

Argyle Responsible Investment Policy

Argyle Capital Partners Pty Ltd

Responsible Investment Policy

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1 Background

Argyle Capital Partners Pty Ltd and its Related Entities ('Argyle') believes that responsible investment is integral to the success of its investment process, long-term investment returns, and reputation as an investment management business.

Argyle's investment management business begins with achieving sustained financial returns for its investor clients. Argyle remains motivated to assist the responsible and sustainable development of Australia's irrigated agricultural sector.

Argyle was established to attract, invest and manage capital for the betterment of Australia's agricultural sector. Since inception, Argyle has principally invested in Australian water entitlements representing the most critical input for irrigation farm businesses.

Australia is the world's driest inhabited continent with a highly variable annual rainfall pattern. Water is the most limiting factor in Australia's food and fibre supply chains. Over time Australia has developed a sophisticated approach to governing access to water for consumptive use whilst safeguarding water resources to ensure sustainable riverine environments and prevent over-extraction and degradation.

Access to deliberately limited ('capped') volumes of consumptive water are the subject of state-government issued water rights known as 'Water Entitlements'. Water entitlements are issued for specific, defined water resources (including both surface water, and groundwater aquifers). Each water resource has its own characteristics including resource scale, water storage and conveyance infrastructure, reliability of annual supply and geographical supply boundaries. In most water resource regions, irrigation farmers are the largest holders of water entitlements which are used to supply their irrigation farm enterprise.

By investing and purchasing water entitlements from irrigation farmers, Argyle aims to:

- assist farmers to recapitalise their enterprise by realising substantial cash proceeds for water entitlement asset sales. This allows those private businesses to invest their own equity capital to redevelop their irrigation farm enterprise, improve their productivity and increase their water use efficiency. Alternatively, this might permit farmers to exit irrigation farming enterprises, reduce their debt position, or fund family farm succession;
- provide water supply and risk management products that allow irrigators to continue to access this key input by leasing water entitlements back over multiple year periods, or purchase annual water allocations from Argyle on a spot or forward basis;
- influence markets for scarce consumptive water such that farmers are conscious of their economic returns per megalitre of water applied and can readily value the opportunity costs of their particular water use. In turn this may disincentivise irrigators to apply water for lower value crop enterprises, and instead sell water volumes to irrigators producing higher value crops; and
- encourage sustainable water use by having it valued appropriately via active regional 'cap and trade' markets across different annual climate cycles (impacting annual water availability).

Argyle's responsible investment approach is focused on its impact on water markets, irrigators and their regional communities.

As a steward of our investors' capital, our mission remains to deploy and engage in Australian water markets in a sustainable manner and focus on delivering strong risk-adjusted returns over the medium term. In addition, Argyle seeks to

- positively impact water markets and irrigators' water risk management practices,
- encourage sustainable water use, and

- assist irrigators to responsibly access a share of the available water resource on which they depend for their farming enterprise.

2 Purpose and scope

This Policy outlines Argyle's approach to responsible investment and our impact investment objectives.

The purpose of this Policy is to ensure that Argyle's team is conscious of its responsible investment objectives when managing day-to-day activities in Australian water markets and engaging with irrigators and other stakeholders.

In meeting our impact investment objectives, Argyle aims to:

- generate compelling risk-adjusted returns for investors;
- intentionally contribute to positive social and environmental impacts through our investments and on-going management of water entitlement portfolios;
- collate and provide meaningful data to evidence the impacts Argyle creates through the management of its water portfolios; and,
- position Argyle as a preferred counterparty and welcome participant in Australia's agricultural water markets.

2.1 Monitoring compliance

The Policy is approved by the Investment Committee (IC) and is reviewed every three years (or more frequently, if appropriate) having regard to any change in the applicable laws, regulations and international standards. Minor amendments may be approved by the Chief Investment Officer.

Compliance with this Policy is a standing agenda item for the IC. The IC will report, consider and collate evidence of the impacts of its investments in water entitlements, and its water sales and leasing activities.

Argyle's Audit and Risk Committee (ARC) meet quarterly and will review the management of, and compliance with, this Policy together with other risk and compliance matters across the business.

The ARC will report instances of non-compliance to the Board. The Board is responsible for determining and/or recommending appropriate remedial action.

Argyle is aware that approaches to responsible investment are continually evolving. Argyle acknowledges that the expectations of our investors and other stakeholders is also evolving. Argyle is committed to continuous review and improvement of its approach to responsible investment.

2.2 Principles of Responsible Investment

Argyle is a signatory to the United Nations Principles for Responsible Investment and is committed to the following principles:

1. We incorporate ESG issues into investment analysis and decision-making processes.
2. We are active owners and incorporate ESG issues into our ownership policies and practices.
3. We seek appropriate disclosure on ESG issues by the entities in which we invest (where appropriate for farmland / supply-chain infrastructure investment).
4. We promote acceptance and implementation of the Principles within the investment industry.
5. We work together to enhance our effectiveness in implementing the Principles.

6. We report on our activities and progress towards implementing the Principles.

Responsible investment is a broad-based approach to investing which factors in people, society and the environment, along with financial performance, when making and managing investments.

3 Unique nature of water entitlements

Australian water entitlements represent secure legal titles to receive a share of water allocated from specific water resources in perpetuity. Water entitlements are issued by state governments under a nationally compatible framework established by the National Water Initiative (NWI). Water entitlements are:

- Unbundled (separated) from land ownership and consist of:
 - water entitlements being the ongoing right in perpetuity to a share of water; and
 - water allocations being the actual share of water allotted in any year;
- Tradeable and mortgageable (i.e. treated as intangible financial assets); and
- Entitlements are legally similar in structure, making them fungible and tradable across jurisdictions.

This legal uniformity is designed to support market efficiency, not necessarily social or environmental differentiation.

As a result, Responsible Investment Principles commonly utilised for other asset classes are challenging to apply for water entitlements for the follow reasons:

- The asset class is intangible so there are no operations to review in line with ESG considerations as one would with a trading enterprise;
- Water entitlements are equal in law and rights so there are no ESG considerations that differentiate the underlying entitlements in one region vs another;
- Water entitlements do not inherently reflect how water is used (e.g., for sustainable agriculture vs. extractive industries);
- Investors cannot easily distinguish between entitlements used for high-value perennial crops (which may be water-intensive) and those used for low-impact or regenerative farming;
- The entitlement itself does not disclose whether water use contributes to sustainable agriculture, supporting local communities, or equitable access;
- Water is allocated based on priority classes (e.g., high security vs. general security) and not on ESG criteria; and
- During droughts, allocations are reduced based on reliability, not environmental or social impact.

4 Argyle's approach to responsible investing

Argyle understands that sustainable environmental practices, positive social impacts for regional Australia and operating with the highest standards of corporate governance are critical to sustainable investment returns.

Through its participation in Australian water markets, Argyle encourages the responsible and efficient use of water as a critical scarce input.

Argyle has developed a range of water price risk management tools for irrigation farmers, including long-term water entitlement leases, forward water sales, and 'carry-over' products that allow irrigators to conserve irrigation water in storages for longer periods to mitigate their future water supply risks.

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Argyle fundamentally supports the objectives of Australia's National Water Initiative (2004); specifically, that water resources are sustainably managed (typically using a 'cap and trade' approach) and scarce consumptive water is valued appropriately and directed, via efficient markets, to its highest and best economic use.

Argyle engages frequently with irrigators, water brokers, irrigation infrastructure operators and state government water agencies. Argyle is a full member of the National Irrigators' Council, the peak industry body which regularly engages with policy makers.

4.1 Key principles

Argyle's responsible investment approach is shaped by the following principles:

- Argyle is a long-term investor in Australia's fresh-water resources. Responsible and sustainable investing is at the core of what we do.
- We understand and support the need for sustainable water resource management, particularly in the Australian context.
- We appreciate the links between ESG factors, investment risk and sustainable investment returns.
- Financial service businesses have a fiduciary duty to their clients, investors and beneficiaries to incorporate material ESG factors on the basis of risk, return and impact.
- Water investment risks and opportunities include the sustainable use of the resource, impacts of climate change, regional water scarcity, risk and variability in annual water supply, water market liquidity and transparency, regional development, community engagement, reputational risk as a large holder of water rights, changes to government policy, and investment governance.
- Argyle has limited ability to influence the on-farm practices of its irrigator clients. Argyle seeks to influence irrigator behaviour by way of pricing water appropriately and transacting scarce annual volumes to irrigators who seek to achieve the highest possible returns per megalitre of water applied.
- Argyle does not trade (buy & sell) annual water allocations with any intention to compete against irrigators. As an owner of water entitlements, Argyle's portfolios are allocated annual water volumes. Argyle sells those annual volumes each year to derive portfolio income (spot and forward sales). Argyle does not buy water allocation which might otherwise be actively sought by irrigators to underwrite their crop production.
- Argyle does not transact water with counterparties who have any history of non-compliance with water regulations; including over-use or unauthorised water access.
- Governments and regulators are increasingly regulating access to natural resources, sustainable environmental practices, workplace health and safety (WHS), energy markets and the mitigation of climate change. Argyle exercises its responsibilities as an investment manager of water entitlements in stewardship by participating as a member of the National Irrigators' Council to provide input into national water policy. Argyle engages directly with state government water agencies from time to time to emphasise the benefits of regional water markets and provide feedback to improve market transparency and efficiency.
- Stakeholders, such as investors, consumers, governments, non-governmental organisations and employees increasingly require that ESG factors are integrated in investment decision-making and ongoing investment management processes.

4.2 Investment with impact

Argyle's impact investment approach is considered alongside fundamental financial and risk analysis. We seek to encourage the development of Australia's water markets and the adoption of risk management approaches to achieve sustainable use of capped water supplies. We aim to positively impact Australia's water markets and irrigator behaviour such that water is valued appropriately and applied in a sustainable manner to underwrite irrigation enterprises over the long-term and benefit regional economic activity.

Argyle seeks to invest in water entitlements and create long-term social, environmental and economic (sustainable) value. The generation of long-term sustainable returns is dependent on stable, well-functioning and well-governed social, environmental and economic systems.

Argyle pursues an impact investing approach with the intention to generate a measurable, beneficial social or environmental impact, alongside financial returns.

Key aspects of Argyle's impact investing approach include the following:

- Dual objectives to achieve both financial returns and positive social or environmental outcomes.
- Measurable impact: Argyle endeavours to measure and report the impacts of its water market investments, including irrigator counterparty behaviours, market liquidity, and the extent of water applied relative to the sustainable diversion limits for each regional water system.
- Focus areas: sustainable agriculture, productivity of irrigated agriculture, regional development.
- Alignment with Sustainable Development Goals (SDGs).
- Account for ESG factors in our investment process: including in portfolio construction; selection, retention and realisation of water entitlement assets; and the execution of water leases and forward sales with irrigator counterparties.
- Report on Argyle's contribution to social, environmental and sustainability outcomes on an annual basis.

4.3 Stewardship and advocacy

Argyle cannot follow traditional stewardship practices as ownership of water entitlements does not entitle us to rights and responsibilities that would be associated with ownership of an enterprise. Water entitlements are intangible assets, and ownership does not afford any rights other than the ownership of the entitlement and the ability to sell the annual allocation of water associated with that entitlement.

Argyle can most effectively use its voice through targeted advocacy engaging with policymakers, regulators and industry bodies on ESG factors to promote the long-term value, integrity and sustainability of the water entitlement market.

This is actioned via membership on the National Irrigators Council, authoring industry submissions in response to proposed regulatory changes and participation in market reviews (such as the 2021 ACCC review into the Water Markets).

5 Responsible investment priorities

Since its establishment in 2007, Argyle has been at the forefront of the responsible development of more sophisticated water markets for the benefit of irrigation farmers, their regional economies and Australia's agricultural sector.

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This includes the provision of long-term leases of water entitlements (on a fixed rate and hybrid basis); offering forward contracts to supply water allocations in future periods out two years in advance; and, facilitating the conservation and carrying over of surplus consumptive water from one annual period to the next.

5.1 Responsible water investment

Argyle is a pioneer of investments in Australian water entitlements, which govern access to annual supplies of water from specific water resources (rivers, aquifers) for the purpose of farmland irrigation.

That water is a critical input to food and fibre production supporting regional employment, rural economies and Australian exports.

The water resources are governed by 'cap and trade' principles to ensure sufficient water remains in those environments to safeguard their sustainability and prevent degradation of the resource.

The limited volumes that can be extracted for consumptive use are governed by the water entitlements (water rights), which are managed by Argyle.

Our principal aim is to assist the industry to access new sources of capital to enable irrigators to transition their water use from lower value to higher value enterprises. We strive to be an exemplar of investing in water as a critical means to increase the intensity and productivity of food and fibre production systems to support growing world populations and international trade.

Argyle's participation in water markets assists in valuing scarce consumptive water appropriately and directing it to its highest and best economic use. This principle is a core element of Australia's overarching water policy framework, the National Water Initiative, which was first devised and implemented from 2004.

Australia's 'cap and trade' water markets lead the world in providing governance of a scarce natural resource to ensure sustainable water use and prevent circumstances which may otherwise result in a 'tragedy of the commons'.

As a pioneer in a world leading water governance framework, Argyle is highly motivated to ensure it operates in a responsible manner.

Argyle conducts its investment activities to uphold the integrity of water markets, encourage consumptive water volumes to be responsibly applied whilst preserving environmental sustainability.

Argyle seeks to positively impact the water markets in which it invests and participates by:

- Encouraging typically scarce annual water supplies to be applied to their highest and best use by influencing regional water markets to reflect clear price signals to irrigators;
- Providing greater liquidity and transparency of regional water markets to benefit irrigator participants;
- Devising and offering a range of products that allow irrigators to better manage their future water supply and price risk, which in turn assists in achieving more consistent crop production year on year irrespective of seasonal conditions ('wet', 'average' or 'dry'); and,
- Encouraging the conservation of surplus consumptive water in any annual supply period so that it might be stored and applied in a future period, rather than 'wasted' on lower value cropping applications.

We seek to be a partner with irrigators to facilitate access to water supplies at fair values and provide solutions for irrigators to better manage their future water supply risk. We do not 'hoard' seasonal water supplies or create temporary artificial water scarcity. We do not prevent irrigators from accessing annual consumptive water volumes for sustainable, high-value irrigation.

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Argyle's investment approach considers all Australian irrigation regions. Our investment universe is confined to those regions which have regulated the extent of water that can be extracted for consumptive use (capped supply); actively measure and account for water use; and enforce regulations against misuse to ensure water market integrity.

Deliberately, Argyle does not 'trade' in water allocation volumes. Argyle is a natural seller of water allocation volumes. Argyle conducts forward sales and spot sales of water throughout each year to sell the volumes of water allocated to its water entitlement portfolios annually. Argyle also engages in the long-term leasing of water entitlements to qualified irrigator counterparties.

On principal, Argyle does not seek to buy water allocations in competition with irrigators farmers.

Argyle manages its water market participation to prevent any artificial inflation in water prices or water entitlement values arising from its own investment activities.

Argyle regularly monitors the proportion of water trades it represents in each region. Argyle limits the scale of its deployment so that it does not artificially influence water prices or regional volume of water traded. Argyle applies caps on the proportion of ownership of water entitlements it may hold in any one river region or water trading zone.

Argyle's water market activities are designed to provide water supply and price risk management solutions for irrigation farmers within each Water Year and across future water years.

Argyle does not transact with intermediaries that might otherwise compromise Argyle's own principles in water markets,.

Argyle deliberately does not transact water with irrigator counterparties who have any history of misuse or breach of water regulations. Argyle maintains a 'black-list' of counterparties with which it will not transact.

Argyle buys water entitlements from irrigators who are willing to sell their water rights for a range of reasons:

- Funding family succession;
- Reducing bank debt;
- Investing proceeds in farm redevelopment; new plantings; new irrigation technologies/practices;
- Exiting the industry.

Some irrigator vendors may seek to lease their entitlements back to continue to access the annual water allocations across future years. Argyle facilitates water entitlement sale and leasebacks with accredited irrigator counterparties.

Argyle facilitates irrigators carrying water over from one annual period to another by transferring their unused water volumes to Argyle's account prior to the expiry of a Water Year, and Argyle transferring that volume back to the irrigator client at the commencement of the new Water Year.

6 ESG factors

6.1 Approach to ESG

Through its investments in water entitlements, Argyle actively manages a broad range of environmental, social and governance ('ESG') factors, such as water use, climate variability, and local community engagement.

Argyle integrates ESG factors into its water entitlement investment process and day-to-day operations in selling water and leasing entitlements to irrigator clients.

Argyle actively considers ESG factors in determining irrigator counterparties for water entitlement leases and forward water allocation sales.

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Example integration includes the following:

<p>Environmental</p>	<p>Argyle fundamentally recognises the need to ensure sustainable environmental management of farmland, rivers and aquifers.</p> <p>Argyle’s participation in Australia’s ‘cap and trade’ water markets encourages scarce consumptive water to be directed towards the most productive, sustainable farm enterprises. Consumptive water is valued appropriately as a scarce input.</p> <p>Argyle actively facilitates mechanisms that allow irrigation farmers to conserve surplus seasonal water and carry it over to the following season; underpinning sustainable farm operations year on year. By providing forward prices and carryover facilities, irrigators can better assess their water supply expenses, and costs of mitigating future water supply risk. Irrigators are better able to make decisions to set aside some portion of allocated water in a current Water Year and instead carry it forward to a future Water Year to underpin future crop production. In aggregate this means that irrigators tend to be more conservative in their annual water use and do not exceed permitted system-wide levels of annual water extraction and use.</p> <p>Argyle’ supports the MDB Plan to achieve healthier and sustainable water resources and balanced access to consumptive water for food and fibre production benefitting irrigation farmers, regional industries and their communities.</p> <p>As water is bid to its highest and best use, farm operators who are not efficient water users will typically be priced out of inefficient water use (as the water becomes too expensive for their lower returning crop enterprises).</p>
<p>Social</p>	<p>Argyle actively engages with the rural and regional communities in which it operates.</p> <p>Argyle supports regional development via investment in water entitlements. Such investment provides a mechanism for irrigation farmers to unlock balance sheet equity and reinvest in expansion or productivity improvements in their enterprise (via sale and leaseback of water entitlements).</p> <p>Argyle has a history of partnering with irrigation farmers to assist them in the development of new high value irrigation enterprises; promoting regional economic development, employment and training. Argyle continues to support irrigation farm development by investing in water entitlements, purchasing and leasing back entitlements to irrigation farmers, thereby unlocking their equity capital, enabling their reinvestment in farmland enterprises whilst still maintaining their access to annual water supplies.</p> <p>Argyle creates water market liquidity and provides a range of competitive water risk management products for irrigation farmers so they can secure their future water needs and have confidence in their future operations. This includes forward sales contracts and carryover parking to conserve and store surplus water so that it is available for the following annual period.</p>
<p>Governance</p>	<p>Since its establishment in 2007, Argyle has been at the forefront of the responsible development of more sophisticated water markets for the benefit of irrigation farmers, their regional economies and Australia’s agricultural sector.</p> <p>Argyle is a member of Australia’s National Irrigators Council and is actively engaged with governments, regulators, irrigators, water brokers to improve water market education and governance.</p> <p>Argyle is also an affiliate member of the Australia Water Brokers Association and is engaged with governments, regulators, and other industry bodies to advocate for sensible, practical reforms that enhance both confidence and efficiency in water trading.</p> <p>Argyle actively engaged in the ACCC enquiry into MDB water markets (2019-21) and supports its recommendations.</p> <p>Argyle engages with water entitlement lessees to ensure compliance with all water laws, regulations and more efficient water use.</p>

	Argyle regularly communicates its activities and principles to water market stakeholders. Irrigators are aware that Argyle does not engage in buying water allocations which might otherwise out-compete irrigators seeking critical water supply for their own enterprises.
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6.2 Corporate ESG approach

Argyle's direct corporate ESG risks and opportunities for its investment management business are actively managed by the Board and executive team. Employees participate in annual reviews and acknowledgement of Argyle's various policies including:

- Multiple Accounts management policy
- Conflict of interest management policy
- Fraud prevention, AML and CTF policy
- Code of conduct policy
- Whistle blower policy
- Risk management framework

Minimum expectations:

- ESG matters are a standing agenda item for each meeting of the Board and Investment Committee
- The company should have designated responsibility for ESG matters within its senior leadership
- The company has policies to address ESG matters relevant to the company and its operations
- The company is conscious of initiatives that promote diversity and inclusion
- The company has safety management systems in place relevant to its operations
- The company has implemented means to prevent cyber-attacks and data theft

7 Commitment to laws, regulations, standards, codes and internationally recognised frameworks

Australia has strong legal and regulatory frameworks pertaining to environmental sustainability and preservation, access to natural resources (water, timber, land), agricultural land use, employment and WHS. By comparison to many other nations, Australian farm businesses operate within the bounds of a large number of acts, regulations, rules, standards, codes and principles. Laws and regulations are actively policed and enforced. Compliance is mandatory.

Argyle maintains and updates annually a comprehensive summary of obligations associated with all current Australian acts, regulations, rules, standards, codes and principles in relation to:

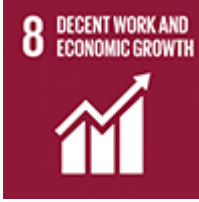
- Water access and environmental management
- Employment, including Modern Slavery
- Work, Health and Safety
- The provision of financial services (Australian Financial Services Licence)


Argyle is committed to ensure it meets (or exceeds) all legal and regulatory requirements and industry codes of practice relating to its investments and operations in Australia.

7.1 UN Sustainable Development Goals

Argyle recognises the UN Sustainable Development Goals (SDGs) as a global framework to deliver sustainable environmental, social and economic benefits. As an advanced economy and society, Australia’s legal, regulatory, and governance systems are typically exemplars of the SDGs.

In managing investments in Australian water markets, Argyle is mindful of the following SDGs.

 <p>2 ZERO HUNGER</p>	<p>SDG 2: Achieve food security and improved nutrition and promote sustainable agriculture.</p> <p>SDG 2.4: By 2030, ensure sustainable food production systems and implement resilient agricultural practices that increase productivity and production, that help maintain ecosystems, that strengthen capacity for adaptation to climate change, extreme weather, drought, flooding and other disasters and that progressively improve land and soil quality.</p>
 <p>6 CLEAN WATER AND SANITATION</p>	<p>SDG 6: Ensure availability and sustainable management of water and sanitation for all. Specifically, to focus on water use efficiency and integrated water resource management in Australian agriculture including:</p> <p>SDG 6.4: By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity.</p> <p>SDG 6.5: By 2030, implement integrated water resources management at all levels, including through transboundary cooperation as appropriate.</p>
 <p>8 DECENT WORK AND ECONOMIC GROWTH</p>	<p>SDG 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment.</p> <p>SDG 8.4: Improve progressively, through 2030, global resource efficiency in consumption and production and endeavour to decouple economic growth from environmental degradation.</p>
 <p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p>	<p>SDG 12: Ensure sustainable consumption and production patterns.</p> <p>SDG 12.2: By 2030, achieve the sustainable management and efficient use of natural resources.</p>
 <p>13 CLIMATE ACTION</p>	<p>SDG 13: Take urgent action to combat climate change and its impacts.</p> <p>SDG 13.1: Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries.</p>

	<p>SDG 15: Protect, restore and promote sustainable use of terrestrial ecosystems. Halt and reverse land degradation and biodiversity loss.</p> <p>SDG 15.1: By 2020, ensure the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems and their services, in particular forests, wetlands, mountains and drylands, in line with obligations under international agreements.</p>
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Argyle continually considers climate variability / climate risk in its investment management practices. Managing climate variability is inherent in Argyle’s investment thesis and day-to-day water portfolio management.

8 Reporting and disclosure

All Argyle employees are required to attest to understanding on policies upon commencement, and each time there is a material change.

Argyle provides regular monthly and quarterly reporting to its investors across all Funds and institutional mandates. This reporting includes commentary regarding impacts of investments and Argyle’s role in water markets.

Investment risks are disclosed in regular reporting, and as required by law in relevant governing documents, such as Investment Management Agreements (IMAs) and Information Memorandums (IMs).

9 About Australia’s water markets

Australia’s agricultural water markets are recognised as the world’s leading application of a market based, ‘cap and trade’ regulatory framework.

Australia’s water markets have emerged from decades of regulatory reforms that resulted in the adoption of a ‘cap and trade’ framework designed to safeguard environmental water supply. Governments have aligned under various regulated water sharing plans and the Murray-Darling Basin Plan to prevent over-extraction and ensure the sustainability of Australia’s scarce water resources.

From the mid-1990s, Australian governments implemented water resource plans (covering both surface and groundwater) designed to ensure environmentally sustainable utilisation of these scarce natural resources.

Under the ‘cap and trade’ framework, access to water for consumptive use is limited to the extent of water entitlements on issue in any regional water resource (surface or groundwater).

Importantly, sufficient environmental water supplies are secured by the application of the cap on extractions of consumptive water volumes.

Extraction of fresh water for consumptive use (irrigation, municipal, mining) is capped to a specified proportion of the water available. Annual allocations of consumptive water are determined progressively on an annual basis depending on the extent of water available in that defined water resource. Total consumptive volumes allocated are governed by specified caps on extraction.

Sufficient water is preserved for environmental flows in priority to annual consumptive water supply. Typically, environmental flows represent the majority of annual water supplies (usually greater than 65% of available volumes).

Capped supplies of consumptive water are able to be traded in regional markets amongst competing users. Ultimately this is designed to ensure scarce water is priced appropriately and directed to its highest and best

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economic use to deliver profitable, sustainable economic outcomes for individual farm enterprises, the regional communities in which they operate and the nation as a whole.

The framework for Australia's water markets is outlined in the 2004 National Water Initiative¹. It fundamentally recognises the need to ensure sustainable environmental management of rivers and aquifers in the first instance. Access to water for consumptive use has been restricted under a Cap since 1994, and since 2012 under the more comprehensive Murray-Darling Basin Plan. Water for the environment has a priority to consumptive use under the Basin Plan. Argyle invests in the rights to access that portion of water which is permitted to be used for consumptive purposes. We support the Basin Plan and the sustainable use of scarce water resources.

From 2019 to 2021, the Australian Competition and Consumer Commission (ACCC) conducted an inquiry into the Murray-Darling Basin water markets.² The ACCC inquiry did not find any evidence of water market manipulation or any misconduct by investors. The ACCC examined a range of short-comings in relation to the governance framework of the water markets and made recommendations to increase transparency and market efficiency. Those recommendations were later adopted by the Commonwealth Government's water regulator³, and are being progressively implemented.

Overall, the ACCC inquiry found clear recognition of the many benefits of water markets. It upheld the National Water Initiative and bi-partisan policy approach to water and the water markets framework in existence since at least 2004. It made recommendations to improve market transparency, efficiency and the education of market participants (which Argyle supports in full).

ACCC supported the role of non-land holding market participants in providing access to alternative sources of capital for irrigation farming; the creation of market liquidity; and the provision of risk management products for irrigation farmers. This is entirely aligned with Argyle's approach to responsible water investment.

Following the ACCC review, Australia is currently implementing a series of measures to improve water market transparency and the regulation of intermediaries (water brokers, irrigation infrastructure operators, government water agencies). Argyle supports the implementation of measures to improve water market transparency and the education of participants.

10 Climate change

There is broad consensus amongst leading global scientists that human activities are increasing the extent of carbon dioxide and other greenhouse gases in the atmosphere, and that this is contributing to climate change.

Australia's climate is inherently variable. This is particularly evident in inland Australia where rainfall is often irregular. Australia's agricultural sector has contended with highly variable seasonal conditions for many decades. The development of Australia's irrigation water storage systems was an early adaptation to mitigate the variability of Australia's rainfall.

Argyle's investments in water entitlements represent direct exposure to water storage capacity. Annual income generated by Argyle's water portfolios will vary reflecting variations in annual rainfall, catchment runoff, water in storage and in-crop water use.

¹ <https://www.agriculture.gov.au/water/policy/nwi>

² <https://www.accc.gov.au/focus-areas/inquiries-ongoing/murray-darling-basin-water-markets-inquiry/final-report>

³ Office of the Inspector-General of Water Compliance

11 About Argyle

Argyle is a boutique Australian investment fund management firm established since 2007 with a clear purpose to serve the development needs of regional Australia by raising and investing capital in scarce water resources and supplying water to irrigation farm enterprises.

Argyle has established itself as the leading investment manager in Australia's water markets. At the date of this Policy, Argyle:

- employed 14 people;
- managed \$1.3 billion invested in Australian water entitlements across two regionally diversified portfolios on behalf of hundreds of investors; and,
- had achieved greater than 12% net IRR for its Water Fund investors since inception, August 2012.

Argyle is committed to raising patient capital and investing long-term, through the cycle, to assist in the growth of Australia's agricultural industries. Our operating model is well defined, with a strict focus on investing in water entitlements to deliver superior risk-adjusted investment returns over the medium term.

Argyle operates within a comprehensive suite of governance structures and control mechanisms as expected by institutional investor clients.

The firm is 60% majority owned by its management team. Regal Partners Limited (ASX:RPL), an ASX listed funds management business, holds a 40% shareholding. Argyle operates independently. It is not governed by RPL.

Argyle's Board of Directors has constituted and operates two sub-committees (Investment Committee, and Audit and Risk Committee) which provide governance of Argyle's investment processes and on-going risk management, compliance and investment operations.

Argyle's investment management business operates with autonomy and full discretion in relation to its investment activities, governed by its Fund offer documents and Investment Management Agreements with institutional clients.

In summary, Argyle's purpose and motivation is to:

- Raise capital to invest in Australian water entitlements as a means to positively contribute to the further economic development of agricultural industries and regional economies.
- Solve for impediments which previously prevented Australia's superannuation funds from investing in agriculture (e.g. liquidity, valuation, reduced operating risk, diversification of commodity sector).
- Promote the efficient use of scarce consumptive water through increased water trade, market liquidity and the creation of a range of risk management tools for irrigators (e.g. forward water contracts, water entitlement leases, deferred water delivery contracts, carryover 'parking').
- Exercise discipline and manage risks to ensure that water investments contribute positively to environmental and social objectives, while also offering sustainable risk-adjusted rates of return.
- Assist irrigation farm businesses to develop reliable supply chains servicing growing export markets by investing in water entitlements and providing reliable water supply solutions for irrigation farmers.

11.1 Our Values

Integrity	Doing the right thing by our investors; our employees; our investment partners Honest, efficient and fair; transparent
Care	Socially responsible; we are passionate about the development of Australia's regional communities and agricultural industries; we care about the impacts we create for the long-term future of natural resources – land, soil, water, environments
Accountability	Ownership of outcomes; persistence; dependable; no excuses; transparent We own it; we are responsible for our successes and failures We learn from our mistakes.
Respect	For capital; investors; operating partners; regional impacts; employees Honest and direct communications. Humility; modest in our delivery and conduct.
Excellence	Under-promise and over deliver; strive to out-perform; disciplined; focused

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