

## Ethical Investment Policy

(A report from the Glebe Administration Board and the Anglican Church Property Trust Diocese of Sydney.)

### Key Points

- The Glebe Administration Board (GAB) and the Anglican Church Property Trust Diocese of Sydney (ACPT) are to report to the Synod each year about compliance with the Ethical Investment policy (EIP).
- The GAB and ACPT are compliant with the EIP for the year ended 30 June 2018.

### Purpose

1. The purpose of this paper is to report about compliance with the EIP.

### Recommendations

2. Synod receive this report.

### Background

3. GAB as trustee of the Diocesan Endowment (DE) and the ACPT as trustee of the Long Term Pooling Fund (LTPF) adopted the EIP in May 2016. The Standing Committee of the Synod endorsed the EIP in May 2016.
4. Under the EIP, the GAB and ACPT are to report to the Synod each year about compliance with the EIP.

### Prohibited activities

5. Under the EIP, GAB and ACPT 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 in all *Prohibited Entities* exceeds 5% of the total value of all assets of the fund (the *Prescribed Percentage*).
6. For these purposes, a *Prohibited Entity* is a publicly listed entity which earns more than 10% of its revenue directly from one or more *Prohibited Activities*.
7. The following are *Prohibited Activities* –
  - (a) The manufacture or sale of abortifacient or abortifacient-like contraceptives, or alcohol, or armaments, or pornography or tobacco.
  - (b) Undertaking medical and/or surgical elective abortions.
  - (c) Undertaking stem cell research involving the destruction of embryos.
  - (d) Gambling.
8. As at the 30 June 2018 annual review date, all the funds for listed investment asset classes of the DE and the LTPF were below the 5% *Prescribed Percentage*.
9. Subsequent to the 30 June 2018 annual review date, the managers of the passive international shares asset class in the DE and LTPF portfolios divested exposures to any manufacturer of tobacco and armaments. This has further materially reduced exposures to *Prohibited Entities*.

### Carbon intensity

10. The EIP provides that where reasonably possible, GAB and ACPT will aim to achieve carbon intensity exposures below that of equivalent market benchmarks for their active managed funds that hold securities in listed companies.
11. For this purpose, the EIP requires GAB and ACPT to measure the overall carbon intensity of investments in all active managed funds that hold securities in listed companies, and work with their investment manager/s to reduce the carbon intensity of those investments compared to the carbon intensity of the relevant market benchmark for that asset class.
12. All listed active asset classes are below benchmark for carbon intensity, with the exception of Global Listed Property (GLP).

13. GLP is an approved asset class for the LTPF and has a current dynamic asset allocation weighting of 2%. The global listed property asset class by its nature has a low carbon intensity measure (for instance, 70% lower than the carbon footprint of Australian shares). Nonetheless the ACPT has instructed Mercer to continue to engage with the underlying fund managers to implement strategies that will reduce its carbon footprint for GLP.

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