**The Role and Impact of Faith in Advancing ESG Initiatives**

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**Ladies and gentlemen, esteemed guests,**

Greetings to you all!

First let me extend my heartfelt gratitude to the organizers of this **significant conference** for the opportunity given me to share my thoughts.

I especially want to thank **Dr Kazi** - President of Anjuman-I-Islam and to the **BSE– the co-host** of this mega event,

And a thank you goes out to Dr. Irfan Lakhani and others whose dedicated efforts made this gathering possible.

In the next 15 to 20 minutes, I will delve into the fascinating relationship between faith and ESG initiatives. Specifically, I will examine how faith has shaped ESG initiatives across the world.

Allow me to start my speech with a quote from the 2010 World Economic Forum which focused on the Role of Faith in Systemic Global Challenges.

“The World Economic Forum recognizes that faith plays a dynamic and evolving role in society. Demographic trends suggest the number of faith adherents will increase over the next two decades, while the secular population will decrease. People of faith therefore have profound impacts on community mobilizing – for both productive and damaging purposes.”

**Ladies and gentlemen**, without question, an overwhelming majority of the people in the world are religious, and, for the majority, their religious faith and convictions have a profound influence in shaping their views of themselves and their futures.

My esteemed colleague also touched upon on other faith initiatives and concluded that distinctiveness of maqasid is apparent. During my tenure at Harvard, we had initiated Building Bridges Across Financial Communities. Almost all conferences we had invited speakers from across the religious groups to present their point of view. Most recently 2022, at the silver jubilee year of the conference, we invited representatives from Judaism, Christianity, Islam, and Hinduism, each offering their unique viewpoints. For instance, Dr. M. Talib from the Boston Islamic Seminar presented 'Enriching Islamic Economics Through Stewardship and Compassion', Father Dr. Seamus Finn from Washington D.C. spoke on 'Interfaith Dialogue and Sustainable Capitalism,' and Shashikala Dwarkanath, a Hindu recipient of a lifetime achievement award from the Chinmaya Mission Boston, discussed 'Cultivating Gratitude and Selfless Giving.' Lastly, Dr. Rabbi Dan Judson presented 'Inherent Obligations in Jewish Philanthropy.' These panellists emphasized the practical application of knowledge at grassroots levels and highlighted the significance of gaining wisdom from real-life encounters.

The World Economic Forums’ focus on faith came in response to the 2008 Global Financial Crisis, after that business ethics and such business ethics have their origin in faith-based principles. SRI, Faith-based investing funds and other investment models based on faith gained increased attention globally.

Socially Responsible Investment funds, or SRI funds, encompass various investment strategies, including Environmental Social and Governance or **ESG criteria,** screening companies based on their commitment to responsible investment practices such as environmental sustainability, social justice, and governance. Although SRI funds have a long history, they started becoming more visible in the 1970s with the establishment of the Pax World Fund in 1971. This fund was the brainchild of a group of individuals seeking to invest in companies aligned with certain values while avoiding those involved in the Vietnam War.

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**Ladies and Gentlemen,** permit me to elaborate on some more examples of faith-based funds.

1. Investment funds tailored to align with Catholic values started gaining prominence around the 1960s. These funds adhere to Christian principles, avoiding investments in industries or companies involved in activities conflicting with Christian beliefs. This could encompass avoiding businesses related to abortion, gambling, or adult entertainment.
2. Islamic Funds, as I indicated earlier, follow Sharia principles which prohibits investments in sectors such as alcohol, gambling, pork-related products, and companies with speculative transactions or involvement in interest-based transactions. In this category, the famous Dow Jones Islamic Index was launched in 1999. Since then, several indices have been made available for investment purposes. In 2010, the BSE created India’s first Shariah Index followed by National Stock Exchange in 2014.
3. Jewish Funds: Jewish investment principles focus on avoiding investments in businesses that violate Jewish laws, such as those involved in the production of non-kosher food or those operating on the Sabbath.
4. Jain Funds: Jain investment principles focus on investing in businesses that ensure non-injury to all living beings, especially to humans, animals, plants and insects.

In 2006 the Oxford Centre for Hindu Studies played a remarkable role in creating The Dharma Index – guided by an Advisory Council consisted of Hindu and Buddhist leaders. It serves as a barometer for evaluating the performance of companies chosen in alignment with the value systems and doctrines of dharmic religions, particularly emphasizing the ethical and moral principles of Hinduism and Buddhism. For a stock to be considered within the Dharma indices, it must successfully navigate a series of stringent industry, environmental, corporate governance, and qualitative criteria designed to ensure compliance with the guiding principles of dharma.

Here I would like to share an interesting paper by Professor Jahangir Sultan who is a co-speaker in today’s conference. The paper was presented at the Harvard University Islamic Finance Conference 2014 on the performance of Value-Driven and Profit-Seeking Investment Strategies. This paper, co-authored by Vaishnavi Bhatt and Sajjad Shah, highlighted similarities among religiously sensitive investment strategies, encompassing SRI and four major religions (Judaism, Christianity, Islam, Hinduism/Buddhism).

**Ladies and Gentlemen,**

In recent years, corporate interest in ESG (Environmental, Social, and Governance) performance has surged. This shift represents a move beyond mere financial gains, emphasizing a holistic approach that considers a company's impact on the environment, society, and governance. ESG principles have evolved over the past few decades, initially originating from ethical considerations, involving the exclusion of certain industries based on specific criteria. Today, ESG factors encompass climate change, sustainable resource use, ethical values, and corporate governance. ESG is integrated into the corporate governance framework, along with risk management and assessment frameworks, enabling companies to evaluate their risk exposure and mitigate those risks more effectively.

The ESG principles considered in investments and the SRI frameworks are premised on faith principles. Investment funds based on faith principles follow guidelines that prevent investments in sectors that are recognized for causing societal and cultural harm. These sectors are often referred to as sin stocks. These stocks typically involve publicly traded companies engaged in or associated with activities deemed unethical or immoral. Such sectors often encompass alcohol, tobacco, gambling, sex-related industries, and weapons manufacturers.

Several studies have revealed that the performance of faith-based indices is considerably superior when compared to other indices. The convergence of ESG principles with certain religious criteria may significantly elevate their performance further. Embracing the ESG framework alongside religious tenets could enhance transparency, reduce information asymmetry, and promote accountability within institutions.

Overall, the alignment of ESG principles with religious tenets aims to create a more ethically conscious and responsible framework for institutions. It would encourage these entities to consider not only financial returns but also their impact on society, the environment, and other stakeholders, thereby promoting a more sustainable and socially responsible approach to their operations.

A survey conducted by Moore Global Consultancy Network in September 2023, revealing a robust correlation between how companies handle ESG matters and their financial success. Almost half of the surveyed companies (48.1%) reported that prioritizing ESG initiatives aided in attracting increased external investments.

According to Bloomberg Intelligence, ESG assets surpassed $35 trillion in 2020, up from $30.6 trillion in 2018 and $22.8 trillion in 2016, to become a third of the total global assets under management, according to the Global Sustainable Investment Association, in line with Bloomberg Intelligence’s base-case scenario. PWC also reported 34 trillion US $ under management by 2026, finally Broadridge has come up with a conservate estimation of 30 trillion dollars by 2030

Another dimension has emerged recently in that faith-based organizations influence corporate behaviour, advocating for ethical business conduct and social justice. This advocacy extends to ensuring fair wages, safe working conditions, reasonable work hours, and eradicating child and forced labour, environmental stewardship, and social justice. This is commendable.

Some of the examples of how faith-based organizations have explored ways to develop their immediate community through socio-religious initiatives are:

* Interest-free projects by the Liberty Trust of the Liberty Church in New Zealand to promote community economic growth.
* The Jewish Funds for Justice (JFSJ), which focus on modest investors and advances economic justice through community investing.
* The Bhumi Project of the Oxford Centre for Hindu Studies that aims to serve the community.
* The Akhuwat model for serving the community through micro loans.
* And there are many more faith-based models simultaneously serving their respective communities.

When we are talking of the responsibilities of academic institutions, after the global economic crisis, most business schools have integrated faith-based principles and values into their business education. This directly impacts the fund managers in their decision-making practices.

There are several research projects undertaken by individuals as part of their academic discourse. An outstanding example of research in this area is the Oxford Faith-Aligned Impact Finance Project at the Oxford Said Business School. Their extensive research has demonstrated that faith-aligned impact investments represent a colossal US$5 trillion net assets across four major religious groups. This research reveals how different faiths are making faith-aligned impact investments, contributing to "game-changing" opportunities in achieving UN Sustainable Development Goals (SDGs).

**Ladies and Gentlemen,**

Allow me to take this opportunity to share my efforts in fostering connections across financial communities. During my two-decade tenure at Harvard University from 1995 to 2014, I have managed to organize numerous events where researchers and professionals from various religious backgrounds openly presented their perspectives.

As we all know, Harvard is renowned for fostering new concepts, free speech, and open inquiry. Due to these values, Harvard cultivated numerous global leaders across multiple disciplines. Recognizing this potential, as founding director of the Islamic finance program it provided me the opportunity for expanding the scope of Islamic finance by inviting highly influential figures and policymakers to the Islamic Harvard University Forum on Islamic Finance representing diverse religious groups.

For instance, during our 2008 conference, we explored the themes of Authenticity and Innovation just before the onset of the global economic crisis. The keynote speech on Innovation was delivered by Nobel Laureate Robert Merton, who is currently affiliated with MIT. Dr. Umar Chapra from the Islamic Development Bank addressed the audience on the theme of Authenticity.

Our focus extended to building bridges across different financial communities, inviting diverse religious sects and groups to the forum. The primary goal was to engage in meaningful conversations, exploring similarities among various faith communities and comparable business models, such as Socially Responsible Investments, Faith-based Investments, and Ethical Investments. This initiative marked a turning point for the program, and we have continued to host scholars and researchers from around the world to this day.

After I took early retirement from Harvard to pursue another challenging role with the Qatar Foundation, the two important events that I had initiated at Harvard continued under my supervision: the annual workshop in London and the biennial Harvard Islamic Finance Conference. The latter celebrated its Silver Jubilee 2022. As per our past practices, the conference featured a plenary opening session dedicated to Contemporary Religious Perspectives and Practices on Philanthropy.

We invited representatives from Judaism, Christianity, Islam, and Hinduism, each offering their unique viewpoints. For instance, Dr. M. Talib from the Boston Islamic Seminar presented 'Enriching Islamic Economics Through Stewardship and Compassion', Father Dr. Seamus Finn from Washington D.C. spoke on 'Interfaith Dialogue and Sustainable Capitalism,' and Shashikala Dwarkanath, a Hindu recipient of a lifetime achievement award from the Chinmaya Mission Boston, discussed 'Cultivating Gratitude and Selfless Giving.' Lastly, Dr. Rabbi Dan Judson presented 'Inherent Obligations in Jewish Philanthropy.' These panellists emphasized the practical application of knowledge at grassroots levels and highlighted the significance of gaining wisdom from real-life encounters.

In conclusion, our collective dedication to ESG unites us in a world where differences in faith have sometimes caused divisions. ESG embodies our moral obligations and core beliefs, surpassing mere economic considerations. When faith and ESG merge, they form a powerful force for good—a symbol of our shared humanity—and act as catalysts for social justice, environmental stewardship, and moral leadership.

Our faith not only inspires us to envisage a better society but also motivates us to work toward its realization actively. Together, let us embrace the convergence of faith and ESG to inspire a fair and sustainable future for all.

Thank you, and may our shared faith continue to guide us towards a brighter future in our daily lives.