

# Stewardship Policy

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Investment Team

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# Document Control Sheet

## Document Summary

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# Stewardship 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. Stewardship is conducted by investment analysts for real time feedback into the investment process.

Stewardship activities include corporate engagement and proxy voting initiatives. They are intended to inform investment decisions and encourage improved practices, but DNR Capital cannot guarantee that engagement will result in specific ESG related improvements.

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

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

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

## 2 Policy owner

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

## 3 Purpose of this Policy

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

The purpose of this Policy is to support DNR Capital's investment governance framework. It seeks to promote best practice in stewardship, serve as a tool to assess the quality of a company, meet stakeholder expectations and, ultimately, improve the management of ESG issues to support sustainable long-term value creation. Stewardship activities are undertaken as part of a risk-return investment framework and should not be interpreted as targeting specific environment or social outcomes unless explicitly stated.

## 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
- 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 High Conviction, Income and Socially Responsible investment strategies. Please refer separately to Emerging Companies ESG and Stewardship Policy and Procedure.

## 5 Obligations under this Policy

### 5.1 Why stewardship?

Stewardship, through corporate engagement and proxy voting, aims to promote the long-term sustainability of investee companies. DNR Capital's stewardship program complements our ESG integration and is an important component of our ESG monitoring and portfolio management processes.

Corporate engagement refers to active, structured exchange between a company and its shareholders to influence corporate strategy, policy or behaviour.

Proxy voting gives shareholders a voice to vote on significant corporate matters for example, board appointments and executive remuneration.

DNR Capital has a long-term investment horizon, takes a long-term view on ESG risk factors and conducts stewardship for the long term benefit of our clients. Our often long-term relationships with the Board and management of portfolio companies generally facilitates a high quality of corporate engagement.

## 6 Corporate engagement

### 6.1 Approach to corporate engagement

DNR Capital generally meets with portfolio companies after their interim and full year results, and often with the Chairman before the company AGM. These meetings provide a forum to discuss corporate governance, strategy and capital management, amongst other issues, with senior management.

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

DNR Capital's assessment of ESG "best practice" is based on internal analysis informed by external frameworks. These issues are prioritised with consideration to the following factors:

- materiality of ESG factors on financial and/or operational performance;
- the systematic impact of the issue, i.e. climate change;
- the ESG score of the company;
- ISS climate and modern slavery risk indicators;
- the adequacy of ESG public disclosure;
- active weight of holding and other portfolio construction factors;

- diversity of ESG factors across engagement program; and
- representation of companies held in each investment strategy.

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

DNR Capital acknowledge that ESG data, ratings and research provided by third parties involve assumptions, estimations and differing methodologies, and should not be interpreted as precise or complete representations of a company's ESG performance.

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

- developing open, respectful channels of communication with investee companies;
- gaining information and insights to assist DNR Capital in assessing the quality of a company and investment decision-making;
- building our confidence in an entity's Board governance and oversight including Board and executive succession, executive remuneration ESG strategy and integration into capital allocation decisions; and
- advocating for companies to adopt ESG best practice.

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

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

## 6.2 Approach to political engagement

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

## 7 Proxy voting

### 7.1 Proxy voting process

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. Proxy voting may also be used as an escalation tool, where other corporate engagement initiatives have been unsuccessful, such as voting against executive remuneration or the re- election of a director. Proxy voting is also a tool to engender long term relationships with investee companies. Increasingly, Board Chairs seek to engage with shareholders on issues including climate strategy and their "Say on Climate" vote, executive remuneration, Board governance, and other strategic issues.

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.

- DNR Capital will vote on all resolutions where it is possible given custodial and proxy voting arrangements for its clients.
- Proxy voting is co-ordinated by DNR Capital's ESG investment analysts. Proxy voting decisions are the responsibility of the underlying stock investment analyst, and proxy voting execution is the responsibility of the Portfolio Administration team.

- DNR Capital investment analysts, in conjunction with an ESG investment analyst, conduct an independent assessment of the proxy resolutions and form an independent view on voting recommendations.
- DNR Capital engage proxy adviser, Ownership Matters, to provide supplemental proxy research. DNR Capital may also contact the investee company for further information.
  - Where the analyst's voting recommendation is counter to the investee company's or the proxy advisor's recommendation, the analyst will provide a written explanation justifying their voting recommendation.
- DNR Capital endeavour to notify investee companies where we vote against its recommendation.
- For Australian investments that are subject to the 'Two Strikes' legislation, where an investee company incurs a first strike, DNR Capital regularly engage with the investee company's Chair to improve their remuneration policy and practices to reduce the likelihood of a second strike.
- DNR Capital may choose not to vote where there is a conflict of interest, or other circumstances where it may be deemed to be not in the client's best interest to vote.

## 7.2 Proxy voting guiding principles

DNR Capital make voting decisions in the best interests of our clients and with reference to our governance principles, which are informed by ASX Corporate Governance Council's Principles and Recommendations. These include:

- 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.
- Where a company proposes a "Say on Climate" resolution, we will use our Climate Change Assessment and Engagement Framework (please refer to DNR Capital's Climate Change Policy for further detail) to assess the merit of the proposal.
- When considering shareholder resolutions, DNR Capital will assess the merit of the proposal and vote in line with our clients' best interests. Consideration will be given to the proposed mechanism for change (i.e. change to the Company's Constitution or similar) and the substance of the proposal relative to the company's publicly committed actions. DNR Capital may vote in favour of a shareholder resolution as an escalation measure where previous environmental, social or governance engagement has been unsuccessful.
- DNR Capital may vote against a proxy resolution as an escalation tool, where other corporate engagement initiatives have been unsuccessful. These cases are considered on a case-by-case basis and may include voting against executive remuneration or the re-election of a director.

## 8 Feedback, review and reporting

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

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

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

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

## 9 Roles and responsibilities

### 9.1 The Board

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

### 9.2 Socially Responsible Investment (SRI) Committee

DNR Capital's SRI committee was established in 2010 and oversees the implementation of its Stewardship policy. The SRIC is a subcommittee of the Board delegated Investment Committee (IC).

### 9.3 Investment team

DNR Capital's 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. Responsible investment outcomes 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
  - Organisational standards
  - Internal policies and procedures
- Business risk – the risks that failing to consider ESG related matters may result in poor business outcomes for the company, with a key risk being loss of the AFSL and a direction to cease operations. Compliance with this Policy will enable the Board and delegated staff to appropriately manage this risk by implementing appropriate investment governance procedures.
- Reputational risk – the associated damage to the company's reputation because of public reporting of non-compliance with our obligations or by being perceived as non-compliant within the market or not meeting undertakings made to clients and investors. This may also have a detrimental effect on the profitability of the company due to loss of confidence by clients and investors. DNR Capital intends to mitigate our reputational risk through the implementation of robust ESG risk management processes, and by documenting our approach to stewardship,

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.
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

Controls to mitigate these risks include:

- Review and approval of stewardship disclosures
- Maintaining records of engagement activities and outcomes

## 11 Monitoring compliance with the Policy

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

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

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

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

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

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

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

- the number or frequency of similar previous instances of non-compliance by the officer, employee and/or agent (including or service providers)
- whether the non-compliance was intentional or reckless
- the impact the non-compliance has on the ability of DNR Capital to continue to provide the financial services covered by its AFSL
- the actual or potential loss arising to DNR Capital or a client of DNR Capital because 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 of Risk & Compliance can apply reasonable discretion in considering how to apply the requirements of the Policy.

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

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

## 15 Related policies

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

- ESG Policy (Investments)
- ESG Policy (Corporate)
- Climate Change Policy
- Emerging Companies ESG and Stewardship Policy and Procedure;
- Personal Share Trading Policy
- Conflict of Interest Policy and Procedure
- Investment team policies and procedures
- Risk Management Policy and Procedure.