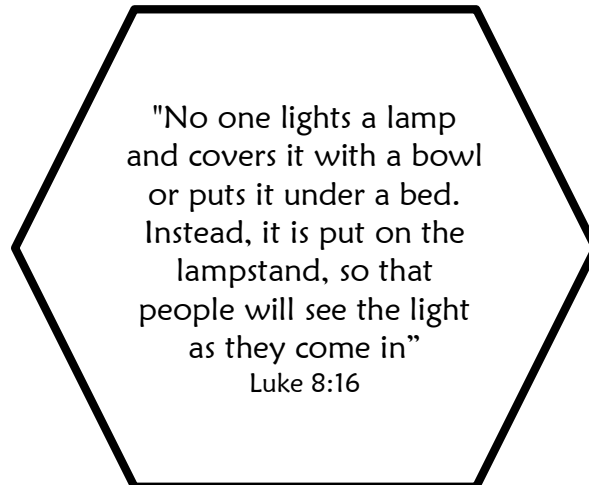




NATIONAL ETHICAL INVESTMENT GUIDELINES

ABRIDGED VERSION

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CORAT AFRICA

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ACRONYMS

AACC	All Africa Conference of Churches
ACAP	African Church Assets Programme
CEO	Corporate Executive Officer
COE	Centres of Excellence
COI	Conflict of Interest
CORAT	Christian Organizations and Research Advisory Trust
COVID-19	Coronavirus Disease
CRO	Church Related Organisation
CSO	Civil Society Organisation
EIC	Ethical Investments Committee
ELRC	Employment and Labour Relations Court
EMCA	Environmental Management and Coordination Act
EMS	Environmental Management Systems
GB	Governance Board
HR	Human Resources
ISO	International Organization for Standardization
KFS	Kenya Forest Services
KM	Knowledge Management
KWS	Kenya Wildlife Services
L.E.G.S.	Leadership, Ethics, Governance and Sustainability
MER	Monitoring Evaluation and Reporting
NEIC	National Ethical Investment Committee
NEMA	National Environmental Management Authority
NCKK	National Council of Churches of Kenya
NGO	Non-Governmental Organisation
NFP	National Focal Point
WRMA	Water Resources Management Authority

PREAMBLE

These guidelines are based upon the Ethical Investment country study conducted in the context of the Africa Church Assets Programme, which clearly spelt out the issues that Churches and Church Related Organisation (CROs) are experiencing that impacts the performance of their investments. The study covered four basic areas that are also addressed in the guidelines: National Legislation and Policies; Ethics and Human Rights; Governance; and Sustainability.

In 2019, Globethics, with the support of Bröt für die Welt, launched the third edition of the African Church Assets Programme, with the goal of strengthening the capacities of CROs in asset management and investment strategy. This was done with the full understanding that the Church will continue with her mission and that she needed resources, particularly financial resources to fund her mission activities in a more sustainable manner.

Furthermore, the Church in Africa has faced the challenges of dwindling funding partner support from the West in recent decades. In view of the emerging realities, the Church in Africa must respond to the question of 'Sustainability' sooner rather than later. In response to calls from its 173 member churches, the All Africa Conference of Churches (AACC) organised an international symposium on the "Sustainability of the Church in Africa," at which delegates urged the Church to overcome its dependency crisis (AACC, 1996). The Pastoral Letter of the Kenya Episcopal Conference (The Economy of Kenya, 1999) added to that voice by acknowledging the difficulty of proclaiming Christ to people who are becoming poorer by the day. These are pointers to a proactive and intentional response.

The efforts of Globethics and partners, Bröt für die Welt, AACC, CORAT Africa, and other stakeholders concerned with the well-being of the Church in Africa are to be applauded. This is with a view to seeing all Churches and CROs shift from burying their 'one talent' to marshalling their 'five talents' (Matthew 25:14-30) for maximum benefit to the cause of Christ and to building the Kingdom of God on Earth.

1.0 INTRODUCTION

This document contains guidelines based on the Study on Ethical Investment and Sustainable Asset Management within the Kenyan Churches and Church-Related Organisations. The study's goal was to mobilize and strengthen churches, Church and CROs, and all local stakeholders to play a more proactive and coordinated role in the development and implementation of local policies, guidelines, and standards on ethical investment.

The church has always dedicated her resources as a means of spreading the Gospel. As a result, its role in promoting ethical investments should be seen with a holistic understanding of the Gospel. Indeed, she should give due priority to human, social, economic and environmental resources. Churches are required to be good stewards when making investment decisions and in seeking partnerships with other businesses. Furthermore, the Church's services necessitate increased accountability when dealing with social, human, environmental and economic resources in the interests of future generations and creation.

The Guidelines are informed by the outcome of the study which was undertaken by CORAT Africa with the leadership provided by Globethics L.E.G.S. methodology. Globethics designed this framework methodology to address Sustainable Assets Management and Ethical Investment in Africa as well as international standards and best practices on quality management and sustainability approaches. The methodology framework has been built around 4 key fundamental building blocks for sustaining Church mission. These include Leadership, Ethics, Governance and Sustainability (L.E.G.S.). The Church and CROs need to ensure the methodology is in place, to ensure those institutions are able to manage and sustain their assets and make the appropriate decisions on Ethical Investments. This practical Ethical Investment Guideline is to help Churches and CROs reflect on their *values, structures, processes* and *procedures* so that they are able to meet the international standards and facilitate the implementation of the global UN Agenda - SDGs 2030 at local levels.

2.0 KEY CONCEPTS AND PRINCIPLES

These guidelines are adaptable to various individual settings of different institutions. Nevertheless, some matters covered by the Guidelines may also be regulated by national laws or international commitments.

3.0 THE PURPOSE OF THE NATIONAL GUIDELINES AND POLICIES

The Church and CROs are expected to promote and inculcate ethical investment policies, guidelines and standards. The goal is to empower leaders, managers and workers of Church and CROs investments with knowledge and skills to be better stewards of the available human, social, environmental and economic resources. In order for the guidelines to take root, an intentional organised and focused advocacy campaign is necessary.

4.0 PROPOSED ETHICAL INVESTMENT GUIDELINES

4.1 The National Legislation and Policies Guidelines

The Churches and CROs investments should make commitments to the following guidelines to help them deal with the national legislation concerns:

- 1) **Establish Sustainable Partnerships** with relevant organisation, Universities, enforcement and regulatory agencies (e.g. Kenya Revenue Authority, State Law Office, Ethics and Anti-Corruption Commission, Kenya NGO Bureau), NGOs (e.g. Kenya Human Rights Commission, Kenya Federation of Women Lawyers,) and Professional Associations/organisation (e.g. Law Society of Kenya, Association of Christian Lawyers, Institute of Certified Public Accountants; Institute of Certified Public Secretaries) and Umbrella organisation and Service providers (e.g CORAT Africa, National Council of Churches, All Africa Conference of Churches), to help them, deal with legal education and compliance challenges.
- 2) **Encourage Churches and CROs to appoint experienced and qualified professional staff** (e.g. auditors, consultants, investment advisors, lawyers) to provide the required technical services and be involved in creating awareness on the existing legal/regulatory frameworks, compliance requirements and enforcement.

4.2 Ethics and Human and Environmental Rights Guidelines

The Church and CROs investments have the duty to protect human rights, environmental rights and workers' rights within the framework of nationally and internationally recognized human rights principals and instruments, as well as relevant national laws and regulations and employment standards.

The Churches and CROs investments should make commitments to the following guidelines to help them deal with ethics and human rights concerns:

- 1) **Stand Up and Act for Everyone's Right.** The Church and CROs investments should avoid infringing on the human rights of others and should address adverse human rights impacts with which they are involved and seek ways to prevent or mitigate adverse human rights impacts that are directly or indirectly linked to their business operations, products or services.
- 2) **Sign Policy Commitments to Respect Rights of Workers and Abolition of Child Labour.** The Church and CROs investments should sign policy commitments to respect human rights of workers and abolition of child labour by taking immediate and effective measures to prohibit and eliminate all forms of child labour as a matter of urgency.

- 3) **Support and Promote Equal Treatment of all and Denounce all Forms of Discriminatory Practices.** The Church and CROs investments should commit to support and promote equal treatment in all areas and manifestations of religion or belief and to denounce all forms of discriminatory practices. They should commit themselves to preventing all forms of discrimination against any individual or group and consider any such interpretation as contrary to the unity of the body of Christ, oneness of humanity and equal dignity of humankind.
- 4) **Commit to Leverage the Spiritual and Moral Weight of Christian Values and Beliefs.** The Church and CROs investments should commit to leverage the spiritual and moral weight of Christian values and beliefs with the aim of strengthening the protection of universal human rights and developing preventative strategies adapted to local contexts, benefitting from the potential support of relevant national and international partners.
- 5) **Develop Sustained Partnerships with Universities.** The Church and CROs investments should develop sustained partnerships with Universities to promote a) interdisciplinary research, programs and tools for implementing the ethical investment Guidelines, and b) research on specific questions related to ethics, Christian faith and human rights and to benefit from their outcomes that could feed into the programs and tools of ethical investments.
- 6) **Commit to Support Each Other at the Implementation of the Guidelines and Recommendations.** The Churches and CROs investments should commit to support each other at the implementation level of these guidelines through exchange of practices, mutual capacity enhancement and regular activities of skills updating.
- 7) **Commit to Staff Capacity Development.** Church and CROs should develop policy instruments to support staff training including co-financing arrangements, scholarships, sponsorships, organising workshops, in-house training, etc. The investment environment dictates that the Church and CROs put in place stable staff capacity development programmes which are aligned with the investment requirements.
- 8) **Compliance and Enforcement of Core Labour Policies and Standards.** As a general principle, core labour policies, procedures and standards relate to fundamental principles and basic human rights in the workforce and are distinct from labour standards regarding work conditions and employment protection laws. There is need to raise awareness of the problems associated with low compliance with the core labour policies and standards, to reinforce efforts to improve enforcement and compliance with them and to promote tools that foster responsible business practices.
- 9) **Develop an Investment Strategic Plan, Financial Plan and Investment Charter.** The Church and CROs' investments need to develop an investment strategic plan, financial plan and investment charter to help guide investment decisions and practices. The investment charter will regulate the Investment Committee functions through determining its duties, authorities, working procedures and rules of nomination of its members, in accordance with the regulatory rules.

- 10) **Establish Partnerships with Community-Based Organisation, Universities, Enforcement Agencies.** Churches and CROs to establish Partnerships with Community-based organisation, Universities, enforcement and regulatory agencies (e.g. NEMA, KWS, KFS,WRMA, Kenya Human Resource Management Institute), NGOs to help them, deal with negligence and compliance challenges. The partnership will also help to build capacities in deficient areas and strengthen the Churches and CROs governance boards and management teams on environmental stewardship and management.
- 11) **Work towards appointing Experienced and Qualified Professional Staff.** Encourage Churches and CROs to appoint experienced and qualified professional staff (e.g. Human Resource experts, environment advisors, environmental lawyers, human rights experts, etc.) to provide the required technical services and be involved in creating awareness on the existing legal/regulatory frameworks, compliance requirements and enforcement.
- 12) **Create and Nurture Climate Change Champions in the Stewardship of the Environment.** Churches and CROs should be encouraged to create and nurture climate change champions/stewards of the environment for future generations, for example the eco-champion Anna Surridge (see Box 1).

Box 1: Eco-Champion, Anna Surridge

Anna Surridge is a 16-year-old, a strong Christian, who believes in stewardship of the environment as per the Scripture. Through her firm stand, she has become an eco-champion in Great Britain. She is promoting an eco-friendly hair dryer, recycling mobile phones, digging up the lawn to plant vegetables, etc. Anna is passionate about the environment and climate change. Living in South Wales, she is one of the six "Climate Change Champions" appointed by the Welsh Assembly to "help people change small things in their life to help the environment." She is traveling to various events highlighting the need to care for the environment. She encourages the young people to leave messages on a 'graffiti wall' or to record video messages for the environment ministers of European Countries to take action in preserving and conserving the environment. Churches and CROs have the responsibility to create and raise Climate Change Champions for future generations like Anna for the honour and glory of God.

- 13) **Promote and Adopt Internationally recognized Environmental Management Systems.** Churches and CROs should advocate for simple, wholesome lifestyle, where people do not step on the treadmill of unbridled over-consumption, accumulation of goods, and production of waste. A reformation of lifestyle is called for, based on respect for nature, restraint in the use of the world's resources, re-evaluation of one's needs, and reaffirmation of the dignity of created life. Churches and CROs can advocate this much needed reform by promoting and adopting internationally recognized Environmental Management Systems (EMS) such as the ISO 14000 standard.

- 14) **Support Churches and CROs Youth Social Enterprises.** Churches commit themselves to support youth social enterprises through technical advice and financing. The focus will be on recycle of waste, remodel, reuse, reclaim, repair, and practice restraint. The objective is to keep the environment free of waste or clean and source of income.
- 15) **Preach Stewardship of Creation/Environment from the Pulpit.** Churches commit themselves to preach stewardship of creation or our environment from the pulpit, and establish a training program for church members to champion and care for the environment.
- 16) **Extractive Sector Stakeholder Engagement.** Churches and CROs should be actively involved in the extractive sector that has significant potential to lift people out of poverty and contribute to sustainable development through revenue generation to the government for infrastructure development and delivery of social services to the people.

5.0 THE ROLE OF EFFECTIVE LEADERSHIP

5.1 Effective Leadership Guidelines

The following are guidelines for Church and CROs investments leadership to promote ethical practices:

- 1) **Mitigating Against Corrupt and Fraudulent Practices.** Investments should highlight in all their organisational materials, website and tender documents the fact that the investment is corruption free environment and that corruption cases should be reported through some whistle blowing channels. This should be clearly spelt out in an in-house policy on corruption and favoritism. Further, all staff to be made aware of the Anti-Corruption and Economic Crimes Act. Disclosure of conflict of interest (COI) should be mandatory.
- 2) **Improving Procurement Practices.** To continuously improve on procurement practices, investments need to employ qualified and well vetted (behavioral and past history) staff, instituting a procurement committee with members with impeccable integrity. Suppliers of various goods and services should be pre-qualified paying attention to integrity status of potential suppliers. Suppliers with questionable integrity and standing should not be pre-qualified. Lastly, there is need for clear and well disseminated procurement policies and guidelines.
- 3) **Address the Divergence Between Compliance and Enforcement of the Same Laws.** There is a divergence between compliance and enforcement. To address these gaps in Church and CROs investments, there is need for investments to create awareness among staff of existing laws and policies that guide running of such enterprises. This should be complemented by instituting an in-house policy on implementation of laws and policies that should be led by management.

- 4) **Promoting Value-Adding Networks.** Investments need to scout for other peer investments by first clarifying the need (objectives) for value adding networks (why) followed by identification of entities to network (who) with depending on needs and lastly working out (how) mechanisms for networking. The value add from such networks, needs to be monitoring and documented as they play out in the investment.
- 5) **Instituting Punitive Mechanisms Against Crime.** It is suggested that Church and CROs be clear, in their HR policies, on the consequences of workplace crime beyond job loss; to include prosecution depending on the nature of the offence. Further, Church and CROs should create awareness of the Code of Conduct policy to their staff.
- 6) **Promote Value Adding Church and Cross Border Connections.** Value adding connections (networks) should not be confined locally but reach beyond Kenyan borders to expose Church and CROs to ethical and business experiences in other environments including international.
- 7) **Showcase and Publish Success Stories for Mutual Learning.** Church and CROs will need to create a KM/research component within investments that will be responsible for gathering needed data and information. Central to this whole process will be the need to develop mechanisms for show casing success stories for mutual learning. The other mode of learning and sharing success stories, is through publishing and to achieve this, Church and CROs will need to develop clear strategies and also train selected staff on scientific writing and further encouraging them to write and publish on relevant forums.

5.2 Good Governance Guidelines

- 1) **Establish an Effective Governance Framework.** Churches and CROs require an effective legal, regulatory and institutional foundation that should comprise of legislation, regulation, self-regulatory arrangements, voluntary commitments and good business practices. The governance framework should be designed in such a way that it is flexible enough to meet the needs of Churches and CROs operating in widely different circumstances. Another key consideration is the need for effective enforcement and implementation that will require the allocation of responsibilities for supervision, implementation and enforcement.
- 2) **Boards Composition and Responsibility.** Membership of the board should be broad and relevant to the needs of the organisation. In terms of responsibility, members need to have clear understanding of the board's key functions including resource mobilization, policy formulation, strategic guidance, financial oversight, recruitment and guidance of the management team members. The appointing authority should also ensure board/member's reasonable term limits are set, and processes put in place for electing or appointing board members.

- 3) **Governance Board's Role in the Governance of Investments.** The Churches and CROs governance boards should play a central role in the governance of the investments. The board is chiefly responsible for guiding corporate strategy, monitoring managerial performance, overseeing operational systems to ensure that the investment obeys the applicable national laws and achieving an adequate return for the investment. It should also monitor and manage potential conflicts of interest of management, board members and shareholders.
- 4) **Capacity Building for Governance Boards.** In dealing with investment governance issues, Churches and CROs will use a varying combination of legal and self-regulatory instruments, and voluntary initiatives depending on the stage of enterprise development.
- 5) **Review of Governance System.** Churches and CROs should consider undertaking a full periodic governance system review against best practices and internationally accepted principles of good governance.

Good Governance



Fig. 1: Good Governance practice

6.0 SUATAINABILITY GUIDELINES

These proposed guidelines will help the investment to attain sustainability in its operations, management, action plans, internal controls and self-regulation.



Fig 2: Components of Church and CRO sustainability

- 1) **Setting up of Governance and Implementation Institutions.** The Churches, Church and CROs and stakeholders will be required to create several institutions responsible for the implementation, monitoring, evaluation and reporting of ethical investment guidelines at various levels. The institutions include the national focal point, national ethical investment committee, and Churches and CROs ethical investment committees. These institutions will facilitate processes of attaining sustainability of ethical practices in investments at the national and local levels.
- 2) **Establish Ethical Investment Centres of Excellence (CoE).** The Churches and CROs will be encouraged to establish Centers of Excellence (CoE) in Ethical Investments that will promote and demonstrate excellent practices in ethical investments.
- 3) **Youth Mentorship Program.** The Churches and CROs to intentionally work with institutions of Higher learning including Universities and Colleges to initiate a mentorship program that will expose the youth to best practices while undergoing training.
- 4) **Publication and Dissemination of resource materials.** The Churches and CROs investment organs at the national and local levels should compile all national legislations dealing with investments into one popular version that will be distributed to Churches and CROs (hard or soft copies) for study, use and to create awareness.

7.0 STRATEGIES TO PROMOTE DISSEMINATION OF THE GUIDELINES

7.1 Ethical Investment Practices Review Process

The Churches and CROs' investment need to establish a review mechanism for engaging internal and external stakeholders in reviewing ethical investment practices. The review process is a public participation process that will engage key stakeholders directly in a decision-making process that gives full consideration to their input. The review process shall identify gaps and remind the Churches and CROs investments of ethical practices to enhance their performance.

7.2 Appropriate Communication Strategy

To ensure compliance with investment policies, procedures and standards, Churches and CROs investments should establish appropriate communication strategy to disseminate these policies, procedures and standards. A good communication strategy will ensure that timely, regular, reliable and relevant information is disclosed regarding their activities, structure, financial situation and performance.

7.3 Creative use of National Focal Point (NFP)

NFP can either be Globethics Country/Regional Office or National Technical Service Provider appointed by Globethics. The Matter requires further consultation and discussion. Globethics shall make available human and financial resources to their National Focal Point so that they can effectively fulfil their roles and responsibilities, taking into account internal budget priorities and practices.

7.4 The role of National Ethical Investment Committee (NEIC)

NEIC shall be comprised of selected Churches, Church and CROs, CSOs, Businesses community, Universities, Financial Institutions, Service providers, Government agency, etc. The NEIC will play an oversight role in engaging stakeholders in the review and enforcement of the guidelines.

7.5 The Church and CROs implementation of the guidelines

The Governance Board and the Ethical Investment Committee (EIC) are two key important organs of Churches and CROs for the implementation of the Guidelines. It is the responsibility of the organisational leadership to ensure that the two organs are actively involved in ethical investment.

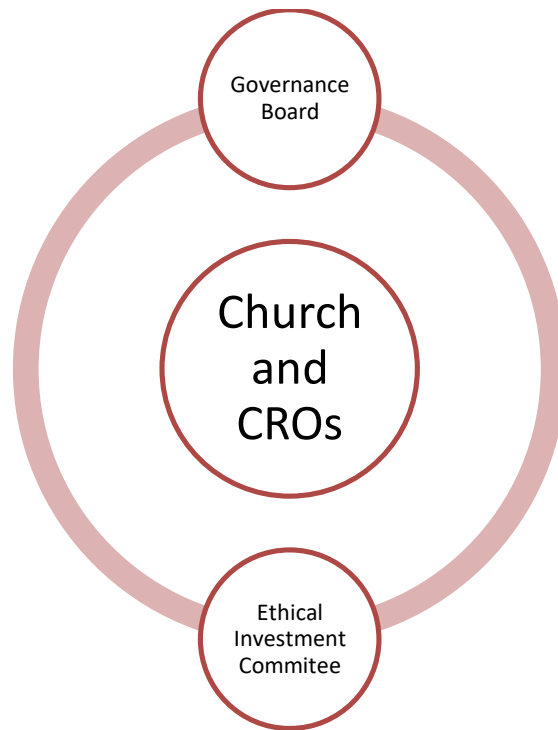


Fig. 3: Implementation of the guidelines by the church and CROs

- 1) **The Governance Board (GB).** The main role of the governance board is oversight and planning. Good corporate governance relies on distinct differences in the roles between the governance board and management. Boards also regularly delegate some of their duties to board committees who devote the necessary time and resources to issues for which the full board does not have time. Committees delve deep into issues, often calling in experts to assist them. Committees provide regular reports to the board on the matters that they are charged with handling.
- 2) **Ethical Investment Committee (EIC).** The Investment Committee is the primary authority on developing the investment plan or strategy, objectives and policies on investing. The members of an investment committee can be drawn from the organisation's governance board, management, and shareholder's representatives. The committee should have at least one member with a professional background in finance or investments and other members should possess diversity in other areas.

7.6 Implementation, Monitoring, Evaluation and Reporting Framework

Both the implementation plan and monitoring, evaluation and reporting (MER) framework are key components that Globethics and users of this guideline will need to develop for purposes of ensuring that the guidelines are implemented, monitored, evaluated and progress reported.

