



FAITH CONSISTENT INVESTMENT RESEARCH STATUS JANUARY 2010

FAITH CONSISTENT INVESTMENT RESEARCH

3iG, in cooperation with Esade Business School (Spain) and Vlerick Leuven Gent Management School (Belgium) is conducting research on Faith Consistent Investing (FCI) (See annex 1 for information on the research parties).

The goal of this research project is to explore whether or not faith organisations invest according to their beliefs and values and integrate social, environmental, governance and ethical considerations into their investment decisions.

The main research question is:

How are the religious beliefs of faith organisations reflected in their investment strategies?

1. Objectives and Methodology:

- Analysing and describing investment practices of faith organisations: Do they use ESG criteria, follow SRI practises or have particular faith-based principles that are translated into investment criteria? What are the differences and commonalities between geographic regions?
- Mapping and comparing faith consistent investors to the SRI community; differences and commonalities with pension funds, retail funds etc.
- Identifying drivers and obstacles for faith organisations to integrate their values into their investments.
- Provide recommendations to promote ESG/ethical investment among the faith organisations.

The methodology includes focussed group discussions, interviews and an online survey. The focussed group discussions were conducted in July 2009, whilst submission to the online survey ended in December 2009. The researchers are currently analysing the data, but the following interim results can already be shared.



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2. Preliminary findings

The preliminary findings are based on:

- Focus Group Discussions: two focus groups were conducted on 16 July 2009 in London. Participants (20) consisted of financial and non-financial managers of faith institutions, responsible for the financial investments of their organisations and for a majority representing Christian and Jewish institutions.
- Online survey: conducted directly through the 3iG network and networks of religious investor groups in the US, the UK and Canada. The involved religious investor groups either shared their database with the research team or forwarded the online survey to their members. Participating organisations are:
 - Interfaith Center for Corporate Responsibility (ICCR) in the USA
 - Ecumenical Council on Corporate Responsibility (ECCR) in the UK
 - Oikocredit in the Netherlands
 - Alliance for Religion and Conservation (ARC), International
 - SHARE/Kairos in Canada

About a 100 completed surveys were received. A large majority of the respondents come from a Christian, Catholic background. Nonetheless, responses from other faith backgrounds such as Judaism, Hinduism, Islam and Baha'i were also received. The responses are equally divided into U.S. based faith institutions and non-U.S. based faith institutions.

1. Almost 90% of the respondents practice *negative* screening. The main negative screens used are nuclear weapons, military armaments, tobacco and pornography. 80% of respondents use *positive* screens and focus mainly on environmental policy and programs, and employee welfare and rights.
2. Impact investing (investments that explicitly aim to solve social or environmental challenges or community development while generating financial returns) is practiced by 3 out of 4 respondents. The main impact investing practices are



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community development, micro-finance and affordable housing.

3. The majority of respondents practice some type of shareholder engagement. The main types are proxy voting, writing letters, filing shareholder resolutions and meetings with company representatives. Only 16% do not practice shareholder engagement.
4. The decision-making and management of the investment strategy within faith institutions involve a team of people, rather than being done by an individual alone. In 57% of the cases, investment strategy decisions are made at the highest level of the organisation (board of trustees or similar). Half of respondents use the advice of a financial adviser.
5. Almost all respondents are aware of different ways through which faith organisations can incorporate religious beliefs in their investment strategies. However, there is a difference between what respondents believe their organizations should do and the actual practices of the organization.
6. About 50% of respondents would be much more inclined to invest if more evidence of either positive social impact, change of company behaviour or increased financial returns was available.
7. The US-based responders are more outspoken in their thoughts on FCI than the non-US-based responders. Also the FCI practices between the two groups show significant differences.

3. Way Forward

These preliminary findings provide a very first glimpse into investment practices of faith institutions. The next step is to thoroughly analyse the results which will be presented in the final report. Among other things, it will analyse differences between US responses and/or non-US respondents, between respondents' FCI strategies and practices, between national-oriented and global faith institutions and many more.



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4. Dissemination

The researchers are preparing a practitioners report for the first quarter of 2010. The research findings may be presented at several conferences and/or seminars related to (inter)faiths and financials, corporate social responsibility and socially responsible investing. The participating religious investor groups will receive results related to their members, in an anonymous format.

The scientific valorisation – publication of an academic article in an international journal and presentations at academic conferences is expected later in 2010.

5. Impact

The research will provide better knowledge and insight into faith investment practices. It will identify drivers and barriers for integrating ESG dimensions into the investment decisions of faith based institutions, provide managerial measures for faith based institutions to help them in their investment process, and recommendations to encourage the integration of ESG criteria into their investment decision.

In his speech at Windsor Castle, end November 2009, UN Secretary General Mr Ban Ki-moon, referred to the faith institutions as “the 3rd largest group of investors in the world.” With gathered evidence of positive social impact, change in company behaviour, and increased financial returns, faith institutions will be inclined to alter their investment practices and lead the investment community at large to boost responsible business behaviour. As the 3rd largest and most influential investor group, the faiths will attract attention from financial institutions, as well as individual faith communities and behavioural change in investment practices will begin to take place at the grassroots level. By providing faith institutions with the knowledge and tools necessary for responsible investment and transparency, 1/3 of the investment community (faith institutions) will take lead in creating a more just and sustainable society.



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ANNEX – Research parties

- **3iG**

The International Interfaith Investment Group, 3iG, is a non-for-profit membership organization whose mission is to contribute to a just and sustainable society, by promoting faith consistent investments within a spirit of interfaith and international dialogue and cooperation. 3iG offers a platform for faith consistent investing, whereby various different faith organizations share best practices on setting up investment guidelines, 'greening' religious property, engagement with businesses as shareholders and many more on specific subjects such as micro-finance, conflict area investing, forestry and climate change. 3iG is the connection between many 'active capitalists' with great energy and feel for interfaith work and faith consistent investing.

- **ESADE Business School**

Founded in 1958, ESADE Business School's mission is to advance education and research in the areas of business management and law, by contributing to the scientific, social and humanistic preparation of highly skilled individuals. ESADE's research units are dedicated to the development and dissemination of knowledge germane to the business world, the non-profit sector, the legal professions and the general populace. The international prestige which ESADE has achieved in the world of investigation is due to its ongoing research efforts and to its perceptive choices regarding the lines of pursuit most relevant for business management.

- **Vlerick Leuven Gent Management School**

Founded in 1953 by Professor Baron André Vlerick, the School has evolved into the leading business school in Belgium and one of the top business schools in Europe. The School benefits from the amassed knowledge of the two largest Belgian universities, Gent University and the Katholieke Universiteit Leuven. Vlerick is one of the few business schools to hold the three most important accreditations relevant to the world of management education: EQUIS, AMBA and AACSB.



3iG

The International Interfaith Investment Group

www.3ignet.org

ESADE

Ramon Llull University

INSTITUTE FOR
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