

# Corporate Engagement Policy

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Investment Team

May 2025

# Document Control Sheet

## Document Summary

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Version:	1.0 Adopted 11 December 2018 1.1 Reviewed ARCC October 2020. Noted Board November 2020 1.2 Reviewed ARCC November 2022 Noted Board November 2022 1.3 Reviewed ARCC March 2023 Noted Board April 2023 1.4 Reviewed ARCC March 2024, noted Board April 2024 1.5 Reviewed and approved Socially Responsible Investment Committee (SRIC) May 2025

# Corporate Engagement Policy

## 1 Commitment to the Policy

The Directors and management team of DNR Capital recognise that companies with good ESG practices can enhance risk-adjusted shareholder returns. DNR Capital have adopted an ESG integration and engagement strategy and our corporate engagement program complements our ESG integration. Corporate engagement is conducted by investment analysts for real time feedback into investment decision-making.

Corporate engagement includes communication between a public company and its institutional investors regarding financial and operational performance, long-term strategy, industry trends and the competitive advantage of the business model. Corporate engagement also includes, but is not limited to, communication regarding ESG factors such as corporate governance, executive remuneration, risk management, Board and management succession planning, climate change, environmental and social performance.

This Corporate Engagement Policy (the Policy) has been approved by the Socially Responsible Investment Committee (SRIC) and adopted by the investment team and forms part of the framework upon which the company will meet its regulatory obligations, under its Australian Financial Services Licence (AFSL), and undertakings to clients.

In undertaking any corporate engagements, consideration is made of any actual or potential conflicts of interest that may arise, so that they can be disclosed, managed, controlled or mitigated in accordance with DNR Capital's Conflict of Interest Policy and Procedure.

Where there is any doubt as to the requirements contained in this Policy, regard is had to the principle that the Board and management will always ensure the company conducts its financial services business in an efficient, honest and fair manner having regard to the regulatory objectives of ensuring market integrity and consumer protection.

## 2 Policy owner

The owner of this Policy is the Chief Investment Officer (policy owner).

## 3 Purpose of this Policy

This Policy relates to DNR Capital in its capacity as an AFS licensee and should be read in conjunction with the company's ESG (Corporate), ESG (Investment), Climate Change and Proxy Voting Policies.

The purpose of this Policy is to support DNR Capital's investment governance framework. It seeks to promote best practice in ESG corporate engagement, serve as a tool to assess the quality of a company, meet stakeholder expectations and, ultimately, improve the management of ESG issues to support sustainable long-term value creation.

## 4 Who should know and understand the Policy

The following people should be aware of the contents of this Policy:

- Directors and responsible managers
- DNR Capital's investment team and members of the Socially Responsible Investment Committee (SRIC)
- All staff employed by DNR Capital who are directly or indirectly involved in providing financial services under the AFSL
- All authorised representatives

- Anyone providing services to DNR Capital that the policy owner determines should comply with the Policy (e.g. service providers, agents, contractors and temporary staff)
- Our clients and investors
- Anyone else that the policy owner determines should comply with the Policy.

Where functions of DNR Capital are outsourced (e.g. to service providers, agents, contractors and temporary staff), DNR Capital remains responsible and accountable for those outsourced functions. DNR Capital may include specific requirements in the outsourcing or other agreements to ensure compliance with this Policy and other regulatory obligations.

To ensure all officers, employees and agents are aware of the contents of this Policy; it will be made available on the intranet of the company. This Policy is also made available on the company's website.

## 5 Obligations under this Policy

### 5.1 Why corporate engagement?

Active shareholder engagement aims to promote the long-term sustainability of investee companies. In this sense, effective engagement is about creating an alignment of interests between, and to the benefit of, companies and their investors. DNR Capital have a long-term investment horizon, take a long-term view on ESG risk factors and engage with companies for the long term benefit of our clients. Our often long-term relationships with the Board and management of portfolio companies generally facilitates a high quality of corporate engagement.

As supported by research conducted by the PRI, corporate engagement creates shareholder value in these important ways:

- Engagement between companies and investors not only enhances the understanding of ESG issues but the company more broadly, and is a further tool to assess the quality of a company, promoting improved investment decision-making,
- ESG engagement raises awareness with senior management and board level, influencing changed company behaviour, and
- engagement on ESG factors can result in deeper relationships between investors and portfolio companies, emphasizing the importance of better ESG disclosure for shareholders.

### 5.2 Approach to corporate engagement

DNR Capital's approach to corporate engagement is consistent with our ESG integration and engagement strategy, as outlined in our ESG Policy. Corporate engagement is an important component of the investment decision-making and portfolio management process.

DNR Capital meets with portfolio companies after their interim and full year results, and often with the Chairman before the company AGM. We also generally meet with the management of prospective companies before an investment is made. These meetings provide a forum to discuss corporate governance, strategy and capital management and ESG governance, performance and disclosure of the company with senior management.

In addition to these meetings, DNR Capital conduct a program of dedicated ESG meetings which focus on the key issues of climate change, modern slavery, plastics and waste, conduct and culture, social licence, cybersecurity and corporate and ESG governance, amongst other issues. We engage with portfolio companies with exposure to these risks, to understand their engagement, risk management strategies and to advocate for best practice.

These issues are prioritised with consideration to the following factors:

- materiality of ESG factors on financial and/or operational performance;
- the systematic impact of the issue, i.e. climate change;

- the ESG score of the company;
- the adequacy of public disclosure on ESG factors / performance;
- active weight of holding and other portfolio construction factors;
- diversity of ESG factors across engagement program; and
- representation of companies held in each investment strategy.

Where appropriate, we also consult clients on their ESG corporate engagement priorities.

DNR Capital considers the following to be the main objectives of its engagement process:

- developing open, respectful channels of communication with investee companies;
- gaining information and insights to assist DNR Capital in assessing the quality of a company and investment decision-making;
- ESG governance including remuneration alignment with achievement of ESG related outcomes, adequacy of ESG experience at the Board level, ESG strategy and integration in capital allocation decisions;
- building confidence in an entity's Board governance and oversight;
- understanding of executive remuneration, Board composition, and other company AGM proposals; and
- advocating companies to adopt best practice in managing and disclosing ESG issues such as climate change, modern slavery and conduct and culture, amongst others.

Corporate engagement is primarily conducted through company meetings, either in person or remotely, but can also be conducted through other mediums, including:

- written communication with the board or senior management and
- company site visits.

### 5.3 Climate change corporate engagement

Given the systematic impact of climate change risk, climate change is a core focus of DNR Capital's corporate engagement program. Our approach to climate change engagement is consistent with our approach to corporate engagement more generally, with a focus on the following climate specific factors, where relevant:

- climate governance including: remuneration alignment with achievement of climate related outcomes, adequacy of climate experience at the Board level, climate strategy and integration of climate in capital allocation decisions, capex budget;
- climate disclosure including: Task Force on Climate Related Financial Disclosure (TCFD) compliance, climate scenario analysis and granularity of climate scenario analysis at an asset level, signpost analysis and view on current transition trajectory;
- net zero commitment including: Science Based Targets, ambition of medium and long term targets, inclusion of scope 1, 2 and 3 emissions, strategy, plan and resourcing to achieve targets, reliance on offsets to achieve targets; and
- physical climate: risk assessment and asset resilience.

### 5.4 Approach to political engagement

DNR Capital do not directly engage with public policy makers as we prioritise our ESG resources toward our internally managed active equity exposure where we have the greatest ability to effect ESG related outcomes. However, we are members of the industry association Responsible Investment Association Australasia (RIAA) that conduct policy advocacy work on behalf of its members. DNR Capital review RIAA's Policy Platform to ensure that it is aligned with DNR Capital's commitment to the PRI.

## 6 Feedback, review and reporting

DNR Capital's company engagement initiatives are conducted by our investment analysts, in conjunction with portfolio managers and an ESG investment analyst. As such, the insight gained from each initiative is incorporated into the research and investment decision-making process including our assessment of the quality attributes of the company. Detailed company meeting notes are kept and the company is monitored by the investment team as part of the ongoing review process.

DNR Capital monitor progress against company undertakings and have an escalation strategy where we are unsatisfied with their progress. This may involve:

- seeking engagement with other company representatives;
- using alternative communication mediums;
- divesting or implementing an exit plan;
- using proxy voting to vote against the re-election of a Director or remuneration report; and
- where appropriate, collaborating with other shareholders.

DNR Capital will report on its engagement activities to stakeholders through the annual Stewardship Report, client reporting, marketing presentations and bespoke client requests.

## 7 Roles and responsibilities

### 7.1 The Board

The Board and executive level management have formal oversight over and accountability for responsible investment at DNR Capital. Responsible investment outcomes are reflected in executive remuneration.

### 7.2 Socially Responsible Investment (SRI) Committee

DNR Capital's SRI committee was established in 2010 and oversees the implementation of its Corporate Engagement policy and integration of ESG into investment decision-making.

### 7.3 Investment team

DNR Capital's Corporate Engagement initiatives are conducted by the investments team. As such, the insight gained from the process is incorporated into the research and investment decision-making process. Responsible investment outcomes are reflected in remuneration.

## 8 Risks of non-compliance to the company

- Regulatory risk – the risk that the company, its officers, employees or agents will be subject to criminal, civil or administrative penalties or sanctions. This may include licensing actions, enforceable undertakings, investigative action, or total loss of licence for non-compliance with:
  - Financial services laws and regulations
  - The AFSL
  - Organisational standards
  - Internal policies and procedures
- Business risk – the risks that failing to consider ESG related matters may result in poor business outcomes for the company, with a key risk being loss of the AFSL and a direction to cease operations. Compliance with this Policy will enable the Board and delegated staff to appropriately manage this risk by implementing appropriate investment governance procedures.
- Reputational risk – the associated damage to the company's reputation as a result of public reporting of non-compliance with our obligations or by being perceived as non-compliant within the market or not meeting undertakings made to clients and investors. This may also have a detrimental effect on the profitability of the company due to loss of confidence by clients and investors. By approving and

implementing a robust approach to ESG concerns, and by documenting its approach to corporate engagement, DNR Capital intends to mitigate our reputational risk.

## 9 Monitoring compliance with the Policy

The Head of Risk & Compliance is responsible for monitoring compliance with this Policy.

DNR Capital's ESG capability is reviewed annually by a third party as part of an operational due diligence review.

Any instances of non-compliance by officers, employees and/or agents of DNR Capital will be reported to the management team. Instances on non-compliance will also be treated as a potential or actual breach and dealt with according to the Breach Management Policy and Procedure.

Where instances of non-compliance with the Policy have been identified the Head of Risk & Compliance in conjunction with the relevant business unit manager is responsible for determining and/or recommending appropriate remedial action.

Intentional or reckless non-compliance with this Policy is not tolerated by the Board. Depending on the nature and extent of non-compliance, remedial action could include:

- Additional training
- Additional monitoring or supervision
- Formal reprimand
- Notification to relevant regulatory body or industry association
- Termination of employment (in particularly serious cases)

In determining what remedial action will be appropriate, the Head of Risk & Compliance in conjunction with the relevant business unit manager may have regard to the following matters:

- the number or frequency of similar previous instances of non-compliance by the officer, employee and/or agent (including or service providers)
- whether the non-compliance was intentional or reckless
- the impact the non-compliance has on the ability of DNR Capital to continue to provide the financial services covered by its AFSL
- the actual or potential loss arising to DNR Capital or a client of DNR Capital as a result of the non-compliance
- actions outlined in the Code of Conduct & Ethics for DNR Capital
- any other relevant facts associated with the non-compliance, and
- any other relevant issues raised.

## 10 Review of the Policy

The Chief Investment Officer shall review the contents of this Policy at least every two years to ensure it remains current and relevant to the operations of DNR Capital.

The Head of Risk & Compliance will maintain a schedule of reviews to be undertaken as part of the review of this Policy.

## 11 Training on the Policy

As the investment team are committed to ensuring the continued compliance with this Policy, a program of regular training sessions will be provided to investment team employees both when they commence and on an ongoing basis.

### Induction training

The Senior ESG Investment Analyst will provide training on this Policy as part of the induction training for all new investment team employees. Completion will be recorded in the Training Register and it is the responsibility of Human Resources to review whether relevant staff have completed the training.

### Ongoing training

The Senior ESG Investment Analyst will also provide refresher training on the Policy at least annually (or as required, where a material change is made to the Policy).

## 12 Applying discretion to the Policy

Notwithstanding any requirement contained in this Policy, the Policy Owner in conjunction with the Head of Risk & Compliance can apply reasonable discretion in considering how to apply the requirements of the Policy.

When applying discretion in relation to a particular matter, the Policy Owner and the Head of Risk & Compliance shall have regard to the level of risk posed by that matter and the regulatory objectives of ensuring market integrity and consumer protection.

Whenever discretion has been exercised in relation to the Policy, it should be recorded and reported to the management team.

## 13 Related policies

The following policies contain provisions which are directly or indirectly related to the contents of this Policy:

- ESG Policy (Investments)
- ESG Policy (Corporate)
- Proxy Voting Policy
- Climate Change Policy
- Share Trading Policy
- Conflict of Interest Policy and Procedure
- Investment team policies and procedures
- Risk Management Policy and Procedure.

## 14 Further information

If you need further information regarding this Policy and how it is implemented please contact the policy owner.