



**LAUDATO SI'  
MOVEMENT**  
Catholics for Our Common Home

# Guide to Sustainable Investment

Dioceses



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## INTRODUCTION

***“The earth’s resources are also being plundered because of short-sighted approaches to the economy, commerce and production.” (Laudato Si’, 32)***

This guide is designed to support those Dioceses seeking to reflect on Pope Francis’ *Laudato Si’* encyclical letter and its implications for how to steward financial resources. A reflection about how investment choices can have an impact on sustainability will lead to a step-by-step approach suggested for Dioceses to start a transition to sustainable investments.

As people of faith who are called upon to serve the common good, we must ask what guidance the tenets of our faith offer as we work together to build a livable future in the face of the ecological crisis. Catholic Social Teaching (CST) can help us discern how to justly respond to the moral and ethical problems of our time, with due concern for the poorest and future generations.

This guide is composed of three sections:

1. See
2. Discern
3. Act

The first section will help you identify where you are investing. The second section will help you discern whether your investments align with your values. Finally, the third section will help you take action.

***It is important to note that this guide is for educational purposes only. It does not constitute or intend to constitute investment advice or any investment service and is not a substitute for professional investment advice. Laudato Si’ Movement and its partners, members, and affiliates do not endorse or recommend any particular investment product and are not responsible for actions taken by investors. All investments carry some form of risk, and you should consult with an appropriate professional for specific advice that suits your particular needs and/or verify the accuracy of the information provided herein before making an investment decision.***

## SEE

As people of faith and stewards of financial resources, we are invited to invest in a manner that responds to the needs of our time. Understanding those needs requires seeing the economy itself through the lens of integral ecology. Very often, when we make investments, we participate in the financial market without paying attention to the whole picture, especially our mission as agents of faith.

The way we choose to distribute our resources will have an effect on the environment and its preservation for generations to come. Our economic behavior stands as a reflection of our willingness to fight the ecological crisis we are facing. In *Laudato Si'*, Pope Francis offers a whole picture view, which calls us to step back and reflect the loving gaze of the Creator.

Our faith values and subsequent actions must:

1. Align with the protection of all forms of life.
2. Signify a long-term commitment to help create a world that will help not only to preserve the environment, but also help respond to the needs of the poor and vulnerable.

The concept of integral ecology, beautifully described in *Laudato Si'*, invites us to see the deep relationships and interconnections between the economic, social, environmental, and financial factors that contribute to the difficult realities confronting us today.

As stewards of capital, the culture and values that lead our investment decisions shape a financial market that influences the economic system. By drawing our attention to how we choose to invest, we can begin to see more clearly the role we play in either being a part of the problem or a part of the solution that is at the heart of *Laudato Si'*.

We may see the ways many conventional approaches lead to investments in the extractive industry — businesses that remove metals, minerals, and aggregates from the earth. These financial practices not only take more than we give to the environment, but they also encourage the use of fossil fuels, increasing greenhouse gas emissions, pollution, contamination, deforestation, and resource degradation.

Church teaching is clear on the imperative to support ethical industries. For instance, the Holy See's Interdicasterial Working Group on Integral Ecology's [guidebook on ethical investments](#) encourages us to take care “not to support companies that harm human or social ecology (for example, through abortion or the arms trade), or environmental ecology (for example, through the use of fossil fuels).”

As investors, we have a responsibility to manage resources prudently, aligning our investment practices with the tenets of our faith and CST in order to shape a more just economy.

## Reflection Questions

- How has your Diocese committed to following Catholic Social Teaching? Are there any bishops' statements, Diocesan reports, or other documents that make explicit your commitment to Catholic Social Teaching?
- What industries are contrary to Catholic Social Teaching?
- How can your choice of investment(s) avoid harm to creation and the poor?
- How would moving to sustainable investing encourage members of the Diocese that it cares for all creation, especially the young and most vulnerable?

## DISCERN

***“Decisions which may seem purely instrumental are in reality decisions about the kind of society we want to build.”  
(Laudato Si’, 107)***

Within the *Laudato Si’* framework, we cannot isolate economic activity and its motives from our shared well-being. Investors seeking to embody the invitation and ethic of *Laudato Si’* must build investment portfolios that both reflect our faith tenets as well as positively contribute to a more just integral ecology.

On the other hand, we must avoid investments that have a significant negative impact on sustainable development or that are incompatible with our faith values.

Sustainable investing invites us to be in the right relationship with our brothers and sisters around the world and with all of creation.

Adopting an integral ecology worldview calls us into a profound re-evaluation of our investment activities. *Laudato Si’* invites us into a conversion to stop that which causes harm and to participate in a just transition toward an ecologically just future.

Meeting with your financial advisor or portfolio manager to ask specific questions about your current investments could be helpful. You might ask questions like these:

- What are the environmental, social, and governance (ESG) policies and processes used by the companies we currently invest in? Are those criteria in writing?
- Has the company published an environmental policy?
- Do we currently invest in fossil fuel exploration, extraction, processing, refining, or distribution?
- Do our current investments support renewable energy or any other industries that would promote the development of a sustainable future?
- Feel free to include questions about any policies that are important to you.

After learning more about your current investments, discern what type of investments you'd ideally like to make. There's no single standard for sustainable investing. Defining the issues that are important to the Diocese is a good place to start.

For instance, you might choose investments that support:

- Social profitability. More than simply avoiding the activities that violate Catholic Social Teaching, your investments could support activities that have social and environmental added value.
- Transparency. Sustainable companies are expected to be transparent in their operations, particularly in productivity scores for carbon, energy, water and other environmental performance indicators. Transparency allows clients to ensure their investments are consistent with their values.
- Fairness and long-term vision. Sustainable companies must be economically viable, but they generally do not distribute large profits to shareholders. They tend to limit executive pay and employee pay differentials.

As part of your discernment process, you might encounter a few challenges along the journey to finding a sustainable company that is in line with your faith values and worthy of your investment. Anticipating these challenges will make managing them easier.

- Limited information: Generally, the more environmental, social, and governance related information a company publicly discloses, the higher the ESG score it can earn. Certain companies may not offer publicly available data on these performance indicators.
- Limited options: In some regions, there may be a limited number of sustainable companies to choose from, which might make it hard to find one that aligns with your School's values and needs.
- Comparing options: It may be difficult to know whether one company is significantly better than another in terms of social and environmental impact.
- Resistance to change: There may be resistance to change within your Diocese as switching investments and/or choosing the right company to invest in can be a time-consuming process.

The signs of the times suggest that your Diocese is called to embrace Ecological Economics. Discerning whether and how you are called to take action is the task now before you.

### Reflection questions

- What investments does our Diocese currently hold?
- Is our Diocese using any environmental, social, or governance criteria to make decisions about its investments?
- How do our investments and policies align with our values?
- What are the other types of actions in Ecological Economics that we could take right now? *You might consider divesting from unsustainable industries or moving to a sustainable bank.*
- Would those actions be more or less impactful than changing our investment portfolio? *To answer this question, you may wish to think about the amount of money that is involved in each, the extent to which each helps or harms Catholic Social Teaching, and any guiding documents from your Diocese.*
- Do we want to move forward with sustainable investing?

# ACT

*“The principle of the maximization of profits, frequently isolated from other considerations, reflects a misunderstanding of the very concept of the economy.” (Laudato Sí, 195)*

If your Diocese makes the decision to move to sustainable investing, it should take action. These steps are suggested as a way to move through the process.

1. **Establish a committee**
2. **Define your scope**
3. **Define your needs**
4. **Find the right company to invest in**
5. **Make a final decision**
6. **Celebrate**
7. **Monitor for the long term**

## Establish a committee

A good starting point is to identify the leader(s) in your Diocese who contribute to financial decisions. A green Diocesan ministry or care for creation ministry, investment committees, finance office, and/or councils established for decision making might contribute to financial decisions. Even if the department in which you are located is the one that approves financial decisions, it would be worthwhile to identify others who contribute to values-based decisions.

## Define your scope

Will you choose companies based on its environmental, social, and governance policies and processes alone?

Or will you evaluate further down the value chain of each company in order to exclude any that are involved in activities deemed unethical or that are contrary to your faith values? Some investment managers only examine revenue or activities directly within the companies, while others broaden their scope to also assess the company for the excluded activity in its supply chain, or in the use of its products.

## Define your needs

What are the target positive environmental and social outcomes you expect from your investments? What are the market rate financial returns you are hoping to achieve?

Find out whether any limitations or requirements regarding investments are stated by your financial policies. For example, your policies might require you to do the following:

- Assess the degree of risk of each investment.

- Seek disclosures about the performance of the companies you invest in. You may want to keep in mind that some companies are more transparent than others in their operations, particularly in productivity scores for carbon, energy, water and other environmental performance indicators.
- Invest in companies in multiple locations, especially if the Diocese is spread out geographically.

### Find the right company to invest in

Create a list of companies whose ESG policies and processes align with your faith values.

Email or call those companies or search their websites to learn more about how their values are aligned with those of your Diocese. You might want to use this checklist to create profiles of companies for easy comparison.

- An overall summary of the company, including years in business, mission, and assets
- The company's ESG policies and processes
- The company's external ratings and disclosure statements
- Does the company have any exclusionary policies that limit its activities in unsustainable industries, such as the extractive industry?
- Does the company have any social profitability policies that encourage its activities in sustainable industries?
- What are the company's policies on transparency, such as providing a complete view of its environmental, social, and governance policies and processes?
- How does the company handle fairness and long-term vision? How much are shareholders generally paid? What is the differential between executive pay and the pay of others?

Compare companies and choose the companies that best fit your needs.

### Make a final decision

In a typical process, the committee would make a formal recommendation to the finance office, which would then submit a proposal to the Bishop for his final approval.

### Celebrate

The decision should be celebrated via the communications channels of the Diocese and included in the School's Laudato Si' Plan on the [Laudato Si' Action Platform](#).

### Monitor for the long term

If possible, the committee should communicate its ongoing interest in the companies the Diocese invests in at key moments, such as the annual review of the Diocese's Laudato Si' Plan.

If the company publishes reports on how its activities are protecting our common home, the committee should share them with the Diocese's communications office, which may in turn wish to publish updates about the School's overall efforts on ecological economics.

## ADDITIONAL RESOURCES:

[The Dicastery for Promoting Integral Human Development](#) offers a wealth and depth of guidance and teaching on integral ecology, including information about [Laudato Si'](#).

[The Laudato Si' Action Platform](#) offers a library of inspiring [Laudato Si' Plans](#) and personalized tools to [create your own plan and take action](#).

[FaithInvest](#) supports faith groups to invest in line with their values, for the benefit of people and planet. It offers resources, insights and case studies on its dedicated [Living Laudato Si' resource hub](#).

[Laudato Si' Movement](#) offers resources to move to sustainable banking.

