

# Environmental, Social and Governance (ESG) Policy (Investments)

---

Investment Team

June 2026

# Document Control Sheet

## Document Summary

<b>Document Title:</b>	ESG Policy (Investments)
<b>Document Owner:</b>	Chief Investment Officer
<b>Version:</b>	<p>1.0 Approved</p> <p>2.0 Approved August 2017</p> <p>2.1 Approved October 2018</p> <p>3.0 Reviewed ARCC October 2020. Approved Board November 2020</p> <p>3.1 ARCC reviewed 15 March and Board approved 23 March 2021</p> <p>3.2 ARCC reviewed 11 November and Board approved 25 November 2021</p> <p>3.3 ARCC reviewed 10 November and Board approved 29 November 2022</p> <p>3.4 ARCC reviewed 27 March 2023 and Board approval April 2023</p> <p>3.5 ARCC reviewed 26 March, noted Board 8 April 2024</p> <p>3.6 March 2025 reviewed Socially Responsible Investment Committee (SRIC) and Board approved 21 March 2025</p> <p>3.7 May 2026 reviewed Socially Responsible Investment Committee (SRIC) and Board approved 16 June 2026</p>

# ESG Policy

## 1 Commitment to the Policy

The Directors and management team of DNR Capital recognise that ESG factors may be a determinant of company quality and may impact a company's risk and return outlook. DNR Capital has adopted an ESG integration and stewardship strategy to identify, assess and monitor ESG risks and opportunities.

The integration of ESG considerations into the investment process does not imply that DNR Capital will achieve specific environmental or social outcomes, exclude particular sectors or align with any sustainability framework unless explicitly stated.

This ESG 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 both its regulatory obligations under its Australian Financial Services Licence (AFSL) and broader stakeholder considerations.

In implementing this ESG Policy, consideration is given to 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 given to the principle that the Board and management team 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), Climate Change and Stewardship policies.

The purpose of this Policy is to support the company's investment governance framework and set out a high-level overview of DNR Capital's policy and approach to identifying, assessing and monitoring ESG issues in its investment process. This policy does not apply to the DNR Capital Emerging Companies Strategy, please refer separately to Emerging Companies ESG and Stewardship Policy and Procedure.

## 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.

### Policy coverage

This policy applies to the Australian Equities High Conviction, Income and Socially Responsible investment strategies. Please refer separately to the Emerging Companies ESG and Stewardship Policy and Procedure.

## 5 Obligations under this Policy

### What is ESG?

ESG is an acronym for Environmental, Social and Governance. DNR Capital recognises that ESG factors can be a determinant of company quality and may impact a company's risk and return outlook. DNR Capital has adopted an ESG integration and stewardship strategy to identify, assess and monitor ESG risks and opportunities. Where DNR Capital may invest in a company with identified ESG risk, the forecast return is expected to compensate for the risk. ESG factors are considered within a broader risk-return framework and do not override investment considerations relating to financial performance.

## 6 ESG assessment framework

DNR Capital has a multifaceted approach to identifying, assessing and monitoring ESG risks and opportunities. Our ESG score is one of five components of our proprietary 'quality web', which is used to assess the quality of companies. Once a company is assessed to meet DNR Capital's quality criteria, detailed company analysis and valuation work is conducted to determine whether sufficient risk-adjusted return upside exists. ESG risks and opportunities are identified and where they are deemed to impact our view on a company's risk and return outlook, we will conduct detailed assessment. The outcomes of these assessments inform investment decision-making and portfolio construction. Once an investment has been made, DNR Capital monitor identified ESG issues and conduct stewardship including corporate engagement and proxy voting.

DNR Capital have a long-term investment horizon and take a long-term view on ESG factors. We have a well-resourced, in-house investment team who conduct ESG analysis, and the SRIC monitor that these analyses are conducted in line with this Policy.

DNR Capital currently engage Institutional Shareholder Services (ISS) to provide third party ESG data and research which are used as one of many sources of inputs into the ESG investment process. DNR Capital acknowledge that the data provided by ISS has inherent limitations and is based on ISS proprietary research and publicly disclosed representations from underlying companies. As a result, the data provided may not be a complete representation of a company's ESG indicators. In addition, calculation methodologies may be subject to change. DNR Capital may change this provider at any time and as it sees fit.

### ESG score

DNR Capital have developed an ESG scoring system to identify and assess ESG risk at a company level. DNR Capital's ESG scoring system 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:

- Climate change
- Water
- Eco-efficiency

#### Social:

- Modern slavery
- Staff
- Society

#### Governance:

- Corporate governance
- Management quality
- Business ethics

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

- Each ESG indicator above is equally weighted.
- Independent provider, 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'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 check 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.
- For the DNR Capital Australian Equities Socially Responsible portfolio only – a company must have an ESG score greater than the index average to be eligible for inclusion in the portfolio. DNR Capital determines the index average by scoring each company in the index using the ESG ratings assessment detailed above. The index average is the equally weighted, average ESG score for the portfolio's benchmark, being the S&P/ASX200 Total Return Index.

The ESG score is an internally developed tool designed to support investment analysis and should not be interpreted as a standalone measure of ESG performance.

### ESG risk and opportunity identification, assessment and monitoring

Once a company is assessed to meet DNR Capital's quality criteria, detailed company analysis and valuation work is conducted to determine whether sufficient risk-adjusted return upside exists. ESG risks and opportunities are identified in this process, and where they are deemed to impact our view on a company's risk and return outlook, we will conduct detailed assessment. DNR Capital may also conduct company engagement. DNR Capital will monitor these issues on an ongoing basis once an investment has been made.

#### Identification of ESG Risk and Opportunities

DNR Capital has a multifaceted approach to identifying ESG risks and opportunities, including, but not limited to, the following:

- In-house ESG research;
- ESG score;
- Biannual ISS Climate Impact Report;
- Biannual ISS Modern Slavery Scorecard;
- Quarterly ISS controversy screening; and
- Media monitoring.

#### Assessment of ESG risks and opportunities

Where these issues may impact our view on a company's risk and return outlook, we will conduct a detailed assessment and may also conduct corporate engagement. The following environmental, social and governance guidelines are considered in this process:

#### Environmental guidelines:

- Environmental governance and strategy;
- Environmental commitments and targets;
- History of environmental performance including controversies;
- Eco-efficiency;
- Biodiversity; and
- Environmental corporate disclosure.

### Social guidelines:

- Social governance and strategy;
- Social commitments and targets;
- History of social performance including controversies;
- Employee engagement;
- Diversity & inclusion;
- Health & safety;
- Local stakeholder relationships; and
- Modern slavery; and
- Social corporate disclosure.

### Governance guidelines:

- History of governance performance including controversies;
- Board quality;
- Board composition;
- Remuneration policy;
- Management quality; and
- Governance disclosure.

### Monitoring of ESG risks and opportunities

Once an investment has been made, DNR Capital will conduct ESG monitoring as outlined below:

- Maintain database of company level ESG, climate and modern slavery indicators that are monitored over time;
- Monitor portfolio level ESG, climate and modern slavery indicators, including performance relative to benchmark;
- Quarterly ISS controversy screening;
- Media monitoring;
- In-house ESG research; and
- Stewardship including corporate engagement, as required, and proxy voting.

### Stewardship

Stewardship, including corporate engagement and proxy voting, is an important component of our ESG investment monitoring process.

Where identified ESG risks or opportunities are deemed to impact our view on a company's risk and return outlook, we will conduct company engagement. DNR Capital engage with portfolio companies to understand its ESG governance and risk management strategies and to advocate for best practice. Engagement activities are intended to inform investment decisions and encourage improved outcomes. DNR Capital cannot guarantee specific ESG improvements.

Proxy voting is an important shareholder right enabling investors to communicate their views to a company and provide input into key decisions, such as executive remuneration, Board director appointments and increasingly, shareholder proposals.

Please refer to DNR Capital's Stewardship Policy for further details.

### Controversies

DNR Capital use ISS' norms base research (NBR) as a controversy screen to identify ESG risk, amongst other risk identification tools. DNR Capital run the screen quarterly using the following criteria to define the screen:

- case controvenes Paris Agreement OR UN Global Compact principles 1-10; and
- case severity score of 5 or greater (severity scores range from 1 to 10, 1-5 "green", 6-9 "amber" and 10 "red"); and
- there has been a development / update to the case in the previous 2 years.

DNR Capital manually review the screen output, monitor cases and conduct corporate engagement as required.

### Negative screening

DNR Capital's Australian Equities Socially Responsible Strategy actively manages and adopts a negative screening strategy, combined with an ESG ratings assessment, ESG integration and stewardship, to deliver responsible investment in the selection, retention and realisation of investments. The portfolio's negative screen precludes the portfolio from owning stocks 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".

In addition to the negative screen, 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 application of the screening and ESG scoring is designed to support portfolio construction and does not guarantee improved ESG characteristics, reduced environment or social impact or alignment with any sustainability objective.

## 7 Systemic ESG risks and opportunities

### Climate change

DNR Capital supports the long-term goal of the Paris Agreement <sup>1</sup> to limit global warming through reduced carbon emissions. This does not imply that DNR Capital's portfolios are aligned with the goals of the Paris Agreement. Climate change has been identified by the Board as a material risk and it is included in DNR Capital's enterprise risk register. Please refer to DNR Capital's Climate Change Policy for detail on how climate change is incorporated into our investment process.

Risk register number	Risk description
1.5 Climate Change Risk	At a corporate level, failing to appropriately respond to, or prepare for, an increase in the impacts of climate change.

<sup>1</sup> UN Climate Change Conference (COP21) in Paris, agreement reached 12 December 2015.  
DNR Capital ESG Policy (Investments) 202605 v3.7

## Modern slavery

DNR Capital supports the United Nations Guiding Principles on Business and Human Rights. Modern slavery has been identified by the Board as a risk and it is included in DNR Capital's enterprise-wide risk register.

Risk register number	Risk description
1.6 Modern Slavery	Failure to have in place processes to identify and review risks of modern slavery practices in operations and supply chains

For these purposes, 'Modern Slavery' means conduct which would constitute an offence under the Modern Slavery Act 2018, and this includes trafficking of persons, illegal forms of child labour, slavery, forced labour, deceptive recruiting, debt bondage or offences involving non-citizens working in Australia without the correct visa.

DNR Capital consider modern slavery risk at the corporate level, and at the underlying investment level. Whilst DNR Capital is not a reporting entity under the Modern Slavery Act 2018, and does not therefore propose to issue a Modern Slavery Statement, it is committed to:

- ensuring that it has processes in place to review its risks on modern slavery practices in operations and supply chains;
- maintaining a list of its material external service providers which also identifies the countries in which the service or product is procured; and
- engaging with those service providers to ascertain how they identify and manage modern slavery risks. DNR Capital prepare an annual supply chain review which summarises the outcomes of this process.

At the investment level, DNR Capital use the following modern slavery guidelines to identify, assess and monitor modern slavery risks:

- Maintain database of company and portfolio level modern slavery indicators that is monitored over time
- Identify and monitor modern slavery cases through Norm-Based Research
- Where modern slavery risk is identified, we conduct a detailed assessment including review of:
  - Modern slavery governance and strategy;
  - Modern slavery risk identification, management and remediation processes; and
  - Modern slavery disclosure.
- Conduct biannual ISS Modern Slavery Scorecard Report for each investment strategy
- Where material modern slavery risk is identified, corporate engagement may be conducted.

## Diversity and inclusion

Diversity and inclusion describe a company's representation of different race, ethnicity, gender and sexual orientation groups. DNR Capital consider diversity and inclusion in assessing a company's culture and employee engagement more broadly. Specifically:

- Diversity and inclusion indicators are included in DNR Capital's ESG database and are monitored over time; and
- Board composition, including diversity, are considerations in DNR Capital's proxy voting recommendations.

## 8 Reporting

DNR Capital will report to clients on ESG related investment and engagement initiatives through annual Stewardship Report, client reporting, marketing presentations and bespoke client requests.

## 9 Roles and Responsibilities

### The Board

The Board and executive level management have formal oversight over and accountability for responsible investment at DNR Capital.

### Socially Responsible Investment Committee

DNR Capital's SRIC was established in 2010 and oversees the implementation of our ESG policies and integration of ESG into the investment process. SRIC is a subcommittee of the Board delegated Investment Committee (IC).

### Investment team

DNR Capital's ESG integration and stewardship 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. Risk culture measures are reflected in remuneration.

## 10 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
  - The ASIC Instrument 2016-968 Organisational standards
  - Internal policies and procedures
- **Business risk** – the risk 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 the undertaking made to its 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. DNR Capital intends to mitigate our reputational risk through the implementation of robust ESG risk management processes.

Risk register number	Risk description
5.6 False or misleading documents	Failure to have appropriate and compliant disclosure, marketing or account opening materials available to clients, stakeholders and the public
5.7 Greenwashing risk	Failure to have in place processes to identify false, misleading or unsubstantiated claims about the positive environmental impact of a financial product or service

## 11 Monitoring compliance with the Policy

The Head of Risk & Compliance is responsible for monitoring compliance with this Policy on an annual basis or as required. 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.

## **12 Review of the Policy**

The Chief Investment Officer shall review the contents of this Policy annually 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.

## **13 Training on the Policy**

Training on the policy is incorporated into the induction for new investment team members, amendments to the policy are communicated to the investment team through the SRIC approval process and regular team meetings.

To facilitate transparency, this policy is also made available on the company's intranet and website.

## **14 Applying discretion to the Policy**

Notwithstanding any requirement contained in this Policy, the Policy Owner in conjunction with the Head 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.

## 15 Related policies

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

- Stewardship Policy
- Climate Change Policy
- Emerging Companies ESG and Stewardship Policy and Procedure
- ESG (Corporate) Policy
- Conflict of Interest Policy and Procedure
- Investment team policies and procedures
- Risk Management Policy and Procedure
- Approach to Class Action Participation.