework to engagement activities with investee companies and key stakeholders. This policy is overseen by the WaveStone Board which reviews engagement priorities, progress and effectiveness regularly and ensures alignment with WaveStone's stewardship obligations and client interest. This policy should be read in conjunction with WaveStone's ESG Policy.

This Policy will outline:

- WaveStone's commitment to engagement and effective Stewardship
- How WaveStone engages with investee companies
- WaveStone's approach to collaborative engagement
- Key issues on which WaveStone engages with investee companies
- WaveStone's approach to voting
- Conflicts of Interest
- Reporting

Commitment and approach

Engagement is undertaken by the investment team, comprising Portfolio Managers, sector-specialist Investment Analysts, and a dedicated ESG investment specialist, reflecting WaveStone's commitment to effective engagement and the integration of ESG considerations into investment decision making.

WaveStone's active ownership and engagement goals include:

- Engage with all current and prospective investee companies.
- Engage on all matters relevant to a company's long-term prospects, including material ESG risks and opportunities.
- Seek to engage with non-executive directors to the greatest extent practical, senior company management, and where appropriate, key external stakeholders to properly evaluate ESG risks and opportunities.
- Consider efficacy of engagements when making portfolio ownership decisions.
- Lodge proxy votes at meetings where we have the authority and where it is practicable to do so with all the issues of corporate governance given due consideration.

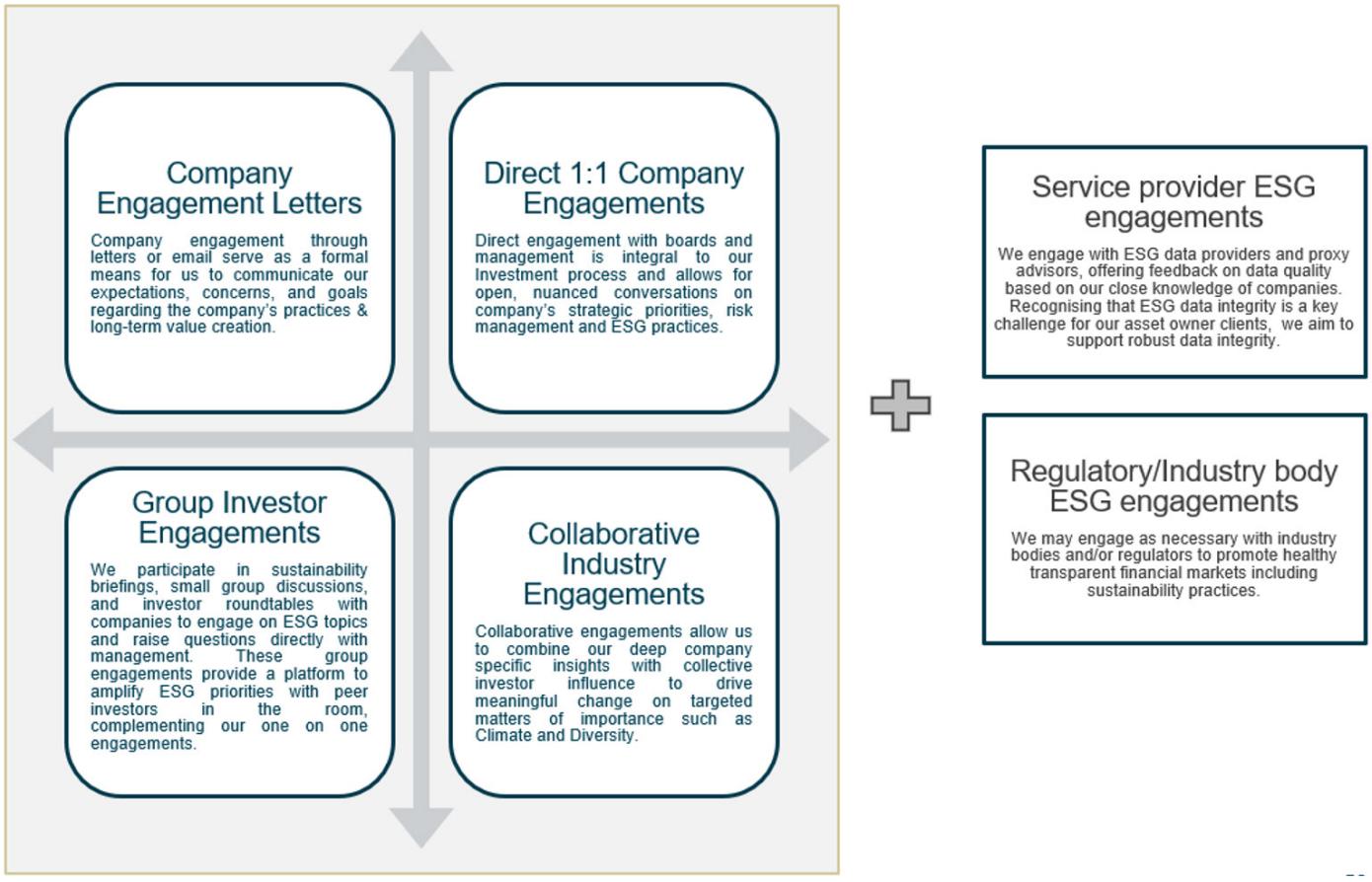
- Seek to improve ESG outcomes among investee companies as well adoption of evolving best practice.
- Maintain records of company engagement and provide meaningful disclosure to our clients.
- Actively contribute to industry debates and contribute thought leadership on relevant ESG topics.

WaveStone's approach to stewardship is aligned with the principles of the Financial Services Council's *Internal Governance and Asset Stewardship Code* (introduced January 2018). While WaveStone is not subject to the Code, we consider its requirements consistent with our values and investment approach. Consistent with these principles, we disclose our approach to:

- monitoring company performance across financial and non financial matters;
- engaging with company management and boards, including escalation where concerns are not adequately addressed;
- incorporating environmental, social and governance (ESG) factors into investment decision making and engagement, including proxy voting;
- collaborating with other investors and participating in relevant industry bodies;
- undertaking policy advocacy where appropriate; and
- engaging with and communicating stewardship activities to clients.

Engagement Framework

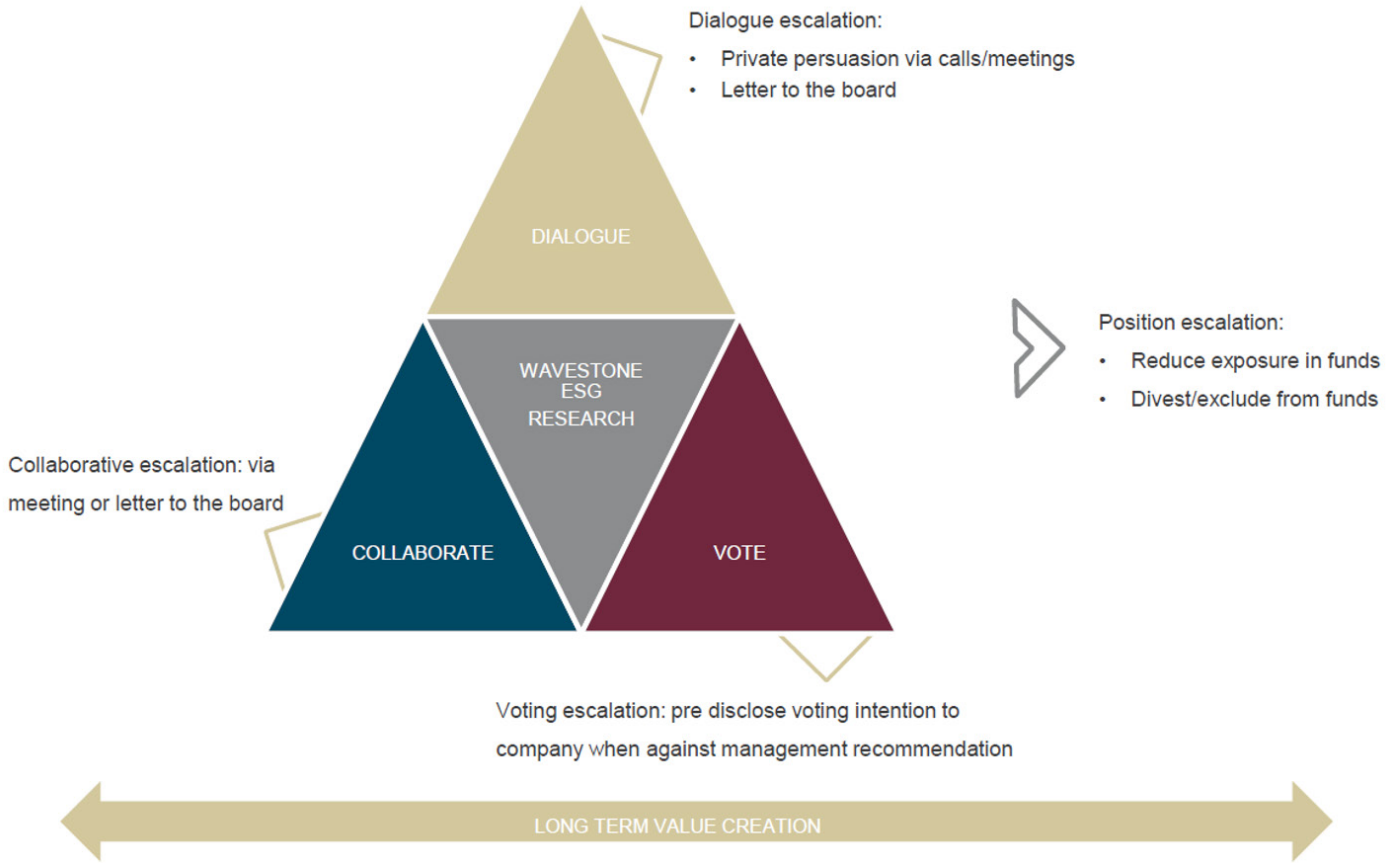
WaveStone undertakes a multi-faceted engagement approach, combining direct company engagement, collaborative initiatives, advocacy and stakeholder interactions to support effective stewardship and long term value creation as shown in the graphic below. As part of our direct engagement with company boards and senior management, we seek to address material ESG matters in our discussions, including a commitment to raise at least one ESG related topic or question in such engagements.



Escalation Framework

Escalation may occur where progress against engagement expectations is insufficient within a defined timeframe (typically 12–18 months), taking into consideration the nature of the issue and company responsiveness. Escalation of our engagement activity could involve one or a combination of:

- Formal written communication to the entity in question;
- Participation in a collaborative engagement to strengthen our voice;
- Early communication of our voting intentions;
- Changes to our internal proprietary Sustainable Competitive Advantage (SCA) rating.
- Divestment from the fund where engagement and escalation have not resulted in satisfactory progress and the issue remains material.



Collaborative Engagement

WaveStone recognises the importance of collaborative engagement in complementing our own ESG engagement objectives. WaveStone acts collectively in its engagements with other like-minded investors when appropriate.

The majority of our engagements are direct company engagements. However, we do believe there are instances where collaborative engagements can be very effective. We look for collaborative engagements that are well organised and focus on specific issues. By doing so, we can combine our individual and collaborative effort to achieve the best possible outcome.

WaveStone does not outsource its engagement activities to third parties.

Key collaborative engagements in which we have participated are listed below:

- **Climate Action 100+**
  WaveStone is a member of the Climate Action 100+ initiative, an investor-led collaborative engagement group focused on engaging with systemically important greenhouse gas emitters and other companies across the global economy to improve governance on climate change, curb emissions and strengthen climate-related financial disclosures.
- **Principles of Responsible Investment (PRI)**
  WaveStone is a signatory to the UN-backed Principles of Responsible Investment (PRI) and publishes an annual report as part of its requirements.

WaveStone's PRI Assessment Report can be viewed on WaveStone's website. https://www.wavestonecapital.com.au/how-we-invest/esg/

- **40:40 Vision**
  WaveStone is a signatory to 40:40 Vision, an investor-led initiative which seeks to achieve gender balance in ASX300 executive leadership by 2030.

Key ESG Engagement Themes

WaveStone acknowledges that sustainable business practices, effective social structures and good corporate governance will be a key determinant of long-term profitability, with companies that are able to understand and actively manage sustainability considerations likely to achieve a Sustainable Competitive Advantage.

We engage our investee companies on a wide range of ESG topics that are relevant to their business with the likely outcome of preserving or achieving a Sustainable Competitive Advantage. Our approach to engagement on some key ESG topics is outlined below.

Environmental

Climate Change

WaveStone acknowledges the scientific consensus that greenhouse gas emissions, predominantly carbon dioxide, are causing global warming and climate change, with material implications for long-term investment returns and systemic risks.

As an Investment Manager with a fiduciary duty to protect investor capital, WaveStone supports the Paris Agreement goal of limiting global warming to below 2°C, with efforts towards 1.5°C, and expects investee companies to be aware of their exposure to climate-related physical and transition risks. We expect companies to have Climate Transition Plans in place to mitigate their exposure to climate risks including their greenhouse gas emissions in the long-term.

Our review of climate risk exposure considers whether investee companies have appropriate sustainability disclosures, including carbon mitigation strategies, and whether there is suitable board-level governance and oversight of climate-related risks. Through our engagement activities, WaveStone expects investee companies to report their climate-related financial risks and opportunities consistent with current international and Australian climate reporting standards. At the portfolio level, we monitor carbon intensity relative to the relevant benchmark and seek to support our clients through the provision of carbon metrics and research aligned with international and domestic climate guidelines and standards.

Water usage and management

Global trends such as the growing global population, economic growth and increasing affluence are leading to increased demand for clean water across key sectors. We see both risks and opportunities in this area. Currently only 0.5% of the planet's water is available for use by mankind; global ecosystems and massive investment will be needed to upgrade and expand current water infrastructure to meet future demand and protect water quality. Equally industries heavily reliant on water could face significant risks due to conflict over water supply and consequently costs of water usage will rise. We assess and engage with companies on how they manage their water usage, interact with the local community and manage supply risks.

Nature and biodiversity

We recognise that biodiversity loss, deforestation and ecosystem degradation present growing environmental and financial risks across key industries, including mining. We seek to assess how companies manage their impacts and dependencies on nature, including land use, natural resource management and efforts to protect and restore biodiversity.

Waste disposal, pollution and contamination

The production of goods and services results in waste throughout the product life cycle. With the global population set to increase to over 9 billion by 2050, waste management is an important topic. We see both risks and opportunities in this area with companies affected by increased regulation of the use of landfill sites and the risks of both reputational damage, compensation or clean-up costs for companies who manage this poorly, especially as it relates to hazardous waste. We see opportunities for companies creating innovative solutions to waste management to emerge as winners.

Renewable energy generation

As the world looks to move to a low carbon economy, we expect to see a gradual shift away from fossil fuels and into renewable energy. We identify opportunities in companies directly involved in renewable energy generation, storage and enabling technologies, as well as those proactively increasing the use of renewable energy within their operations.

Social considerations

Human rights, supply chains and modern slavery

We recognise that poor labour practices, human rights abuses and unethical supply chain conduct can expose companies to material reputational, operational, legal and financial risks. We assess how companies manage human rights and labour standards across their operations and supply chains, including oversight, due diligence, worker protections and supply chain transparency.

We expect investee companies to identify, assess and mitigate risks relating to modern slavery, child labour and unsafe working conditions, and to comply with applicable laws and standards, including the Australian Modern Slavery Act 2018 where relevant. Where concerns arise, we engage with companies to encourage improved practices, governance and disclosure.

Workplace relations, safety and working conditions

A company's workforce, culture and approach to employee wellbeing are important drivers of long-term performance and value creation. We assess how investee companies manage workplace relations, workforce health and safety, remuneration, employee engagement, training and development, and diversity and inclusion.

We expect companies to provide fair, safe and inclusive workplaces, maintain appropriate health and safety systems and governance, support employee wellbeing (including psychological safety), and foster constructive workforce relations and strong organisational culture. We also consider how companies monitor and disclose workforce and safety performance and whether management incentives appropriately support safe and sustainable outcomes.

Community and Stakeholder Relations

Social licence to operate is critical for companies, particularly those in developing countries or sectors with significant community or environmental interaction (e.g. resources, infrastructure, manufacturing).

WaveStone assesses how companies manage relationships with employees, customers, Indigenous communities, local communities, governments, and other stakeholders. We expect companies to:

- Be cognisant of the impact their operations can have on local communities and environments;
- Engage constructively with stakeholders and address community concerns in a transparent and timely manner;
- Obtain and maintain appropriate permits, consents, and social licence;
- Implement community investment or benefit sharing arrangements where appropriate; and
- Consider the responsible adoption of new technologies, including artificial intelligence, and appropriately manage associated workforce, ethical and societal risks.

Governance

Corporate governance is a core component of WaveStone's investment process and an important indicator of the quality, accountability and long-term sustainability of a company. Key corporate governance factors considered in our analysis include:

Effective & logical capital allocation

A company's approach to capital allocation — encompassing dividend policy, balance sheet management, and reinvestment decisions - is a fundamental indicator of management discipline and shareholder orientation. We assess whether capital is deployed in a manner consistent with generating long-term value, viewing sound capital management as a cornerstone of good corporate governance.

Track record / shareholder focus

A demonstrable history of value creation by a company's executive leadership team and board provides tangible evidence of management quality and strategic execution capability. We regard track record as a strong indicator of organisational culture and leadership depth. It is a specific factor embedded within our Sustainable Competitive Advantage (SCA) scoring process and forms part of our upfront quality screen.

Sound remuneration policies that align the interests of management & shareholders

Executive remuneration is one of the primary governance mechanisms through which boards can guide, evaluate, and incentivise management behaviour. We expect remuneration frameworks to be transparent, appropriately structured, and explicitly aligned with long-term value creation for shareholders. In practice, this means a meaningful proportion of executive compensation should be delivered in equity, subject to rigorous performance conditions and vesting periods spanning three to five years. The incorporation of non-financial performance metrics where relevant is viewed favourably in our assessments.

Board Composition, Skills, Tenure, and Succession Planning

An effective board is independent in both composition and mindset, possessing the relevant industry knowledge and supervisory expertise necessary to provide rigorous oversight of management. We expect the majority of board members to be independent, and we assess whether boards bring the breadth of skills required to oversee strategy, risk, and long-term performance.

Beyond board composition, we recognise that the sustained success of a company is fundamentally dependent on the quality of its people, particularly the executive leadership team. We therefore expect boards to maintain well-developed succession plans across short, medium, and long-term time horizons for critical leadership roles, with regular review to ensure they remain current and actionable. Orderly board succession is also a key consideration in our engagement.

Diversity at Board and senior management level

We expect companies and their boards to demonstrate genuine commitment to diversity across gender, ethnicity, and thought. This extends beyond board-level disclosure; boards should be actively monitoring the internal talent pipeline and broader workforce to ensure diversity objectives are embedded throughout the organisation.

Meaningful Sustainability Disclosures

A clearly articulated sustainability strategy is an important signal of governance maturity. We expect companies to be transparent about how they intend to achieve their financial and non-financial objectives, with meaningful disclosure through their annual report and/or dedicated sustainability reporting. The quality and specificity of such disclosures inform our assessment of a company's governance standards and long-term strategic focus.

Proxy Voting

Proxy voting is an important stewardship tool and, where relevant, may be used to support or escalate engagement outcomes, including voting against directors or resolutions where material ESG concerns remain unaddressed.

We currently maintain a written Proxy Voting policy which is reviewed on an ongoing basis, and more formally, by WaveStone's Board at least biennially. The policy details WaveStone's approach to proxy voting in relation to such issues as Board Independence, Committee Memberships and Executive Remuneration. In accordance with this policy, we provide regular reporting on our voting activities.

Conflicts of Interest

In accordance with regulatory requirements, WaveStone maintains a conflict of interest policy to ensure that any actual, potential and/or perceived conflict of interest that may arise both between itself and its clients, a staff member and a client and between clients are identified, prevented or managed and disclosed in the best interests of clients.

All WaveStone staff are required to complete annual conflicts of interest training to ensure they have the appropriate understanding to identify and report conflicts of interest which can then be prevented or managed pursuant to its conflicts of interest framework.

Reporting

WaveStone publishes its engagement activity on a quarterly basis to clients, with reporting focused on key themes, engagement activity and, where appropriate, outcomes achieved. A quarterly ESG activity statement is also published on our website.

WaveStone regularly discloses its proxy voting activities via the Fidante Proxy voting dashboard (https://vds.issgovernance.com/vds/#/NjY1Ng==/).

WaveStone also provides bespoke engagement activity summary and insights reporting to clients when requested, including case studies and examples of engagement outcomes to illustrate the effectiveness of its stewardship activities.

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