



# Ethical Investment Policy

Current Policy Approved: 19 May 2022

Replaces: September 2019

First Issued: June 2015

## 1. Gospel Imperative

At its simplest, all Christian discipleship is a response to Christ's 'great commandment' to love God and to love our neighbour as ourselves (Matthew 22: 34-40). Putting this into practice includes the Church as a whole as well as individual members using our voice and influence wherever we witness action being taken which causes disadvantage to these neighbours or damage to God's creation.

One such area of voice and influence is the Church's investment policies and practices. Applying the Gospel imperative in this context will prohibit investment in enterprises whose products or practices cause or perpetuate injustice and suffering, infringe fundamental human rights or cause unacceptable damage to the natural environment.

## 2. ESG principles and the United Nations 17 Sustainable Development Goals (SDG's)

Investment markets, public company shareholders and stakeholders in general are paying increasing attention to how well public companies are performing against current community and shareholder expectations in the areas of Environmental sustainability, Social responsibility and Governance (ESG). These evolving expectations in many cases reflect the practical application of the Gospel imperative and an increasing expectation that companies will be held accountable on their levels of compliance with these expectations as a part of their regular reporting to shareholders.

These changing community expectations have been significantly informed by the release of United Nations' SDG's which are listed in Appendix 1. Other UCA Synods already use the SDG's as part of their investment management processes. An indicative list of ESG topics is attached as Appendix 2.

In practical terms private sector investment analysts can now be requested by their clients to assess the quality of public company products, services or activities when compared to these ESG/SDG standards. The outcomes of these assessments assist greatly in making Socially Responsible Investment (SRI) decisions.

### 3. Investment Selection Discernment Process

#### 3.1 Negative screening considerations

The majority of investments in companies will be classified as, at a minimum, ethically neutral. However, given its ongoing role as a socially responsible voice and therefore investor, the Uniting Church SA is committed to screening out any investments where a direct and significant inconsistency with the Church's Ethical Investment Policy can be established and where the Church's strategic and missional purposes are being compromised. This negative screening analysis is the responsibility of the Ethical Investment Working Group (EIWG) of the Resources Board.

By applying these ESG/SDG considerations, the EIWG can ultimately recommend to the Resources Board that companies no longer form part of the Church's investment universe where it can be validated that the company:

- *conducts activities that **directly and significantly** contribute to the production and/or promotion and/or sale of alcohol, gambling services, pornography, tobacco, uranium and armaments as well as thermal coal extraction and/or exploration, or*
- *is responsible for products, services or activities that **directly and significantly** cause or perpetuate injustice and suffering, infringe human rights or cause unacceptable damage to the natural environment, or*
- *through its products, services or activities **directly and significantly** obstructs the achievement of any of the SDG's not included above, or*
- *through its internal company governance policy and/or practice is **directly and significantly**:*
  - *impacting on the basic human rights of employees, customers and/or other key stakeholders and other relevant communities of interest*
  - *misusing its company and/or positional power and resources in all of its forms.*

The Ethical Investment Working Group may also choose not to invest in countries with a poor record in the matters outlined above.

Given the multi-dimensional nature of most public company activities, these negative screening decisions are rarely straight-forward and in most cases will require the EIWG to:

- *request comprehensive reports from independent investment analysts skilled in providing ESG/SDG information assessments*
- *seek advice from other relevant communities of interest within the Church where this is expected to lead to better advocacy outcomes*
- *enter into a discernment process particularly centred around the words "directly" and "significantly" outlined in the previous paragraph*

before a negative screening recommendation is justified.

In order to maximise the Church's voice and influence in its investment decisions, the immediate removal of an investment from the Uniting Church SA investment universe will usually be a last resort. Where appropriate, the EIWG, on behalf of the Church, will firstly undertake a process of engagement with the relevant company with a view to having the company commit to more enhanced ethical outcomes in the future.

It is stressed again that EIWG decisions will always be complex involving a balance between positive and negative factors.

Because screening processes rely primarily on information being gathered about individual companies directly held by any Uniting Church SA investing entity, it is expected that these entities should avoid investing in managed funds where the breakdown of the individual companies within those managed funds cannot be identified.

### 3.2 Giving voice to the Church's ethical investment concerns

In addition to the EIWG's regular review of the ethical health of the Church's investment holdings, any Uniting Church SA member, group or organisation can request the EIWG to review the ethical status of any public company from the Uniting Church SA investment universe by comparing it with the negative screening considerations listed in Paragraph 3.1. If any response given by EIWG to an ethical investment concern is considered unsatisfactory, an appeal process is available.

### 3.3 EIWG mandate

On behalf of the Resources Board, the mandate of the EIWG is to:

- manage the implementation of the Ethical Investment policy
- proactively raise and manage any ethical investment concerns with public companies on behalf of Uniting Church SA currently within our investment universe
- advocate for the continual improvement in the cumulative ESG/SDG ratings of the Uniting Church SA investment universe by Uniting Church SA investing entities
- be a major player in Uniting Church SA being known as a leading socially responsible investor (SRI)
- provide SRI leadership to all Uniting Church SA investing entities including congregations
- regularly communicate the results of its work to the Church including preparing an annual report to the Synod of the shareholdings which have been specifically excluded on account of the implementation of this policy.

## 4. Scope of Policy

This Ethical Investment Policy and the associated processes apply to all Uniting Church SA entities that have investment assets and report directly to the Resources Board and/or Synod. While congregations are covered by the Ethical Investment Policy, congregational compliance will not be monitored by Uniting Church SA.

Uniting Church SA entities that have investment assets are requested to include a note in their annual audited financial statements acknowledging that to their best of their knowledge that they have complied with this Policy.

## **5. Approval and Review**

This policy version was approved by the Synod on 19 May 2022 and will be reviewed by the Resources Board at least every three years.




APPENDIX 1



Goal area	Sub goal
1	<i>End poverty in all its forms everywhere</i>
2	<i>End hunger, achieve food security and improved nutrition and promote sustainable agriculture</i>
3	<i>Ensure healthy lives and promote well-being for all at all ages</i>
4	<i>Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all</i>
5	<i>Achieve gender equality and empower all women and girls</i>
6	<i>Ensure availability and sustainable management of water and sanitation for all</i>
7	<i>Ensure access to affordable, reliable, sustainable and modern energy for all</i>
8	<i>Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all</i>
9	<i>Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation</i>
10	<i>Reduce inequality within and among countries</i>
11	<i>Make cities and human settlements inclusive, safe, resilient and sustainable</i>
12	<i>Ensure sustainable consumption and production patterns</i>
13	<i>Take urgent action to combat climate change and its impacts</i>
14	<i>Conserve and sustainably use the oceans, seas and marine resources for sustainable development</i>
15	<i>Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss</i>
16	<i>Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels</i>
17	<i>Strengthen the means of implementation and revitalise the global partnership for sustainable development</i>

**APPENDIX 2**

**Environmental, Social and Governance indicative topics**

		
<b>Environmental</b>	<b>Social</b>	<b>Governance</b>
<p>Renewable fuels</p> <p>Greenhouse gas (GHG) emissions</p> <p>Energy efficiency</p> <p>Climate risk</p> <p>Water management</p> <p>Recycling processes</p> <p>Emergency preparedness</p>	<p>Health and safety</p> <p>Working conditions</p> <p>Employee benefits</p> <p>Diversity and inclusion</p> <p>Human rights</p> <p>Impact on local communities</p>	<p>Ethical standards</p> <p>Board diversity and governance</p> <p>Stakeholder engagement</p> <p>Shareholder rights</p> <p>Pay for performance</p>

**Source:**

World Economic Forum

Weforum.org