

FY2025
Stewardship
Report

Our commitment to ESG

We are proud to present our FY2025 Stewardship Report. This report highlights the delivery of numerous strategic ESG priorities, including:

DNR Capital corporate governance initiatives:

- Appointment of an additional independent non-executive director to DNR Capital's board;
- Appointment of the Investment Committee as a board committee and the Socially Responsible Committee as a subcommittee of the Investment committee; and
- Establishment of a Corporate Sustainability Team which has been tasked with the responsibility of delivering DNR Capital's ASRS reporting requirements.

DNR Capital ESG investment initiatives:

- Reviewed the Australian Sustainability Reporting Standards (ASRS) reporting guidelines and conducted a gap analysis of DNR Capital's capabilities against the guidelines.

- Updated the ESG policy suite.
- Enhanced our modern slavery risk assessment capability by increasing third party modern slavery data subscription, conducting portfolio level risk assessment and prioritising modern slavery company engagements.
- Achieved Responsible Investment Association Australasia (RIAA) recertification for Australian Equities Socially Responsible Strategy.
- Undertook a comprehensive proxy voting and Chair engagement program.
- Continued improvement in the depth and breadth of ESG stock integration and engagement.

These initiatives demonstrate our continued investment in our ESG capability in line with industry, regulatory and client expectations.

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*Table of contents is interactive.
 Inside page headers are interactive.

This, our fourth Stewardship Report, presents key highlights of our FY2025 stewardship program. The case studies presented are testament to the quality of our company engagement and proxy voting program.



About DNR Capital

DNR Capital is a boutique Australian investment manager that delivers client-focused, long-term investment solutions. DNR Capital is employee owned and has a strong history of innovation. We were one of the first Australian investment managers to adopt a quality investment philosophy, to offer concentrated investment portfolios and to offer a socially responsible investment strategy. We were an early leader in developing Individually Managed Accounts (IMAs) and Separately Managed Accounts (SMAs). This history and innovation, and our quality investment philosophy sets us apart in the Australian investment management industry.



Quality companies

Five factor quality web assessment



Attractive valuations

Exploit mispriced market opportunities



Concentrated portfolios

High conviction holdings



Early participant in Australian ESG

ESG is one of 5 factors used to assess quality companies



Style neutral

Quality bias

In this time of market volatility, we remain steadfast in our commitment to our high quality, high conviction, concentrated investment philosophy. Quality companies are well placed to deliver investment returns through economic cycles. Concentrated portfolios of quality companies maximise the opportunity for outperformance.





This Stewardship Report presents key highlights of our FY2025 stewardship program. This report builds on our strong foundation of ESG integration and engagement and highlights the continued investment in our ESG capability.

“Demonstrating our continued investment in our ESG capabilities.”

DNR Capital's investment strategies

DNR Capital offers a differentiated suite of investment strategies. Each of our strategies builds upon our core investment philosophy of long-term, high conviction, concentrated portfolios of quality companies. These portfolios can be customised, through the management of client specific stock exclusions.

This report highlights DNR Capital's stewardship initiatives across all our Australian equities investment strategies.

	 High Conviction Portfolio Large cap	 Socially Responsible Portfolio Large-Mid cap bias	 Income Portfolio Large cap	 Emerging Companies Portfolio Small cap
Experience	Est. Oct 2002	Est. June 2006	Est. Dec 2007	Est. Dec 2017
Focus	Capital growth	Socially responsible	Growing, tax effective income	Capital growth from smaller companies
Structures	Fund, SMA, IMA	SMA, IMA	Fund, SMA, IMA	Fund
Benchmark	S&P/ASX 200 Total Return Index	S&P/ASX 200 Total Return Index	S&P/ASX 200 Industrials Total Return Index	S&P/ASX Small Ordinaries Total Return Index
Results	2.61% p.a.¹ Excess return since inception	2.54% p.a.¹ Excess return since inception	1.00% p.a.¹ Excess return since inception 7.47% p.a. Gross yield since inception	9.26% p.a. (net of fees)² Excess return since inception

Quality stocks at attractive prices (style neutral)
Delivering excess return since inception³

As of 30 June 2025. Past performance is not an indication of future performance.

- 1 No allowance has been made for taxation and fees are not taken into account.
- 2 Total return shown for the DNR Capital Australian Emerging Companies Portfolio has been calculated net of all fees.
- 3 Since inception (October 2002) per annum return for the DNR Capital Australian Equities High Conviction Portfolio.

“Clearly positioned selection of Australian equity portfolios.”



Our approach to ESG

DNR Capital has adopted an ESG integration and engagement investment strategy. This strategy is complementary to our investment philosophy, and paired with our research capability, enhances investment decision-making. Our ESG score* is one of five components of our proprietary 'quality web', which is used to assess the quality of companies. ESG risks, where material, are also factored into our view on company returns. The outcomes of these assessments inform investment decision-making and portfolio construction. Our long-term investment horizon enables us to take a long-term view on ESG factors. We consider a material impact as being an expected impact of 10% or more of our assessed value of the stock.

The integration of ESG into investment decision-making is supplemented by our stewardship initiatives, which include company engagement and proxy voting.

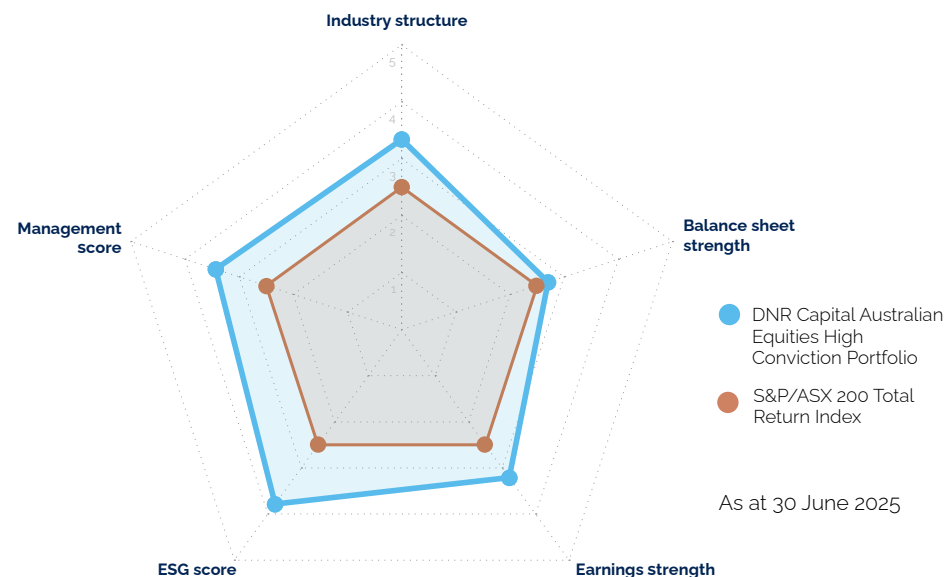
As a well-established Australian equity investment manager, we have regular engagement with the companies we hold in our portfolios. To better understand material ESG factors identified in the investment decision-making process, and to advocate for best practice, DNR Capital meets with the Chair and/or management teams of select portfolio companies on a dedicated ESG basis.

Proxy voting is another important component of our stewardship program. At DNR Capital, it is our policy to vote where we can on proxy resolutions. The guiding principle is that voting outcomes must be in the best interests of our clients.

DNR Capital's ESG capabilities are overseen by the Socially Responsible Investment Committee (SRIC). The SRIC was established in 2010, however, during FY25, the committee was formally established as a subcommittee of the Investment Committee, which itself, is a Board subcommittee. The SRIC oversees the implementation of our ESG policies and integration of ESG into investment decision making.

DNR Capital has been a signatory to Principles for Responsible Investment (PRI) since 2009.

DNR Capital's quality web is used to assess the quality of companies for our High Conviction, Socially Responsible and Income investment strategies.



"We have a long history of incorporating ESG factors into investment decision-making across all of our investment strategies."

* The ESG score is utilised by the DNR Capital Australian Equities High Conviction strategy, DNR Capital Australian Equities Income strategy and the DNR Capital Australian Equities Socially Responsible strategy.



Investment solutions

Australian Equities Socially Responsible Portfolio (SRI)

The portfolio actively manages and adopts a negative screening strategy, combined with an environmental, social and governance ratings assessment, ESG integration and company engagement, to deliver responsible investment in the selection, retention and realisation of investments.

The DNR Capital Australian Equities Socially Responsible Portfolio offers investors exposure to a concentrated portfolio of high quality stocks that offer attractive valuation. The portfolio was recertified by the Responsible Investment Association Australasia (RIAA) in 2024. In order to meet RIAA's "do no significant harm" criteria, DNR Capital has revised the definition of the portfolio's negative screen to fully exclude revenue exposure to tobacco and controversial weapons, while the threshold for the portfolio's other screening criteria remains unchanged.

The portfolio's negative screening aims to preclude the portfolio from owning companies that derive any revenue from:

- **Tobacco or nicotine alternative products** – production or manufacture of tobacco, tobacco based products or nicotine alternative products.
- **Controversial weapons** – production or manufacture of controversial weapons including biological or chemical weapons, depleted uranium ammunition/armour, anti-personnel mines, cluster munitions/sub-munitions or nuclear weapons and their key components.

The portfolio's negative screen also precludes the portfolio from owning stocks where the company's core business is:

- **Pornography** – production, distribution or sale of pornography.
- **Gambling** – ownership or operation of a gambling related business or manufacture and supply of gambling equipment and systems.
- **Armaments** - production or service of military equipment or civilian firearms.

In determining if the business operation of a company in question is 'core' or 'non-core', DNR Capital considers the relevant business operation's contribution to group gross revenue, inclusion in company strategy and intended allocation of capital. Where the gross revenue contribution of the relevant business operation is 10% or greater it is deemed "core", and where it is less than 10% DNR Capital further considers inclusion in company strategy and intended allocation of capital to determine whether the business is "core". Where the company intends to allocate 10% or more of its capital towards the relevant business operation, the business is deemed "core".

For a stock to be eligible for inclusion, it must meet our negative screening and quality criteria and offer attractive valuation. We define quality companies as those with earnings strength, superior industry position, sound balance sheet, strong management and manageable ESG risk. A company must have an ESG score greater than the index average to be eligible for inclusion in the portfolio. The index average is the average ESG score for the portfolio's benchmark, being the S&P/ASX200 Total Return Index.

"The recertification of DNR Capital's SRI Portfolio by RIAA in 2024 resulted in a revision to the negative screening criteria"



CERTIFIED BY RIAA



Resourcing our ESG capabilities

ESG is a firm-wide undertaking. Our CIO is responsible for the firm's ESG strategy, and we have a well-resourced, in-house investment team who conduct ESG analysis

DNR Capital's ESG investment research and stewardship capability is led by Senior ESG Investment Analyst, Natasha McKean, and is supported by ESG Investment Analyst, Tom Covino. Both ESG investment analysts work with stock analysts and portfolio managers to identify and assess material ESG risks and to conduct stewardship initiatives across all of our large-cap investment strategies. With over 20 years investment experience, Natasha is well placed to deliver DNR Capital's ESG investment strategy.



Natasha McKean
ESG Investment Analyst



Leverage DNR Capital's Australian equity investment team capability

Research

Jamie Nicol
Chief Investment Officer

Scott Bender
Portfolio Manager & Investment Analyst

Tim Bingham
Portfolio Manager & Investment Analyst

Sam Twidale
Portfolio Manager – Emerging Companies

Mark Sedawie
Portfolio Manager – Emerging Companies

Brendan Mowry
Senior Investment Analyst

Natasha McKean
ESG Investment Analyst

Tom Covino
ESG Investment Analyst

Quantitative analysis and execution

Lachlan Mayne
Analyst

Michael Lever
Analyst

Sam Israel
Analyst

Ben Clayton
Dealer



Investment Committee review & oversight

Justine Hickey
Non-Executive Director

Mark Hancock
Consultant

Jamie Nicol
Chief Investment Officer

Senior DNR Capital Australian equity research team



Socially Responsible Investment Committee review & oversight

Justine Hickey
Non-Executive Director

Jamie Nicol
Chief Investment Officer

Senior DNR Capital Australian equity research team

Natasha McKean
ESG Investment Analyst

Tom Covino
ESG Investment Analyst

“The investment in our ESG resourcing has been a key enabler for the continued improvement in our ESG capabilities.”

Principles of Responsible Investment (PRI) 2023 results

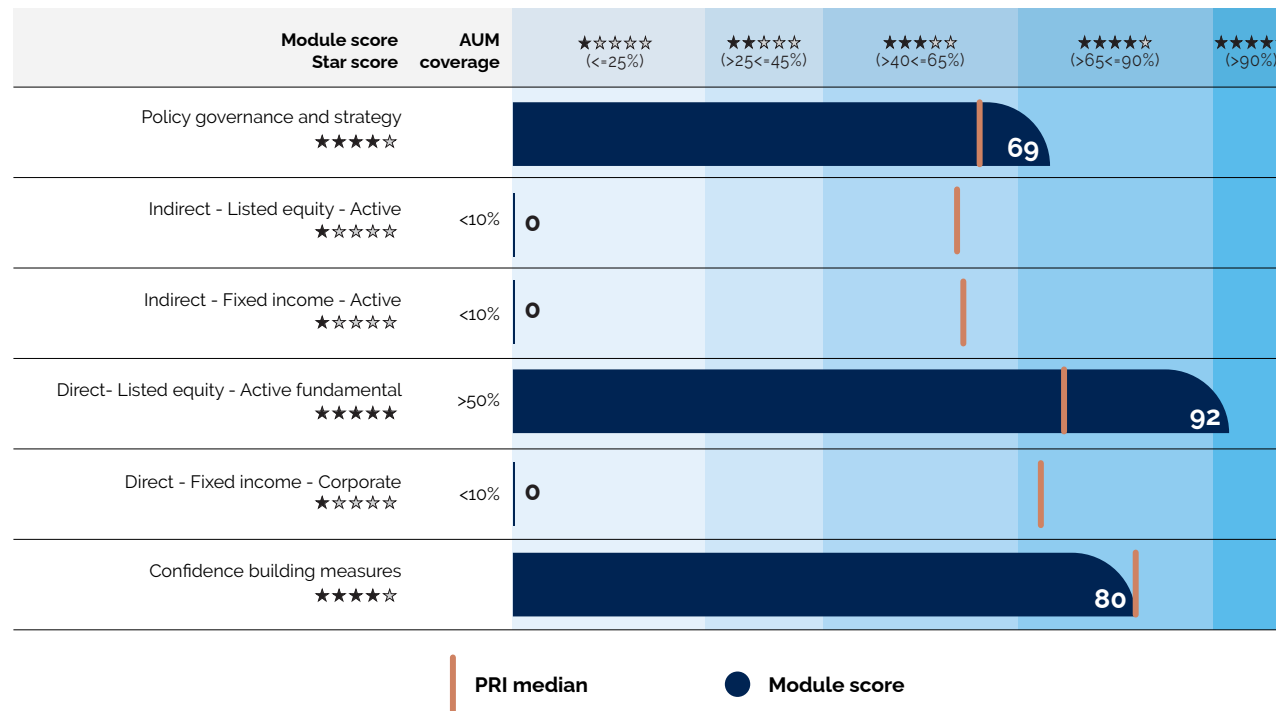
The PRI is considered the industry standard for assessing investment manager’s ESG capabilities. Having met the 2023 reporting requirements, DNR Capital was not required to complete the 2024 Assessment Framework. The results presented below reflect the strong results achieved in the 2023 Assessment Framework. DNR Capital has recently completed the 2025 Assessment Framework, the results of which will be disclosed on our website and in the FY2026 Stewardship Report.

DNR Capital’s PRI ratings for each category is presented below.

In summary, DNR Capital’s score for the categories of our core competencies including Policy, Governance and Strategy, Direct Listed equity – Active and Confidence building measures was ahead of, or in line with, the industry median. DNR Capital scored zero percent for each of the categories Indirect – Listed equity – Active, Indirect – Fixed income – Active and Direct – Fixed income – Corporate. DNR Capital’s total asset allocation to these asset classes is less than two percent of our total

FUM. DNR Capital prioritise our ESG resources toward our core competency of internally managed active equity exposure, which accounts for 98% total FUM, where we have the greatest ability to effect ESG related outcomes.

A link to DNR Capital’s full Assessment Report and Transparency Report can be found [here](#).



“Strong PRI score reflects ESG capability.”

FY2025 ESG initiatives

During FY2025 we delivered on numerous strategic ESG priorities. These initiatives are outlined below and are discussed in more detail throughout this report.

DNR Capital corporate governance initiatives:

- Appointment of an additional independent non-executive director to DNR Capital's board;
- Appointment of the Investment Committee as a board committee and the Socially Responsible Committee as a subcommittee of the Investment committee; and
- Formed a Corporate Sustainability Team which has been tasked with the responsibility of delivering DNR Capital's Australian Sustainability Reporting Standards (ASRS) reporting requirements.

DNR Capital ESG investment initiatives:

- ASRS reporting guidelines and conducted a gap analysis of DNR Capital's capabilities against the guidelines;
- Updated ESG policy suite;
- Enhanced our modern slavery risk assessment capability by increasing third party modern slavery data subscription, conducting portfolio level risk assessment and prioritising modern slavery company engagements;

- Achieved Responsible Investment Association Australasia (RIAA) recertification for Australian Equities Socially Responsible Strategy;
- Comprehensive proxy voting and Chair engagement program; and
- Continued improvement in the depth and breadth of ESG stock integration and engagement.

These initiatives form a strong foundation from which we can continue to invest in our ESG capability in line with client expectations.

"FY25 has seen the delivery of numerous strategic ESG priorities."

Responsible investment policies

During the period the DNR Capital board and investment committee approved revisions to our suite of ESG related policies including the ESG policy, Corporate Engagement policy, Proxy Voting policy and Climate Change policy. The key changes to the policies include:

- ESG policy (investments):
 - revised the definition of the Australian Equities Socially Responsible strategy's negative screen, further details are outlined in the Australian Equities Socially Responsible Portfolio section of [this report](#)
- Proxy voting policy: revised to include voting guidelines, further details are outlined in the proxy voting section of this report

More generally the suite of policies was updated to improve governance and alignment with DNR Capital's risk register. A copy of these policies can be found [here](#) on our website.



DNR Capital corporate governance

Board director appointment

DNR Capital's Board is a reflection of the organisation's commitment to best practice and the desire to provide a solid governance foundation for growth and stakeholder confidence. The corporate governance and risk management structure is supported by the following:

- Formally constituted Board and charter with an external Chair;
- Audit Risk and Compliance Committee (ARCC) with charter and independent Chair;
- Plan on a Page setting out values, SWOT, key initiatives and strategic priorities;
- Formal delegations from Board to Committees, CEO and Management;
- Organisational-wide risk management framework, which is maintained by the Head of Risk and Compliance and overseen by the ARCC and the Board;
- Full suite of policies and procedures, regularly reviewed and available on the Intranet;
- Annual review of financial statements by external auditors; and

- Annual GS007 audit and operational due diligence review by an external auditor.

During the year, DNR Capital appointed an additional independent non-executive director to the board. Emilio Gonzalez has over 30 years' experience in the global asset management industry, and brings significant expertise in strategy, operations and governance. Gonzalez was the CEO of Pental Group from 2010 to 2021 and has served as Chief Investment Officer and Group Executive of Global Equities at Perpetual Investments. He was also Chair of the CFA Institute and Director of The Banking and Finance Oath Limited. Gonzalez' experience, strategic insight and leadership in the asset management sector is complementary to the existing board and enhances governance and independence.

DNR Capital's Investment Committee becomes a board committee

During the year, the board, at the recommendation of the ARCC, appointed the Investment Committee as a board committee and the Socially Responsible Investment Committee as a subcommittee of the Investment committee. This decision will strengthen corporate governance and oversight of the investment management activities and enhance the transparency of responsibility back to the Board of DNR Capital, ensuring that the best interests of both the company and its clients are at the core of investment activity.

Board of Directors

Justine Hickey

Chair, Non-executive and investment committee member

Jamie Nicol

Director and Chief Investment Officer

Robert White

Director, Chief Executive Officer and Head of Distribution

Emilio Gonzalez

Non-executive Director



Corporate ESG policy

It is industry best practice for investment managers to adopt a consistent approach to managing ESG factors within their operations and within their investment portfolios. DNR Capital's Corporate ESG Policy identifies the material environmental, social and governance factors relevant to our business operations to include;

- Environmental: climate change;
- Social: employee engagement, workplace safety, diversity and inclusion, modern slavery, whilst blower protection and community; and
- Organisational governance and risk management: privacy and IT systems and cybersecurity.

The policy outlines our approach to managing these factors drawing on content from existing policies and procedures including DNR Capital Code of Conduct, Work Health and Safety Policy, Diversity and Inclusions Policy, Whistleblower Protection Policy, IT and Cybersecurity Policy, Conflict of Interest Policy and Procedure.

Risk Management Policy and Procedure and Recruitment and Selection Procedure.

During the year DNR Capital established a Corporate Sustainability Team with membership including the CEO, COO, Head of Finance, Head Risk & Compliance and Senior ESG Investment Analyst. The committee is responsible for:

- delivery of DNR Capital's ESG regulatory reporting, including ASRS;
- stewardship of DNR Capital's Corporate ESG policy, ensuring that DNR Capital's sustainability capability meets stakeholder expectations; and
- stewardship of corporate sustainability initiatives and communication.

A copy of this policy can be found [here on our website](#).

“The DNR Capital Corporate ESG Policy outlines our corporate approach to ESG”

ESG score methodology

DNR Capital has a proprietary ESG score, which is one of five components in our “quality web”, used to assess the quality of a company. DNR Capital's ESG ratings assessment considers the relevant company's ESG performance against 9 ESG factors or indicators, grouped under the 'Environmental', 'Social' and 'Governance' categories as set out below.

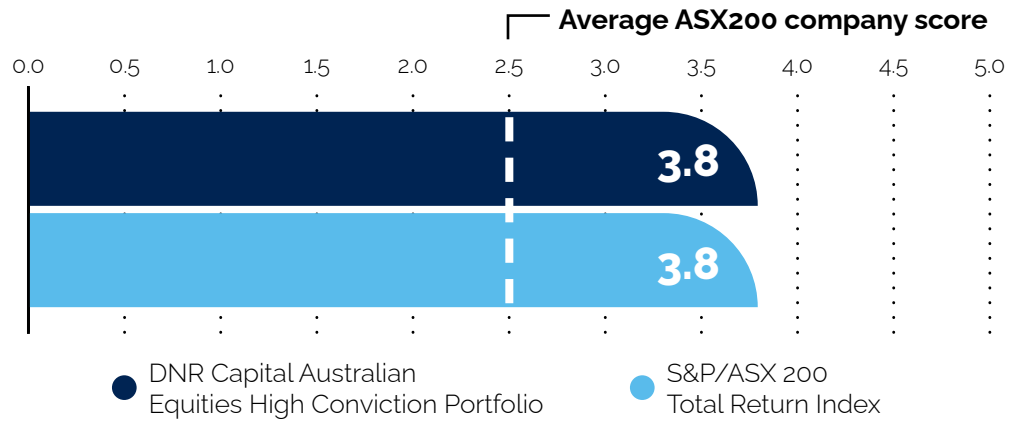
 Environmental	 Social	 Governance
climate change	modern slavery	corporate governance
water	staff	management quality
eco-efficiency	society	business ethics

This ESG ratings assessment results in a DNR Capital ESG score which uses the following inputs and methodology:

- Each ESG indicator above is equally weighted.
- Independent provider, Institutional Shareholder Services (ISS) provides data that is used to assess the company's ESG performance capability for 8 of the 9 ESG indicators (excluding management quality). DNR Capital may change this provider at any time it sees fit.
- DNR Capital's management score for the management quality indicator.
- This process yields an aggregate company score of 0 to 5, with 5 being the highest score.
- The DNR Capital investment team reviews and sense checks all the outputs, in absolute and relative terms, compared to the company's sector data. They may propose an amended company score, supported by appropriate due diligence material, for approval by DNR Capital's SRIC.

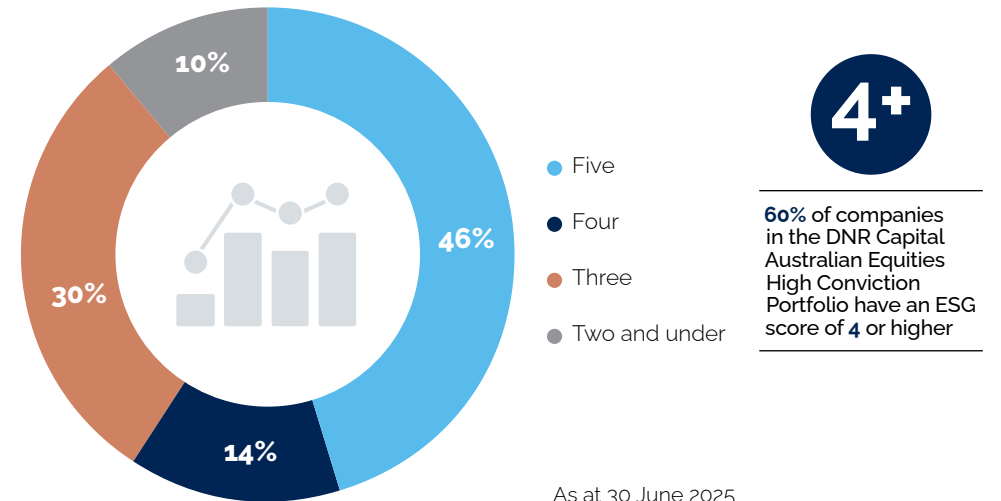


DNR Capital Australian Equities High Conviction Portfolio ESG score outcomes



As at 30 June 2025
Source: ISS data, DNR Capital

DNR Capital Australian Equities High Conviction Portfolio ESG score distribution



As at 30 June 2025
Source: ISS data, DNR Capital



Stewardship





What is stewardship?

DNR Capital has a fiduciary duty to act in the best interests of our clients, the underlying asset owners, this includes managing investments on behalf of clients with the goal of generating long-term sustainable value. It goes beyond picking stocks and involves actively engaging with companies in which capital is invested to influence their behaviour on key issues. As corporate stewards, we seek to promote the long-term viability of the companies we invest in, through company meetings and proxy voting.

Why is it important?

"ESG engagement and proxy voting can create shareholder value."

As supported by research conducted by the PRI, ESG stewardship 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,

- Engagement on ESG factors can result in deeper relationships between investors and portfolio companies, emphasizing the importance of better ESG disclosure for shareholders, and
- Proxy voting is a tool for holding boards and management accountable for their performance, ensuring that companies are run for the benefit of shareholders.

Engagement strategy

"Company engagement is an important component of portfolio management, conducted by investment analysts for real time feedback into investment decision-making."

"Corporate stewardship is the role of promoting the long-term viability of a company."

The integration of ESG factors into investment decision making is supplemented by our engagement program. Our FY2025 engagement program focused on the following key issues:

- climate change, energy transition and net zero;
- modern slavery and employee engagement;
- cyber security; and
- corporate governance and remuneration.

We engage with the Chair or executive management of companies with material exposure to these issues. Through these meetings we seek to understand and critically assess the company's:

- governance and engagement;
- disclosure;

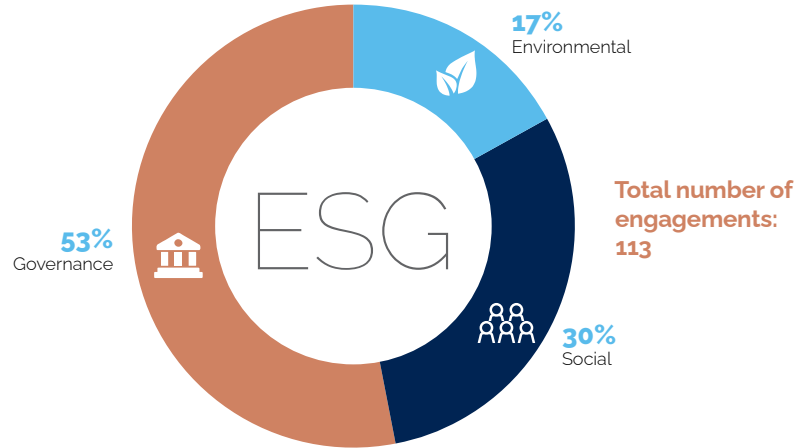
- risk identification processes;
- risk management strategies and implementation thereof; and
- advocate for best practice.

We monitor companies against delivery of stated undertakings and have an escalation strategy if we are dissatisfied with progress. DNR Capital's stewardship initiatives are conducted by our investment analysts, in conjunction with portfolio managers and our ESG investment analysts. As such, the insight gained from each initiative is incorporated into the research and investment decision making process.

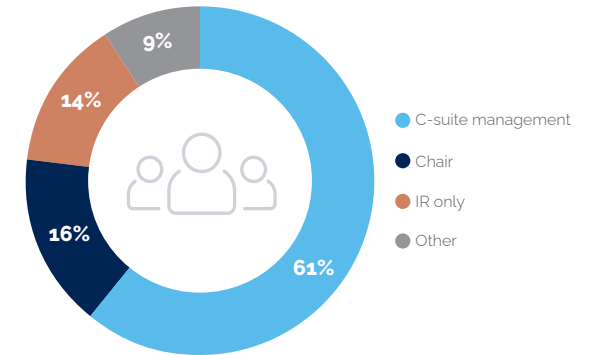


DNR Capital's FY25 engagement program across all investment strategies

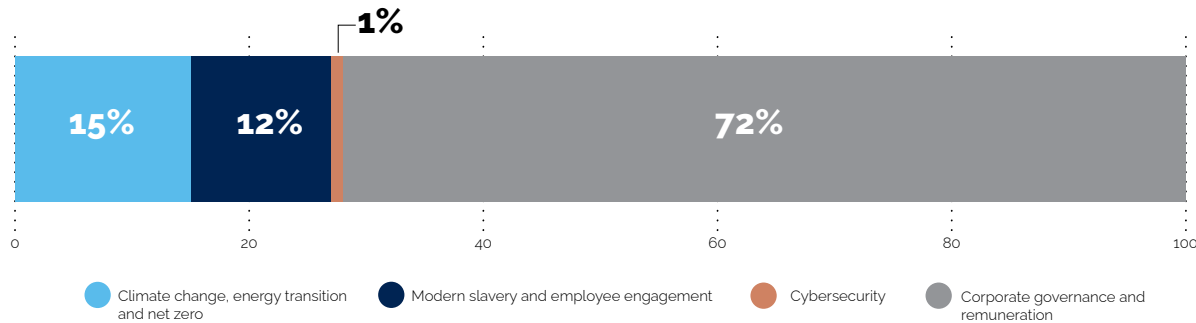
A well balanced program, diversified across key ESG issues.



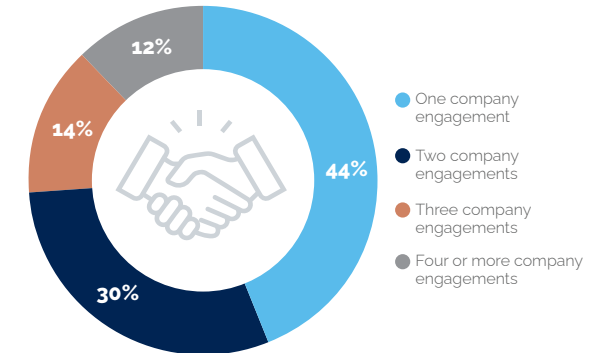
Over 75% of engagements are conducted with company Chair or C-suite management



With a focus on DNR Capital's pillar engagement issues



DNR Capital conducted multiple engagements for over 50% of the companies we met with





Engagement case studies





Corporate governance

Steadfast Group (SDF)

Objectives

DNR Capital engaged with SDF to advocate for continued investment in governance and compliance. In September 2024, the ABC's Four Corners conducted a review of the strata insurance industry and raised concerns regarding the transparency and disclosure of remuneration arrangements between insurers and strata managers to the policy holder, being owners' corporations. The Four Corners documentary also alleged that SDF improperly channelled business to its related entities. Following the documentary, the SDF Board undertook a review of existing customer protocols, which found no instances of wrong-doing or non-compliance.

Comments

SDF has been an industry leader in initiating industry reform and governance and maintain that the media allegations are unsubstantiated and noted the following.

- In 2022 SDF engaged industry expert John Trowbridge to conduct an industry review. SDF implemented many of the recommendations and made the reports available to Federal and State governments and to regulators.
- It has appointed an external risk consultant to review and improve SDF risk frameworks.
- In 2021 SDF acquired Gold Seal to strengthen its capabilities in compliance, training, customer experience and HR management.

Consolidating on this work, and in response to the Four Corners allegations, the SDF Board requested a review of existing customer protocols and recommissioned John Trowbridge to conduct an independent review. Whilst no instances of wrong-doing or non-compliance were found, SDF has undertaken the following initiatives:

- SDF have requested that strata managers improve the disclosure of fee arrangements between insurers and strata managers to owners' corporations, including disclosure of every quote received and requested, and a breakdown of all fee types.
- Simplified fee and commission structures.

- Expanded on SDF internal audit and governance functions, including the recruitment of newly created role of Chief Risk Officer and increased resourcing within internal audit function, Gold Seal.
- Created comprehensive Group Conflicts of Interest Policy and Framework separate from Group Code of Conduct.

Outcomes and monitoring

DNR Capital concluded that SDF has maintained its position as an industry leader in initiating industry reform and governance, both before and after the media allegations. DNR Capital are satisfied that the media allegations are likely unsubstantiated and that no evidence has been provided to support that there have been instances of:

- Channelling of incentives between SDF and related entities; nor
- Evidence of deliberate actions or inactions relating to non-compliance with regulatory or legislative obligations.

Following industry engagement, SDF has committed to continuing to invest in its governance and compliance capabilities, under the stewardship of the newly created role of Chief Risk Officer. DNR Capital will continue to monitor SDF for implementation of its operational expectations and conduct engagement as required.



Cyber risk

Car Group (CAR)

Objectives

DNR Capital met with Car Group's (CAR) Chief Information Officer to assess the adequacy of its approach to cyber risk management.

Comments

CAR operates as a digital marketplace business across Australia, South Korea, US and Chile. CAR faces cyber risk through both its internally developed Software as a Service (SaaS) products, such as its websites, and the third-party digital services it procures, such as payroll systems. CAR performs ongoing penetration testing on its SaaS products and conducts rigorous due diligence on the cyber credentials of its procured services, both at on-boarding and on an annual basis. In the event a third-party vendor is compromised, CAR has the capability to swiftly transition to an alternative provider.

The company's main risk mitigation strategy, however, is to maintain discrete businesses in the cloud. Whilst this approach is more costly, it effectively limits the spread of cyber threats, ensuring that a breach in one business does not impact others.

Additionally, CAR exercises caution when sharing data between entities and has adopted the European General Data Protection Regulation (GDPR) as its international benchmark for data storage.

Beyond its comprehensive cyber risk management processes, CAR conducts annual cyber and business continuity simulations with the Board and executive management to reinforce preparedness and resilience.

Outcomes and monitoring

CAR continues to invest in its risk management capability to meet current and emerging threats. Given the evolving nature of cyber risk, DNR Capital will continue to monitor CAR's cyber risk management capability.



Corporate governance

Rio Tinto (RIO)

Objectives

During 2024 it was reported that RIO and Hancock Prospecting were among a group of industry participants who wrote to the Prime Minister regarding the proposed Environment Protection and Biodiversity Conservation (EPBC) Act reform. The issue attracted attention given the historical contradictions between mining companies' public climate policies and the private advocacy of their industry affiliations. DNR Capital engaged with RIO's CEO Australia and General Manager State Agreements and Approvals to understand RIO's position.

Comments

EPBC is a significant piece of policy reform, impacting the efficiency, effectiveness and economics of project approvals. RIO had many failed attempts to engage with the Minister for Environment to communicate an industry perspective on the proposed reforms. Unlike other pieces of large policy reform, such as the recent changes to Industrial Relations Policies, the Minister did not engage with industry. RIO, along with other industry participants, wrote to the Prime Minister to raise concerns regarding the workability of the proposed reforms and duplication of state and federal processes, with a key focus on the efficiency of the project approval process and on the effectiveness in achieving desired environmental outcomes. By agreeing to be named publicly, RIO facilitated this constructive engagement.

Outcomes and monitoring

Following the engagement, DNR Capital had a better understanding of RIO's motivations for the political advocacy and endorse its actions. DNR Capital will continue to assess the alignment of industry affiliations and its public climate commitments of portfolio companies and engage as required.





Corporate governance

Lendlease (LLC)

Objectives

DNR Capital continued its corporate engagement program with LLC on issues of Chair succession and remuneration, conducting meetings with outgoing Chairperson Michael Ulmer, and incoming Chairperson, John Gillam.

Comments

In 2023 LLC incurred a "first strike", being a >25% vote against its remuneration report. In 2024, and in consultation with DNR Capital, LLC restructured its remuneration strategy. The restructured remuneration strategy includes the grant of share options subject to absolute share price performance, in place of the short-term incentive (STI) plan. This structure improves the alignment between the share price experience of minority shareholders and executive remuneration outcomes. The options will vest in 2 years, following the release of the FY26 financial results, with the two-year term designed to incentivise sustained share price performance. The options have an absolute share price hurdle of 10%pa over the two-year period.

With respect to LLC's long-term incentive (LTI) plan, LLC has changed the metrics used to assess the vesting of the zero exercise price options (ZEPOs) to include relative total shareholder return (TSR) and statutory return on equity (ROE), both weighted at 50%. Hence, the STI, and half of the LTI, which forms

the largest component of executive remuneration, will also be aligned with LLC's share price performance.

Following investor pressure, LLC's Chairperson, Michael Ulmer, resigned, and was replaced by John Gillam in November 2024. There is strong investor support for the new Chairperson and the company's strategy. He will challenge the management team to complete the restructure program in 18 months, and to work simultaneously on its growth strategy as the reset tails off. The incoming Chairperson will also assess the merit of reducing the number of Directors who sit on the Board and begin the recruitment process to appoint a new Chairperson of the Audit Committee.

Outcomes and monitoring

Following a comprehensive engagement program with the company, DNR Capital welcomed changes to LLC's remuneration strategy and chair succession. DNR Capital will continue to monitor LLC for delivery of its restructuring strategy and governance initiatives and will engage with the company as required.



Corporate governance

Breville Group (BRG)

Objectives

During 2024 BRG negotiated a new employment agreement with its CEO which included changes to his remuneration package and notice period. DNR Capital engaged with the Chairperson and Chairperson of the people, performance, remuneration and nominations committee to discuss the changes.

Comments

BRG CEO Jim Clayton has delivered 5-year total shareholder returns of 78% through execution of BRG's international growth strategy. Given this success, the CEO has garnered increasing attention from international companies, including US listed companies. The BRG Board sought to negotiate a new employment agreement to secure his tenure for at least an additional 3 years.

A key priority for securing the CEO's tenure was to increase the notice period to 18 months. This increase in notice period acts as a meaningful deterrent to any company looking to recruit the CEO. As compensation for this commitment, BRG offered a one-off retention LTI grant of 200,000 performance rights valued at \$5.5m. The performance rights vest after three years, half based on the achievement of undisclosed profit before tax (PBT) hurdles and half for continued employment. Other changes to the remuneration package include an increase in fixed pay from \$1.7m to \$1.85m and an increase in short-term incentive

(STI) opportunity from 100% to 112.5% of cash pay. Annualising the one-off LTI grant, these changes equate to an increase in the CEO's maximum annual remuneration package from \$6.4m to \$8.9m.

BRG has agreed to retrospectively disclose PBT LTI hurdles to facilitate an assessment of whether they are sufficiently challenging.

Outcomes and monitoring

DNR Capital supported the Board in the renegotiation of the CEO's employment contract and voted in favour of BRG's remuneration related AGM resolutions. Whilst ideally, we would like to see performance-based hurdles incorporated into the one-off LTI grant, BGR clearly articulated the rationale for the revised remuneration package, and the domestic and international peer groups against which the package has been benchmarked.



Modern slavery



During the period, DNR Capital enhanced our modern slavery risk assessment capability by increasing the third-party modern slavery data subscription to include ISS' Modern Slavery Scorecard Report, conducting portfolio level risk assessment and prioritising modern slavery company engagements.

DNR Capital use ISS modern slavery data to assist in the identification of modern slavery risk, including the following indicators:

- Modern slavery risk exposure score: assesses a company's geographic location, supply chain and controversy exposure;
- Modern slavery risk management score: assesses a company's preparedness to identify and mitigate modern slavery risks; and
- Modern slavery controversies, as assessed using norms-based research.

Consistent with our ESG integration and engagement strategy, where material modern slavery risk is identified, DNR Capital use the following framework to conduct a deeper dive risk assessment:

- modern slavery governance including board experience, executive remuneration alignment, company engagement and operational integration;
- risk identification processes including geographic coverage, depth of supply chain mapping, and third party tools;
- risk management and implementation including

supplier due diligence and contractual operational expectations, compliance with international standards, frequency and outcomes of supplier visits and audits;

- remediation processes including resources and process for overseeing remediation, timeframe for remedial actions, incorporation of learnings into modern slavery risk identification and management practices;
- quality of disclosure including compliance with modern slavery regulation.

Where material modern slavery risks are identified DNR Capital will conduct a dedicated modern slavery engagement with the company. DNR Capital use the framework discussed above as the basis for preparing detailed questions for these company engagement meetings.

During the period, DNR Capital enhanced our modern slavery risk assessment capability by subscribing to ISS' Modern Slavery Scorecard Report. This enables us to conduct biannual portfolio level risk assessment for each investment strategy.



Modern slavery risk is assessed using ISS

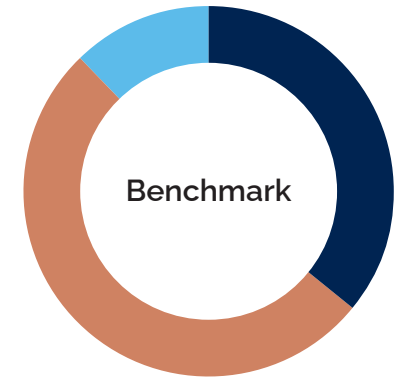
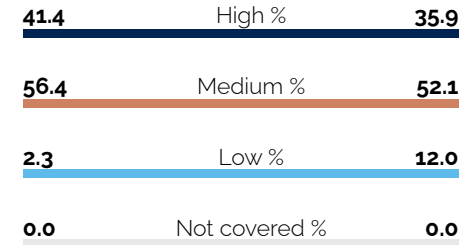
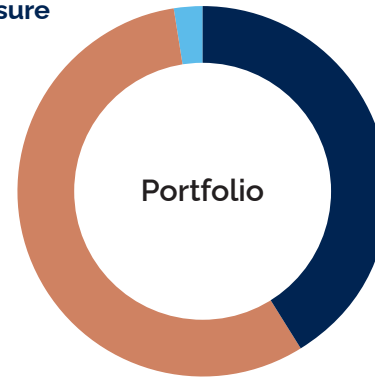


Modern slavery controversies in DNR Capital's Australian Equities High Conviction Strategy

As at FY25, there were no instances of modern slavery in the flagship DNR Capital Australian Equities High Conviction strategy.

Modern slavery risk exposure

As outlined in the graphs, the High Conviction strategy held a higher weight of higher risk exposed stocks than the benchmark.

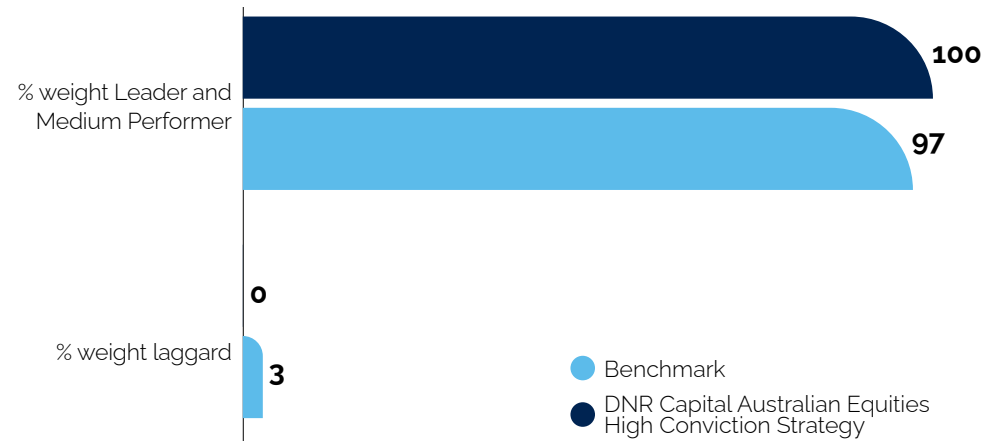


Update for June 2025
Source: ISS data

Modern slavery management score

However, the modern slavery management score for the portfolio, was better than the benchmark, reflecting that whilst the overall risk exposure is higher, the overall risk management is also higher.

DNR Capital conducted dedicated engagements with stocks identified as having high risk exposure (high modern slavery risk exposure score) and lower risk management (lower modern slavery management score).



Source: ISS data

An aerial, top-down photograph of a large crowd of people walking across a crosswalk on a city street. The crosswalk consists of several parallel white stripes on a dark asphalt surface. The people are seen from above, moving in various directions. The overall color palette is warm and monochromatic, dominated by shades of brown and orange. The text 'Modern slavery engagement case studies' is overlaid in white on the left side of the image.

Modern slavery engagement case studies



Telstra Group (TLS)

Objectives

TLS is exposed to modern slavery risk, both within its own operations and its suppliers, given the size and geographic diversity of its direct and indirect workforce and its involvement in high-risk sectors such as IT, construction and facilities maintenance. DNR Capital engaged with TLS' Chief Sustainability Officer, Sustainability Governance Principal and Senior Sustainability Specialist – Modern Slavery to assess the adequacy of TLS' modern slavery risk identification and management processes.

Comments

TLS has strong modern slavery related governance. Its strong policy framework is supported by adequate resourcing, reporting, training, compliance processes and remuneration alignment.

As a government-recognised critical infrastructure supplier, TLS conducts deep due diligence on its supply chain. TLS has a comprehensive "know your supplier" risk identification process, however issues may also arise through media alerts or whistleblower reporting. Know your supplier surveys are administered by the contract owner, with input from the modern slavery sustainability team subject matter experts, who provide guidance on how to follow up with suppliers. Where modern slavery issues are identified TLS conduct "voice of supplier" surveys or audits to verify information, and work with the supplier to resolve the issue. Modern slavery issues are categorised as priority, major or minor with priority issues expected to be resolved within 3 months and the other categories within 12 months. TLS will cancel a supplier contract where there is no progress.

TLS' organisational culture is supportive of its modern slavery agenda and it invests in continual training and upskilling.

Outcomes and monitoring

TLS' comprehensive response to our engagement on modern slavery reaffirmed DNR Capital's view of the quality of TLS as a company. TLS's strong modern slavery risk identification and management processes are supported by a strong "speak up" organisational culture. DNR Capital will continue to monitor TLS for delivery of its modern slavery undertakings and engage as required.



Aristocrat Leisure (ALL)

Objectives

ALL is categorized as “high risk” under ISS’ Modern Slavery Risk Overall Classification given exposure in its hardware business to the information technology sector in high-risk geographies. DNR Capital engaged with ALL to advocate for continued investment in its modern slavery risk identification and management practices.

Comments

Operating in the highly regulated gaming industry, ALL have a strong compliance culture and seek to be industry leaders. ALL has strong modern slavery related governance, its strong policy framework is supported by adequate resourcing, reporting, training, compliance processes and remuneration alignment.

ALL take a risk-based approach to managing modern slavery. Its primary focus has been developing risk identification and management capability within its higher risk hardware business where it has strong supplier relationships and good supply chain visibility. ALL is currently adapting this approach for implementation in its digital business. For tier one suppliers, ALL has a comprehensive supplier due diligence program which includes a supplier self-assessment questionnaire, compliance probity and supplier visits and audits. Modern slavery is included in ALL’s supplier code of conduct. ALL is building its audit capability, initially conducting audits in conjunction with a third-party expert. It targets to increase its audit coverage and frequency and to integrate modern slavery observations into ALL’s more frequent supplier visits. Whilst currently small in scale, supplier engagement has been positive.

ALL has engaged an independent data provider to enhance transparency and identify modern slavery risks within the deeper tiers of its supply chain.

Outcomes and monitoring

Following DNR Capital’s engagement with the company, ALL acknowledged the requirement for continued investment in its modern slavery risk management capability and have undertaken to:

- implement its modern slavery processes in its digital business;
- build its internal audit capability to increase the coverage and frequency of its audit program; and
- improve visibility of modern slavery issues in lower tiers of its supply chain.

DNR Capital will continue to monitor ALL for delivery against its modern slavery undertakings.





Woolworths (WOW)

Objectives

WOW is under observation by ISS following a confirmed case of modern slavery in FY22. DNR Capital engaged with the General Manager Sustainability Impact Narrative & Human Rights at WOW for an update on the remediation of this case and to assess the adequacy of its modern slavery risk identification and management practices more generally.

Comments

Modern slavery risk identification and management is deeply embedded in WOW's operations. This is led from the top, with strong board and executive management engagement. Modern slavery is assigned "category 1" in WOW's risk appetite statement with WOW taking all reasonable steps to reduce the risk. WOW understand that customers don't want to buy goods associated with forced labour. WOW has a well-resourced modern slavery team, with reporting lines to both the Board and its Sustainability Subcommittee. WOW also has a Human Rights Steering Committee, comprised of senior executives, which facilitates strong compliance and operational implementation across WOW's businesses. Modern slavery outcomes are reflected in executive remuneration through its RepTrak score.

WOW has implemented minimum modern slavery operating processes across its business, including due diligence for onboarding new suppliers and the ongoing monitoring and documentation of existing suppliers. Insights from these processes are integrated into a risk

scorecard. Where risk is identified, WOW will obtain further information to assess and manage the risk.

WOW take a worker centric approach to managing its exposure to high-risk geographies, including Thailand and Malaysia, and products, including cotton, seafood, horticulture and renewable energy components. WOW has trialled using worker voice surveys to enhance its understanding of worker experience in the following situations:

- in lieu of audits for small scale suppliers where audits are more susceptible to manipulation;
- in the Malaysian Nepal migration corridor; and
- ahead of unannounced audits to improve the effectiveness of the audit process.

WOW has also improved the effectiveness of its "Speak Up" channel, including the translation of communication materials into additional Pacific languages and the use of QR codes so that the channel can be accessed more privately offsite. This has led to the number of reported grievances doubling over the period FY23 to FY24.

WOW work with suppliers where remedial action is required. In the one instance of verified modern slavery, WOW worked with the supplier to improve systems and processes, and to remediate impacted workers including:

- the return of passports; and
- the repayment of recruitment fees to 98% of impacted workers, with the remaining 2% unable to be contacted.

WOW has conducted follow up worker voice surveys with the employees of the supplier, pleasingly the supplier has maintained its trajectory of improvement with no instances of regression.

Outcomes and monitoring

DNR Capital reiterated the strategic importance of modern slavery risk management. Given the complexity of WOW's supply chain and the inherent risk of modern slavery, DNR Capital will continue to monitor WOW for evolution of its risk identification and management practices.





Climate change



DNR Capital supports the global ambition to limit global warming through reduced carbon emissions. Climate change has been identified by the board as a material risk and is included in DNR Capital's enterprise risk register.

DNR Capital's primary climate change risk relates to investment risk. Climate change, where material, has the potential to impact investment risks and returns. To address this, DNR Capital has formalised its approach through a dedicated Climate Change Policy, which can be found [here](#).

DNR Capital has a multi-faceted approach to assessing climate change, as outlined below:

- Climate change is one of nine factors assessed in DNR Capital's ESG score. Our ESG score is one of five components of our proprietary 'quality web', which is used to assess the quality of companies.
- A climate risk assessment is included in stock research and valuation work. DNR Capital assess climate governance, scenario analysis, transition and physical climate risk management, including climate transition action planning and net zero commitments, and adequacy of climate disclosure.
- Where material climate change risks are identified, DNR Capital will conduct a dedicated ESG engagement with the company.
- DNR Capital conduct a biannual ISS Climate Impact Assessment Report to assess aggregate climate risk at the portfolio level.
- DNR Capital maintain a database of company and portfolio level climate related indicators that are monitored and tracked over time.

The outcomes of these climate change assessments inform investment decision-making and portfolio construction.

Australian Sustainability Reporting Standards (ASRS) (Climate)

The Australian Sustainability Reporting Standards (ASRS) were legislated in 2024 and require eligible companies to report mandatory climate disclosure from 2025. DNR Capital's Australian Equities High Conviction Fund and Australian Emerging Companies Fund will be required to report under ASRS, as a registered scheme, from FY2028. During the year, DNR Capital has made progress preparing to report with the following initiatives:

- Established a Corporate Sustainability Team which has Board delegated responsibility for delivering DNR Capital's ASRS reporting requirements. The committee membership includes the CEO, COO, Head of Finance, Head Risk & Compliance and Senior ESG Investment Analyst;
- Conducted a review of the reporting guidelines and performed a gap analysis of DNR Capital's capabilities with findings presented to the Board, the Socially Responsible Investment Committee (SRIC) and the Corporate Sustainability Team; and
- Reviewed a sample of Climate Statements prepared by New Zealand investment managers under New Zealand mandatory climate-related disclosure (CRD).

DNR Capital is currently preparing an organisational plan to prepare DNR Capital to report against the requirements.



Climate change performance at the portfolio level

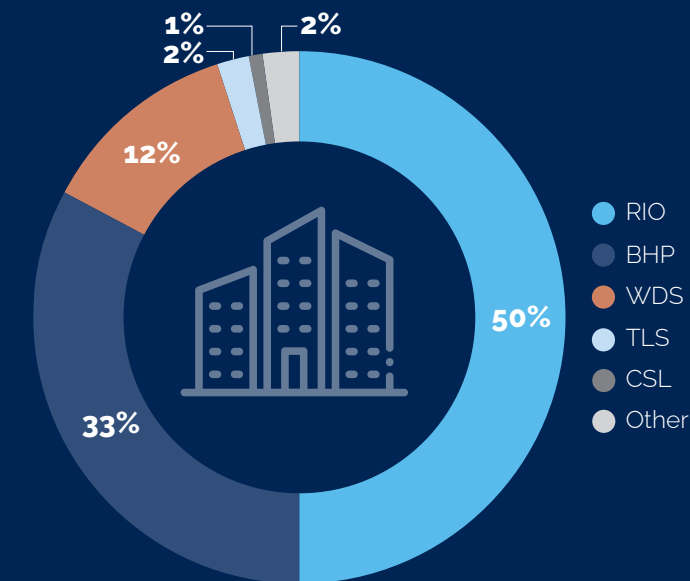
Portfolio Weighted Average Carbon Intensity (WACI) by DNR Capital investment portfolio.

Portfolio	Total emissions (scope 1&2) tCO2e portfolio	Total emissions (scope 1&2) tCO2e Index	Total emissions (including scope 3) tCO2e portfolio	Total emissions (including scope 3) tCO2e Index	Portfolio WACI	Index WACI
DNR Capital Australian Equities High Conviction Portfolio (Index: S&P/ASX 200 Total Return)	144,459	349,170	2,710,450	3,669,062	57.7	97.6
DNR Capital Australian Equities Income Portfolio (Index: S&P/ASX 200 Industrials Total Return)	8,492	23,648	130,495	142,187	30.7	47.5
DNR Capital Australian Equities Socially Responsible Portfolio (Index: S&P/ASX 200 Total Return)	5,755	10,472	93,728	110,044	72.6	97.6
DNR Capital Australian Emerging Companies Portfolio (Index: ASX/S&P Small Ordinaries Total Return)	14,986	45,593	583,689	735,535	40.7	109.6

Emissions data is sourced from ISS ESG. Scope 1 and 2 emissions reflect ISS ESG's reviewed and approved values, selected from the most accurate available sources. Scope 3 emissions are estimated using ISS' proprietary up- and down-stream estimation model. WACI (Weighted Average Carbon Intensity) is calculated as the sum of each holding's portfolio weight multiplied by its Scope 1 and 2 emissions intensity (tCO₂e per USD million revenue): $w \times (tCO_2e / \text{revenue US\$m})$.

As at 30 June 2025
Source: ISS and DNR Capital

DNR Capital Australian Equities High Conviction Portfolio Top 5 contributors to portfolio emissions

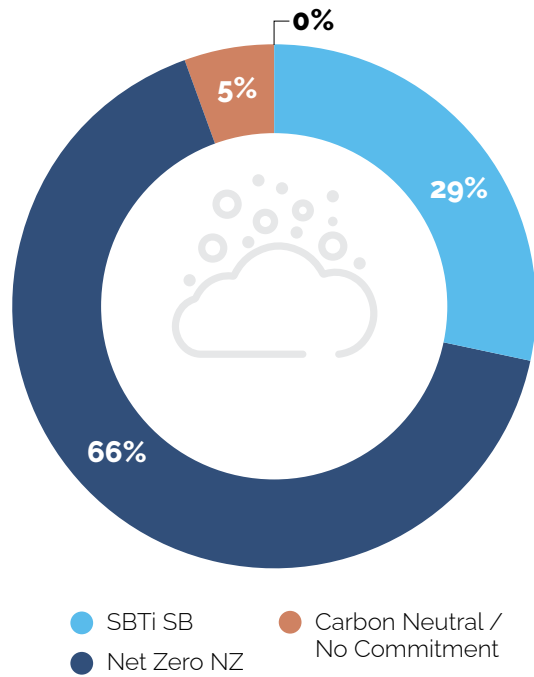


As at 30 June 2025
Source: ISS and DNR Capital



DNR Capital Australian Equities High Conviction Portfolio: Solid net zero performance

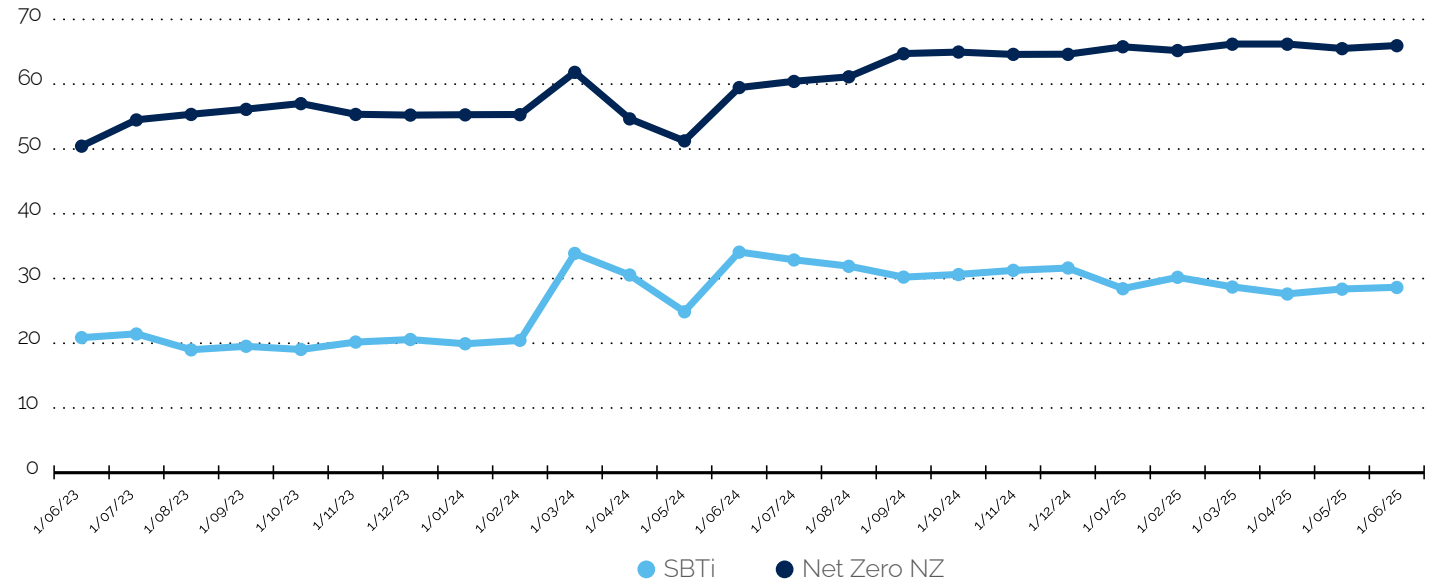
95% of the stocks in the High Conviction Portfolio have net zero target



As at 30 June 2025

Source: Macquarie Research

High Conviction Portfolio exposure to companies with net zero targets has increased over time.



As at 30 June 2025

Source: Macquarie Research



Climate change engagement case studies



Climate case studies

Treasure Wine Estate (TWE)

Objectives

As an agricultural company, TWE is exposed to physical climate and water risks. DNR Capital met with TWE's Head of Sustainability, to assess the adequacy of its physical climate and water risk management strategy.

Comments

TWE is an exceptional case study where we observe transparent financial returns on sustainable investment and a strong cultural alignment of sustainability implementation.

TWE is exposed to physical climate and water risks. Viticulture is highly sensitive to changes in weather patterns, aggregate changes such as total rainfall, and inter-seasonal changes like the timing of the rainfall. TWE's water risk is exacerbated by the fact that the Barossa Valley does not have a natural water source. Social factors such as the community's share of water resources also impact this risk. Given these factors, there is a strong commitment from the Board and executive management to invest in risk management strategies.

TWE has invested in its data analytics capability and is building three climate models, reflecting 1.5°C, 2.5°C and 4°C warming outcomes. Insight and predictive capability gained in this process will be used to inform investment decisions in climate and water management practices. TWE is currently conducting a trial of a vineyard canopy and of a dam lining and covering. These projects have met internal return hurdles, given their ability to improve grape yield and reduce costs.

Separately, with some of the oldest grape stocks in the world, TWE is conducting a genetic engineering study to understand vine resilience to climate events such as drought. TWE may be able to use a rapid breeding program to improve the climate resilience of its vine stock. This would have the additional environmental benefit of requiring less pesticides.

Outcomes and monitoring

TWE has strong physical climate and water risk management strategies. TWE is an exceptional case study where we observe transparent financial returns on sustainable investment and a strong cultural alignment of sustainability implementation.



Climate case studies

Macquarie Group (MQG)

Objectives

DNR Capital met with MQG to discuss its financed emissions strategy and implementation framework. Since the time of our engagement, MQG has ceased its membership of the Net Zero Banking Alliance (NZBA) and has evolved its approach to metallurgical coal, permitting advisory mandates and balance sheet lending and equity investments.

Comments

MQG has set financed emissions reduction targets for its exposure to upstream oil/gas, thermal coal mining, and residential mortgages. Withdrawal from the NZBA will frustrate progress in 1) delivering emissions targets for MQG's other industry exposures; and 2) including facilitated emissions in its reduction targets. Facilitated emissions refer to greenhouse emissions resulting from the activities of a financial institution in facilitating capital market transactions and services, such as underwriting, securitisation and advisory services.

MQG's implementation framework, being the systems and processes through which MQG will implement and deliver its financed emissions targets, is still in its infancy. MQG is still developing its climate risk scorecard. Further, MQG's framework is less prescriptive, with no requirement for customers to have a Climate Transition Action Plan (CTAP) nor meet any other minimum expectations. MQG prefer instead to work with customers to reduce its emissions and ultimately, its impact on MQG's financed emissions portfolio.

MQG's financed emissions reduction strategy is less mature than that of its domestic banking peers. Its strategy covers fewer sectors, includes intensity-based targets and does not include facilitated emissions and its implementation is less prescriptive.

Outcomes and monitoring

MQG's withdrawal from the Net Zero Banking Alliance is disappointing and will frustrate future ambition. It also reaffirms our view that the major banks (NAB held in several portfolios) are more mature in their financed emissions strategies and implementation frameworks. Despite these developments, MQG maintains its position as a global leader in infrastructure asset management, with a renewable energy asset portfolio of >100GW.





Climate case studies

National Australia Bank (NAB)

Objectives

DNR Capital has a long history of engagement with NAB on its climate strategy and financed emissions reduction ambition. Our most recent engagement focused on the implementation of its customer transition plan (CTP) assessment framework, being the systems and processes through which NAB will implement and deliver its financed emissions targets.

Comments

NAB first disclosed its framework to assess the integrity of its customers' transition plans in June 2024. Since then, NAB has conducted an external review of the framework, with key refinements including:

- Quantified assessment of performance against interim emissions targets.
- Weighted average factor inputs, the weight of each factor differs by sector and may differ over time.
- Four tier rating system.

NAB will implement this assessment framework for in-scope Corporate and Institutional (C&I) customers, including power generation, oil & gas and metallurgical coal ahead of the 1 October 2025 implementation date. From that time, where an in-scope

customer does not have a Customer Transition Plan in place or is unable to demonstrate progress beyond an overall rating of "Limited" NAB will not provide renewed corporate or trade financing facilities or facilitate capital market transactions. This is in line with the other major banks, with CBA's implementation date starting 1 January 2025, and ANZ and Westpac's implementation date 4Q25.

Given NAB's work to date understanding the transition maturity of its largest 100 emitting customers, most of the in-scope customers do already have transition plans. The indicative ratings of these customers are roughly bell-curved, with a slight skew towards the "Limited" rating.

NAB has invested in upskilling its C&I bankers to conduct the initial framework assessment, however, they will be supported by NAB's Climate Office that will review and challenge the initial assessment.

NAB will review its assessment framework annually for continuous improvement and to align with reporting regimes such as Australian Sustainability Reporting Standards (ASRS).

Outcomes and monitoring

DNR Capital will continue to monitor NAB for progress against its climate targets and for announcement of its agricultural financed emissions target.



Proxy voting philosophy





Proxy voting is the second component to DNR Capital's engagement strategy, along with company meetings. DNR Capital believe that proxy voting is an important tool for investors. Proxy voting enables investors to communicate their views to a company and input into key decisions, such as executive remuneration and board director appointments. Proxy voting may also be used as an escalation tool, where other company engagement initiatives have been unsuccessful, such as voting against executive remuneration or the re-election of a director.

DNR Capital conduct thorough reviews of all resolutions put to us by investee companies. We also conduct a comprehensive engagement program, meeting with the Chairs of many of our investee companies ahead of their Annual General Meeting (AGM). This gives us the opportunity to discuss remuneration outcomes, company strategy and corporate governance.

The guiding principle, when DNR Capital votes on a resolution, is that our voting decision must be in the best interests of our clients. Decisions are made on a case-by-case basis after an assessment of the relevant information available. During the period DNR Capital revised its proxy voting policy to include voting guidelines, as outlined below:

- A majority of independent directors
- Appropriate director skills matrix
- An independent Chair who is not the CEO

- Board and management diversity
- An audit committee with a majority of independent directors and a Chair who is not the Company Chair
- A commitment to act ethically and responsibly
- Good disclosure of information about the company, its governance and its material risks
- Remuneration structures that incentivise management and align minority shareholder interests, DNR Capital consider the following factors when assessing the merits of remuneration structures:
 - Quantum of total remuneration package, in absolute terms and relative to the relevant peer group, and with consideration to company total shareholder returns and key person risk;
 - Selection of peer group for comparative purposes;
 - Structure of package, including weighting of cash and 'at risk' instruments and weighting of short and long term incentives;
 - Selection of STI scorecard metrics and LTI hurdles;
 - Performance hurdles are adequately disclosed and sufficiently challenging;
 - Accounting treatment and discretionary adjustments made to performance hurdles;
 - Management's personal shareholding;
 - Retention instruments are reasonable and structured to align with minority shareholders;
 - Termination entitlements are reasonable.

In the following pages we present several proxy voting case studies that highlight our proxy voting process.

“Proxy voting is a powerful tool for investors.”

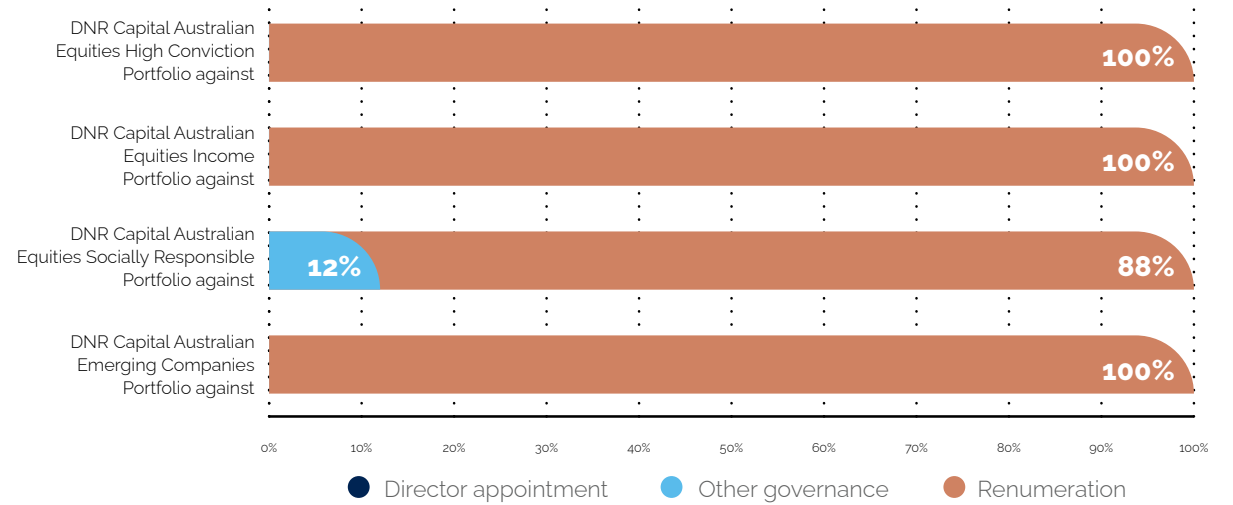


Proxy voting outcomes

	Number of company meetings	Number of resolutions	For	Against	Abstain
DNR Capital Australian Equities High Conviction Portfolio					
Number	24	181	173	8	0
%		100%	95%	5%	0%
DNR Capital Australian Equities Income Portfolio					
Number	22	155	149	6	0
%		100%	96%	4%	0%
DNR Capital Australian Equities Socially Responsible Portfolio					
Number	22	164	156	8	0
%		100%	95%	5%	0%
DNR Capital Australian Emerging Companies Portfolio					
Number	24	127	123	4	0
%		100%	97%	3%	0%

Source: DNR Capital

Proxy against votes by category and strategy



Source: DNR Capital



Proxy voting case studies





CAR Group (CAR)

Objectives

DNR Capital reviewed CAR's proxy resolutions for its 2024 AGM and formed the view that CAR's remuneration structure was not sufficiently challenging.

Comments

DNR Capital voted against resolution 2, approval of the remuneration report, and resolution 4b, approval of the grant of performance rights to the CEO. This decision was taken following engagement with the company in both 2023 and 2024, where DNR Capital discussed the adequacy of the hurdle ranges. DNR Capital's voting recommendation was counter to proxy adviser, Ownership Matters, who recommended voting in favour of both resolutions.

DNR Capital voted against the two remuneration resolutions due to the following concerns:

- STI and LTI hurdles for revenue, EBITDA and EPS growth rate, were not sufficiently challenging relative to company guidance and consensus expectations;

- inclusion of an aggressive accelerator mechanism, which allows for up to 171% LTI vesting;
- substantial increase in CEO's FY25 compensation package, with an 18% increase in the CEO's total potential compensation; and
- treatment of CEO's regular duties, such as talent recruitment, as strategic initiatives.

Collectively, these factors diminish the effectiveness of CAR's remuneration framework and raise concerns about its alignment with shareholder interests.

Outcomes and monitoring

DNR Capital voted against resolution 2, approval of the remuneration report, and against resolution 4b, approval of the grant of performance rights to the CEO. The resolutions were both carried, with a 4% and 5% against vote respectively.

Telstra Group (TLS)

Objectives

DNR Capital reviewed TLS' proxy resolutions for its 2024 AGM and formed the view that TLS' remuneration structure was not sufficiently challenging.

Comments

DNR Capital voted against resolution 4a and resolution 5 due to discretionary adjustments made to key financial metrics used to assess FY24 remuneration. These adjustments excluded a series of negative items such as impairments and restructuring costs, and included a series of positive items such as the reversal of an earn-out. Further, there was inconsistent treatment of the adjustments relating to the Digicel acquisition. These adjustments created a

material, asymmetric benefit to management for key metrics including earnings before interest, tax, depreciation and amortisation (EBITDA) and return on invested capital (ROIC).

Outcomes and monitoring

DNR Capital voted against resolution 4a, approval of CEO restricted shares and resolution 5, approval of remuneration report, in line with proxy adviser, Ownership Matters. The resolutions were both carried, with 14% and 15% against votes respectively.





| CSL (CSL)

Objectives

DNR Capital reviewed CSL's proxy resolutions for its 2024 AGM and formed the view that CSL's remuneration hurdles were not sufficiently challenging.

Comments

DNR Capital voted for resolution 3, approval of the remuneration report, and against resolution 4, approval of the grant of performance shares to the CEO. This decision is consistent with the approach taken in 2023, where we also voted against the grant of performance shares to the CEO given the hurdles were insufficiently challenging.

DNR Capital voted for resolution 3, approval of the remuneration report, as we feel the Board's discretion to reduce the vesting of executive LTIs by 20% is sufficient to compensate for the Vifor acquisition underperformance. The 20% reduction is commensurate with Vifor's materiality and recognizes that the balance of the CSL business is performing strongly. Annual incentive outcomes appear reasonable, at around target, for a year when CSL delivered earnings above the top end of guidance.

DNR Capital voted against resolution 4, approval of the grant of performance shares to the CEO. LTI ROIC and EPS growth hurdles are not sufficiently challenging relative to company guidance and consensus expectations. Following shareholder engagement in 2023 CSL have increased the threshold ROIC hurdle from 10.2% to 11.1%, but the target ROIC hurdle has decreased from 12.8% to 12.3%.

Outcomes and monitoring

DNR Capital voted for resolution 3, approval of the remuneration report, against the recommendation of proxy adviser, Ownership Matters, and against resolution 4, approval of the grant of performance shares to the CEO, in line with proxy adviser, Ownership Matters. CSL's remuneration report received >25% against vote, incurring a "first strike", while resolution 4a was carried at 23% against vote. DNR Capital will engage with the company regarding its 2026 remuneration report.





BHP Group (BHP)

Objectives

BHP's 2024 Climate Transition Action Plan (CTAP) was subject to shareholder vote at its 2024 AGM. DNR Capital monitor BHP for its CTAP ambition and delivery against CTAP targets, DNR Capital voted in favour of the resolution.

Comments

In its 2024 CTAP, BHP built upon its five existing medium- and long-term scope 1, 2 and 3 targets and goals, with the following disclosure:

- BHP estimates it can achieve 85% operational scope 1 and 2 emissions reduction by 2050 without using offsets, and have undertaken to report on this metric;
- new strategic focus on methane emission decarbonisation including measurement and forecasting, to ensure investment in abatement technology is impactful;
- more robust scope 3 decarbonisation strategy focused primarily on steelmaking, launching several new partnerships and pilot projects; and
- updated climate scenario analysis to include 1.5°C warming scenario.

BHP has already achieved its 2030 scope 1 and 2 emission target, with a 32% reduction since 2020. Whilst this raises questions about the ambition of its interim target, BHP expect the pathway to be non-linear, primarily due to organic growth and decarbonisation of electricity supply. BHP also highlighted its reliance on technological developments, such as the electrification of mining equipment, to achieve its long-term targets. BHP also introduced an aspiration to be at or below a cumulative carbon budget by 2030, which, if achieved, would see emissions consistently declining towards 2030.

Outcomes and monitoring

DNR Capital voted in favour of item 13, the approval of BHP's CTAP, and will continue to monitor and engage with the company on progress delivering its CTAP.

IDP Education (IEL)

Objectives

DNR Capital voted for resolution 3, approval of remuneration report, and for resolution 4b, approval of grant of service rights to CEO. This was against the recommendation of proxy adviser Ownership Matters. DNR Capital engaged with the company Chairperson before the AGM to understand the rationale behind the proposed grant of service rights to the CEO.

Comments

IDP's CEO was recruited 2 years ago, before the industry dynamics deteriorated. At the time of her recruitment, the remuneration package was below IEL's peer median, with the Board undertaking to revise this upwards towards the peer median over time. The Board is very happy with the CEO's performance, she has implemented a cost out program (~400 redundancies) and devised and implemented a company strategy to navigate the deteriorating industry fundamentals. The Board would like to retain the CEO through the next 18 months of earnings and performance volatility. Given IEL's LTI is very unlikely to vest, the Board has proposed several retention measures which will be unwound in 18 months including:

- Increased fixed pay 22% to \$1.4m.
- STI restructured to include a 35% allocation to strategic initiatives alongside a 32.5% allocation to each ESP growth and relative TSR performance.

- CEO service rights, vesting on continuation of service only.

Whilst the Chairperson acknowledged that the use of service rights is suboptimal, it is in the shareholder's best interest to retain the CEO, and it does increase the CEO's equity alignment with shareholders. Following the retention period, the Chairperson signalled the intent to revert to performance based LTI metrics including absolute TSR growth, with a sliding scale for growth hurdles to incentivise top quartile growth.

Outcomes and monitoring

In support of the Board in retaining the CEO, DNR Capital voted for resolution 3 and resolution 4b. IEL's remuneration report received >25% against vote, incurring a "first strike", while resolution 4b was narrowly carried at 47% against vote. DNR Capital will engage with the company regarding the structure of its remuneration following the period of retention.

ALS (ALQ)

Objectives

DNR Capital voted against resolution 4, approval of CEO performance rights. This decision is consistent with the approach taken in 2023, where we also voted against the grant of performance rights to the CEO given the hurdles were insufficiently challenging.

Comments

Following ALQ's first strike against its remuneration report in 2023, DNR Capital engaged with the Chairperson on its remuneration strategy, with a particular focus on its LTI metrics and hurdles. ALQ's LTI CEO performance rights vest based on four equally weighted metrics which include underlying EPS growth, relative underlying EBITDA margin, TSR and underlying 3-year ROCE. The Board set the FY25 to FY27 ROCE target range at 15.5% to 20.5% but retained its commitment to achieving a strategic ROCE target of 20% by 2027. The Chairperson justified this inconsistency citing the near-term earnings impact of the recent downturn in the global pharmaceuticals market, ongoing effects of the war in Ukraine and the fact that recent acquisitions would be unlikely to generate significant return in the near term.

DNR Capital maintains that the vesting structure for the ROCE metric is not sufficiently challenging and would facilitate substantial vesting for ROCE that is well below the FY27 financial objective ROCE of greater than 20%.

Outcomes and monitoring

DNR Capital voted against resolution 4, approval of CEO performance rights, which was against the recommendation of proxy adviser, Ownership Matters. The resolution was carried but received a 30% against vote. Significantly, ALQ's remuneration report was carried, narrowly avoiding a second strike, with an against vote of 22%. This outcome reflects steps taken by the Board to adequately reflect the problematic Nuvisan acquisition in executive remuneration. However, given the ongoing issue of LTI target hurdles, DNR Capital will continue to engage with ALQ regarding its remuneration strategy.






| IPH (IPH)

Objectives

DNR Capital reviewed IPH remuneration report to assess the alignment with minority shareholders.

Comments

DNR Capital voted against resolution 7, approval of remuneration report, due to the following considerations:

- IPH's CEO fixed pay is materially higher than the medium of its peer group.
- Exclusion of notable costs from the underlying EBITDA and EPS CAGR metrics which are used to determine STI and LTI payments.
- Poor disclosure of strategic measures used to assess the balance of STI remuneration.
- Poor alignment between shareholder share price experience and LTI remuneration outcomes given the TSR metric is not used to determine LTI.

The poor structure of IPH's remuneration report and the lack of alignment with shareholder share price experience saw DNR Capital vote against the remuneration report.

Outcomes and monitoring

DNR Capital voted against resolution 7, approval of remuneration report, which was in line with the recommendation of proxy adviser, Ownership Matters. The resolution received 48% against vote incurring its "first strike". IPH is no longer held in any of DNR Capital's portfolios.

| Propel Funeral Partners (PFP)

Objectives

DNR Capital reviewed PFP's proxy resolutions for its 2024 AGM and recommended voting against item 1, the remuneration report.

Comments

DNR Capital was concerned about the quantum and structure of the remuneration report, including:

- Discretionary award of cash bonuses to three executives in a year when PFP's EBITDA was materially below budget;
- LTI structured as 100% cash reducing alignment with minority shareholder outcomes; and
- Disproportionate level of executive remuneration expense compared to operating earnings.

Outcomes and monitoring

DNR Capital's vote against PFP's resolution 1, the approval of its remuneration report, was in line with our proxy adviser, Ownership Matters. PFP incurred a 34% against vote for this resolution and thus incurred a "second strike".





Lovisa Holdings (LOV)

Objectives

DNR Capital reviewed LOV's proxy resolutions for its 2024 AGM. LOV's remuneration package for its outgoing CEO remains unchanged, despite incurring a "first strike" in 2023. The remuneration package for its incoming CEO is similar in structure to that of the outgoing CEO, albeit it is less lucrative and has lower EBIT growth expectations.

Comments

Consistent with DNR Capital's 2023 voting recommendations, DNR Capital voted against resolution 2, the approval of the 2024 remuneration report. DNR Capital's concerns about the remuneration package include:

- CEO's STI and LTI are measured against earnings before interest and tax (EBIT) growth, this metric does not reflect changes in capital structure over the performance period. EPS is a preferred metric and is widely used as a key financial LTI metric across ASX300 companies.

- CEO's STI (cash) and LTI (equity) are measured against the same EBIT growth metric.
- CEO's LTI performance rights are performance tested after one year with subsequent vesting in year 2 and 3 subject only to continued employment. This structure is more akin to a deferred equity STI instrument.

Outcomes and monitoring

DNR Capital's vote against LOV's resolution 2, the approval of its remuneration report, was in line with our proxy adviser, Ownership Matters. LOV incurred a 74% against vote for this resolution and thus incurred a "second strike".



Mirvac Group (MGR)

Objectives

DNR Capital reviewed MGR remuneration report to assess the alignment with minority shareholders.

Comments

DNR Capital voted against resolution 3, approval of remuneration report, due to persistently high STI which have been misaligned with shareholder outcomes. For FY24, management achieved at least 84% of target STI, despite achieving the bottom end of guidance and forecasting a 13% decline in FY25 operating earnings. Similarly, in FY23, management achieved at least

95% of target STI despite missing guidance. These outcomes demonstrate a misalignment between remuneration outcomes and underlying financial performance.

Outcomes and monitoring

DNR Capital voted against resolution 3, approval of remuneration report, which was against the recommendation of proxy adviser, Ownership Matters. The resolution was carried receiving 4% against vote.



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