

# How faith shapes ethical investing

By Quintin Rayer & Marian Pallister | May 30, 2019



Investors choose to invest ethically for a range of reasons. Backgrounds can form a part, perhaps individuals want to “give something back” or are concerned about social or environmental issues. For many, their moral framework is set by religious beliefs. This article explores common ground between faith-based and secular motivations for sustainable investing.

## How faith-based investing differs from other motivations

Faith-based ethical investing is motivated by moral tenets based on a body of religious thought that has been developed over many years, centuries or even millennia. Pope John Paul wrote that the “decision to invest in one place rather than another, in one productive sector rather than another, is always a moral and cultural choice” [1].

Comparing faith-based versus secular motivations, investors may decide to invest sustainably by different routes. Secular scientific thought has concluded that sustainable investing is necessary to preserve global climate [2], [3], protect ecosystems and the long-term viability of species, societies and livelihoods. Based on the religious principle of humankind’s divinely appointed role of stewardship for the

earth, and of care for fellow-people; faith-based investors also conclude the necessity of sustainable investing.

From a Catholic perspective, Pope Francis suggested that it is a “false notion that an infinite quantity of energy and resources are available, that it is possible to renew them quickly” when acknowledging the climate crisis [4]. In contrast, financially motivated investors may use sustainability to identify long-term risks that they believe financial markets have not adequately responded to.

## **Fossil matters**

Consider fossil divestment [5], [6], [7]:

- » Faith-based investors may feel that carbon emissions generate unacceptable climate damage as a matter of stewardship.
- » For secular investors, fossil divestment may help address unacceptable global warming.
- » Financially motivated investors may feel that fossil firms’ valuations reflect fossil reserves that they will be unable to exploit due to climate concerns, making them over-valued.

For different reasons, all these investors might feel they should avoid fossil companies. They have different motivations but share a collective community across both secular and faith-based backgrounds. While the UNFCCC (UN Framework Convention on Climate Change) backed fossil divestment in 2015 [8], in a 2018 address to oil and gas company executives, Pope Francis discussed the energy transition, noting that there should be a systematic reduction in fossil fuel use and raising concerns over the continued search for new fossil fuel reserves [9].

## **Where faiths agree**

Many faiths share similarities in their teaching. Care for others, supporting the weak, and respect for the environment, for example. Popes John Paul II and Benedict both spoke of the Christian requirement to “tend the garden” and protect the poorest. Caring for creation is one of the seven tenants of Catholic Social Teaching [4]. Many principles are encapsulated in the ‘golden rule’ of “do as you would be done by”.

Religions often share prohibitions, such as bans on alcohol, tobacco and recreational drugs. The principle of “not harming your neighbour” identifies areas such as arms, and not selling alcohol or tobacco in business.

The recent controversy surrounding the thanksgiving to mark 50 years of the UK’s nuclear deterrent is a specific example of faith teaching on armaments, with many Anglican, Catholic and Church of Scotland clergy expressing disapproval [10], [11]. In 1963 Pope John XXIII stated unequivocally that nuclear weapons must be banned [12]. Later statements by Scottish Bishops in 1982 [12] and Pope Francis in 2017 [13] clarified that even possession of nuclear weapons was immoral.

Several religions, either historically or currently have included bans on the practice of lending money for interest. This is prohibited in Islamic finance and historically in medieval Christian tradition.

A conservative evangelical approach to ethical investing has arisen in the US, called “biblically responsible investing” (BRI). BRI has included policies on abortion, pornography, human rights, bioethics and the abuse of the poor [14]. Some commentators have observed their conservative adherence to biblical values can run counter to some present day socially accepted values [15].

## **The development of Faith in Finance movement**

In 2017, the faith leaders’ Zug conference in Switzerland, sought to address challenges and opportunities presented by the UN Sustainable Development Goals [16].

Delegates represented more than 30 different faiths, with trillions of dollars in assets, United Nations figures and leading impact investment funds. The organisers believed it should enable faith groups to share information and resources to put their investments into initiatives to help create a better world for all. Promoting a proactive policy, ensuring that faith investments have a positive “faith-consistent” impact. Aiming to make money work for good, while still generating the returns they need to fund activities.

## **How this helps advisers**

Many ethical and sustainable investors are motivated by their faith when making investment decisions. By being sensitive to these motivations, advisers and wealth managers can better support their clients’ requirements.

Clients increasingly wish to invest ethically; the Investment Association reports £17.0 billion assets in the UK ethical funds sector in March 2019, a yearly increase of £1.7

billion [17]. Advisers need to know how to best help clients by selecting the most appropriate ethical funds and accessing the skills of wealth managers who can support them in this crucial area.

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This article was created for the DISCUS website by Dr Quintin Rayer, Head of Research and Ethical Investing at P1 Investment Management and Marian Pallister, Vice chair, Justice & Peace Scotland and also published on the [DISCUS website](#).



This article may be cited as: Q G Rayer and M Pallister (2019), How faith shapes ethical investing, DISCUS, available at <http://discus.org.uk/how-faith-shapes-ethical-investing/>, 5 pages, 30 May 2019.