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Overview of the Zug Guidelines on Religions and Faith-consistent Investing

1. An Overview of our respondents for the Zug Guidelines/attendees for the Zug event:
 - a. 33 organizations of which 28 are 'asset owners' and the rest managers or service providers
 - b. 14 countries represented spanning North America, Europe, Africa, Asia and the Middle East
 - c. Some very large funds as well as some organizations that do not operate as funds and have limited financial power
 - d. Some highly sophisticated investment programs and some very spiritual writings which only indirectly touched on investments

2. Approach to thinking about FBI could be split into three areas:
 - a. Positive Tilts – MOST PREVALENT: 24 organizations submitted some form of these responses HOWEVER reading them, in many cases it was often difficult to understand if these were already implemented or simply 'wish lists'
 - b. Negative Screening – RUNNER UP: 21 organizations submitted some details on this area. HOWEVER these were much more 'active' (in the sense of being clearly implemented)
 - c. Impact Investing (including proactive engagement of companies and organizations) – 12 organizations mentioned some level of activity in this area (about half – six organisations - put 100% of their efforts here). Generally, these alternated between two extremes:
 - i. Wish lists with very little specifics or plans in place – or –
 - ii. A 'mainline' program – the organization's main focus

3. So just how different were the wishes and aims of these organizations in each of the action areas?
 - a. NEGATIVE SCREENING
 - i. COMMONALITY: the 'big 4' – mentioned by almost everyone:
 1. Tobacco
 2. Alcohol
 3. Military and/or Consumer weapons
 4. Gambling
 - ii. COMMONALITY: the 'medium 4' – mentioned by a majority of the respondents:
 1. Environment (general)
 2. Pornography
 3. Human Rights (general)
 4. "Extreme" Oil & Coal production (e.g. tar sands)
 - iii. MORE DISPERSED ANSWERS: supported by a few respondents: Usury / Interest Collection / Debt, Pork, Risk (Islamic Definition), Broad Fossil Fuels, Nuclear Power, Fair Labor, GMO / non-sustainable Ag, Embryonic Research, Contraceptives (Usually with condoms not being included in the negative screening, because of their protection against HIV/AIDS, Animal Exploitation, Abortafacients
 - b. POSITIVE SCREENING:
 - i. COMMONALITY: the 'Big FOUR' – most respondents [in order – there was a wide spread from first to last]:
 1. Environment

2. Social Justice
 3. Renewable Energy
 4. Sustainable Agriculture
 - ii. COMMONALITY: the 'MEDIUM THREE' – some support [much closer in support levels]:
 1. Sustainable Technology
 2. Green Real Estate (focus on properties owned by respondent)
 3. Poverty
 - iii. HONORABLE MENTION: Peace, Equality (women and minorities), Financial accessibility
 - c. IMPACT INVESTING: besides the fact that almost everyone wishes to do more impact investing, there were three basic themes running through the submissions:
 - i. Green Real Estate. Many of the submissions were by organizations who directly or in-directly owned/managed/controlled many facilities. The Greening of these facilities and the use of that process to educate were a key theme.
 - ii. Grass-roots outreach. Along with real-estate, many of these organizations had constituents in multiple locations. The ability or desire to pursue projects across these locations was evident in many of the submissions. Most of the projects included financing and guidance – many were meant to educate and guide.
 - iii. Engagement. There was a clear theme of engaging (engaging corporations, engaging the faithful, engaging the local clergy, engaging related organizations, engaging government) – some with well-defined plans and approaches; others with simply the wish to leverage experiences and direction.
4. LOOKING FORWARD: what was 'requested' or 'needed'? Only a few organizations directly responded to the 'wish list' question – but many had implied requests in their text. There were basically five 'asks':
- a. Better facilities for communicating & sharing progress/ideas/approaches in the area of FBI
 - b. Better metrics/standardization/studies on the usefulness/tradeoffs/application of FBI
 - c. More availability of commingled FBI based options – so that smaller investors can participate more easily
 - d. Leadership in and easy availability of impact investing options
 - e. More centralization and coordination among the non-centralized religions
5. CONCLUSIONS: Trying to combine the 'asks' with my own interpretation (and putting my investment hat on): what could one do with all these common ideas (and with the more dispersed ones)? And how does one address the 'wish list' for the future? Here's one future scenario – it is meant only as a straw-person – to encourage push-back.
- a. CREATE a common investment fund which focuses either on reducing exposure to the 'big 4' negatives and increasing exposure to the 'BIG FOUR' positives – or – on creating "SDG-oriented" funds which align with the 'big 4' on both sides (e.g. "Good Health", "Life on Earth and Water"). If these were cleverly designed, they could also offer explicit engagement of companies along the same lines. These funds would solve a few of the 'wish lists': (a) they

- would create appropriate vehicles for the small funds, (b) they would begin to set common standards for positive and negative FBI activities and levels – and – (c) they would act as a unifying ‘best practices’ example for very dispersed groups. HOWEVER challenges remain in various areas where agreements need to be reached. Some examples: (a) investment universe, (b) “ESG” source/ranking, (c) level of exclusion (from tilts to total) ...
- b. CREATE an infrastructure to support impact investment projects. We could envision four categories of information stored in this “warehouse”:
- i. Actual projects completed or ongoing with useful detail. This would support idea generation and general data sharing across groups. Where possible, experienced groups would offer advice and/or expertise to new entrants.
 - ii. Funding facilitation for impact investing. This category would focus on projects with economic ‘payback’ – and could become a source of investment ideas for other organizations (religious or commercial). At the risk of sounding crass or commercial, this would be a brokerage-like infrastructure designed to bring needs and potential grass-roots knowledge together with interested investors.
 - iii. Request for investment ideas (effectively the opposite side of funding facilitation). Here organizations would define guidelines for ‘appropriate projects’ and seek ideas from others.
 - iv. Educational materials w.r.t. these types of projects

If well designed – this warehouse could be a virtual meeting place for ideas, financing and collaboration. Ultimately, it could become a true market for Impact Investors and their clients

- c. CREATE a coordinated ‘activist’ agenda and process including:
- i. Data and standards for activist decisions and action
 - ii. Consultation and direction on activist ‘process’ (how to maximize impact)
 - iii. Coordination of activist activity across member organizations

The “meta” creation would be an organization to administer, define, advance and run with these ideas. It would focus on the application of these concepts to the religious communities and could support all the above efforts.

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Mike Even is an investment professional with over 35 years of industry experience. Most recently he was the Chairman of Man Numeric Investors in Boston and a member of the Man Group Executive Committee. Before Numeric he worked for Citigroup for nine years building a global asset management organization. After Citi merged with Travelers, he became global CIO of the Private Bank and eventually, global CIO for and Co-Head of Citigroup Asset Management, overseeing investment teams running more than \$500B in client assets. In 2002 Mike’s work with Citi’s Private Bank’s European clients brought him into contact with ARC and its mission; it was ARC and its work that ignited Mike’s interest in Faith-Based Investing and led to a decade and a half of collaboration. He has a BA in economics, a BSc in operations research from Cornell University and an MBA from the Massachusetts Institute of Technology. He serves on the investment committees of the Massachusetts Pension Reserves Management Board and the Trustees of the Reservation and on a few Boards. (USA)