

Christian Super Member News

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The way we do ethics

In principle, members of Christian Super would agree that ethical considerations should play a role when making investment decisions (those who don't would want to move their super elsewhere). The earth is the Lord's, and we are called to be good stewards.

>> WHO DECIDES WHAT'S ETHICAL?

That's a fair question. We might all be Christians but we may hold vastly differing personal opinions about what's right or wrong, good or bad, important or petty. Our personal views may conflict with community issues (eg use of alcohol) and our personal experiences can influence our priorities and perceptions.

Such diversity and potential for disagreement provides challenges, but that should not cause us to turn a blind eye to the issues involved.

At Christian Super we don't claim to have ethics all figured out. Rather, we have begun on a journey of discovery, drawing together experts and using our collective wisdom to build frameworks and processes for considering ethical issues and then translating those into investment decisions.

We have appointed the Macquarie Christian Studies Institute to advise on Christian ethics, both for broad concepts and on specific issues. Our initial ethical basis is captured in a range of documents as shown in the box (right) - these are available from the Ethics Library on our website.

>> HOW DO YOU TELL A COMPANY'S ETHICS?

Not surprisingly, there is no perfect solution. Information about companies is often incomplete



and at times misleading. Ownership structures can be complex, and a company's public statements may conflict with its actions.

We have engaged an independent company research service whose job it is to investigate companies within the ethical framework set by the Fund. The research can cover hundreds of criteria and will change over time. The process provides a base for screening investments and will be fine-tuned over time.

>> ETHICS AT ANY COST?

By law, Christian Super's primary objective must be to maximise returns for its members. Our enhanced strategy aims to achieve that requirement, but perhaps as Christian we should turn the question around and ask "Investment returns at any cost?"

Who's involved?

- Trustee Board
- Investment Committee & Fund Management
- Investment Adviser (Mercer IC)
- Christian Ethics Adviser (MCSI)
- Company Research Service (SIRIS)

What's the ethical basis?

- Ethically Directed Investments Charter
- Biblical Framework
- Ethical Investment Framework
- Ethical Screening Process

What's the ethical process?

- Screened Investment Universe (what's in & out)
- Active Engagement (Proxy voting)
- Investment Managers (invest assets within ethical constraints)



>> From the CEO
Paul Beckmann

Now more so than ever before is a great time for you to be a part of Christian Super:

- We're creating a true Christian distinctiveness through our new strategies of ethical investing.
- We're opening the Fund up to the whole Christian community, encouraging Christians to have biblical principles applied to their superannuation.
- Investment returns in recent times have been excellent, and are above market averages over longer periods.
- We are among the first superannuation funds to be given formal recognition from the Ethical Investment Association for our ethical investment approach (see below).

Let me know what you think - I'm always keen to know what our members are expecting from Christian Super. Call me on 1800 45 1566 or email to ceo@christiansuper.com.au.



The SRI Symbol is a trademark of the Ethical Investment Association (EIA). The SRI Symbol signifies that a product or service offers an investment strategy that takes into account labour standards and/or environmental, social or ethical considerations when selecting, retaining or realising investments. The SRI Symbol also signifies that Christian Super has adopted SRI disclosure practices required under the SRI Symbol Certification Program for Fund Managers.

Detailed information about the EIA, the SRI Symbol and Christian Super's methodology, historical stock listing and performance and other information relevant to Christian Super can be found at <http://www.eia.org.au/>, together with details about other SRI products certified by the EIA.¹

¹ The SRI Symbol does not constitute financial product advice. Neither the SRI Symbol nor the EIA recommends to any person that this financial product is a suitable investment or that returns are guaranteed. The EIA is not a financial services business and does not hold an Australian Financial Services License issued by ASIC.

Bridging the Moral Gap

A Biblical Ethical Framework for Christian Super

by Dr Gordon Preece, Director, Macquarie Christian Studies Institute (MCSI)

>> INTRODUCTION

In the November Ethical Extra newsletter we explored the moral gap that many are aware of in our increasingly secular society between our individual actions and the institutions we are a part of. We investigated the need for a biblical relational framework for ethics compared with the one-eyed ethics society often offers us.

In this article we begin to bridge that gap, at least in terms of individual and institutional investment. We unpack Christian Super's Ethically Directed Investments Charter within a Biblical ethical framework of Commands, Character and Consequences (CCC). This framework is used to generate both negative and positive ethical investment criteria for guiding the Fund in making ethical investment choices.

>> THE THREE ELEMENTS OF AN ETHICAL VOYAGE

To gain an ethical compass we need to do justice to at least three key points on the compass. C.S. Lewis wrote in *Mere Christianity* (pp. 65-7):

Making ethical decisions is like a fleet of ships sailing in formation. The voyage will be a success only, in the first place, if the ships do not collide and get in one another's way; and secondly if each ship is seaworthy and has her engines in good order. As a matter of fact, you cannot have either of these two things without the other. If the ships keep on having collisions they will not remain seaworthy very long. On the other hand, if their steering gears are out of order they will not be able to avoid collisions... But there is one thing we have not yet taken into account. We have not asked where the fleet is trying to get to ... However well the fleet sailed, its voyage would be a failure if it were meant to reach New York and actually arrived at Calcutta.

Morality, then, seems to be concerned with three things. Firstly, with fair play and harmony between individuals. Secondly, with what might be called tidying up or harmonising the things inside each individual. Thirdly, with the general purpose of human life as a whole - what man is made for, what course the whole fleet ought to be on, and what tune the conductor of the band wants it to play.

The CCC ethical framework uses these three primary ethical building blocks of:

- Command, such as the 10 Commandments (Ex 20) and the Sermon on the Mount (Mt 6-7);
- Character or virtue, for example the Beatitudes (Mt 5) and the Fruit of the Spirit (Gal 5); and
- Consequences or rewards and punishments, for example Proverbs, 'seek first the Kingdom of God' (Mt 6:33).

These derive from the Bible and the best philosophy (deontological, virtue and teleological ethics respectively - see below). This three-factor model allows a comprehensiveness that is not available within a one or two factor model like those we looked at in November. Let's examine each in turn.

COMMAND

Deontological (duty-based) ethics deal with acts in themselves, the principles, commands, rules or laws involved. Christian Super implements duty-based ethics by screening out certain negative activities that go against biblical law, for example:

- Producing goods or services with addictive, violent or harmful effects on people (eg. encouraging militarism, obesity, gambling)
- Activities harmful to the environment (eg. destructive timber industries, large greenhouse gas producers)
- Predatory, monopolistic or bullying business practices (eg. collusion in pricing, raising barriers against market entry)
- Abuse of human dignity or freedoms (eg. denial of union rights, lack of a common day off, worship times for workers and families)
- Worker exploitation (eg. exploitative child labour, racist and sexist hiring, firing and reward practices)
- Practices increasing poverty (eg. credit practices encouraging consumer debt)

Christian Super also seeks to invest more heavily in companies that act in accordance with Biblical commands, for example:

- Sustainable and renewable environmental practices and energy forms

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- Family, neighbourhood and community friendly workplace practices
- Companies helping minimise inequality between first and third worlds

CHARACTER

Virtue (character-based) ethics deal with the qualities and motivations of individual and corporate characters or agents. Christian Super seeks to invest in companies that show indications of positive character based ethics including:

Sound ethical practices:

- Honesty, integrity, directness and prudence (in all communications and financial calculations and practices, including confidential avenues for whistleblowers)
- Transparency, accountability and relations of parity (to stockholders, stakeholders and regulatory authorities)
- Best practice governance (independence and inclusiveness of membership and thinking)

Social Stewardship

- Dignity and respect for all people (all ages, races, classes, sexes)
- Community and stakeholder relations (reconciliation of races, ages, sexes, classes; long-term relationships; relative economic and power equality)

‘Character’ may be difficult to discern directly at the individual company level compared to commands and consequences. Nonetheless a company’s track record, transparency and its quickness to correct mistakes and move in the right direction give clear indications. For example, a bank’s foreclosing on widows and orphans in hard economic times may display hardness of heart. The fruit of Christian character will be evident in words and deeds (Mk 7:20-23, James 2:14-26).

CONSEQUENCES

Teleological (telos = end, purpose or goal) ethics are focused on the consequences or results of actions. These can be broader results or Kingdom consequences, ie. ‘seek first God’s Kingdom’ (Mt 6:33) - the kingdom of right (ie. reconciled) relationships with God, humanity and the earth (see C. Wright, Living as the People of God). Or they can be narrower results - for example seeking to maximise individual personal, material pleasure and investment return (the

happy hedonist or materialist retiree) or maximise society’s total pleasure over pain (eg. investing in embryonic stem cell experimentation, using potential persons as means to an end). The results of these ethics depend on your view of humanity and your approach to Command and Character based ethics.

Key consequential factors that Christian Super takes into account include the following:

Environmental Stewardship

- Efficient resource use and management (excludes pollution of land, air, water)
- Ecological sustainability (excludes extracting, making or marketing goods or services harming humans, animals, earth)
- Renewable energy sources (excludes destruction or waste of non-recurring resources)

Financial Stewardship

- Best practice financial management (including not being enticed or enticing people into financial over-commitment through excessive credit)
- Financial return (in socially productive, non-speculative/gambling ways)
- Risk management (prudent, cautious calculation of consequences and allowing for margins of error)

These criteria are a good guide for investing in God’s Kingdom and ethically directed investment but must be used acknowledging that the Kingdom has not yet come in all its completeness. In recognition of this, the Fund incorporates measurements of the ‘materiality’ of certain company activities. With some undesirable characteristics a tolerance threshold of 5% is applied.

In summary, our investments should enhance the reconciliation of:

- Society’s relationship with God
- Relationships between individuals, families, communities and nations
- Relationship with the earth, creation and the natural environment.

MCSI (www.mcsi.edu.au) offers Christian courses for university credit, cross-credit and non-credit. Upcoming events include Bishop Tom Wright (March 13-18), CS Lewis Conference (May 4-6), Os Guinness (June 2), John Anderson (June 22).

CCC ETHICAL FRAMEWORK (CS Lewis and Preece)	RELATIONAL THEMES (Schluter adapted)	RELATIONSHIP WITH GOD (C. Wright, Living as the People of God)	RELATIONSHIP WITH HUMANITY	RELATIONSHIP WITH EARTH	INVESTMENT THEMES
COMMANDS (Principles, Rules)	Stewardship	‘The Earth is the Lord’s’ (Ps 24:1)	To image, represent God in dominion (Gen 1:26-8) and service (Jn 13, Phil 2)	Preserve human life and develop, rest, renew earth (Gen 2, Ps 104, Rom 8, Rev 21-22)	Anti-abortion, stem cells, militarism, racism, anti-24/7 work idolatry, pro-Sabbath principle
CHARACTER (Persons, Roles)	Continuity (long-termness) Power equality	Faithful Love (1 Cor 10:13) Mutual service (Jn 13, Phil 2)	Long term, covenantal relationships Relatively = work relations	Sustainability Climate change, species decline, low carbon technology & space, energy, transport efficiency	Pro-family friendly, long-term workplace and community relationships Anti-monopolistic companies, anti- child labour
CONSEQUENCES (Purposes, Results)	Kingdom of reconciled right relationships	Shalom - vertical reconciliation with God (Rom 5:1)	Shalom - horizontal reconciliation (Gal 3:28)	Shalom - cosmic reconciliation, new earth (Is 11, 65; Rev 21-2)	Against anti-Christian companies, polluting co.’s and for preservation of earth

Fund Updates

>> GREAT RESPONSE TO ETHICAL SWITCH

Our proposal to move all remaining members from the general investment options was highly successful. Effective from 1 February all but 100 of our nearly 15,000 members are invested in one of our ethically directed investment options.

Some members did express concerns about the relative historic performance between our ethical and equivalent general options. Previous newsletters covered this aspect (go to the Ethical Library on our website for details), noting that the 'ethics' component actually had little to do with the Fund's experience, and that our full focus on ethical investing would help to address this issue.

It's encouraging then to note that, for the first 7 months of the current year up to the switch, the ethical investments have performed just as well or better than the general options for most members.

>> NEW INVESTMENT MANAGERS STRATEGY

To implement the new ethical focus we have commenced a restructure of our manager strategy, changing from our previous participation in a multi-manager product (MSIT) to direct mandates with specialist managers. The new shares managers from 1 February 2006 are:

- Australian Shares: Ausbil Dexia, Portfolio Partners, Merrill Lynch
- International Shares: Ausbil Dexia, AXA Rosenberg

New managers for property, fixed interest, cash and alternative assets will be selected over coming months.

>> CHANGED FEES

From 1 February 2006 a single Management Fee for each investment option has replaced the previous Investment Management Fee and Management Reserve. The \$1.60 per week administration fee remains unchanged.

Investment Option	Management Fee from 1/2/06	Previous Fees	
		Investment Management	Management Reserve
Ethical Shares	0.90%	0.9%	Up to 0.3%
Ethical Growth	0.85%	0.8%	Up to 0.3%
Ethical Balanced	0.80%	0.75%	Up to 0.3%
Ethical Stable	0.75%	new	
Ethical Cash	0.45%	new	

>> LICENSED FOR PUBLIC OFFER

After an exhaustive and lengthy application process Christian Super has been granted a licence to operate as a public offer fund. From April 2006 we will open up membership to the wider Christian community.

>> INSURANCE ENHANCEMENTS

The new choice of fund environment allows individuals to more readily move their superannuation. This has implications for the way insurers structure and price their product.

From 1 April 2006 our insurances will become more flexible and tailored to the individual. Premiums will be based on a member's occupation and gender as well as age. For most members the amount of Death and Disablement cover will increase for the same premium. Disablement cover will continue to be available even if you are not employed. Insurance may still be offered (on adjusted terms) even if health evidence is sub-standard. To limit escalating costs, Income Protection insurance will be subject to a 60 day waiting period (previously 30).

The flyer accompanying this Member News provides further details to current members, or refer to our new PDS Member Guide available from 1 April.

Splitting with your Spouse

New legislation means that you can now split your superannuation contributions with your spouse. This may allow you to plan ahead so you will pay less tax when you retire.

>> WHY SPLIT YOUR CONTRIBUTIONS?

Tax is generally payable on a superannuation retirement benefit that exceeds a threshold amount (\$129,751 in 2005/6).

If you ultimately expect to exceed that threshold (which is inflation indexed each year) but your spouse won't, then you can redirect your contributions into your spouse's account each year. That way both of you can use as much as possible of the tax free benefit portion - tax savings could be up to \$20,000 depending on your combined circumstances.

>> HOW CONTRIBUTION SPLITTING WORKS

All contributions made after 1 January 2006 are eligible for splitting. This includes your employer's contributions. You and your spouse do not need to be members of the same Fund.

Importantly, contributions are not split when they are first made - your employer and you should continue to make all contributions into your account. Instead, you will need to request Christian Super to split your contributions annually after each financial year - your first opportunity will therefore be after 30 June 2006. Christian Super expects to offer contribution splitting to our members. We will issue full details (including any fees) and a form on our website after 30 June.

>> WHAT YOU SHOULD DO

The only decision you need to reach before 30 June is whether you should make any additional salary sacrifice contributions (note that splitting of after-tax contributions does not generate any additional tax benefit).


Then diarise yourself to go to our website or call our Helpdesk after 30 June to get a form for contribution splitting.

Finding Lost Super Accounts


We have lost contact with some of our members. If you know one of them please tell them to call our Helpdesk (on 1300 360 907) so we can reunite them with their account.


Simone Boswell	Graeme Johnston
Richard Brown	Sheree Nicholson
Margot Browne	Fiona Ogden
James Casey	Dean Oliver
Michael Clark	Bradley Raynor
Deborah Clayton	Linda Spence
Warren Draney	Nigel Taylor
Brian Giesner	Heidelinde Tudball
Geoff Guy	Ivan J Williams
Gregory Halpin	Robyn Wilson
Susan Hersey	Janette Young


>> KEEPING IN TOUCH

 Call the **Helpdesk** on **1300 360 907** (local call cost)

 Log on **www.christiansuper.com.au**

 Write to **Christian Super**
Locked Bag 5073, Parramatta, NSW 2124

 **Fax** 1300 367 828

 **Email** helpdesk@christiansuper.com.au

>> DISCLAIMER

The information in this newsletter is of a general nature and is provided in good faith - the Fund does not guarantee its accuracy. Readers should seek advice specific to their situation.

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