

# Glebe Administration Board

## Ethical Investment Policy

### Theological preamble

- Any form of investment involves entering into a kind of partnership with others. We have been made by our creator to cooperate in common endeavour. As such, investment as an activity has intrinsic value.
- Christ's parable of the talents (Matthew 25:14–30) reminds us that the investment of our resources is not just a good work open to us, but something required of us. Christ calls us to be good stewards of the resources entrusted to us, for good.
- However, the act of investing is also beset with moral and spiritual dangers. Because our desires are corrupted, our hearts incline toward selfish gain (cf. Psalm 119:36). Human beings are expert at devising evil, and vulnerable to self-deception when it comes to greed.
- Modern forms of investment distance the investor from any direct responsibility for the income producing activity. This distance can tempt the investor into indifference, or an abdication of responsibility, on the one hand, or on the other, a fearful hesitation to invest at all.
- No act of investing can ever be wholly pure, untouched by the evils of the world. For example, even funds in a Term Deposit indirectly support the casinos and brothels that the bank provides loans to.
- However, not every form of involvement with things that are evil is itself an objectionable kind of complicity in those evils. Jesus shared the hospitality of tax collectors and sinners without being corrupted by them, or by the tainted wealth that enabled that hospitality. Christ's prayer for his followers is 'not that you take them out of the world but that you protect them from the evil one' (John 17:15)
- The 'negative screening' investment approach adopted by this policy has three strengths. First, it allows for a broad range of investments, reflecting confidence in the goodness of creation and its hospitality to human endeavour. Second, it accepts that engaging in investing involves us in a world that is broken and corrupted in many ways, while still trying to limit that involvement in meaningful ways. Third, in a limited way, it creates opportunities for advocacy with investment partners.
- The rationale for excluding investment in certain activities is because they fall into one or more of the following categories.
  - Some enterprises will be excluded because of a conviction that they are intrinsically evil. Items relating to abortion, pornography, destruction of embryos, and arguably gambling would fall under this rationale. Arguably, some other items, perhaps relating to euthanasia or the sex industry, could be added here.
  - Other enterprises may be excluded because of a judgment that, although the activity in question may not always be morally problematic, the social harms caused by that activity or industry are so clear that it would be wrong to deliberately or significantly invest in it. This might apply to items such as tobacco, alcohol, and armaments. Some items will obviously, and understandably, fall into both categories.
  - A final reason to exclude an area of investment might be if it was or became clear that this enterprise was inextricably and demonstrably involved in systemic evils such as organised crime or slavery. The inclusion of stem cell research involving the destruction of embryos is arguably another example of this rationale.
- There is a risk that a 'negative screening' approach could become a self-congratulatory exercise in 'virtue-signalling' to the extent that the areas of prohibited investment have no meaningful impact on investments or the process of investing, or become primarily an expression of the anxieties and self-projection of the investor. These risks are best addressed by an ongoing process of review by people with both financial and theological-ethical expertise.

## Introduction

1. This Policy outlines the ethical principles which the GAB will consider in determining whether an investment in the securities of an entity is made or maintained.
2. For the purposes of this Policy –
  - (a) an *entity* is any corporation or managed fund, but not a government or government borrowing authority,
  - (b) a *security* includes a share in the capital of a company, an interest in a managed fund and a debt instrument issued by a company or managed fund, and
  - (c) the Long Term Pooling Fund and the Diocesan Cash Investment Fund are each a *GAB portfolio*.

## Ethical and responsible behaviour

3. The GAB seeks to invest in a way which reflects the values, ethics and beliefs of the Anglican Diocese of Sydney.

## Prohibited activities

### *Preamble*

4. The GAB seeks not to invest) in the securities of an entity which earns revenue from one or more prohibited activities. For the purposes of this Policy, the following are *prohibited activities* –
  - (a) The manufacture or sale of –
    - Abortifacient or abortifacient-like contraceptives, or
    - Alcohol, or
    - Armaments, or
    - Drugs for euthanasia/voluntary assisted dying, or
    - Pornography, or
    - Tobacco.
  - (b) Medical and/or surgical elective abortions.
  - (c) Stem cell research involving the destruction of embryos.
  - (d) Gambling.
5. However,, a number of practical considerations arise –
  - (a) Public information is generally only available about material sources of revenue for *listed companies*. Usually, a material source of revenue is 10% or more of the total revenue of the entity. This means that information about a source of revenue which is less than 10% of total revenue is generally not available.
  - (b) Given the relatively small size of the property invested by the GAB, there are substantial advantages in investing by way of managed funds. A managed fund is a pooled fund managed by one or more external investment managers in which the GAB invests along with other investors. Few managed funds have ethical policies which exclude investments in entities which earn revenue from all prohibited activities, and the GAB has a limited ability to influence the ethical policies of those funds. Allowing a managed fund to have an immaterial interest in entities which earn revenue from a prohibited activity is necessary if the GAB is to have a reasonable universe of funds from which it can choose a fund or funds in which to invest.
6. These considerations underpin the following principles.

### *Key principles*

7. The GAB will not make a direct investment in a security of an entity, being a company, if that entity is a *prohibited entity*.

8. The GAB will not make an investment in an entity, being a managed fund, if –
  - (a) the fund holds securities (either directly or indirectly) in a *prohibited entity*, and
  - (b) the total value of the securities held by the fund in all *prohibited entities* exceeds the *prescribed percentage* of the total value of all assets of the fund.
9. The total value of the securities held (either directly or indirectly) in all *prohibited entities* by the managed funds in which a GAB portfolio is invested is not to exceed the *prescribed percentage* of the total value of all assets of the portfolio.
10. For these purposes –
  - (a) A *prohibited entity* is a publicly listed entity which earns more than 10% of its revenue directly from one or more prohibited activities.
  - (b) The *prescribed percentage* is 5%.
11. If the GAB invests in an entity and, after that investment is made, the entity becomes an entity in which further investments will not be made because of the principles in paragraphs 7 and 8, the GAB will take steps to determine whether this position can be corrected in the short term. If the position cannot be corrected in the short term, the GAB will take steps to divest its existing assets in that entity in a timely and ordered way having regard to factors such as market conditions and the availability of appropriate alternate investment options and, in the case of a managed fund, to the extent necessary to permit further investments in that fund to be made.
12. If the total value of the securities held (either directly or indirectly) in all *prohibited entities* by the managed funds in which a GAB portfolio is invested breaches the principle in paragraph 9, the GAB will at the earliest reasonable opportunity take steps to remedy the breach.
13. In applying this Policy, the GAB relies on its implemented consultant periodically ascertaining the percentage of the total value of all assets of the fund attributable to securities in a *prohibited entity*. This is generally done quarterly.
14. In the case a *prohibited entity* cannot be excluded due to certain limitations and constraints as stated in paragraph 5(b) the implemented consultant will report to the GAB on the *prohibited entity* exposure every quarter.

#### *Review of prohibited activities*

15. The list of prohibited activities under this Policy will be reviewed at least every 3 years by the GAB, supported by suitably qualified experts including a theologian and/or Christian Ethicist.

## **Climate Change Considerations**

#### *Preamble*

16. The GAB believes that climate change risk can have economic consequences through:
  - (a) physical risk (such as natural disasters),
  - (b) transition risk (in the shift to a low carbon economy), and
  - (c) market risk (how market participants will react over time to their own perceptions of climate risk).
17. The GAB is mindful of these risks when managing its investments.

#### *Key principles*

18. Through its implemented consultant, the GAB will monitor the portfolio (ex cash) for physical and transition risks, particularly in relation to the real asset investments.
19. The GAB is conscious that public markets are subject to regulatory and societal scrutiny in relation to carbon emissions and transition plans towards renewables. Over time, market discipline and community expectations have reduced the carbon footprint and carbon emissions of the ASX300. The GAB, in continuing to invest in these markets, will move in line with this trend.
20. In addition, the GAB will consider investing in sustainable investment products, where they are consistent with the GAB's overall investment objectives.

21. Through its implemented consultant, the GAB will measure the carbon footprint of each of its non-cash investments as well as the entire LTPF portfolio (ex cash). The GAB's implemented consultant will take steps where possible to reduce emissions from its investments, primarily by engaging with the underlying investment manager(s) and portfolio companies.

## **Modern Slavery Consideration**

### *Preamble*

22. The GAB opposes slavery in all its forms and supports the Modern Slavery Act in Australia. The GAB recognises the responsibility of all societal stakeholders, including faith-based organisations, civil society, business and investors, in seeking to end these practices in their businesses, partnerships, supply chains and investments.

### *Key principles*

23. The GAB monitors, through annual reporting from its implemented consultant, 'red flags' as they relate to this issue, including any modern slavery, labour standards or human rights incidents linked to investee companies. Should there be a red flag, the GAB would take appropriate action.

## **Monitoring compliance with this Policy**

24. The GAB will monitor compliance with this Policy through regular reporting from its implemented consultant. Any breaches will be reported to Standing Committee at the next scheduled reporting date. Currently the GAB reports to Standing Committee, through SAS, quarterly.
25. The GAB will report to the Synod and the investors in GAB portfolios each year about its compliance with this Policy. In relation to prohibited activities, compliance with the *prescribed percentage* will be reported against the total value of the securities held (either directly or indirectly) in all *prohibited entities* by the managed funds in which each GAB portfolio is invested.

## **Review of Policy**

26. This Policy will be reviewed by the GAB annually.