

Responsible Investment Policy

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1 Introduction

Frontier’s Responsible Investment Policy (“the Policy”) sets out the way responsible investment is integrated into its investment research and advisory efforts.¹

The Policy is approved by Frontier’s Investment Committee and formally reviewed annually. The Investment Committee has delegated the day-to-day custody of the Policy to Frontier’s Responsible Investment Group. The key details of the Responsible Investment Group’s operations are set out in the Responsible Investment Group Charter. The Policy is made available on Frontier’s website.

2 Definition of responsible investment

As a signatory to the Principles of Responsible Investment (PRI), Frontier adopts the definition of responsible investment as provided by PRI and shown below.

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

ESG factors are numerous, vary widely, and are continually changing. Examples of ESG factors are shown in the table following.

Environmental	Social	Governance
Climate change	Human rights	Corporate culture
Resource depletion	Labour standards	Board composition
Biodiversity	Modern Slavery	Cyber Security
Waste management	Supply chain	Executive alignment
Pollution	Equality	Regulatory environment
Water resilience	Just transition	Corruption
Deforestation	Local communities	Disclosure and transparency

Frontier recognises that ESG factors often cross over between two or more of the Environmental, Social and Governance areas, but also importantly between ESG and “traditional” investment areas.

3 Responsible investment philosophy

Frontier’s summary Responsible Investment Philosophy is stated as follows:

“We integrate responsible investment considerations into our processes because incorporating material environmental, social and governance (ESG) factors will allow clients to manage risks better and generate sustainable long-term returns.”

The Responsible Investment Philosophy forms part of Frontier’s Investment Philosophy. Frontier considers the combination of “traditional” and responsible investment considerations to represent the

¹ The Policy is distinguished from Frontier’s corporate Environmental, Social and Governance (ESG) Policy which addresses the firm’s corporate social responsibilities and the sustainable operation of its business.

full extent of investment factors that investors must address to achieve long-term investment performance objectives.

As a firm, Frontier ensures its responsible investment efforts align with its core capabilities as an investment advisor to institutional asset owners and therefore concentrates on those services which demonstrably add value for its clients.

4 Responsible investment beliefs

Within the context of its investment philosophy, Frontier has the following responsible investment beliefs:

1. Belief 1 – Responsible investment supports a more sustainable real economy

Effective responsible investment reinforces the sustainability of the real economy and key global systems, which is vital for long-term, institutional asset owners

2. Belief 2 – ESG factors impact financial risks and returns

ESG factors can and do impact financial risks and returns, and therefore the sustainability of investment performance

3. Belief 3 – Responsible investment is a duty of a financial fiduciary

Appropriate consideration and management of ESG factors and issues reinforces the sustainability of investment performance. The effective integration of responsible investment into investment strategy and implementation is therefore a duty of a financial fiduciary

4. Belief 4 – Responsible investment should adapt as ESG factors change

ESG factors and issues are dynamic so continual research and monitoring are required to appropriately manage ESG risks and capture sustainable investment opportunities arising through time

5. Belief 5 – Responsible investment should account for ESG factor materiality

Both the materiality of, and the ability to effectively manage the impact on performance sustainability vary by ESG factor and should guide the allocation of responsible investment efforts and resourcing

6. Belief 6 - Active ownership² enhances an investment's risk/return profile

Active ownership, including effective engagement with relevant market participants and proxy voting, enhances the risk/return profile of investments

7. Belief 7 - Collective ESG action can more effectively drive positive change

Robust collective action on relevant ESG issues alongside like-minded market participants can reinforce the effectiveness of addressing those issues relative to acting in isolation

8. Belief 8 - Climate change is the highest priority ESG issue facing investors

Climate change is the highest priority ESG issue facing long-term investors with diversified, global portfolios due its expected impact on returns from all asset types and sectors. The

² Also known as Stewardship (see Glossary)

effective identification, assessment and management of risks and capture of opportunities arising from climate change will reinforce the sustainability of investment performance

9. Belief 9 - Responsible investment should be tailored for each investor

The approach to integrating responsible investment should account for an investor's unique set of objectives, constraints, and beliefs

Collectively, Frontier's responsible investment beliefs represent the foundation that underpins all the firm's efforts in this area. Any work undertaken by Frontier with respect to responsible investment will therefore reflect a demonstrable alignment with one or more of the beliefs.

5 Responsible investment research

5.1 Objective

In accordance with Beliefs 2, 3 and 4, the consideration of and research into ESG factors are formally integrated into Frontier's broader investment research efforts.

Furthermore, Frontier's clients are asset owners with highly diversified, long-term portfolios and therefore considered "universal owners". In accordance with Belief 1, such asset owners are reliant on a sustainable real economy, as well as predictable and stable global systems, to achieve their performance objectives.

The objective of Frontier's responsible investment research effort is to positively impact our clients' long-term investment outcomes by identifying, assessing and communicating material investment risks and opportunities arising from ESG factors.

5.2 Responsible investment research agenda

At the delegation of Frontier's Investment Committee, the Responsible Investment Group has primary responsibility to formulate and drive the firm's responsible investment research agenda. This process is continually informed by Frontier's engagement on responsible investment issues with a broad range of industry stakeholders including clients, investment managers and responsible investment advocacy groups.

Given the large number and wide variety of ESG factors, the formulation of Frontier's responsible investment research agenda must also consider the materiality of these factors. In accordance with Belief 5, ESG factors expected to have the most material impact on the long-term performance of client portfolios are prioritised for research.

Materiality in this context may variously refer to the expected scale of risk and/or opportunity, the prevalence of an ESG factor within the economy, and/or the degree to which Frontier assesses an ESG factor can reasonably be managed by clients.

Frontier is further informed by the UN Sustainable Development Goals which in aggregate are viewed as providing tangible and detailed guidance on the likely evolution of development-related policies and capital funding requirements to achieve them.

5.3 Research activity

Responsible investment research is primarily undertaken by Frontier's Research Teams, reflecting the domain expertise required to effectively analyse ESG factors within specific asset classes/capital markets. A Research Team may collaborate on responsible investment research with other business units including, but not limited to, other Research Teams, the Responsible Investment Group, Client Teams, and the Investment Governance team, on an as-needs basis. Where relevant, a Research Team may draw on externally produced responsible investment intelligence to supplement its proprietary analysis.

Each Research Team formally reviews material responsible investment matters across their relevant major asset classes/capital markets on at least an annual basis. More generally,

where deemed material, asset class/capital markets research reports will include consideration and analysis of relevant responsible investment issues.

5.4 Climate change

In accordance with Belief 8, the research of investment risks and opportunities arising from climate change is a standing component of Frontier's responsible investment research agenda. At the delegation of Frontier's Investment Committee, the Responsible Investment Group has primary responsibility to drive the firm's strategic thinking on climate change management at the portfolio level.

Each Research Team formally reviews material climate change-related investment matters across all major asset classes/capital markets on at least an annual basis. More generally, where deemed material, asset class/capital markets research reports will include consideration and analysis of relevant climate change issues.

6 Investment manager research

6.1 Objective

In accordance with Beliefs 3, 4 and 6, responsible investment considerations are formally integrated into Frontier's investment manager assessment, monitoring, and engagement processes. Frontier's client base utilises professional investment managers for investment implementation.

The objective of integrating responsible investment in Frontier's investment manager research effort is to positively impact our clients' long-term investment outcomes by identifying, assessing, and communicating the relative credibility and capabilities between investment products with respect to ESG.

6.2 Research activity

Manager research is primarily undertaken by Frontier's Research Teams reflecting the domain expertise required to effectively analyse ESG factors within specific asset classes and across types of investment products. Where relevant, a Research Team may draw on externally produced responsible investment intelligence to supplement its proprietary analysis.

6.3 Product assessment

The assessment of an investment manager's responsible investment credentials is a formal component of a Research Team's initial investment product rating process. Consistent with all other manager evaluation categories which are assessed for a rating, each product is assigned one to five stars which communicates the Research Team's summary view on the investment manager's capability in responsible investment relative to its peers.

Guidance on the required commentary to be provided in support of the number of stars assigned, is provided in Frontier's Manager Assessment Profile Summary (MAPS) template. The number of stars assigned and supporting commentary are reviewed, updated, and confirmed by the relevant Research Team as part of the periodic MAPS refresh process.

Consistent with the broader investment product rating process, the responsible investment assessment process is multi-faceted, drawing on a range of quantitative and qualitative inputs determined as being material by the relevant Research Team in accordance with Belief 5. Such inputs are sourced variously as needed, including via a dedicated responsible investment questionnaire. Direct discussions and case studies with the investment manager are also required elements of the research process as these support a greater depth of understanding relative to sole reliance on manager-supplied documentation.

Research Teams consider the following standing set of responsible investment areas of assessment, determining the materiality of each with respect to the specific product.

Emphasis is placed more on the appropriateness and suitability of the investment manager's responsible investment approach in the context of its overall strategy rather than on strict and potentially arbitrary metrics. Research Teams also integrate asset class/product-specific responsible investment considerations when deemed to be material.

10. Responsible investment philosophy and policy (Beliefs 1-4)
11. Responsible investment resourcing (Beliefs 3-7, 9)
12. Responsible investment integration (Beliefs 3-5)
13. Active ownership (Belief 6)
14. Collective activity on ESG issues (Belief 7)
15. Climate change (Belief 8)
16. Responsible reporting and servicing (Belief 9)

Frontier's Manager Ratings Committee is responsible for the consideration and approval of manager ratings beyond the delegations of the Research Teams.

6.4 Manager and product monitoring

Responsible investment considerations are formally incorporated into annual reviews of investment products. The objective is to review, update (as required) and/or re-confirm the Research Team's current assessment of the investment manager's responsible investment capability with respect to the product. A focus of the review is to document the evolution of the investment manager's responsible investment approach. The review also accounts for the evolution of responsible investment approaches in the product's peer group over the same period to consider the Manager's capabilities relative to peers.

Responsible investment considerations are also integrated and recorded where relevant within investment manager interactions outside the formal annual review cycle, e.g. via update meetings, ESG surveys.

6.5 Manager engagement

Research Teams actively engage with investment managers on an ongoing basis to encourage improvement across all facets of their operations. This formally includes engaging with investment managers on responsible investment considerations. The objective is to have investment managers continually deliver progressively better services to Frontier's clients over time.

As part of the ongoing monitoring of investment products, the Research Teams document their responsible investment engagement activities over time. The relative progress of such engagement activities for a given investment manager compared to peers may ultimately impact the number of stars a product is assigned for its responsible investment capabilities.

7 Client advisory

7.1 Objective

In accordance with Belief 9, Frontier acknowledges that each of its clients will approach responsible investment considerations in a unique way, depending on its unique set of objectives, resources, constraints, and values.

The objective is to positively impact our clients' long-term investment outcomes by assisting clients in tailoring the integration of responsible investment considerations into investment strategy and implementation decisions, consistent with their specific overall objectives and requirements.

7.2 Responsible investment advisory activity

Responsible investment advisory services are primarily provided by Frontier's Client Teams, reflecting the tailored requirements of each client in this area. Client Teams are responsible for fully understanding their client's responsible investment beliefs, philosophy, and policies.

By and large, responsible investment considerations are expected to be integrated into broader investment strategy and implementation recommendations, although periodically there may be stand-alone responsible investment projects commissioned by the client. A Client Team may collaborate on responsible investment advisory work with other business units including but not limited to, the Research Teams, the Investment Governance team, and the Responsible Investment Group, on an as-needs basis.

Typical (but non-exhaustive) areas of responsible investment advisory services provided include the following, with each Client Team working closely with the client.

- Responsible investment education and training
- Responsible investment beliefs surveys and workshops
- Assisting clients tailor responsible investment policy and/or strategy
- Climate change strategy and modelling including decarbonisation/net zero
- Thematic responsible investment research ideas
- Integrating responsible investment into manager selection and engagement
- Responsible investment analytics
- Support for modern slavery reporting
- Governance and compliance relating to responsible investment

7.3 Investment policy and strategic asset allocation

In advising a client on strategic asset allocation, where applicable, Frontier client teams will assist in integrating any responsible investment policy considerations deemed material by the client, into the determination of its investment policy, including the strategic asset allocation.

Frontier's Capital Markets and Asset Allocation Team (CMAAT) integrates ESG considerations into the development of its long-term capital market assumptions on an annual basis. CMAAT draws on ESG research from across the broader business including Frontier's sector Research Teams. ESG factors deemed material (e.g. transition to a lower-carbon economy), are considered alongside traditional factors, (e.g. productivity growth), in determining the long-term expected returns of major asset classes. These metrics are key inputs into portfolio modelling which is an important tool in determining a client's strategic asset allocation.

7.4 Climate change and capital markets modelling

In accordance with Belief 8, to assist its clients considering climate change factors as part of determining long-term investment strategy, Frontier has incorporated a Climate Change Module into its proprietary technology platform. The objective of the Climate Change Module is to provide an understanding of the potential impacts of climate change on investment portfolio outcomes under different potential temperature scenarios.

8 Collective activities

8.1 Objective

In accordance with Belief 7, Frontier participates in collective efforts on responsible investment. The nature of its participation varies from financial memberships of networks and collaborative initiatives supporting responsible investment policy, to informal interactions with other like-minded market participants on ESG issues.

The objective is to help drive positive changes that are expected to reinforce the sustainability of investment performance for Frontier's clients.

8.2 Membership/Signatory

Responsibility for fulfilling any ongoing requirements of the networks and collaborative initiatives of which Frontier is a member or signatory, lies primarily with the Responsible Investment Group.

8.2.1 Principles for Responsible Investment (PRI)

The six Principles for Responsible Investment are a voluntary and aspirational set of investment principles that offer a menu of possible actions for incorporating ESG issues into investment practice. They are provided below³.

- Principle 1: We will incorporate ESG issues into investment analysis and decision-making processes.
- Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices.
- Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest.
- Principle 4: We will promote acceptance and implementation of the Principles within the investment industry.
- Principle 5: We will work together to enhance our effectiveness in implementing the Principles.
- Principle 6: We will each report on our activities and progress towards implementing the Principles.

Frontier became a signatory of the PRI in October 2006 as a professional service partner. While not a steward or manager of assets, on becoming a signatory, Frontier has publicly committed to providing, developing, and promoting services that support its clients' implementation of the Principles.

In accordance with PRI requirements, Frontier reports publicly on its responsible investment activities each year and provides its PRI Transparency Report on the Frontier Advisors website.

8.2.2 Paris Pledge for Action

The Paris Agreement is a 2015 agreement within the UN Framework Convention on Climate Change with the goal of keeping the increase in global average temperature to well below 2°C

³ Source: PRI

above pre-industrial levels, and to the limit the increase to 1.5°C, through the reduction of greenhouse gas emissions.

Frontier is a signatory to the Paris Pledge for Action which represents a public commitment to support the objectives of the Paris Agreement.

8.2.3 Investor Group on Climate Change

The Investor Group on Climate Change (IGCC) is a collaboration of Australian and New Zealand institutional asset owners focusing on the impact that climate change has on the financial value of investments. The IGCC aims to encourage government policies and investment practices that address the risks and opportunities of climate change, for the ultimate benefit of superannuants and unit holders.

Frontier is a financial Associate Member of the IGCC and supports its research and other efforts in helping asset owners, including Frontier's clients, to manage the impacts on their investments of the economic transition arising from climate change.

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Attachment 1: Glossary of selected terms

- **Just transition** is the effective and equitable management of the positive and negative social and employment implications of climate action across the whole economy. An example of just transition is the successful reskilling and relocation to a low-carbon industry of redundant workers from a coal-fueled power plant which has closed due to climate policy. A just transition is expected to facilitate faster transition to a low-carbon economy while also mitigating social exclusion and increased inequality.
- **Modern slavery** (also known as contemporary slavery or neo-slavery) describes situations where criminal offenders use coercion, threats, or deception to exploit victims and undermine their freedom. Practices that constitute modern slavery can include human trafficking, slavery, servitude, forced labour, debt bondage, forced marriage and the worst forms of child labour. Modern slavery is a term used to describe serious exploitation. It does not include practices like substandard working conditions or underpayment of workers, though these practices are also harmful and may be present in some situations of modern slavery.
- **Net zero** (in some contexts also referred to as “carbon neutrality”) is an objective whereby a given entity (such as a country, a company or investment portfolio) is no longer additive to global greenhouse gas emissions arising from human activity (e.g. carbon dioxide). The term is intrinsically linked to the 2015 Paris Agreement ambition of limiting global temperature increase to a maximum of 1.5°C above pre-industrial levels by the end of the century. A 2018 special report by the Intergovernmental Panel on Climate Change (IPCC) concluded the global economy would need to reach “net zero” by 2050 for the 1.5°C ambition to be achievable. A net zero-aligned investment strategy should include both decarbonisation of the portfolio in a way that is consistent with achieving real economy emissions reductions, and increased investment in “climate solutions” needed to meet the IPCC’s 2050 net zero milestone.
- **Real economy** is the part of an economy which produces goods and services. It is distinct from the financial sector which is concerned with buying and selling on financial markets. The sustainability of both the real economy and the finance sector are intrinsically linked with each being reliant on the other.
- **Stewardship/Active Ownership** is the use of influence by institutional investors to maximise overall long-term value including the value of common economic, social, and environmental assets, on which returns, and clients’ and beneficiaries’ interests depend. Stewardship can be implemented through a variety of investor stewardship tools including engagement with current or potential investees or issuers; voting at shareholder meetings; filing of shareholder resolutions/proposals; direct roles on investee boards and board committees; and where necessary, litigation.
- **Supply chain** is the network of entities, activities, information, and resources required to create and distribute a product or service from supplier to customer. Issues impacting the financial performance of an entity (e.g. a listed company) can and do occur at multiple points along the supply chain, so risks or opportunities arising from these should be managed.
- **The Taskforce for Climate-Related Financial Disclosures (TCFD)** was established in 2016 by the Financial Stability Board. In 2017, the TCFD published its recommendations on voluntary and consistent climate-related financial disclosures that were deemed useful to investors, lenders and insurance underwriters in understanding a given financial entity’s material climate change risks and opportunities.
- **United Nations Sustainable Development Goals (SDGs)** are a set of 17 social, economic, and environmental goals (and 169 underlying targets) to be achieved by 2030, which were agreed by 193 UN member states in 2016. The overarching objective of the goals is to build an inclusive, sustainable, and resilient future for all people and the planet. The SDGs are expected to provide guidance on the direction of development policy and resultant financing requirements.

- **Universal owner** refers to large institutional asset owners which, due to their highly diversified and long-term portfolios, effectively hold a slice of the overall economy and are therefore reliant on a sustainable and healthy economy to support their investment performance. As such, universal owners have a vested interest in supporting investment practices which promote a healthy and sustainable real economy.