

# **Responsible Investment Policy**

**December 2021**

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## Introduction

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

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

Zenith Group 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 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 Zenith Group’s existing research processes and has been designed to aid in the identification and evaluation of investment funds.

The Zenith 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 Zenith Group.

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 as well as current members, are contained in **Appendix 2**.

## 2. Zenith Group’s Definition of Responsible Investment

There are no universal definitions of responsible investment. The Zenith Group 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.”*

Responsible Investment factors are frequently influenced by individual or societal 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

The Zenith Group 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 incorporation of Responsible Investment by each asset class varies, as does the degree of materiality and the extent to which these may be measured.

### 4. Zenith Group’s Responsible Investment Principles

The Zenith 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 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 and superannuation funds we review.

7. 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.
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 and superannuation funds is incorporated into the broader investment research methodologies across the Zenith Group.

To aid this process, the Zenith Group 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 and superannuation funds.

The Zenith 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 Zenith 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 Zenith 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 / superannuation fund'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 Zenith 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 Zenith 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'.

With 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/fund-ratings/super-methodology>).

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

The Zenith Group’s Responsible Investment Classification (“**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 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 Investment Partners and Chant West, our 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 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

### Zenith Investment Partners

The Responsible Investment Classification has been applied to funds holding a Zenith Investment Partners ‘Investment Grade’ rating from September 2020 with Chant West to progressively apply

the Responsible Investment classifications to all rated investment options from December 2021. The relevant Research Team continually monitors whether the current Responsible Investment Classification remains valid (accepting any exclusions as per **Appendix 4**).

## Zenith Group

Classifications are formally reviewed annually with ongoing monitoring by the relevant Research Team.

## 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 Zenith’s Investment Consulting Team, which is, in turn, powered by its 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 asset allocations tactically based on these sources. Instead, formal asset allocation reviews are undertaken annually.

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.

Prepared by:

Zenith Investment Partners Pty Ltd

and Zenith CW Pty Ltd (collectively

referred to as the “Zenith Group”)

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## Appendix 1

### Policy Review

Version	Modified by	Modifications made	Date modified
1.0	Zenith Group Responsible Investment Committee	Initial Policy	8 September 2020
1.1	Zenith Group Responsible Investment Committee	Update to Appendix 4, Responsible Investment Classification Exclusions	16 June 2021
1.2	Zenith Group Responsible Investment Committee	Updated Policy to reflect Chant West's rollout of RI Classifications and inclusion of Responsible Investment Committee Membership details	22 December 2021



## Appendix 2

### Roles and Responsibilities

Role	Responsibility & Accountability
Responsible Investment Committee	<ul style="list-style-type: none"><li>• Setting and promoting a culture of Responsible Investment awareness across the Zenith Group.</li><li>• Approve the Responsible Investment Policy.</li><li>• Oversee the implementation and operation of the Zenith 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 Zenith 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 Zenith Group's treatment and classification regarding Responsible Investment issues as it relates to investment research is robust, balanced and appropriate.</li></ul>
Responsible Investment Committee members	<ul style="list-style-type: none"><li>• Dugald Higgins (Chairperson) – Head of Responsible Investment &amp; Real Assets</li><li>• Tom Goodrich – Senior Investment Analyst</li><li>• Jock Allen – Investment Analyst</li><li>• Pelin Demir – Investment Analyst</li><li>• Calvin Richardson – Investment Consultant</li><li>• Vanessa Benitez - Legal Counsel &amp; Compliance Officer</li><li>• Mano Mohankumar – Senior Investment Research Manager</li></ul>

## 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
Reduced resource consumption	Equal opportunities	Remuneration
Renewable energy	Employee standards	Board entrenchment
Deforestation & old growth logging	Food security	<b>Governance</b>
Resource sourcing & depletion	Compensation & benefits	Compliance
Site rehabilitation	Conflict	Board accountability
Management of water resources	Product safety & quality	<b>Ethics</b>
Soil degradation	Respect for indigenous peoples	Political lobbying
Habitat protection	Affordable housing	Transparency
Genetic engineering	Community standards	Whistle-blower schemes & protection
Waste reduction	Animal cruelty	Tax strategy & avoidance
Recycling materials	Gender equality & diversity	Corruption
Waste treatment	Community relations	Shareholder rights
Packaging material	Socio-economic development	Protection of property rights
Electronic waste	Alcohol	Financial policies & accounting
Toxic emissions	Junk food	Anti-competitive practices
Chemicals of concern	Pornography	
	Gambling	
	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 investor's 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.