

Review of the Ethical Investment Policy

(A report from the Glebe Administration Board.)

Purpose

1. The purpose of this paper is to inform the Synod of the work being undertaken by Glebe Administration Board (“GAB”) to review the ethical investment policy for the investment of the property of the Diocesan Endowment having regard, particularly, to resolution 22/14 of the Synod of the Diocese of Sydney which deals with investments in companies involved in the gambling industry and resolution 61/14 of the General Synod of the Anglican Church of Australia which deals with climate change and investments in the fossil fuel industry.

Recommendation

2. Synod receive this report.

Background

3. It is timely to review the ethical investment policy for the Diocesan Endowment, particularly in light of resolution 22/14 of the Synod (which deals with investments in companies involved in gambling) and resolution 61/14 of the General Synod of the Anglican Church of Australia (which deals with climate change and investments in the fossil fuel industry).

4. In reviewing its ethical investment policy GAB has sought the advice of its asset consultant, Mercer, and the Social Issues Committee. It has reviewed the relevant policies of organisations with a similar investment philosophy to GAB. GAB has prepared a draft revised policy which –

- generally retains the “negative” screens (that is the “disapproved businesses”) set out in the current policy and proposes 2 other “negative” screens, and
- proposes a positive statement as to the behaviour by companies which GAB seeks to encourage and will take into account in determining whether an investment is made or retained, and
- proposes an approach to investments in companies which derive revenue from gambling which is a modification of the criteria expressed by the Synod in resolution 22/14, and
- in relation to climate change and investments in the fossil fuel industry, proposes a policy which has regard to the carbon intensity of the portfolio as a whole and states an intention to reduce that intensity over time in accordance with pre-determined targets.

5. The current ethical investment policy contains “negative” screens which prohibit investments in a fund which conducts a “disapproved business” or invests mainly in the securities of a corporation or a fund which conducts a “disapproved business”. A “disapproved business” is a business involved in armaments, tobacco, gambling or betting, liquor or pornography.

6. It is proposed that the current negative screens be retained, but that they be extended to cover stem cell research involving the destruction of embryos and abortifacient and abortifacient-like contraceptives.

7. It is also proposed to include in the policy a positive statement to the effect that GAB will seek to encourage ethical and responsible behaviour by companies and compliance with appropriate legal, labour, social, environmental, stewardship and governance standards, and will take into account the extent to which an investment in a company or a managed fund will further this objective in assessing whether that investment is made or maintained.

8. By resolution 22/14, the Synod requested that Anglican organisations divest themselves of any investments in any company whose revenue from gambling exceeds either 10% of revenue or \$50 million per annum. The proposed policy incorporates the substance of the Synod’s request in so far as it includes the threshold of 10% of revenue from gambling in the “negative” screens. The threshold of \$50 million per annum in revenue from gambling has not been included as it is considered to be unworkable from an implementation viewpoint.

9. In relation to climate change, many of the organisations with a similar general ethical investment philosophy to GAB have adopted a divestment approach in relation to fossil fuel industries. By this approach those organisations will not invest in a company, or maintain an investment, if the company derives a threshold amount of its annual revenue (commonly, 20%) from activities involving or related to fossil fuels. This is the approach advocated by the General Synod in resolution 61/14.

10. However, rather than a divestment approach, GAB proposes to measure the carbon “footprint” of the portfolio, and commit to reduce that “footprint” over time in accordance with pre-determined targets. This

approach is similar to that adopted by the University of Sydney in relation to its equity investments. The University has a significant investment portfolio which is invested on ethical grounds.

11. GAB has asked its investment consultant to provide advice about how the proposed policy can be implemented and the impact of the policy, if adopted, on the forecast return and risk profiles of the Diocesan Endowment and future distributions from those funds.

12. It is intended that the draft policy be reviewed by GAB in light of such advice, prior to the adoption of the policy. In due course it is proposed that the revised policy, when adopted by GAB will be submitted to the Standing Committee for its ratification prior to implementation. It is expected that a revised policy will be adopted and ratified late in 2015 or early in 2016.

13. The work being undertaken by GAB to review its ethical investment policy is being undertaken in conjunction with Anglican Church Property Trust Diocese of Sydney which is reviewing the ethical investment policy applying to the investment of its Long Term Pooling Fund.

For and on behalf of the Glebe Administration Board

MARK PAYNE
Chief Executive Officer

15 September 2015