

Zenith Responsible Investment Policy

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Introduction

Zenith Investment Partners (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. Our key areas of expertise are in managed fund research, portfolio construction and investment management.

Zenith's Responsible Investment Policy ("the Policy") provides a framework to guide how responsible investment is integrated in our operations for investment research and investment consulting solutions.

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

Zenith's clients comprise a diverse set of clients with a wide range of views on responsible investment. As such, we recognise that it is ultimately our client's choice regarding the types of investment products they support.



1. Background

The Policy is a continuation of our existing research process and has been designed to aid in the identification and evaluation of Investment products.

Zenith has created an internal Responsible Investment Committee that oversees the principles contained in this Policy. The Responsible Investment Committee will comprise a minimum of three members, and will operate under the supervision of a Chairperson appointed by Zenith.

While this Policy will be reviewed at least annually, this will occur more frequently if meaningful changes are made to our 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 are contained in **Appendix 2**.

2. Zenith's Definition of Responsible Investment

There are no universal definitions of responsible investment. Zenith supports 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 are influenced by individuals' values. Accordingly, they represent a dynamic landscape. 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. As an example, a broader sample list of factors can be found in **Appendix 3**.

3. Scope

Zenith believes that Responsible Investment principles can be applied across all asset classes, including:

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

The current level of integration of Responsible Investment by each asset classes varies, as does the degree of materiality and the extent to which these may be measured.



4. Zenith's Responsible Investment Principles

Zenith 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 seek to empower clients by providing tools and services for investors to select and monitor investment options.
4. 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 supports the full spectrum of investment methodologies available.
5. Where relevant, all investment professionals should consider material Responsible Investment factors when considering investment analytics and decision-making.
6. We will seek appropriate disclosure on Responsible Investment issues by the investment managers we review.
7. Investment products 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.
8. 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 is formally integrated into Zenith's broader investment research methodology.

To aid this process, Zenith has developed a Responsible Investment classification framework. The objective of this framework is to aid in the identification, assessment and communication of the responsible investment approaches implemented by investment managers.

Zenith'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 Zenith's interactions on Responsible Investment issues with a wide range of industry stakeholders, including clients, investment managers and external industry groups.

Investment research is solely undertaken by Zenith's Research Team, with each analyst specialising in distinct asset classes.



6. Responsible Investment Classification

Zenith 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 integration of Responsible Investment themes within their process and associated impacts on the final portfolio outcome. Classifications are fund specific and do not extend to an investment manager's broader organisation.

All investment products that hold a current Zenith investment grade rating as per Zenith's Investment research methodology (<https://www.zenithpartners.com.au/our-solutions/investment-research/fund-research-regulatory-guidelines/#ratings>) will receive a Zenith Responsible Investment Classification subject to the exclusions listed in Appendix 4.

Any investment product that ceases to hold an Investment Grade rating will have their Responsible Investment Classification set to 'Not Assigned'.

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

Zenith's Responsible Investment Classification system is based on five tiers.

RI Categories	Description
Traditional	Seek to achieve a stated investment outcome, with little to no regard for RI/ESG factors
Aware	Seek to achieve a stated investment outcome, taking into consideration a broad range of factors including RI/ESG
Integrated	Seek to achieve a stated investment outcome, expressly taking into consideration RI/ESG factors which materially alter the Fund's permitted universe and portfolio allocations
Thematic	Seek to achieve an investment outcome that includes an explicit RI/ESG objective - both measurable and reportable
Impact	Target investments aimed at generating a positive, measurable social & 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 product rating process, Zenith's Responsible Investment Classification assessment 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
- Resourcing for the assessment of responsible investment issues



- How responsible investment issues are incorporated in the investment approach of the investment manager.
- Implementation and incorporation of stewardship and engagement

7. Monitoring

The Zenith Responsible Investment classification will be progressively applied to funds holding an Investment Grade rating from September 2020. The Zenith Research Team will continually monitor whether the current Responsible Investment Classification remains valid (accepting any exclusions as per **Appendix 4**).

Classifications are formally reviewed as part of the annual sector review process with ongoing monitoring by the Research team.

8. Implementation – Advisory Activity

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 Zenith's Investment Consulting Team, which is, in turn, powered by Zenith's 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, Zenith's Investment Consulting Team will aid in integrating any policy considerations regarding Responsible Investment deemed material by the client.

Zenith does not rely heavily on top-down, macroeconomic input to create portfolios. Therefore, we do not typically change our asset allocations tactically based on these sources. Instead, formal annual asset allocation reviews are undertaken.

Within broad asset classes, Zenith incorporates 'strategic tilts', which are deliberate asset allocation deviations from the broad benchmarks. These are implemented where Zenith considers there to be additional return or diversification benefits from an increased allocation. Zenith does not take into account labour standards or environmental, social or ethical considerations when constructing portfolios unless directed by the client.

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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

Appendix 2

Roles and Responsibilities

Role	Responsibility & Accountability
Responsible Investment Committee	<ul style="list-style-type: none">Setting and promoting a culture of Responsible Investment awareness within Zenith.Approve the Responsible Investment Policy.Oversee the implementation and operation of Zenith's Responsible Investment classification framework.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.Monitor, review, update and endorse Zenith's Responsible Investment classification framework, as necessary.
Responsible Investment Committee Chairperson	<ul style="list-style-type: none">Provide appropriate leadership and direction to the Responsible Investment Committee.Ensure that Zenith's treatment and classification regarding Responsible Investment issues as it relates to investment research is robust, balanced and appropriate.



Appendix 3

Common Responsible Investment Issues

Environmental	Social	Governance
Climate change	Health & Safety	Management structure
Uranium & nuclear power	Workplace health & safety	Ownership
Fossil fuels	Labour standards (including supply chain)	Board diversity
Carbon footprint	Child & forced labour	Director independence
Sustainability	Human rights	Remuneration
Reduced resource consumption	Equal opportunities	Board entrenchment
Renewable energy	Employee standards	Governance
Deforestation & old growth logging	Food security	Compliance
Resource sourcing & depletion	Compensation & benefits	Board accountability
Site rehabilitation	Conflict	Ethics
Biodiversity & Water	Product safety & quality	Political lobbying
Management of water resources	Respect for indigenous peoples	Transparency
Soil degradation	Affordable housing	Whistle-blower schemes & protection
Habitat protection	Community Standards	Tax strategy & avoidance
Genetic engineering	Animal cruelty	Corruption
Pollution & waste	Gender equality & diversity	Shareholder rights
Waste reduction	Community relations	Protection of property rights
Recycling materials	Socio-economic development	Financial policies & accounting
Waste treatment	Alcohol	Anti-competitive practices
Packaging material	Junk food	
Electronic waste	Pornography	
Toxic emissions	Gambling	
Chemicals of concern	Tobacco	
	Controversial weapons & firearms	
	Responsible banking & financial product safety	
	Data protection & privacy	
	Religious beliefs and values	



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 Zenith 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 investors discretion. As a range of RI Classifications may apply to the implementation of the underlying strategies, it is not practical to assign a Responsible Investment Classification at the Fund level.