Responsible Investment Policy

September 2024

1 Introduction

The purpose of Frontier's Responsible Investment Policy ('the Policy') is to set out a high-level approach in which responsible investment is integrated into its investment research and advisory efforts.[1]

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 evolving. Frontier recognises that ESG factors often cross over two or more environmental, social and governance areas. 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
Natural capital	Local communities	Disclosure and transparency

3 Responsible investment philosophy

Frontier's summary responsible investment philosophy is stated as follows:

"We integrate responsible investment considerations into our processes because incorporating environmental, social and governance (ESG) factors provides another lens to allow investors 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 full extent of investment factors that investors must address to achieve long-term investment performance objectives.

We recognise that ESG factors evolve and that previously less financially significant factors can become material. As such, Frontier monitors a range of ESG factors on an ongoing basis to identify where emerging material ESG risks are arising.

[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.

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

4 Responsible investment beliefs

Frontier has nine responsible investment beliefs which collectively represent the foundation of the firm's efforts in this area. These are provided following:

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.

Belief 2 – ESG factors impact financial risks and returns, as well as create new opportunities

ESG factors can and do impact financial risks and returns, affecting the sustainability of investment performance. Therefore, they should be integrated into the investment decision-making processes. Considering ESG factors also builds a platform for new opportunities.

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

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

Belief 4 – Responsible investment should adapt as ESG factors evolve

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

Belief 5 – Responsible investment should account for ESG factor materiality

The materiality of and the ability to effectively manage the impact on performance sustainability varies by ESG factor and should guide the allocation of responsible investment efforts and resourcing.

Belief 6 - Active ownership[2] 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.

Belief 7 - Collective ESG action, transparency and disclosures can more effectively drive positive change

Robust collective action on relevant ESG issues alongside like-minded market participants, as well as consistent ESG transparency and disclosures, can reinforce the effectiveness of addressing those issues relative to acting in isolation.

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

Climate change is a systemic issue which affects all asset types and sectors. As such, it will impact investors with diversified, global portfolios. Furthermore, investors have a critical role to take action and support the global transition to a net-zero real economy as required by 2050 under the 2015 Paris Commitments.

[2] Also known as Stewardship (see Glossary)

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.

5 Responsible investment approach

Frontier’s research activities and investment advisory services are diverse so this policy approach is intended to have broad application. Frontier’s approach to responsible investment is organised by four ‘pillars’:

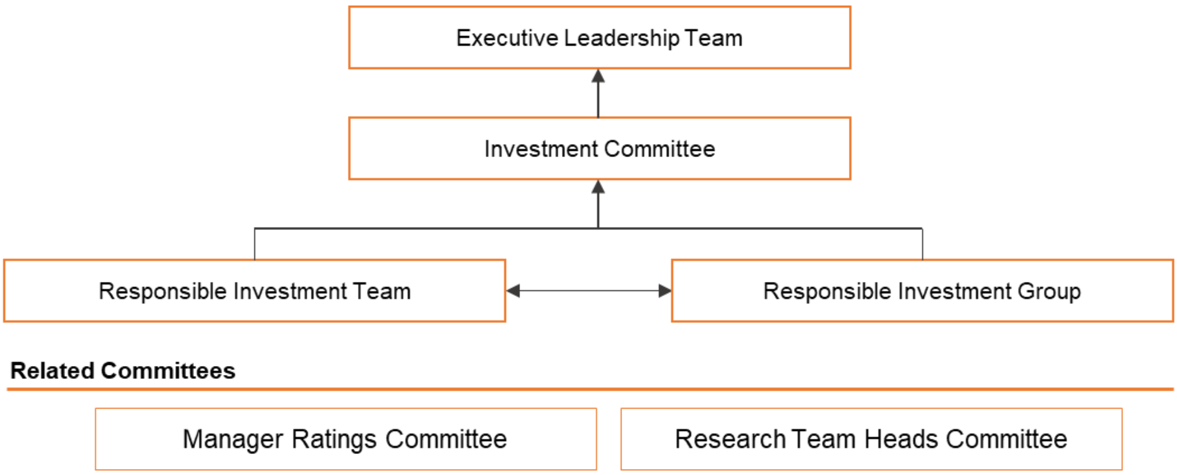
1. Governance
2. Thematic research
3. ESG integration
4. Collaboration and information sharing

Frontier’s general approach to each of the four pillars is outlined in more detail below.

5.1 Governance

The objective of Frontier’s responsible investment governance framework is to facilitate robust oversight of the roles and responsibilities of Frontier’s responsible investment approach and activities, ensuring decision-making processes are relevant and transparent

Frontier’s Responsible Investment Governance Framework



This Policy is approved by Frontier’s Investment Committee (IC) and formally reviewed annually, as set out by the IC Charter. The IC has delegated the day-to-day custody of the Policy to Frontier’s Responsible Investment Group (RIG) which coordinates and supports Frontier’s responsible investment efforts at a strategic level with representation from across the organisation.

The key details of the RIG’s operations are set out in the Responsible Investment Group Charter. In doing so, the RIG and subsequently the IC oversees the implementation and monitoring of the responsible investment strategy at an organisation level.

Responsible investment-related manager and product 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 investment products. Frontier’s Manager Ratings Committee is responsible for considering and approving manager ratings, including ESG assessments.

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

In addition to this Policy, Frontier's responsible investment activities as they pertain specifically to climate change are governed by Frontier's Climate Change Position Statement.

Reporting and disclosures

The progress on Frontier's responsible investment activities through regular reporting is provided to the Board, IC and leadership team, ensuring compliance with the Policy. This reporting activities include:

- Annual reporting to the Board on responsible investment strategy progress and priorities
- Quarterly update to the IC on the management on RIG activities
- Annual reporting to clients on key responsible investment activities
- Regular reporting to senior management on responsible investment strategy progress

Frontier's Responsible Investment Policy and Climate Change Position Statement are also published on its website.

5.2 Thematic Research

The objective of Frontier's responsible investment research effort is to assist our clients with achieving their long-term sustainable investment outcomes by identifying, evaluating and mitigating material investment risks and identifying material opportunities arising from ESG factors.

To ensure a robust approach to responsible investment advice that continues to evolve and develop, Frontier undertakes ongoing research activities on thematic ESG topics relevant to its clients.

Reasons for undertaking these research activities include:

- The emergence of new regulatory and policy developments;
- To evaluate the financial impact of material and emerging ESG risks and opportunities to proactively understand, identify and mitigate these risks, or take advantage of opportunities, at a portfolio and asset class level;
- To assist clients with the latest industry developments, research, and analysis specific to ESG risk management, in addition to identifying emerging opportunities.

The RIG has primary responsibility to formulate and drive the firm's responsible investment research agenda. The RIG continually informs this process via engagement 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. ESG factors expected to have the most 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. Research Teams also integrate asset class/product-specific responsible investment considerations when deemed to be material.

5.3 ESG Integration

The objective of Frontier's ESG integration processes is to ensure that ESG is systematically considered as part of Frontier's research activities and client advisory approaches, supporting our clients' long-term investment objectives.

Frontier believes that considering ESG factors in investment decision-making will enable our clients to manage the evolving ESG risks as well as identify emerging opportunities.

As part of advancing our ESG integration approach over time and to proactively inform our clients, we will observe:

- Global regulatory and policy developments relevant to the ESG factors;
- Industry developments, research and analysis specific to ESG integration;
- Developments on ESG integration into investment products.

When integrating ESG factors into Frontier's research activities and client advisory efforts, we formally incorporate ESG considerations into the following key activities:

1. Manager assessment, monitoring and engagement

Consistent with the broader investment product rating process, Frontier employs a manager ESG assessment process which is multi-faceted, drawing on a range of quantitative and qualitative inputs determined as being material by the relevant Research Team. 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. 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 generic metrics.

Furthermore, as part of our manager monitoring activities, we formally incorporate ESG considerations into annual reviews of investment products, which includes engaging with investment managers on their responsible investment capabilities. The review also accounts for the evolution of responsible investment approaches in the product's peer group over the same period to consider their capabilities relative to peers.

Responsible investment considerations are also integrated where relevant within investment manager interactions outside the formal annual review cycle, including via update meetings and ESG-related surveys. We actively engage with investment managers on an ongoing basis to share knowledge and encourage improvement across their governance, policies, practices and management of ESG risks and opportunities.

2. Investment strategy, asset allocation and climate change modelling

Where applicable, Frontier's 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 setting of strategic asset allocation (SAA).

Frontier's Capital Markets and Asset Allocation Team (CMAAT) integrates ESG considerations into the development of its capital market assumptions (CMAs). 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. Further, Frontier offers its clients carbon-adjusted CMAs for certain asset classes.

Frontier incorporates its Climate Change Module (climate scenario analysis) into its proprietary technology platform to assist clients to consider climate change factors as part of investment strategy setting and asset allocation decisions.

3. Sector research activities

We include ESG factors as part of our research activities and manager engagement at the asset class level. Responsible investment research is primarily undertaken by Frontier's Research Teams and ESG factors are integrated into sector configuration advice

5.4 Collaboration and information sharing

The objectives of Frontier's collaborative efforts on ESG are to:

1. **Influence enhanced responsible investment practices at the industry level**
2. **Ensure our internal and external stakeholders have access to up-to-date information on relevant responsible investment topics.**

Frontier recognises that collaboration with like-minded organisations and collective initiatives assists with influencing\change in ESG management at a systemic level, sharing knowledge and learning combined with effective resource management. ESG factors are often systemic, interconnected, multidimensional and rapidly evolving, impacting various asset classes and geographies that call for broad collective action.

Frontier will prioritise collaboration and participation in various activities based on the range of factors, given that we cannot feasibly participate in all initiatives. These factors include whether the collective initiative is aligned with our interests, our responsible investment approach along with client expectations and priorities.

Frontier actively engages with or is a member of/signatory to the following organisations:

- Principles for Responsible Investment (PRI – see Appendix A)
- Investor Group on Climate Change (IGCC)
- Responsible Investment Association Australasia (RIAA)
- Australian Institute of Superannuation Trustees (AIST)
- Net-zero Investment Consultants Initiative (NZICI) – founding member
- The Global Investment Research Alliance (GIRA) – founding member

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Appendix A Principles for Responsible Investment (PRI)

Frontier is a signatory to the Principle for Responsible Investment (PRI). The PRI set out the following six aspirational principles for signatories to work in partnership and support a collective voice in addressing ESG issues.

- Principle 1: Incorporate ESG issues into investment analysis and decision-making processes.
- Principle 2: Be active owners and incorporate ESG issues into our ownership policies and practices.
- Principle 3: Seek appropriate disclosure on ESG issues by the entities in which we invest.
- Principle 4: Promote acceptance and implementation of the Principles within the investment industry.
- Principle 5: Work together to enhance our effectiveness in implementing the Principles.
- Principle 6: Report on our activities and progress towards implementing the Principles.

Appendix B 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** 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.

- **Net zero** 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^{o}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^{o}C ambition to be achievable. A net zero-aligned investment strategy should include both investments that finance reduced emissions, consistent with achieving real economy emissions reductions, and increased investment in ‘climate solutions’ needed to meet the IPCC’s 2050 net zero milestone. “Net zero” is sometimes confused with “carbon neutrality”, however, the latter typically involves the use of carbon offsetting, and aims to reduce carbon emissions from an accounting perspective, rather than real world greenhouse gases.

- **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 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.

- **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.

- **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.