Ethical Investments and Screening Services

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When was ethical finance born? Modern ethical finance goes back to the early 1970s, when, mainly due to the Vietnam War, many investors wondered whether it was appropriate and consistent with their values to continue to invest their savings in companies that were somehow related to war. The issue was felt particularly strongly by large institutional investors in the United States, especially the great religious bodies that funded their work by investing part of their patrimony in the stock market. The first experiences of ethical funds didn't arrive to Europe until the mid 80s, precisely in the United Kingdom, which for years had been the European country with the largest variety of ethical investment products (now surpassed by France). In the far European north, the Norwegian government's pension fund, which receives substantial income from the oil extraction, speaks for itself. It is also an ethical fund that invests and especially disinvests under the responsibility of the Norwegian Ministry of Finance, according to a number of typically socially responsible criteria.

You can agree or disagree with the fund's guidelines and mode of operation, which has also been severely criticized, but one thing catches your attention: this fund responds to the origins of ethical finance, which came about to implement the investors' values even to finances, without being too picky. This sends clear signals and gives meaning to the activity of investment, even beyond its economic and financial dimensions.

What happens then when a private or institutional investor or bank wants to be sure that its investments money is supporting activities consistent with their ethical principles and do not run the risk of financing illicit activities? In order to make clear decisions about their own investments, they refer to a screening service.

To begin with, what is a screening service? It is a service that several institutions, including Fidelis, offer principally to banks and investors: it consists of an analysis of companies listed on stock exchanges around the world, performed on the basis of ethical criteria – which, in the case of Fidelis is a precise methodology that follows Catholic principles – with the aim of creating a better world. Ethical screening is not limited to the sole interest of the investor; everyone who chooses it is laying his brick to build change, which is just and necessary to bring economics and finances back to the service of humanity.

But what is this based on? Who is building the foundations of this change? At the base there must be the dedication and passion of people who truly believe that this change is possible and who make their commitment to serving a good cause.

Fidelis International Institute

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Alejandra, Rubén and Israel are the junior analysts who form part of the Fidelis team, and they have analyzed and created reports on the companies for many years. These impartial judges study and analyze the companies in depth to discover what lies behind the appearances, following the screening method of Fidelis and its four guiding principles: natural law, the common good, the family and human dignity. From these are derived the nine ethical criteria that range from respect for the rights of workers to environmental protection, from avoiding collaboration with totalitarian governments to defending the family, from the appreciation of women in the working world to the fight against the production of weapons of mass destruction. Based on these criteria, Fidelis evaluates companies in order to recommend them to investors interested in ethical investments.

From their experience they affirm that the most difficult criterion to identify is the ninth, “Government complicity with injustice”, because the governments that commit crimes and illegal activities tend to hide this information, making them untraceable; this is especially true in countries involved in civil wars, and also for firms based in the East. The most often violated criteria are the seventh (“Fraud, money laundering, corruption and other illegal activities”) and the second (“Workers’ rights violations”).

Some of the cases whose discoveries during research have struck them the most are related to banks that invest in armaments, as well as the case of a famous family-oriented amusement park that turned out to favor abortion and that of a well-known food company that exploits children to harvest cacao.

Obviously, this type of research requires a lot of attention and commitment, which is the reason that the junior analysts confer with the senior analysts, Christopher Oleson and Michael Augros, who review the reports, and the rest of the team, whose members are spread out all over the world: Rome, Los Angeles, Madrid, Mexico City and Boston. The benefit of an international team is that they generate a more global view based on the different cultures, and long-distance communication is no longer a problem.

In the light of what has been said, investing ethically is certainly a possibility that already exists and helps to reconcile one’s own values and principles with his investments. 82% of the companies analyzed so far are ethically sound, and this is a valuable aid to the screening service, which is not an attempt to launch a witch hunt against unethical companies, but which seeks to help investors.

“Collaborating with an international, multi-cultural team allows me to understand ethical problems with a truly global perspective.”
Alejandra

“My screening specializes in the energy industry, which faces tremendous ethical challenges these days.”
Israel

“I was surprised to find that this well-known consumer goods company employs children to collect cocoa beans in Africa.”
Rubén