



## **Green Investment Declaration – Guide for church investors**

Using investment managers allows churches and faith institutions to benefit from economies of scale as well as specialist knowledge and expertise. However, it also involves passing responsibility for the implementation of investment policies to the investment manager. This requires a clear understanding of each other's requirements and processes.

The steps below are designed to help you to manage this journey with your investment managers. It is based on the Catholic Impact Investing Collaborative's '*Road Map to Impact Investing*' and FIIND Impact Foundation's '*The Journey to Impact Investing for Faith-Based Organizations*'. These are steps that other faith investors – such as national Churches, regional Church bodies and religious orders – have successfully taken on their impact journey.

### **Step 1: Inspire your leadership to take action and raise awareness among decision makers**

Impact investing is an important decision that needs to benefit your institution as well as expressing solidarity with people and planet. It is important to start internally and identify someone, or preferably several people, on your leadership team who have the time and motivation to lead on this work. This can either be a leader of your faith institution, or someone in the finance department or investment committee. Ideally they should be well-respected for their financial expertise. Following this it is important to provide your trustees with a foundational understanding of impact investing.

## **Step 2: Align your investment policy with your values**

It is helpful to reflect on your Church or faith institution's current investment policy, if you have one. Does it align with your values? If someone was reading your investment policy, would they know what your Church or faith institution believes in? If your investment policy doesn't reflect your values, now is a good time to address this. You may choose to revise your existing investment policy statement or write a new one.

## **Step 3: Engage with your investment manager**

It is important to speak with your investment manager and assess the current impact of your investments. They may have a fund that is making impact investments – in fact, you may already be investing in such a fund. In either case, ask if the fund is fossil free (i.e. not investing in fossil fuel producing companies) and whether it is investing in climate solutions. If so, what proportion of the fund is invested in climate solutions and can they give examples?

If your investment manager seems unsure about investment in climate solutions, we would recommend speaking to other Churches or faith institutions which are already doing this about ways to further the conversation or what their suggestions would be for making these kinds of investments. If engagement with your current investment manager does not bear fruit, the Churches or faith institutions you approach may be able to suggest investment advisors who are better placed to help you in this work.

## **Step 4: Establish a governance structure**

A well-defined governance structure is critical to successful impact investing. In some cases, impact investing can be incorporated into your existing governance structure and in other cases a newly created standalone structure may need to be established. It's important that the key decision makers are identified and that their roles are clearly defined. FIIND Impact Foundation's 'The Journey to Impact Investing for Faith-Based Organizations' has a useful checklist for reviewing your governance structure.

## **Step 5: Define your goals and what success will look like**

It is important to reflect on what impact you want your investments to have. What issues does your faith institution want to address? What impact metrics are important to you? What does your institution require in terms of liquidity? The answers to these questions will enable you to decide which impact themes you wish to prioritise (e.g. investment in climate solutions), how to achieve your impact priorities and integrate clear targets into your investment portfolio. They will also enable you to decide whether your institution is able to take on private market investments, which is where many impact investing opportunities can be found.

### **Step 6: Assess and learn from your experience**

After you have begun investing in climate solutions, you will need to have further conversations with your investment managers and assess the impact of your investments. This is one of the most important stages in the process. Investments in climate solutions can be assessed using various metrics. Make sure that your investment managers provide you with consistent and transparent information on your investments.

Traditional performance benchmarking and reporting should be complemented by an impact measurement and reporting framework using key performance indicators (KPIs). The Global Impact Investing Network (GIIN) has developed the IRIS+ reporting framework, which includes a range of metrics regarding environmental investments. Remember to document any lessons learned and review what needs to develop further.

### **Step 7: Implement and share your story**

Once you have completed the above steps, you will have started your climate solutions investment journey. Congratulations! Now you have the opportunity to share your knowledge, experience and lessons learned with others to encourage and inspire them to do the same. In doing so, you can enable your peers to overcome barriers, address common questions and grow the movement of faith institutions investing in climate solutions.

### **Step 8: Advocate for government policies to address the climate crisis and encourage investment in climate solutions**

Churches and faith institutions are not alone on this journey – there are many other institutions, such as governments, banks and insurance companies, which could be making a difference too. Your Church or faith institution has the opportunity to use its voice to encourage the government to take action by ending support for new oil and gas projects, and increasing support for the clean technologies and green jobs of the future. When Churches and faith institutions lead by example on investment in climate solutions and communicate this publicly, their prophetic voice is more powerful and authentic when advocating for change.

## Appendix 1: Church Investors Group Guidance

The Church Investors Group has developed some suggestions to consider when appointing, meeting with, or reviewing an investment manager. This full guidance can be found [here](#), and some climate-related excerpts are below:

Environmental Investment:

Our investment policy mandates allocations to investments that deliver clear environmental or social benefits.

- How would you (fund manager) define a 'positive' investment
- The extent to which the manager would be able to deliver such investments?

Overall Responsible Investment Process:

There are an increasing number of signatory bodies and ratings services for assessing Fund Managers' approach to responsible investment. You may wish to ask:

- Is the Manager a Signatory to the Principles of Responsible Investment and, if so, what is their most recent PRI Assessment?
- Does the manager support the Financial Reporting Council's Stewardship Code? What tier rating has their response to the FRC UK Stewardship Code been given?
- Who has responsibility for Responsible Investment policy and practice? Is this considered routinely by the Fund Manager's Board of Directors?
- How does the manager report on their responsible investment activities (including engagement and voting)?
- How is Responsible Investment incorporated into Investment Management Agreements and Scheme Particulars?

Whether investing through a pooled or segregated fund, you may periodically want to review the holdings within the fund to ensure that they are consistent with their manager's responsible investment positioning

Environmental, Social and Governance Criteria in Stock Selection and Portfolio Management:

PRI Principle One asks managers to incorporate environmental, social and governance criteria into stock selection and portfolio management. You may wish to ask:

- How are environmental, social and governance criteria included in stock selection processes?
- How does this actively influence portfolios?
- Does the manager monitor and report on the ESG characteristics of their portfolios compared to benchmarks/comparators?
- Does the manager commission an annual carbon-footprint of the portfolio? If so how does this compare to benchmark/comparator?
- Has the manager de-selected stock on ESG grounds?

Active Ownership:

PRI principle Two asks signatories to be active owners and incorporate ESG practices into dialogues with companies and policy makers. Similarly, the UK's Stewardship Code (produced by the Financial Reporting Council) aims to increase the standard of engagement between companies and investors in order to help deliver appropriate risk adjusted returns. In assessing and monitoring investment managers you may want to ask:

- Does the manager conduct engagement?
- How does the manager set priorities for engagement with portfolio companies?
- How is engagement progress monitored and reported? How would the manager deal with unsuccessful engagement?
- How does engagement relate to the investment management process? Can the manager give examples of specific engagement work that they have carried out and how it has affected the investment process?
- How does the investment manager vote at AGMs? In what circumstances would the manager vote against management? (The CIG member may wish to compare their fund manager's voting record to the CIG voting initiative or the annual TUC Voting Report).
- How does the Fund Manager consider ESG shareholder resolutions? Has the Fund Manager ever co-filed shareholder resolutions on ESG issues?

- Does the Fund Manager engage with public policy makers on ESG issues and if so how?

Further resources:

Church Investments In Climate Solutions, Operation Noah 2022

<https://brightnow.org.uk/wp-content/uploads/2022/11/Church-Investment-in-Climate-Solutions.pdf>

CCLA Driving Climate Action:

<https://www.ccla.co.uk/sustainability/driving-change/climate-action>

Net Zero Asset Managers network:

<https://www.netzeroassetmanagers.org/faq/>