

# Responsible Investment Client Report

January 2023 – June 2024

December 2024



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# 1.

## Snapshot

### Snapshot of key responsible investment initiatives and achievements



Established new 'green' capital market assumptions (CMAs), enabling clients to integrate climate change considerations into their asset allocation process. These include CMAs for low carbon equities and green infrastructure and property.



Started our first formal engagements with fund managers on biodiversity via a survey to determine the state of play in what will be a significant area of focus in the future.



Significantly uplifted our impact investing support for clients including training for our team, a dedicated panel at our annual conference, engagement with impact managers, and a series of educational research papers.



Facilitated collaborative events with like-minded peers and clients including a university roundtable on decarbonisation and leading an ESG study tour in Japan coinciding with the PRI in Person conference in 2023.



Progressed the development of a carbon reporting service for unlisted asset classes, engaging with specialist data providers.



Supported Frontier's commitments in our Reconciliation Action Plan by running an internal training session for our team on how Australia's journey to become a renewables superpower requires genuine partnership with First Nations communities.



Published a range of ESG and responsible investment related research and thought leadership on topics including mandatory climate reporting, active ownership's role in decarbonisation and reducing fossil fuels in equity portfolios.

# 2.

## Introduction

### Welcome to Frontier’s Responsible Investment Client Report for the period January 2023 to June 2024.

This year, we have re-aligned the timing of this report to coincide with the release of another report which provides an update on our commitments under the Net Zero Investment Consultants Initiative, which we will cover in more detail in this report.

In this report, we provide our clients and the wider investment community with an update of how Frontier is approaching responsible investment, as well as actions we have taken across our four responsible investment pillars during the period.

### Why do we consider responsible investment?

Frontier integrates responsible investment considerations into all of our advice and processes because we believe incorporating environmental, social and governance (ESG) factors provides another lens to allow investors to manage ESG risks better and generate sustainable long-term returns. By aligning our responsible investment efforts with our core capabilities as an adviser, we help our clients achieve their investment objectives.

Our four investment pillars include:



#### Governance

How responsible investment is organised at Frontier.



#### ESG integration

How we incorporate ESG factors into our advice.



#### Thematic research

How we identify material ESG risks and opportunities.



#### Collaboration and information sharing

How we encourage and communicate leading responsible investment practice.

Our core responsible investment beliefs are included in Appendix A, and further details regarding Frontier’s approach to responsible investment can be found in our [Responsible Investment Policy](#).

# 3.

## Governance

**Frontier's Responsible Investment Group (RIG) was established in 2018 with the mandate to coordinate and support Frontier's responsible investment efforts at a strategic level.**

The RIG is chaired by Joey Alcock, Principal Consultant and Head of Responsible Investment, and includes senior representatives from each of Frontier's specialist services, research and client teams. The RIG meets formally each month, with individual members championing ESG considerations within their respective teams. The group reports to Frontier's Investment Committee quarterly and Board annually. More details about our RIG Group can be found in Appendix B.

The RIG's composition reflects Frontier's longstanding belief that responsible investment should not be 'silo-ed' within Frontier. As such, each of our investment team members integrate material ESG factors into their research, manager rating and client advisory activities day-to-day. This way, clients receive consistent and holistic advice across traditional and responsible investment matters.

Supporting and reporting to the RIG is our dedicated Responsible Investment Team (RI Team), established in 2022 as Frontier's centre of excellence with respect to responsible investment. The RI Team is responsible for guiding the implementation of the RIG's strategic responsible investment priorities, providing training and support to all Frontier teams on responsible investment research and client advice, and leading Frontier's external relationships relating to responsible investment.

As part of our responsible investment governance, we are extremely fortunate to have Fiona Reynolds as an Independent Director on Frontier's Board, who brings her extensive experience in responsible investment.



Fiona is an independent director and advisory board member working across superannuation ESG and sustainability issues. Fiona served as the CEO of the Principles for Responsible Investment (PRI) for over nine years, stepping down at the beginning of 2022. Fiona has 25 years' experience in the financial services and pension sector. She joined the PRI from the Australian Institute of Superannuation Trustees (AIST), where she spent seven years as CEO.

Fiona was named one of the 20 most influential people in sustainability globally by Barron's magazine and has twice been named one of Australia's one hundred women of influence by the Australian Financial Review.

Fiona is currently the President of the FAIRR Initiative, where she has been leading efforts to raise awareness of material risks and opportunities in the food sector with a focus on intensive animal production. She has also taken on multiple advisory roles, including serving as an Advisory Board Member for Roc Partners; the Office of the NSW Anti-slavery Commissioner; and The Achieve Foundation. Additionally, Fiona is the Inaugural Chair of the Finance for Peace initiative, where she leads the development of standards and research to promote investment strategies that foster peace. Fiona is also the Chair of the UN Global Compact Network Australia and the Chair of the ESG Advisory Group at Qualitas Group. More recently, Fiona was also appointed as a Board member to Australian Ethical Superannuation.

Previously, Fiona has served on the Board of the UN Global Compact and chaired the Financial Services Commission into Modern Slavery and Human Trafficking (The Liechtenstein Initiative). She was a member of the International Integrated Reporting Council (IIRC); the Global Advisory Council on Stranded Assets at Oxford University; the Advisory Board for the Green Investment Principles for the Belt and Road in China; the UK Green Finance Institute; and the Steering Committee for Climate Action 100+, the largest investor engagement initiative with listed companies. Her past roles also include serving on the investment committee for the Laudes Foundation, the advisory board for BASF and the advisory council of Bloomberg Green. Additionally, Fiona has been a pension fund director/trustee of AUSfund and has held board positions at Industry Funds Credit Control, Australia for UNHCR, the Australian Council of Superannuation Investors, the National Women in Super Network and the Global Steering Committee for the Investor Agenda on Climate Action.



# 4.

# ESG integration

In this section we provide an overview of some of our efforts to systematically integrate ESG issues into our research activities and investment advice.



## 4.1 Enhancing Frontier's responsible investment capabilities

Our RI Team led the enhancement of our firmwide responsible investment capabilities by delivering educational training sessions and supporting the development of research material on prevalent and emerging thematic ESG topics.

Training sessions delivered at the organisation-wide level over the past 18 months included:

### Impact investing

The purpose of this session was to provide an overview of impact investing. The session covered the fundamentals of impact investing by unpacking the definition and highlighting and discussing clients' potential positive impact, intentionality, measurability, additionality, and why financial return remains a pre-requisite when establishing impact investment objectives. Finally, the session covered how best to assist clients navigate the early steps of their approach to impact investing.

### First Nations

This session provided an overview of Frontier's commitment to its Reconciliation Action Plan (RAP) which was endorsed in 2023. The training included a deep dive into First Nations cultural heritage from an investor's perspective, covering possible challenges and investment risks. The session was further strengthened by showcasing three case studies.

### Manager ESG assessment approach

This was a training session geared toward recent joiners and those seeking a refresh of the context and process of Frontier's manager ESG assessment approach. The session included an overview of our approach's purpose, objectives and guiding principles. The forum showcased components of our proprietary ESG toolkit, provided training on the scoring process, and included relevant case studies to enhance understanding. Frontier's ESG ratings of investment products is one of the most tangible ways we support our clients on responsible investment, so maintaining efficacy of the approach across all personnel is important.

### Introduction to RI at Frontier (refresher)

The purpose of this session was to introduce RI at Frontier for new starters at the firm as well as a refresher for the wider practice (it never hurts to get a top up!). The forum investigated what responsible investment is, and why it matters to our clients. An overview of Frontier's RI Policy was discussed, including Frontier's definition of RI, our nine RI beliefs and our approach to integrating RI. The session also introduced Frontier's internal Responsible Investment Group and its purpose.

## 4.2 Climate change

We believe climate change is systemic and therefore the highest priority ESG issue facing institutional investors today. It has the potential to have an irreversible negative impact on future generations and economies in the absence of a robust, globally coordinated mitigation approach. The physical impacts of climate change and the transition to a lower carbon economy are expected to have first-order economic effects.<sup>1</sup> Many of these are already apparent.

We believe the effective identification, assessment and management of financial risks and opportunities arising from climate change will reinforce the sustainability of investment performance. As such, we consider climate change risk management as a standing consideration in all our key activities that support our clients to meet their investment objectives. As a governing principle, climate change is included as a key belief as part of our [RI Policy](#), and we have a standalone [climate change position statement](#).

We have summarised some of the key activities undertaken to integrate climate change related risks at Frontier:

### New 'climate-aware' capital market assumptions

Over the reporting period, we expanded our set of capital market assumptions (CMAs) to include 'climate-aware' asset classes to cater to the needs of clients seeking to integrate climate change considerations into their investment strategy processes. These new CMAs complement the ones developed for more traditional asset classes and can be used for comparative purposes.

Frontier's Capital Markets and Asset Allocation Team has now developed CMAs for low carbon listed equities (Australian and international), and climate-aligned unlisted property and infrastructure asset classes. These can be considered as variants on traditional asset classes but positioned for a low carbon economy. We consider these to be applicable to investors who seek allocations to sectors more aligned and instrumental to the transition to a decarbonised economy. Clients can now apply these assumptions to model their portfolios as part of their annual strategic asset allocation reviews. We have provided assumptions over various time horizons, including a one-to-five year 'shock-scenario' period where longer term impacts from climate change are priced in over the short term.

A sample of the new CMAs is shown in Table 1 for international listed equities. This is designed to outline how the assumptions for the climate-aware asset classes are positioned relative to their 'traditional' counterparts. These are the long-term equilibrium assumptions for expected return and volatility. For brevity, we have not shown the correlation assumptions (which are very similar for the 'climate-informed' and their traditional counterparts).

<sup>1</sup> Guy Debelle – Deputy Governor, Climate Change and Economy Forum 2019.

Please contact Frontier if you would like to know more about the new CMAs and how they may apply to your portfolio.

**Table 1: Climate-aware international equity CMAs**

	Return (p.a.)	Risk
International equity - DM (H)	8.0%	15.0%
International equity - DM - Lower carbon / high tracking error (H)	8.1%	14.5%

### Carbon and ESG reporting

We have undertaken extensive due diligence over the reporting period to extend our carbon emissions/climate reporting service to other asset classes beyond listed equities and corporate debt, which we currently cover. The proposed service gives clients access to carbon reporting on unlisted property and infrastructure, as well as private equity and private debt. As clients will appreciate, these asset classes are also exposed to sectors of the economy facing climate change risk and have a pivotal role to play in real world decarbonisation.

In seeking to partner with a data vendor as a specialist in this area, we recognise the complexity of measuring and estimating carbon emission metrics across these asset classes and the need to report metrics that will satisfy industry conventions and regulatory requirements (including the upcoming mandatory climate reporting).

We have encountered some relatively newer entrants to this product space with quite sophisticated product offerings that extend beyond historical carbon emissions measurement. The search has been an extensive process to understand the relative strengths of the vendor platforms and socialise the opportunity set across the relevant internal research and client teams. We also canvassed clients on an unlisted carbon reporting service to gain some more granular feedback on the characteristics they are seeking from such a service. This is all part of our aim to give as many clients as possible access to climate data that is decision-useful. We are happy to share high-level outcomes of the survey with clients who are interested.

We plan to offer this service to our clients in 2025.

## 4.3 Manager ESG assessment

A core service Frontier offers to our clients is the detailed assessment of fund managers on their ESG approaches. This assessment forms a standing component of our overall investment product rating process. Since introducing a framework to guide our research team efforts in this area, we have been able to provide clients with richer and more consistent insights on the relative strengths of peer managers on ESG matters. Appendix C shows the ESG criteria our sector researchers assess, and the various inputs on which they base those assessments.

While our ESG framework facilitates a rigorous assessment process, it also enables constructive dialogue between our sector researchers and our clients, but importantly, with fund managers as well. Beyond providing more complete manager recommendations to clients, we are also encouraging better responsible investment standards across the investment industry through engagement and candid 360° discussions with fund managers.

We strive to enhance our capabilities in this critical area on an ongoing basis. Most pertinently, our sector researchers have continued to develop their domain expertise on responsible investment within their areas of coverage, and monitoring how leading practice is evolving. Such development is predominantly achieved through hands-on experiences, which are difficult to replicate. In addition, we have undertaken the following:

- Ran a dedicated internal 'lunch and learn' training session for all Frontier investment staff on our manager ESG assessment process (as noted earlier).
- As part of Frontier's involvement in the Net Zero Investment Consultants Initiative, we have participated in efforts with other consultants to develop collective principles to guide the assessment of the net zero approaches of fund managers. The objective is to drive greater consistency across the industry in this vital area so that decision-makers can better select fund managers aligned to their own decarbonisation goals.
- We are investigating the use of AI to enhance our manager ESG assessment approach, led by two of our quantitative specialists, Dr Fisher Yu and Viola Miao from our Capital Markets and Asset Allocation Team. Early work undertaken suggests that AI may provide avenues for Frontier to improve the rigour of our assessment of underlying criteria, drive improved comparability across peer managers and more efficiently identify relative strengths and weaknesses. We are encouraged by these findings to date and excited about the possibilities that may present themselves to enhance our services for clients.

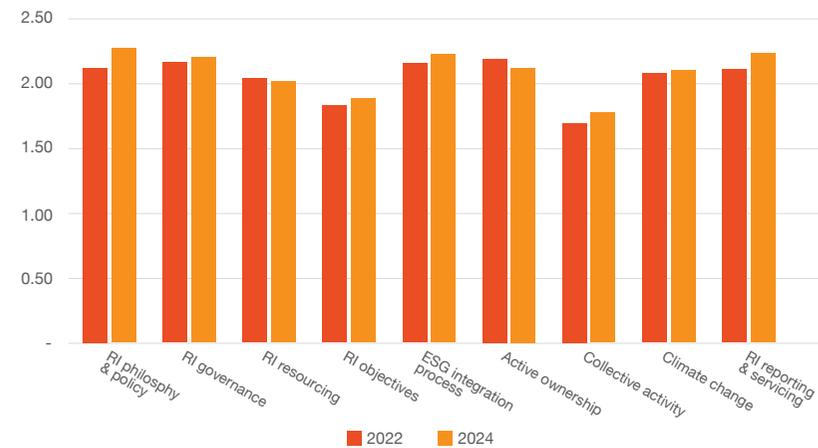
Following the end of the reporting period, we also produced research papers which draw on the insights we have gained from our manager ESG assessments over time and help our clients better understand and contextualise the outputs of the process.

### ESG manager assessment update

Our Equities Team analysed the scoring results of our ESG ratings of managers to identify trends and highlight key differences or improvements since our evolved Manager ESG Assessment Toolkit was implemented in 2020. Acknowledging our preference for managers with strong responsible investment capabilities, we found since our last assessment of ESG scores in 2022, managers have pleasingly evolved in a positive direction.

The international equities cohort had the greatest improvement in ESG score, with RI philosophy and policy being the criteria which improved the most. Most managers now have an RI policy that articulates its responsible investment philosophy, however, as importantly, our score considers whether the policy is fit-for-purpose and the frequency in which it is updated.

Chart 1: Component scores across international equities strategies



Our evolved ESG manager assessment process allows us to access key insights to gauge how the industry is developing on responsible investment. Please see the [full paper](#) for further insights, including a breakdown of the scores among Australian and emerging markets equities cohorts.

## ESG ratings – different strokes

In this paper, our RI Team examines the relationship between our ESG ratings of fund managers, and ESG ratings of companies provided by specialist data providers (MSCI in this case).

It is important for all clients to understand the differences between the two approaches to deriving ESG ratings because they ultimately service different objectives. A comparison of ESG scores across several managers below highlights why; potentially unintuitively, the MSCI aggregate ESG scores for managers with high Frontier ESG rated products were lower compared to their peers with low Frontier ESG rated products (which had higher MSCI aggregate scores).

**Table 2: MSCI ESG scores versus Frontier ratings**

Label	Frontier ESG rating	MSCI score agg	MSCI score - E	MSCI score - S	MSCI score - G
Product A	2	6.99	6.7	4.7	5.9
Product B	2	6.94	5.6	4.9	6.0
Product C	4	6.69	6.9	4.6	5.5
Product D	5	6.58	5.6	4.9	5.7

A causal relationship between Frontier's ESG scores and MSCI's should not be expected. The context of each manager's investment objectives and process is critical, as is understanding the underlying ESG score methodology, particularly within the context of the investor's use case.

Please refer to the [full paper](#) for a deep dive into the differences between the two approaches and how results such as these may eventuate.

Our client base continues to seek more granular detail on the ESG capabilities of their fund managers, and we expect this trend to continue, especially in light of increasing requirements for asset owners around climate change and other sustainability issues. Several clients have engaged Frontier to source deeper insights (as shown in Figure 1), often to supplement their internal review and engagement processes.

**Figure 1: Manager ESG assessment - Sample outputs**



# 5.

## Thematic research

### 5.1 Research activities

Our research teams undertake research activities on a range of thematic topics relevant to our clients, often driven by emerging developments in the market. Throughout the past 18 months, we have produced several ESG-related research papers across the business, samples of which are summarised in Table 3.



Table 3: Frontier's ESG-related research papers

#### Mandatory climate reporting

The Australian government has introduced mandatory climate-related financial disclosures from the 2025 financial year. As these disclosures continue to develop, we provide an update on some of our key observations and how we can help clients. [Read now >](#)

#### Decarbonisation in portfolio construction

Frontier's Capital Markets and Asset Allocation Team explore the implications of reducing carbon exposures within a portfolio, the direct and indirect impacts of these investment decisions and what it means for portfolio construction. [Read now >](#)

#### Active ownership's role in decarbonisation

We analyse insights from our engagement with Australian and international equities fund managers to show how active ownership has influenced companies to accelerate progress in the decarbonisation of the real economy. [Read now >](#)

#### Responsible investment Japan study tour

We delve into key insights from our Japan study tour and the PRI in Person conference and share our observations of responsible investment and broader market developments in Japan. [Read now >](#)

### 📖 CASE STUDY

## Excluding fossil fuels in Australian equities portfolios

Australian equities have a relatively high exposure to fossil fuels compared to international equities and our clients typically hold a significant allocation to this asset class. As such, supporting our clients on how to best manage these exposures in a decarbonising world is justifiably an area of focus for Frontier. In addition to the risks of assets with such exposures being heavily written down at some point (i.e. becoming stranded assets), there has been increasing pressure from stakeholders to either divest or explain ongoing holdings. There are also greenwashing risks in over relying on external parties such as index or third-party ESG providers for their classifications.

Considering these concerns, our Equity Research Team's 2024 Australian equities sector

configuration review addressed this topic in some depth with a focus on how investors might reduce or avoid exposures to fossil fuels in their Australian equities portfolios. This included explanations of the different methods for reducing exposures, product implementation (via both active and passive approaches), style ramifications and risk management. We recommend investors considering this issue adopt a holistic and pragmatic approach, where any significant trade-offs are understood and addressed.

The decision to implement an ex-fossil fuel strategy or reduce fossil fuel exposure is an important one and specific to each asset owner. Please get in touch with our RI Team or Equities Research Team to learn more.

## 5.2 First Nations

### Frontier acknowledges the Traditional Custodians of Australian land, water, and culture, and the value of fostering relationships with Aboriginal and Torres Strait Islander peoples.

Creating a more harmonious and respectful society requires organisations like Frontier to be proactive and take the initiative to build relationships and a better understanding of First Nations issues. With our inaugural Reflect Reconciliation Action Plan (RAP) endorsed in September 2023, we have sought to elevate our efforts in this area at both a corporate level, and as part of our research and advisory services.

With respect to our investment activities, we recognise that it is critical to explicitly acknowledge and better understand the histories, cultures and rights of First Nations Peoples as these inform how we can identify opportunities to work with First Nations asset owners in the future. In May 2024, we welcomed QIC to present at an all-staff 'lunch and learn' on the topic of how First Nations considerations must shape Australia's low carbon transition pathway. Arranged by our First Nations Working Group, our guests Andrew Niven, Indigenous Partnership Manager; Justin Welfare, First Nations Lead; and Todd Hudson, Business Development Manager, collectively drew on their unique experiences to share valuable insights on how to more constructively engage with First Nations asset owners and communities in the context of the transition.



*From Left to right: Justin Welfare, Todd Hudson, Andrew Niven, Sarah Guthleben (Head of People and Culture, Frontier Advisors)*

The session also served to increase our understanding of the role of First Nations communities in renewables developments. Around 50% of land in Australia is covered by native title. If Australia is to become a 'clean energy superpower', much of the massive amount of renewable generation capacity (solar and wind) required will need to be built on native title land. As such, investors engaging and reaching suitable agreements with local indigenous communities is essential. Such engagement is expected to be unlike typical stakeholder negotiations investors have undertaken in the past.

It is simply not enough to merely 'transact'. Agreements will need to be inclusive (including formal economic participation in the returns of a project by the First Nations communities) and account for community health and wellbeing. We plan to hold further internal training on First Nations issues for all staff as part of our ongoing professional development activities.

We have continued to participate in Responsible Investment Association of Australasia's (RIAA) 'First Nations Peoples' Rights Working Group'. This is an initiative to support RIAA members to:

- address and advance the rights of First Nations peoples
- elevate First Nations peoples' participation and voices in investment community
- increase access to scale and impact of First Nations peoples' related investment activity.



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## 5.3 Natural capital and biodiversity

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The steady loss of biodiversity and deterioration of natural capital globally has become widely recognised as a systemic risk to the global economy, and therefore one which should be a concern of financial fiduciaries. Thought of as the next big ‘E’ (environmental) issue after climate change, we continue to research natural capital and biodiversity loss and consider its implications for clients’ portfolios.

The recently held 16th Conference of the Parties to the Convention on Biological Diversity (COP16) saw countries make some progress on nature positive outcomes. This included a new mechanism for companies to pay a portion of their profits to a conservation fund for their use of currently freely available information on nature’s DNA, as well as the establishment of a permanent body allowing indigenous peoples to participate in biodiversity-related decision-making. However, some key objectives for COP16 were not achieved including an agreement for mobilising the previously agreed funding target for nature protection. COP16 highlighted how complex nature itself, and the task of restoring it, will be. Investors should monitor such global developments, which will ultimately be reflected in the economy and portfolios.

In early 2024, our Equities Research Team included biodiversity as a topic within its international equities sector configuration review. We believe that as with climate change, equities portfolios can be a good starting point for clients that want to integrate nature-related considerations, with more data available currently relative to private asset classes. The team conducted a survey of international equities fund managers and found that while the majority were considering biodiversity related risks within their investment processes alongside other ESG risks, work on potential opportunities was still nascent.

Further, with interest growing among institutional investors, our Real Assets Team recently undertook research into [natural real assets](#), an umbrella term comprising timber, agriculture and Australian water rights. We caution in the paper that investors who want to achieve nature-positive outcomes via such investments must distinguish between the management of ESG risk factors and ‘nature positive’ outcomes. Investors focussing on ‘impact’ in this space are recommended to clearly understand a manager’s strategy to generate positive impact, and its means to measure and monitor outcomes.

As part of our RIAA membership, Frontier is a member of the Nature Working Group. We attended working group meetings throughout the reporting period, learning about upcoming developments such as those relating to the Taskforce for Nature-related Financial Disclosures (TNFD), as well as learning from our peers and investors regarding their progress on nature.

We acknowledge that the investment industry is much earlier in its ‘journey’ of understanding and managing nature-related risks and opportunities relative to climate change. Therefore, in 2025 we will be publishing a natural capital and biodiversity loss paper to help our clients understand the most relevant concepts and begin making progress, including how to navigate the many expected challenges in doing so.

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## 5.4 Impact investing

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An impact investment is an investment which aims to achieve an investment objective alongside a positive social or environmental impact. A key trend we have observed across investment markets recently is the growing number of investors who are investing with impact. We have embraced the journey of exploring impact investing, gaining insights into the fund manager landscape, understanding the interplay of dual objectives, and identifying how Frontier can assist investors who want to develop a robust impact investing program.

At our 2024 annual client conference, we hosted a discussion on impact investing, with a highly credentialed panel. The discussion was robust, highlighting key messages such as the need for investors to consider the full impact (both positive and negative) of their entire portfolio when impact investing, and the importance of reviewing their investment philosophy to ensure intentional and consistent impact investing. Further insights from the discussion can be found [here](#).

Members of our responsible investment and emerging institutional consulting teams attended an impact investing forum presented by the Wealth of Nations in 2024. The forum provided a useful lay of the land of impact investing in both Australia and globally, an indication of how progressed our peers and the investment community are on impact investing, and their many learnings along the way.

Finally, we were pleased to present [part one](#) and [part two](#) of a series of ‘quick-reads’ on impact investing, which includes a handy checklist for investors to consider before launching an impact investing program. Keep a look out for the third part coming soon.

# 6.

## Collaboration and information sharing



Frontier engages and collaborates with other like-minded organisations and industry associations on responsible investment. We do this to assist in influencing change in ESG management at a systemic level as well as share knowledge and learnings to ultimately integrate ESG factors into our own investment advice and research.

The nature of our participation varies from financial memberships of networks and collaborative initiatives supporting responsible investment commitments to informal interactions with other like-minded market participants on ESG issues.

Frontier is involved in a range of initiatives including:



Investor Group on Climate Change (IGCC) is an Australian and New Zealand collaboration group specific to the climate change impacts on investments. Frontier actively participates in various discussions and working groups that IGCC lead on behalf of its members.



The Responsible Investment Association Australasia (RIAA) advocates for responsible investing and sustainable finance systems in Australia and New Zealand. RIAA is dedicated to ensuring capital is aligned with achieving a healthy society, environment and economy. Frontier actively participates in various activities led by RIAA, including attending its annual conference.



The Global Investment Research Alliance (GIRA) is an innovative information-sharing alliance between regional, like-minded and independent investment advisory firms. Frontier and Segal Marco Advisors are the foundation members, creating the Alliance in 2013, with UK-based firm, Lane Clark Peacock, joining in 2014.



The Principles for Responsible Investment (PRI) is the world's leading proponent of responsible investment. It works to understand the investment implications of ESG factors and support its international network of investor signatories in incorporating these factors into their investment and ownership decisions.



## 6.1 Net Zero Investment Consultants Initiative (NZICI)

Frontier continued its involvement in the Net Zero Investment Consultants Initiative (NZICI), which we signed up to in September 2021. We have participated in regular committee meetings that have bolstered the group's common understanding of how to best achieve its objectives.

We continue to see benefits in being part of this initiative, particularly in sharing knowledge amongst our global peers on how we can better support our clients collectively on their decarbonisation journeys.

We recently published our second annual report on key activities that are aligned to the stated commitments under NZICI. The report can be found [here](#).

Some of those activities are outlined in this report but also include:

- Enhanced guidance in sector configuration reviews on addressing the challenges and opportunities of decarbonising the global economy and committing to net zero aligned portfolios.
- Continuing to develop a holistic net zero framework for clients to assist them in aligning to net zero investment objectives.
- Enhancing our assessment and monitoring of asset managers' ability to address climate change risks and opportunities which is formally embedded in our ratings process.
- Our clients have collectively progressed in terms of the key performance indicators including establishing baseline carbon emissions data, setting net zero ambitions and targets and investing in climate solutions.

## 6.2 ESG at Frontier's annual client conference

Responsible investing and sustainability remained prominent themes at the Frontier annual client conference held in June 2024. While ESG considerations were discussed in almost all of the sessions, ranging from geopolitics to private debt opportunities, there were also several sessions which covered ESG and sustainability themes explicitly:

- **Meeting net zero and portfolio return targets at the same time** [🔗](#)  
This plenary session drew on the lived experiences of investors to show how they have been working toward net zero objectives while maintaining strong, risk adjusted returns. While a challenging path, there is reason for optimism that this can be achieved.
- **Implementing sustainability in debt portfolios:** [🔗](#)  
This breakout session highlighted some key areas of progress around ESG in debt investments, which are getting more attention from asset owners. Investors have access to a growing toolkit to realise their sustainability ambitions although challenges remain, particularly outside investment grade credit.
- **Impact investing – dispelling myths and unlocking opportunity:** [🔗](#)  
In this somewhat contentious breakout session, our panellists explored the concepts and purpose of impact investing, and the role it is increasingly playing in driving sustainable development around the globe. An area which is still hampered by pre-conceptions, there was nonetheless firm agreement on the importance and opportunities impact investing presents going forward.
- **Tackling social license and other challenges in Australia's green transition:** [🔗](#)  
While the high-level investment opportunity presented by the transition of Australia's energy system is thought of positively, at the ground level investors must successfully navigate a range of considerations, including that of how regional communities must participate in the build out of renewables.

You can access all our conference session summaries [here](#).

## 6.3 University round table

In June 2024, Frontier hosted a group of representatives from major Australian universities to share how they are approaching responsible investment in their endowments. Topics included decarbonisation/net zero, divestment and stakeholder engagement. Frontier invited UK-based Deirdre Cooper, Head of Sustainable Equity at Ninety One, to facilitate the discussion by drawing on her in-depth knowledge and global experience in responsible and impact investing.

The information and collaborative discussions at the roundtable highlighted the challenging and evolving landscape of responsible investing for universities, with learnings applicable to many organisations with an investment portfolio. You can read the key highlights from the discussion [here](#).

Frontier has also hosted another roundtable for investors in the government and insurance industries in December 2024. Stay tuned for our key highlights coming soon.

## 6.4 Japan study tour and PRI in Person 2023

In October 2023, we hosted a delegation of investors from Australia and New Zealand on a responsible investment study tour in Japan to coincide with the timing of the PRI in Person conference. Our study tour focussed on responsible investment topics and particularly how these translate to practical integration in portfolios. Together with the PRI in Person conference, it was a busy and enriching week.

Our group enjoyed a wide range of meetings, discussions and site visits, while also exploring local culture and cuisine! We learned a lot about Japan's efforts to significantly uplift its responsible investment capabilities and achieve a more sustainable economy, including its green transformation policy package, GX.



*Frontier's study tour group ready for a tour of Kawasaki South Central Tank Terminal, a chemical storage tank facility run by Central Tank Terminal, Japan's largest independent chemical storage tank operator.*

From a global perspective, we heard about the challenges investors are facing in converting their responsible investment commitments to action, particularly in the realm of climate change. We also faced the tough questions (to which there are no easy answers!) on whether and where to draw the line between fiduciary duty and taking actions for the 'greater good'. ESG data and disclosure was another major theme, with climate and sustainability reporting for corporates and investors alike becoming mandatory across many jurisdictions.

Most importantly, new connections were made and old friendships recharged during our time together. As a new wave of ideological cynicism around ESG flares up in various parts of the investment industry, it is critical that those working the long game in responsible investment draw on the power of the collective, engage with the like-minded, and support each other.

A comprehensive publication of our time in Tokyo can be found [here](#). Members from our private markets and real assets teams joined the PRI in Person conference 2024 in Toronto, Canada. Frontier clients can access the comprehensive paper on Frontier's Partners Platform.

## 6.5 Nomura Sustainability Day video

Recently, Frontier was honoured to participate in a 'Sustainability Day' event hosted by Nomura, the Japanese financial services giant. The event was attended by a wide range of local Japanese financial industry participants including asset owners, fund managers and corporates. Presenters from around the world spoke on a variety of sustainability and responsible investment topics, drawing on their domain expertise in these areas. It highlighted the rapidly increasing focus on sustainability matters that is occurring among participants in Japanese capital markets.

Frontier was asked to present on the landscape for sustainability disclosure regulations in Australia and beyond, as well as the fundamentals of impact investing and how this differs from responsible and ethical investing. The session was a great opportunity for Frontier to raise awareness amongst the Japanese attendees not only of these crucial topics, but also of the great work being undertaken by their counterparts across the Australian responsible investment landscape more broadly.

We were pleased to receive feedback that the attendees enjoyed learning about trends in ESG disclosure and investing for impact in Australia, in some cases for the first time. Frontier continues to build its networks in Japan as our business there grows as part of our ongoing efforts to work with investors in the Asian Pacific region.

# 7.

## Thank you

Thanks very much for reading our 2024 RI Report.  
We hope you enjoyed it!

If you would like to discuss any of the content within this report, please reach out to your dedicated client team, or feel free to reach out to our Responsible Investment Team directly at [RI@frontieradvisors.com.au](mailto:RI@frontieradvisors.com.au).

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## Appendix A – Frontier’s RI beliefs

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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 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.

### 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.

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## Appendix B – Frontier's RIG Group

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### Dedicated RI consultants



**Joey Alcock**  
Head of  
Responsible  
Investment



**Marie Cardaci**  
Deputy Head  
of Responsible  
Investments



**Tom Lambert**  
Consultant,  
Climate Change



**Kim Bowater**  
Director of  
Consulting



**Sarkis Tepeli**  
Principal  
Consultant



**Chris Trevillyan**  
Director of  
Investment Strategy

### Consulting

### Inv strategy

### Sector research

### Governance



**Paul Newfield**  
Director of  
Research and  
Specialist Services



**Simone Gavin**  
Senior  
Consultant,  
Equities



**Nam Tran**  
Senior  
Consultant,  
Defensive Assets



**Shrabastee  
Mallik**  
Senior Consultant,  
Real Assets



**Sarah Cornelius**  
Head of  
Investment  
Governance

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## Appendix C – Frontier’s manager ESG assessment framework (excerpts)

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### ESG assessment criteria

1. Philosophy, policy and governance	2. Resourcing	3. RI integration	4. Active ownership and stewardship
5. Collaboration	6. Reporting and transparency	7. Climate change	

### Intel inputs

1. Due diligence process	2. Manager-provided material	3. Databases	4. Industry news
5. Client feedback	6. Year-on-year progress		

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