

GOOD INTENTIONS

What faiths say about how they invest
~ and how they can do more

An Assessment of Faith-based Asset
Owners by FaithInvest's Investment
Solutions Team, with a Framework
for Improved Alignment

April 2022

Part of the [Faith-consistent Investing](#) Series





Supporting faith groups to invest
in line with their values

'Having clear and comprehensive faith-consistent investment policies and guidelines is a prerequisite for becoming fully mission aligned. Simply put, we pursue FCI because it expands the outcomes that are possible for our organisation'.

— FaithInvest Member

'You can't really know where you are going until you know where you have been'.

— Maya Angelou

Executive Summary

- This paper looks at what faith groups state publicly about aligning their faith values with their investment policies and guidelines, and assesses the extent to which this alignment is pursued.
- It builds on our earlier publication, [From Faith Values to Investment](#), which describes how a faith organisation's investment policy and guidelines represent the essential governing documents required for successful integration of faith values with investments.
- While all major faiths have statements about what they truly value, support, and promote in terms of social principles, environmental beliefs, and other areas of focus and activity, many have yet to articulate and fully implement these values in their investment practices.
- The paper presents the methodology and findings of a study conducted by FaithInvest's Investment Solutions team, detailing the extent to which faith-based asset owners' investment policy and guidelines (IPG) statements are aligned with their faith values.
- **Key finding #1:** For just 69% of the studied faith-based asset owners (FBAOs), faith had a clearly stated role in the principals and guidelines that governed their financial assets. For the remaining 31%, there was no mention of their faith in their investment policy and guidelines statements.
- **Key finding #2:** Among FBAOs with faith-aligned IPG statements, there is a wide range of *the extent* to which these principles are pursued. While many scored in the middle to upper middle range of potential faith alignment (based on our proprietary analytical framework), on average this group's score was just 5.4 on a 10-point scale, indicating that better alignment is achievable for many.
- **Key finding #3:** Nearly half (45%) of investment policy and guidelines statements clearly stipulated that faith values are "integrated", meaning applied across all the assets held by the FBAO. Just over a third (34%) designated a specific separate sub-portfolio, fund or carve-out of the total assets to which faith values apply, but *do not* apply to other segments of the assets.
- The findings demonstrate that while much has been done by faith-based asset owners to integrate faith values with their investable assets - i.e. faith-consistent investing – the study also suggests there is much more that could be done.
- The methodology used for this study can be applied to any faith organisation's investment policy and guidelines statement. The Investment Solutions team at FaithInvest is available to assist any FBAO with an examination of its IPG statement in pursuit of more fully faith-aligned investments.

Introduction

In this paper we examine the use, integration, and implementation of faith-aligned investment policies and guidelines by faith-based organisations, building on our earlier publication [From Faith Values to Investment](#), which described how a faith organisation’s investment policy and guidelines represent the essential governing documents required for successful integration of faith values and investments.

“Where we have been...”

In the first paper of our Faith-consistent Investment (FCI) series, we focused on one pillar of FCI: faith-consistent investment policy and guidelines (IPG) statements. The other pillars are communications, both internally and externally, and internal investment governance. All three pillars are important, but we think of IPG statements as the essential guiding principles and prescriptions for faith assets. Turns out, they’re more a rarity among faith-based asset owners (FBAOs) than one might expect.

As a follow-up to that paper, and hearing from many FBAOs since, we decided to conduct a structured study of existing FBAO investment policy and guidelines statements. There were many unknowns: How many could we find? How and in what ways are faith values integrated into these existing documents? What are common practices, where are there gaps or areas to develop? What can we learn from existing IPG statements, and how can we help FBAOs assess and understand their level of faith-value investment integration relative to peers and *what’s possible?*

Faith-consistent investing based on clearly stated policies & guidelines:

- Expands the outcomes and influence possible by faith organisations
- Complements good acts, grants, and positive messaging
- Gives voice to faith organisations' commitment to values
- Precludes passive or inadvertent investing against faith values

We ended up finding many FBAO investment policies and guidelines across faiths and geographies, and by applying the FCI framework of integrated policies and guidelines from our first paper to this collected library of faith investment practices, we learned quite a lot about the state of faith-value investment integration today.

In the process, we developed a methodology, a tool really, for measuring and comparing the faith consistency of any FBAO investment policy and guidelines statement relative to peers, and to what is possible. This “FCI Scoring” is less about comparisons with others, and more about identifying specific areas and practices within key governing documents that can be further developed by FBAOs to more fully express their faith values in their assets.

We'll begin with a refresher on the FCI Framework from the first paper, then we'll examine our methodology – how we collected the policies and guidelines documents, characterised the FBAOs represented (though everything is anonymised), and how we assessed them. Next are several sections digging into what we learned about the FBAOs that integrate faith values, and those that do not.

We then introduce the FCI Scoring tool, with summary results and findings from our analysis of the collected policies and guidelines.

Finally, we'll invite you to anonymously share with our team your policy and guideline statement to add to the study, and, as useful, to receive an FCI assessment of how your investment policies and guidelines may be more fully integrated to your organisation's faith values.

Faith-consistent Investing Framework Review

In our first paper on faith-consistent investing, we covered the key governing documents for institutional asset management – Investment Policy and Investment Guidelinesⁱ - and reviewed the specific ways that faith values can be more fully integrated to ensure that the ultimate investments are as faith aligned as possible *and practical*. This process established the FCI Framework, the specific ways that faith values are **integrated** into the policy and guidelines:

Investment Policy: General Goals & Objectives	Guidelines: Portfolio Management Directives
Declaration of faith-driven investment considerations and selection of high-level strategies & techniques such as: <ul style="list-style-type: none"> • Screening • Engagement • Impact investing 	Implementation of faith-driven portfolio management techniques including: <ul style="list-style-type: none"> • Explicit exclusions • Minimum aligned criteria • Applicable asset classes • Required reporting

In all cases, the high-level definitions and statements for the plan are captured in the investment policy, while the guidelines turn these definitions and statements into investment instructions, along with reporting criteria to make sure that guidelines can be monitored.ⁱⁱ As we will show, the FCI Framework provides the basis for a simple and easy “questionnaire” approach, which was applied to each investment policy and guidelines statement included in the study.

Methodology and Data Overview

Our starting point is the database of faith organisations that has been built up and maintained at FaithInvest, and in our parent organisation – the Alliance of Religions

and Conservation – over the past 20+ years. The database is multi-faith, global and includes organisations formally a part of, associated or affiliated with a faith practice. It also includes faith-oriented financial institutions, professional networks, non-profits, schools, and other faith-based institutions.

From this database, we narrowed our focus to faith-based asset owners (FBAOs) – institutions and organisations that oversee or control investable faith assets or are in a position to establish or provide authoritative guidance on how faith assets are to be managed within a certain faith or faith network. This list included just under 165 organisations.

We then collected as many publicly available investment policy and guideline statements for each of these FBAOs. To accomplish this, we searched the Internet using terms and phrases such as: faith group, investment policy, investment guidelines, investment policy and guidelines, and annual financial report¹. When investment policy and guidelines statements were located, they were downloaded to our local IPG statement directory that cataloged them by the organisation's name followed by their policy and guidelines. This sub-group included 50 organisations.

At this point we reviewed each stored investment policy and guidelines statement for sufficiency:

- Only IPG statements with coherent and clear guidelines were considered to be sufficient for the purposes of this research.
- The IPG statements had to have more than just a brief summary of beliefs. Some combination of the following categories had to be included:
 - o Faith-aligned investment goals
 - o Faith-aligned investment screening (Negative and/or Positive)
 - o Impact investing
 - o Proxy policies
 - o Explicit exclusions or inclusions
 - o Asset class information (Equities, Fixed Income, Alternatives)
 - o Magnitude of investment or specific financial information e.g., portfolio size

This process eliminated eight additional investment policy and guidelines (IPG) statements, where there simply wasn't enough information to evaluate the documents, leaving 42 IPG statements to be assessed relative to the FaithInvest FCI Framework.

¹ We sometimes found that FBAOs would include their investment policy / guidelines as part of their published annual investment review and performance reports.

Admittedly, this group has biases: it’s nearly two thirds North American, with undersized representation from Asia and Africa, and none from Central and South America. Our use of English language search terms may in part account for this mix. It’s also dominated by Abrahamic faiths, possibly in part for the same reason, possibly in part due to faith assets taking alternative forms in other traditions, such as in land, buildings or social and community services and facilities. Nevertheless, we believe it’s a varied enough group to draw some initial conclusions and measures relevant for FCI assessment. In time, and with input from our members, we hope to grow the database to be more inclusive of a greater number of geographies and faith traditions.

Each remaining investment policy and guidelines statement was systematically searched for specific keywords from each FCI indicator (shown in the graphic below) to locate the section of the IPG statement that addresses the FCI indicator. This section was carefully read and a subjective Yes, No, or Unclear assessment was made relative to the specific FCI indicator.

This process allowed for a comprehensive screening of the criteria until all FCI indicators were complete for each IPG statement. At times, a clear Yes or No for an indicator was found, such as fixed income (it either is included or not). However, for more complex financial products such as impact investments, a degree of subjective judgement was used to determine a Yes or No. The full list of FCI indicators is shown below.

Simply, in reviewing a specific policy or guideline, for each “question” above, we determined if we were able to answer Yes or No, or in some cases Unclear if the wording was ambiguous, and further, document “how” and “why” from a more detailed reading of the text.

Faith role?	Faith alignment goal?	Aligned Investing?					
		Negative screening / divestment?	Positive screening?	Engagement/ advocacy?	Proxy policy?	Impact?	Integrated?
Explicit exclusions documented?	Aligned criteria defined?	Applicable asset classes				Aligned reporting defined?	
		Equity	Fixed income	Alternatives / Impact	Other		

For example, the starting point, or “front door”, for the study was – does the investment policy explicitly reference a role or purpose of faith in the investing of the assets? We looked for an overt statement, such as the following (anonymised) from one of the studied policies:

--- *“The [fund] shall be managed in a manner consistent with [our faith] values as well as achievement of return and risk objectives.”*

In this case, the answer to the first question, the front door, of the FCI Framework is a clear “yes”. Repeating this process for each FCI box, for each policy and guideline, produced a fascinating picture of faith values in investment practice.

Does Faith Have a Role? The “Front Door” of Faith Values Investing

With a brief reminder that *all* of the studied policy and guidelines statements are from faith-based asset-owning institutions and organisations that exist to espouse, uphold, nurture and in some cases propagate, in action, practice and communication the tenets, beliefs and values of their faith.

For 69% of these studied organisations, this holds true also for their assets – faith had a clearly stated role in the principles and guidelines that governed their financial assets. One example of *how* this is represented

“Financial assets are also to be managed in an ethically defensible manner, in accordance with the fundamental values of [the faith].”

For the remaining 31%, there was no mention of their faith. For this group, the organisation’s faith *mission* does not evidently or explicitly extend to all their “assets”² and activities. Why? Is this pragmatic, or inconsistent, an oversight, an area for future consideration – maybe always in the future – or truly part of the faith’s beliefs or practices; the faith’s values have no role in the faith’s finances for various reasons. We can get a sense of *why* this may be the case from their IPG statements, and we explore this in a later section.

For the next section, we turn back to the Yes group, and by applying the FCI Framework, we explore where, why and how faith values impact their IPG statements.

² An organisation’s *assets* from a financial perspective include everything on the left side of their balance sheet including property, equipment, supplies, cash, investments, and occasionally intangibles such as “goodwill” and intellectual property (such as patents, trademarks or like). More broadly, many will add “non-balance sheet” items that are valuable in some way to the organisation, like reputation, community standing, relationships – with employees, laity, lay and others, and further items not traditionally valued by the accountants, but important nonetheless.

Characterising the Yes Group

Why?

One may ask of this Yes group, *why* they incorporate faith values into their investments? Some believe it's fundamental to their faith, such as the following from a Yes policy:

“Stewardship is an important theme in the Bible and is highly relevant in asset management. In this concept, the assets at our disposal are to be regarded as gifts given to us by God, to be used in the service of all human beings.”

Others consider it an important responsibility of the faith's presence in society today, for example:

“The [fund] aligns with [faith] values and advocates for [faith] communal concerns in the Socially Responsible Investing and Corporate Social Responsibility movements – two influential areas previously void of [faith] leadership.”

In all, about two thirds of the Yes group documented a specific reason or goal for incorporating faith values. The remaining one third left this question unanswered, or maybe for them it is self-evident; we are a faith organisation, what we do with our assets *of course* reflects the values of the faith. This group was clearly in the minority of policies we studied. Broadly common practice indicates that some statement of the purpose or goal of incorporating faith values helps answer the *why* question.

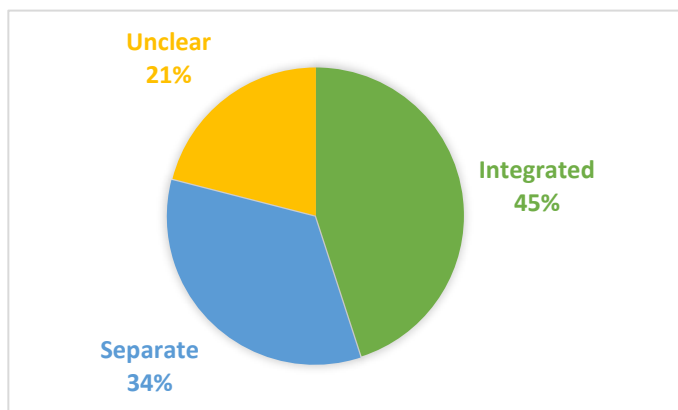
Where?

The assets, holdings or investments of an FBAO can include cash, publicly listed / traded stocks and bonds, privately held equity, debt or loans, and other fungible and non-fungible securities.

Do the faith's values apply to *all* of these assets, some portion or type, or maybe some designated sub-section of their assets – to what are the faith values applied? From the study, we found it varies widely:

Nearly half (45%) of policies clearly stipulated that faith values are “integrated”, meaning applied across all the assets, while 34% designated a specific separate sub-portfolio, fund or carve-out of the total assets to which faith values apply, but *do not* apply to other segments of the assets.

For the remainder (21%), it was not clearly stated if faith values apply to everything in the portfolio or just a portion.



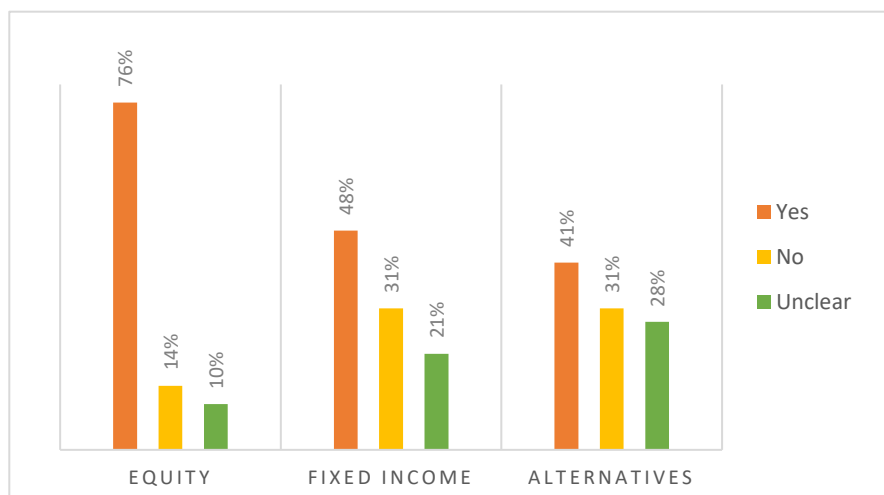
For many in the “separate” group, the *reason* is practical:

“When investing in pooled funds, it is appreciated that [name of faith group’s] strict ethical criteria may not be entirely matched by those of the fund.”

For FBAOs of a certain size or in more complex investment areas that are associated with higher operating expenses (think venture capital, emerging markets, etc), pooled or commingled funds³ may be one of the few practical and cost-effective options for investing. By definition a commingled fund cannot cater to the particularities or requirements of one fund holder, *all* fund holders are “in it together” as it is this commingling of various investors that provides for cost-effective investing.

Anecdotally, we talked with some FBAOs who use separation as a means to help reduce their perceived *fiduciary risk*, the implication being that the application of faith values may increase expected risks and/or costs, and may decrease expected returns (contrary to their fiduciary duty). Therefore, limiting the application of faith values to some “for-purpose” designated (often very small) portion of the assets may help reduce the perception that the FBAO is not behaving in a fiduciary manner.

Ease of application may also play a role. We observed that the majority of the Yes organisations apply their faith values to equity holdings, about half apply them to fixed income, and just over 40% apply them to “alternatives”⁴ broadly, as shown right.



Fixed income and alternatives had the greatest lack of clarity in policies on the application of faith values, highlighting an opportunity to provide greater clarification,

³ Examples include mutual funds, unit trusts, partnerships, trust funds and more.

⁴ Alternatives can be defined differently across FBAOs, but typically includes investments like direct or private real estate holdings, private equity, non-traded loans, direct impact investments and other typically unlisted or private investments.

though to an earlier point, it may reflect the need for using commingled pools in these investment areas for many FBAOs.

How?

What methods do FBAOs use to apply their faith values to their investments? Unsurprisingly, a large majority, 69%, use negative screening and/or divestment practices (“do not own”). Common examples include tobacco-related companies, armaments manufacturers, some energy companies and others. Nearly two thirds clearly document their excluded “do not own” investments in the policy. Less, though still a healthy amount at 55%, use “positive screens”: “do own” investments that reflect the faith’s values, such as affordable housing or sustainable banking.

Further, 66% outlined engagement and advocacy activities, and just 41% documented proxy voting policies that sought to express faith values with their investments through what some called “active ownership”:

“As a [faith] investor, we consider not just what we invest in, but also how we act as owners in exercising our decision-making authority on assets. Active Ownership refers to the approach of acting as an owner to influence the direction of our investments towards more positive character and outcomes. This can involve exercising proxy voting rights, undertaking corporate engagement and collaborating with other investors.”

However, we were somewhat surprised to find that 59% of the Yes group had no faith-aligned proxy voting policy defined in their documents, given the commonality and need to make proxy votes. It may be that these policies are captured in other documents outside of the investment policy and guidelines, or more likely delegated to a third-party – a custodian, proxy service or implemented by a commingled fund manager out of the purview of the FBAO.

Impact Investing?

An area of investing that receives a lot of attention for any values- or mission-driven investor is impact investing.⁵ What is not clear, until now, is how many FBAOs formally consider this type of investment as part of their plan documents. We found that 59% of the Yes group had a formal statement on the role of impact investing, either as a residual or expected outcome of certain types of investments, or as a goal or specific allocation. An example of the former:

“The [name of faith group] sees two primary purposes regarding the Real Estate and Alternative Investment asset classes. They may involve

⁵ There are many definitions of impact investing. See our report [Impact Investing Roadmap](#)

investments that mitigate risk in the total portfolio because no strong correlation can be expected between returns and other investments - usually equities. The alternative investments also provide particular opportunities to contribute to sustainable, societal benefits, also referred to as 'impact'."

Of course, what is not clear from these documents is *how much* and what types of impact investing the FBAO is doing. We suspect from anecdotal discussions that the number which actually engage in impact investing is far less than 59%.

Reporting and Monitoring

For all the work and effort that the Yes group of FBAOs put into faith-consistent investing, do they take the same care and specificity to define or establish how they report on their efforts as part of their policy? We found this split roughly 50 / 50; about half included some reference to reporting design to monitor and demonstrate faith-consistency in their investing, typically referring to some industry standard such as Principals for Responsible Investing.

Overall, this was a surprisingly thin area of policy documentation – all the extensive efforts to integrate faith values by this Yes group, but very little specificity on how to demonstrate or monitor the results of these practices. This will be an area of further study and examination by FaithInvest.

Summarising the Yes Group

Overall, the Yes group has done a lot of work integrating their faith values into their investments through primarily negative and positive screens on their equity holdings, with some defined and prescribed company engagement and advocacy activity. Smaller percentages of the Yes group's IPG statements, ranging from 40% to 50%, define their proxy voting policies (41%), apply values to other asset classes (48% for fixed income), and make some explicit mention of impact investing (41%). Only 45% integrate their faith values across all their assets. Wonderful progress overall, but more work to do.

Characterising the No Group

Recall that just under one third of studied policies made no mention of the FBAO's faith, nor indicated any role of faith values in the management of their assets. Often these policies included statements like the following:

"The trust aims to produce the best financial return relative to the investment policy benchmark within an acceptable level of risk."

While we found these policies somewhat more “generic” – they could have applied to any institutional investor – we can glean some observations:

- Statements like the above (and these were common across the No group with 54% containing some type of generic risk and return objective) may imply that these FBAOs believe that faith-consistent investing is not capable of providing suitable risk and/or return.
- Others made a broad statement about their faith’s beliefs or commitments, such as the following:

“[Name of faith group] is committed to inclusion, a broad and progressive view of spirituality and faith; commitment to eco-justice for all; and commitment to integration to care for earth as essential.”

But they made no further mention of faith values or the role of faith *in investing*, implying that they have not undertaken the process of translating these “commitments” into investment language and instructions, or that to do so is a step beyond their current capabilities or interests.

Overall, the No group is a minority of the policy and guidelines studied, though the seeming disconnect between their organisation's core faith values and mission, and the deployment of one of their chief assets – liquid investments – that could reinforce their mission, begs for a deeper exploration.

Faith-Consistent Investing: Assessing

So how faith consistent are the guidelines we reviewed? Are some more or less consistent? Where might your policy and guidelines rank or compare to other organisations? How much work is left to be done to integrate faith values more fully into these foundational governing documents?

Fortunately, the FCI Framework provides a relatively simple way to assess, score and rank. As described earlier, the FCI Framework is essentially a series of questions for the policy and guidelines such as: “Is there an explicitly documented faith-role in investing?”, yielding in most cases a Yes or No answer.

For each investment policy and guidelines statement these yes / no answers can be tallied (as zeros and ones), totalled, divided by the number of questions (15), and fit to a 0-10 scale for comparison purposes. For those policy / guidelines without a faith role – the very first question – they received a zero, all others were scored as noted.

FCI Score Distribution

Using the above process, we can score each IPG statement, showing the distribution of scores, and, in this case, simple averages for the whole group and for the Yes group, as shown in the following histogram:



This histogram shows the number of IPG statements in each scoring “bucket” for the Yes group. (The 13 investment policy and guidelines statements that answered No to the first FCI question – “does your faith have a role in your investing” were simply scored zero).

Five IPG statements from the Yes group scored between 0.7 and 2.7, meaning that while they stated faith has a role in investing, the extent to which faith is actually integrated into aspects of investment policy and the investment guidelines was either relatively limited or unspecified.

At the other end, two organisations from the Yes group have extensively integrated faith values into nearly all aspects of their investing.

As is usual, there’s a large middle, 17 organisations, or 59% of the Yes group, falling somewhere between a score of roughly 5 and 9, that have taken significant steps towards full integration, but have further areas to explore. The sense of good progress, but more work to do among the Yes group is well captured in the overall average score of 5.4 (out of 10).

The **overall** average score, including the No group, is a relatively low 3.7 – out of 10.

Conclusion

While it's clear that a lot of work has been done by some faith-based asset owners to integrate faith values with their investable assets – i.e., faith-consistent investing – this study shows there is a lot more work to be done: from a greater number of faith organisations declaring a faith role in their investment policies, all the way to more robust reporting to ensure effective integration of faith-based guidelines.

"Where we are going" – what you can do

Faith organisations wishing to align or better align their faith values with their investments have a resource at FaithInvest. Helpfully, the FCI Framework provides a way to assess the current status of faith values integration and identify specific areas and activities that could improve faith-consistent alignment.

The methodology used for this study can be applied to any faith organisation's investment policy and guidelines statement, and the Investment Solutions team at FaithInvest is available to assist any faith-based asset owner with an examination of its investment policy and guidelines statement in pursuit of more fully faith-aligned investments.

Let's get to work more fully integrating faith values in investing:

- *Where you have been?:* Does FaithInvest have your investment policy and guidelines statement? Have we assessed it in the FCI Framework and included it in this study? If we don't have your policy and guidelines, we can easily and anonymously add them to the study. An FCI assessment should give you a good sense of where you are today on an absolute and relative basis.
- *Where you are going?:* If FaithInvest has your policy and guidelines, or if you provide them, we can apply the FCI framework to determine all the areas where faith values could be further incorporated.

Further, as a result of the study, we have now developed a reference library of faith-based investment policies and guidelines that could be used to answer questions such as the following:

- How have other faith-based asset owners defined their exclusionary policies?
- What are different approaches to documenting faith-consistent proxy voting?
- Do other FBAOs apply faith values to their bond portfolios? How?
- And more. Let us know how we can help!

Next Steps

- Review your faith values. Ask: "Have we fully translated these values into faith positions?"
- Document those positions. Agree on them within the governing body, and record them
- Audit what is documented and implemented today using the Policies & Guidelines analytical framework described in this paper
- Seek internal buy-in among faith and faith-investment leadership
- Advocate, share policies, show the links from faith values to positions to portfolio.

Result: a fully integrated faith-consistent investment programme

FaithInvest is an international, not-for-profit organisation for religious groups and faith-based institutional investors. Our aim is to grow the scale and impact of faith-consistent, values-driven investing worldwide.

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End Notes

ⁱ As defined in the paper:

Investment policy: A plan document establishing the purpose, objectives, relevant definitions, governance process and responsibilities, reporting expectations, assessment methods, and other key metrics, methods and responsibilities for a specific pool of assets.

Investment guidelines: Asset class or mandate-specific documents that establish the investment performance objective, relevant benchmark, risk and exposure parameters and expectations, time horizons for evaluation, and other important asset class, mandate or portfolio-specific metrics and measures.

ⁱⁱ Much more on the FCI Framework can be found in "[A guide to faith-consistent investment policy and guidelines for institutional faith-based asset owners](#)".