

A guide to 'Good Money'...

Faith groups



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Values driven investment for the faith investor

What is values driven investment and how does it work?

Most faith-based investments (no matter the religion) avoid investments in companies that produce 'sinful' goods. The degree depends on the religious principles involved, and even within faiths there are differences of view. Issues today's faith-based investors increasingly focus on include child labour, stakeholder rights and resource depletion.

It can be a challenge to understand some of the terms used in the investment world but they are important to know because they describe how your fund manager will invest on your behalf. Here are some useful ones:

Ethical Investing and screening filters investment through a set of ethical principles. It may simply exclude the bad, or actively seek to include companies meeting the defined criteria.

Socially Responsible Investing, sustainable investment, responsible investment. These approaches to investment consider environmental, social and governance factors to better manage risk and generate sustainable, long-term returns. Ethical factors may be included where there is a financial risk. For example, public hostility to firms with aggressive tax plans may impact their sales and, ultimately, shareprice.

Impact Investing refers to investments made into companies, organisations, projects and funds to generate measurable, positive social or environmental impact alongside a financial return. This type of investing is still in development but growing fast.

Engagement is when investment firms pressure companies to establish transparent policies and activity to improve business practices.

UK leading the way for Islamic Finance...

- The UK is the leading western centre for Islamic Finance.
- Nearly twice as many firms offer Islamic finance services in the UK than in the US. Assets of UK based institutions that offer Islamic finance services totalled some \$4.5bn at the end of 2014.

- Islamic finance plays a significant role in infrastructure development in the UK. This includes development finance for The Shard, Battersea Power Station regeneration, London Gateway, the Olympic Village and the redevelopment of Chelsea Barracks.
- The UK was the first Western nation to issue a sovereign Islamic bond- an Islamic gilt.

Some ethical investment issues to discuss...

GM food
Labour standards
Alcohol
Cluster munitions and other weapons

Discrimination on grounds of race, gender or sexual orientation
Corporate tax policies
Pornography

Next steps...

- 1) Make a list of items that you do not want to support through your investment financing, e.g. sweatshop labour, weapons manufacturing, tobacco
- 2) Ask your investment manager or fund provider whether they invest in those areas and discuss any concerns which arise
- 3) If necessary research other funds or investment vehicles that do not contradict your beliefs
- 4) Transparency is key. In order to better understand what your money is invested in, both financial institutions and corporates need to be fully transparent about business practices and pushing for this is important

And join UKSIF...

UKSIF welcomes institutional asset owners as affiliate members. You would join a group of faith and charity owners who we work with to promote responsible investment. **Visit the Good Money Week website 'Churches' pages for more.**