

Churches and Ethical Investments

From Declarations to Transparent and Sustainable Investments

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1. Introduction: Faith and Economy

Faith and economy are inseparably linked. The Christian God is creator and liberator of the whole creation and therefore "CEO" of all spheres of life. Christians respond to God's call to become his friends and stewards by their faith which includes a faith-ful behaviour in all spheres of life, including the personal, professional, political, cultural and economic sector. Investment activities and Socially Responsible Investments are part of it.

Transparency is our theme today. In order to make my relation to issues of Socially Responsible Investments (SRI) transparent, I mention some activities: I lead the Institute for Theology and Ethics of the Swiss protestant churches which – among many issues - deals with economic ethics and investment issues of churches. I teach economic ethics at the university. As president of ECLOF International (the Ecumenical Church Loan Fund) I'm involved in microfinance. ECLOF and Oikocredit are closely related by a partnership agreement. In a private capacity I'm a member of the board of experts (4 experts) of the SRI funds of UBS (with a volume of 964 million CHF, most probably one of the biggest SRI assets in the world). Bread for all, the Swiss Catholic Lenten fund, the Institute and Justitia et Pax Switzerland published during a national campaign in 2001 a guide for parishes on ethical investments¹.

2. Declarations of churches

Churches and ecumenical organisations and conferences since many years call churches and commit themselves to support ethical investments:

The Eight General Assembly of the WCC in Harare in 1998 made the recommendation to examine the use of land, labour force and capital, "e.g. regarding the ethical investments of pension funds"². The 24th General Assembly of the World Alliance of Reformed Churches in Accra in 2004 was more specific and called its member churches "to increase the ethical investments to at least 20% of their investments within four years and to support ecumenical micro-credit programs"³. The AGAPE Call in preparation of

¹ Verantwortlich Geld anlegen. Ein Leitfaden für Kirchengemeinden und Privatpersonen, ed. by Institut für Sozialethik, Justitia et Pax, Brot für alle, Fastenopfer, Bern 2000. Available also in french.

² Recommendation of the Assembly about globalisation, point 6. German Edition: Gemeinsam auf dem Weg. Offizieller Bericht zur Achten Vollversammlung des Ökumenischen Rates der Kirchen Harare 1998, Frankfurt a. M. 1999, p.354.

³ World Alliance of Reformed Churches WARC: 24th General Assembly in Accra 2004, Report of the Public Issues Committee, Economic and Environmental Justice, point 1.3. See: http://warc.jalb.de/warcajsp/news_file/doc-202-1.pdf.

the Ninth General Assembly of the WCC in Porto Alegre in 2006 proposes (not specifically to churches): "Investments should be redirected towards businesses that respect social and ecological justice, or in banks and institutions that do not engage in speculation, nor encourage tax evasion."⁴ The AGAPE Background document of the WCC includes a chapter on ethical investments⁵. The Conference of European Churches CEC, in a new position paper "European churches living their faith in the context of globalisation"⁶ does not directly address ethical investments but calls for "reorientation and regulation of the capital market" which includes ethical investments. The Federation of Swiss Protestant Churches FSPC in its new position paper "Globalance"⁷ recommends to the Swiss parishes to implement the recommendation of WARC in Accra (see above). FSPC together with the Swiss Bishops Conference called for ethical investments also in a common "Word of the Churches" in 2001.⁸

3. Different financial contexts of Churches

The financial situation of churches in Europe and their relation to economic and political institutions and powers are very different. Some churches are very poor and have almost nothing to invest. Others are very wealthy and see a huge responsibility for ethical criteria and models of investments. Others are wealthy but not in form of capital available, but of land, buildings and other properties with their own challenges for ethical management. In some countries churches are very much independent from the state and manage e.g. their pension funds in their own way (especially in the Anglo-Saxon world), others are closely linked to governmental structures and depend on their policies (e.g. in Switzerland most of the churches have not their proper pension funds but are members of the state pension fund).

Each church is called to identify its own space of influence and its strategy for transformation, on the basis of the WCC-theme for Porto Alegre: "God, in your grace, transform the world". The reality nevertheless is that we as churches are very creative in producing many declarations but much less effective in their implementation. Partners in the private sector sometimes become impatient when they see how much we in the churches talk and how little we really invest in SRI!

4. SRI developments in Europe and worldwide

The economic and political context of the discussion about the role of churches in SRI still shows growing interest in and acceptance of SRI. At the same time it remains a relatively small percentage of the overall investments. The performance of SRI funds during the last years in average was close to mainstream benchmarks such as MSCI world, sometimes slightly higher, sometimes slightly lower (+-1% difference). That shows how much SRI depends on other commercial mechanisms as long as they are strongly linked to the stock market development. After scandals such as Enron in the US, the control mechanisms and the call for transparency are worldwide increasing in investments and pension funds and therefore in the SRI development. An important step is done by the voluntary Transparency Guidelines for SRI Retail Funds issued by the European Social Investment Forum (Eurosif) at the end of 2004.⁹ The investors have to

⁴ WCC: AGAPE Call. A Call to Love and Action, 4th July 2005, point3.

⁵ WCC: AGAPE. Background Document, April 2005, chapter 4.6.

⁶ Brussels, October 2005, chapter 3.3.5 and 5.6.

⁷ FSPC: Globalance. Christian perspectives for a globalisation with a human face, Bern, Nov. 2005, chapter 5.3.1.

⁸ Schweizer Bischofskonferenz/Schweizerischer Evangelischer Kirchenbund: Wort der Kirchen. Miteinander in die Zukunft, Bern/Freiburg 2001, p. 72-78, especially p. 78.

⁹ See <http://www.eurosif.org/pub2/2activ/initvs/transp/index.shtml>.

publish a regular report.¹⁰ More binding are the OECD "Guidelines for Insurers' Governance"¹¹ and the OECD "Guidelines for Pension Fund Governance"¹², both adopted by the OECD Council in April 2005. They want to strengthen the investors' and consumers' confidence in the insurance industry and to protect people's pensions from mismanagement and fraud.

5. SRI: the value of transparency

Theological and ethical reasons for transparency in investment policies and practices of churches (The time limit of this presentation does not allow developing deeper justifications):

- *God is love*: The relation (covenant) between God and human beings as well as between human beings should be based on love. That includes: No love without trust. No trust without control. No control without openness and transparency.
- *God is light*: He came on earth, incarnated in Jesus from Nazareth, to bring light to the darkness (advent and Christmas is a symbol for it). Darkness hinders good relations, it destroys trust, it is an expression of sin, it encourages immoral or illegal practices. "The light has come into the world, and people loved darkness rather than light because their deeds were evil. For all who do evil hate the light and do not come to the light, so that their deeds may not be exposed. But those who do what is true come to the light, so that it may be clearly seen that their deeds have been done in God." (John 3,19-21)
- *Stewardship*: Christians are called to be good stewards in the management of goods, services and all gifts. They are lent to men by God who remains the proprietor. Human beings are responsible to God as his managers and accountants (Luke 12, 42-48). They are not shareholders, but "careholders", caretakers.¹³
- *Accountability*: Christians are primarily accountable to God, but also to the brothers and sisters of the Christian community, the parish, the church as the body of Christ and therefore the body of the triune God. Mutual transparent accountability is the expression of love, trust, honesty and responsibility.
- *Procedural justice*: One aspect of justice is procedural justice which means calculable, constitutional (publicly and privately) regulated, transparent, corruption free and thus fair procedures in relations, especial in economic relations and financial transactions.¹⁴
- *Option for the poor*: "Those who have not much in life should have much in right." ("Wer wenig im Leben hat, soll viel im Recht haben".) This expression of Helmut Simon, former federal judge of the constitutional court of Germany (Bundesverfassungsrichter) underlines that rights are an important instrument of the weaker. Transparent information is the precondition in order to be able to come into one own rights.

¹⁰ See e.g. the UBS report: <http://www.ubs.com/1/e/globalam/emea/switzerland/funds/fundrange/sri/latest>.

¹¹ See <http://www.oecd.org/dataoecd/19/10/34799740.pdf>.

¹² See <http://www.oecd.org/dataoecd/18/52/34799965.pdf>.

¹³ See Stückelberger, Christoph: Stewards and 'Careholders': A Christian Ethical Perspective, in: Stückelberger, Christoph/ Mugambi, J.N.K (eds.): Responsible Leadership. Global Perspectives, Nairobi 2005, 1-12.

¹⁴ See Stückelberger, Christoph: Global Trade Ethics. An Illustrated Overview, WCC Geneva 2002, 49.

- *Fighting Corruption*: Corruption as the abuse of public or personal power for personal interests is per definition in-transparent. It operates in darkness, payments are given "under the table" (distinct from gifts which are given "over the table"). Corruption undermines the rights of the weaker (Ex. 23,8).¹⁵
- *Legal requirements and ethical standards*: Churches accept legal regulations and obligations as an instrument of justice (as long as they do not fundamentally violate Christian values where the right or even obligation to resist would occur). Churches should also agree on ethical standards and should not act below such standards (codes of conduct) of the private sector or the civil society. As the legal and the voluntary standards for transparency are increasing, the churches have to make efforts accordingly.
- *Churches as institutions of public law*: Many churches are institutions of public law (öffentlich-rechtliche Institutionen) and therefore have a higher responsibility towards legal requirements and transparency than persons and institutions of private law.
- *Increasing SRI investments*: transparency by legal disclosure acts and by the publication of reports about SRI activities stimulates the positive competition between investors in favour of SRI. The explosive growth of SRI in the UK after 2000 was a direct result of the UK "Pensions Act 1995, introduced in July 2000 which require pension funds to disclose within their statements of investments principles "whether and to what extent they use social, ethical and/or environmental criteria in their investment selection"¹⁶.

But there are also few theological and ethical reasons for the limitation of transparency in investment policies and practices of churches:

- *Abuse*: if available information is abused because the necessary interpretation of the information is not appropriate or if there is a lack of comprehension.
- *Competition*: SRI is part of the investment market and therefore under the same "law of competition" as the other investments. There is also a growing competition between SRI-instruments as well as between microfinance institutions.
- *Restricted target group*: the transparent information about investment policies and practices can - in specific cases - be restricted to concerned target groups such as boards and other decision-makers (as long as they are democratically elected and accountable to their constituencies).

6. SRI: the value of sustainability

The basic value and criteria for Socially Responsible Investments SRI is sustainability with its economic, ecological and social dimension. That is broadly accepted and became mainstream in SRI criteria. Therefore, I must not go into details here. Nevertheless, as churches we have to contribute for the further development of the concept of sustainability: Sustainability should not only include the three dimensions mentioned above, but should be enlarged to five dimensions, including in addition the cultural and the religious sustainability¹⁷: Human activities are sustainable only if they

¹⁵ See Stückelberger, Christoph: Continue Fighting Corruption. Experiences and Tasks of Churches and Development Agencies, Impulse No. 2/03, Bread for all, Berne 2003, 32-42.

¹⁶ The Pensions Act 1995: Occupational Pension Schemes (Investment) Regulations, as amended as the SI 1999, No 1849.

¹⁷ See Stückelberger, Christoph: Das Konzept der Nachhaltigen Entwicklung um zwei Dimensionen erweitern. Ein Beitrag der Entwicklungsethik, in: Peter, Hans-Balz (Hg.): Globalisierung, Ethik und Entwicklung, Bern 1999.

respect cultural and religious diversity and take into account the interdependence of economic growth, ecological integrity, social balance, cultural identity and religious freedom including inter-religious peace.

7. Recommendations for future strategies of Churches in SRI

Churches (first in Europe, later on a global level?), in their SRI activities, should

- increase the awareness of the importance of SRI in their investment activities, for the credibility of the churches;
- further develop theological and ethical foundations and criteria for SRI involvement and SRI development¹⁸;
- agree on concrete targets (percentage of SRI of total investments¹⁹), timetable and plans of implementation;
- invest in funds which signed and respect the Transparency Guidelines for SRI Retail Funds, issued by the European Social Investment Forum Eurosif and sign them where church funds and investors can sign. A "disclosure act" for church related investments should be studied;
- look for closer cooperation between the churches in Europe and especially their investment units and pension fund managers (by building an Ecumenical European Network of Investors EENI?!);
- guarantee that church related SRI decision makers are supported by a board of experts which includes experts in ethics, sustainability and development;
- link the SRI activities to trade unions because they are more and more involved in SRI representing the interests of worker's pension money²⁰;
- link the SRI activities and microfinance activities of churches by building a joint working group (or include it in EENI) with representatives of church-related pension funds, development agencies and Christian business ethics experts.

¹⁸ Very helpful are the publications of Prof. Johannes Hofmann in Frankfurt. See e.g. Project group Ethical-Ecological Rating/oekom research AG (eds.): Ethical-Ecological Rating. the Frankfurt-Hohenheim Guidelines and their Implementation via the Corporate Responsibility Rating, 2nd edition Munich 2003.

¹⁹ Such as the WARC recommendation. See above, footnote 3.

²⁰ Global Unions: Mainstreaming Socially Responsible Investments. World Economic forum Davos 24-28 January 2003. "Global Unions" is the network of the twelve global trade unions organisations. See: <http://www.global-unions.org>.