ICCR MEMBER PROFILES

Everence Financial

In each issue of the Corporate Examiner, we profile an ICCR member organization and its work in corporate social responsibility. Below we spoke with Mark Regier and Chris Meyer.

Can you talk to us about Everence's work with its various clients — about the role faith plays in their investing priorities?

Mark: Everence has been involved in some form of socially responsible investing for 70 years (as of this April). This emerged less as a strategy than as simply "our way of doing things." Over the years there was an increasing formalization of our SRI policies leading to, in 2000, the adoption of our Stewardship Investing Philosophy. This philosophy, rooted in an understanding of Christian stewardship from our 500-year old Anabaptist faith tradition, seeks to hold in tension our responsibility for social and financial productively through company selection, corporate engagement, and community development investing. We're deeply committed to all three of these SRI strategies, however we think that engagement and community development investing allow us to most fully reflect our care and concern for the planet and its people. We've also established six Stewardship Investing Core Values that guide our evaluation and development emerging social issues, new screens, and shareholder engagement opportunities. These values were shaped by a panel of theologians, academics and business people and seek to articulate our highest hopes for business' impact and practice in our world.

When did Everence begin actively exploring shareholder engagement as a way to achieve its institutional mission?

Mark: Everence—then known as MMA—first became involved during the South African divestment movement. We were strongly influenced by some of the larger Protestant traditions and their leadership on this issue. As with others, this issue was one of great debate and raised many questions about what actions we were called to as faith-based investors. Our relationship with shareholder advocacy became more deliberate with establishment of the Praxis Mutual Funds, our family of publicly available, socially responsible mutual funds, in 1994.

What social or environmental issues are of greatest importance to Everence's clients today?

Chris: Our clients and constituents represent a diversity of passionate interests. Clearly, climate change is near the top, as new and updated scientific reports document its accelerating threat. Everence has also collaborated with other Mennonite agencies on a denominational task force on modern slavery, which was tasked with developing a church action plan.

We are centering our advocacy program in these areas. For the past few years, our two main themes have been environmental sustainability and modern slavery. Climate change is our primary environmental focus, but we are also active on hydraulic fracturing and toxic chemicals in consumer products. Our key issues under modern slavery include child labor in the cocoa industry, conflict minerals, and a newly emerging focus on ethical recruitment practices.

Mark A. Regier, Director of Stewardship Investing for Praxis Mutual Funds and Everence Financial

Chris Meyer, Stewardship Investing Specialist for Everence

Can you talk to us about your experience of using the power of shareholder engagement to address the climate change crisis?

Chris: Everence's climate change engagement strategy seeks to impact companies on three key themes: acknowledgement of climate change and the development of emissions reduction plans, transparency of political funding and lobbying, and examination of carbon asset risk.

We are focusing on oil and gas and utility companies on these key issues, but we also work on broader initiatives with our advocacy partners. Some of these actions have led to corporate policy changes, while others have not yet yielded fruit. But all of these opportunities send a vital message to the board, management, and other shareholders that climate change issues are critical to the future of both the company's business and the future of our world.

We also look beyond engagement for impact on climate change. For instance, in 2013 we strengthened our long-standing environment screen to include newly available forward-looking climate risk data. Additionally, Everence and the Praxis Mutual Funds have become nationally-recognized leaders in the inclusion of green and other environmentally beneficial bonds in fixed income portfolios, contributing to the clean energy transition.

Another social justice concern for the Mennonite Church is the scourge of human trafficking and slavery. How is Everence working with companies to identify and eradicate human trafficking risks in global supply chains?

Chris: The companies we engage on human trafficking are often several supply chain steps removed from the worst human trafficking offenses. However, these companies usually have the most power in the supply chain and are best positioned to influence positive change. Additionally, they are typically well-known brands that face reputational and supply chain security risks if they fail to address human trafficking.

We have lead dialogues with Hershey and Mondelēz for many years on child labor in the cocoa industry. We have highlighted various risks related to inaction, such as reputation, regulation, and the sustainability of the cocoa bean supply itself. We have also lifted up potential opportunities that come with effective action, including better relationships with suppliers, a more stable cocoa supply, and positive press. In order to have a deep impact on reducing child labor, we have worked with these companies to encourage on-the-ground impacts at the farm level—where we feel the fundamental changes must take place—and the establishment of standards to measure those impacts.

How does membership in the ICCR coalition help Everence enhance its impact?

Chris: We value our membership in ICCR for many reasons. Membership helps us increase both the breadth and depth of our advocacy work. ICCR staff provide expert input on a number of issues, publish materials that highlight the work of members, and help us keep up with the latest developments in the faith-based and social investment industry.

ICCR also provides a forum in which we can convene with other like-minded investors. We can seek support for our advocacy initiatives within this network, and we also have the opportunity to join in initiatives led by other members.

What would you say are the key distinctions between, and unique strengths of, SRI and ESG?

Mark: I'm increasingly convinced that understanding these two approaches as related but distinct is critical for the long-term growth and progress of the responsible investment field. In short, SRI is about vision and ESG is about practice. You can see this in their very names. "Socially responsible investing" is a directional values statement with a goal of hoped-for impact. "Environment, Social, and Governance" are performance factors—like PE ratios and growth curves—and are increasingly monitored as such. The goal of ESG, however, remains the same as the investment strategies of yore—increased financial gain. So where SRI is the light shining on the path ahead, identifying and engaging issues and opportunities because of who we are as values-based and mission driven investors, ESG is a more modern, kinder, gentler take—sort of like a hybrid engine—on the existing and essential economic system we all depend on.

Both of these approaches are necessary if this movement is to continue to grow in scale and global impact. And for many faith-based investors, ESG's mainstream acceptance and adoption allows them to integrate their values where they felt prohibited in the past.

Faith-based investors are sometimes described as "prophetic", able to see social and environmental risks ahead of the curve. Would you say that description is still accurate?

Mark: Our "prophetic" role is sitting at the junction of environmental/social concern and the investing marketplace. We seek to translate these concerns into corporate actions and policy changes that drive lasting improvements for the planet and its people. This doesn't change our fiduciary duty to those who depend on us, but by looking at the world of investing through a values-first lens, we discover new opportunities to integrate our values with the investments we manage.