WaveStone CAPITAL

Environmental, Social & Governance Policy

Introduction

The consideration of ESG issues is embedded in WaveStone's corporate DNA principles. WaveStone recognises how ESG issues can materially impact a company's long-term performance and risk profile and reflects this awareness throughout our investment process.

This policy sets out the principles and guidelines that we apply to ensure that environmental, social and governance (ESG) risks and opportunities are identified, assessed, and appropriately weighted as part of our investment processes. WaveStone's Board oversees the implementation with quarterly reporting on ESG metrics, provided to the Board. This policy should be read in conjunction with WaveStone's Engagement Policy and Proxy Voting Policy which outline our approach to stewardship, engagement and proxy voting.

Commitment and approach

At WaveStone Capital we realise the importance of sustainability, and that we as fund managers, have an active role to play in ensuring that companies are taking responsibility for 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's management of ESG issues, we hope to achieve our aim of generating above average, long-term sustainable returns.

WaveStone strongly believes that responsibly managed companies are more likely to achieve a Sustainable Competitive Advantage and provide strong long-term growth. Incorporating ESG factors into our investment process enables us to assess risks and opportunities that are not yet reflected in asset values. We integrate ESG factors in both our fundamental research and through active ownership.

As part of our commitment to incorporating ESG, WaveStone has been a signatory to the Principles for Responsible Investment (PRI) since 2014.

The PRI provides the overarching framework of our ESG philosophy and as such, we commit to the following:

- incorporate ESG issues into our investment analysis and decision-making processes.
- be active owners and incorporate ESG issues into our active ownership policies and practices.
- seek appropriate disclosure on ESG issues from entities in which we invest.
- promote acceptance and implementation of the Principles within the investment industry.
- work to enhance our effectiveness in implementing the Principles.
- report on our activities and progress towards implementing the Principles.

ESG integration forms a natural part of WaveStone's investment process. The consideration of ESG issues is embedded in our corporate DNA principles.

- **ESG Integration** – ESG factors are considered through qualitative fundamental analysis in the very first step of the investment process. We assess material ESG factors affecting a company and identify any improvement in ESG practices over the years. ESG information is obtained from a number of sources including in-house research (company disclosure, media reports and engagement), as well as from sell-side broker research and Bloomberg.
- **Active Ownership** – Company engagement is an integral part of WaveStone's investment process. At WaveStone, we believe that successful engagement can, not only reduce risks but also create value.

Our primary approach to driving sustainability outcomes is through our active ownership, both independently and collaboratively with other like-minded organisations, with effectiveness measured by tracking progress against targeted objectives and changes in investee company practices.

ESG Engagements

WaveStone engages all companies in which it invests, and those in which it intends to invest, on material ESG issues and exercises its voting rights, giving consideration to the efficacy of such engagement activity. Through its active ownership practices, WaveStone seeks to improve ESG performance of investee companies and encourage them to better manage their own ESG risks and opportunities.

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. Engagements may be ESG-specific or integrated into broader investment research discussions. This approach ensures ESG matters are assessed as financially material and considered within the context of the company's strategy, operations and conduct. By leveraging the collective expertise of team members with the closest understanding of the relevant sector, industry and company-specific issues, ESG considerations are discussed in a holistic, practical and commercially meaningful manner rather than in isolation. 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 to thought leadership on relevant ESG topics.

If insufficient progress is demonstrated within a defined timeframe (typically 12–18 months), we will seek to escalate the ESG issue. In most instances our primary engagement method will be via direct engagement with management teams and Board members, however, we may also engage in collective efforts where we identify a need for a stronger voice.

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.

How we evaluate key ESG factors in our investment analysis is outlined in detail below.

ESG Integration in the Investment Process

At present, the degree of consideration given to ESG issues varies depending on the nature of the company under consideration. Our investment process remains consistent for every company we consider. The WaveStone investment process consists of four steps:

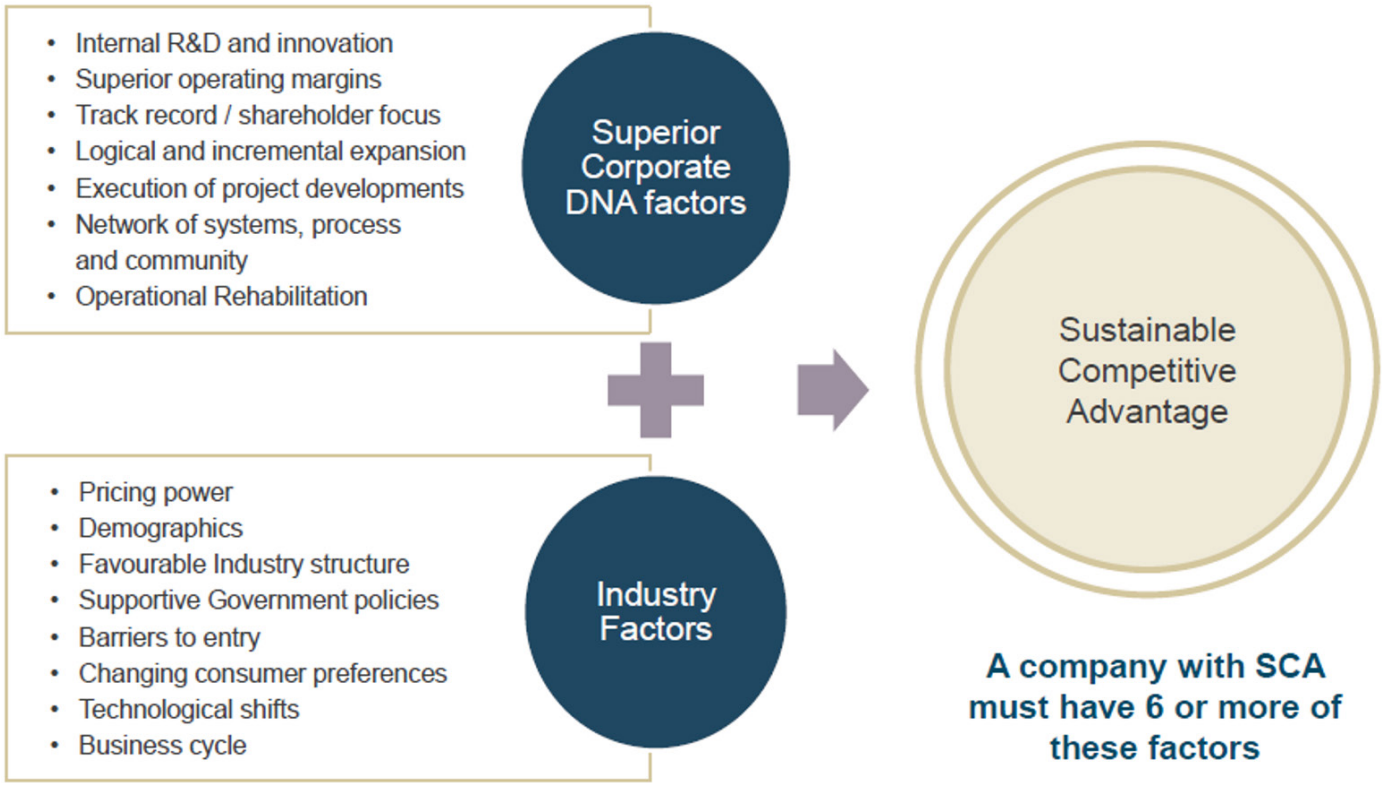


ESG considerations are embedded in the first step of the investment process – the qualitative filter. This step seeks to identify businesses that exhibit a Sustainable Competitive Advantage (SCA). Drilling a little deeper, SCA is determined through the interaction of Superior Corporate DNA and Industry dynamics (see Figure below).

All potential investments are assessed in relation to the following 7 markers of Superior Corporate DNA and 8 Industry factors. WaveStone believes that a company with the strongest corporate DNA that operates in the most favourable industry and economic conditions should have the most robust SCA.

For a company to be considered for inclusion in the portfolio, it must have 6 or more of these factors. This is illustrated below.

Identifying companies with Sustainable Competitive Advantage (SCA)



Superior Corporate DNA

Superior Corporate DNA refers to the 'genetic markers' of corporate success, which either individually or collectively indicate the attributes that distinguish industry leading performance. These traits have been identified and classified based upon the accumulated experience and observations of the investment team and are equally applicable across industry sectors. The seven markers of superior corporate DNA are:

- **Research & Development and innovation** – commitment and execution of R&D effort to internally generate new and innovative products, maintaining above average margins and earnings duration.
- **Low costs** – underpin superior operating margins and can be driven by structural advantage or focused management and execution.
- **Track record/shareholder focus** – a solid history of success by the corporate, its executives (and board) is tangible evidence of good "genes" and provides confidence to support expectations of ongoing success. Further, a review of company practice regarding such matters as dividend policy, capital management and executive remuneration will provide evidence as to the level of the company's focus on the priorities of its shareholder constituents. This marker is central to good corporate governance.
- **Articulated & logical expansion** – most stock market investments offer some allure of potential future growth. However, some expansion strategies are clearly distinguished by an existing base of success, product expertise and geographic understanding. Furthermore, a clear understanding of finite management depth and financial resources is critically important to delivering upon an expansion plan.
- **Project development experience and success in execution** – the ability to design, develop, manage and commission major new projects or expansions within financial constraints and timing deadlines is a rare attribute. Major projects can often be a distraction to underlying operational performance.
- **Strength in systems, process and community** – strong and rigorous systems often provide the foundation for success and replication/growth of an enterprise and importantly the point of differentiation in the successful delivery of fairly homogenous goods and services. In some cases a company is able to build over time a powerful self-reinforcing, network or intangible community around its provision of goods and services. This marker also pertains to the company's environmental and social obligations.
- **Rehabilitation** – many companies achieve growth via the acquisition of new businesses, however only a few are able to distinguish themselves and create value through turning around or fixing the underlying

operating performance of the business. Corporate rehabilitation can be achieved through radical restructuring, management changes and refined reporting and management systems.

In each of the above markers, effective capital allocation and corporate governance is an overarching principle in our assessment of that factor.

Regarding the internal markers of excellence, three markers explicitly incorporate ESG matters:

- **Track record and shareholder focus** – clearly incorporates corporate governance matters such as capital management, dividend policy, executive remuneration
- **Project development experience and success in execution** – this includes execution of ESG strategy
- **Systems, process and community** – incorporates matters such as employee safety and engagement, community standing and policies on ethical sourcing, waste management and environmental issues

Corporate governance is central to any stock investment; it is typically a strong indicator of superior corporate DNA.

Exclusions

WaveStone's approach to ESG integration prioritises active engagement and stewardship over broad exclusionary screening but will consider general factors such as (but not limited to) labour relations, workplace health and safety, potential environmental impacts, quality of environmental management systems and clearly defined code of conduct and ethics policies.

Unless otherwise mandated by clients, WaveStone will not knowingly invest in companies that:

- Derive any revenue from tobacco manufacturing;
- Company involved in the production of whole weapon systems, delivery platforms or components of cluster munitions; production of whole weapon systems or components of landmines and biological or chemical weapons; production of depleted uranium weapons, blinding laser weapons, incendiary weapons (not including producers of elemental white phosphorus or white phosphorus smokescreen/smoke bombs), or weapons with non-detectable fragments; or is involved indirectly through ownership ties to companies involved in such products.
- Oil Sands - Reserve ownership or production involvement.
- Derive 10% or more of total annual revenue from extraction or mining of thermal coal.

Application and Monitoring:

- These exclusions apply at the time of investment and are monitored quarterly using data from third-party service provider MSCI.
- If MSCI flags a portfolio holding as meeting the exclusions criteria (as stated above), WaveStone will seek to divest the position within 10 business days unless otherwise agreed with relevant client(s) - the overall objective being to act in the best interests of our clients. Any material delays will be documented and reported to the Board.

The above exclusion criteria apply to long positions only. WaveStone may hold short positions in companies that derive revenue from the excluded business activities WaveStone maintains a strong sell discipline in relation to companies that no longer meet its investment criteria.

Environmental considerations

We acknowledge that sustainable business practices are a key determinant of long-term profitability, with companies that are able to understand and actively manage sustainability considerations likely to achieve a competitive advantage. We see environmental issues as not only a potential investment constraint but also an opportunity, with many companies set to benefit from the push towards sustainability.

Environmental issues are considered on a case-by-case basis. The materiality of potential environmental issues will dictate the degree of analysis conducted.

An assessment will be made on each company's exposure to relevant environmental factors and their relative preparedness for such eventualities. Our evaluation of this response will form part of our investment decision making process.

Key Environmental factors considered in our analysis:

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 the extent of their exposure to climate-related physical and transition risks. We encourage them to have plans in place to mitigate their exposure to these risks

including their carbon emissions in the long-term. We also assess a company's exposure to weather-related impacts of climate change as well as their preparedness for a transition to a low carbon economy.

Our review of climate risk exposure considers whether investee companies have appropriate sustainability disclosures in place, including climate mitigation strategies, and whether there is suitable board-level governance and oversight of climate-related risks including carbon reduction planning. 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 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 both in industry and agriculture. 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 presents growing environmental and financial risks across many industries. 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 badly, 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

Similarly, to environmental issues, social issues affecting individual companies are assessed on a case-by-case basis and form part of the fundamental research process undertaken on all prospective investments.

Social factors are relevant to all companies, but their relative importance will vary across companies and also through time.

All companies are subject to a thorough review as reputational issues can affect all companies at any time.

Key Social factors considered in our analysis:

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 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.

Corporate Governance considerations

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:

- disciplined and value-accretive capital allocation;
- management quality, integrity and alignment with long-term shareholder outcomes;
- remuneration structures that appropriately align executive incentives with sustainable long-term performance;
- Board composition, independence, tenure and succession planning;
- diversity of skills, experience and perspectives at Board and senior management level;
- governance frameworks and oversight of sustainability-related risks and opportunities;
- data governance, cyber security and emerging technology risks, including oversight of artificial intelligence (AI) systems; and
- effective risk management, transparency and shareholder communication.

Proxy Voting

We currently maintain a standalone Proxy Voting Policy which is reviewed and approved by WaveStone's Board at least biennially. The Proxy Voting Policy details WaveStone's approach to proxy voting on key issues of shareholder importance. In accordance with this policy, we provide regular reporting on our active ownership activities to our clients.

Corporate governance is central to any stock investment and forms a core consideration in our assessment of Sustainable Competitive Advantage and investment risk. These considerations are embedded throughout our investment analysis, engagement activities and proxy voting decision. Where governance practices indicate a lack of integrity, accountability, or transparency or where management behaviour materially misleads the market regarding a company's operations, financial position, or material risks, WaveStone may reduce its exposure or divest from the company.

Collaborative initiatives

Principles for Responsible Investment (PRI)

WaveStone is a signatory to the UN-backed Principles for Responsible Investment (PRI) and publishes a report on an annual basis as part of its requirements. WaveStone's PRI Assessment Report can be viewed on Wavestone's website www.wavestonecapital.com.au/how-we-invest/esg/

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.

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.

64912/0726

Summary

Our evaluation of ESG issues is undertaken both at a thematic level as well as at the stock selection level. As outlined above, ESG issues are discussed with management and other relevant parties. Post management interaction, ESG issues and potential mitigants are discussed between the team in an open forum as part of the raft of issues that may impact a company's ability to provide long-term sustainable investment performance. In short, our investment focus is not simply confined to the financial performance of the company and we will not knowingly invest in companies that we believe are causing irreparable damage to the community, environment, workplace or end consumers.

64912/0726

Date Approved: June 2026

WaveStone CAPITAL