



# Engaging the Issue of Ethical Investing

## A Call to Stewardship

The 2011 ELCIC National Convention passed the following motion: NC-2011-04 MS That the ELCIC in convention:

- Ask members, congregations, and synods of this church to engage the issue of ethical investing in their private and collective practice;
- Commend to all expressions of this church the work of KAIROS on sustainability and resource extraction.
- Ask the National Church to identify educational resources on ethical investing for this engagement;
- Ask National Church Council and GSI Administrator to review its investment policies, giving due consideration to how its practices reflect compassionate justice and ethical stewardship. Specifically, we urge that human rights and environmental sustainability be supported and upheld. We ask National Church Council and GSI to report back to the 2013 convention.

Ethical investing is part of Christian stewardship. That is, responsibly and ethically managing investment resources is a faithful response to God's grace and God's gifts. When money is invested, it affects the lives of others. When money is invested on our behalf, what consideration ought we to give to the practices of companies and to these effects on others? What principles guide investment choices in our private and collective practice?

## What is "Ethical Investing?"

Ethical investing is known by several names, including "socially responsible Investing" and "responsible investing." It is common to speak of three inter-related factors to consider in investing: environmental, social and governance. These are sometimes referred to as ESG factors. Some examples of these factors are:

**Environmental:** climate change, pollution, toxic chemicals, genetic engineering, water usage, environmental policy and practice

**Social:** working conditions, supply chain management, health and safety, HIV/AIDS, product safety, treatment of customers, labour relations, global pandemics, effect on local community

**Governance:** board structure, independence of directors, executive compensation, shareholder rights, accounting quality, audit quality, board skills

In seeking an ethical approach to private and collective practice, one may integrate ESG considerations into the investment management process.

## Ethical Investment Strategies

There are a variety of strategies that may be used when seeking to integrate ESG values into investment management:

### **Positive and negative screening**

Screening is about where one chooses to invest. Negative screening seeks to avoid investing in companies or sectors based on articulated ESG values, such as tobacco products, military weapons and human rights violations. Positive screening seeks to select companies or sectors based on articulated ESG values, such as alternative energy, community involvement and employee relations.

### **Community investment**

This is the investment of money into community development or microenterprise initiatives that contribute to the growth and well-being of particular communities.

### **Integration of ESG strategies into analysis and investment**

This brings together environmental, social and governance (ESG) considerations with traditional financial management to bring a larger perspective to investment management and selection. It leads to an emphasis on investment in ESG leaders, rather than just a reliance on financial factors alone.

### **Proxy voting and corporate engagement**

This is the process of using shareholder influence to help to bring about positive social environmental change at corporations. This can include corporate engagement (communicating with management on particular issues), filing shareholder resolutions and using the threat of divestment (selling shares and discontinuing investment in a company) to bring about positive change.

## **Learn More: Educational Resources on Ethical Investing**

### **Social Investment Organization (SIO) — [www.socialinvestment.ca](http://www.socialinvestment.ca)**

The Social Investment Organization (SIO) is a national membership-based organization that includes financial institutions, investment firms, financial advisors, and various organizations and individuals interested in socially responsible investment. Its mandate is to promote the practice of socially responsible investment (SRI) in Canada. Includes basic information for individual investors and a summary of investment strategies.

### **Mercer Responsible Investment — [www.mercer.com/ri](http://www.mercer.com/ri)**

Mercer is a consulting company that offers HR and related financial advice and services. Their Responsible Investment section has background information on ESG, and research into the ESG practices of a variety of companies.

### **SHARE — [www.share.ca](http://www.share.ca)**

SHARE offers responsible investment services to help investors integrate environmental, social and governance issues into their investment management process.

### **KAIROS — [www.kairoscanada.org](http://www.kairoscanada.org)**

The ELCIC is a member of KAIROS: Canadian Ecumenical Justice Initiatives. Through education and advocacy, KAIROS promotes dignity, rights, sustainability and social justice. A good source of information on ESG issues such as mining, the environment and human rights.

### **ELCIC Stewardship Strategy — <http://elcic.ca/Stewardship/Strategy/2006-to-2012.cfm>**

Includes a definition of stewardship and an articulation of theological principles regarding stewardship.

### **ELCIC Investment Policy — [www.elcic.ca](http://www.elcic.ca)**

The National Church Council is responsible for this investment policy.

### **Investment Policy for the ELCIC Pension Plan — [http://www.elcicgsi.ca/Docs/SIP&P\\_March\\_2011.pdf](http://www.elcicgsi.ca/Docs/SIP&P_March_2011.pdf)**

The ELCIC Group Services Inc. Board of Directors is responsible for this policy.

*For additional information or to suggest additional resources, contact  
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