FAITHINVEST

Theory of Change

IMPACT

Poverty, climate risk and environmental degradation are reduced globally through the increase in faith-consistent, values-based investing.

OUTCOME

Improved contribution by the faiths, the biggest organised sector of civil society, to deliver solutions to address sustainable development, climate change and environmental degradation

INTERMEDIATE OUCOMES (b)

- Faith groups and the wider community of faith laity are committed values-driven, faith-consistent investors, driving social and environmental change
- Significant increase in the amount of faith-consistent investing, leading to greater support for climate mitigation, sustainable development and eco initiatives

INTERMEDIATE OUTCOMES (a)

- FaithInvest plays a leading role in building the **global movement** on faith-consistent investing
- Faiths become a significant global force in values-driven investing for the benefit of people and planet
- FaithInvest is the leading global, multi-faith association promoting faith-consistent investing

OUTPUTS

- Faiths develop their own faith-consistent investment guidelines and increase their skills and capacity around faith-consistent investing
- Faiths increase their understanding of impact investing and shift a greater proportion of assets into faith-aligned investments
- FaithInvest is a key repository of religious knowledge and the 'go to' organisation for bodies wishing to engage with faith-based asset owners

INPUTS

- Promote faith-consistent investing (FCI) among faith groups and the finance industry
- Support faith groups to develop faith-consistent investment (FCI) policies & guides
- Create partnerships and promote dialogue to build a broad-based FCI Movement
- Create an online platform and spaces to learn and share best practices around FCI challenges
- Provide training, resources, one-on-one services and targeted support to faith groups
- Expand our knowledge capital through research and data on faith-based investing

FAITHINVEST STRATEGY

INCREASE AWARENESS ⟷ BUILD SKILLS & CAPACITY ⟷ GENERATE OPPORTUNITIES

ISSUE

The faiths have billions of dollars of funds in investments and should be a natural powerhouse for socially responsible and impact investing that supports sustainable development and environmental goals. Yet many faiths are not aware of the potential impact of their investments and have not clearly defined what they want to invest in, in order to achieve a positive impact on the world.

See over for context, assumptions, evidence and enablers.

Context

- Faith groups have billions of dollars invested on the global stock markets. Eg, Church of England's Church Commissioners: £9.2bn, Church Pension > £3bn; United Methodist Church in the US: $28bn; Vatican Bank EUR5bn managed assets.
- The true scale of faith investments is opaque. The first external survey of the level and nature of faith finances worldwide was carried out by Citigroup in partnership with ARC in 2002: it estimated 10-15% of the US stock market (2.5% to 7.5% of the world markets) was owned by faiths (2016 Faith in Finance paper)[1].
- The major faiths have long had a tradition of what they will not invest in based upon core values. Eg, Islam and Daoism generally ban usury; the Quakers will not support anything to do with warfare; Jainism has a strict principle of ahimsa or non-violence.
- Faiths vary enormously in terms of the size and sophistication of their investment activities. However, there is growing interest in faith-consistent investing (FCI).
- In recent years the faiths' investing power has been used in a number of ways, including disinvestment, pro-active ethical investment and impact investing.
- While many faith groups have adopted negative screening policies (what they *won't* invest in), few have clearly defined positive screening policies (what they *will* invest in).
- The size of the worldwide impact investing market is $1.164 trillion[2], double the $502 billion in 2019, according to the Global Impact Investing Network (GIIN). This is still a tiny percentage of the +$100 trillion is invested in publicly-listed equities.[3]
- At least US$2.5 trillion per year was estimated by the UN in 2019 to be needed by 2030 to achieve the Sustainable Development Goals.[4]

Assumptions

- Faith groups should be a natural powerhouse for values-based investing that contributes to environmental, social and governance or socially responsible investing and supports the aims of the Sustainable Development Goals.
- The values espoused by most faith groups are aligned with the aims of most of the Sustainable Development Goals (eg, end poverty and hunger, care for the sick, protect the earth, etc).
- Once engaged to consider values-based investing, faith groups would want to use their investments to make a positive impact upon the world.
- Engaging faith leaders and faith fund managers on faith-consistent investing will increase the proportion of funds allocated to values-based investments.
- Increasing the proportion of funds invested according to faith-consistent investing principles will encourage the wider constituency of the laity – whose investments, collectively, are likely to dwarf those of faith groups – to demand that more of their own assets are allocated to values-driven funds.
- And it will also stimulate demand for more environmental and socially responsible investing, resulting in an increased number of initiatives that both reduce their negative impacts on people and planet and actively seek to benefit people and planet.
- Increasing the amount of environmental and socially responsible investing will support the aims of the SDGs and thus contribute to global poverty reduction, climate change mitigation, social development and environmental protection.

Evidence

- Faith groups have billions of dollars invested on the global stock market. Eg, the Church of England Investment Fund manages funds in excess of £8 billion.
- Faiths have been powerful exercisers of shareholder resolutions on ethical and moral issues. Examples include the anti-apartheid movement in the 1970s and 1980s and, more recently, the Fossil Fuel Disinvest movement.
- Within the financial world, the potential of the faiths has long been understood by organisations such as the Interfaith Center on Corporate Responsibility (ICCR) in New York, which pioneered social shareholder engagement by the faiths.
- In February 2020, the Church of England's Pensions Board launched the FTSE TPI Climate Transition Index which tracks whether companies align to 2DC or below 2DC/Net Zero, transferring ¬£600m of its assets into it.[5]
- The recovery of traditional Daoist practices such as the ban on usury and the role of Daoist laity in values-driven investing has emerged in the last 10 years.
- Islamic banking offers a vast array of possibilities for faith-consistent investing; in recent years there has been a rise in the use of waqf for social entrepreneurship.
- In other scenarios, faith-based institutions and organisations have acted as powerful messengers, changing long-held attitudes and behaviours (e.g. HIV/Aids, Ebola) [6, 7].

Enablers

- FaithInvest was launched following a landmark meeting of 50 faith traditions, investment houses, foundations and the UN in Zug, Switzerland, in 2017, when participants unanimously agreed that a new organisation was needed to grow faith-consistent investing.
- Our strong relationships with faith groups, extensive knowledge capital about faiths and long history of engaging faiths on both the environment and finance via our parent organisation, the Alliance of Religions and Conservation (ARC), makes us well placed to lead this initiative.
- The Zug Guidelines, published at the Zug meeting, outline the investment priorities for dozens of traditions from eight of the world's major faiths – Buddhism, Christianity, Daoism, Hinduism, Islam, Judaism, Sikhism and Shintoism – and helped to fuel an unprecedented interest in faith-aligned investing.[8]
- The growth in the Fossil Fuel Divestment movement has been driven as much by faith laity and secular groups as by faith leadership, signalling the huge growth in interest in values-based investing in recent years.
- Studies show increased interest in ESG investing (which includes environmental, social and governance factors), not only among millennials but across generations, with 72% of adults in the US expressing some interest in sustainable investing[9].

[1] Faith in Finance; [2] The GIIN, 2022; [3] Impact Alpha, 2022; [4] UN press release; [5] Church of England (2020); [6] PEPFAR Consultation (2012); [7] Keeping the Faith, 2015; [8] Zug Guidelines ; [9] Morningstar.com, 2019