"As faith-based investors we believe we are obliged to own our shares actively and responsibly, not just for the sake of profit"

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Foreword

Religion and spiritual traditions play an important role in many areas of modern society. Veiled but nevertheless influential, these traditions inspire education and civic culture, framing decisions in social and economic organisations that are sometimes reluctant or even hostile to explicit religion. In the context of the globalised markets of the 21st century, the social importance of religious traditions may even increase. This holds especially true for business life, in which stability, common sense and professional ethics have always played an important role.

In addition to the influence of religion on business ethics, religious institutions are increasingly engaging business life as investors. Religious investors have been at the forefront of Responsible Investing (RI). The dual goals of RI are to maximize returns while contributing to social well-being by factoring in non-financial criteria. Also described as sustainable or ethical investing, RI typically champions human rights, social justice, ecological sustainability and corporate citizenship. The figure for assets under management for RI continues to rise. RI has also shown itself to be buoyant in the recent global financial woes, growing by 15% in the US between 2007 and 2011 compared to just 1% for other professionally managed assets.

Besides negative screening of so-called sin stocks, benchmarking companies on their behaviour against peers, and impact investing, RI includes actively engaging with companies, ranging from information seeking to actively working to change companies’ practices. As this timely and instructive study shows, religious institutions have a particular interest and a knack for shareholder engagement. The academic, investor and religious communities would all benefit from a close reading of this report and the illustrative case studies it contains. It provides rich insights into the practice of shareholder engagement and highlights an array of possible engagement approaches. The cases demonstrate that engagement can be done gradually and by all types of investors; with small or large portfolios, with few or many resources and with local or international support.

Investors who comprehend this growing trend around responsible investing are no longer early adapters or social innovators. The market has caught up. As this report argues we need to gauge where it is going over the coming decade. It is a megatrend—too big to miss.

New Haven / Brussels, April 2012

Theodore Roosevelt Malloch, Research Professor for the Spiritual Capital Initiative, Yale University

Gilbert Lenssen, President EABIS - Academy of Business in Society

Summary of Case Studies

Joseph Rowntree Charitable Trust, UK

- **Denomination:** Quaker
- **Congregation:** UK based, Quaker worldwide
- **Assets under management:** € 180–240 million
- **Investment focus:** UK and European listed, small-mid cap.
- **Shareholder engagement:** formally since 1970s
- **Successful case:** Publishing (Reed Elsevier)
- **Unsuccessful case:** Mining (Vedanta)

**Key points:** although a relatively small investor and organisation, shareholder engagement is a core element of JRCTs work. Collaborative work with religious investor groups and support from specialists means limited resources aren’t an impediment to being an active and responsible investor. A focus on smaller companies in the UK and Europe allows the JRCT to have an impact on often overlooked targets.

Missionary Oblates of Mary Immaculate, US

- **Denomination:** Catholic
- **Congregation:** Italy/US based, worldwide
- **Assets under management:** € 340 million combined Trusts and Endowments
- **Investment focus:** Small-large cap., diversified, multi-asset
- **Shareholder engagement:** formally since 1980s (engaged prior to this)
- **Successful case:** Banking (Goldman Sachs)
- **Unsuccessful case:** Banking (Bank of America)

**Key points:** with a focus on global issues affecting the poor particularly in developing countries the Oblates are active engagers in the US. The Oblates vote on resolutions, engage in dialogue and, when necessary, use media campaigning. The Oblates frequently collaborate with organisations and partners, both religious and secular, to engage with large US based corporations.

Church of England, UK

- **Denomination:** Anglican
- **Congregation:** England based, Anglican Communion worldwide
- **Assets under management:** € 9 billion
- **Investment focus:** Small-large cap., diversified, multi-asset
- **Shareholder engagement:** formally since 1994, (engaged prior to this)
- **Successful case:** Supermarkets and farmers
- **Unsuccessful case:** Mining (Vedanta)

**Key points:** the investing body of the Church of England has a focus on large and small, often UK based companies. Fact finding and professionalism are two of the core elements of the Church’s engagement. Almost all shareholdings are voted. Private, independent engagement is preferred with around 200 dialogues each year. The Church’s moral authority contributes to its effectiveness and its global grassroots network is invaluable.
Introduction

An increasing demand from religious organisations for guidance and best practices on shareholder engagement led to the undertaking of this study.

In 2010 the International Interfaith Investment Group 3iG, together with ESADE’s Institute for Social Innovation and Vlerick Leuven Gent Management School cooperated on a large worldwide study of the investment attitudes of religious institutions. The research ‘From Faith to Faith Consistent Investing, Religious Institutions and their Investment Practices’ (van Cranenburgh et al. 2010) has given insight into the investment opinions and practices of religious institutions and their representatives.

Findings from the investigation show that 90% of religious investors believe that active ownership of shares can influence corporate behaviour and over 50% indicated they were engaged as shareholders. Engagement was done through proxy voting, communicating with management and boards of publicly listed companies and filing shareholder resolutions. Those who refrain from active shareholder engagement often feel a barrier in starting. They find it too complex, consider themselves or their investments as too small to make an impact and/or lack the tools and services. In this report we focus on how religious organisations can engage with corporations. This report therefore is intended to serve as a tool for those who wish to become more active shareholders but find it difficult to do so.

This study showcases a successful and an unsuccessful shareholder engagement case of three religious organisations revealing motivations, belief foundations, rationale, aims and expectations. The report provides insight into how faith beliefs have been put into practice at a corporate level by describing links between theological teachings and the development of investment policies amongst religious organisations. By including cases of both successful and unsuccessful shareholder engagement we provide an understanding of the enablers and impediments faced by religious investors. We highlight the different strategies used for issue selection and engagement and discuss various perceptions of success. The cases highlighted here provide practical and inspiring examples of what can be achieved by religious organisations when they engage with corporations.
1. Background

Religious perspective on investment

Sustainable and responsible investment has grown from modest beginnings to a mainstream investment strategy. Since the early days when faith organisations avoided investing in “sin” stocks like pornography and tobacco the movement has grown and evolved on a global scale. In Europe RI assets under management stood at €5 trillion at the start of 2010 (Eurosif 2010) while the figure in the US was just over $3 trillion (US SIF 2010).

Religious movements’ involvement in finance is not a new issue. Quakers and Methodists have long recognised the relevance of biblical teachings to their business and investment approaches. It was the Methodists who set up the Pax World Fund in 1971 taking a negative screening approach to investment. Nowadays Islamic finance is well established and has attracted increasing research attention. There is also growing interest in a Buddhist approach to economics, a movement inspired particularly by the work of Sulak Sivaraksa (Sivaraksa 2011).

Faith investors could be considered the third largest group of investors in the world (UN 2009) and the role and prominence of religious organisations in responsible investment and shareholder engagement has been noted in a number of academic studies (Proffitt and Spicer 2006, O’Rourke 2003, Tkac 2006). In Austria religious organisations and charities are the second biggest institutional investors after pension funds while in Germany they represent the largest institutional investors (Eurosif 2010).

A number of religious umbrella organisations facilitate the sharing of knowledge and resources and practise shareholder engagement representing significant groups of religious investors. With over 500 members, all of which are institutional investors representing $100 billion in invested capital, the Interfaith Center on Corporate Responsibility (ICCR) works to integrate social values into corporate and practises shareholder engagement representing significant groups of religious investors (Eurosif 2010). Other major players are the Church Investors Group (CIG) representing combined assets of €12-13 billion from over 30 denominations in the UK and Ireland and the Ecumenical Council (ECCR) in the UK. These organisations are evidence of how religious organisations are collaborating and translating beliefs into action as shareholders. On the European mainland, religious shareholders seem less active in the field.

The financial advisor to a major international congregation active in numerous developing countries, primarily Africa, strongly believes religious organisations have the potential to engage with corporations and be as influential, if not more so than other responsible investors. This is also echoed by EIRIS, a responsible investment research provider, who sees religious organisations’ “baseline of unshakable beliefs” as a key driver of both motivation and action. It is clear that the vast majority of religious organisations want their beliefs to be reflected in their investment decisions (van Cranenburgh et al. 2010) but not all are doing so yet.

Shareholder Engagement

When it comes to responsible investment, environmental, social and governance (ESG) issues are of primary concern in addition to those of financial returns. Also the need to address the so-called “vacuum in ownership” whereby some companies appear “ownerless” and shareholders do not feel responsible has been subject to increased concern in the last decade.

Responsible investing includes a number of strategies. Positive and negative screenings allow investors to develop particular criteria which will guide their investment decisions.

Positive screening involves favouring companies which are considered to be best-in-class in their industry while negative screening identifies sectors, products or practices to be excluded. Impact investing, investments that explicitly aim to solve social or environmental challenges, is another way in which responsible investment can be pursued. In addition to these strategies, shareholder engagement (Eurosif 2010) also referred to as shareholder advocacy (US SIF 2010) and shareholder activism (Sjöström 2008) plays a significant role in responsible investment. In this report we focus on shareholder engagement. It includes a broad collection of activities such as filing shareholder resolutions, voting on shareholder resolutions, behind-the-scenes dialogue with management, public confrontation with management and engagement by coalitions of shareholders (Lydenberg 2007).

In the US engagement represents $1.5 trillion (US SIF 2010) and there is a similar figure in Europe at €1.5 trillion. Engagement employs a ‘voice’ rather than ‘walk’ strategy whereby dissatisfied investors aim to influence the policies of the companies they invest in rather than simply selling their shares (Chung and Talaulicar 2010).

How do shareholders engage with companies?

- Letter writing
- Calling executives
- Asking questions at Annual General Meetings
- Filing resolutions
- Private dialogue with management/board
- Voting shares
- Joining action groups
- Lobbying other shareholders

“How focused engagement can and does influence company performance, albeit usually in an incremental fashion.” Miles Litvinoff, Former Co-ordinator at the ECCR (Thomas 2011)

“Religious organisations have a very well-defined set of beliefs ... their belief system is less easily shifted.” Victoria Heath, Business Development Manager, EIRIS, 2011

“Filing resolutions ... their belief system is less easily shifted.”

“People are looking more and more towards engagement within the last couple of years.” Victoria Heath, Business Development Manager, EIRIS, 2011

“Capitalism without active owners will fail” Colin Melvin, Hermes, Responsible Investor conference 2011

“Capitalism without active owners will fail”
2. Methodology

The research took place over a 6-month period. It included a literature review, the mapping of potential religious investors practising shareholder engagement, interviews and discussions involving researchers and religious shareholders. The vast experience and network of the 3iG executives contributed a great deal to the study.

Case study selection

The religious organisations were selected to reflect active players in the field based on discussions with religious investor groups, research organisations, fund managers and other specialists in the shareholder engagement arena. The organisations represent a variety of fund sizes with assets under management varying from 180 million to 7 billion Euros. These organisations represent different religious denominations, have differing engagement approaches and represent different geographical locations offering a broad spectrum of insights into engagement activities and strategies.

Research method

The investigation was based on desk research and a series of eight interviews which were conducted throughout October and November 2011. Conversations with key players involved in the shareholder engagement of religious organisations enabled the identification of key issues and the most active engagers. Further interviews were conducted through taking a snowball approach and following up on contacts recommended by each interviewee. Interviews were conducted either in person or by conference call with at least two researchers present at each interview. Questions were designed to encourage interviewees to express details of both successful and unsuccessful cases, leaving it to them to decide how to define the term “success”. In this way it was possible to look in more depth into what constitutes success and how interpretations can vary between different engagers. Interviews were recorded and transcribed and used as the basis for this report.

Limitations

While the report aims to take a number of variations into consideration in terms of case selection, there are limitations to this study. While a number of religious organisations with significant investment portfolios exist in Europe (SEK-FEPS 2007) and there is evidence of some engagement activity, conversations with insiders have suggested a reluctance to openly discuss responsible investment practices. Many engage on a very private basis and have been unable or unwilling to share their experiences for publication. While the research team was multi-national and multi-lingual the research and interviews have been undertaken in English. This has been due to the wider availability of information and the more developed engagement strategies being found in the US and UK. Finally, while the study includes three different religious denominations, all of them come from Christian faith roots. The authors have not been able to discover for example Jewish, Muslim or Hindu groups that are practising shareholder engagement. The researchers welcome organisations of other faith traditions for follow-up research.
3. JOSEPH ROWNTREE CHARITABLE TRUST

www.jrct.org.uk

DENOMINATION: Quaker

CONGREGATION: UK based, Quaker worldwide

ASSETS UNDER MANAGEMENT: endowment of £150–200 million

INVESTMENT FOCUS: UK and European listed, small-mid cap.

SHAREHOLDER ENGAGEMENT: formally since 1970s

SUCCESSFUL CASE: Publishing (Reed Elsevier)

UNSUCCESSFUL CASE: Mining (Vedanta Resources)

 Organisation

The Joseph Rowntree Charitable Trust (JRCT) is an independent endowed foundation, one of three trusts set up in 1904 by Joseph Rowntree, a successful businessman, active philanthropist and lifelong Quaker. His firm belief in searching for the roots of social injustice in order to remedy them is continued in the work of the Trust today. JRCT aims to use “its financial resources for radical change towards a more peaceful, equal and just world” (JRCT 2010b: 14). Following Quaker values and principles, the main activities of the Trust are to award grants of up to £5 million a year to individuals and organisations involved in charitable work related to its key programmes of peace, racial justice, power and responsibility, Quaker concerns, and Ireland (JRCT 2010a).

"Quakers view the world as being interconnected and see things holistically" Susan Seymour, Trustee and Chair of Investment Committee, JRCT, 2011

The Trust is governed by 13 Quaker trustees and is responsible for an investment portfolio of £150-200 million. The investment committee is made up of six of the Trustees and a co-optee: the Chief Executive of the Finance Board of the Methodist Church, who brings professional investment experience to the group. Meetings are also attended by an independent investment advisor as well as the JRCT Head of Finance. The committee deals with contentious issues or issues that need policy decisions and supports the more routine engagement which is led and conducted by the Head of Finance. Decision-making and policy development is assisted by EIRIS through the provision of policy development tools and research. The fund managers manage the endowment focusing on the financials and incorporating the screening restrictions decided by the investment committee. JRCT may also give a particular instruction to hold a company because they are involved in an engagement process with them.

The JRCT is a member of the religious investor group CIG as well as the IIGCC and a signatory of the UNPRI and the CDP.

Faith Roots

The Quaker movement began around 350 years ago and now includes over 400,000 members worldwide (FWCC 2011). Although the Quaker movement’s founder drew heavily from the Bible, Quakers tend not to follow any particular book or scripture focusing primarily on how one lives one’s life. The organisation’s structure is very egalitarian. Ethical decisions regarding investments are made by the investment committee members through meeting together and reflecting on what they feel are the most pressing issues at that moment. The Quaker testimonies are the starting point for identifying core issues of concern in investment.

"we’ve only got so much energy and so much time so which are the things where we think (we) can make a difference … there’s an element of tactics and opportunism" Susan Seymour, Trustee and Chair of Investment Committee, JRCT, 2011

These include, but are not limited to, peace and conflict resolution, equality, and integrity. Their investment policy states the intention to avoid holding companies involved in armaments, gambling, tobacco and alcohol as well as bonds from states with high military expenditure or oppressive regimes and extractive industries with poor environmental or human rights standards (JRCT 2010b). Quakers don’t distinguish between sacred and secular, everything is sacred and the whole planet is precious so the concept of sustainability finds an easy fit with this faith perspective.

From faith the JRCT then moves towards pragmatism taking into account societal issues such as climate change, sustainability and economic justice.

Engagement

The JRCT portfolio includes companies listed in the UK and Europe and around 100 companies are held at any one time. Each year the JRCT engages with around five to ten companies, occasionally as a way of getting information in order to decide whether or not to hold the company shares, but more often with the aim of improving how the company operates. As a relatively small organisation the Trust tends to prefer engagement with the smaller companies it holds which may not have caught the attention of larger investors. It is here that JRCT feels it can have the greatest impact.

"through the Church Investors Group we get the benefits of scale and we also get the benefits of knowledge" Jackie Turpin, Head of Finance, JRCT, 2011

While letter writing to top management used to be the main strategy for engaging and still plays a role in the Trust’s engagement activities, collaboration with other investors and stakeholders has recently become more prominent. With more religious investor groups in place such as the CIG and the ECCR, the Trust is able to participate more actively in engagement initiatives and join forces to maximise impact. The Chair of the Investment Committee recognises that when asking to meet with a big company, the size of the shareholding can make a difference to the seniority of the company representatives attending. Working with the CIG which represents combined assets of £12-13 billion (CIG 2011) is especially valuable for this relatively small organisation facing the constraints of limited time and resources.
Successful case: Publishing (Reed Elsevier)

- **Issue**: company involvement in organising arms fairs goes against Quaker focus on peace
- **Objective**: to stop company involvement in this area
- **Approach**: investigation, letter writing, AGM attendance, private meetings, public divestment
- **Timespan**: 2004-2007

Although being principally dedicated to publishing professional journals for lawyers and doctors, it came to the Trust's attention through information from the Campaign Against Arms Trade (CAAT), a UK based NGO, as well as information from EIRIS, that the exhibitions division of Reed Elsevier was organising international arms fairs. Despite the company's claims that it was following Ministry of Defence regulations, this involvement in weapons went against JRCT's strong belief in peace. In 2004 when this issue was raised, the JRCT had around £2 million invested in Reed Elsevier, owning less than 1% of the company.

The Trust's first step was to try to gather more information. This was done in two ways, firstly by asking one of their grantees who was active in this area to prepare a report, and secondly by writing to the company. Two of the JRCT trustees attended the company's annual general meeting in 2005 and were able to ask questions directly to management. They also actively looked for likeminded shareholders but at that point the collaborative organisations and structures which are now in place weren’t as established. Letter writing continued over a period of two to three years but the JRCT was dissatisfied with responses. This led them to request a meeting with the company in which they hoped to extend participation to some of their grantees who shared their concerns. The company did not welcome wider participation but the Trust did get to meet with top company representatives in a non-publicised meeting to discuss the issues. The JRCT was promised a letter of explanation.

Although in this case the JRCT collaborated with others in terms of knowledge sharing they acted alone as a shareholder. As their engagement continued they became aware of the growing publicity the issue was generating discovering that a number of lawyers and doctors, the readers of the company’s publications, had started writing letters to express their disapproval of the company’s involvement in organising arms fairs. After failing to receive the promised letter the Trust decided to go public and sell their shares in February 2007 after almost three years of engagement. Their press release received a lot of media and public attention and fuelled the growing campaign. A number of other organisations also decided to divest and go public. The campaign continued both externally and internally through other shareholders, stakeholders and even the employees of the company.

Although this may seem like an unsuccessful case of engagement, just four months after divesting from the company in June 2007 Reed Elsevier announced they intended to dispose of their arms exhibitions division. Since it has done this, the Trust has reinvested in the company.

**Strong reputation.** Important contributors to the success of this engagement process were firstly that although the JRCT is a small organisation they have a strong reputation which meant that they were given access to key personnel; one meeting was attended by the Chairman of Reed Elsevier, the Chief Executive Officer of the exhibition division and their company secretary. Meetings with senior management are considered to be much more effective than meetings or presentations with corporate social responsibility representatives.

**Location.** The geographical proximity of the company also played a role with their headquarters located in both the UK and The Netherlands. The understanding of language, culture and corporate governance arrangements is one of the reasons why investments are held only in UK and Europe. Screening and engagement is much easier if JRCT understands the cultural setting.

**Going Public.** Overall the media campaign and societal attention played an important role in Reed Elsevier’s decision to sell their arms exhibitions division. By sharing information with NGOs and religious investor groups the pressure on the company grew. While the arms exhibitions division only represented around 1% of Reed Elsevier’s turnover, the negative media attention led to the company’s decision to sell off this profitable part of the company.

"selling our shares was … effective … it … brought this campaign into the headlines of the press and invigorated the other people involved"

Susan Seymour, Trustee and Chair of Investment Committee, JRCT, 2011
Unsuccessful case: Mining (Vedanta Resources)

- **Issue:** damaging social and environmental impacts of bauxite mine and aluminium foundry in Orissa, India
- **Objective:** for the company to meet London Stock Exchange, human rights and environmental standards
- **Approach:** letter writing, fact finding, joining special interest group, meetings, divestment
- **Timespan:** 2008-2010

Concerns about the social and environmental impacts of mining company Vedanta Resources and its operations in Orissa were picked up by the JRCT in 2008. At the centre of attention were the damaging effects of a bauxite mine and aluminium foundry on the local community and environment. Religious investment groups as well as mining action groups had brought the issue to the attention of JRCT.

In 2009 the JRCT expressed their concerns to Vedanta through means of a letter to the Board. According to JRCT, the response was inadequate and failed to address the concerns raised. The next step was for one of the trustees to meet with a representative of an NGO operating in the area being affected by Vedanta’s activities.

The Trust’s concerns continued and they joined the UNPRI special interest group on Vedanta which organised several telephone meetings with Vedanta’s management. The issue was also covered widely by the CIG and the Church of England as well as becoming a big campaign with Amnesty International, Action Aid and a number of environmental groups.

**Collaboration.** While the Trust played a fairly small part in the engagement they were able to contribute through collaboration with larger entities. After the Norwegian Pension Fund and the Church of England sold their holdings the Trust felt their continuing engagement would not succeed where larger shareholders had already failed and they sold their holding in 2010. On reflection, opportunities for more coordinated action were perhaps missed at the time, for example a coordinated divestment could have had more impact. Those involved in engagement at the JRCT recognise the complexities of working with others but strongly believe that a collaborative way of working will grow in quality and become increasingly important. Examples of these structures are groups working on specific issues such as climate change and the stewardship code in the UK which asks fund managers to consider the long term interests of the companies they are investing in.

As a result of this engagement the JRCT now thinks more critically about investing in mining companies altogether and aims to further develop their policies related to the impacts on the environment and local communities. While the Trust recognises that everyone uses the products which originate in the mining sector and understands that no amount of engagement will change a company’s core business, significant change can be made regarding how they operate and work to respect human rights and the environment. With a desire to develop a set of standards, JRCT is working on how to identify those mining companies that operate best in the sector.

“it would be hypocritical to just say we’re not going to invest in mining companies but still continue to use equipment made from aluminium or steel”

Susan Seymour, Trustee and Chair of Investment Committee, JRCT, 2011
4. Missionary Oblates of Mary Immaculate

www.omiusajpic.org

DENOMINATION: Catholic

CONGREGATION: Italy/US based, worldwide presence in 67 countries

ASSETS UNDER MANAGEMENT: $450 million combined Trusts and Endowments

INVESTMENT FOCUS: Small-large cap., diversified, multi-asset

EXPERIENCE WITH SHAREHOLDER ENGAGEMENT: 40 years, formal structures in place since 1980s

SUCCESSFUL CASE: Banking (Goldman Sachs)

UNSUCCESSFUL CASE: Banking (Bank of America)

Organisation

The Missionary Oblates of Mary Immaculate (Oblates) have been in existence for almost 200 years. Headquartered in Rome it is a religious community of around 4,400 Roman Catholic priests and brothers. As a global international missionary congregation it has a presence in 67 countries around the world, 47 of which could be considered to be developing countries; in Africa, Asia and Latin America.

The US Oblates for Justice, Peace and Integrity of Creation (JPIC) office is located in Washington DC at the US headquarters of the Oblates congregation. The US JPIC office coordinates the Faith Consistent Investing Program for both the US province and for the investments of the congregation in Rome and is responsible for shareholder engagement and advocacy activities. The JPIC office also works in the public policy arena with the US government and international organisations such as the UN and World Bank (OMI 2011a).

The Oblates are members of the Interfaith Center on Corporate Responsibility (ICCR) and most of their shareholder initiatives are coordinated through ICCR as well as through bilateral partnering with other faith-based or socially responsible investors. The two Oblates Advisory Committees each have six members and include members of the congregation as well as external experts. A team of two full-time staff with some part-time support work on active shareholder engagement issues.

Faith Roots

Around 40 years ago the Oblates, inspired by teaching emerging from the Second Vatican Council and stories of injustice from around the world, embraced the teaching from the 1971 Synod of Bishops, “Justice in the World” that “action on behalf of justice ... is a constitutive dimension of the preaching of the gospel” (Vatican 1971: 46). This was understood as being present where decisions affecting the lives and the future of the poor, marginalised and disenfranchised are made, namely in the public arena, in global and international organisations, and in private corporations. A framework and structure was developed to facilitate engagement and advocacy work with corporations began in the early 1980s.

The aim of the Oblates’ faith consistent investment policy is to promote a more equitable and sustainable world (OMI 2011b). The issues addressed have evolved from social issues such as human dignity, human rights, forced labour, compensation, dislocation, discrimination and secret and corrupt lending practices, to a broader combination of both social, environmental and governance issues. This is consistent with the emergence of a stronger commitment in Catholic social teaching to the environment and sustainability issues. The care of creation has now become an important priority and addresses issues like pollution, acid rain, toxic chemicals, climate change and genetically modified organisms.

Being a religious organisation provides a moral compass but it can be challenging to apply moral principles to specific business issues. When it comes to finance wider teachings regarding the poor and more specifically religious teachings about debt and obligations to pay one’s debts and whether those obligations should actually drive someone into absolute poverty or starvation are particularly relevant. More recent teachings in this area have come from the jubilee year which falls at the end of seven cycles of Sabbatical years or every 50 years and which, according to Hebrew scriptures, calls for the cancellation of debt at that time.

Engagement

The Oblates have a screening process in place as do all the organisations featured in this report. Developments in technology and the availability of information have led to much more advanced, effective and efficient screening, a method the Oblates find to be popular with their money managers. An increase in screening tools and services has resulted in more time available to dedicate to engaging with companies.

The Oblates global network enables engagement with companies based on information from first hand. When community members of a Newmont mining company in Peru raised issues about negative environmental and social impacts on their community to the local Oblates missionary, the harmful practices were brought to the Newmont management team via the Oblate headquarters in Washington.

In the US any shareholder who has held $2,000 worth of shares for a year can file a resolution. Regardless of the size of the shareholder, once a resolution is filed the company legally has the opportunity to respond directly to the substance of the resolution by contacting the shareholder or challenging the resolution at the Securities and Exchange Commission (SEC). If this challenge is successful the company can legally exclude the resolution from its proxy statements. Therefore, the
size of the stake in a company is never usually an issue for the Oblates. In fact, the Oblates do not have large holdings in companies however; they do practice shareholder engagement on a significant scale.

The Oblates may sometimes also consider buying shares in a company in order to address a specific issue that emerges from their colleagues in the field and show solidarity with other stakeholders. With a portfolio of around 600 companies, the Oblates general practice is to contact a company or participate in a meeting to address or raise issues of concern. A letter is sent with each resolution and the Oblates also sign letters in collaboration with others totalling around 45 letters annually.

According to the responsiveness of the company, they will either continue on that level of engagement, or, if responses aren’t forthcoming within a reasonable amount of time, they will make use of a number of other strategies that are available to them. These include voting proxies, briefing proxy advisory services, filing shareholder resolutions or supporting other shareholder initiatives, lobbying other shareholders and facilitating the participation of other stakeholders in the engagement process or strategy. The Oblates engage with around 60 companies each year meeting them between one and three times and on occasions as many as six times annually. Using all of the strategies and tools available to shareholders to exercise their rights as responsible owners and improve corporate social responsibility is regarded as a strength in creating impact. The Oblates are also constantly looking for ways to engage other stakeholders in their engagement.

"we don't necessarily see the filing of a shareholder resolution as a hostile act ... as a shareholder you have the right to file a resolution so it's simply the exercising of that right ... the filing of resolutions and the engagement with the company is seen as a very productive and effective way of getting to the heart of some issues" Rev. Séamus P. Finn OMI, Director JPIC, 2011

### Successful case: Banking (Goldman Sachs)

Oblates and other faith-based shareholders have been engaging with Goldman Sachs since 2003 on a series of issues. Being one of the biggest and best-in-class financial companies with global reach this clearly fits with the Oblates’ focus on international issues which they feel receive less attention than US issues. The overarching goal was to make major players in the global financial system more attentive to the impact of financial crises on the less affluent communities across the world and the credit needs of the underserved, especially poor people. In 2007 and 2008 the JPIC office was demanding greater disclosure from Goldman Sachs on how they managed counterparty risk in the area of derivatives trading. JPIC considered their practice in this area was contributing to systemic risk and especially instability in the financial system.

The engagement process on the many aspects of risk including systemic risk began with a shareholder resolution being filed and a meeting being scheduled to discuss the key issues. Although their usual approach is to write to the company to begin a dialogue before moving to file a resolution, the urgency of the issue in the midst of the financial crisis in 2008 encouraged them to opt for this faster route whereby the company is pressured to respond to a resolution in a timely fashion. This more publicly visible option also brings the issue to the attention of other shareholders and stakeholders and invites their participation. Meetings became more frequent and in 2008 the resolution was withdrawn because the conversation was going well. A further resolution in 2009 related to collateral on over the counter derivatives and maintaining collateral in segregated accounts went to the vote and won 33.7% showing that despite the complexity of the issue many shareholders felt it was important enough to support.

### Global networks.

The Oblates note that a number of religious organisations have worked together on these issues for over thirty years and could, because of their extensive global networks, be considered better placed to deal with these wider issues. The Oblates’ presence and experience in developing countries means they can see firsthand how local communities are affected by decisions made in the developed world and makes them critical of who the system works for, and how or if it serves those who are not at its centre on a daily basis.

### Collaboration.

In this particular engagement, as is often the case for the Oblates, a team of six religious organisations facilitated by the ICCR worked together on the demands. While here all the partners were religious organisations this is not always the case and the Oblates work regularly with NGOs and other stakeholders. This collaboration brings a wide range of support to the Oblates offering a broader experience, real life stories and accounts, better access to companies and a greater research capacity which leads to better engagement strategies and ultimately better conversations with the institutions.
The outcomes of the process are deemed by the Oblates to have been successful. Goldman Sachs now has a much more robust and company-wide risk management structure in place. They have also cooperated with other major derivatives dealers and the New York Federal Reserve to clear a backlog of trades and to put in place a more robust clearing process. Goldman Sachs announced a Business Standards Review Committee at their 2010 annual meeting to review standards across all business lines in the company. The Oblates and others met with the co-chair of the committee and the corporate secretary to present their expectations and areas that needed to be covered by the review. In 2011 Goldman Sachs produced their first Corporate Social Responsibility (CSR) report which is the subject of discussions with the Oblates and other stakeholders.

In terms of the impact on impoverished communities around the world which are the oblates main concern, it is harder to measure immediate and conclusive improvements and while the us financial system may be considered more stable and transparent this is not necessarily true globally. The reduction of systemic risk and overall instability in the global system has however resulted in improved price prediction in commercial markets and stability in capital markets that have significant impacts on the everyday life of the impoverished and marginalised.

The Oblates tackled a relatively under reviewed issue. The derivative issues were hardly picked up on by other responsible investors because of a lack of good metrics to quantify the impact of engagement. As well as working in collaboration and drawing on insider knowledge from their global networks, other factors contributed to the success of the engagement. The seriousness of intent, the fact that the Oblates met with the people at the highest levels of the company who were involved in this particular sector on a daily basis, attendance of annual meetings and addressing the Chair and the Board as well as their outreach to the media are regarded by the Oblates as important for their success.

The link between derivatives and the faith beliefs of the Oblates may not seem immediately obvious. Indeed the intangible nature of this and other issues in the financial services sector and the broad scale of their reach and influence is one reason why the Oblates believe it is more important albeit difficult to tackle. Whilst this engagement may seem like an ambitious choice, broken down into smaller conversations and resolutions the Oblates have made it accessible. Although there have been successes with several resolutions the engagement is continuing through conversations regarding the Goldman Sachs CSR report and other issues.

“We’re shareholders so we’re not out to destroy the company ... we’re not a campaign organisation that wants to shut them down or make them less profitable”

Rev. Séamus P. Finn OMI, Director JPIC, 2011

“It’s like any kind of change that you’re working for ... you have to use all the arrows in your quiver”

Rev. Séamus P. Finn OMI, Director JPIC, 2011
Unsuccessful case: Banking (Bank of America)

- **Issue:** lack of policies regarding loans used for human rights abuses
- **Objective:** to develop and implement ethical criteria for lending, especially to less developed countries
- **Approach:** 1992 resolution about debt and international lending started an ongoing discussion with the company on various related issues
- **Timespan:** 1998–2000

When discussing the selection of a case which had been unsuccessful it proved more challenging to select a particular engagement. One key reason for this is that the corporate landscape is constantly changing. What a company may consider to be impossible this year may be commonplace a year or two in the future and what one CEO deems to be irrelevant, another considers fundamental. These ever changing circumstances mean that by taking a long term view of engagement almost any request for change can be seen as a step along the way to success.

The unsuccessful case selected by the Oblates also falls within the banking sector and in a similar way focuses on the effects of finance companies on the poor. The engagement with the Bank of America took place between 1998 and 2000 with the objective of getting the bank to develop ethical criteria for lending, especially to less developed countries, to ensure that loans would not be spent on activities which did not respect human rights, or which endangered communities. This engagement, in collaboration with 13 other religious congregations through the ICCR, began as a resolution in 1992 on issues of debt and international lending and became an ongoing conversation with the company over the following years on a number of related issues.

The initial engagement with senior management requesting the development of ethical lending criteria worked well as certain people in the company were very supportive of the move due to their own background and experiences. While lending criteria were successfully developed the company was unable to offer any concrete situations where they had been applied to refuse a loan. For the Oblates implementation was as important as policy making. Criteria were developed but it failed at the implementation stage, therefore, the Oblates regarded this engagement as unsuccessful.

Regardless of the failure of this engagement process the Oblates decided to remain shareholders and continue to engage feeling that their work here was not over. Subsequent mergers with other banks in which the Oblates had holdings also contributed to the decision to remain shareholders. Since 2000 the Oblates have engaged with the Bank of America on a number of other issues including the housing bubble.
5. Church of England

www.churchofengland.org
DENOMINATION: Anglican
CONGREGATION: England based, Anglican Communion worldwide
ASSETS UNDER MANAGEMENT: £8 billion
INVESTMENT FOCUS: Small-large cap., diversified, multi-asset
SHAREHOLDER ENGAGEMENT: EIAG established in 1994, engaged prior to this
SUCCESSFUL CASE: Supermarkets and farmers – sector level
UNSUCCESSFUL CASE: Mining (Vedanta Resources)

 Organisation

The Church of England is the largest church in the UK with more than four in ten of the UK population considering themselves as belonging to the Church of England (CoFE 2011a). It is also the largest church investor in the UK and one of the 44 churches making up the Anglican Communion which is present in over 165 countries representing 80 million members.

The Ethical Investment Advisory Group (EIAG), created in 1994, advises the three main investing bodies of the Church of England: the Church Commissioners, the Church of England Pensions Board and the CBF Church of England funds (CoFE 2011b) and works with assets under management of around £8 billion. Its role is to ensure that investment policies do not conflict with the values of the Church and of those who benefit from its returns (EIAG 2011). Previous to establishing the EIAG the Church National Investing Bodies engaged separately being particularly active on the issue of apartheid in South Africa.

Responsible for developing ethical investment policy recommendations, engaging on ethical issues and overseeing proxy voting, the EIAG combines experience and knowledge in business and investment as well as Church and theological issues. With 18 members the EIAG has developed an ethical investment policy (EIAG 2010) which embraces both screening and stewardship. It is also a member of UKSIF, the UNPRI and ICCR, and is the contact point for the Commissioners’ and Pensions Board’s membership of the IIGCC, CDP and CIG.

Faith Roots

The EIAG includes investors and theologians with members from the General Synod and Archbishops Council. The theologians play an important role in developing specifically Anglican policies but will also bring in inputs from other denominations if they feel they are useful.

Christian values such as calls for Christians to love their neighbour as themselves, the value of human life, peace, care of creation, justice and a concern for those in need and poverty form the base of the Church of England’s ethical policies. The EIAG firmly believes that as good stewards they are bound to exercise the influence they have as shareholders and to act responsibly as investors. In a similar way to many religious investors the EIAG places restrictions on investment in pornography, weapons, tobacco, gambling and other “sin” stocks (EIAG 2010). For each of these areas as well as other key issues such as the environment, climate change, corporate governance and HIV/AIDS the EIAG has developed ethical investment policies outlining the underlying religious teachings and reasoning.

Engagement

When it comes to engagement the EIAG regards itself as the voice of the three national investing bodies as institutional investors seeking to engage on a highly professional and confidential basis, usually through direct and informed dialogue to achieve the changes it seeks. According to the Chairman of the EIAG, they enjoy a very constructive relationship with many companies by working in this way.

With two members of staff, the EIAG Secretariat votes on almost all shareholder resolutions filed at the more than 2000 companies across the world that the Church Commissioners and Church of England Pensions Board hold. It writes over 200 letters to UK companies a year to voice the reasons for its votes, particularly on excessive remuneration, and engages more deeply on ethical issues with around 50 companies annually. They have also supported the work of other investors such as an initiative coordinated by CERES, a non-profit organisation based in the US focussing on sustainability issues, to establish lessons learned for oil companies worldwide after the 2010 oil spill of BP. The breadth of the Anglican Communion and the Church provides a remarkable intelligence network around the world and information can often reach the EIAG before it is brought to the attention of top management or UK Board level of the company itself. This intelligence at grassroots level is something that helps to identify issues of real importance.

According to the EIAG, engagement should always start with fact checking rather than a presumption that the company is guilty. False or unreliable information can damage the reputation of both parties and could negatively affect future engagement and the credibility of the EIAG as a representative of professional investors. Scope is limited by resources, particularly time, as the EIAG feels very strongly that a detailed understanding of each company is necessary before engaging. This results in a focus on their UK holdings, in which stakeholder interest, and the Church of England’s influence, is greatest. While international and smaller companies are not forgotten the substantial amount of assets involved with larger UK holdings makes these a priority.

The EIAG engages with companies both for questioning unsatisfactory behaviour or learning from best-in-class companies on ESG. Ongoing dialogue is used to keep ethical and governance issues on the companies’ agenda. Issues are then selected either through systematic reviews of each sector, or on a reactive basis when a particular concern has been flagged up. This means that there is a constant juggling of priorities in order to deal with “present real issues right now” (John Reynolds 2011). The objective of any engagement undertaken is to achieve substantive change in the target company and its practices with a concern for intentions as well as consequences.

...we are a part of Church’s mission to the corporate world” John Reynolds, Chairman EIAG, 2011

“I find it tremendously encouraging the amount of interest in ethical issues from within the Church ... the Church has a real commitment to invest responsibly and be good stewards” John Reynolds, Chairman EIAG, 2011
Successful case: Supermarkets and Farmers

- **Issue:** the threat to farming livelihoods due to price squeezing
- **Objective:** to gain fairer treatment for small farmers by supermarkets in the UK
- **Approach:** investigation, report publication, private dialogue with UK Government and supermarkets
- **Timespan:** 2003-2007 with ongoing attention

This case, one of the publicly visible engagements the EIAG has worked on, is a collaborative engagement that lasted around three years. It was linked with a formal inquiry by the Competition Commission in the UK, an independent public body which investigates the regulation of major industries, regarding the relationships between supermarkets and farmers. The aim was to gain fairer treatment for small farmers in the UK who were losing out in their relationships with supermarkets because of the market power of the supermarkets and the fragmented farming industry.

According to the EIAG the formal inquiry revealed a “vacuum of information” which the Church of England was ideally placed to fill. As one of the major owners of farmland in England, and with a presence in all rural communities in the country, the Church had wide access and knowledge as well as strong relationships with farmers. This enabled the Church to identify how supermarkets’ buying practices could be damaging farmers. This then led to the production of the report ‘Fair Trade Begins at Home’ in November 2007, which contributed to the competition authorities recommending the creation of a groceries market ombudsman to oversee supermarkets’ supply chain relationships.

The Church of England’s involvement in this case links to a general concern for ethics, fair treatment and justice. Justice particularly is central to teachings in the New Testament. The key elements of this successful case were:

**Collaboration.** By engaging at sector level with a number of supermarkets, farmers and with the UK Government, the idea of engagement was stretched meaning the Church played more of a political role. The EIAG frequently engages alone giving it the ability to move quickly on decisions and represent a distinct Church of England ethical view. In the Fair Trade case cooperation was effective as individual companies resisted change on the basis of competition. By engaging at sector level with multiple partners including government, changes could be made which levelled the playing field and companies could afford to change their behaviour.

**Persistence.** As well as collaboration, success is also linked to persistence. The EIAG’s dialogue is ongoing with supermarkets and regulators on relations with farmers. A number of supermarket firms have invested time in talking to the EIAG in more private dialogues about this and other issues. The Church of England’s concerns, for example, about the responsible sale of alcohol, ethical supply chain relationships, and the labelling of produce from the Israeli settlements in the West Bank have resulted in dialogue with supermarkets on a regular basis.

**Insider knowledge.** A third success factor was the inside knowledge the Church of England had as a farmland owner and church presence in rural communities. This level of independent and authoritative knowledge would have been hard or indeed impossible for anyone else to attain.

Furthermore the relationships between the Church and farmers were generally trusting, enabling a free and transparent flow of information. This engagement further increased mutual respect.

**Authority.** Finally, as the largest religious organisation in the UK and established church in England, the EIAG believes that the Church of England has a moral authority which provides the EIAG a certain significance that contributed to its effectiveness in shareholder engagement.

"that’s the interesting thing about engagement, ... a process which is unsuccessful at the time may actually end up being successful as well"

John Reynolds, Chairman EIAG, 2011

"The key issue was the disconnect between the claims of the company and what I saw and heard on the ground"

Edward Mason, Secretary to the EIAG, 2011
**Unsuccessful case: Mining (Vedanta Resources)**

- **Issue:** abusive attitude to human rights and environmental concerns in local communities in India
- **Objective:** to bring company operations in line with acceptable ethical standards
- **Approach:** information request, fact finding trip, meetings with company and stakeholders, divestment
- **Timespan:** 2009–2010

Interestingly the Church of England chose the same case as the Joseph Rowntree Charitable Trust for its unsuccessful example. In this case the EIAG was concerned about an abusive attitude to communities and human rights where Vedanta Resources, a major London-listed mining company operating principally in India, was carrying out development. Of key concern were the social practices related to an alumina refinery and proposed bauxite mine in the state of Orissa. Over the course of 2009 and 2010 the EIAG followed up on the issues, attempted to engage with the company and finally decided to sell their holding in Vedanta in February 2010 (CofE 2010). Members of the Church and NGOs initially raised concerns about the effects of the operations on the local community. Having unsuccessfully approached the Investor Relations department to request information and explanations from the company, the EIAG took the step of contacting the Executive Chairman in writing. After managing to set up a conference call with the CEO, concerns remained on the issues in question and the EIAG organised its own fact finding visit to India. This involved meeting the CEO and heads of CSR and Investor Relations departments as well as local government officials and Vedanta managers, and representatives of NGOs and the local community.

On completion of the visit and further meetings with the company and other investors in the UK over a period of around six months, it was decided that Vedanta wasn’t operating in line with standards the EIAG felt were ethically acceptable. Furthermore the company seemed unwilling to recognise the improvements needed and the EIAG felt confident that the company was not going to change thus prompting them to recommend the national Church of England investing bodies sell their stakes. In this way the engagement can be considered unsuccessful; the company did not initially respond to the requirements of the EIAG. However, divestment by the Church of England as well as a number of other investors, negative publicity and difficulties raising corporate finance have since prompted the company to agree to an independent review of its practice and appoint a new head of sustainability to address the issues of concern. In that sense, an element of success can be found in the case. If Vedanta was to make substantive changes the EIAG would be happy to review their decision and potentially recommend that the national investing bodies need not avoid the company’s securities on ethical grounds.

While other groups of investors and local NGOs were consulted and some of the engagement was collaborative, the EIAG considered the need for ethical avoidance alone. One particular difficulty they faced in this case was the ownership structure with the founder and Executive Chairman of Vedanta holding a majority stake in Vedanta. While it is relatively unusual for the EIAG to encounter this among the companies the national investing bodies hold, as investment becomes more global dealing with governance will become more commonplace. This complexity in ownership will be an upcoming challenge for future engagement by the EIAG.

“what was very helpful was the kind of intelligence that was gathered from the Church at the grassroots level locally”

John Reynolds, Chairman EIAG, 2011
6. Demystifying Shareholder Engagement

The cases highlight a variety of strategies and approaches to engagement. While these religious organisations have engaged as a reaction to particular issues which do not meet the ethical criteria developed from their belief systems, there is also evidence of proactive and ongoing engagement on issues of importance. As well as their differences we can note a number of similarities and threads running throughout. Here we draw out some of our most important observations by reflecting on some frequently heard questions relating to engagement by religious organisations.

Can religious beliefs be translated into investments in corporations?

Supporting evidence.
The cases we highlight here are clear demonstrations of how religious teachings and theology can be used as the basis for investment policies in the corporate world. The strong convictions held by religious organisations form a baseline which helps them to select issues of particular relevance from their faith perspective.

Resource intensive.
While the cases demonstrate that beliefs can be translated into investment policy, it remains a significant challenge for many religious organisations. Time and resources are necessary in order to develop an investment policy and this requires knowledge of both theological and corporate aspects. An understanding of the corporate world requires familiarity with certain jargon used and ‘faith language’ is different from that used by other responsible investors and companies themselves.

Network support.
There is an ever growing supply of networks, asset managers and research institutions who are working to meet the needs of individual organisations and make RI accessible to those who are only familiar with faith language. The International Interfaith Investment Group 3iG, with the support of many religious organisations and some financial experts, has developed the seven steps guideline to faith consistent investing (3iG 2010). The guideline elaborates on the process and provides examples of religious institutions. The steps are:

- **Step 1:** Forming an Investment Committee
- **Step 2:** Developing a Faith Consistent Investment Policy
- **Step 3:** Establishing Financial Expertise
- **Step 4:** Moving from Policy to Action
- **Step 5:** Engaging actively as Shareholders
- **Step 6:** Monitoring Impact
- **Step 7:** Communicating

“Faith language is totally different from business language”
Jan Karel van der Staay, external advisor to a major international congregation active in developing countries, primarily Africa, 2011

“implementing an engagement process is quite resource intensive … you need someone within your organisation that’s confident enough to be able to present a powerful argument”
Victoria Heath, Business Development Manager, EIRIS, 2011

Can small organisations effectively engage with companies?

Start small.
While evidently resources are necessary to engage with companies, the cases in this report suggest that there are a number of ways that smaller organisations can play a role in RI. Perhaps the simplest approach is for a religious organisation to buy into an ethical fund which fits with their faith beliefs and to make sure their shareholdings are voted. If an organisation is able to dedicate more time and resources they can start to develop their own investment policies which may reflect more accurately the issues which are relevant to them; JRCT is an example of this. Research institutes such as EIRIS can help with the development of policy and asset managers who are happy to work within the limits of the organisations’ ethical policy can be used to implement that policy.

Collaboration.
Structures permitting collaboration such as ICCR, CIG, ECCR and special interest groups such as the IIGCC provide support both in terms of knowledge and cost, and benefit from the combined assets of the organisations involved. Partnering with NGOs and other stakeholders can provide information and raise public awareness.

Independence.
Increasing levels of resources mean that the organisation can be more independent and undertake its own research and investigation into issues and company behaviour like in the case of the Church of England. This gives the freedom to focus specifically on the issues of most relevance to the particular faith beliefs of the organisation. Finally, in a similar way to the Oblates, a combination of all of the above approaches to best fit the needs or preferences of each religious organisation may be the best option.
Do companies take religious organisations seriously?

Positive response.
A concern voiced by some potential religious engagers is that they will not be taken seriously by the companies they aim to engage with. Moral authority of the religious organisation is under pressure but it seems religious organisations can actually gain moral authority through shareholder engagement activities as the supermarkets and farmers case demonstrated. Companies respond positively when religious organisations approach businesses with a business case argumentation.

Relevant topics.
Although screening of traditional ‘sin’ stocks such as pornography, weapons and gambling is still relevant to religious organisations, the cases demonstrate religious organisations are engaging on a wider range of issues than the more traditional view suggests. The importance of timing and contributing to topics which have actual societal relevance such as significant top management remuneration or doubtful financial services provision reflect religious interest in a wide range of ESG issues.

Reliable information.
From the cases included in this report a common thread has been the importance of ensuring that issues raised are based on reliable information and that the first step of engaging with a company is to request confirmation and explanations of the facts. All three organisations consider themselves as professional institutional investors and are concerned to maintain their reputation as such in order to engage in meaningful dialogue with corporations rather than having the intention of damaging the value of the corporation and the investment.

“(our grassroots network) gives us a level of intelligence on issues that otherwise we wouldn’t have and I think most investors wouldn’t have”
John Reynolds, Chairman EIAG, 2011

“if investors engaged in a dialogue with a company on a given issue, describe both the strong ethical arguments as well as a powerful business case, the company’s response is inevitably more positive”
Tim Smith, former Executive Director of ICCR, 2011

Is private dialogue more effective than public debate?

No consensus.
A number of different opinions arose through our investigation regarding the most effective engagement approaches. While some religious investors strongly favour dialogue with company representatives behind closed doors rather than having the public debate, there is no evidence for one strategy being more effective than the other. In several of the described cases media is involved to put pressure on companies who seem not to be responding to the demands of their shareholders and stakeholders and this has proved to be very relevant to the success of a number of the engagement processes. However, it has been utilised either after having experienced failing private dialogue or due to the urgency of the issue involved.

Key individuals.
When discussing private dialogue, the importance of who to contact within the company is another key element of success of engagement. The cases revealed the need to engage with senior management, investor relations and CEOs rather than the CSR department for an engagement to be most effective. Individuals are also said to be of key importance with success in some cases being linked to a particular champion from within the company.

Pooling resources.
The cases demonstrate how collaboration and partnering and its associated benefits of pooling resources and expertise can add weight to engagement by religious organisations. These partnerships are not restricted to religious organisations but go beyond the religious and investment communities.

Persistence.
The persistence and definite mission of religious organisations cause continuous pressure on corporations where other investors might have lost interest over time. Further research in the suggestion that some religious investors are able to stand by their values more resolutely and engage more persistently than other responsible investors is required.
The cases here however show evidence of a growing support network and of structures to facilitate engagement through cooperation. Further streamlining of collaborative methods could therefore ease engagement. An alternative could also be the development of partnerships for specific issues such as the IIGCC.

Final thoughts.
Undertaking shareholder engagement is not without its challenges and is not to be entered into lightly. It involves a commitment of time and resources, a need for expert investment knowledge and a juggling of priorities and timing to achieve the greatest impact. Despite these challenges, all the organisations included in this report feel this is an integral part of their mission and have received widespread support from their church authorities, peers and congregations. Each of the organisations featured here has its own identity and priorities and has developed a method of engagement which fits its resources and beliefs. Their stories demonstrate that engagement is within the reach of all religious organisations and provide inspiring examples.

7. Conclusions
The aim of this investigation was to study how religious organisations as shareholders can engage with corporations. Our conversations with industry experts and our in-depth research into six cases of engagement have enabled us to bring together a wealth of experience, cutting edge thinking and real life situations of engaging on ESG issues with corporations.

Notions of stewardship, justice, care of creation and the environment, and debt relief are used widely in the language of religious shareholders and can be used to develop investment policies and for engagement activities.

We have highlighted some key considerations such as what constitutes ‘success’ in an engagement, which approaches and strategies are the most useful and factors which can strengthen a religious organisation’s position when engaging with a company. Grassroots networks, collaboration, access to top management, geographical proximity, facilitating organisations and persistence have all been mentioned as sources of strength and contributing factors for success.

Engagement options.
The cases highlight a number of options which are available to religious organisations when it comes to making decisions about engagement. An overview of these options is given here:

> Sector or company level?
> Individual or collective?
> Private dialogue or public activism?
> Large or small company targets?
> International or local issues?

Challenges.
There remains much debate surrounding the notion of ‘success’ of any shareholder engagement. While some experts emphasize the importance of measuring success, others accept that the impacts of their efforts in communities at local level may be almost impossible to quantify. As demonstrated here, some divestments have been considered as an unsuccessful engagement whereas in other cases divestment is regarded as leading to success. All successful cases have resulted in change by the company, where deeds rather than words and promises form the measure of success. Another consideration for the religious organisations is the complexity of engaging on a global basis. As investment becomes more international and portfolios start to extend beyond the local base of the organisation new methods of engaging will need to be developed to overcome differences in language, culture and governance structure.

“Having worked on these issues for over 40 years, it seems clear that a private dialogue without even the threat of public pressure often results in little progress. However if constructive dialogue is linked to a public debate or pressure often there is a positive motive for a company to move to change its policy or practices.” Tim Smith, former Executive Director of ICCR, 2011

“we haven’t yet really found the most effective method for engaging on a global basis and that’s something we’re still looking for and I think a lot of faith groups are.” John Reynolds, Chairman EIAG, 2011

Key success factors
- Seriousness of intent
- Definite mission
- Grassroots networks
- Insider knowledge
- Collaboration
- Access to top management
- Local proximity to the company
- Membership of facilitating organisations
- Persistence

Challenges for the future
- Defining success
- Measuring impact
- Global investment complexity
- Variety of governance structures
- Collaboration with non-religious investors
References


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List of Acronyms

3iG    International Interfaith Investment Group
CAAT   Campaign Against Arms Trade
CDP    Carbon Disclosure Project
CIG    Church Investors Group
CSR    Corporate Social Responsibility
ECCR   Ecumenical Council for Corporate Responsibility
EIAG   Ethical Investment Advisory Group
ESG    Environmental, Social and Governance
EUROSIF European Social Investment Forum
ICCR   Interfaith Center on Corporate Responsibility
IIGCC  Institutional Investors Group on Climate Change
JPIC   Justice, Peace and Integrity of Creation
JRCT   Joseph Rowntree Charitable Trust
NGO    Non-Governmental Organisation
OMI    Missionary Oblates of Mary Immaculate
RI     Responsible Investment
UKSIF  United Kingdom Social Investment Forum
UNPRI  United Nations Principles for Responsible Investment
USSIF  United States Social Investment Forum
Information about the research institutions

About 3iG
The International Interfaith Investment Group, 3iG, is an international not-for-profit organisation, founded under Dutch law in 2006. 3iG seeks to promote more sustainable communities and societies by promoting faith consistent investing across the faith traditions. Its mission is to support the efforts of the faiths to improve their practice of positive social and environmental impact investing and spread that message to their members and to society at large. Through a process that builds interfaith relationships and co-operation, 3iG seeks to bring the wisdom of the traditions to the prevailing corporate and commercial culture and provide a moral compass upon which to build a business and financial model that is sustainable.

For more information: www.3iGnet.org

About ESADE Institute for Social Innovation
The ESADE Institute for Social Innovation’s objective is to develop personal and organisational skills within the business community and not-for-profit organisations in order to strengthen their activities and their contribution to a more just and sustainable world. The Institute’s activities span all areas related to the development of Corporate Social Responsibility, the improvement of third-sector organisational management, and building relationships between companies and NGOs. This commitment is a holistic response to the processes of transformation taking place in the world.

For more information: www.esade.edu/research/eng/socialinnovation

About Vlerick
Vlerick Leuven Gent Management School has deep academic roots. 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. Vlerick Leuven Gent Management focuses on management education and research to meet the needs of managers and entrepreneurs at different stages in their careers. The School offers an International MBA programme and numerous training programmes for company executives. Close connections with the international corporate world lead to practice-based research in co-operation with numerous companies and organisations.

For more information: www.vlerick.com

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