

# Responsible Investment Policy

As at May 2024



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## Introduction

This Responsible Investment Policy (“**Policy**”) provides a framework to guide how responsible investment principles are incorporated in our operations for investment research and investment consulting solutions across Zenith Investment Partners Pty Ltd, Zenith CW Pty Ltd and FE fundinfo (Australia) Pty Limited (collectively referred to as the “**Group**”).

Zenith Investment Partners Pty Ltd (“**Zenith**”) is one of Australia’s leading investment consulting and research providers, dedicated to the delivery of premium investment solutions for advice intermediaries and their investors. Its key areas of expertise are in managed fund research, portfolio construction and investment management.

Zenith CW Pty Ltd (“**Chant West**”) is a leading research, data and analytics provider offering a suite of premium services, insights and tools to the financial advice and superannuation sectors. Its primary area of expertise is researching superannuation funds, including assessment of their investment capabilities and investment options.

FE fundinfo Limited (“**FE fundinfo**”) is a global leader in investment fund data and technology. It facilitates better, more efficient investing by connecting fund managers and fund distributors on a global scale.

FE fundinfo, enable clients to share and act on trusted, insightful information to make better, more informed decisions. It also provides the data, tools, infrastructure, and expertise required to research, distribute and market funds and model (or managed) portfolios.

Unless otherwise stated, this Policy is separate from the Group’s corporate business policies as these relate to the firm’s business operations.

The Group’s clients comprise a diverse set of clients with a wide range of views on responsible investment. As such, the Group recognise that it is ultimately the clients’ choice regarding the types of managed funds and superannuation investment options (“**investment funds**”) they support.



## 1. Background

The Policy is a continuation of the existing Group research and investment consulting processes undertaken by Zenith and Chant West. Unless specified, this policy does not extend to any other products or services from FE fundinfo which the Group may distribute but where the Group does not have operational control.

The Group maintains an internal Responsible Investment Committee that oversees the principles contained in this Policy. The Responsible Investment Committee comprises a minimum of three members and operates under the supervision of a Chairperson appointed by the Group.

While this Policy will be reviewed at least annually, this will occur more frequently if meaningful changes are made to the Group's methodologies or in response to any relevant legislation or regulatory changes. Any change in this Policy will be subject to approval from the Responsible Investment Committee and recorded in **Appendix 1**.

Roles and responsibilities of the Responsible Investment Committee as well as current members, are contained in **Appendix 2**.

## 2. The Group's Definition of Responsible Investment

There is no universal definition of what constitutes responsible investment principles. It can be used as an umbrella term for the various ways in which investors can consider environmental, social and governance (ESG) factors within security selection and portfolio construction. As such, it may combine financial with non-financial outcomes and complements traditional financial analysis and portfolio construction techniques.

The Group also recognises the definition of responsible investment as provided by the Principles of Responsible Investment (PRI):

*"Responsible investment is a strategy and practice to incorporate environmental, social and governance (ESG) factors in investment decisions and active ownership."*

ESG factors can include a wide range of issues under the E, S and G pillars which investors can consider. While there are a range of common factors such as climate change (environmental), human rights (social) and transparency (governance), ESG factors often encompass more than one of the E, S and G segments.

For other key investing terms used by the Group in the context of responsible investment, refer to Appendix 3.



### 3. Scope

The Group believes that responsible investment principles can be applied across all major asset classes, including:

- Equities
- Cash & Fixed Interest
- Property
- Real Assets
- Alternatives

The level of incorporation of responsible investment principles varies by each asset class, as does the degree of materiality and the extent to which these may be measured.

### 4. The Group's Responsible Investment Principles

The Group summarises its beliefs regarding responsible investment in the following core principles:

1. Responsible investment promotes a sustainable economy, which is ultimately essential for investors and the integrity of capital markets.
2. Responsible investment factors impact financial returns and risks.
3. We recognise the diverse objectives under which both investors and managers operate. Values, investment styles, asset markets and jurisdictions are not homogenous. Accordingly, our approach to responsible investment assesses the full spectrum of investment methodologies and approaches available.
4. Where relevant, all investment professionals should consider material responsible investment factors when considering investment analytics and decision-making.
5. We will seek appropriate disclosure on responsible investment principles by the investment managers and superannuation funds we review.
6. Investment funds that claim to incorporate responsible investment elements should include adequate disclosures explaining the specific process being used, along with periodic verification that the stated processes are being followed.
7. Responsible investment factors and associated issues are dynamic. Best practice dictates that continual research and monitoring are a prerequisite to adequately manage responsible investment issues over time.

### 5. Implementation - Investment Research

In accordance with our responsible investment principles, the consideration of responsible investment issues by investment managers and superannuation funds is incorporated into the broader investment research methodologies across the Group.

The Group has developed a Responsible Investment Classification framework as a primary tool to aid this process. The objective of this framework is to aid in the identification, assessment and communication of the responsible investment approaches implemented by investment managers and superannuation funds.



The Group's Responsible Investment Committee has the primary responsibility to create and advance the responsible investment research agenda.

At a high level, this process is continually informed by the Group's interactions on responsible investment issues with a wide range of industry stakeholders, including clients, investment managers, superannuation funds and external industry groups.

Investment research is solely undertaken by the Research Teams of Zenith and Chant West, with each analyst specialising in distinct asset classes.

## 6. Responsible Investment Classification

The Group believes that individual investors are best positioned to determine the funds most closely aligned to their beliefs and values. To provide clients with increased responsible investment insights, we have created a robust fund classification system. The aim is to create a framework for investors to understand an investment manager's incorporation of responsible investment themes within their process and associated impacts on the final portfolio outcome. Classifications are fund specific and do not extend to the broader organisation level of an investment manager or superannuation fund.

At Zenith, all investment funds that hold a current Investment Grade rating as per its investment research methodology (<https://www.zenithpartners.com.au/our-solutions/Investment-research/fund-research-regulatory-guidelines/#ratings>) will receive a Responsible Investment Classification subject to the exclusions listed in **Appendix 4**.

Any investment fund that ceases to hold an 'Investment Grade' rating will have their Responsible Investment Classification set to 'Not Assigned'. For Chant West, Responsible Investment Classifications are assigned to all investment options rated by Chant West as per its investment ratings methodology (<https://www.chantwest.com.au/ratings/our-methodology/>).

Any investment fund issued a Responsible Investment Classification which then has its Investment Grade rating placed 'Under Review' by a Research Team will continue to display the Responsible Investment Classification unless the reason for placing the fund Under Review directly relates to its Responsible Investment Classifications status.

Responsible Investment Classifications are assigned during the formal ratings process, which is undertaken annually. Responsible Investment Classifications may however be subject to change at any time.

The assessment of each investment fund's Responsible Investment Classification is a component of the relevant Research Team's review process.

Zenith's Responsible Investment Classification ("**Responsible Investment Classification**") system is based on five categories.



RI Categories	Descriptions
Traditional	Seek to achieve a stated investment outcome, with little to no regard for RI factors.
Aware	Seek to achieve a stated investment outcome, taking into consideration a broad range of factors including RI.
Integrated	Seek to achieve a stated investment outcome, expressly taking into consideration RI factors which may materially alter the Fund's permitted universe and portfolio allocations.
Thematic	Seek to achieve an investment outcome that includes an explicit RI objective – both measurable and reportable.
Impact	Aims to generate a positive, measurable social and environmental impact alongside a financial return.

The Responsible Investment Classification is not assigned on a peer-relative basis, but rather on an absolute basis irrespective of asset class, investment methodology or style.

Consistent with the broader investment fund rating processes of Zenith IP and Chant West, the assessment of a funds Responsible Investment Classification utilises a range of quantitative and qualitative inputs determined as being material by the relevant Research Team and the Responsible Investment Committee.

Fundamentally, this information will include aspects relevant to:

- The responsible investment philosophy, policy and culture of the investment manager or superannuation fund.
- Resourcing for the assessment of responsible investment issues.
- How responsible investment issues are incorporated in the investment approach of the investment manager or superannuation fund.
- Implementation and incorporation of stewardship and engagement activities.

## 7. Monitoring

The relevant Research Team continually monitors whether the current Responsible Investment Classification remains valid (accepting any exclusions as per **Appendix 4**).



Classifications are formally reviewed annually with ongoing monitoring by the relevant Research Team. Responsible Investment Classifications may be altered at any time in response to new information or events.

## 8. Implementation – Advisory Activity

### Zenith Investment Partners

Zenith provides advice-based research and investment consulting solutions designed in consultation with each of our clients to match their specific business and client requirements. These portfolio and advisory services are primarily provided by the Investment Consulting Team, which is in turn, powered by the Zenith Research Team.

Portfolios are constructed and managed to achieve a range of investment objectives. Zenith produces fully active portfolios, income portfolios, retirement, lower cost solutions incorporating a combination of passive and active solutions, low volatility, smart beta and responsible investment-focused portfolios.

In advising a client on strategy selection, manager blending and selection, the Consulting Team will aid in integrating any policy considerations regarding responsible investment deemed material by the client.

Unless specifically stated in the product design, Zenith IP does not rely heavily on top-down, macroeconomic input to create portfolios. Therefore, asset allocations do not typically tactically change based on these sources. Instead, formal asset allocation reviews are undertaken annually.

Within broad asset classes, Zenith IP incorporates ‘strategic tilts’, which are deliberate asset allocation deviations from the broad benchmarks. These are implemented where Zenith IP considers there to be additional return or diversification benefits from an increased allocation. Zenith believes that issues relating to responsible investment principles can impact the value of investments over both the short and long term. As such, we aim to incorporate responsible investment in the same considered fashion as other risks that may impact investment performance using fund selection as a tool to achieve these ends.

### Portfolio design and exclusions principles

Zenith may take into account labour standards, environmental, social or ethical considerations as part of its investment selection process. However, Zenith has no predetermined view about which labour standards, environmental, social or ethical considerations it may consider or the extent to which these issues will be taken into account.

The basic portfolio design principles of Zenith IP’s ‘Responsible Investment’ portfolios seek to utilise external managers whose funds have complementary investment styles and strategies and who Zenith believe have a strong commitment to responsible investment principles.





In constructing portfolios, Zenith IP uses their Responsible Investment Classifications along with other portfolio construction tools to determine fund inclusion. Where possible, preference is given to funds that are classified 'Integrated', 'Thematic' or 'Impact'. For asset classes which lack a suitable strategy with at least an RI Classification of 'Aware', Zenith overlays qualitative judgment in assessing whether a fund is suitable.

In constructing portfolios, where possible Zenith endeavours to preference funds which are subject to exclusion policies by the manager. In particular, we seek to minimise exposure to the following industries by selecting funds which have mandates to limit exposures to:

- Tobacco
- Alcohol
- Gambling
- Armaments
- Adult Entertainment
- Fossil Fuels

It should be noted that individual underlying fund exclusion policies tend to vary based on whether an exclusion applies directly (i.e. at the enterprise level), indirectly (in an enterprises value chain), or is subject to materiality thresholds. While we will endeavour to maximise the extent to which exclusions apply across a portfolio via fund selection, it should be noted that different risk settings in asset allocation may also alter the proportion of exclusions in any particular portfolio. It should be also be recognised that removing all exposures either direct or indirect or within businesses value chains, may not be possible.

While preferencing funds which have exclusion policies in place, we may invest in strategies where exclusions are only partial in nature or absent, if we believe other fund options in that asset class are not suitable for the overall portfolio design.

Design and exclusions principles are a guide only. Details on individual portfolios will be contained in the relevant offer documentation.

Prepared by:

Zenith Investment Partners Pty Ltd

and Zenith CW Pty Ltd (collectively

referred to as the "Group")

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## Appendix 1

### Policy Review

Version	Modified By	Modifications Made	Date modified
1.0	Zenith Responsible Investment Committee	Initial Policy	8 September 2020
1.1	Zenith Responsible Investment Committee	Update to Appendix 4, Responsible Investment Classification Exclusions	16 June 2021
1.2	Zenith Responsible Investment Committee	To reflect ChantWest's rollout of RI Classifications and inclusion of Responsible Investment Committee Membership details	22 December 2021
1.3	Zenith Responsible Investment Committee	Updated to reflect new definition wording for 'Impact' classification	23 February 2022
1.4	Zenith Responsible	General update	8 June 2023
1.5	Zenith Responsible Investment Committee	Update to portfolio design and exclusion principles	22 August 2023
1.6	Legal & Compliance	Definition of Integrated	17 October 2023
1.7	Legal & Compliance	Update of composition of Responsible Investment Committee	4 March 2024
1.8	Legal & Compliance	Update of composition of Responsible Investment Committee	21 May 2024



## Appendix 2

Role	Responsibility & Accountability
Responsible Investment Committee	<ul style="list-style-type: none"><li>• Setting and promoting a culture of responsible investment awareness across the Group.</li><li>• Approve the Responsible Investment Policy.</li><li>• Oversee the implementation and operation of the Group's Responsible Investment Classification framework.</li><li>• Ensuring appropriately skilled resources are allocated to Responsible Investment Committee and ensure that a consistent methodology for the Responsible Investment Classification framework is being implemented across the Research Team.</li><li>• Monitor, review, update and endorse The Group's Responsible Investment Classification framework, as necessary.</li></ul>
Responsible Investment Committee Chairperson	<ul style="list-style-type: none"><li>• Provide appropriate leadership and direction to the Responsible Investment Committee.</li><li>• Ensure that the Group's treatment and classification regarding responsible investment issues as it relates to investment research is robust, balanced and appropriate.</li></ul>



## Composition of Responsible Investment Committee

Name	Title
Dugald Higgins (Chairperson)	Head of Responsible Investment & Sustainability
Jock Allen	Senior Investment Analyst
Pelin Demir	Investment Analyst
Mano Mohankumar	Senior Investment Research Manager
Alan Chuong	Associate Investment Analyst
Sean Currie	Investment Analyst
Marko Bagaric	Associate Investment Consultant
Manuela Sikos	Head of Legal & Compliance



## Appendix 3

### Key terms

**Responsible Investment:** An umbrella term for the various principals by which investors can consider environmental, social and governance (ESG) factors within security selection and portfolio construction. As such, it may combine financial with non-financial outcomes and complements traditional financial analysis and portfolio construction techniques.

**ESG investing:** ESG investing is an approach to managing assets where investors explicitly incorporate ESG factors in their investment decisions with the long-term return of an investment portfolio in mind.

**ESG factors:** Can include a wide range of issues under the E, S and G pillars which investors can consider, as follows:

	Environmental	Social	Governance
Definition	Factors pertaining to the natural world. Include the use of, and interaction with, renewable and non-renewable resources (e.g. water, minerals, ecosystems and biodiversity).	Factors that affect the lives of humans. Includes the management of human capital, non-human animals, local communities and clients.	Factors that involve issues tied to countries and/or jurisdictions, or are common practice in an industry; as well as the interest of broader stakeholder groups.
Factor example	Climate change	Human rights	Bribery and corruption



## Appendix 4

Responsible Investment Classification Exclusions	Reason
Investment Bonds	Investment Bonds are a form of insurance policy that typically utilise a range of investment products combined with specific tax treatment to deliver tax-paid investment outcomes to beneficiaries. While the investment options contained within an Investment Bond may hold a Responsible Investment Classification, the Investment Bond itself will not.
Certain retirement products	Some Retirement Products carry a range of investment strategies in a set menu, with selection at the individual investor's discretion. As a range of Responsible Investment Classifications may apply to the implementation of the underlying strategies, it is not practical to assign a Responsible Investment Classification at the Fund level.