Anglican Financial Care
Te Maru Mihinare

Ethical Investment Policy

18 September 2025

Ethical Investment Statement

Anglican Financial Care's (*we*, *us*, *our*) investment purpose is to take a Christian approach to turning members' savings into wealth.

We have incorporated ethical thinking into our investment decisions since our foundation in 1972. As the Anglican Church's General Synod / Te Hīnota Whānui recognises, ethical considerations in the investment process are in keeping with the Church's Christian values.

Our investment activity focuses on the financial interests of our members while also seeking to participate in the good God is doing in the world.

Anglican Financial Care, the trading name of The New Zealand Anglican Church Pension Board, is trustee of a number of trusts and retirement savings schemes. Our legal obligation is to work in beneficiaries' best financial interests. This involves considering the fiduciary risks associated with including and excluding investments.

We recognise that economic decisions involve ethical choices. We take a nuanced, long-term, thoughtful approach to the issues in our world, as we seek the best returns for our members through decisions guided by Christian principles.

Our Christian principles mean that we believe the triune God created all things, including life itself, and that God's creation is good. We believe that the arts and sciences, philosophical knowledge and technical advancement are all part of God's good, created order, and are imbued with goodness, beauty and truth. We believe also that the created order is marred by sin, but is redeemed in Christ. This is our foundation. This is what we believe.

Our Ethical Investment Policy reflects the Christian values that guide our broader investment philosophy, alongside an ethical screening process that is applied to selected investments within our portfolio.

We use a reputable corporate governance and responsible investment provider to undertake ethical screening and red-flag controversy reporting on our directly held Australasian and international equities. This ensures that we can act quickly to sell or exclude equities that do not meet our ethical standards.

We are aware that, as technologies and societies develop, any of the companies and entities we invest in may come under scrutiny for moral issues. We review this Ethical Investment Policy regularly to maintain its alignment with our Christian values.

Specific Considerations

Our Ethical Investment Policy is focused on the dignity and sacredness of human life. Our considerations relate to the following categories: human life, alcohol, animal welfare, armaments and defence, fossil fuels, gambling, pornography, and tobacco. While investment decisions in this regard would typically involve exclusions from our investment portfolios, we recognise that some entities within some of these sectors may be adopting and practising corporate responsibility policies that weigh against the misuse and harm related to their business activities. In such cases, we consider that exclusion may be inappropriate and inconsistent with God's redemptive purpose for the world.

In some cases, a best-in-class, or positive screening, approach may be applied as a means of reflecting a positive influence that may lead to an improvement in overall ethical standards.

Our fiduciary responsibilities require us to consider the risks associated with including and excluding investments as we implement our Ethical Investment Policy. Our categories of ethical considerations mainly involve exclusions, but for fossil fuels we adopt a mix of exclusions and positive screening.

Our approach to investment screening and applying our Christian principles

We actively manage a range of investments in-house, including cash, direct mortgage lending, forestry, New Zealand fixed interest, Australasian equities, and international equities. The Australasian and international equities investments are subject to the screening processes in this Ethical Investment Policy. The other in-house managed investments are under AFC's direct control. While they are not subject to the screening processes applying to equities, we align our decision-making for these other in-house managed investments with our Ethical Investment Policy.

In addition to our in-house managed assets, we maintain strategic exposures to outsourced investments such as international fixed interest, domestic and international private equity, and smart energy. These externally managed investments, which complement the in-house managed investments, are not governed by our Ethical Investment Policy. There is a risk that the standards applied by the external managers differ from our approach, such that they may hold investments that are contrary to the contents of our Ethical Investment Policy.

Human Life

The protection of life is a fundamental Christian principle, which recognises that human life is sacred and precious. We seek to acknowledge that life is given by God and belongs to God. We also recognise that God is infinitely merciful and, in biblical terms, is near to the broken hearted and to those struggling to cope with the issues they face. We understand that compassion is required for those who, for any number of reasons, may seek to end their own life through euthanasia. We entrust people who are in heart-breaking and stressful situations to God's merciful kindness.

We express our Christian commitment to the protection of human life by excluding investment in companies that:

- Obtain or use embryonic stem cells in embryonic destructive research
- Provide or mediate active euthanasia or assisted suicide
- Provide poisons manufactured exclusively for executions.

Alcohol

Biblical writings recognise the dual nature of alcohol. Alcohol is celebrated as a gift of God but there are also warnings against its misuse. At times, Christian practice involves abstinence and self-denial.

We believe that in the context of God's good creation, there is a place for the production and consumption of alcohol, especially when used in moderation for proper enjoyment and celebration.

However, alcohol also contributes to human and community harm and misery. Alcohol is justifiably regarded as a public health issue given its cost to society in terms of health, violence, crime and the consequential impact, particularly on women and children.

In investment portfolios, some exposure to alcohol is inevitable. Alcohol interests comprise producers, wholesalers and retailers. Some retailers, such as supermarkets or the accommodation sector, include sales of alcohol that represent only a modest proportion of their total revenue.

We recognise there are improving standards of corporate responsibility in the production and sale of alcohol that should permit us to include alcohol in our investment portfolio. However, out of respect for communities that have identified alcohol as being of particular harm, we have no direct holdings in alcohol. We will exclude from our investments, companies deriving more than 5% of turnover from the production or retail of alcohol.

Animal Welfare

We recognise animals are deserving of human stewardship and we will seek to avoid investment in cases where animals are subject to unjustified suffering, such as intensive livestock management using cages and crates, or in testing beyond legal requirements for non-pharmaceutical purposes (where the replacement, reduction and refinement of animal testing procedures is not considered).

Animal testing isn't generally a 'revenue item' for companies in our portfolios, so we can't apply a 'threshold tolerance' for inclusion or exclusion of a company. The policy is implemented as follows:

- Portfolios are screened according to our corporate governance and responsible investment provider's filters for factory farming and fur and exotic leathers.

- Portfolios are screened by our corporate governance and responsible investment provider for non-pharmaceutical companies, who test beyond legal requirements, but do not have a 3Rs policy (which refers to the Replacement, Reduction and Refinement of animal testing procedures).

We seek to avoid these investments, but we acknowledge that the identification and evaluation of animal welfare/testing issues is complex and subject to considerable variation amongst the data providers. So, we do our best by excluding investment in companies that are outside our corporate governance and responsible investment provider's screening parameters of animal testing.

Armaments and Defence

Biblical references to warfare range from pacifism to the notion of Just War. In general, however, the overriding narrative is that the use of force should be a last resort, proportional, discriminate and undertaken according to ethical and strategic criteria. International law recognises the right to self-defence and acceptance of the responsibility to protect those who can't protect themselves.

If there's acceptance of the use of force in certain circumstances, then this infers acceptance of the need to maintain appropriately equipped resources and facilities and that defence is more acceptable than offence (although a complication is that offensive weapons may be required for defensive purposes).

We will exclude investments in armaments of an indiscriminate nature. This includes weapons such as nuclear weapons, land mines, cluster munitions, chemical and biological weapons, many of which are the subject of international treaties. The exclusion extends to the production of those weapons systems, the material provision of parts or services associated with those weapons, and the transportation of such weapons systems to countries with poor human rights. We rely on our corporate governance and responsible investment provider to identify the companies that fall within this total exclusion.

We will also exclude investment in companies where more than 5% of turnover is attributable to conventional weapons systems, and the material provision of parts or services that are directly related to the lethality of those weapons. This exclusionary aspect is more complex, but it is applied as follows:

- The non-combat equipment category covers non-lethal military equipment, related parts and components, as well as components for weapons systems which are not directly tied to the lethality of those weapons systems. The classification methodology used by our corporate governance and responsible investment provider for differentiating between combat equipment, which we exclude from our investments, and non-combat equipment, which we allow, is based on Sweden's arms export control list.

- We take a balanced approach, recognising the right to self-defence and to a proportionate response to armed aggression, especially for the protection of civilians. Therefore, allowing investment in non-combat equipment falls within the acceptable aspect of our policy.

Fossil Fuels

Biblical principles clearly infer that the earth is to be cared for and protected, both for its own sake as part of God's good creation, and also for the sake of future generations.

Under the 2015 Paris Agreement, countries have committed to limiting increases in global average temperatures to less than 2 degrees Celsius above pre-industrial levels.

We have responded by excluding companies whose principal business is the extraction of coal and/or tar sands and prioritising investments in other energy companies according to their extent of contribution towards a lower-carbon world.

We recognise that fossil fuel divestment is a matter of importance to many Christians. Our view is that achieving the transition to a low carbon world requires a more complex approach than divestment.

The reality is that it takes fossil fuel activity to build renewable energy infrastructure.

We know that the world is a complex place and every decision has consequences. We also know that the transition to low carbon emissions and to a decent standard of living in the poorer parts of the world takes investment, planning and prudence. We think, for example, that simply divesting all fossil fuel assets ignores the needs of our poorer neighbours who lack infrastructure and clean and affordable energy sources.

We believe that the better approach is to target a sensible transition to a lower carbon world. Accordingly, we do not exclude investment in companies based on their level of turnover in fossil fuels, because we believe that simply divesting energy companies achieves little, may simply push fossil fuel exploration, extraction, and production into private ownership, and may result in excessive investment risk. In addition, we believe that exclusion may be a contributing factor to energy inflation and therefore have a detrimental impact on those least able in society to cope.

Having said that, we do exclude companies whose principal business is the extraction of coal and/or tar sands. "Principal business" refers to a company whose dominant activity and revenue generation is from coal and/or tar sands extraction. The initial exclusion is any company within the MSCI World Index Coal & Consumable Fuels classification (10102050). Exposure to tar sands is incorporated within our corporate governance and responsible investment provider's ratings of energy companies, referred to below.

Our selection criteria for our energy sector investments are therefore a combination of:

- Positively screening energy companies for selection. The energy ratings used include recognition of companies with strong reporting standards and clear goals for carbon reduction. This screening is performed for us by our corporate governance and responsible investment provider, based on Carbon Risk Rating (CRR) criteria. The process aims to:
    - Favour companies contributing to the solving of climate change challenges, and
    - Penalise companies causing the highest greenhouse gas emissions along the value chain.
- Specifically targeting the transition by investing in a smart energy strategy. This is an actively managed fund that invests globally in companies providing technologies for clean energy production, distribution, infrastructure and energy efficiency.
- Directly investing in forestry and participating in the Emissions Trading Scheme (ETS). New Zealand remains reliant on carbon storage through forestry.
- Having our corporate governance and responsible investment provider independently audit our equities portfolios and provide portfolio versus benchmark quarterly reporting so we can monitor our transition progress.

The CRR criteria referred to above are complex and consist of more than 100 indicators. The intention is that they provide a forward-looking analysis of carbon related risks, and provide a measure of the extent to which a company copes with future challenges related to climate change and seizes opportunities arising from a transition to a low-carbon economy. This is a data-intensive exercise in which the credibility of the outcomes depends upon the quality of data and a company's willingness to engage. Hence, companies with strong reporting standards and clear goals for carbon reduction will tend to be more favourably regarded by our corporate governance and responsible investment provider in the ranking process.

The process for selecting and monitoring companies with "clear goals for carbon reduction" includes:

- Optimising the CRR, subject to minimising risk relative to the benchmark (i.e., biasing the portfolio to the higher-ranked CRR companies, subject to minimising the risk of the portfolio relative to the benchmark).
- Reviewing whether the optimised basket of selected companies makes sense in terms of the investment strategy.

- Reviewing the CRR updates for evidence of material shifts in rankings and considering the rankings in the context of the aggregate carbon performance of the portfolio, the fiduciary objective, and risk relative to benchmark.

As a forest owner, we participate in the ETS, which is a key tool for New Zealand to meet its domestic and international climate change targets.

We use reputable silviculture managers, we monitor their work, and we maintain our in-forest structures including slash traps, culverts, and wetland areas.

We also have a large native forest block (of around 14 hectares) within our Hawke's Bay exotic forest, which benefits from our whole-of-forest possum and pest control programmes. Our careful harvest management has ensured that kumara pits in that forest, which indicate old garden sites within the forest, and are protected by the Heritage New Zealand Pouhere Taonga Act 2014, are safeguarded from all forest activity.

Gambling

In the case of gambling, context is important. Gambling can be a form of entertainment and relaxation, viewed in the context of taking proportionate risk.

The concern is misuse, addiction, and where the desire for and hoarding of money for its own sake is the prime motivation. There are biblical warnings against the desire for, love of and greed for money and that the hasty, reckless and wasteful use of money is foolish and unlikely to lead to the attainment of wealth.

As is the case with alcohol, we are also concerned with the societal impacts of gambling, particularly where there is human and community harm. The negative effects of gambling addiction on individuals, families (particularly women and children) and society remain significant. Gambling addiction is associated with depression, suicide, violence and crime and disproportionately impacts those from adverse socio-economic circumstances.

We will avoid investment in companies which derive more than 5% of turnover from the activities of (or which provide the premises for) gambling.

Note: we are conscious that there is scope to draw parallels between the individual pursuit of gain via excessive and risky speculation (including the use of "other peoples' money") and corporate behaviour in the legal pursuit of profit. These are difficult issues, which are the subject of on-going public policy debate. The focus of our policy relates to the commonly accepted forms of gambling.

Pornography

The sexual exploitation and degradation of humans is contrary to God's purpose.

We will exclude investment in companies involved in the production and distribution of pornography or companies who own and operate premises where providing pornographic experiences is the main activity, or companies where more than 5% of turnover is generated from the activities of pornography.

Tobacco/Smoking

Smoking is a leading cause of preventable mortality. Smoking also impacts non-smokers (including children) via passive smoking. There is no question tobacco is a public health issue.

We are aware companies in the tobacco industry are transitioning to alternative business models involving products (e.g. e-cigarettes) which may be less harmful and contribute to reducing traditional cigarette smoking. Nevertheless, these "reduced-risk" products may also be stimulating youth addiction, thereby contributing to a public health conundrum in terms of creating an environment for adults who deserve access to potentially less hazardous alternatives.

Consequently, a prudent approach is to monitor developments in the tobacco industry but, for now, exclude investment in companies deriving more than 5% of turnover from the production or retail of tobacco.

Other Considerations

How the screening processes work for our equities

We use a leading corporate governance and responsible investment provider (*provider*) to help us meet our ethical thresholds when considering investing in equities (*shares*).

Our provider screens our Australasian and international shares quarterly for compliance with our stated ethical considerations and turnover threshold-tolerances within this Ethical Investment Policy.

When a share is assessed by our provider to no longer be within our turnover threshold-tolerances or to no longer be within the defined parameters of acceptable practices, goods, or services set out in this Ethical Investment Policy (we call this the 'trigger'), the shareholding is sold. To effect the sale, AFC's Investment team will instruct the broker to sell the relevant shares, within 5 working days of our being notified/becoming aware of the trigger.

The process is more complex for our positive screening approach. This again relies on our provider's research and selection criteria.

For fossil fuels, we believe that simply divesting energy companies achieves no real change, and a better approach is to target a sensible transition to a lower carbon world. Under the screening processes, investment selection relates to companies with strong reporting standards and clear goals for carbon reduction, rated by our provider using its proprietary Carbon Risk Rating. This also includes us reviewing our provider's Carbon Risk Rating updates for evidence of material shifts in rankings and considering the rankings in the context of the aggregate carbon performance of our portfolio, the fiduciary objective, and risk relative to benchmark.

Our relationship with the UK based Church Investors Group enables further insights into ethical matters and provides an opportunity to vote shares with like-minded investors.

How this Ethical Investment Policy applies to our investments

Each year, we publish our Fund Updates. They are available under the *Documents* tab at www.christiankiwisaver.nz and the *Resources* tab at www.angfincare.nz. The Fund Update for each investment fund sets out that fund's target and actual investment mix (by asset class) and the top 10 assets in which the fund invests.

We set out below the way the Ethical Investment Policy applies to the *target investment mix* for each fund. To see the *actual investment mix* for each fund, as at 31 March each year, see the section *What does the fund invest in?* in each Fund Update.

For each Fund, the Ethical Investment Policy applies as follows:

Cash and cash equivalents: consisting of New Zealand registered bank on-call deposits and term deposits. We have direct control over making these investments. We align our decision-making with our Ethical Investment Policy, and we believe New Zealand's banks are appropriately regulated and supervised within New Zealand.

New Zealand Fixed Interest (NZFI): consisting of mortgage lending, longer-term term deposits, New Zealand Government bonds, and bonds issued by agencies such as the Local Government Funding Authority, Council-issued bonds, bank-issued bonds, and various corporate-issued bonds. We have direct control over making these investments. We align our decision-making with our Ethical Investment Policy, and we believe that these bonds are appropriately regulated and supervised within New Zealand. More than half of our NZFI investments consist of our directly managed mortgage lending. We do not lend for the purposes of people becoming property investors. We lend to our scheme members, helping them into a family home.

International Fixed Interest: consisting of 80% PIMCO global bonds and 20% Brandywine global bonds. The PIMCO global bonds are split into 60% in PIMCO's ESG bond fund and the other 40% in PIMCO global bonds. **These funds are not governed by our Ethical Investment Policy**. There is a risk that the standards applied by these external managers differ from our approach, such that they may hold investments that are contrary to the contents of the Ethical Investment Policy.

Australasian Equities: consisting of New Zealand and Australian shares. These are subject to our corporate governance and responsible investment provider's screening processes.

International Equities: consisting of international shares. These are subject to our corporate governance and responsible investment provider's screening processes.

Other – Alternative Assets: consisting of private equity, forestry, and smart energy. We directly manage our forestry, and we ensure that high standards of silviculture practice are maintained, and that our forests comply with all regulatory requirements. Our smart energy strategy provides exposure to sustainable energy investment opportunities. Amongst our private equity investments is a global Impact fund. **Neither smart energy nor private equity investments are governed by our Ethical Investment Policy.** There is a risk that the standards applied by the managers of smart energy and of the private equity differ from our approach, such that they may hold investments that are contrary to the contents of the Ethical Investment Policy.

Target investment mix for each Fund

Christian KiwiSaver Scheme

Growth Fund:

Cash and cash equivalents	5%
New Zealand Fixed Interest	10%
International Fixed Interest	10%
Australasian Equities	25%
International Equities	40%
Other – Alternative Assets	10%

Balanced Fund:

Cash and cash equivalents	10%
New Zealand Fixed Interest	20%
International Fixed Interest	20%
Australasian Equities	15%
International Equities	30%
Other – Alternative Assets	5%

Income Fund:

Cash and cash equivalents	30%
New Zealand Fixed Interest	35%
International Fixed Interest	35%

New Zealand Anglican Church Pension Fund

Cash and cash equivalents	5%
New Zealand Fixed Interest	17.5%
International Fixed Interest	17.5%
Australasian Equities	19.5%
International Equities	34%
Other – Alternative Assets	6.5%

The Retire Fund

Balanced Pool:

Cash and cash equivalents	10%
New Zealand Fixed Interest	20%
International Fixed Interest	20%
Australasian Equities	15%
International Equities	30%
Other – Alternative Assets	5%

Conservative Pool:

Cash and cash equivalents	30%
New Zealand Fixed Interest	35%
International Fixed Interest	35%

Note

Some exclusions within this Ethical Investment Policy are subject to a maximum turnover threshold of 5%. This means that the Policy excludes a company if its exposure to the excluded activity exceeds 5% of total turnover. The purpose of the threshold is to help ensure compliance with the intention of the exclusion, and to avoid having to exclude companies whose involvement in the excluded activity is a minor (usually far less than 5%) by-product of their main activity. An example here is owning shares in a hotel chain, where alcohol may be served, and the alcohol sales amount to a tiny proportion of the hotel chain's turnover.

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