PRI Principles for Responsible Investment

RI TRANSPARENCY REPORT

2013/14

Solaris Investment Management Limited

UNEP Finance Initiative Changing finance, financing change | United Nations Global Compact

An investor initiative in partnership with UNEP Finance Initiative and UN Global Compact

About this report

The PRI Reporting Framework is a key step in the journey towards building a common language and industry standard for reporting responsible investment (RI) activities. This RI Transparency Report is one of the key outputs of this Framework. Its primary objective is to enable signatory transparency on RI activities and facilitate dialogue between investors and their clients, beneficiaries and other stakeholders. A copy of this report will be publicly disclosed for all reporting signatories on the PRI website, ensuring accountability of the PRI Initiative and its signatories.

This report is an export of the individual Signatory organisation's response to the PRI during the 2013-14 reporting cycle. It includes their responses to mandatory indicators, as well as responses to voluntary indicators the signatory has agreed to make public. The information is presented exactly as it was reported. Where an indicator offers a response option that is multiple-choice, all options that were available to the signatory to select are presented in this report. Presenting the information exactly as reported is a result of signatory feedback which suggested the PRI not summarise the information. As a result, the reports can be extensive. However, to help easily locate information, there is a **Principles index** which highlights where the information can be found and summarises the indicators that signatories complete and disclose.

Understanding the Principles Index

The Principles Index summarises the response status for the individual indicators and modules and shows how these relate to the six Principles for Responsible Investment. It can be used by stakeholders as an 'at-a-glance' summary of reported information and to identify particular themes or areas of interest.

Indicators can refer to one or more Principles. Some indicators are not specific to any Principle. These are highlighted in the 'General' column. When multiple Principles are covered across numerous indicators, in order to avoid repetition, only the main Principle covered is highlighted. This results in some Principles not being explicitly highlighted. For instance, Principle 1 and 2 cannot be implemented without implementing Principle 3, but there are cases when Principle 3 is not explicitly highlighted.

All indicators within a module are presented below. The status of indicators is shown with the following symbols:

Symbol	Status
✓	The signatory has completed all mandatory parts of this indicator
☑	The signatory has completed some parts of this indicator
🔒	This indicator was not relevant for this signatory
-	The signatory did not complete any part of this indicator
🏳	The signatory has flagged this indicator for internal review

Within the table, indicators marked in blue are mandatory to complete. Indicators marked in grey are voluntary to complete.

PRI disclaimer

This document is based on information reported by signatories and responses have not been independently audited by the PRI Secretariat, PRI working groups, or any other third party. While this information is believed to be reliable, no representations or warranties are made as to its accuracy and no responsibility or liability can be accepted for any error or omission.

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Principles Index

Organisational Overview				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
OO 01	Signatory category and services	✓	Public							✓
OO 02	Headquarters and operational countries	✓	Public							✓
OO 03	Subsidiaries that are separate PRI signatories	✓	Public							✓
OO 04	Reporting year and AUM	✓	Public							✓
OO 05	Breakdown of AUM by asset class	✓	n/a							✓
OO 06	How would you like to disclose your asset class mix	✓	Public							✓
OO 07	Segregated mandates or pooled funds	🔒	n/a							✓
OO 08	Breakdown of AUM by market	✓	Public							✓
OO 09	Additional information about organisation	✓	Public							✓
OO 10	RI activities for listed equities	✓	Public							✓
OO 11	RI activities in other asset classes	🔒	n/a							✓
OO 12	Modules and sections required to complete	✓	Public							✓

Overarching Approach				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
OA 01	RI policy and other guidance documents	✓	Public							✓
OA 02	Publicly available policies / documents	✓	Public						✓	
OA 03	Policy components and coverage	✓	Public	✓	✓					
OA 04	Conflicts of interest	✓	Public							✓
OA 05	RI goals and objectives	✓	Public							✓
OA 06	Main goals/objectives this year	✓	Private							✓
OA 07	Governance, management structures and RI processes	✓	Public							✓
OA 08	RI roles and responsibilities	✓	Public							✓
OA 09	RI in performance management, reward and/or personal development	✓	Private							✓
OA 10	Collaborative organisations / initiatives	✓	Public				✓	✓		
OA 11	Promoting RI independently	✓	Public				✓			
OA 12	Dialogue with public policy makers or standard setters	✓	Private				✓	✓	✓	
OA 13	ESG issues in strategic asset allocation	✓	Private	✓						
OA 14	Allocation of assets to environmental and social themed areas	✓	Private	✓						
OA 15	ESG issues for internally managed assets not reported in framework	🔒	n/a							✓
OA 16	ESG issues for externally managed assets not reported in framework	🔒	n/a							✓
OA 17	RI/ESG in execution and/or advisory services	🔒	n/a	✓	✓					
OA 18	Innovative features of approach to RI	✓	Private							✓
OA 19	Internal and external review and assurance of responses	✓	Private							✓

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Direct - Listed Equity Incorporation				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
LEI 01	Breakdown by passive, quantitative, fundamental and other active strategies	✓	Public	✓						
LEI 02	Description of ESG incorporation	✓	Public	✓						
LEI 03	Percentage of each incorporation strategy	✓	Public	✓						
LEI 04	Type of ESG information used in investment decision	✓	Private	✓						
LEI 05	Information from engagement and/or voting used in investment decision-making	✓	Private	✓						
LEI 06	Types of screening applied	✓	Public	✓						
LEI 07	Processes to ensure screening is based on robust analysis	✓	Public	✓						
LEI 08	Processes to ensure fund criteria are not breached	✓	Private	✓						
LEI 09	Types of sustainability thematic funds/mandates	🔒	n/a	✓						
LEI 10	Description of ESG integration	✓	Private	✓						
LEI 11	Review ESG issues while researching companies/sectors	✓	Public	✓						
LEI 12	Processes to ensure integration is based on robust analysis	✓	Private	✓						
LEI 13	Aspects of analysis ESG information is integrated into	✓	Private	✓						
LEI 14	ESG issues in index construction	🔒	n/a	✓						
LEI 15	How ESG incorporation has influenced portfolio composition	✓	Private	✓						
LEI 16	Incorporation of ESG issues has improved financial/ESG performance and reduced risk	✓	Private	✓						
LEI 17	Examples of ESG issues that affected your investment view / performance	✓	Private	✓						
LEI 18	Disclosure of approach to ESG incorporation	✓	Public		✓				✓	

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Direct - Listed Equity Active Ownership				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
LEA 01	Description of approach to engagement	✓	Private		✓					
LEA 02	Reasoning for interaction on ESG issues	✓	Public	✓	✓	✓				
LEA 03	Process for identifying and prioritising engagement activities	✓	Public		✓					
LEA 04	Objectives for engagement activities	✓	Public		✓					
LEA 05	Process for identifying and prioritising engagement activities	✓	Public		✓					
LEA 06	Objectives for engagement activities	✓	Public		✓					
LEA 07	Role in engagement process	🔒	n/a		✓		✓			
LEA 08	Monitor / discuss service provider information	🔒	n/a		✓				✓	
LEA 09	Share insights from engagements with internal/external managers	✓	Private	✓	✓					
LEA 10	Tracking number of engagements	✓	Public		✓					
LEA 11	Number of companies engaged with, intensity of engagement and effort	✓	Private		✓					
LEA 12	Engagements on E, S and/or G issues	✓	Private		✓					
LEA 13	Companies changing practices / behaviour following engagement	✓	Private		✓					
LEA 14	Examples of ESG engagements	✓	Private		✓					
LEA 15	Disclosure of approach to ESG engagements	✓	Public		✓				✓	
LEA 16	Description of approach to (proxy) voting	✓	Private		✓					
LEA 17	Typical approach to (proxy) voting decisions	✓	Public		✓					
LEA 18	Percentage of voting recommendations reviewed	🔒	n/a		✓					
LEA 19	Confirmation of votes	✓	Private		✓					
LEA 20	Securities lending programme	✓	Private		✓					
LEA 21	Informing companies of the rationale of abstaining/voting against management	✓	Public		✓					
LEA 22	Percentage of (proxy) votes cast	✓	Public		✓					
LEA 23	Proportion of ballot items that were for/against/abstentions	✓	Private		✓					
LEA 24	Shareholder resolutions	✓	Private		✓					
LEA 25	Examples of (proxy) voting activities	✓	Private		✓					
LEA 26	Disclosing voting activities	✓	Public		✓				✓	

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Reported Information

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Organisational Overview

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PRI Principles for Responsible Investment

Basic Information

OO 01 | Mandatory | Gateway/Peering | General

OO 01.1 Select the services you offer.

☑ Fund management

% of assets under management (AUM) in ranges

- ○ <10%
- ○ 10-50%
- ◉ >50%

☐ Fund of funds, manager of managers, sub-advised products

☐ Other, specify

☐ Execution and advisory only services

OO 02 | Mandatory | Peering | General

OO 02.1 Select the location of your organisation's headquarters.

Australia

OO 02.2 Indicate the number of countries in which you have offices (including your headquarters).

- ◉ 1
- ○ 2-5
- ○ 6-10
- ○ >10

OO 02.3 Indicate the approximate number of staff in your organisation in full-time equivalents (FTE).

FTE

10

OO 03 | Mandatory | Descriptive | General

OO 03.1 Indicate whether you have subsidiaries within your organisation that are also PRI signatories in their own right.

- ○ Yes
- ◉ No

OO 04 | Mandatory | Gateway/Peering | General

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PRI Principles for Responsible Investment

OO 04.1 Indicate the year end date for your reporting year.

31/12/2013

OO 04.2 Indicate your total AUM at the end of your reporting year.

	trillions	billions	millions	thousands	hundreds
Total AUM		2	585	000	000
Currency	AUD				
Assets in USD		2	335	027	545

OO 04.3 Indicate the level of detail you would like to provide about your asset class mix.

◉ Approximate percentage breakdown to the nearest 5% (e.g. 45%)

○ Broad ranges breakdown (i.e. <10%; 10-50%; >50%)

OO 06 | **Mandatory** | **Descriptive** | **General**

OO 06.1 To contextualise your responses to the public, indicate how you would like to disclose your asset class mix.

◉ Publish our asset class mix as percentage breakdown

	Internally managed (%)	Externally managed (%)
Listed equity	100	0
Fixed income – corporate	0	0
Fixed income – government	0	0
Fixed income – other	0	0
Private debt	0	0
Private equity	0	0
Property	0	0
Infrastructure	0	0
Commodities	0	0
Hedge funds	0	0
Forestry	0	0

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Farmland	0	0
Inclusive finance	0	0
Cash	0	0
Other (1), specify	0	0
Other (2), specify	0	0

○ Publish our asset class mix as broad ranges

○ Publish our asset class mix as per attached file (the following image formats can be uploaded: .jpg, .jpeg, .png,.bmp and .gif)

OO 08	Mandatory to Report Voluntary to Disclose	Peering	General

OO 08.1 Indicate the breakdown of your organisation's AUM by market.

Market breakdown	% of AUM
Developed Markets	○ 0% ○ <10% ○ 10-50% ◉ >50 %
Emerging, Frontier and Other Markets	◉ 0% ○ <10% ○ 10-50% ○ >50 %

OO 09	Voluntary	Descriptive	General

OO 09.1 Provide any additional information about your organisation, its mission, strategies, activities or investments which are important to contextualise your responsible investment activities.

Solaris Investment Management is a style neutral, Australian Equities fund manager with a tried and tested investment process proven over one and a half decades. The team comprises 10 experienced investment professionals with an average investment experience of 17 years. Solaris Investment Management has embedded the consideration of ESG factors throughout its investment process with all team members having responsibility for assessing ESG factors in their investment decisions.

Gateway asset class implementation indicators

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OO 10	Mandatory	Gateway	General

OO 10.1	Select the responsible investment activities your organisation implemented, directly and/or indirectly, for listed equities in the reporting year.

☑ We incorporate ESG issues into investment decisions on our internally managed assets

☑ We engage with companies on ESG issues via our staff, collaborations or service providers

☑ We cast our (proxy) votes directly or via service providers

☐ None of the above

OO 12	Mandatory	Gateway	General

OO 12.1	The modules and sections that you will be required to complete are listed below. They are based on the percentages provided in your AUM breakdown and your responses to the gateway indicators. Note, you are only required to report on asset classes that represent 10% or more of your AUM. You may report voluntarily on any applicable modules or sections by selecting them from the list. Direct - Fixed Income and Infrastructure are always voluntary.

Core modules

☑ Organisational Overview

☑ Overarching Approach (including assets which do not have a separate module)

RI implementation directly or via service providers

	Direct - Listed Equity incorporation

☑ Listed Equity incorporation

	Direct - Listed Equity active ownership

☑ Engagements

☑ (Proxy) voting

Closing module

☑ Closing module

Note: Please make sure your response to this indicator is complete and confirmed before you progress. Your response will determine which tailored modules and sections you will be presented with.

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Overarching Approach

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Responsible investment policy

OA 01	Mandatory	Gateway/Core Assessed	General

OA 01.1 Indicate if you have a responsible investment policy.

- (•) Yes
- ( ) No

OA 01.2 Indicate if you have other guidance documents or more specific policies related to responsible investment.

- (•) Yes
- ( ) No

OA 01.3 Provide a brief description of the key elements of your responsible investment policy or, if you do not have a policy, of your overall approach to responsible investment. [Optional]

Solaris Investment Management has an ESG Policy that describes how ESG factors are incorporated into our every day investment decision making. The ESG Policy is approved by the Solaris Board and is an integral part of our investment process. The Solaris team has been actively involved in assessing the impacts of ESG factors for over 15 years (both at Solaris and previously at another funds management group). We have witnessed the impacts of ESG factors on stock valuations and consider ESG factors as another important source of stock value drivers. We are also seeing structural shifts in investment markets as sustainability becomes more "front of mind" for some investors and believe that understanding ESG factors is key to reducing portfolio risks.

The Solaris ESG Policy was adopted in 2010 and is reviewed annually by the ESG Analyst.

OA 02	Mandatory	Core Assessed	PRI 6

OA 02.1 Indicate if your responsible investment policy is publicly available.

- (•) Yes

OA 02.2 Provide a URL to your responsible investment policy.

URL

http://www.solariswealth.com.au/institutional/sites/default/files/Solaris_ESG_Policy.pdf

- ( ) No

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OA 02.3	Indicate if your other policies or guidance documents related to responsible investment are publicly available.

◉ Yes

◉ Yes, all

○ Yes, some

OA 02.4	List these other policies or guidance documents related to responsible investment that are publicly available and their URLs.

Policy or document name	URL
Voting and Engagement Policy	http://www.solariswealth.com.au/institutional/sites/default/files/Solaris_Voting_Policy.pdf

○ No

OA 03	Mandatory	Core Assessed	PRI 1,2

OA 03.1	Indicate the components/types and coverage of your responsible investment policy and guidance documents.

Select all that apply

Policy components/types	Coverage by AUM
☑ Policy setting out your overall approach	◉ Applicable policies cover all AUM
☑ (Proxy) voting policy	○ Applicable policies cover a majority of AUM
☑ Engagement/active ownership policy	○ Applicable policies cover a minority of AUM
☐ Specific guidelines on corporate governance	
☐ Specific guidelines on environmental issues	
☐ Specific guidelines on social issues	
☐ Asset class-specific guidelines	
☐ Screening/exclusion policy	
☐ Other, specify	
☐ Other, specify	

OA 04	Mandatory	Core Assessed	General

OA 04.1	Indicate if your organisation has a policy on managing potential conflicts of interest in the investment process.

◉ Yes

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OA 04.2	Describe your policy on managing potential conflicts of interest in the investment process. [Optional]

Section 912A(1)(aa) of the Corporations Act 2001 requires all licensees to have adequate arrangements for management of conflicts of interest which arise in relation to the provision of financial services by the licensee. ASIC has introduced Regulatory Guide 181 entitled 'Licensing: Managing conflicts of interest', as a means of explaining its interpretation of subsection 912A(1)(aa) and its expectations of what adequate arrangements need to be implemented. Conflicts of Interest are specifically dealt with in the Solaris Conflicts of Interest Policy. In our dealings with our clients, we adopt the position that transparency of interest is paramount and that it is better to err on over-disclosure rather under-disclosure so that the client is fully aware of the interests which Solaris or our representative may have in relation to the service being provided. Solaris ensures that clients are adequately informed about any conflicts of interest that may affect financial services to them. For a disclosure to be adequate it should provide detail in a clear, concise and effective form to allow clients to make an informed decision.

○ No

Objectives and strategies

OA 05	Mandatory	Gateway/Core Assessed	General

OA 05.1	Indicate if your organisation sets objectives for its responsible investment activities.

◉ Yes

OA 05.2	Indicate how frequently your organisation sets or revises objectives for responsible investment.

◉ At least once per year

○ Less than once per year

OA 05.3	Indicate how frequently your organisation formally reviews performance against its objectives for responsible investment.

○ Quarterly

○ Biannually

◉ Annually

○ Every two years or less

○ It is not reviewed

○ No

Governance and human resources

OA 07	Voluntary	Descriptive	General

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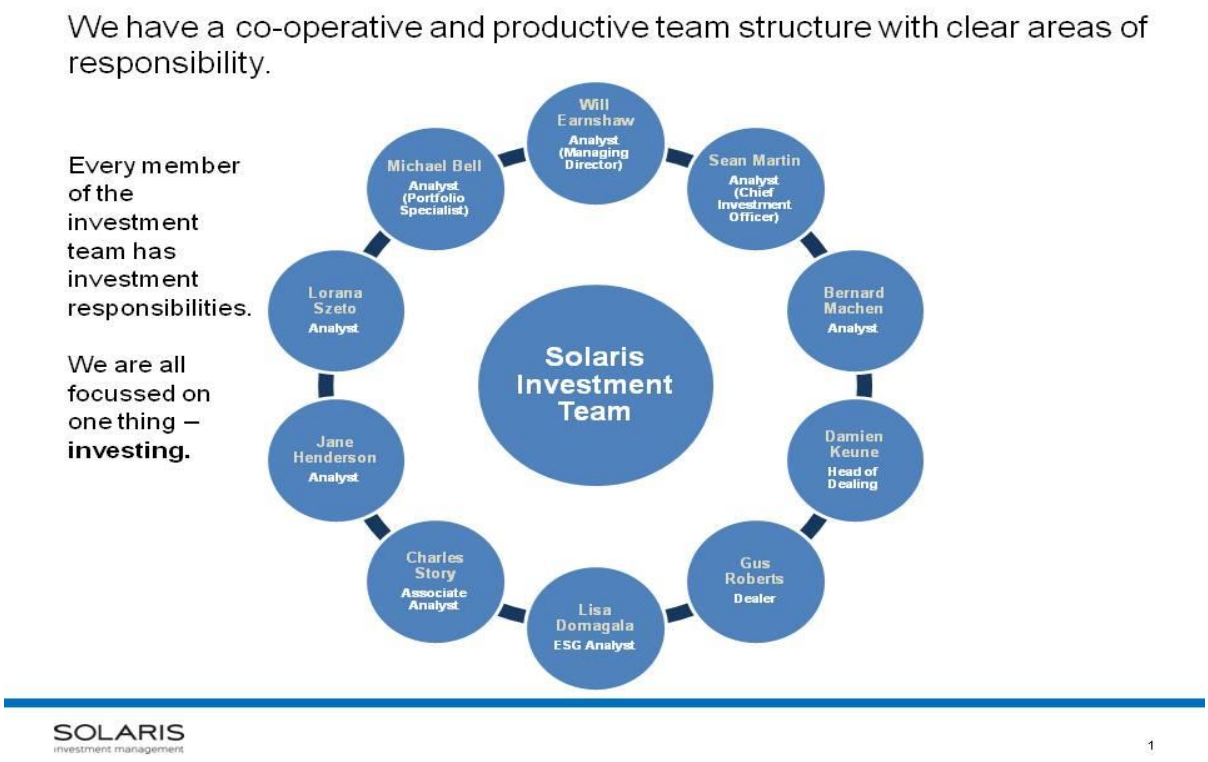
OA 07.1	Provide a brief description of your organisation's governance, management structures and processes related to responsible investment.

The Board of Solaris consists of the Managing Director, the Chief Investment Officer, 1 Equity Analyst and two external directors. The Managing Director and the Chief Investment Officer both have stock analysis duties and therefore have direct ESG evaluation responsibilities, as do all the analysts within the Solaris team. Solaris employ a dedicated ESG Analyst who provides the equity analysts with specialist ESG insights and additonal research capacity where required. The final evaluation of ESG issues is undertaken by the analyst responsible for the company.

Every company in the S&P/ASX200 is covered by a dedicated analyst and the decision to include or exclude that company in Solaris' investment portfolios is predominantly the decision of that analyst. ESG evaluation forms part of the analysts' overall assessment of that company. It is important to emphasise that this is not a new aspect of the analyst role. All current analysts have, over the last 15 years, had to make ESG evaluations.

☑ I would like to attach an organisation chart (the following image formats can be uploaded: .jpg, .jpeg, .png, .bmp and .gif)



To upload the image click the*Save* button below

OA 08	Mandatory	Gateway/Core Assessed	General

OA 08.1	Indicate the roles present in your organisation and for each, indicate whether they have oversight and/or implementation responsibilities for responsible investment.

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	Roles present in your organisation

☑ Board members or trustees

- ☑ Oversight/accountability for responsible investment
- ☑ Implementation of responsible investment
- ☐ No oversight/accountability or implementation responsibility for responsible investment

☑ Chief Executive Officer (CEO), Chief Investment Officer (CIO), Investment Committee

- ☑ Oversight/accountability for responsible investment
- ☑ Implementation of responsible investment
- ☐ No oversight/accountability or implementation responsibility for responsible investment

☐ Other Chief-level staff or head of department, specify

☐ Portfolio managers

☑ Investment analysts

- ☑ Oversight/accountability for responsible investment
- ☑ Implementation of responsible investment
- ☐ No oversight/accountability or implementation responsibility for responsible investment

☑ Dedicated responsible investment staff

- ☑ Oversight/accountability for responsible investment
- ☑ Implementation of responsible investment
- ☐ No oversight/accountability or implementation responsibility for responsible investment

☐ External managers or service providers

☐ Other role, specify

☐ Other role, specify

OA 08.2	Indicate the number of dedicated responsible investment staff your organisation has. [Optional]

	Number

1

Promoting responsible investment

OA 10	Mandatory	Core Assessed	PRI 4,5

OA 10.1	Indicate if your organisation is a member of and/or participant in any collaborative organisation or initiatives that promote responsible investment.

◉ Yes

OA 10.2	Select the collaborative organisation and/or initiatives of which your organisation is a member or in which it participated during the reporting year, and the role you played.

Select all that apply

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☐ Asian Corporate Governance Association

☐ Association for Sustainable & Responsible Investment in Asia

☑ Australian Council of Superannuation Investors

Your organisation's role in the initiative during the reporting period (see definitions)

☑ Basic

☐ Moderate

☐ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

Conference attendee

Participant in ACSI sponsored Board Confidence Study

☑ CDP Climate Change

Your organisation's role in the initiative during the reporting period (see definitions)

☑ Basic

☐ Moderate

☐ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

Signatory

Data user

☑ CDP Forests

Your organisation's role in the initiative during the reporting period (see definitions)

☑ Basic

☐ Moderate

☐ Advanced

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Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

Signatory

☑ CDP Water

Your organisation's role in the initiative during the reporting period (see definitions)

☑ Basic

☐ Moderate

☐ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

Signatory

☐ CFA Institute Centre for Financial Market Integrity

☐ Council of Institutional Investors (CII)

☐ Eumedion

☑ Extractive Industries Transparency Initiative (EITI)

Your organisation's role in the initiative during the reporting period (see definitions)

☑ Basic

☐ Moderate

☐ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

Conference attendee

☐ Global Investors Governance Network (GIGN)

☐ Global Real Estate Sustainability Benchmark (GRESB)

☑ Institutional Investors Group on Climate Change (IIGCC)

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Your organisation's role in the initiative during the reporting period (see definitions)

☑ Basic

☐ Moderate

☐ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

Conference attendee

☑ Interfaith Center on Corporate Responsibility (ICCR)

Your organisation's role in the initiative during the reporting period (see definitions)

☑ Basic

☐ Moderate

☐ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

Signatory to Bangaldesh Investor Initiative

☑ International Corporate Governance Network (ICGN)

Your organisation's role in the initiative during the reporting period (see definitions)

☑ Basic

☐ Moderate

☐ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

Conference attendee

☑ Investor Group on Climate Change, Australia/New Zealand (IGCC)

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Your organisation's role in the initiative during the reporting period (see definitions)

☑ Basic

☐ Moderate

☐ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

Conference attendee

☐ Investor Network on Climate Risk (INCR)/CERES

☐ Local Authority Pension Fund Forum

☑ Principles for Responsible Investment

Your organisation's role in the initiative during the reporting period (see definitions)

☐ Basic

☑ Moderate

☐ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

ESG Integration Working Group member

SSE Investor Working Group member - Level 2 participant

☑ Regional or National Social Investment Forums (e.g. UKSIF, Eurosif, ASRIA, RIAA), specify

RIAA

Your organisation's role in the initiative during the reporting period (see definitions)

☐ Basic

☑ Moderate

☐ Advanced

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Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

Working Group member

☐ Shareholder Association for Research and Education (Share)

☐ United Nations Environmental Program Finance Initiative (UNEP FI)

☐ United Nations Global Compact

☑ Other collaborative organisation/initiative, specify

ESG Research Australia

Your organisation's role in the initiative during the reporting year (see definitions)

☐ Basic

☐ Moderate

☑ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

Sponsor of annual event

Chair of ESG RA Research Evaluation Working Group

Member of ESG RA Awards Ceremony Working Group

Lead Author ESG RA Research Awards Report

☐ Other collaborative organisation/initiative, specify

☐ Other collaborative organisation/initiative, specify

☐ Other collaborative organisation/initiative, specify

○ No

OA 11	Mandatory	Core Assessed	PRI 4

OA 11.1 Indicate if your organisation promotes responsible investment, independently of collaborative initiatives.

◉ Yes

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OA 11.2	Indicate which of the following actions your organisation has taken to promote responsible investment, independently of collaborative initiatives.

☐ Provided or supported education or training programmes for clients, investment managers, broker/dealers, investment consultants, legal advisers or other investment organisations

☐ Provided financial support for academic or industry research on responsible investment

☐ Encouraged better transparency and disclosure of responsible investment practices across the investment industry

☑ Spoke publicly at events and conferences to promote responsible investment

☑ Wrote and published in-house research papers on responsible investment

☐ Encouraged the adoption of the PRI

☐ Other, specify

○ No

OA 11.3	Additional information. [Optional]

Chaired the ESG RA Research Evaluation Working Group and spoke at the ESG RA Awards luncheon regarding the outcomes of the evaluation process and the progress of broker ESG research and authored the ESG RA Awards Report

Produce a quarterly in-house report on Solaris' ESG activities and their relevance to our investment process.

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Direct - Listed Equity Incorporation

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PRI Principles for Responsible Investment

Overview

LEI 01	Mandatory to Report Voluntary to Disclose	Gateway/Peering	PRI 1

LEI 01.1	Provide a breakdown of your internally managed listed equities by passive, quantitative, fundamental and other active strategies. For strategies that account for less than 10% of your internally managed listed equities, indicate if you would still like to report your activities.

Strategies

- ☐ Passive
- ☐ Active – quantitative (quant)
- ☑ Active – fundamental and other active strategies

	% of internally managed listed equities

- ○ <10%
- ○ 10-50%
- ◉ >50%

LEI 02	Voluntary	Descriptive	PRI 1

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LEI 02.1	Provide a brief overview of how you incorporate ESG issues in listed equity investments.

Solaris is a mainstream equities manager. The incorporation of ESG issues into our investment decision making process is an integral part of our business. We believe that companies cognisant of environmental, social and governance issues may represent opportunities for outperformance and correspondingly those companies that do not effectively manage these areas of their businesses could experience underperformance.

The evaluation of ESG issues is undertaken by the analyst responsible for the company. Analyst empowerment is an important feature of the Solaris investment process. Every company in the S&P/ASX200 is covered by a dedicated analyst and the decision to include or exclude that company in Solaris' investment portfolios is predominantly the decision of that analyst. ESG evaluation forms part of the analysts' overall assessment of that company. It is important to emphasise that this is not a new aspect of the analyst role. All current analysts have, in their past, had to make ESG evaluations. Solaris also employ an ESG Analyst who provides the analysts with additional information and research capacity where required.

ESG factors are considered at two stages within the Solaris Investment process:

- The initial risk screening stage where Liquidity, Financial, Geo-political, ESG and Litigation risks are assessed. Stocks that fail to pass any of these risk screens are considered non-investment grade and are not included in the Solaris universe.
- Qualitative assessment stage - The criteria examined by our analysts include:Management
- Business Model
- ESG factors
- Balance Sheet
- Cash Flow profile
- Trend in Return on Equity
-

The conclusions drawn by analysts from their qualitative assessment feeds into the appropriate rating applied to each company's valuation. For the most commonly used valuation technique: DCF, this involves adjusting the beta to incorporate positive or negative factors discovered in the qualitative assessment. Accordingly, conclusions drawn from the assessment of a company's ESG activities may affect that company's rating and its valuation. The main portfolio construction technique that Solaris use is based on expected return. Simply put, if a company has a high expected return that company will, prima facie, be included in the portfolio and equally a low expected return (or negative excess return) will see a company not held in the Solaris portfolios. It follows, therefore, that a poor ESG evaluation will result in the company's valuation being marked down and reducing the company's chances of being included in a Solaris portfolio.

ESG incorporation in actively managed listed equities

Implementation processes

LEI 03	Mandatory	Gateway/Core Assessed	PRI 1

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LEI 03.1	Indicate (1) which ESG incorporation strategy and/or combination of strategies you apply to your actively managed listed equities and (2) the breakdown of your actively managed listed equities by strategy or combination of strategies.

ESG incorporation strategy (select all that apply)

☐ Screening alone (i.e. not combined with any other strategies)

☐ Thematic alone (i.e. not combined with any other strategies)

☐ Integration alone (i.e. not combined with any other strategies)

☑ Screening + Integration strategies

Percentage of active listed equity to which the strategy is applied (estimate +/- 10%)	% 100

☐ Thematic + integration strategies

☐ Screening + thematic strategies

☐ All three strategies combined

☐ No incorporation strategies applied

	Total actively managed listed equities

100%

LEI 03.2	Describe your primary reasons for choosing a particular ESG incorporation strategy.

Our primary reason for choosing screening and integration strategies in relation to ESG factors is that it complements our process and is not seen as an add on, but simply part of our every day process.

Solaris utilises material ESG factors in the same way that our analysts will utilise any material information relevant to a company's operations and therefore valuation.

In the same way that certain factors may render a stock non-investment grade, so too may ESG factors. In some instances we may screen stocks from our investable universe at our initial risk screening stage due to ESG impacts.

As we treat ESG factors as additional pieces of a company's profile, it follows that our analysts also consider ESG factors within our Qualitative assessment stage.

(A) Implementation: Screening

LEI 06	Mandatory	Descriptive	PRI 1

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LEI 06.1 Indicate and describe the type of screening you apply to your internally managed active listed equities.

Type of screening

☑ Negative/exclusionary screening

Screened by

☐ Product
☐ Activity
☐ Sector
☑ Country/geographic region
☑ Environmental and social practices and performance
☑ Corporate governance

Description

Within the Solaris process, active discussion is held around country/geopolitical risks and where we feel these risks are too great we may choose to avoid (or screen out) companies with material exposure to those countries. Similarly companies may exhibit behaviours that are assessed as untenable in terms of investment risk. For example (this list is not exhaustive):

- legacy issues relating to pollution or remediation issues
- inappropriate labour use within the supply chain.
- insufficient governance controls or evidence of poor governance leading to other concerns within the company - eg safety failures, exposure to corrupt practices

Companies are assessed on a case by case basis and to date we have excluded a number of stocks on the basis of these concerns.

The Solaris Team has (in the past) also managed portfolios for religious institutions and screened out stocks according to the clients' requirements which have included Products, Activities and Sectors. We have not included these screens in this survey as we are currently not applying those screens.

☑ Positive/best-in-class screening

Screened by

☐ Product
☐ Activity
☐ Sector
☐ Country/geographic region
☐ Environmental and social practices and performance
☑ Corporate governance

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	Description
	Companies that exhibit leading corporate governance procedures typically have exhibited better risk management strategies and have demonstrated a greater understanding of the challenges and opportunities facing the company. These companies are typically afforded a governance premium within our valuation assessments.

☐ Norms-based screening

LEI 06.2	Describe how the screening criteria are established, how often the criteria are reviewed and how you notify clients and/or beneficiaries when changes are made.

The Solaris screening criteria was formulated as part of our Initial Risk Screening Stage which has been in place for over 10 years. The Initial Risk Screening Stage (of which the ESG screen forms part) is under constant review as an integral part of our investment process.

It is important to Solaris that this remains a fluid process as we review and reflect on the relevance of screens in a rapidly changing world. This process is an internal one and as such has not been communicated to clients to date.

LEI 07	Mandatory	Core Assessed	PRI 1

LEI 07.1	Indicate which processes your organisation uses to ensure that screening is based on robust analysis.

☑ Comprehensive ESG research is undertaken or sourced to determine companies' activities and products.

☑ Companies are given the opportunity by you or your research provider to review ESG research on them and correct inaccuracies

☐ External research and data used to identify companies to be excluded/included is subject to internal audit by ESG/RI staff, the internal audit function or similar

☐ Company ESG information/ratings are updated regularly to ensure that portfolio holdings comply with fund policies

☐ A committee or body with representatives independent of the individuals who conduct company research reviews some or all screening decisions

☐ A periodic review of the quality of the research undertaken or provided is carried out

☐ Other, specify

☐ None of the above

(C) Implementation: Integration of ESG issues

LEI 11	Mandatory	Core Assessed	PRI 1

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LEI 11.1 Indicate if E, S and G issues are reviewed while researching companies and/or sectors in active strategies.

ESG issues	Coverage/extent of review on these issues
Environmental	◉ We systematically review the potential significance of environmental issues and investigate them accordingly ○ We occasionally review the potential significance of environmental issues and investigate them accordingly ○ We do not review environmental issues
Social	◉ We systematically review the potential significance of social issues and investigate them accordingly ○ We occasionally review the potential significance of social issues and investigate them accordingly ○ We do not review social issues
Corporate Governance	◉ We systematically review the potential significance of corporate governance issues and investigate them accordingly ○ We occasionally review the potential significance of corporate governance issues and investigate them accordingly ○ We do not review corporate governance issues

Communication

LEI 18 | **Mandatory** | **Core Assessed** | **PRI 2,6**

LEI 18.1 Indicate if your organisation proactively discloses information on your approach to ESG incorporation in listed equity.

○ We disclose it publicly

◉ We disclose it to clients and/or beneficiaries only

LEI 18.3 Indicate the information your organisation proactively discloses to clients/ beneficiaries regarding your approach to ESG incorporation.

○ Broad approach to ESG incorporation

◉ Detailed explanation of ESG incorporation strategy used

LEI 18.4 Indicate how frequently you typically report this information.

◉ Quarterly or more frequently

○ Between quarterly and annually

○ Less frequently than annually

○ Other, specify

○ We do not proactively disclose it to the public and/or clients/beneficiaries

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Solaris Investment Management Limited

Reported Information

Public version

Direct - Listed Equity Active Ownership

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Engagement

Overview

LEA 02	Mandatory	Gateway	PRI 1,2,3

LEA 02.1	Indicate your reasons for interacting with companies on ESG issues and indicate who carries out these interactions.

Type of engagement	Reason for interaction
Individual/Internal staff engagements	☑ To support investment decision-making (e.g. company research) ☑ To influence corporate practice (or identify the need to influence) on ESG issues ☐ To encourage improved ESG disclosure ☐ Other, specify ☐ We do not engage via internal staff
Collaborative engagements	☑ To support investment decision-making (e.g. company research) ☑ To influence corporate practice (or identify the need to influence) on ESG issues ☑ To encourage improved ESG disclosure ☐ Other, specify ☐ We do not engage via collaborative engagements
Service provider engagements	☐ To support investment decision-making (e.g. company research) ☐ To influence corporate practice (or identify the need to influence) on ESG issues ☐ To encourage improved ESG disclosure ☐ Other, specify ☑ We do not engage via service providers

Process

Process for engagements run internally

LEA 03	Mandatory	Core Assessed	PRI 2

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LEA 03.1	Indicate whether your organisation has a formal process for identifying and prioritising engagement activities carried out by internal staff.

- ○ Yes
- ◉ No

LEA 04	Mandatory	Core Assessed	PRI 2

LEA 04.1	Indicate if you define specific objectives for your engagement activities.

- ○ Yes
- ◉ No

LEA 04.2	Indicate if you monitor the actions that companies take following your engagements.

- ◉ Yes
  - ○ Yes, in all cases
  - ◉ Yes, in the majority of cases
  - ○ Yes, in the minority of cases

LEA 04.3	Describe how you monitor and evaluate the progress of your engagement activities.

By observing company behaviour and statements following our discussions.

- ○ No

Process for engagements conducted via collaborations

LEA 05	Mandatory	Core Assessed	PRI 2

LEA 05.1	Indicate whether your organisation has a formal process for identifying and prioritising collaborative engagements.

- ○ Yes
- ◉ No

LEA 06	Mandatory	Core Assessed	PRI 2

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LEA 06.1 Indicate if the collaborative engagements in which you are involved have defined objectives.

- ◉ Yes
  - ○ Yes, for all collaborative engagement activities
  - ◉ Yes, for the majority of collaborative engagement activities
  - ○ Yes, for a minority of collaborative engagement activities
- ○ No

LEA 06.2 Indicate if you monitor the actions companies take following your collaborative engagements.

- ◉ Yes
  - ○ Yes, in all cases
  - ◉ Yes, in the majority of cases
  - ○ Yes, in the minority of cases

LEA 06.3 Describe how you monitor and evaluate the progress of your collaborative engagement activities.

By continuing to monitor company behaviour and statements post our discussions.

- ○ No

General processes for all three groups of engagers

LEA 10 | **Mandatory** | **Gateway/Core Assessed** | **PRI 2**

LEA 10.1 Indicate if you track the number of companies you engage with.

Type of engagement	Tracking engagements
Individual / Internal staff engagements	◉ Yes, we track the number of our engagements in full ○ Yes, we partially track the number of our engagements ○ No, we do not track our engagements but can provide a reasonable estimate of our engagement numbers ○ No, we do not track and cannot estimate our engagements
Collaborative engagements	◉ Yes, we track the number of our engagements in full ○ Yes, we partially track the number of our engagements ○ No, we do not track our engagements but can provide a reasonable estimate of our engagement numbers ○ No, we do not track and cannot estimate our engagements

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Communication

LEA 15	Mandatory	Core Assessed	PRI 2,6

LEA 15.1 Indicate whether your organisation proactively discloses information on its engagements.

- ○ We disclose it publicly
- ◉ We disclose it to clients and/or beneficiaries only

LEA 15.3 Indicate what engagement information your organisation proactively discloses to clients/beneficiaries.

Engagement information disclosed

- ☐ Details of the selections, priorities and specific goals of engagement
- ☑ Number of engagements
- ☑ Breakdown of engagements by type/topic
- ☐ Breakdown of engagements by region
- ☐ An assessment of the current status of the engagement
- ☐ Outcomes that have been achieved from the engagement
- ☐ Other information

LEA 15.4 Indicate how frequently you typically report engagements information

- ○ Disclosed continuously (prior and post engagements)
- ◉ Disclosed quarterly
- ○ Disclosed annually
- ○ Disclosed every two years or less
- ○ Other, specify

- ○ We do not proactively disclose it to the public and/or clients/beneficiaries.

(Proxy) voting and shareholder resolutions

Process

LEA 17	Mandatory	Descriptive	PRI 2

LEA 17.1 Indicate how you typically make your (proxy) voting decisions and what this approach is based on.

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Approach

○ We use our own research or voting team and make our own voting decisions without the use of service providers.

◉ We hire service provider(s) which make voting recommendations or provide research that we use to inform our voting decisions.

Based primarily on

○ the service provider voting policy signed off by us

◉ our own voting policy

○ our clients requests or policy

○ other, explain

○ We hire service provider(s) which make voting decisions on our behalf, except for some pre-defined scenarios for which we review and make voting decisions.

○ We hire service provider(s) which make voting decisions on our behalf.

LEA 21 | **Mandatory** | **Core Assessed** | **PRI 2**

LEA 21.1 Indicate if you ensure that companies are informed of the rationale when you and/or the service providers acting on your behalf abstain or vote against management recommendations.

◉ Yes, in most cases

○ Sometimes, in the following cases:

○ No

○ Not applicable as we and/or our service providers do not abstain or vote against management recommendations

Outputs and outcomes

LEA 22 | **Mandatory** | **Core Assessed** | **PRI 2**

LEA 22.1 For listed equities where you and/or your service provider has the mandate to issue (proxy) voting instructions, indicate the percentage of votes cast during the reporting year.

◉ We do track or collect this information

Votes cast (to the nearest 1%)

%

100

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Specify the basis on which this percentage is calculated

- ◉ of the total number of ballot items on which you could have issued instructions
- ○ of the total number of company meetings at which you could have voted
- ○ of the total value of your listed equity holdings on which you could have voted

○ We do not track or collect this information

Communication

LEA 26 | **Mandatory** | **Core Assessed** | **PRI 2,6**

LEA 26.1 Indicate if your organisation proactively discloses information on your voting activities.

◉ We disclose it publicly

provide URL

http://www.solariswealth.com.au/institutional/content/proxy-voting

LEA 26.2 Indicate if the information disclosed to the public is the same as that disclosed to clients/beneficiaries.

- ○ Yes
- ◉ No

LEA 26.3 Indicate the voting information your organisation proactively discloses to the public and/or to clients/beneficiaries.

Reporting to the public	Reporting to clients/beneficiaries
Indicate how much of your voting record you disclose	**Indicate how much of your voting record you disclose**
○ All voting decisions	◉ All voting decisions
○ Some voting decisions	○ Some voting decisions
○ Only abstentions and opposing vote decisions	○ Only abstentions and opposing vote decisions
◉ Summary of votes only	○ Summary of votes only
Indicate what level of explanation you provide	**Indicate what level of explanation you provide**
○ Explain all voting decisions	○ Explain all voting decisions
○ Explain some voting decisions	◉ Explain some voting decisions
○ Only explain abstentions and votes against management	○ Only explain abstentions and votes against management
◉ No explanations provided	○ No explanations provided

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LEA 26.4	Indicate how frequently you typically report voting information.

Reporting to the public	Reporting to clients/beneficiaries
○ Continuously (primarily before meetings) ○ Continuously (soon after votes are cast) ◉ Quarterly or more frequently ○ Between quarterly and annually ○ Less frequently than annually ○ Other, specify	○ Continuously (primarily before meetings) ○ Continuously (soon after votes are cast) ○ Quarterly or more frequently ○ Between quarterly and annually ○ Less frequently than annually ◉ Other, specify Before meetings at client request, otherwise quarterly.

○ We disclose it to clients/beneficiaries only

○ We do not proactively disclose our voting activities to the public and/or to clients/beneficiaries

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