



# Zenith Responsible Investment Classification

Defining and measuring how investment managers integrate responsible investment (RI) practices into their investment methodologies is complex. Many factors influence this assessment and individual managers place varying degrees of importance on each factor.

While it's vital for managers to be able to measure and demonstrate the role of RI in their investment strategies, we believe it's equally important that investors can accurately identify which strategies meet their needs and align with their investment beliefs.

### How does Zenith's classification work in practice?

Our framework provides clients with increased RI insights, empowering them to make more informed investment decisions. Our robust fund classification system helps investors understand the integration of a manager's responsible investment themes into their processes and the associated influences on the final portfolio outcome.

#### **Our RI classification:**

- has five tiers which classify a fund's RI approach according to the level of intensity applied to the process
- is specifically designed as a fund classification tool rather than a way of showcasing different forms of RI implementation
- recognises that not all funds have an RI objective, and that varying levels of intensity apply in addressing RI issues, and
- acknowledges that RI is implemented differently across active and index-based investment strategies.

Categories	Description
Traditional	Seek to achieve a stated investment outcome, with little to no regard for RI/ESG factors
Aware	Seek to achieve a stated investment outcome, taking into consideration a broad range of factors including RI/ESG
Integrated	Seek to achieve a stated investment outcome, expressly taking into consideration RI/ESG factors which materially alter the Fund's permitted universe and portfolio allocations
Thematic	Seek to achieve an investment outcome that includes an explicit RI/ESG objective - both measurable and reportable
Impact	Aims to generate a positive, measurable social & environmental impact alongside a financial return



# Why this approach?

Despite the emergence of multiple definitions around responsible investing, we believe many of the frameworks don't translate well into the real world of how managers approach RI in practice. Managers typically use a combination of approaches with varying levels of intensity and some frameworks don't adequately account for different implementation methodologies.

We believe our role is firstly to understand not only a fund's objectives, but also the manager's approach to the identification and incorporation of RI issues in relation to those objectives. Only then is it possible to assess their abilities, processes and resources to achieve objectives effectively.

Individual approaches to RI have a meaningful difference to the outcome for returns, risk and impact of a portfolio. Understanding the nuances of each approach is critical to be able to present it back to clients in a relatable, repeatable framework to facilitate an informed choice.

### **Our RI principles**

- 1. Responsible investment promotes a sustainable economy, which is ultimately essential for investors and the integrity of capital markets.
- 2. Responsible investment factors impact financial returns and risks.
- 3. We seek to empower clients by providing tools and services for investors to select and monitor investment options.
- 4. We recognise the diverse objectives under which both investors and managers operate. Values, investment styles, asset markets and jurisdictions are not homogenous. Accordingly, our approach to responsible investment supports the full spectrum of investment methodologies available.
- 5. Where relevant, all investment professionals should consider material responsible investment factors when considering investment analytics and decision-making.
- 6. We will seek appropriate disclosure on responsible investment issues by the investment managers we review.
- Investment products that claim to incorporate responsible investment elements should include adequate disclosures explaining the specific process being used, along with periodic verification that the stated processes are being followed.
- 8. Responsible investment factors and associated issues are dynamic. Best practice dictates that continual research and monitoring are a prerequisite to adequately manage RI issues over time.

# **Need further information?**

For further information about our RI framework and how it works in practice, visit our <u>website</u> or speak with our business development team via the below contact details.



sales@zenithpartners.com.au

Zenith Investment Partners ("Zenith") (ABN 27 103 132 672, AFS Licence 226872) is the provider of General Advice (s766B Corporations Act 2001). General Advice provided by Zenith is limited to Wholesale clients only. This document has been prepared without taking into account the objectives, financial situation or needs of any specific person who may read it, including target markets of financial products, where applicable. It is not a specific recommendation to purchase, sell or hold any relevant product(s) and is subject to change at any time without prior notice. Investors should seek their own independent financial advice before making any investment decision and should consider the appropriateness of any advice in this document in light of their own objectives, financial situation or needs. Investors should obtain a copy of, and consider, any relevant product PDS or offer document before making any decision. This document is subject to copyright and may not be reproduced, modified or distributed without the consent of the copyright owner. The information contained in this document has been prepared in good faith and is believed to be reliable at the time it was prepared, however, no representation, warranty or undertaking is given or made in relation to the accuracy or completeness of the information contained in this document. Except for any liability which cannot be excluded, Zenith does not accept any liability, whether direct or indirect arising from the use of information contained in this document. Past performance is not an indication of future performance. Full details regarding Zenith's contact details and research processes are available at <u>http://www.zenithpartners.</u> com.au/RegulatoryGuidelines