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UCInvest
Securing *your* future

Dear Investors

At the recent Uniting Church SA's Presbytery and Synod meeting, a robust discussion was held on ethical investment. This is a difficult policy area, with many people having strong views on what the Church should or should not be invested in. Therefore, I felt it was timely to write to you, to confirm UC Invest's ethical investment policy.

Ethical Investment Policy - negative filter
UC Invest is bound by the Uniting Church SA ("the Church") Ethical Investment Policy. All congregations and internal Church bodies are also bound by this policy.

The Policy has a 'negative filter', which states characteristics that are used to exclude investments from the possible pool of investments that can be held by the Church. The current policy excludes investment in companies that have substantial interests in the production of armament, gambling, tobacco, alcohol, uranium and pornography.

The negative filter is the mechanism that the Church has chosen to assist it with the selection of its investments. By using such a mechanism, it also implies that we view all other investments as being neutral. This allows us to develop investment strategies without the complication of balancing financial goals with non-financial goals.

Proposed changes at Synod
Several changes to the Ethical Investment Policy were put forward at the Synod Meeting. While the sentiment is admirable the execution is complex and changes were not passed.

- It was proposed to increase the scope of the negative filter to include coal mining, mineral extraction and steel production; all due to 'high carbon emitting' concerns.

- It was also proposed to include the following positive filter "*We seek to invest in companies which are environmentally friendly, seek to enhance human welfare and which are aligned to positive environmental, humanitarian and socially responsible values.*"

  The proposal did not include definitions or parameters that would be used to enact what would be a major policy change.

From a practical sense, it is easier to exclude industries that have been defined under a negative filter, than to change the emphasis to investing in companies with a positive filter.

For example, what enhances human welfare? Does the mining of uranium and its export to India, to provide electricity for the lives of millions who currently do not have electricity, enhance human welfare? Is the production of steel to be used in hospitals and schools also enhancing human welfare, or does the effect of its carbon emitting on the environment cancel out its enhancing human welfare characteristics?

Other states
It was also suggested at Synod that Uniting Church SA lagged behind other Synods in this policy area, with particular reference to the Victoria/Tasmania Synod. Comparing each state can be a complex task as our definitions and criteria can vary greatly.

The Victoria/Tasmania Synod has a sizeable share portfolio, and has both a positive and negative screen (similar to ours) in their Ethical Investment Policy.

Their Synod seeks to invest over 10% of its funds in areas under their positive filter. Our Share Fund currently has approximately 5% of its funds invested in companies in the Health Sector, which aligns with the Victoria/Tasmania Synod's positive filter.

Returns from Socially Responsible Investments (SRI's)
Success of investment return in SRI's can be difficult to compare due to their varied set of criteria (exclusions or inclusions).

Membership to the Responsible Investment Association Australia (RIAA) is achieved by the adoption of an 'ethical investment' policy which details policies and procedures on how the portfolio is to be formulated, which are subsequently independently audited. A common set of criteria is not required for membership, so the investment of two 'certified' entities may be very different. For example some SRI's exclude mining companies, some do not. Some seek to invest in green industries, some do not.

As a result, returns from other SRI's may not provide meaningful comparisons with proposed ethical investment changes discussed at Synod.

Current situation
At this stage the UC Invest Share Fund has not been certified by RIAA, but could apply to RIAA for certification under its current policies.

We do have formal procedures for reviewing investments in our portfolio at the request of Uniting Church SA's members to ensure we adhere to the Church's ethical investment policy.

We respect the varied views of our community and welcome ongoing debate to ensure UC Invest is at the forefront of ethical investment, whilst delivering a positive financial return.

We will continue to be guided by the Uniting Church SA's Ethical Investment Policy, please refer to our website ucinvest.com.au for a copy.

Yours faithfully

Paul Barnett
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