

FROM FAITH VALUES TO INVESTMENT

A guide to faith-consistent investment policy and
guidelines for institutional faith-based asset owners

Updated and expanded
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“Faith-consistent investing is an approach to investing that takes faith values into account when making investment decisions. It involves investing in a way that reflects an organisation's values and principles. In this way, faith institutions seek to live their values in their investments.”

Faith traditions have long emphasised the importance of integrating moral and ethical values into every aspect of life. Accordingly, faith-based asset owners have an obligation to make a conscious effort to align their investable assets with their tradition's deeply held beliefs and values.

Faith-consistent investing (FCI) provides faith-based asset owners with a roadmap for supporting the pursuit of transformative social and environmental change while honouring their obligation to prudently manage their financial assets.

Faith-consistent investing is, however, challenging. Each faith has its own unique set of core values, governance structures, staff, capabilities, goals, etc, which often makes the development and management of a comprehensive FCI approach seem like a daunting task.

This document aims to address these challenges by:

- Providing an overview of the fundamentals of FCI;
- Outlining critical steps faith-based asset owners (FBAOs) can take to establish and manage a comprehensive FCI programme;
- Providing a resource for individuals that have been selected for roles with oversight of faith-based assets, such as senior management of FBAOs, staff responsible for administering investment programmes, trustees, etc.

This resource aims to assist FBAOs by providing them support in developing and adopting FCI best practices that increasingly allow for the deployment of investable assets in alignment with their core values and beliefs, while also honouring their fiduciary duty of prudent portfolio management.

PART I: FUNDAMENTALS OF FAITH-CONSISTENT INVESTING (FCI)

Discerning, Defining, and Documenting Faith Values: *The Essential First Step in FCI*

Before a faith-based organisation can closely reflect its values into its investment policies and decisions, it must first engage in the critical and collaborative work of identifying and codifying those values. This process calls for careful discernment, inclusive and participatory dialogue, and thoughtful engagement with the wisdom insights of the faith tradition, ensuring that values reflection within the faith-consistent investing framework is rooted in shared beliefs, community input, and moral integrity.

Unlike secular organisations that might create values based on stakeholder preferences, faith-based organisations have the unique responsibility of discerning values that authentically reflect their religious tradition. This process typically involves:

- 01 **Scriptural and theological reflection:** Turning to the sacred texts, teachings, and theological insights of the faith to uncover guiding principles – such as care for creation, dignity of every person, and faithful stewardship – that shape the moral framework for investment.
- 02 **Learning from history:** Drawing wisdom from how founders, reformers, institutions, and movements have expressed these values throughout the faith's history, especially when they faced economic or social challenges.
- 03 **Responding to today's realities:** Discerning how enduring faith principles speak to today's financial realities – interpreting teachings considering complex, modern investment systems.
- 04 **Discerning together:** Engaging the wider faith community in dialogue so that the values expressed in investments represent the shared faith.
- 05 **Seeking wisdom and affirmation:** Consulting trusted faith leaders, theologians, or denominational authorities to ensure the values are not only heartfelt but also honour the tradition's teachings and commitments.

In many cases, particularly within structured traditions, the values discernment process may also occur at the denominational level (through councils, synods, general assemblies, or conferences).

At the denominational level, the process often involves theological reflection and broad stakeholder input (see Table 1 below for examples). Even when not directly involved in the formulation of such values statements or resolutions, affiliated institutions play a

vital role in interpreting and operationalising these values within their specific context. Institutions are encouraged to:

- Stay informed about official denominational guidance on investment ethics and on issues that may have relevance for investment decisions.
- Discern how such values apply to their own mission, scale, and constituency.
- Engage in dialogue with denominational bodies when possible and appropriate.
- Document how institutional investment policies are informed by – but not necessarily identical to – broader denominational teachings.

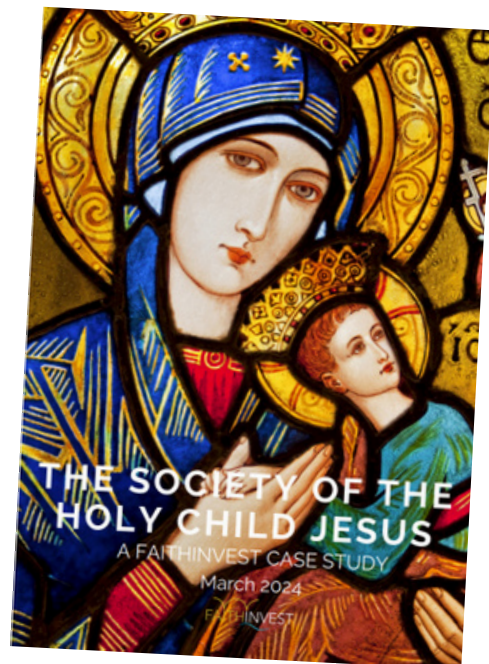
TABLE Examples of denominational and institutional roles
ONE: in values discernment

Faith tradition / denomination	Denominational-level action	Institutional response / application
Church of England	National Investing Bodies (NIBs) develop independent policies, informed by common advice from the Ethical Investment Advisory Group (EIAG)	Many dioceses and cathedrals use NIB policies as models for their own investment practices.
Islam	Islamic scholars establish Sharia-compliant investment principles, including prohibitions on riba (interest), gharar (uncertainty), and haram activities.	Islamic banks and investment institutions develop specific policies using third-party Sharia certification to ensure portfolio compliance with Islamic principles.
Reform Judaism	Union for Reform Judaism adopts resolutions on ethical investing based on Jewish values of tikkun olam (repairing the world).	Jewish Federations and synagogue endowments avoid investments conflicting with Jewish values while seeking positive impact investments in housing and education.
Catholic Church	Papal encyclical (teaching) <i>Laudato Si'</i> (2015) issued by the Vatican calling for ecological and ethical investment.	Dioceses and congregations around the world created <i>Laudato Si'</i> Action Plans which included commitments to faith-consistent investing.
United Methodist Church	General Conference adopts Investment Ethics resolutions; Wespeth contributed to drafting.	Wespeth interprets and applies resolutions in managing pensions; other UMC bodies reference them as guidance.

Faith-based organisations may also want to consider several critical dimensions to strengthen their values work and ensure alignment in practice.

- **Faith values are not always static:** As new ethical challenges arise – such as climate change, digital privacy, or genetic technology – faith communities often revisit and reinterpret their traditions. This process may be guided by new religious statements, theological scholarship, or institutional declarations. Thus, defining values for investment purposes is not merely a historical exercise but also a living, evolving discernment shaped by ongoing engagement with emerging moral concerns.
- **Identifying core versus applied values:** Faith-based organisations may benefit from distinguishing between core and applied values. Core values, such as justice, compassion, and care, are enduring principles grounded in sacred texts and teachings. Applied values, on the other hand, are context-specific interpretations of core values that shape investment actions.
- For example, a commitment to environmental stewardship may translate into avoiding fossil fuel investments, while compassion might inspire investments in affordable housing. Making this distinction helps link theological foundations with practical investment decisions. This concept is further developed in the Investment Policy & Investment Guidelines section of this document.

For a practical example of how a faith-based institution engaged in a structured and reflective process to align its investments with its founding values, see our case study of [The Society of the Holy Child Jesus](#),⁽¹⁾ after members of its European Province worked with FaithInvest to develop a faith-consistent investment policy rooted in their mission and heritage.



(1) FaithInvest case study on The Society of the Holy Child Jesus:
www.faithinvest.org/files/ugd/391154_433ccd16264c4fb6b4a8354bf8262eed.pdf

Reflection questions for faith-based organisations

To assist faith organisations in discerning their investment-relevant values, the following reflection questions may be useful:

- 
- 01 What teachings or stories from our faith tradition most influence how we view money, wealth, and the use of resources?
 - 02 How has our founder's mission or example shaped our institutional values?
 - 03 What historical practices or documents guide our financial decision-making today?
 - 04 What recent ethical challenges have prompted new reflection or religious statements within our faith?
 - 05 Who in our community should be consulted to ensure our values reflect a broad and inclusive understanding?
 - 06 How do we reconcile diverse views which may make it challenging to arrive at a values consensus?
 - 07 Are there faith-based organisations we admire that have already articulated investment-related values we can learn from?

EXAMPLES OF LEADING FCI PROGRAMMES

CASE STUDY I **Islamic Capital Markets:** *Leveraging the Maqasid Al-Shariah Guidance document to further align values and investments*

Central to Islam are several key tenets.

Tawhid *Tawhid* (the oneness of God) is Islam's most important concept and affirms that Allah is the sole creator and that everything belongs to Him.

Adl *Adl* (justice) means equitable distribution and fair treatment for all.

Ihsan *Ihsan* (benevolence) means going beyond what is required to act in a good and compassionate manner.

Maslahah *Maslahah* (public interest) means acting in a way that maximises benefit and minimises harm.

Taskiyah Finally, *Taskiyah* (purification and growth) mandates that wealth is ethically sourced and used in ways that benefit society.

The Maqasid Al-Shariah Guidance integrates these principles by promoting a balanced approach to wealth creation, societal benefit, and harm prevention. Through six aspirations with 15 guiding principles, the framework focuses on outcomes that positively impact humanity while remaining true to Islamic values.

For example, consider Principles 1, 2, and 3, which fall under Aspiration 1 of Humanity. These principles direct Muslim investors toward projects that address basic needs, promote a positive social culture, and ensure the well-being of future generations.

By linking these broad concepts to specific investment themes, the Guidance provides a tangible way to translate faith into action. Muslim faith-based asset owners are called on to prioritise investments that promote fair distribution, ethical and sustainable practices and the preservation of resources for future generations, thereby ensuring investments are financially, morally and religiously sound.



**CASE
STUDY I**

Islamic Capital Markets *continued*
*Investment Framework Mapping: Humanity and
the Maqasid Al-Shariah Guidance*

Guidance principle	Investment theme
Principle 1: Cultivating attainment of basic needs	Investing in provision of food security, affordable healthcare, quality education, affordable energy, and clean water.
Principle 2: Demonstrating Positive Social Culture	Investments in businesses that uphold ethical labour practices, promote healthy lifestyles, or support cultural preservation initiatives.
Principle 3: Preserving Well-Being of Future Generations	Investment in renewable energy, sustainable agriculture, responsible waste management, and conservation of natural resources.

The creation of this type of thematic investment framework can be an important resource in guiding an Islamic FBAO's investments. These principles and resulting investment themes can be incorporated into the Investment Policy and Investment Guidelines and can help in the creation of bespoke investment mandates that target the identified themes.

By proactively leveraging the Maqasid Al-Shariah Guidance, Muslim faith-based asset owners can create investment portfolios that not only generate financial returns but also reflect their core religious values. It allows for a more conscientious and holistic approach to investing, where faith and finance work together for the betterment of society and the world.

For more information, please see the full Maqasid Al-Shariah Guidance.⁽²⁾

(2) Maqasid Al-Shariah Guidance document:
www.sc.com.my/api/documentms/download.ashx?id=3e10c1d3-823e-4dc3-b7ae-c3652104d2cf

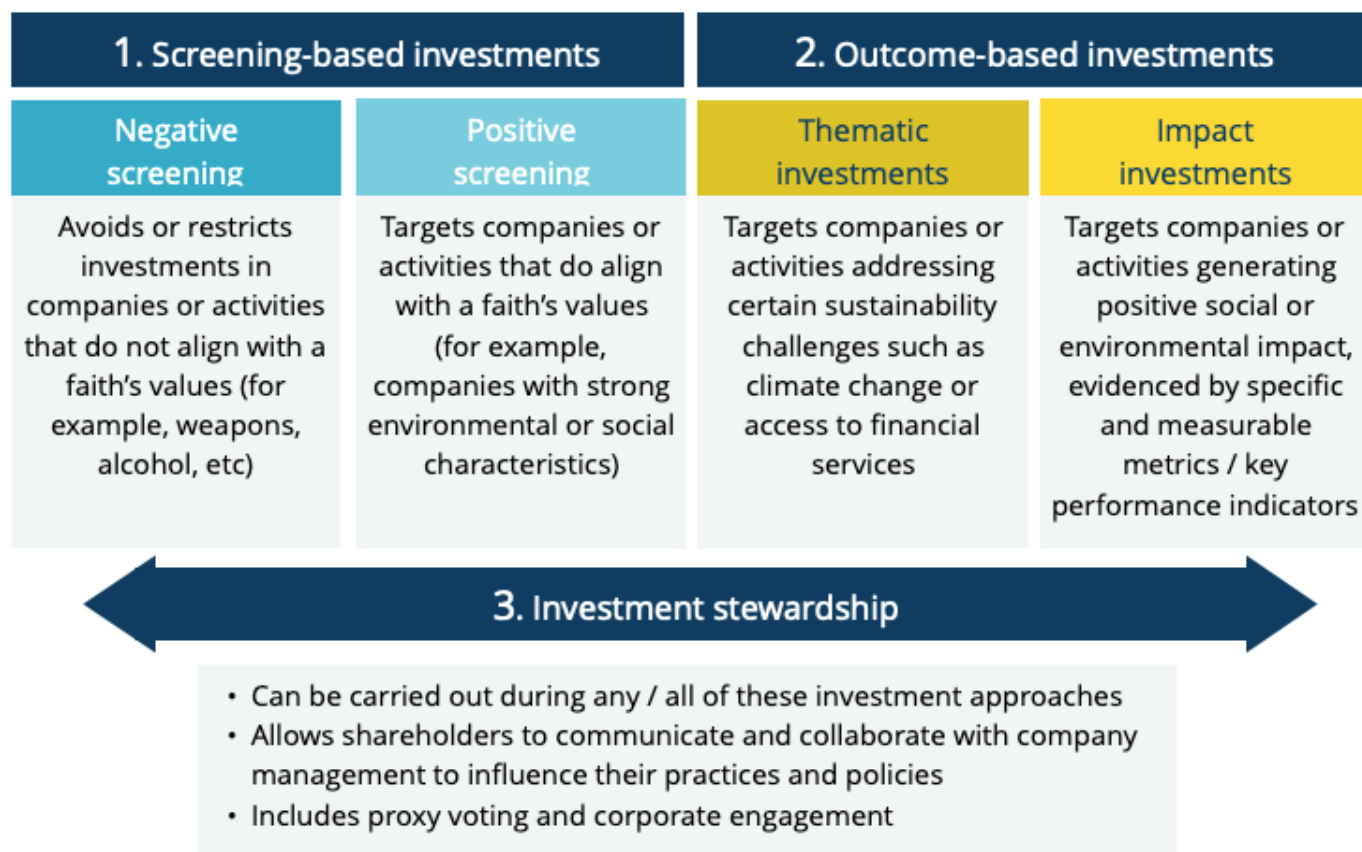
Values-Based Investment Strategies: *The Foundation of FCI*

This section of the resource document outlines the different types of investment strategies that comprise the FCI ecosystem. FBAOs that use these investment strategies can fulfil their fiduciary duties while investing alongside their values.

As discussed in the previous section, once a faith-based institution has discerned and documented their core values, they can begin the process of transforming these values into investable actions. This often leads to a list of negative actions or activities to avoid and positive actions to promote or pursue. We call these items ‘applied values’, which are essentially a translation of a faith’s values into activities to avoid and/or pursue in an investment context.

A faith’s core values must be included in its Investment Policy and its applied values must be stated in its Investment Guidelines. This process will be further detailed in the Governing Documents section of this resource.

Investments that either avoid or pursue certain activities as determined by moral or religious beliefs are known as ‘values-based investments’. There are three primary categories of values-based investment approaches, with each approach maintaining sub-categories. Together, this forms a broad spectrum of investment approaches that faith-based investors can leverage to meet each of their unique needs and goals.



Screening-based investments

The process of screening can be broken down into two approaches: one which lists activities to avoid, called negative screening, and one which lists activities to promote or pursue, called positive screening.

Negative screening

This type of screening involves excluding from investment the securities of companies producing certain products or services (such as alcohol or firearm production) that do not align with the FBAO's faith values. Thresholds for company involvement in specific activities can range from zero tolerance (ie, any involvement in the activity by a company would make its securities ineligible for investment) to partial allowance, where limited involvement is permitted.

Company revenue derived from the specific product or service is often the metric used, and various revenue thresholds can be set for different activities. For example, a faith may elect zero tolerance (ie, 0% revenue threshold) for companies that produce alcohol but may take a less restrictive approach (ie, 25% revenue threshold) for companies that distribute alcohol alongside other beverage/food products (eg, a restaurant chain).

Using revenue-based metrics provide the FBAO with the ability to create a nuanced exclusions framework customised to align with their specific values. There are numerous third-party investment research firms that provide this service, such as MSCI ⁽³⁾ and Sustainalytics ⁽⁴⁾, which often offer standard and customised approaches to creating and implementing an exclusion list.

Positive screening

Positive screening aims to increase FBAOs' exposure to companies involved in the production of goods and services and conducting their business with policies and practices fully aligned with the values of the faith tradition. For example, companies involved with the production of renewable energy, or companies that manage their energy use and waste efficiently, or those with strong diversity and corporate benefits programmes would be companies in which the asset owner may seek to invest. In practice, the FBAO can identify and list the business practices they wish to promote and subsequently evaluate the extent to which various asset manager investment strategies pursue similar goals.

In certain cases, an FBAO may be able to engage asset managers to create bespoke investment solutions that invest in companies that more closely align with the policies and practices valued by the asset owner. In terms of implementation, asset managers and index providers often leverage ESG scoring frameworks (produced in-house or from

(3) MSCI Sustainability Solutions: www.msci.com/data-and-analytics/sustainability-solutions

(4) Sustainalytics: www.sustainalytics.com/

a third-party provider) to emphasise the companies / issuers best managing ESG issues (reflected with higher ESG scores) and de-emphasise those with lower ESG scores. Each strategy, be it active or passive, will apply its unique approach in terms of the extent to which they under- or over-weight companies / issuers and whether they place additional weight on certain ESG issues they deem important. In all cases, it is critical that FBAOs understand their asset manager's approach to building and managing positively screened investment strategies to ensure they properly align with the faith's goals, values, and investment parameters.

Outcome-driven investments

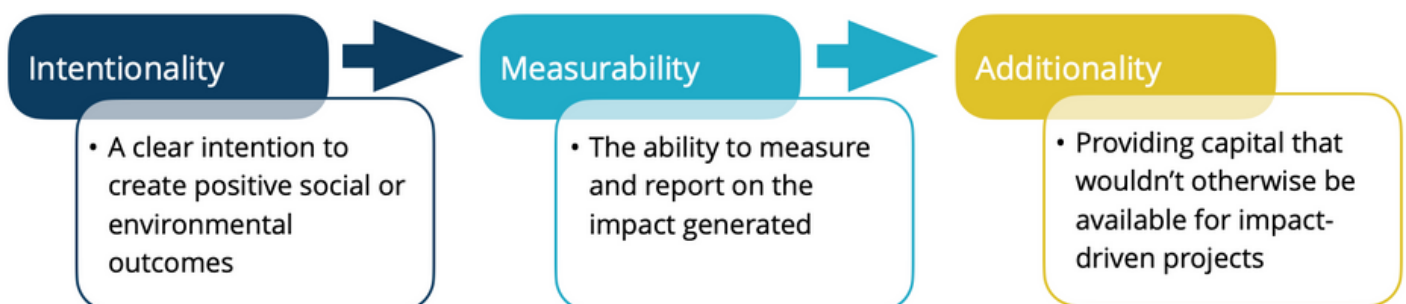
Outcome-driven investing can broadly be characterised as pursuing investments in companies or issuers that offer solutions to critical environmental or social challenges. There are two sub-categories here, thematic investments and impact investments, which can both be leveraged to increase an FBAO's exposure to innovative solution providers.

Thematic investment strategies

Thematic strategies target companies or activities addressing certain sustainability challenges, such as climate change or access to financial services. These strategies tend to focus more on companies / issuers listed on stock exchanges and therefore can be leveraged to help an FBAO enhance the exposure of its listed equity and / or fixed income portfolios to outcome-driven solutions. Although thematic strategies target activities that provide solutions to critical environmental and social challenges, they do not necessarily seek to generate a specified environmental or social impact – a key difference from impact investment strategies.

Impact investment strategies

Impact investments are those made with the specific intention to generate positive, measurable environmental or social impact in addition to producing a suitable financial return. These investments aim to address global challenges such as climate change, poverty, inequality, and access to essential services. Impact investments fulfill three key criteria:



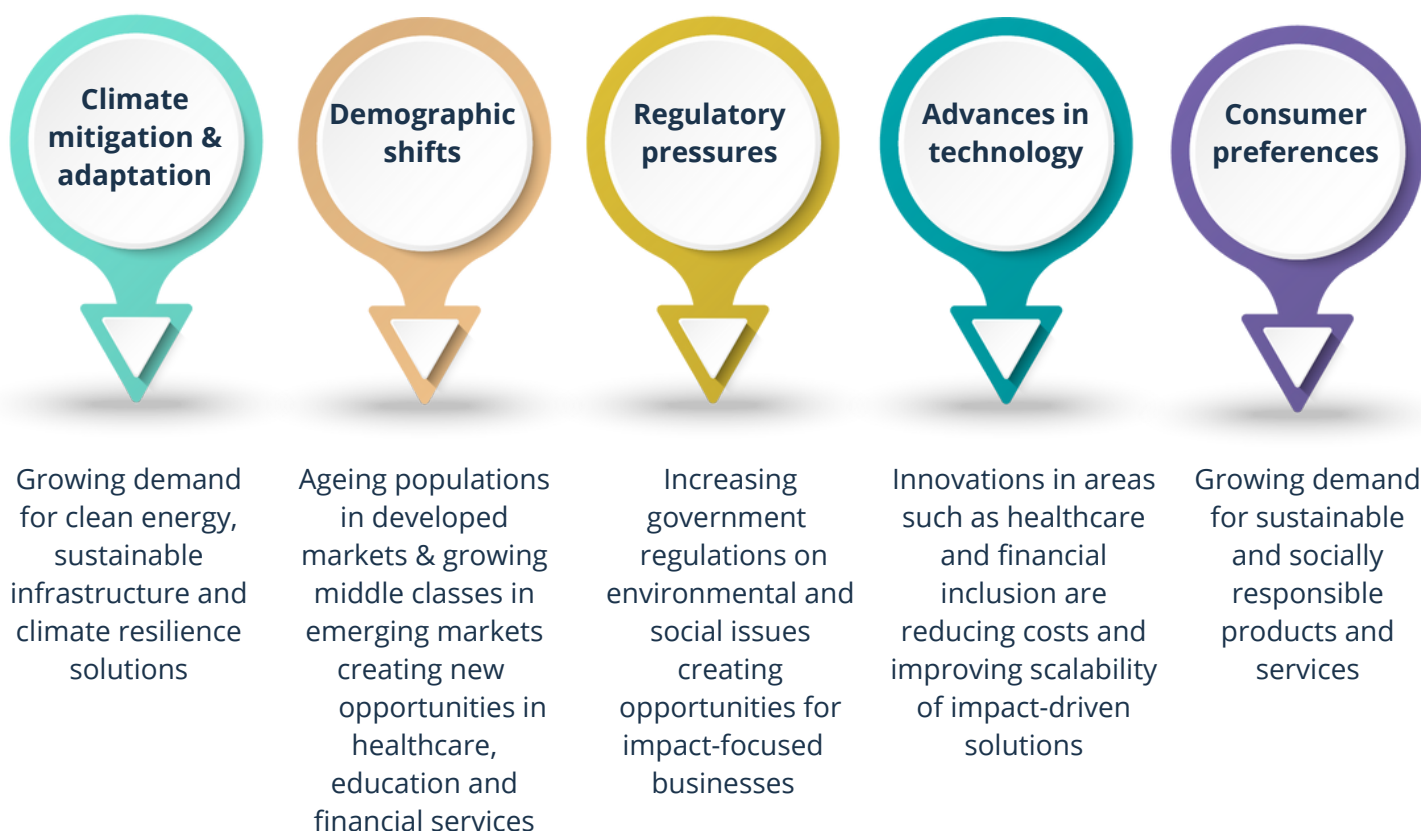
Impact investments tend to take the form of private equity or private debt investments, although there are some publicly listed impact investment funds. As in all cases, it is imperative that a FBAO understands the nuances of a given values-based investment strategy as each asset manager's strategy is different. This is notably true for impact

investments, due in large part to their private nature and frequent focus on emerging and frontier markets, which require heightened due diligence, monitoring, and reporting of sustainability outcomes.

Impact investments can span a range of return expectations, from below market to market rate, allowing investors with a broad range of investment goals to leverage these strategies. At their inception, impact investment strategies offered concessionary returns, where investors accepted below-market financial returns in exchange for meaningful social or environmental impact. However, as investing for positive social and environmental impact has matured, there has been a growing focus on delivering market-rate returns alongside meaningful impact outcomes. This shift has been driven by:

- | | |
|---|---|
| 01 Improved impact measurement and management practices | 02 Greater sophistication in structuring impact investments |
| 03 Increased scale and efficiency in impact-driven business models | 04 Growing recognition that positive impact and competitive returns are not mutually exclusive |

Many impact investors now target risk-adjusted market-rate returns, demonstrating that it's possible to simultaneously achieve both financial and impact objectives⁽⁵⁾. The financial case for impact investments has, in large part, been driven by several secular tailwinds, including technology adoption, consumer preference shifts, demographic shifts, and increased regulatory support for environmental and social issues.



As disruption continues to affect industries around the world, with new technologies replacing – or at minimum enhancing the efficiency of – older systems and processes, impact investments have the capability of meeting an investor's dual goals of generating market rate returns while helping scale meaningful solutions to some of the world's most pressing environmental and social challenges.

Faith-based asset owners are in a unique position to benefit from making impact investments starting with the intrinsic alignment between faith values and impact investment themes, such as social justice, environmental consciousness, and caring for the vulnerable. Additionally, faith-based organisations typically have long-term investment horizons, which is well-suited for providing patient capital often required for impact investments.

Finally, and most important, many faith-based organisations can leverage multiple pools of capital for impact investing activities. These include charitable and philanthropic arms, as well as return-driven capital. By strategically deploying these diverse capital sources – for example, in innovative blended finance structures – FBAOs can play a catalytic role in mobilising additional capital for impact-driven projects.

For more information on blended finance structures, see FaithInvest's whitepaper: *Blended Finance: Unlocking capital for impact and competitive returns.*⁽⁶⁾

(5) GIIN, Dean Hand, Sophia Sunderji, Maddie Ulanow, Renée Remsberg and Kelly Xiao, *State of the Market 2024: Trends, Performance, and Allocations*, September 30, 2024, <https://thegiin.org/publication/research/state-of-the-market-2024-trends-performance-and-allocations>

(6) Blended Finance: Unlocking capital for impact and competitive returns: www.faithinvest.org/files/ugd/391154_8c597cae431a4fe1b7a75790bd57ecd6.pdf



Investment stewardship

Investment stewardship in this document refers to the responsible management and oversight of investments by asset owners and asset managers to promote the long-term value and sustainability of companies and the broader economy. It involves actively engaging with companies and exercising shareholder rights to influence corporate behaviour and decision-making in ways that align with investors' interests and values.

Investment stewardship can play an important role in driving positive change by promoting long-term thinking and strategic planning that considers broader stakeholder interest. By leveraging their influence as shareholders, investors can help influence companies and markets toward practices that balance financial returns with positive environmental and social outcomes. This approach can contribute to building a more resilient, equitable, and sustainable economic system that creates long-term value for all stakeholders. The key practices of investment stewardship include corporate engagement and proxy voting.

Corporate engagement

Corporate engagement involves direct interaction with company management and boards to discuss important issues and efforts to influence corporate policies and practices. Key methods include:



a. Holding conversations with company management

Asset owners and managers meet with executives and directors to discuss strategy, governance, environmental and social issues. These dialogues allow investors to communicate their perspectives and concerns while gaining deeper insights into company operations.



b. Writing letters and emails to management

Formal written communications allow investors to clearly document their positions on specific issues, request information or changes in policies and practices, and create a record of engagement.



c. Signing collaborative statements

Investors join other shareholders to amplify their voice on important issues by signing joint statements or initiatives. This can increase pressure on companies to address shared concerns.

Proxy voting

As owners of companies, shareholders have a fiduciary obligation to their stakeholders to exercise their voting rights at corporate annual general meetings by casting ballots to elect the company's board of directors, affirm executive compensation, and consider shareholder proposals. Generally, asset owners can vote directly or delegate voting authority to their asset managers. In both cases, asset owners should establish clear voting guidelines aligned with their principles and priorities documented in their investment policy and guidelines.

While proxy voting can be a complex and involved process, organisations such as the Interfaith Center on Corporate Responsibility (ICCR)⁽⁷⁾ assist in organising, aggregating, and leading faiths through the proxy voting process. Additionally, third party service providers such as Glass Lewis⁽⁸⁾ and ISS⁽⁹⁾ provide independent corporate governance research, data-driven insights, and custom proxy voting solutions, such as administering a FBAO's proxy votes as specified by their proxy voting guidelines.

Engaging versus excluding companies from investment

For companies with business policies and practices that do not align with a faith-based asset owner's values, investors face a choice: exclude (divest) or engage, ie, the strategic choice investors face between excluding certain companies from their portfolios due to harmful practices or remaining invested to influence those companies through dialogue and engagement. Almost all faiths exclude investments that conflict directly with their beliefs and teachings. This is often the starting point in developing a faith-consistent investment policy. In other cases, however, the decisions may be more nuanced as perspectives and priorities change over time.

(7) Interfaith Center on Corporate Responsibility: www.iccr.org/

(8) Glass Lewis Proxy Voting Solutions: [www.glasslewis.com/
investor-solutions/proxy-voting-solutions](http://www.glasslewis.com/investor-solutions/proxy-voting-solutions)

(9) ISS Proxy Voting Services: [www.issgovernance.com/
solutions/proxy-voting-services/](http://www.issgovernance.com/solutions/proxy-voting-services/)



Yet, while exclusions / divestment may be appropriate in some cases, engagement can provide an opportunity to influence corporate behaviour positively. For example, the UK based Church Investors Group (CIG)⁽¹⁰⁾ represents charitable organisations and pension funds of 67 denominations, dioceses, religious orders, and Christian-based charities, with combined investment assets of more than GBP 26 billion.

It makes annual recommendations for proxy voting⁽¹¹⁾ for its membership, which it considers to be 'one of our most important actions to influence business practice'. In recent years, CIG has engaged on topics as varied as climate change, modern slavery, living wage (the minimum income necessary for a worker to meet their needs), child labour, and tax transparency, demonstrating that faith-based investors can effectively advocate for positive change within the corporate world.

“ Effective engagement – whether conducted directly by the faith organisation or through their asset managers – allows faith investors to leverage their moral authority, long-term perspective, and financial influence to advocate for substantive reforms. ”



Faith-based investors should therefore make engagement a cornerstone of their investment governance strategy, insisting and holding their asset managers accountable for demonstrating robust engagement capabilities and providing clear guidance on priority issues that reflect the FBAO's faith values.

By doing so, the organisation moves beyond merely avoiding harm to actively influencing a more just and sustainable economic system aligned with their deepest beliefs.

(10) Church Investors Group: <https://churchinvestorsgroup.org.uk/>

(11) Church Investors Group 2025 Proxy Voting Guidelines: <https://churchinvestorsgroup.org.uk/voting-guidelines-2025/>

Investment implications of FCI

Challenging the performance penalty myth

When considering establishing and implementing an FCI approach, a key question that often arises is: Will doing so negatively impact the organisation's ability to generate the returns they seek?

This question arises from a persistent myth in investment management suggesting that FCI inherently results in suboptimal investment returns. This belief often stems from the assumption that limiting the investment universe based on faith principles will lead to missed opportunities or increased risk due to reduced diversification.

This misconception can lead faith-based asset owners to hesitate in fully aligning their investments with their values, potentially creating a disconnect between their mission and their financial practices.

FaithInvest has written extensively about this topic and believes this perspective takes a narrow, short-term view that fails to account for the complex realities of today's global economy and the evolving nature of investment risks and opportunities. Two core beliefs underpin this argument:

“By taking a holistic, long-term view that considers systemic risks and opportunities, FCI can not only align with investors' values but also potentially enhance long-term financial performance.”

01 The importance of focusing on long-term success

Nearly all faiths and faith-based organisations think in terms of generational impact and therefore aspire for their missions to endure over decades or even centuries, as seen in Sikhism's 300-year cycles. Successful investing requires a long-term perspective, yet the investment industry often fixates on short-term results. This myopic focus can lead to irrational and suboptimal decisions that jeopardise the long-term sustainability of organisations.

Valuing long-term perspectives means companies are more likely to weather temporary dips and crises in the market better than businesses focused on - short-term gains. In other words, if a company plans long term, its values are already in part aligned with faiths who invest long term.

Photograph: EcoSikh



02 The power of investing for positive impact

While maintaining rigorous attention to traditional investment metrics, faith-consistent investors also identify opportunities in markets that are often overlooked, under-researched, or misperceived as being overly risky due to bias against investments with positive social impact. These 'inefficient markets' exist not because the underlying investments are inherently less profitable, but because conventional investment approaches may overlook them due to misplaced assumptions about the relationship between impact and returns.

By recognising and investigating these market inefficiencies, faith-consistent investors can identify investments that deliver both strong financial returns and positive societal outcomes. The key insight is not that traditional financial metrics should be replaced, but that opportunities exist precisely because others have incorrectly assumed that social benefits and financial returns are mutually exclusive.

A sustainable economy

A sustainable economy balances three key pillars – social cohesion, long-term prosperity for all, and environmental health. This framework recognises that economic success is inextricably linked to the wellbeing of people and the planet.

For faith-consistent investors, this concept aligns closely with many religious teachings about stewardship, balance, justice, and care for creation. More importantly, it provides a roadmap for identifying investments that are positioned for long-term success.

For more information on this framework, see our publication, *FCI: Challenging the performance penalty myth*.⁽¹²⁾



ESG Integration: A focus on risk-adjusted returns, not values-alignment

A foundational component of investment analysis is understanding the extent to which any given company can navigate all the risks that surround it. This includes both near-term and long-term risks that may impact the company's ability to successfully generate the required cash flow to sustain operations and deliver investment returns that align with shareholder and stakeholder expectations.

(12) FCI: Challenging the performance penalty myth: www.faithinvest.org/post/fci-challenging-the-performance-penalty-myth

Embedded within these near and long-term risks are several environmental, social, and governance (ESG) factors that can positively or negatively affect a business' financial performance, risk profile, and / or long-term value creation potential. These factors are thus financially material to the company and the process of incorporating financially material ESG factors into the investment decision-making process is known as ESG Integration.

ESG Integration is not to be confused with values-based investing, which goes beyond financial materiality to add additional goals to the investment mandate to better align with the investor's moral / ethical values and beliefs. ESG Integration, as defined in this resource document, should be considered a tool applied to conventional investment management to enhance risk adjusted returns.

The rationale behind this is rooted in the understanding that certain ESG factors can significantly influence a company's operational efficiency, regulatory compliance, reputation, and overall market position. By considering these material ESG factors alongside traditional financial metrics, investors can develop a more comprehensive view of a company's risk and opportunity landscape.

For instance, environmental factors such as resource efficiency or climate change adaptation strategies can impact a company's operational costs and resilience to physical risks. Social factors like labour practices or product safety can affect productivity, customer loyalty, and potential liabilities. Governance issues, including board composition and executive compensation structures, can influence strategic decision-making and alignment with shareholder interests.

By integrating the consideration of these financially material ESG factors, investors can better evaluate risks that might not be fully captured by traditional financial analysis. This enhanced risk assessment can help identify potential vulnerabilities or hidden liabilities that could materially affect a company's future performance.

“The ultimate goal of ESG integration is to enhance risk-adjusted returns. By more accurately assessing risks and identifying potential opportunities, investors can make more informed decisions that may lead to improved portfolio performance over time.”

Moreover, ESG integration can also uncover opportunities for value creation. Companies that effectively manage material ESG issues may be better positioned to capitalise on emerging trends, innovate in response to environmental or social challenges, and build stronger relationships with stakeholders. Assessing and mitigating material ESG risks can contribute to competitive advantages and long-term value creation.

The ultimate goal of ESG integration is to enhance risk-adjusted returns. By more accurately assessing risks and identifying potential opportunities, investors can make more informed decisions that may lead to improved portfolio performance over time. This approach doesn't sacrifice financial returns for assessing and mitigating ESG risks; rather, it seeks to use ESG insights to make better investment choices within a traditional financial framework.

ESG Integration should thus be considered an integral element of the traditional investment process and FBAOs should require each of their asset managers to integrate the consideration of financially material ESG factors into their investment processes, as appropriate for a given investment mandate. (Note: for more information on effective engagement with asset managers, see FaithInvest's blog post⁽¹³⁾ on the topic).

While ESG Integration is an important element of a comprehensive FCI approach, it should be separate from an FBAO's values-based investment framework, given its singular goal of enhancing risk-adjusted returns.

(13) Faith-based due diligence: Questions every faith-based investor should ask their asset manager: www.faithinvest.org/post/faith-based-due-diligence-questions-every-faith-based-investor-should-ask-their-asset-manager



EXAMPLES OF LEADING FCI PROGRAMMES

CASE **Church Commissioners for England**

STUDY II *(Church of England)*

Many faith-based asset owners publish their investment policies on their public websites. One excellent example among many is the Church Commissioners for England, which manages the endowment of the Church of England.

Its investment policy: ⁽¹⁴⁾

- Establishes clear investment beliefs based on its core values;

“ Our approach to Responsible Investment is based on connected pillars of Respect for People and **Respect for Planet** and have been guided by the fourth⁽¹⁵⁾ and fifth⁽¹⁶⁾ Marks of Mission...

“ **Climate change, nature degradation** and **social inequality** represent three key systemic risks whose effects are already being seen across the planet and societies. These interconnected systemic risks provide a lens through which to focus and guide our Responsible Investment activities when building on the pillars of Respect for People and Respect for Planet. ”

– Church Commissioners for England,
Responsible and Ethical Investment Policy, p.6

- (14) Church Commissioners for England, Responsible and Ethical Investment Policy:
www.churchofengland.org/sites/default/files/2024-04/ccfe-responsible-and-ethical-investment-policy-2024-public-version-23apr2024.pdf
- (15) ‘To seek to transform unjust structures of society, to challenge violence of every kind and to pursue peace and reconciliation’
- (16) ‘To strive to safeguard the integrity of creation and sustain and renew the life of the earth’



CASE STUDY II

Church Commissioners for England *continued* (Church of England)

- Establishes clear investment beliefs based on its core values;

“ The Church Commissioners receives advice and support on ethical investment from the Church's Ethical Investment Advisory Group (EIAG). The purpose of the EIAG is to enable the National Investment Bodies of the Church of England (NIBs) to act as distinctively Christian – and Anglican – institutional investors. The EIAG provides support and develops non-binding advice to the NIBs relating to ethical investment.

“ The EIAG's membership is comprised of Independent Members, appointed by the EIAG's Nominations Committee, and Members appointed by the National Investing Bodies. Meetings are also attended by observers from the Archbishops' Council's Faith and Public Life team and the NIBs. The adoption of any Policies drafted as a result of the EIAG's advice shall remain the responsibility of each NIB and legal responsibility for all investment decisions rests solely with the NIBs. ”

– Church Commissioners for England,
Responsible and Ethical Investment Policy, p.5

- Specifies the values-based investment approaches it utilises to achieve its goals, including negative screening, outcome-driven investing, engagement, and proxy voting;
- Details its transparency and reporting expectations.



PART II: ESTABLISHING AND MANAGING A COMPREHENSIVE FCI PROGRAMME

Essential Components of an FCI programme

Four essential elements comprise a comprehensive FCI programme: an effective governance process, an investment policy statement, bespoke investment guidelines, and effective communication. Here we outline each of these key elements, which collectively form a faith organisation's FCI implementation plan.

The four essential components



Governance

Effective governance processes ensure prudent fiduciary and faith-aligned execution



Policy

Policy details your execution plan for prudent FCI-aligned implementation



Guidelines

Guidelines translate the policy into bespoke investment mandates and instructions



Communication

Effective communication informs stakeholders and external audiences of FCI objectives and accomplishments

Governance structure & investment committees

Faith-based asset owners should develop their governance and oversight in a way that aligns their financial objectives with their spiritual values. Best practices in this area involve creating a robust, multi-layered governance structure that ensures both prudent financial management and adherence to the organisation's faith-based principles.

At the highest level, the board of trustees or the directors maintains overall responsibility for the organisation's financial health and mission fulfilment. However, given the complexity of modern investment landscapes and the nuanced considerations involved in FCI, faith-based institutions should establish a

“Best practices in this area involve creating a robust, multi-layered governance structure that ensures both prudent financial management and adherence to the organisation's faith-based principles.”

dedicated investment committee. This committee can focus specifically on the dual mandate of meeting essential financial objectives while striving to reflect the faith's values in investment decisions.

The investment committee should be crafted to include a diverse mix of expertise and perspectives. Ideally, it should assemble members with strong financial and investment backgrounds, individuals deeply versed in the faith's teachings and values, and those with experience in values-aligned or impact investing. This balanced composition ensures that all committee decisions reflect a holistic view of both financial and spiritual considerations.

Key members might include financial professionals from within the faith community, theologians or religious scholars who can provide guidance on doctrinal matters, and experts in sustainable investing / FCI. It's also valuable to include representatives from the broader congregation or community, including thoughtful younger representatives, to ensure the consideration of diverse viewpoints. The chair of this committee should be someone who can effectively bridge the gap between financial acumen and faith-based values, fostering productive dialogue and decision-making.

The board should clearly define the committee's roles, responsibilities, and decision-making authority. This typically involves developing a charter that outlines the committee's purpose, composition, meeting frequency, and reporting obligations. The charter should also establish guidelines for how the sub-committee will balance financial goals with faith-based values in its investment recommendations.

Regular communication between the investment committee and the full board is essential. The committee should provide periodic reports on investment performance, both in financial terms and in relation to faith-aligned objectives. This ensures transparency and allows for ongoing refinement of the investment strategy to serve the overall mission.

“By implementing such a structured approach to governance and oversight, faith-based asset owners can create a robust framework for making investment decisions that honour their spiritual commitments while also securing their financial future.”

By implementing such a structured approach to governance and oversight, faith-based asset owners can create a robust framework for making investment decisions that honour their spiritual commitments while also securing their financial future.

This thoughtful integration of faith and finance can lead to more meaningful and impactful management of resources, ultimately advancing the organisation's mission in both material and spiritual contexts.

The Investment Policy & Investment Guidelines

The investment policy – also known as the investment policy statement (IPS) – and the investment guidelines are the foundational governing documents that define how an asset owner's investable assets should be deployed. At FaithInvest, we refer to them as the IP&Gs (Investment Policy and Guidelines). A formal investment policy and related investment guidelines are standard practice for oversight and management of assets on behalf of an institution for the benefit for its activities or operations, its employees or members, or recipients of its giving.

Investment policy

A plan document establishing the purpose, objectives, relevant definitions, governance process and responsibilities, reporting expectations, assessment and accountability 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. Investment guidelines are often bespoke for unique asset classes and/or investment strategies.

Think of the investment policy as a compass:

It can serve as a guide to ensure an organisation's investment portfolio stays on course to meet its specified goals, even during times of market turmoil.

The investment guidelines, on the other hand, complement the policy. They translate the policy into specific investment terms and parameters that ensure the organisation's investment team and / or hired asset managers will make investment decisions that align with the investment objectives specified in the policy.

The guidelines are broken down into segments, which provide specifications at a broader asset class level (eg, the equity or fixed income portion of the portfolio) and / or the more granular, mandate level (eg, a global large company stock portfolio managed by a specific investment manager).



These established documents, statements, and papers provide a foundation of content for the process of integrating faith values into FBAOs' governing documents and their investments. As noted previously, investment guidelines are an expression of the investment policy; the investment policy thus should acknowledge and respect the faith's core values. This alignment creates a coherent structure that allows for the effective deployment of capital into investments that align with FBAOs' values and core beliefs.

Integrating values into the investment policy & investment guidelines

Integrating an FBAO's core values and applied values into these two documents is the first step in developing a faith-consistent investing (FCI) approach. Most faiths already have established documents that outline their social and environmental principles, making this process more straightforward. Additionally, many faiths have specific, officially approved statements or position papers based on their religion's beliefs and priorities regarding certain environmental or social issues, such as health, housing, weapons, and respecting the environment.

These established documents, statements, and papers provide a foundation of content for the process of integrating faith values into FBAOs' governing documents and their investments. As noted previously, investment guidelines are an expression of the investment policy; the investment policy thus should acknowledge and respect the faith's core values. This alignment creates a coherent structure that allows for the effective deployment of capital into investments that align with FBAOs' values and core beliefs.

Communication and reporting

Effective communication of investment results and strategies is critical for FBAOs engaged in faith-consistent investing. Transparent and regular communication with both internal and external stakeholders is essential for maintaining trust, ensuring long-term support, maintaining alignment of interest, and allowing the FCI programme to evolve over time.

“Clear communication allows for informed decision-making.”

For internal stakeholders, such as senior management, investment teams, and trustees, clear communication helps maintain alignment between investment practices and the organisation's mission. It allows for informed decision-making and enables the investment strategy to adapt to changing financial landscapes and evolving faith-based priorities.

Regular updates on portfolio performance, both in financial terms and in relation to faith-based objectives, help internal stakeholders understand the impact of their decisions and make necessary adjustments. External communication, particularly with members of the congregation or broader faith community, is equally important. It demonstrates accountability, reinforces the organisation's commitment to its values

and helps educate stakeholders about the role of faith-consistent investing in advancing the organisation's mission. This transparency can foster a sense of ownership and engagement among community members, potentially leading to increased support and resources for the FBAO's initiatives.

**Best practices
in communication
include:**

Content

Share both financial performance metrics and faith-aligned impact measures. This could include returns relative to benchmarks, examples of successful engagements with companies, and stories of positive impact achieved through investments.

Frequency

Provide quarterly updates for internal stakeholders and annual or semi-annual reports for the broader community. More frequent communication may be necessary during times of significant market volatility or when major investment decisions are made.

Format

Use a mix of detailed reports for internal stakeholders and more accessible, narrative-driven communications for the broader community. This might include newsletters, impact stories, and visual infographics that clearly illustrate how investments are advancing the organisation's mission.

Channels

Use a variety of communication methods including written reports, presentations at board meetings, community gatherings, and digital platforms such as websites and social media.

Transparency

Be open about both successes and challenges. Honest communication about areas for improvement can build trust and demonstrate a commitment to continuous enhancement of the FCI programme.

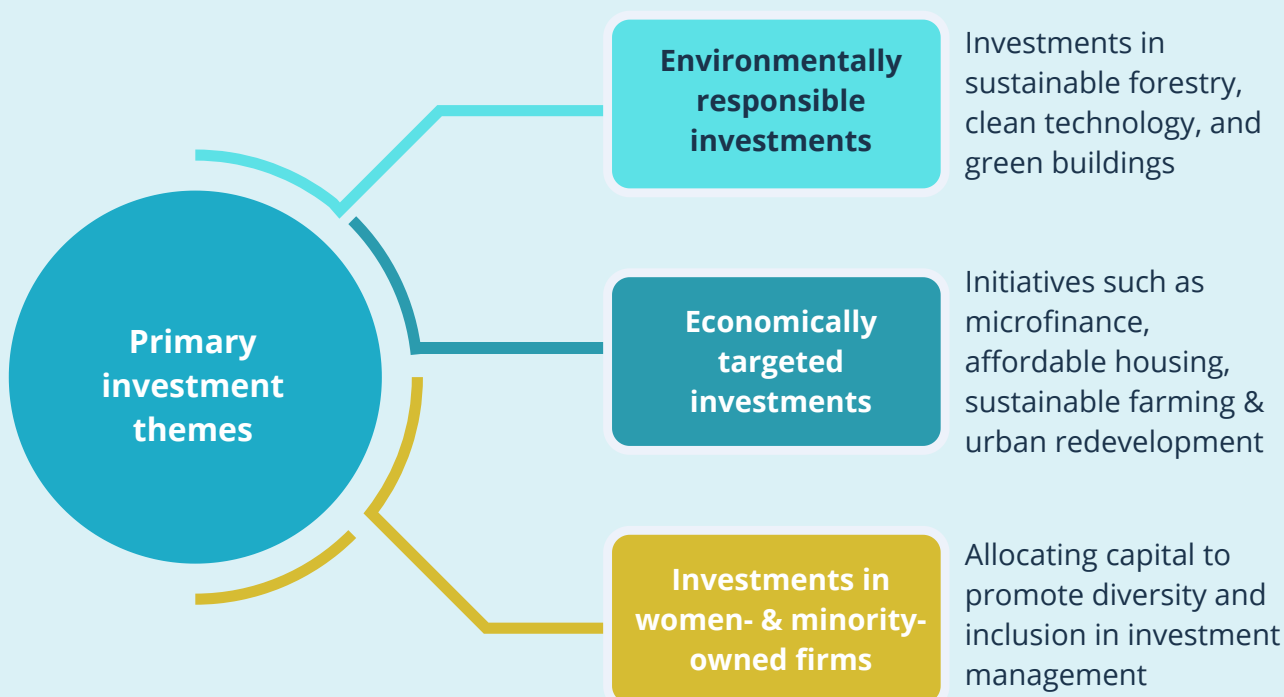
EXAMPLES OF LEADING FCI PROGRAMMES

CASE **Church Pension Fund** **STUDY III** *(Church Pension Group, United States)*

Communicating a faith's investment activities to both internal and external stakeholders is a vital part of building support and ensuring feedback for the continued evolution of a faith's investment portfolio. A good example is the Church Pension Fund (CPF), the sponsor and administrator of retirement, health, and life insurance benefits for clergy and lay employees of The Episcopal Church in the United States. CPF has published multiple videos, interviews, and articles that clearly demonstrate its faith-consistent investing framework, which is carried out using a four-part socially responsible investing strategy.

- **Investing for positive impact:** Proactively seeking out and investing with managers who deliver both strong returns and positive social impact.
- **Shareholder engagement:** Using CPF's position as an institutional investor to address corporate social responsibility of companies in the investment portfolio.
- **ESG incorporation** (ie, ESG integration): Considering material environmental, social, and governance (ESG) issues as part of CPF's investment analysis and review.
- **Thought leadership:** Sharing CPF's experience and industry relationships to catalyse growth and advance best practices in socially responsible investing.

Diving deeper into CPF's impact investment strategy, it focuses on three primary investment themes.



CASE **Church Pension Fund** *continued*
STUDY III *(Church Pension Group, United States)*

Examples of specific impact investments CPF has made include:

- **Wastewater Opportunity Fund:** CPF invested in this fund focused on developing and expanding the use of anaerobic digesters, an ecological process that treats wastewater and produces renewable energy.⁽¹⁷⁾
- **\$20 million in workforce housing:** CPF invested \$20 million in an impact investment fund designed to preserve workforce housing communities nationwide.⁽¹⁸⁾
- **\$30 Million in Environmental Commodities Partners Capital:** In alignment with the Episcopal Church's Resolution 2022-A089, CPF invested in this fund to support renewable energy initiatives.⁽¹⁹⁾

CPF has made it clear that its impact investment strategy aims to achieve competitive risk-adjusted returns while providing positive social and environmental outcomes. The programme is one of four strategies of its FCI framework, which collectively allows CPF to uphold the faith's core values while meeting its fiduciary obligations.

CPF has invested in a fund to preserve workforce housing as part of its impact investment strategy



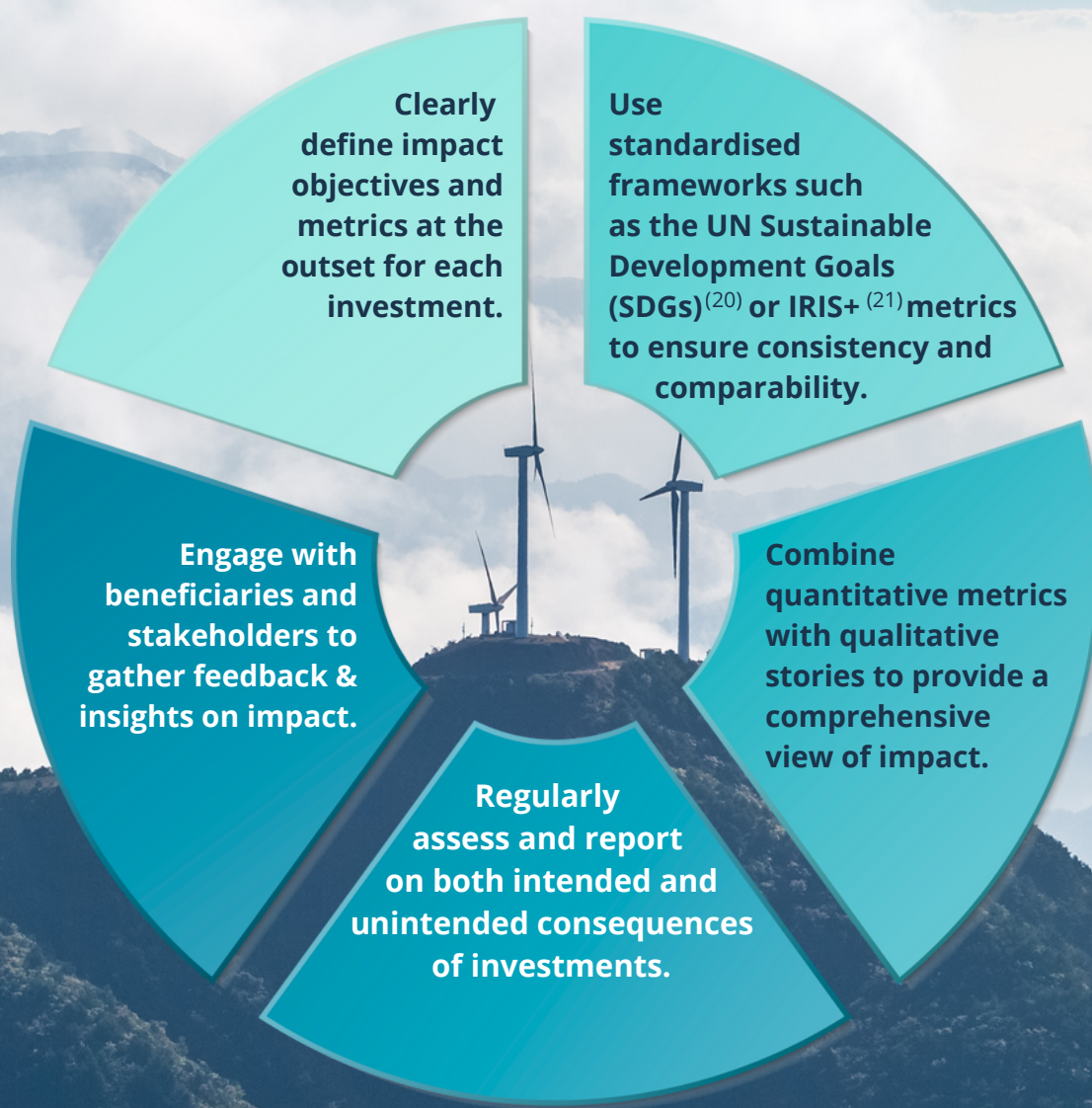
(17) Church Pension Group: www.cpg.org/globalassets/documents/publications/aboutus-executive-spotlight-sri-with-alan-snoddy.pdf

(18) Episcopal News Service: <https://episcopalnewsservice.org/pressreleases/the-church-pension-fund-invests-20-million-in-impact-investment-fund-designed-to-preserve-workforce-housing-communities-nationwide/>

(19) Church Pension Group, *Report to the 81st General Convention*; www.cpg.org/globalassets/documents/publications/report-a089-resolution-church-pension-und-sustainability-2024_english.pdf

Reporting on values-based Investments

An important aspect of communication for FBAOs engaged in FCI is reporting on values-based investments, particularly if the FBAO makes impact investments. This type of reporting goes beyond traditional financial metrics to demonstrate how investments are contributing to positive social or environmental outcomes aligned with the organisation's faith-based values. Best practices for impact reporting include:



(20) UN SDGs: <https://sdgs.un.org/goals>

(21) The GIIN's Iris+ Metrics: <https://iris.thegiin.org/metrics/>

Setting expectations for reporting by external asset managers

If FBAOs are relying on external asset managers to manage their investable assets (or parts thereof), these reporting expectations should likely be part of the asset manager's mandate and responsibility. Key expectations FBAOs should establish prior to selecting a given asset manager include:



- **Regular reporting** on both financial performance and impact metrics
- **Transparency** about investment decisions and their alignment with the FBAO's faith-based criteria
- **Proactive communication** about any potential conflicts with the FBAO's values or investment guidelines
- **Participation in periodic reviews** and discussions about aligning investment strategies with evolving faith-based priorities

Measuring and reporting the environmental and / or social outcomes that result from specific investments is challenging. It requires intentionality by the asset manager and specific processes must be established from the onset of the relationship.

Whether an FBAO is relying on in-house investment teams or its external asset managers to conduct the relevant impact measurements and corresponding reports, there are several third-party service providers that can assist in creating reports at the investment mandate or full portfolio level. While the landscape is constantly evolving, common service providers include:

- **Sustainalytics**: Offers ESG risk ratings and impact metrics for various asset classes.
- **MSCI ESG Research**: Provides ESG ratings, climate risk assessment, and impact reporting tools.
- **Institutional Shareholder Services (ISS)**: Offers ESG screening, ratings, and impact measurement services.
- **Global Impact Investing Network (GIIN)**: Provides the IRIS+ system for measuring, managing, and optimising impact.

By leveraging these best practices and resources, FBAOs can effectively communicate the results and impact of their faith-consistent investing programmes, fostering greater understanding, support, and engagement among all stakeholders.

Regular review and monitoring

Effective faith-consistent investing requires systematic processes for ongoing assessment of both investment performance and values alignment. Regular review and monitoring ensures that investment policies remain current with evolving denominational guidance, that screening criteria are properly implemented, and that the organisation's investments continue to reflect its faith commitments over time.

Essential elements of review and monitoring

Investment policy review cycles: Establish regular intervals (typically annually) for comprehensive policy review, including assessment of exclusion criteria effectiveness, evaluation of positive screening outcomes, and consideration of emerging faith-based investment opportunities. Policy reviews should reflect denominational guidance updates and peer learning from other faith-based investors.

Performance assessment: Evaluate investment outcomes using both financial metrics and faith-alignment measures. This dual assessment helps organisations understand whether their faith-consistent approach is achieving both stewardship and values objectives, and identifies areas for improvement or adjustment.

Issue resolution procedures: Establish clear protocols for addressing situations where investments may conflict with faith values or where compliance issues arise. This includes escalation procedures for complex cases and systematic approaches to corrective action.

Stakeholder feedback integration: Create mechanisms for incorporating input from faith community members, denominational authorities, and other relevant stakeholders into the review process, ensuring that monitoring reflects the broader faith community's perspectives and concerns.



PART III: THE PATH FROM HERE

A force for positive change

Faith-consistent investing is an investment approach that uses faith principles as a guide for identifying and mitigating risks while pursuing opportunities that arise from building a more sustainable and just economy.

Faith organisations collectively hold hundreds of billions of dollars in assets and share fundamental values that transcend denominational boundaries: caring for the poor, pursuing justice, showing mercy, and practicing responsible care of our world.

Unlike many institutional investors constrained by external pressures, faith-based organisations maintain the independence to align their investments with their values.

“ Every dollar aligned with faith values becomes a force for positive change. This combination of values, financial influence, and institutional independence positions faith organisations to lead in shaping a more just, sustainable, and values-driven economy. ”

Every dollar aligned with faith values becomes a force for positive change. This combination of values, financial influence, and institutional independence positions faith organisations to lead in shaping a more just, sustainable, and values-driven economy.

As more faith-based investors strengthen their application of faith-consistent investing principles, they create a potent, transformative, demonstration effect, showing that it's possible – and profitable – to invest in alignment with values of justice, sustainability, and human dignity.

Establishing and maintaining a robust FCI platform, however, can be challenging. It requires establishing proper governance structures, discerning and documenting faith values, integrating those core values into the investment policy and guidelines, determining the appropriate values-based investment approach to utilise, and communicating the resulting framework with internal and external stakeholders.

These actions are foundational, and reviewing and perfecting them should be a recurring exercise. For some readers, these actions will be novel. For those who have done this in the past, we encourage and support a periodic 'integration audit' to ensure maximum pragmatic alignment, as changes over time in the investment industry, technology, data and product availability, faith values, etc, may open new avenues for expressing faith positions in the investment portfolio.

Key action items include:

- 01 Review your faith values and ask if you have fully translated these values into faith positions? Have you prioritised these positions in terms of how important each is relative to what your faith tradition says is important? Document those positions, agree on them among the governing body, and record them. These positions become the foundational elements of FCI and should be reflected in the investment policy, guidelines, and resulting investments.
- 02 Conduct integration audits to assess what proportion of assets truly reflect your faith aspirations, as detailed in the Regular Review and Monitoring section. Examine if grants and philanthropy activities could be extended into investments – such as blended finance structures. Faith values integration and alignment is a journey, and there has been meaningful progress in terms of improved data, additional support from external service providers, and affinity groups who share what they have learned.
- 03 Be aspirational in this work, knowing that it is possible to build the kind of critical mass that incentivises investment consultants and asset managers, and other investment service providers, to provide the kind of data, products, reporting, pricing, etc, needed to meaningfully shift and align capital with faith-values.
- 04 Seek internal buy-in among faith and faith-investment leadership and affiliated organisations and seek out peers and other organisations where you can secure support to deliver a real change in the way in which you invest.
- 05 Advocate, share policies, demonstrate the link from faith values to faith positions to investments. Communicate not only within your organisation, but also to the members, the faithful who look to their faith's institutions for leadership and guidance on how to invest. Communicate with your investment consultant, investment managers and other investment service providers who can help you along this journey.

Remember – FCI is a journey and FaithInvest is here to help. We offer a variety of insights, resources, and services to better equip faith groups in building world class FCI programmes, no matter where they are in their FCI journey. FaithInvest services include:

- Investment Policy & Investment Guideline (IP&G) analysis & assessments
- Customised asset manager due diligence questionnaires
- Scoring of asset managers' adherence to your faith-based IP&G
- Faithful Finance course for those looking for an in-depth exploration of how your faith organisation can become more values-aligned in its investments

Reach out to us at info@faithinvest.org today for additional details.

EXAMPLES OF LEADING FCI PROGRAMMES

CASE **English Sangha Trust**

STUDY IV *A Buddhist approach to faith-consistent investing*

The English Sangha Trust's (EST) journey to authentically align their investments with the faith values, facilitated by its partnership with FaithInvest⁽²²⁾, stands as a leading example of how faith-based institutions can integrate their values into their investment policy and guidelines (IP&G). The EST, a Buddhist nonprofit charity managing monasteries in England, recognised a need to align its investments with its core Buddhist principles.

Facing the evolving needs of their community and a desire to create an Investment Policy and Guidelines (IP&G) statement more aligned with its values, the EST sought guidance from FaithInvest to help it on its journey to greater faith-consistent investing (FCI). This case study highlights the meticulous process of translating deeply held beliefs into tangible investment strategies, demonstrating a deep commitment to FCI.

The EST's Buddhist values are guided by a combination of sources, including the Thai Forest Tradition of Theravada Buddhism, which emphasises reverence for nature, the Noble Eightfold Path, which outlines the path to enlightenment, and the Five Precepts, which offer a practical ethical framework for daily life. With this foundation, ethical investment guidelines were created, reflecting how these principles can be applied to the investment process, and is represented in the chart below.

By actively working with FaithInvest, the EST not only refined its IP&G but also successfully implemented investment strategies that reflected its deeply held values. This case study serves as a model for other faith-based organisations seeking to align their investments with their ethical and spiritual commitments.

(22) English Sangha Trust case study:
www.faithinvest.org/_files/ugd/72b7c5_75e1e9e13cea491b9def709c170e71c0.pdf

CASE **English Sangha Trust** *continued*
STUDY IV *A Buddhist approach to faith-consistent investing*

Applying Buddhist principles to the investment process

Buddhist value	Buddhist document / tradition	Description of the value	Applied Value (Investment Action)
Ahimsa (non-harming)	General Buddhist teaching, found across traditions	The principle of avoiding harm to all living beings, both intentionally and unintentionally.	Exclude companies involved in manufacturing of weapons, tobacco, or alcohol.
Environmental Stewardship	Thai Forest Tradition of Theravada Buddhism (Implied)	Reverence for nature and recognising the interconnectedness of all things.	Prioritise investments in renewable energy companies and sustainable agriculture initiatives.
Right Livelihood	Noble Eightfold Path	Being engaged in an occupation that sustains one's life without violating fundamental moral principles.	Prioritise investments in companies that are ethically managed and follow fair labour practices.
Dāna (generosity)	General Buddhist teaching, found across traditions	The practice of selfless giving and supporting others, both materially and spiritually.	Support Community Development Financial Institutions (CDFIs) that focus on lending to local communities and business development.
Sati (mindfulness)	Noble Eightfold Path	A sustained and active awareness of the present moment, supporting deeper concentration and wisdom.	Diligently assess ethical implications and actively review investments based on a faith-investing analytical framework.

GLOSSARY OF TERMS

- **Applied values:** The translation of a faith's core values into specific activities to avoid and/or pursue in an investment context. These serve as the bridge between theological principles and practical investment decisions.
- **Asset class:** A group of financial instruments that exhibit similar characteristics, behave similarly in the marketplace, and are subject to the same laws and regulations. Common asset classes include: equities (stocks), fixed income (bonds), cash, real assets, and alternative investments (ie private equity, hedge funds, etc.). Asset classes are used in portfolio construction to diversify investments and manage risk-return trade-offs.
- **Asset manager:** A professional investment management company or individual that makes investment decisions and manages investment portfolios on behalf of asset owners, such as faith-based institutions.
- **Benchmark:** A standard or point of reference (such as a market index) against which the performance of an investment portfolio or strategy can be measured and compared.
- **Blended finance:** A financing approach that combines philanthropic or concessional funding with commercial investment to leverage additional capital for social and environmental outcomes while providing financial returns.
- **Concessionary returns:** Below-market financial returns that investors may accept in exchange for achieving significant social or environmental impact through their investments.
- **Core values:** Enduring principles grounded in sacred texts and teachings that form the fundamental beliefs of a faith tradition (eg, justice, compassion, stewardship).
- **Corporate engagement:** Direct interaction between investors and company management / boards to discuss important issues and influence corporate practices through dialogue, letters, and collaborative statements.
- **ESG integration:** The explicit and systematic inclusion of financially material environmental, social, and governance (ESG) factors in investment analysis and investment decisions.
- **Faith-based asset owner (FBAO):** An institutional investor that operates under the guidance of religious principles and manages assets on behalf of faith communities, including pension funds, endowments, foundations, and other investment vehicles.
- **Faith-consistent investing (FCI):** Intentionally aligning assets that are available to invest with what a faith community wants to achieve. This is done by integrating faith beliefs, teachings and values into foundational investment governance documents and processes, which roots investment decisions and translates faith values into actional investment language
- **Fiduciary duty:** The legal and ethical obligation to act in the best interests of beneficiaries when managing their assets, balancing financial returns with other stated objectives.
- **Investment committee:** A governance body established by an organisation's board to oversee investment decisions, typically composed of members with financial expertise and knowledge of the organisation's values and mission.
- **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.
- **Impact investing:** Investments made with the intention to generate positive, measurable environmental and / or social impact alongside financial returns.
- **Investment mandate:** Refers to an investment in a specific investment fund or vehicle managed by an external asset manager.

GLOSSARY OF TERMS *continued*

- **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. The investment policy serves as the foundational document that guides all investment decisions and should reflect the organisation's mission and values.
- **Investment stewardship:** The responsible management and oversight of investments by asset owners and asset managers to promote the long-term value and sustainability of companies and the broader economy.
- **Market-rate returns:** Financial returns that are competitive with prevailing market standards for similar risk levels, demonstrating that impact and competitive returns can coexist.
- **Materiality:** In ESG context, refers to environmental, social, or governance factors that could significantly impact a company's financial performance or long-term value creation.
- **Negative screening:** An investment approach that excludes certain sectors, companies, or practices from a portfolio based on specific environmental, social, governance, or ethical criteria.
- **Outcome-driven investing:** Investment strategies that pursue companies or issuers offering solutions to critical environmental or social challenges, including both thematic and impact investments.
- **Positive screening:** An investment approach that actively seeks to include or overweight companies, sectors, or practices that align with an investor's values or demonstrate strong performance on specific criteria.
- **Proxy voting:** The exercise of shareholder voting rights on corporate ballots to influence company decisions on issues like board elections, executive compensation, and shareholder proposals.
- **Revenue threshold:** a specific percentage of company revenue derived from particular activities, used to determine eligibility for inclusion or exclusion in values-based investment strategies.
- **Risk-adjusted returns:** Investment returns that account for the level of risk taken to achieve those returns, allowing for more meaningful performance comparisons between different investments or strategies.
- **Shareholder resolution:** A proposal submitted by shareholders for a vote at a company's annual meeting, typically addressing governance, environmental, or social issues.
- **Systemic risk:** Risks that affect entire economic systems or markets, such as climate change, inequality, or governance failures, which faith-consistent investors often seek to address.
- **Thematic investment strategies:** Investment approaches that target companies or activities addressing specific sustainability challenges (such as climate change or financial inclusion) without necessarily seeking to generate measurable impact.
- **Values-based investing:** An umbrella term that refers to investment approaches that align an investor's portfolio with their personal, ethical, moral, or religious beliefs. It involves selecting or excluding investments based on how well they reflect the investor's core values – such as social justice, environmental stewardship, human rights, or faith principles – alongside financial objectives. There are multiple investment approaches within values-based investing, including screening, thematic, and impact investment approaches.

The background of the top half of the page is a photograph of a coastal landscape. It shows a suspension bridge crossing a narrow channel of water between two rocky, grassy cliffs. The sea is visible in the background under a soft, hazy sky.

Helping faiths to invest
in line with their values
~ for people and planet

FaithInvest is an international, not-for-profit network for religious groups and faith-based institutional investors. Our aim is to grow the scale and impact of faith-consistent, values-driven investing worldwide for the benefit of people and planet. We work with all faith groups to help them align their investments with their values.

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