



Investments

Environment, Social and Governance (ESG) Policy

DNR Capital (DNR Capital)

Document Control Sheet

Document Summary

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1 Commitment to the Policy

The Directors and Management Team of DNR Capital (collectively referred to as DNR Capital) are committed to effectively managing Environment, Social and Governance (ESG) issues such that risks and opportunities are identified and properly assessed.

This ESG Policy (the Policy) has been adopted by the Investment Team and presents the framework upon which the company will meet its regulatory obligations under its Australian Financial Services Licence (AFSL).

Where there is any doubt as to the requirements contained in this Policy, you should have regard to the principle that DNR Capital will always ensure the company conducts its financial services business in an efficient, honest and fair manner in line with 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.

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 managing ESG issues in its investment decisions.

4 Who should know and understand the Policy

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

- Directors
- 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 actions. 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 electronically on the intranet of the company.

5 Obligations under this Policy

5.1 What is ESG?

ESG is an acronym for Environmental, Social and Governance. DNR Capital recognises that companies with good ESG practices can enhance shareholder returns.

As an investor, DNR Capital incorporates ESG factors into the investment decision making process and has a particular focus on ESG tail risks that may be overlooked by financial analysts and hence not efficiently priced by the market. It also seeks out companies within industries which are naturally aligned to contributing to positive and sustainable outcomes for the broader community such as education, health, IT solutions and social infrastructure.

Environment

At DNR Capital, consideration includes:

- environmental policies including commitment to monitoring and publically reporting on these policies
- commitment to address product/ service impact
- strategic moves towards sustainability

Social

At DNR Capital, consideration includes:

- systems for managing health and safety
- policies promoting employee training and development
- involvement in charitable/community work

Governance

At DNR Capital, consideration includes:

- global corporate governance practices such as:
 - having a separate chair and chief executive
 - having more than 33% of the board as independent non-executives
 - having an audit committee, and the majority of whose members are independent non-executives and disclosure of the remuneration of company directors.
- compliance with the ASX Corporate Governance Principles and Recommendations as published from time to time.

5.2 Why is ESG important?

DNR Capital believes that a company's approach to managing ESG issues can have a meaningful impact on the company's long term viability (profits) and success (reputation). That is, companies that act in a responsible way are likely to perform better over the long term.

Furthermore, DNR Capital believes that including ESG issues in its investment process is consistent with its objectives as an active investment manager.

5.3 Key ESG factors considered during the DNR Capital screening process

DNR Capital assesses companies in the ASX200 based on the below criteria. It ranks

companies based on their scoring against the criteria with a bias to those with scoring above the 50th percentile. This is a starting point to determine ESG scores and then further research is undertaken.

Environment:

- Energy efficiency
- Emissions Reduction Initiatives
- Environmental Supply Chain Management
- Green Building Policy
- Waste Reduction
- Water Policy
- Sustainable Packaging
- Environmental Quality Management
- Climate Change
- Biodiversity

Social:

- Supply Chain Management
- Community Involvement
- Health and Safety
- Fair Remuneration
- Training
- Equal Opportunity
- Human Rights
- Policy Against Child Labour
- Business Ethics Policy
- Employee Protection / Whistle Blower Policy

Governance:

- Separate CEO and Chairman
- Majority Independent Directors
- Independent Compensation Committee
- Female Representation
- Board Meeting Attendance
- Sustainability Committee
- ESG Linked Compensation for Board

Climate Risk:

This Policy confirms the key ESG factors considered by DNR Capital during the wider investment screening, decision making and portfolio construction process and includes specific reference to climate change.

DNR Capital takes climate risk into account when undertaking investment analysis to identify risks that may impact future financial performance. It should be noted that decisions about whether to buy, hold or sell investments are based primarily on traditional financial analysis, however DNR Capital has access to climate-related data through external service providers and focusses on a business's disclosures around:

- Governance
- Strategy
- Risk Management, and
- Metric and Targets.

DNR Capital is a signatory to the Carbon Disclosure Project (CDP) and is a member of the Responsible Investment Association Australasia (RIAA).

5.4 Application of key ESG factors

DNR Capital believes factoring ESG into the investment process leads to outperformance because ESG tail risks are often not analysed and priced effectively by the market. Companies that recognise the benefits of a good ESG policy are better placed to manage tail risks such as environmental damage, workplace accidents and scandals.

In addition, there are some positive factors that create a virtuous cycle such as improved employee conditions which will drive retention, lead to better customer service and hence profits; and efficiency gains from reducing waste that not only leads to saving resources but also money.

DNR Capital evaluates and scores securities on ESG considerations (including climate-related risk). This score is derived from its assessment which uses information from external data providers as well as its own research and direct corporate engagement. The ESG score forms part of a broader assessment of a business's overall quality attributes using DNR Capital's 'quality web' analysis.

5.4 Principles of Responsible Investment

DNR Capital is a signatory to the Principles for Responsible Investing (PRI).

The PRI provides a six-point framework for the investment community to enhance ESG awareness. The Socially Responsible Portfolio has been certified by the Responsible Investment Association of Australasia (RIAA) according to the strict disclosure practices required under the Responsible Investment Certification Program.

6 Roles and Responsibilities

6.1 The Board

The Board is at all times responsible for DNR Capital's investments.

6.2 Socially Responsible Investment (SRI) Committee

As part of its commitment to responsible investment practices, DNR Capital operates a monthly **SRI Committee** where broad issues are discussed, and which is responsible for overseeing the ESG database.

The SRI Committee oversees security selection and provides guidance in regards to matters of ethical judgement and ensures the Socially Responsible Investment portfolio adheres to the screening methodology.

6.3 Investment team

ESG factors are woven into day to day investment management decision making and is the responsibility of the entire investment team

7 Risks of non-compliance to the company

The risks to the company of not complying with this Policy include:

- **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 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 caring for our clients and investors. This may also have a detrimental effect on the profitability of the company due to loss of confidence by clients and investors. By approving and implementing a robust approach to ESG concerns, DNR Capital intends to mitigate our reputational risk.

8 Monitoring compliance with the Policy

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

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.

Where instances of non-compliance with the Policy have been identified the Risk & Compliance Manager 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 Risk & Compliance Manager 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.

9 Review of the Policy

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

As part of the review, the Management Team in conjunction with the Risk & Compliance Manager shall also ensure that any related policies or procedures are reviewed by relevant officers, employees and/or agents. The Risk & Compliance Manager will maintain a schedule of reviews to be undertaken as part of the review of this Policy.

10 Training on the Policy

As DNR Capital is committed to ensuring the continued compliance with this Policy, a program of regular training sessions will be provided to staff both when they commence and on an ongoing basis.

Induction Training

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

Ongoing Training

The Chief Investment Officer will also provide refresher training on the Policy and procedure at least annually (or as required, where a material change is made to the Policy).

11 Applying discretion to the Policy

Notwithstanding any requirement contained in this Policy, the Chief Investment Officer can apply reasonable discretion in considering how to apply the requirements of the Policy.

When applying discretion in relation to a particular matter, the Chief Investment Officer 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.

12 Related policies

The following policies contain provisions which are directly or indirectly related to the contents

of this Policy:

- Investment team policies and procedures
- Risk Management Policy and Procedure.

13 Further information

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