

# Responsible Investment Policy

Adopted 1 October 2018 (updated 1 November 2021)

The Methodist Church of New Zealand has a long history of investing responsibly in New Zealand. In association with the Presbyterian Church, the Methodist Church of New Zealand published its first ethical guidelines in 1983, to assist individuals and Church bodies in considering what were or were not appropriate investment objectives and practices.

The Methodist Trust Association's goal is to produce risk-adjusted returns that align with our investors' objectives. Putting The Methodist Trust Associations investors' interests first requires it to recognize and manage a wide range of global market risks and opportunities, including environmental, social and governance (ESG) factors and the impact they may have on long-term investment returns.

To achieve this we:

- ESG factors are integrated into our investment decision-making process, both as a source of risk mitigation and an opportunity for enhanced returns.
- The Methodist Trust Association employs values/norms-based screens, to avoid certain companies and industries that do not align with the Church's values and standards.

With The Methodist Trust Association's limited resources, it does not have the capacity to analyse the global equity universe to determine its own list of exclusions for companies that are not aligned with the Church's values and acceptable norms for corporate behaviour. To efficiently achieve our responsible investment goals The Methodist Trust Association must make use of readily available exclusion lists that, in aggregate, match the Church's values well. This approach means The Methodist Trust Association is obligated to use the criteria used by the source of each list, to determine the materiality of each company's involvement for each category.

Accordingly, the materiality thresholds currently used in the exclusion screens are usually 5% or 10%. We use the lowest threshold available for each exclusion category. The different levels of threshold in the policy reflect the different sources of lists for the different categories. The different level is not a judgement on the importance/harm of that category.

The Methodist Trust Association continues to maintain its own short exclusion list for Australasian companies, which are not aligned with Church values. All exclusions are based on clear evidence of failure to meet the policy thresholds. This list is in addition to the 3rd party lists used.

Members of the Church can raise an issue with the Methodist Trust Association (by emailing the Executive Officer), regarding any Australasian listed company, that they believe should

be added to the Board's exclusion list. To enable proper consideration, the email must provide the following information:

- The name of the company
- The value/norm/activity for which the company breaches the policy's exclusion thresholds.
- The facts and verifiable evidence proving that the company is in breach of the exclusion threshold.

*Companies will be removed from the exclusion list if they cease the activity for which they were added to the list.*

The Policy is intended to be a living document and will be subject to regular review and improvement.

## **Environmental, Social and Governance Factors**

New Zealand Methodist Trust Association has integrated the assessment of ESG factors into the investment decision-making process, (where information is readily available), both as a source of risk mitigation and an opportunity for enhanced returns. Information is accessed through Bloomberg market information system for each company we consider for investment.

In addition to each segment, covered below, ESG scores from a number of different research providers are also monitored.

### **Environmental**

Environmental factors are an important consideration in the investment process, due to legislation in some countries, the impact they can have on investment returns and cash flows.

The Methodist Trust Association needs to be aware of the environmental risks associated with each company and/or industry, and consider the potential economic implications.

With regard to climate change, the private sector has a large role in meeting the Paris Climate Agreement goals. Companies increasingly need to be green to attract the best talent and satisfy their customers, who are keenly focused on environmental issues and sustainability.

Many leading companies are becoming "green" because it's more profitable to be green.

In The Methodist Trust Association's assessment of environmental factors, in the investment decision-making process, factors it monitors include:

- Energy usage
- Type of fuel used
- Energy intensity
- Greenhouse gas emissions and intensity
- Water usage and intensity

- Waste generation
- Waste recycling
- Environmental disclosure scores

## **Social**

Social issues are mainly addressed through exclusions, covered in the Values/Norms based screens section below. Beyond that The Methodist Trust Association considers the materiality of social issues, with a focus on the economic impact of any issues.

In its assessment of social factors, in the investment decision-making process, factors it monitors include:

- Employee turnover
- Employee training hours
- Workforce accidents
- Percentage of women in the workforce and in management
- Existence of policies covering human rights; anti-bribery; and child labour

## **Governance**

Corporate governance is a risk factor The Methodist Trust Association seeks to understand and take into account as part of the investment decision. The Methodist Trust Association has a strong preference for the separation of the CEO and Chairman roles, and believe having the former CEO on the board is often counter-productive.

Diversity of thought, skills and backgrounds are usually a feature of high-performing boards. It is often difficult to robustly assess diversity using these criteria, as disclosure is limited.

In its assessment of governance factors, in the investment decision-making process, factors it monitors include:

- Board composition
- Board tenure
- Whether the former CEO is on the board
- Whether the CEO is also Chairman
- Percentage of women on the board
- Percentage of Non-executive board members who hold shares
- Board meeting attendance
- Governance disclosure scores

## Values/Norms based screens

The Methodist Church of New Zealand excludes companies that derive significant revenue from products and services not aligned to the social principles of the Methodist Church.

The Methodist Church Investment Funds (Fund) shall not knowingly invest in any company or entity whose core business activity involves the following products and/or services:

- Tobacco
- Gambling
- Alcoholic beverages
- Adult entertainment
- Weapons
- Military Contracting
- Nuclear bases
- Privately operated correctional facilities
- Human rights
- Climate Change – Coal
- Climate Change – Oil & Gas

## Interpretation of Social Investment Guidelines

The Church's Social Investment Guidelines require interpretation in their application and are at the discretion of The Methodist Trust Association's portfolio management team. The following discussion provides further detail about the interpretation of the Church's Social Investment Guidelines.

### Tobacco

**Manufacturers:** The Methodist Trust Association does not buy or hold companies that derive 5% or more of revenues from the manufacture of tobacco products.

**Processors and Suppliers:** The Methodist Trust Association does not buy or hold companies that are in the business of processing tobacco or supplying tobacco to product manufacturers.

**Retail Sales:** The Methodist Trust Association does not buy or hold companies that derive a majority (>20%) of revenues from the retail sale of tobacco products.

**Tobacco-Related Products:** The Methodist Trust Association does not buy or hold companies that derive a majority of revenues (>20%) from the sale of goods that are components of tobacco products, such as cigarette papers and filters.

The Methodist Trust Association may buy or hold companies that sell products to the tobacco industry, including packaging and non-Tobacco related supplies.

The Methodist Trust Association may buy or hold listed investment funds that have minor (<5% of the fund's capital) investments in companies that manufacture or process tobacco

products.

## **Gambling**

**Owners and Operators:** The Methodist Trust Association does not buy or hold companies that derive 5% or more of revenues from the provision of gambling or gaming services.

**Manufacturers of Gaming Equipment:** The Methodist Trust Association does not buy or hold companies that derive 5% or more of revenues from the manufacture of gaming equipment.

The Methodist Trust Association may buy or hold companies that:

- Provide financial services to gambling or gaming operators.
- Sell goods or services that are clearly nongaming-related to gambling or gaming operations.

The Methodist Trust Association may buy or hold listed investment funds that have minor (<5% of the fund's capital) investments in companies involved in gambling activities.

## **Alcohol**

**Manufacturers and Producers:** The Methodist Trust Association does not buy or hold companies that derive 5% or more of revenues from the manufacture of alcoholic beverages (includes spirits, beer, wine, RTD's).

**Retail Sales:** The Methodist Trust Association does not buy or hold companies that derive a majority of revenues from the retail sale of alcoholic beverages. This relates primarily to restaurant chains and convenience stores.

The Methodist Trust Association may buy or hold:

- Agricultural products companies that sell products to the alcohol industry for use in the production of alcoholic beverages.
- Companies that sell unprocessed agricultural goods, such as barley or grapes, to producers.
- Companies that produce products to be used in production of alcohol, such as enzymes, catalysts and fermentation agents.

The Methodist Trust Association may buy or hold listed investment funds that have minor (<5% of the fund's capital) investments in companies that produce or manufacture alcohol.

## **Adult Entertainment**

**Manufacturers and Producers:** The Methodist Trust Association does not buy or hold companies that derive 10% or more from manufacturing products which violate human dignity with denigrating and degrading portrayals of persons.

**Distributors and Broadcasters:** The Methodist Trust Association does not buy or hold companies that derive 5% or more of revenues from distributing or broadcasting adult entertainment products.

The Methodist Trust Association may buy or hold listed investment funds that have minor (<5% of the fund's capital) investments in companies that manufacture or distribute products which violate human dignity with denigrating and degrading portrayals of persons.

## **Weapons, Firearms and Munitions**

**Producers:** The Methodist Trust Association does not invest in companies which are involved in the production or development of:

- Nuclear weapons
- Illegal weapons, such as cluster munitions and anti-personal mines.
- Biological or Chemical weapons.
- Weapons of war, including:
  - Fighter aircraft, attack helicopters, warships, submarines, and tanks.
  - Missile weapons, including the corresponding launchers.
  - Small arms (except for hunting and sporting weapons).
  - Howitzers, naval mines, bombs.
  - Ammunition.
- Firearms, including pistols, revolvers, rifles, shotguns, sub-machine guns, or associated ammunition.

**Retailers:** The Methodist Trust Association does not buy or hold companies that derive a majority of revenues (>20%) from the wholesale or retail distribution of firearms or small arms ammunition.

The Methodist Trust Association may buy or hold listed investment funds that have minor (<5% of the fund's capital) investments in companies which are involved in the production or development of Weapons, Firearms and Munitions.

## **Military Contracting**

**Major Prime Contractors.** The Methodist Trust Association does not buy or hold companies that derive 5% or more of revenues from weapons related contracts.

The Methodist Trust Association may buy or hold companies that:

- have some minor military business,
- have some contracts with the US Department of Defense for goods and services that are clearly not weapons-related,
- manufacture computers, electric wiring, and semiconductors or that provide telecommunications systems (unless these products and services are specifically and exclusively weapons-related, when the 5% criteria applies).

The Methodist Trust Association may buy or hold listed investment funds that have minor (<5% of the fund's capital) investments in military contracting companies.

## **Nuclear bases**

**Operators:** The Methodist Trust Association does not invest in companies which operate nuclear bases. Nuclear base operators are involved in nuclear warhead modification, retrofit and maintenance activities as part of life extension programmes, to extend the life of nuclear stockpiles in the United States and United Kingdom.

The Methodist Trust Association may buy or hold listed investment funds that have minor (<5% of the fund's capital) investments in companies which operate nuclear bases.

## **Privately operated correctional facilities**

The Methodist Trust Association does not invest in companies deriving 10% or more of revenues from activities related to privately operated correctional facilities, including jails, prisons, penitentiaries, detention centers, prison camps and transfer centers.

The Methodist Trust Association may buy or hold private equity investment or other funds that have minor (<10% of the fund's capital) investments in privately operated correctional facilities.

The Methodist Trust Association may buy or hold listed investment funds that have minor (<5% of the fund's capital) investments in companies which operate correctional facilities.

## **Human rights**

Businesses have the potential to impact human rights. The Church expects companies to obey internationally recognized human rights principles and to manage its impact on human rights.

Human rights related issues include complicity in human right abuses, modern slavery, child labour, occupational health and safety, the rights of indigenous people, displacement of communities, freedom of association and international humanitarian law.

The Methodist Trust Association implements the Human Rights guideline by:

- Identifying “high-risk” countries and areas where there is a prolonged and systematic pattern of violations of human rights,
- Conflict affected areas, where violations of human rights have been widely documented or a United Nations Security Council resolution or an advisory opinion by the International Court of Justice has identified significant breaches of international law.
- The Methodist Trust Association does not invest in companies with significant operations, deriving 10% or more of revenues from the high-risk countries identified.  
Factors considered include:

- The nature of the company’s relationship to the conflict/region.
- Any mitigating factors, such as high ratings for environmental, social and governance identified through our research.
- The Methodist Trust Association identifies high-risk countries using Freedom House’s annual “Freedom in the World” report, which assess countries throughout the world for freedom and democracy. Included in these reports are a list of the “worst of the worst” countries, having have the lowest ratings for both political rights and civil liberties.  
<https://freedomhouse.org/report-types/freedom-world>

The countries that are identified on the 2021 list, from worst are (Score out of 100):

- |                       |                                |
|-----------------------|--------------------------------|
| • Syria (1)           | • Equatorial Guinea (5)        |
| • Tibet * (1)         | • Crimea* (7)                  |
| • Eritrea (2)         | • Saudi Arabia (7)             |
| • South Sudan (2)     | • Somalia (7)                  |
| • Turkmenistan (2)    | • Tajikistan (8)               |
| • North Korea (3)     | • Central African Republic (9) |
| • East Donbas* (4)    | • Libya (9)                    |
| • Western Sahara* (4) | • West Papua#                  |

\* Indicates a territory as opposed to an independent country

#West Papua is not included in the Freedom House list, but has been included on the exclusion list at the request of the church. As it’s not on the Freedom House list it will not come up on the exclusion lists we use. The Methodist Trust Association is reliant on Mission and Ecumenical and other Church sources to identify companies with significant operations (>10% of total revenues) in West Papua and to provide factual evidence to allow the New Zealand Methodist Trust Association to determine whether those companies should be added to the Methodist Church of New Zealand exclusion list.

The Methodist Trust Association may buy or hold listed investment funds that have minor (<5% of the fund’s capital) investments in companies with operations of greater than 10% of their revenues from the high-risk countries identified.

### **Climate Change - Coal**

The Methodist Trust Association does not buy or hold companies that derive 30% or more of revenues from coal mining. This sector-based screen on coal mining includes metallurgical coal, thermal coal and coke.

The Methodist Trust Association may buy or hold listed investment funds that have minor (<5% of the fund’s capital) investments in coal companies.

### **Climate Change – Oil & Gas**

At the time this policy was adopted there was no readily available exclusion list covering oil



and gas companies.

In March 2019 Norway's sovereign wealth fund announced that it will remove companies classified as Exploration and Production companies by the index provider FTSE from the fund's reference index. It will retain stakes in fossil fuel companies as long as they have some involvement in renewable energy. Its stakes in large firms with renewable units include 2.4% of Shell and 2.3% of BP, because it believes they will play a major role in developing green energy.

On 29 April 2019 the New Zealand Methodist Trust Association added all companies classified as Exploration and Production companies by MSCI to the Church's exclusion list.

No divestments were required, as the investment portfolios did not hold any security on the new exclusion list.

The Methodist Trust Association may buy or hold listed investment funds that have minor (<5% of the fund's capital) investments in oil and gas companies.

## SOCIALLY RESPONSIBLE INVESTMENT

A biblical and theological preamble the Responsible Investment policy of the Methodist Trust Association

**Faith and Order Committee  
March 2018**

Methodism is committed to

- Stewardship - the responsible use of money
- Social Justice - avoiding social harm
- Human Wellbeing – promoting positive development
- A Good Creation - sustaining the planet

God's purpose

Christian theology teaches that God brought this world into being, sustains it and brings it to completion. In Christ we have seen that God pours out the divine life for the life of the world and is ever active within the world encouraging it toward its fulfilment. The scope of God's transforming love is personal and communal, political and environmental, global and cosmic. In this divine work we are called to be co-creators. As the church seeks to manage its financial resources, there is the challenge for these fundamental convictions to shape both policy and decision making.

Word to Israel

God's word speaks to us across the generations and within our own day. From the beginning of scripture there is a call to delight in creation and to "replenish the earth". (Genesis 1:28 AV) Law is given to provide direction and call Israel to remember its obligation to the poor. "You shall not strip your vineyard bare, or gather the fallen grapes of your vineyard; you shall leave them for the poor and the alien." (Leviticus 19:10) At the heart of the Law is the notion of restraint. Alongside Law in the Old Testament the prophetic witness calls for moral responsibility in business and social relationships. "Seek justice, undo oppression; defend the fatherless, plead for the widow." (Isaiah 1: 17) God's vision is one of transformation: "they shall beat their swords into ploughshares, and their spears into pruning hooks..." (Micah 4:3)

Word to the Church

This stewardship of resources continues to play a central role in the New Testament. In Jesus' parables there is witness to a world of grace in which hearers are surprised at God's generous love extending to all, even the marginalised. Jesus teaches, "Blessed are the meek, for they will inherit the earth." (Matthew 5:5) Jesus challenged the abuse of the Temple courts when he turned the money changers from their tables. (John 2: 14) A constant theme in the teaching of Jesus is caution about the accumulation of riches. "Do not store up for yourselves treasures on earth...but store up for yourselves treasures in heaven." (Matthew 6: 19) Further wisdom of Jesus: "It is easier for a camel to go through the eye of a needle, than for a rich man to enter the kingdom of God." (Matthew 19:24)

John Wesley's witness

In the preaching of John Wesley there are insights that remain relevant to our management of the resources of the church. Before the development of economic theory in the nineteenth century, Wesley was a pioneer in articulating a critical theology of wealth. Wesley did not have a negative attitude toward money or the generation of wealth. He saw that it could be a blessing. All who fear God have a responsibility to know how to employ this valuable talent, for example in feeding the hungry and clothing the naked. In his sermon *The Danger of Riches* he located four positive purposes of wealth: 1. provision for families, 2. generation of capital by business, 3. bequeathing resources to families, and 4. freedom from debt. In 1746 he established a "poor man's bank" and lent small sums of money to those who wished to start businesses.

John Wesley's warning

Careful study of Wesley's sermons reveals that he gave considerable attention to the place of wealth in society. In sermons such as *On Riches*, *The danger of Riches* and *The Danger of Increasing Riches* he outlined his awareness of the spiritual danger of wealth. Indeed so concerned was he about this that he saw the pursuit of wealth as being idolatrous. In his sermon *On Riches* he identified five dangers in amassing wealth. (1) It prevents us from attending to God and the things of God. (2) Riches can be a hindrance to loving neighbour and self (3) Riches can lead to pride, contempt for others and atheism and

as such are a hindrance to holiness. (4) To deny ourselves and follow Jesus is a bigger challenge for the affluent. (5) He concluded that happiness is to be sought in God, and In God alone. For Wesley covetousness was the sin of desiring more. In his sermon on *The Danger of Riches* five desires are mentioned that he claimed have destructive spiritual consequences. (i) The desire of the flesh, the pleasure of tasting leading to gluttony. (ii) The desire of the eyes, wanting things that are ornate. (iii) The desire of honour, seeking admiration and applause. (iv) The desire of ease, the wish of comfort and desire to avoid every cross.

#### John Wesley's economics

In his sermon *On the Use of Money* we are introduced to Wesley's famous teaching, "gain all you can, save all you can and give all you can." It is instructive to note some of the qualifications that are outlined. In gaining all we can Wesley insists that (a) we should not gain at the expense of "hurting the body". By this he meant people should not work too many hours or be exposed to harmful chemicals. (b) Nor should we do what is harmful to the mind by either breaking God's law or the law of the land. (c) Nor should we gain by harming neighbour. This Includes refraining from selling below market rate, setting out to undermine a neighbour's business and lowering the moral health of society. Further, Wesley considered we should not seek to avoid taxes, as these are used to do good in and for society.

#### John Wesley's social responsibility

By "saving all we can", Wesley did not endorse the accumulation of wealth. Rather he advocated frugality and simplicity of life. He opposed expenditure that was designed to support comfort and luxury. He cautioned against purchasing things that appealed to the senses such as works of art and fancy clothing. By "giving all you can" Wesley recognised an obligation to others; especially the poor, even to those who may not be believers. Clearly Wesley sees the use of money as a spiritual challenge associated with particular temptations. He was constantly concerned that because the Methodist people were frugal they accumulated wealth and as a consequence lost the reality of Christian spirituality.

#### Disturbing heritage

Methodism has sought in different ways to respond to its biblical and spiritual heritage. This has been expressed in the quest for social justice as conditions have been encountered in different periods of history e.g. in the fight against slavery, in the temperance movement, in the pacifist witness, in struggle against apartheid and in support for a minimum wage and good working conditions. It has been expressed through "humble philanthropy", in which wealth is used for the benefit of others without drawing attention to the donor. More recently the bicultural journey has been an expression of the sharing of resources and power. There has been the commitment both to refraining from engaging in harmful actions and the promotion of the communal well-being.

#### Today's challenge

And now this heritage continues through the theological emphases inherited from Wesley, and the themes of stewardship, social justice, human wellbeing, and a good creation which have specific relevance for questions of responsible investment today. In our contemporary setting, these themes are seen to be linked to environmental concerns which are demanding more attention within Methodism, and are appropriately considered in the context of investment.

#### Finish then thy new creation

Managing wealth at family and institutional level requires spiritual maturity. Our tradition encourages the responsible and creative use of resources. Wealth can promote fullness life and healing. However our tradition does not endorse maximising return on investment. It calls for restraint in the interests of avoiding exploitation of people and exhausting the environment. Drawing inspiration from the gospel, the church is bound to engage in an ethical investment policy that serves the new creation. This vision should inform and critique our practice.

#### Wider Methodist Community

The Central Finance Board of the British Methodist Church formulated the following Biblical Principles to guide its work:

- to encourage the fruitful use of economic resources
- to encourage activities consistent with God's nature and values
- to encourage a concern for the vulnerable and oppressed

## **SOME SOCIAL PRINCIPLES OF THE METHODIST CHURCH**

The ethical and social ideal of the Methodist Movement is the ideal of essential Christianity. Methodism's impact on the life of the eighteenth century was due in some degree to the rediscovery of a social message. In 1743 John Wesley wrote (*An Earnest Appeal to Men of Reason and Religion*): "We see, on every side, either men of no religion at all, or men of a lifeless, formal religion. We ... should greatly rejoice if by any means we might convince some that there is a better religion to be attained, a religion worthy of God that give it. And this we conceive to be no other than love; the love of God and of all mankind, the loving God with all our heart, and soul, and strength, as having first loved us, as the fountain of all the good we have received, and of all we hope to enjoy; and the loving every soul which God hath made, every man on the earth as his own soul."

Believing this and recognising that society at present falls far short of the Christian ideal, the Methodist Church stands for:

1. The sacredness of human personality and the equal value of all men and women in the sight of God.
2. Adequate opportunities of employment for all those willing and able to work, and reasonable standards of living for those, who because of age or infirmity, are not able to work.
3. The co-operation of employers and employees for the benefit of the community.
4. The duty of all to render conscientious service, the condemnation of scamped work, of sweated labour and of consumer exploitation.
5. The right to a just return for services rendered and the right to good housing, and a healthy environment.
6. The wise use and careful conservation of the world's physical resources.
7. The removal of the root causes of poverty, unemployment and war.
8. The promoting of social and industrial reforms by lawful means.
9. The right to freedom of conscience, constitutional liberty, secrecy of the ballot and access to the Courts.
10. Christian influence in politics and civic affairs.
11. The conviction that the Gospel of our Lord Jesus Christ contains the message that will promote effectively the regeneration and reconstruction of society.

The Methodist Church reminds her people that Christian ethics cannot be maintained without Christian faith. The good life of the Christian and faith in Christ are inseparable. Where one fails the other cannot last.

**Adopted by Conference 1952; reprinted in the Minutes of Conference 1967; reaffirmed by Conference 1976**

## **A STATEMENT OF MISSION FOR THE PEOPLE OF AOTEAROA/NEW ZEALAND WHO ARE ASSOCIATED WITH THE METHODIST TRADITION, BOTH IN METHODIST PARISHES AND IN CO-OPERATIVE VENTURES**

Our Church's mission in Aotearoa/New Zealand is to reflect and proclaim the transforming love of God as revealed in Jesus Christ and declared in the Scriptures.

We are empowered by the Holy Spirit to serve God in the world.

The Treaty of Waitangi is the covenant establishing our nation on the basis of a power-sharing partnership and will guide how we undertake mission.

In seeking to carry out our mission we will work according to these principles:

### **Christian Community**

To be a worshipping, praying and growing community, sharing and developing our faith, and working through its implications in our social context.

### **Evangelism**

To challenge people to commitment to Christ and Christ's way.

### **Flexibility**

To be flexible, creative and open to God's spirit in a changing world and Church, so that the Church is relevant to people's needs.

To release energy for mission rather than to absorb energy for maintenance.

### **Church Unity**

To foster networks and relationships with communities of faith having similar goals.

### **Inclusiveness**

To operate as a Church in ways which will enable the diversity of the people (eg all ages, all cultures, female and male) to participate fully in the whole life of the Church, especially decision-making and worship.

### **Every Member a Minister**

To encourage each person to develop his/her full potential by accepting and nurturing each other, developing skills and providing resources, challenging and enabling for service in the Church and community.

### **Cross-cultural Awareness**

To become aware of, and challenged by, each other's cultures.

### **Justice**

To work for justice for any who are oppressed in Aotearoa/New Zealand, keeping in mind the implications of the Treaty of Waitangi.

To share resources with the poor and disadvantaged in Aotearoa/New Zealand and beyond.

### **Peace**

To be peacemakers between people, and in the world.

### **Healing**

To listen for hurt and work for healing.

### **Ecology**

To care for creation.

**Adopted by Conference 1989**