



Blog

Faith-based Investing

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This week in our blog, Dr Quintin Rayer, reflects on why people choose ethical finance.

Introduction

A range of reasons leads investors to invest ethically. 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.

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”.

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, 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.

Financially motivated investors may use sustainability to identify long-term risks that they believe financial markets have not adequately responded to.

Consider fossil divestment:

- Faith-based investors may feel that carbon emissions generate unacceptable climate damage as part of their stewardship role.
- 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, making them over-valued.

For different reasons, all these investors might feel they should avoid fossil companies. They have different motivations but share a common community across both secular and faith-based backgrounds.

Elements of agreement between faiths

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. 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.

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.

The development of the 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.

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.

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