

Glebe Administration Board

Ethical Investment Policy

Introduction

1. This Policy outlines the ethical principles which 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. GAB seeks to encourage ethical and responsible behaviour by entities and compliance with appropriate legal, labour, social, environmental, stewardship and governance standards. Accordingly, GAB will consider the extent to which an investment in an entity will further this objective in assessing whether that investment is made or maintained.

Prohibited activities

Preamble

4. As a matter of general principle, GAB seeks not to invest (either directly or indirectly through a managed fund) 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
 - Pornography, or
 - Tobacco.
 - (b) Undertaking medical and/or surgical elective abortions.
 - (c) Undertaking stem cell research involving the destruction of embryos.
 - (d) Gambling.
5. However, in applying this principle, 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 GAB, there are substantial advantages in investing by way of managed funds. A managed fund is a pooled fund managed by an external investment manager in which 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 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 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. GAB will not make a direct investment in a security of an entity, being a company, if that entity is a *prohibited entity*.
8. 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 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, GAB will seek 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, GAB will at the earliest reasonable opportunity take steps to divest its existing assets in one or more of those funds to the extent necessary to remedy the breach.
13. In applying this Policy, GAB will seek to source independent information about the activities of an entity and the sources of its revenue. However, independent information will not always be available, particularly in relation to unlisted managed funds. In these cases, GAB will be reliant upon its investment manager periodically ascertaining the percentage of the total value of all assets of the fund attributable to securities in a *prohibited entity*.

Climate Change Considerations

Preamble

14. The GAB recognises the Paris Agreement, an international agreement between 196 state parties targeting reduced greenhouse gas emissions levels, as a significant step towards mitigation of catastrophic consequences as a result of global warming.
15. The GAB believes that climate change as it relates to investment portfolios can influence long term return and risk outcomes. As such, the GAB considers climate change as a systemic risk and seeks to address it where practically achievable.
16. These considerations underpin the following principles.

Key principles

17. The GAB will test the resilience of its portfolios against a range of climate change scenarios, as recommended by the Taskforce on Climate-related Financial Disclosures (TCFDⁱ), and take steps where appropriate to improve the resilience of the portfolios to both the transition risks and the physical impact risks arising from climate change. This will include testing the portfolios' resilience to potential climate change shocks resulting from natural disasters.

18. The GAB will measure the carbon footprint of its listed equity investments and take steps where possible to reduce emissions from its investments, as recommended by the TCFD. Within its Australian Shares investments, where corporate emissions data is widely available and consistent, the GAB has set a target of 20% less carbon intensive than the ASX300.
19. Where possible and consistent with the overall investment strategy, over time, the GAB will seek to invest in companies with a stated climate change commitment and an action plan to reduce their emissions.
20. The GAB will use its influence, through its investment managers, to encourage companies in its investment portfolio to reduce their greenhouse gas emissions and improve the resiliency of their businesses to the impacts of climate change.
21. In addition, where possible and consistent with the overall investment strategy, over time, the GAB will seek to invest in solutions to climate change, for example, renewable energy and low carbon transport.
22. GAB will seek to progressively reduce the overall carbon intensity of its investments in securities of other entities, when sufficient independently sourced information is available.

Modern Slavery Consideration

Preamble

23. 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

24. The GAB seeks to -
 - (a) Communicate to its partners, service providers and entities linked to investments, to inform them of the GAB's strong anti-slavery stance, and to seek assurances that they are aware of modern slavery issues, the recent legislation, and are taking appropriate action.
 - (b) Ensure its investment manager is monitoring 'red flags' as they relate to the issue, including any modern slavery, labour standards or human rights incidents linked to investee companies, and use this to engage with managers and take appropriate action.
 - (c) Obtain the proxy voting reports and the outcomes of corporate engagement as it relates to modern slavery practices.

Monitoring compliance with this Policy

25. GAB will ensure that its service level agreement with each investment manager requires that the investment manager monitors compliance with this Policy and reports to GAB about such compliance in such form and at such frequency as is agreed.
26. GAB will report to the Synod, the Standing Committee and the investors in the 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

27. This Policy will be reviewed by GAB annually.

25 March 2024]

ⁱ <https://www.fsb-tcf.org/about/#> the TCFD is an independent body to develop voluntary, consistent climate-related financial risk disclosures for use by companies in providing information to investors, lenders, insurers, and other stakeholders.