

# ***Ethical Investment Policy***

9 March 2023

# Ethical Investment Statement

Anglican Financial Care's (*we, us, our*) investment purpose is to turn members' savings into wealth.

We have invested ethically since our foundation in 1972. As the Anglican Church's General Synod / te Hīnota Whānui recognises, ethical considerations in the investment process are in keeping with the Church's Christian values.

Our investment activity focuses on the financial interests of our members while also seeking to participate in the good God is doing in the world.

Anglican Financial Care, the trading name of The New Zealand Anglican Church Pension Board, is trustee of a number of trusts and retirement savings schemes. Our legal obligation is to work in scheme members' best financial interests. This involves considering the fiduciary risks associated with including and excluding investments.

We recognise that economic decisions involve ethical choices. The Christian tradition recognises these ethical choices are made in a world marred by human failure and its consequences. Yet the Church seeks goodness and the growth of human flourishing. It believes that God is active in restoring the world.

We focus our investments on the entities that produce more good than harm. We make deliberate investments in entities making the transition to clean technology and sustainable infrastructure.

## Specific Considerations

Our Ethical Investment Policy encompasses alcohol, animal welfare, armaments and defence, fossil fuels, gambling, pornography and tobacco. While these sectors are generally excluded from our investment portfolios, we recognise that some entities within some of these sectors may be adopting and practising corporate responsibility policies that weigh against the misuse and harm related to their business activities. In such cases, we consider that exclusion may be inappropriate and inconsistent with God's redemptive purpose and the transition to a better world. Our fiduciary responsibilities require us to consider the risks associated with including and excluding investments as we implement our Ethical Investment Policy.

We manage some assets in-house (including cash, mortgages, a forest, domestic fixed interest, and international equities) where we can add value for members. We outsource other assets including international fixed interest, smart energy, and domestic and international private equity to selected external managers.

## Alcohol

Biblical writings recognise the dual nature of alcohol. Alcohol is celebrated as a gift of God but there are also warnings against its misuse. At times, Christian practice involves abstinence and self-denial.

We believe that in the context of a gift from God, there is a place for the production and consumption of alcohol, especially when used in moderation for proper enjoyment and celebration.

However, alcohol also contributes to human and community harm and misery. Alcohol is justifiably regarded as a public health issue given its cost to society in terms of health, violence, crime and the consequential impact, particularly on women and children.

In investment portfolios, some exposure to alcohol is inevitable. Alcohol interests comprise producers, wholesalers and retailers. Some retailers, such as supermarkets or the accommodation sector, include sales of alcohol that represent only a modest proportion of their total revenue.

We recognise there are improving standards of corporate responsibility in the production and sale of alcohol that should permit us to include alcohol in our investment portfolio. However, out of respect for communities that have identified alcohol as being of particular harm, we have no direct holdings in alcohol. We will exclude from our investments, companies deriving more than 5% of turnover from the production or sale of alcohol.

## **Animal Welfare**

We recognise animals are deserving of human stewardship and will seek to avoid investment in cases where animals are subject to unjust suffering, such as intensive livestock management using cages and crates and in testing beyond legal requirements for non-pharmaceutical purposes, where the replacement, reduction and refinement of animal testing procedures are not considered.

## **Armaments and Defence**

Biblical references to warfare range from pacifism to the notion of Just War. In general, however, the over-riding narrative is that the use of force should be a last resort, proportional, discriminate and undertaken according to ethical and strategic criteria. International law recognises the right of self-defence and acceptance of the responsibility to protect those who can't protect themselves.

If there's acceptance of the use of force in certain circumstances, then this infers acceptance of the need to maintain appropriately equipped resources and facilities and that defence is more acceptable than offence (although a complication is that offensive weapons may be required for defensive purposes).

We will exclude investing in armaments of an indiscriminate nature. This includes weapons such as nuclear weapons, land mines, cluster munitions, chemical and biological weapons, many of which are the subject of international treaties. The exclusion involves the production of the weapons systems and the material provision of parts or services associated with those weapons and the transportation of such weapons systems to countries with poor human rights.

We will exclude investment in companies where more than 5% of turnover relates to conventional weapons systems, parts or services.

## **Fossil Fuels**

Biblical principles infer creation is to be cared for and protected for future generations. Under the 2015 Paris Agreement, countries have committed to limiting increases in global average temperatures to less than 2 degrees Celsius above pre-industrial levels. The Paris Agreement targets infer risks to companies within the energy sector who don't appropriately adapt their business models.

We have responded by excluding companies whose principal business is in coal and/or tar sands and to prioritise investments in other energy companies according to their extent of contribution towards a lower-carbon world.

We recognise that fossil fuel divestment is a matter of importance to the Church and there are some who share a sense of frustration with the lack of progress towards the Paris Agreement targets. . We invest in energy companies with strong reporting standards and clear goals for carbon reduction, to support a just transition for all the world's peoples to affordable, reliable, and clean energy.

In recognition of the solution that lies with alternative energy technologies, we are also invested in a global alternative energy fund.

In addition, we have a long-standing direct investment in a forest. As a forest owner, we participate in the [Emissions Trading Scheme](#), which is a key tool for New Zealand to meet its domestic and international climate change targets.

We use reputable silviculture managers, we monitor their work, and we maintain our in-forest structures including slash traps, culverts, and wetland areas. We also have a large native forest block within our exotic forest (around 14 hectares) which benefits from our whole-of-forest possum and pests control programmes. Our careful harvest management has ensured that Kumara Pits, indicating old garden sites within the forest, which are protected by the Heritage New Zealand Pouhere Taonga Act 2014, are safeguarded from all forest activity.

## Gambling

In the case of gambling, context is important. Gambling can be a form of entertainment and relaxation, viewed in the context of taking proportionate risk.

The concern is misuse and where the desire and hoarding of money for its own sake is the prime motivation. There are biblical warnings against the desire, love and greed of money and that the hasty, reckless and wasteful use of money is foolish and unlikely to lead to the attainment of wealth.

As is the case with alcohol, we are also concerned with societal impacts of gambling, particularly where there is human and community harm. The negative effects of gambling addiction on individuals, families (particularly women and children) and society remain significant. Gambling addiction is associated with depression, suicide, violence and crime and disproportionately impacts those from adverse socio-economic circumstances.

We will avoid investment in companies who derive more than 5% of turnover from the activities of (or provide the premises for) gambling.

Note: we are conscious that there is scope to draw parallels between the individual pursuit of gain via excessive and risky speculation (including the use of "other peoples' money") and corporate behaviour in the legal pursuit of profit. These are difficult issues, which are the subject of on-going public policy debate. The focus of our policy relates to the commonly accepted forms of gambling.

## Pornography

The exploitation and degradation of humans for commercial gain is contrary to God's purpose.

We will exclude investment in companies involved in the production and distribution of pornography or companies who own and operate premises where providing pornographic experiences is the main activity, or companies where more than 5% of turnover is generated from the activities of pornography.

## Tobacco

Smoking is a leading cause of preventable mortality. Smoking also impacts non-smokers (including children) via passive smoking. There is no question tobacco is a public health issue.

We are aware companies in the tobacco industry are transitioning to alternative business models involving products (e.g. e-cigarettes) which may be less harmful and contribute to reducing traditional cigarette smoking. Nevertheless, these "reduced-risk" products may also be stimulating youth addiction, thereby contributing to a public health conundrum in terms of creating an environment for adults who deserve access to potentially less hazardous alternatives.

Consequently, a prudent approach is to monitor developments in the tobacco industry but for now, exclude investment in companies deriving more than 5% of turnover from the production or retail of tobacco.

## Other Considerations

We use a leading provider of corporate governance and responsible investment research to help us meet our ethical thresholds when considering investing in shares. We regularly liaise with the Church Investors Group in the UK, to inform our investment strategies.

We have a relationship with the UK based Church Investors Group which enables further insights into ethical matters and provides an opportunity to vote its shares with like-minded investors.

## Notes

1. In order to ensure sufficient diversification, we may make investments in tracker funds, diversified or composite equity funds, alternative strategy funds, or fixed interest funds that may not apply our ethical screening processes.
2. Some exclusions within this Ethical Investment Policy are subject to a maximum turnover threshold of 5%. This means that the Policy excludes a company if its exposure to the excluded activity exceeds 5% of total turnover. The purpose of the threshold is to help ensure compliance with the intention of the exclusion, and to avoid having to exclude companies whose involvement in the excluded activity is a minor (usually far less than 5%) by-product of their main activity. An example here is owning shares in a hotel chain, where alcohol may be served under restricted and controlled circumstances, and the alcohol sales amount to a tiny proportion of the hotel chain's turnover.

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