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FROM SUSTAINABLE FINANCE TO FAITHFUL INVESTING
A Moral Proposal According to the Catholic Social Thought

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ABSTRACT

Finance is an element of economic life that can contribute to shaping a more humane, equitable and sustainable world; and finance oriented by reference to ESG criteria represents an encouraging step forward at the service of the Common Good. In this article we contrast finance from ESG criteria with Faithful Investing, more specifically, with the tradition of Catholic Social Thought (CST) and its criteria for ethical, responsible, and sustainable investing decisions. Therefore, we try to go beyond, opening a path towards a more explicit way of acting in financial markets from a moral option rooted in religion: Faithful Investing.

The paper begins by delimiting differences among ambits of reality in the field of meta-financial investing options. So, the first section, using a Logical-symbolic notation, presents a triple thesis that serves as a framework for the rest of the paper. From it, the concept of Faithful Investing is demarcated, by contrasting it with other related concepts: ESG, SRI, and EI. After underlining the relevance of the moral

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dimension of financial activity, and after presenting in depth the principles of the CST, the paper presents the point of view of this tradition about finance.

We conclude the paper by showing some empirical evidence of how Faithful Investing is not only attractive as a good moral option, but it is also, because of profitable portfolios, well diversified and with persistent and sustainable returns over time.

KEYWORDS

sustainable finance; Socially Responsible Investment (SRI); ESG criteria; moral dimension of finance activity; Catholic Social Thought; faithful investing

INTRODUCTION: A TRIPLE THESIS AS A LOGICAL-SYMBOLIC FRAMEWORK FOR THE PAPER

In the context of the growing interest in sustainability in general, in Socially Responsible Investment (SRI), Ethical Investment (EI), and the so-called Environment, Social & Governance (ESG) criteria, this paper aims to contribute to the debate by pointing at the presence in the market of a complementary way alternative to them: Faithful Investing (FI) in accordance with the criteria of the Catholic Social Thought (CST).

To facilitate the understanding of this paper, it is convenient to make explicit some epistemological keys to explain its tenor and scope. So, it could be said that our approach to the meta-financial motivation of investment decisions is located halfway between the conceptual essay on the one hand, and the one usual in academic articles on the other. Moreover, to favor an adequate hermeneutic of the paper we specify some other assumptions.

It has already been said that a distinction will be made between what, on the one hand, the ESG criteria represent as guidelines for investment decisions and, on the other, what the motivation from a conscience animated by a religious option entail. In our case, it is the one represented by the Christian faith and CST.

The considerations that we will make in the body of the paper are framed in a triple sequence of theses -α, β and γ-, complementary to each other, which, for the sake of conceptual precision, we formulate below with the notation proper to Symbolic Logic. The elements and symbols of each formula mean the following:

ESG: Environment, Social & Governance - Criteria for Investing
SRI: Socially Responsible Investment
EI: Ethical Investment
SI: Sustainable Investment
FI: Faithful Investing
CST-OI: Catholic Social Thought - Oriented Investment
$\neq$: It is not equal to
$>$: It is greater than
$<$: It is less than
$\wedge$: And
$\vee$: Or
$\rightarrow$: Implies that
$\neg$: Not

∧ : Concordances and Differences between Criteria

$\{(ESG \neq SRI) \wedge (SRI > ESG)\}$
$\{(ESG \neq EI) \wedge (ESG < EI)\}$
$\{(SRI \vee EI) \rightarrow ESG\} \wedge \{\neg (ESG \rightarrow SRI \vee EI)\}$
$\{FI \neq SRI \vee ESG \vee EI \vee SI\}$

β ß Logical Scope of ESG Criteria

$[\{(ESG \neq E) \wedge (ESG > E)\} \wedge \{(ESG \neq S) \wedge (ESG > S)\} \wedge \{(ESG \neq G) \wedge (ESG > G)\}]$
$[\{(ESG \leftrightarrow (E + S + G)\} \wedge \{(ESG \leftrightarrow SI)\}]$
$[\{\neg (SI) \leftrightarrow (\neg ESG)\} \rightarrow \neg \{RSI \vee EI\}]$

γ ß The CST-OI, as an element of the FI, endowed with a greater logical requirement.

$\{(ESG \leq RSI) \wedge (ESG \leq EI)\}$
$\{FI \geq [\{(ESG) \vee (RSI)\} \wedge \{\rightarrow EI\}]\}$
$[(FI \geq CST\text{-}OI) \wedge \{(CST\text{-}OI \rightarrow (ESG \vee SI) \wedge SRI \wedge EI)\}]$

The acronym ESG has been one of the most recurrent references in the financial context for years. It was probably born from the matrix that represented the Corporate Social Responsibility (CSR) movement and mutated into the discourse of Sustainability and the Sustainable Development Goals (SDGs). The use of ESG criteria has been growing in importance. It is estimated that more than $35 trillion of assets worldwide are being managed under the ESG rubric. However, what exactly is the meaning of a business strategy or an investment project according to ESG criteria is not always clear, and it remains problematic to grasp the precise meaning of the term. So, in trying to meet ESG criteria, there may not only be a heterogeneity of expectations, but also an obvious incompatibility between the objectives of immediate-term profitability and the ones for the long-term sustainability.

In any way, it is worth noting the following: that the ESG criteria tend to identify themselves in terms of the environmental aspects. As a result, the 'E' develops excessive prominence, which could even minimize aspects that are considered in the other letters of the acrostic: the 'S' of Social (Waas, 2021) and the 'G' of Corporate Governance (O'Hare, 2022). In the formulae that we provided, we tried to shed some light on this conceptual, logical, and semantic vagueness of the real meaning of the ESG criteria.

Moreover, the ethical dimension of financial activity constitutes for the authors of this paper a sort of axiom. It will be expressly affirmed in the following section, as an aspect that, being in any case widely shared by other traditions and theoretical perspectives, can connect with financial praxis and could even give rise to investment projects that are also animated by religious faith criteria, among which those emanating from CST could be included.

Considering the above, in the rest of the paper we will proceed as follows: in the second and third sections, we will underline the importance of the ethical dimension of finance. Assuming as a relevant proposal from the ethical point of view that is represented by the ESG criteria, we will insist on its limitations to propose, as an alternative, financial investment in accordance with the guidelines emanating from CST.

The conclusion contains a fact that deserves to be carefully considered in further work, since there seems to be a striking correlation between profitability and investing according to the CST criteria. Two of the most immediate research questions for further studies could be formulated in the following terms: To what extent will this correlation be maintained in the future? Would it be causal relationship to explain that parallelism?

MORAL DIMENSION OF FINANCIAL ACTIVITY BEYOND SUSTAINABILITY AND ESG CRITERIA

Humanity is experiencing a critical historic moment on multiple fronts in which a concerning regression of democracy is no longer an alien concept (The Economist Group, 2022). Whilst the situation is dangerous and threatening, at the same time it is also full of possibilities because of technological progress (Alpaydin, 2020; Fernández-Fernández, Camacho-Ibáñez, Díaz de la Cruz, & Villazán, 2021) at the service of a universal fraternity that contributes to the humanization of life (Francis, 2020).

Fortunately, the utopian model of fairer, more respectful, more equal, and sustainable interactions forms part of a global ethical discourse in which philosophical, cultural, and religious proposals and traditions converge, which can provide "the principles of reflection, the criteria of judgement and the directives of action as the basis for promoting integral and solidary humanism" (Pontifical Council for Justice and Peace, 2005: 5), which is what Catholic Social Thought represents. It is through this perspective of CST that this article will address the topic of Sustainable Finance.

As a starting point, we believe that the existence of a moral dimension in relation to financial activity is unquestionable (Dembinski, 2010; Fernández-Fernández, 2019). Besides, we believe that any investments decision—even speculation (Fernández Fernández, 2015)—always represents an ethical decision (John Paul II, 1991).

Based on what has been said, it is natural that financial activity has been taken into consideration so much in recent times. The three basic reasons for this appear to be clear. First is the fact that all entrepreneurial projects require funding. Secondly, many examples of bad practices and financial scandals are present in the collective imagination. Despite all of this and apart from these two obvious reasons, there is another one, perhaps more interesting and optimistic, specifically, that appropriate financial management could contribute to the Common Good, by stimulating sustainable and equitable growth. This is whilst respecting the balance of nature and with care for the Common Home (Francis, 2015).

The framework for what can be interpreted as Sustainable Finance can be reasonably well defined: specifically, those that, avoiding any type of bad practice (the principle of nonmaleficence), seek to serve initiatives that are aimed at achieving a triple positive impact of economic, social, and environmental.

In this sense, by generalizing among the different stakeholders in the finance field the narrative of the ESG criteria, it would appear as if under that rubric they had already found an easy, plain, and commonly accepted way of determining whether an investment is true sustainable or not. Of course, this is not more than a pretentious aspiration both at the theoretical and practical level.

In fact, there is a growing academic literature precisely criticizing, among other things, the lack of consistency, system, and homogeneity that reflect those ESG criteria (Alda, 2021; Chaffee, 2021; Dicuonzo, Donofrio, Iannuzzi, & Dell'Atti, 2022; Garefalakis & Dimitras, 2020; Muff, 2022; Parfitt, 2020; Zumente & Bistrova, 2021). The controversy reached even politics and public opinion (Cavaliere et al., 2021). That is why without necessarily having to militate under the Anti-ESG movement, this overacting of ESG rhetoric is giving occasion for Administrations in some countries to update their recommendations for governance and encourage business and markets operators to articulate a less declamatory and hyperbolic marketing about the topic.

That being said, and assuming that—although this is not the case today—there were a formal list of commonly accepted ESG criteria, one might even ask whether the ESG criteria would cover all the angles that investors seek. Would they be sufficient? Could it be possible that while in some cases the ethical dimension of investment is being explicitly contemplated, in others, significant approaches that directly affect ethics and morals could be overlooked? The ESG criteria could be extremely open in selecting a sustainable investing portfolio and even facilitate making investment decisions that are sustainable from one concrete perspective, but not necessarily ethical from a more holistic point of view. For example, is it sustainable to invest in pharmaceuticals that meet all the environmental standards but destroy human embryos during their research?

Without wanting to significantly expand on this, it is worth to say that faith-consistent investment goes a step further, by not only incorporating the ESG criteria but also dealing with and analyzing the ethical component of investments, in our case, according to CST and moral principles. This overcomes the usual problems that are increasingly being expressed in relation to ESG such as inconsistency with measuring certain parameters with a sheer variety, and inconsistency of the data and measures and of how companies report them (Kotsantonis & Serafeim, 2019). It is more complete, unambiguous, and permanent. Faithful investing seeks to ensure that investments serve the people, putting people's dignity at its heart.

SUSTAINABLE FINANCE, AT THE SERVICE OF A CHALLENGING AGENDA

A well-structured assessment of the situation we are living in cannot fail to mention how in multiple layers of global public opinion there appears to be widespread solidarity awareness, not only in terms of looking after the planet, but also for trying to design a more inhabitable social world, more generous, and fraternal (Francis, 2020).

As a result, alongside the primary and inevitable personal responsibility, for a long time there has been a commonplace appeal for the necessary involvement of public administrations, NGOs, and other civil society institutions, as well as financial organizations and certain companies that should be increasingly conscious of their organizational *purpose*—their social responsibility toward sustainability.

The 2030 Agenda that the SDGs represent, alongside other initiatives, are aspects that deserve to be mentioned within the global political *capital* of recent decades. However, this is stated whilst also recognizing the understandable doubts that can surround all *ideological* proposals; and which, as a result, far from immunizing them from critique, should precisely leave them exposed to controversy and open to constructive dialogue. Therefore, we find ourselves facing a controversial position by aligning ourselves more closely to the ESG criteria due to their lack of consistency and standardization as each ESG rating agency bases its analysis on a different methodology (Berg, Koelbel, Pavlova & Rigobon, 2022).

Therefore, it is within this context and framework which the *ethical dimension* of finance in general will be considered, as well as the assessment (both technical as well as moral) of certain changes that financial activity has seen in recent times. In this regard, it is worth mentioning how in recent decades the scope and objectives with which markets traditionally operate has been expanding: Ethical and Solidarity Investment, Socially Responsible Investing, Impact Investing or Financial Investment with ESG criteria, among others.

Even so, each of the phenomena mentioned has its own special features and there are significant differences between them (Liang & Renneboog, 2020). However, we do believe that they all represent examples of social innovation (Fernández-Fernández, 2019; Pareja-Cano, Fernández-Fernández, & Navarro-Reguero, 2021) that are contributing towards putting the financial system at the service of the Common Good. Furthermore, these types of approach in favor of financial innovation are being driven in an increasingly explicit manner by the highest institutional levels (European Union, 2020; Esteban-Sánchez, Arguedas Sanz, & Ruza Paz-Curbea, 2021) at the service of a challenging agenda. But, why "challenging"? Because many initiatives seek maximum respect for the planet but do not respect fundamental rights such as respect for life (of the born and the unborn) or openly—and in some cases even totalitarian—promote ideologies (such as *gender ideology*) that openly conflict with Christian anthropology and which Pope Francis has forcefully denounced in his encyclical *Laudato Si'* (Francis, 2015) and in the post-synodal apostolic exhortation *Amoris Laetitita* (Francis, 2016a).

GENESIS, STAGES, EVOLUTION, AND PRINCIPLES OF CATHOLIC SOCIAL THOUGHT

The Catholic Church, "expert on humanity," has been working on the task of humanization since its beginnings. It has done this specifically by providing the Good News of Jesus of Nazareth. This message of evangelical salvation, the contents of which are fundamentally religious and eschatological, affects all the dimensions of a person (Díaz de la Cruz & Fernández-Fernández, 2019). And the Church, which seeks to remain faithful to its supernatural mission of transmitting the Good News to mankind, would not be able to do so in an abstract and ahistorical manner.

In contrast, the Church has no room for another alternative other than addressing the changeable situation of the historical dynamic; and, therefore, it has had to adjust the discourse to the contexts that are at the heart of human action over time. As a result of this, the Catholic Church has been articulating a discourse which is able to give its message a voice, whilst systematizing a comprehensive proposal under the name Catholic Social Thought.

The initial reflections carried out by Pius XI (1848–49) tend to be considered as the antecedents of this body of doctrine. Naturally, this is alongside the existence of social action that is present in multiple initiatives. In any case, the Church's presence in social practice should be considered complementary to the doctrinal proposals that emerge from the Gospel. These have been emerging in the CST discourse itself, of which the most significant milestones, starting with the *Rerum Novarum* encyclical published in 1891, are made up of other pontifical documents of relevance (Benedict XVI, 2009; Francis, 2015; Francis, 2020; John XXIII, 1961; John XXIII, 1963; John Paul II, 1981; John Paul II, 1987; John Paul II, 1991; Leo XIII, 1891; Paul VI, 1965; Paul VI, 1967; Paul VI, 1971; Pius IX, 1931).

Furthermore, the theoretical *corpus* which serves as the doctrinal basis of the Catholic Church's proposals on social topics can be periodized according to different phases (Sanz de Diego y Verdes Montenegro, 1993) and junctures. Bartolomeo Sorge (2011) identifies the reflective process to four moments. A first phase that he refers to as "Catholic ideology" takes place between 1891 and 1931; that is, between *Rerum Novarum* and *Quadragessimo Anno*. A second moment he refers to as "new Christianity" takes place between 1931 and 1958: an economic and democratic crisis combined with the height of fascist and communist totalitarianism as well the Second World War. A third moment in the following years between 1958 and 1978, with the Second Vatican Council as a key moment, is characterized by the spread of a type of open dialogue between the Church and the new cultural reality. Finally, there is the most clearly prophetic stage, a fourth moment that takes place between the early years of the 1980s until the present day. This covers the papacies of John Paul II, Benedict XVI, and Francis, and their corresponding dreadful crises: economic, ecological, and one which is increasingly prominent, social polarization; and even the COVID-19 health crisis which we have still not completely emerged from.

Within this theoretical-practical discourse, a theological framework can be identified with a series of recurring elements and principles from CST itself. This framework could be summarized by the aspects we have merely outlined in the following paragraphs (Fernández Fernández, 2016).

The starting point is human beings, *imago Dei*, author, and center of all economic life. Human beings have the right and duty to develop themselves, based on each person's intrinsic dignity from being created by God in his image and likeness (Pontifical Council for Justice and Peace, 2005). However, given that a person has two dimensions, so to speak (private and social), by analyzing these we find two groups of basic ethical principles: on one hand, those that are based on the individual dimension; on the other hand, those that are aimed at the social dimension. The following are from the first of these: (1) the right to free initiative; (2) the principle of subsidiarity; and (3) the right to private property. The principles based on the person's social dimension are as follows: (4) the social function of property; (5) the search for the Common Good, society's genuine aim; (6) the principle of Solidarity; (7) the principle of Subsidiarity; (8) that of Option for the poor, within the framework of global brotherhood amongst all people; and (9) that which drives a review of a development model that respects the environment and supports the sustainability of the processes.

THE CATHOLIC CHURCH AND FINANCE

Within the framework we have mentioned in the previous section, it is important to highlight that CST recognizes the relevance of financial dynamics, markets, and investment products as key elements for economic development and human progress. In fact, Pope John Paul II emphasizes this: "Even the decision to invest in one place rather than another ... is always a moral and cultural choice" (John Paul II, 1991: § 36).

To present the specific point of view of CST in relation to financial activity, we will pay special attention to three documents which we believe are essential for this topic.

The first of the works that we will present dates from October 2011. When the great recession caused by the subprime mortgage crisis was at its peak, the following controversial work emerged: *Towards Reforming the International Financial and Monetary Systems in the Context of a Global Public Authority* (Pontifical Council for Justice and Peace, 2011).

Years later the other two documents appeared, which, in our opinion, contributed to defining the Catholic Church's point of view on finance in a way that is more aligned to the current reality. In this regard, at the start of 2018, an enlightening document was released entitled *Economy at the Service of the Charism and the Mission* (Congregation for Institutes of Consecrated Life and Societies of Apostolic Life, 2018). Around the same time, the *'Oeconomicae et pecuniariae quaestiones'. Considerations for an Ethical Discernment Regarding Some Aspects of the Present Economic-Financial System* was also published. The co-authors of the document were the Congregation for the Doctrine of the Faith and the Dicastery for Promoting Integral Human Development (2018).

Expanding on considerations we have already covered in a previous study (Fernández Fernández & Blázquez Bernaldo de Quirós, 2021), we will now present the key ideas from the three abovementioned documents.

Towards Reforming the International Financial and Monetary Systems in the Context of a Global Public Authority

In the wake of Pope Paul VI, there started to be recognition for how the critical situation that was being experienced required the concerted efforts of multiple agents and institutions to resolve the multifarious crises (financial, economic, cultural, ethical, spiritual) by establishing new agreements and rules for refocusing financial activity for the future. In the document's preface, the president of the Pontifical Council for Justice and Peace, Cardinal Peter K. A. Turkson, citing words from Benedict XVI in the *Charity in Truth* encyclical, states that: "The crisis thus becomes an opportunity for discernment, in which to shape a new vision for the future. In this spirit, with confidence rather than resignation, it is appropriate to address the difficulties of the present time" (Benedict XVI, 2009 : § 21). The *Charity in Truth* (2009) itself, presents a clear analysis of some of the most relevant factors of an economic crisis which, at the time of publication in 2009, was starting to be felt to its full extent.

The Note of the Pontifical Council for Justice and Peace, which we are referring to, was divided into four sections, a Preface, and some Conclusions. The first section covered the topic of Economic Development and Inequalities and recognized that although in the last part of the 20th century economic wellbeing had experienced a very high rate of growth in general, the inequalities between the economies of different countries had, however, been increasing in parallel at an undesirable and surely unsustainable rate. With a good assessment, it indicated how "the speculative bubble in real estate and the recent financial crisis have the very same origin in the excessive amount of money and the plethora of financial instruments globally" (Pontifical Council for Justice and Peace, 2011).

As a corollary of all of this, the Great Recession had taken place (a fall in output and increase in unemployment rates). The deep causes of this that explained the phenomenon, as far as the Pontifical Council was concerned, were nothing but utilitarian individualism, selfishness, greed, and asset hoarding on a large scale. In short, the blame was on the predominance of the ideology of excessive economic liberalism, which arose because the regulations and controls on global financial markets were relaxed.

The second section was focused on covering The Role of Technology and the Ethical Challenge. On this point, it is pertinent to highlight the insistence of how

> the primacy of being over having and of ethics over the economy, the world's peoples ought to adopt an ethic of solidarity to fuel their action. This implies abandoning all forms of petty selfishness and embracing the logic of the global common good which transcends merely passing and limited interests. In a word, they ought to have a keen sense of belonging to the human family, which means sharing in the common dignity of all human beings. (Pontifical Council for Justice and Peace, 2011)

In the third epigraph (An Authority over Globalization), the door was opened to some considerations that are aligned to the spirit of John XXIII's (1963) encyclical *Pacem in Terris* that would end up being controversial; and which, in fact, were the target of subsequent criticism and clarifications. Indeed, perhaps the most controversial idea of the document was the proposal that advocated the need to create a global public authority. This aspiration was in no way new. In fact, both John XXIII (1963) and Benedict XVI (2009) reiterated it. Even so, according to the note's editors, the need for a global authority to safeguard the Common Good now appeared to be more evident.

The critical voices of this proposal did not hesitate to speak out and it became necessary to clarify it, in line with the Church's traditional teaching and principles: It was not advocating for a global superpower, but rather a global authority working towards the Common Good, formed by agreement, based on representation and the division of powers, established on moral reason, and governed by law and the respect for Subsidiarity. When the possibilist and measured strategy came to institutionalizing this more or less viable aspiration, it was recognized that "it is not possible to arrive at global Government without giving political expression to pre-existing forms of interdependence and cooperation" (Pontifical Council for Justice and Peace, 2011). At a state level, progress could be made towards regional and international frameworks, to—based on profound reforms of the current United Nations—finish establishing a decentralized, defined, and participatory global authority capable of making the supremacy of ethics and politics viable, and positioning the economy and finances at the service of the people.

The fourth section concentrated on certain specific proposals for reforming the system. The benefit of reflecting on the following aspects was highlighted: a) taxation measures on financial transactions; b) new forms of recapitalization of banks with public funds; and c) the definition of the two domains of ordinary credit and of Investment Banking to allow a more effective management of the shadow markets, which have no controls and limits. Alongside this, the benefit of opening a new era of responsibility was also emphasized, as well as making progress towards establishing a type of Central World Bank, which advances and improves the architectural structures of the current international financial system.

The document's conclusion is contained in the last phrase:

> The spirit of Babel is the antithesis of the Spirit of Pentecost (Acts 2:1–12), of God's design for the whole of humanity: that is, unity in truth. Only a spirit of concord that rises above divisions and conflicts will allow humanity to be authentically one family and to conceive of a new world with the creation of a world public authority at the service of the common good. (Pontifical Council for Justice and Peace, 2011)

The phrase "unity in truth" is important. If they are built on truth—in all the social, legal, economic, and financial fields—the decisions that are made based on sound judgment will always be for the good of the person. Therefore, only by aligning ourselves to the truth—for Catholics this has a capital "T"—can we develop truly sustainable finances.

Economy at the Service of the Charism and Mission. *Boni Dispensatores Multiformis Gratiae Dei* Guidelines

This document, approved by Pope Francis on December 12, 2017, was published on January 6, 2018 (Congregation for Institutes of Consecrated Life and Societies of Apostolic Life, 2018). It continued a previous reflection from 2014 on the meaning that institutes of consecrated life should give to material goods (Congregation for Institutes of Consecrated Life and Societies of Apostolic Life, 2014), and finished by emphasizing the need for the *Superiors* of each institution to provide training that is aligned to the CST criteria themselves for aspects relating to the economy, finance, and the administrative management of each institute's assets (Congregation for Institutes of Consecrated Life and Societies of Apostolic Life, 2018).

The administrative praxis will now be addressed in greater detail, as well as the way in which economic assets are managed, not only in an efficient manner, but also in line with the charism and mission of each of the institutions. In that sense, ethical principles and the discernment criteria of CST itself are reiterated within the doctrinal note, and operational disciplinary orders of Economic law are added (Campo Ibáñez, 2018) such as suggestions and proposals in practical guides for managing (planning and programming) assets based on evangelical code given that not all management techniques align with this code or CST.

The document consists of 98 paragraphs divided into four chapters: I) Living Memory of the Poor Christ; II) View of God: Charism and Mission; III) Economic Dimension and Mission; IV) Operational Recommendations. These are preceded by an introduction. The document closes with a conclusion of a spiritual nature that reiterates how it is important to understand how "the goods and the Works are entrusted to us as a gift of a providential God for accomplishing the mission" (Congregation for Institutes of Consecrated Life and Societies of Apostolic Life, 2018: 133).

It is worth highlighting the idea, already expressed by Pope Francis months earlier (Francis, 2016b) that the economy, as an instrumental means, should always be focused on serving the Church's missionary activity:

> If economic structures are an instrument, if money must serve and not govern, then it is necessary to look at the charism, at the management, the aims, the meaning, and the social, and the ecclesial implications of the economic

> choices made by the institutes of consecrated life and societies of apostolic life. (Congregation for Institutes of Consecrated Life and Societies of Apostolic Life, 2018: 28)

Furthermore, the sustainability of the works, managed responsibly and transparently, should address three types of consideration: charismatic (guaranteeing stable patrimony that is well-planned and up-to-date), relational, and economic. To deal with this dimension, the second paragraph of number 50 highlights the following three discernment frameworks: "an economy that has the human being in mind, the whole person and especially the poor; the explanation of economic structures as an instrument of the Church's missionary action; and—finally—an evangelical economic structure of sharing and community" (Congregation for Institutes of Consecrated Life and Societies of Apostolic Life, 2018: 85).

Based on these three reflective outlooks, paragraph 51 of the document sets out eight key criteria for guiding decision making on economic matters within the specific framework of the ecclesial institutions. They are: 1) Fidelity to God and to the Gospel, with Christ as a role model; 2) Fidelity to the Charism; 3) A responsible austerity, a healthy humility, and a happy sobriety; 4) Respect for ecclesiastical nature of goods, destined to the attainment of the purpose of the Church; 5) The sustainability of the work, i.e., when it maintains a balanced approach to financial matters and makes the most of available resources" (Congregation for Institutes of Consecrated Life and Societies of Apostolic Life, 2018: 85); 6) The need for reporting choices, actions, and results. After stating in seventh place that "in concrete situations, the criteria for discernment are found in the specific and *healthy traditions* of each institute, and in the unique requirements of each *legal and social contexts*" (Congregation for Institutes of Consecrated Life and Societies of Apostolic Life, 2018: 86), it concludes by indicating that "the requirements of *civil laws* … cannot be disregarded" (Congregation for Institutes of Consecrated Life and Societies of Apostolic Life, 2018: 87).

Oeconomicae et pecuniariae quaestiones. Considerations for an Ethical Discernment Regarding Some Aspects of the Present Economic-Financial System

The tone of this new document is indicated in footnote 35 by the following phrase: "We now intend to proceed in the line of a similar discernment in order to encourage a positive development of the economic-financial system and to contribute towards the elimination of those unjust structures that limit potential benefit of them" (Congregation for the Doctrine of the Faith and the Dicastery for Promoting Integral Human Development, 2018).

Divided into four sections: I) Introduction; II) Fundamental Considerations; III) Some Clarifications in Today's Context; and IV) Conclusion. The text reiterates the key principles of the Church's Social Doctrine—the dignity of a person, the relational nature of which is now highlighted; Solidarity, Subsidiarity, the Common Good, universal destination of goods, option for the poor—and advances some other ideas by trying to discuss the circumstances that represent the situation that was experienced as a result of the crisis of 2007 and beyond based on the framework of globalization and digitalization of the economy.

A paragraph of epigraph 5 is particularly explicit in this regard:

> The recent financial crisis might have provided the occasion to develop a new economy, more attentive to ethical principles, and a new regulation of financial activities that would neutralise predatory and speculative tendencies and acknowledge the value of the actual economy. Although there have been many positive efforts at various levels which should be recognised and appreciated, there does not seem to be any inclination to rethink the obsolete criteria that continue to govern the world. (Congregation for the Doctrine of the Faith and the Dicastery for Promoting Integral Human Development, 2018: § 5)

And, immediately after, it recognizes that

> On the contrary, the response seems at times like a return to the heights of myopic egoism, limited by an inadequate framework that, excluding the common good, also excludes from its horizons the concern to create and spread wealth, and to eliminate the inequality so pronounced today. (Congregation for the Doctrine of the Faith and the Dicastery for Promoting Integral Human Development, 2018: § 5)

The document insists on the need to move towards a form of economics and finance with rules and regulations that guarantee respect and the centrality of the person throughout the whole economic and financial process; which combines ethical considerations with economic efficiency; which extends the aspiration beyond material goods to also include a person's spiritual well-being; which looks to the long-term, supports social responsibility, and sustainability; which not only has increased GDP as its economic success criteria, but also other standards such as "safety, security, the growth of human capital, the quality of human relations and work"; and which, above all, safeguards the Common Good. All of this is based on the axiom that "profit and solidarity are no longer antagonists" (Congregation for the Doctrine of the Faith and the Dicastery for Promoting Integral Human Development, 2018: § 11).

Having challenged the aspiration of immunizing financial activity from ethical considerations, the document highlights that the market is unable to regulate and achieve equilibrium by itself alone. It states that "it is impossible to ignore the fact that the financial industry … is a place where selfishness and abuse of power have an enormous potential to harm the community" (Congregation for the Doctrine of the Faith and the Dicastery for Promoting Integral Human Development, 2018: § 14). The following are amongst the most significant failures: speculation that is far-removed from the actual economy; manipulation of prices; fraud and market abuse; certain asymmetry derived from the complexity of some financial products, such as derivatives and *securitization* processes. These practices tend to result in scams and losses for many agents and for the Common Good; whilst usually—and often in an illicit manner—exclusively benefiting a minority.

One such situation which demonstrates this is that the system is not in good health and is very far from achieving the goal it should be focused on:

> Here financial activity exhibits its primary vocation of service to the real economy: it is called to create value with morally licit means, and to favour a dispersion of capital for the purpose of producing a principled circulation of wealth. (Congregation for the Doctrine of the Faith and Dicastery for Promoting Integral Human Development, 2018: § 16)

To steer the economic-financial system towards a more efficient and fairer economy, more solidary and humanizing, there are renewed calls for supranational coordination, for cooperation and the search for synergies between agents and administrations. Transparency, good judgment, and well-designed and implemented rules and regulations could reduce the systematic risks that financial innovations could bring with them if they turn out to be ethically questionable. In this context, there is an emphasis on the need to establish *Ethical Committees* and for *Compliance* functions not to be limited to simply ensuring compliance with laws to avoid penalties, but rather for them to make positive progress towards responsible companies and a more sustainable economy.

The proposals are defined by an optimistic backdrop that is worthwhile highlighting, so that the coordinates are clear in terms of understanding the application of CST to the design of financial products or investment funds based on these moral proposals. In conclusion, CST considers it feasible—and even desirable—to coordinate the pursuit of profit and good moral praxis:

> the natural circularity that exists between profit … and social responsibility … reveals its full fruitfulness and exposes the indissoluble connection … between the ethics respectful of persons and the common good, and the actual functionality of every economic financial system. (Congregation for the Doctrine of the Faith and Dicastery for Promoting Integral Human Development, 2018: § 23)

CONCLUSION: FROM SUSTAINABLE FINANCE AND SOCIALLY RESPONSIBLE INVESTING TO CATHOLIC FAITH-CONSISTENT INVESTMENT

In this paper we have tried to connect the moral tradition of Catholic Social Thought with the relevance that so-called Sustainable Finance is gaining thanks to the increased prominence of the ESG criteria as pathways for carrying out investment decisions to support a fairer, more sustainable world.

Thanks to the increased momentum of Sustainable Finance, a series of ESG criteria have been developed, aiming to achieve Sustainability and to make a positive impact on society. However, the use of the criteria carries certain risks, such as the possibility of ending up with *greenwashing* or the inconsistencies that can be identified between the different rating agencies. Therefore, the natural evolution of these sustainable finance—at least in terms of explicit faith-based investments—appears to be leading towards the need to seek a kind of *magis*, perhaps more consistent with moral values, and for the good of man in a holistic manner.

This is where FI comes into play, as not only does it include the ESG criteria but, rather, it takes a broader outlook. It involves adopting a clear commitment, with sound criteria and virtues such as those that are characteristic of the proposals emanating from the Catholic Church. Those, for instance, such as respect for life, protecting and developing the family, respect for human dignity, and care for *creation*: this concept of *creation* has a theological responsibility, which means it involves much more than merely invoking nature as a biological framework that determines and enables life. It is also this, without a doubt; although in addition, nature, as a creation, is a divine gift that comes with a mission that human beings should take responsibility for as responsible and faithful stewards. This is because, as stated in the scripture: *Tulit ergo Dominus Deus hominem et posuit eum in paradiso Eden ut operaretur et custodiret illum* (Holy Bible, 2022), that is "The Lord God then took the man and settled him in the garden of Eden, to *cultivate* and *care* for it" (emphasis added).

This ultimately requires a holistic focus, which extends beyond the information derived from certain indicators or KPIs such as by how much greenhouse gases have reduced because of a particular process or economic exercise or what the proportion of men and women is amongst members of the Board of Directors of a particular company.

Throughout the paper, there has been no mention of the profitability of FI, despite the obvious fact that a reasonable return is always expected from an investment.We wanted to finish these considerations by highlighting how Altum, a Spanish financial advisory dedicated entirely to FI, has published various reports on the S&P 500, the Euro Stoxx 600, and Spanish Stock Exchange (IBEX 35), which credibly demonstrate how investments based on faith criteria (and in this case, Catholic faith based on the criteria emanating from CST, which have been considered in this article) do in no way come at the expense of reasonable profits. Moreover, the reports demonstrate that not only are profitable portfolios a reality, but also that it is still possible to build diversified portfolios and they can even be very attractive, precisely because they are truly sustainable (Altum Faithful Investing, 2022a).

If we go into more depth, in the study made of the S&P 500, we could see that those companies that are "compliant" with the CST exhibited higher returns in the last semester and year, and in the case of the Euro Stoxx 600, the "compliant" companies outperformed the "non-compliant" in the longer run 3 and 5 years as well as in the last 1 year where a significant gap is discovered: the "compliant" stocks have a 13.69% growth versus the 9.28% of the "non-compliant" firms. With these two examples, it is not possible to confirm the existence of a cause and consequence relations. However, these findings illustrated positive correlation between investing following a faith-based approach, based on criteria illuminated by the CST, and returns, which opens the door for more analysis and reflection regarding the possibility of aligning investments with the CST (Altum Faithful Investing, 2022b).

In conclusion, we reiterate the driving force that forms the basis of these reflections on how to judiciously articulate sustainable finance based on the framework provided by CST. In short, the concluding thesis could be worded in the following way: it is only possible to achieve effective sustainability when finance, specifically financial investments, put themselves at the service of human beings so that all decisions not only consider the whole person—considered based on all their anthropological and spiritual dimensions—but also everyone else in the present as well as future generations.

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