

Anglican Church Property Trust Diocese of Sydney

Ethical Investment Policy

Introduction

1. Anglican Church Property Trust Diocese of Sydney ("ACPT") seeks to invest the property of the Long Term Pooling Fund in a diversified manner in a range of different assets, including securities.
2. This Policy outlines the ethical principles which ACPT will consider in determining whether an investment in the securities of an entity is made or maintained.
3. For the purposes of this Policy –
 - (a) an *entity* is any corporation or managed fund, but not a government or government borrowing authority, and
 - (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.

Ethical and responsible behaviour

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

Prohibited activities

Preamble

5. As a matter of general principle, ACPT 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.
6. However, in applying this principle, a number of practical considerations arise –
 - (a) Information about the sources of revenue of an entity is generally only available for *listed companies*.
 - (b) Such information is generally only available about material sources of revenue. Usually, this is a source of revenue which 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.
 - (c) Given the relatively small size of the property invested by ACPT, 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 ACPT invests along with other investors. Few managed funds have ethical policies which exclude investments in entities which earn revenue from all prohibited activities, and ACPT 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 ACPT is to have a reasonable universe of funds from which it can choose a fund or funds in which to invest.

7. These considerations underpin the following principles.

Key principles

8. ACPT will not make a direct investment in a security of an entity, being a company, if that entity is a *prohibited entity*.
9. 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 the *prescribed percentage* of the total value of all assets of the fund.
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 ACPT 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 8 and 9, ACPT will seek to divest its existing investment 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.
12. In applying this Policy, ACPT 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. In relation to investments in a managed fund, ACPT will be reliant upon its investment manager monitoring the percentage of the total value of all assets of the fund attributable to securities in a prohibited entity. Such monitoring is likely only to be periodic rather than continual.
13. Due to the lack of publicly available information about the activities and sources of revenue of *unlisted companies*, the principles in this Policy in relation to prohibited activities will not usually be able to be applied to investments in securities in such unlisted companies, or managed funds which hold securities in such unlisted companies. Nevertheless, in determining whether to make or maintain an investment in an unlisted company or such a managed fund, ACPT will seek to assess (on the basis of such information as is available) whether the relevant company undertakes a prohibited activity and the extent of that activity, or whether the fund invests in the securities of entities which may undertake a prohibited activity, and the extent of those investments.

Carbon intensity of investments

14. ACPT aims to progressively reduce the carbon intensity of its investment portfolio.
15. ACPT understands that independently sourced information about the carbon intensity of investments across all asset classes is not yet available. Accordingly, ACPT will first seek to reduce the carbon intensity of its investments in shares in Australian listed companies, as sufficient independently sourced information for that asset class is available.
16. ACPT will –
 - (a) Measure the overall carbon intensity of its investments in Australian listed companies (whether held directly, or indirectly through a managed fund), and
 - (b) Work with its investment manager or managers to reduce the carbon intensity of those investments compared to the carbon intensity of a benchmark portfolio for that asset class, with progress to be measured and reported periodically.
17. ACPT will seek to progressively reduce the overall carbon intensity of its investments in securities of other entities, when sufficient independently sourced information is available.

Monitoring compliance with this Policy

18. ACPT will ensure that its service level agreement with each investment manager requires that the investment manager monitors compliance with this Policy and reports to ACPT about such compliance in such form and at such frequency as is agreed.
19. ACPT will report to the Synod each year about its compliance with this Policy.

Review of Policy

20. This Policy will be reviewed by ACPT annually.

Adopted by Anglican Church Property Trust Diocese of Sydney on 6 May 2016.

Endorsed by the Standing Committee of the Synod on 30 May 2016.