Biblically Responsible Investing: Should Christians Avoid or Engage?

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Abstract

Christians over the last twenty to thirty years have started to discuss how to engage in investing. This has birthed the movement of Biblically Responsible Investing out of Socially Responsible Investing. There is a tension that exists within Biblically Responsible Investing between the two different ways Christians believe they should participate in investing: avoiding companies through screening and engaging with companies through shareholder engagement. Both of these can have a significant impact on the economy and specific companies. A Biblical worldview surrounding stewardship of resources and seeking to store up treasures in Heaven must be considered as Christian look at the proper way to invest. A Christian must have a healthy balance in their investment portfolio as they seek to both avoid investments that misalign with a Biblical worldview and also seek to promote change through shareholder engagement.

Biblically Responsible Investing: Should Christians Avoid or Engage?

Is every activity a moral decision? Many would look to an activity such as investing and think there are no moral implications to it. In reality, how does putting money into the stock market affect anything? While it is a widely held belief that investing is an amoral activity, some Christians have begun to evaluate their investments as they seek to understand where their money is being invested and whether their investments are aligned with their theological beliefs (Rhodes et al., 2022). This is the area of Biblically Responsible Investing (BRI). There are many intricacies within BRI as Christians both seek to avoid certain investments that do not align with their values as well as engage with certain companies, attempting to change certain policies and influence decisions that a company is making (Louche et al., 2012; Visram, 2023). The history of both screening out companies in an investment portfolio as well as promoting change within companies through engagement is vast. It is important to analyze and discuss both of these spaces before analyzing how a Christian should interact with these. These are both crucial elements to a Christian's investment philosophy and portfolio but how exactly a Christian should interact with both of those sides in this space is not clear-cut. Christians must seek the Lord as they strive to align their investments with God's Word, avoiding certain companies while also seeking to be the salt and light of the world in engaging companies and pursuing change.

What is Biblically Responsible Investing?

Biblically Responsible Investing is a fairly new space that Christian investors have looked to with their investment resources, only becoming popular among Christians in the last few decades. BRI seeks to align the investment options and choices of an individual with their values and theological beliefs (Rhodes et al., 2022). For Christian clients, this means aligning their investments with the Bible and the values presented throughout it. While there are many different methods within BRI, basic principles are present throughout this field. Obvious vices found throughout the Bible, such as abortion, tobacco, alcohol, and gay rights, are screened out of portfolios in order to align investments with the Bible (Visram, 2023). Within BRI, many different denominations are represented as well. All faith denominations associated within the Christian faith are encompassed in BRI, which includes Catholic, Protestant, and Evangelical (Rhodes et al., 2022). While BRI as a whole is new and still expanding, the broad idea of aligning investments with values and socially responsible investing is something that has been around for centuries.

History of Socially Responsible Investing

The concept of investors aligning their investment capital with their values is nothing new. Ancient Jewish laws required certain rules for morally responsible investing (Hopfinger, 2003). Throughout the 1800s, Quakers, commonly known as pacifists, avoided investing in weapons production (Hopfinger, 2003). The 1970s saw two major issues that investors chose to do something about with their investment strategy. The first issue was the Vietnam War. Investors opposed to the war removed capital and support from any companies that profited from the Vietnam War (Hopfinger, 2003). The second important issue in the 1970s was apartheid in South Africa. Investors were quick to sell off investments from businesses in South Africa as their way of supporting the anti-apartheid movement in the 1970s and 1980s (MacLeod, 2011). Many companies stopped doing business in South Africa due to the pressure present from shareholders. As a result, the apartheid movement was stopped, representing a major win for socially responsible investors (Hopfinger, 2003). Additionally, in 1971, the Methodists established the Pax World Fund, the first diversified fund to use both social and financial criteria.

The Pax World Fund avoided any investments that involved armaments, alcohol, and gambling (Louche et al., 2012).

This movement of socially responsible investing led directly into religious organizations seeing the need for and importance of aligning investments with values. In 1991, the Catholic church spearheaded this influence. That year, U.S. Catholic bishops came out with “Socially Responsible Investing Guidelines” that was presented at their bishop’s conference, representing the way that they were to structure their own portfolios (Hopfinger, 2003). This was also a framework by which institutions and individuals within the Catholic church were instructed to model their own portfolios (Hopfinger, 2003). While socially responsible investing was essentially one in the same as BRI in the 1990s, there has been a significant and noticeable shift that now distinctly differentiates socially responsible investing from BRI.

Environmental, Social, and Governance

Today, the field of socially responsible investing is seen in environmental, social, and governance (ESG). ESG is distinctly different from BRI. ESG looks specifically at how a company operates with respect to how it treats the environment, the way it responds to social issues, and the governance present within the company. ESG, though, has been marred by politics, specifically left-wing, liberal politics (McPhee, 2023). Many of the criteria that improve an ESG score are the very things that would cause a company to be screened out of a Biblically Responsible portfolio. For example, the ease and access to abortion within a company, as well as how well that company supports employees seeking an abortion, helps the ESG score for a company (McPhee, 2023). The promotion of that is the very thing that would cause a Christian and Biblically Responsible portfolio to potentially remove the company from their portfolio. Today, people all across the US use ESG as a factor when looking to invest as it is viewed as the socially responsible way to invest to make an impact. Christians must look deeper at what they are truly supporting and the impact their investments are having, a reason that BRI has split off today from the widely accepted ESG and socially responsible investing (Louche et al., 2012). In addition to these movements transitioning to BRI, religious organizations have a long history of promoting and influencing investing in accordance with values.

Religious Organizations

While often not a factor considered in this discussion, religious organizations play a large role in this conversation. Not only are these organizations influential in religious member’s lives, but they also have substantial investment volumes themself (Louche et al., 2012). Religious organizations have long pioneered responsible investing as a whole as they continue to believe that investing is not a neutral activity, but that every decision made has implied values (Louche et al., 2012). As a result, religious organizations were early to BRI. The Methodist Church established a fund in alliance with their values in the early 1900s (Louche et al., 2012). This was quickly followed by many different religious organizations, such as the Quaker Church and the church of Finland, throughout the mid-1900s (Louche et al., 2012). The use of investing in accordance with one’s values is not exclusive to the Christian faith. Islamic finance and investing, which began in Arab countries in the late 1970s, has continued to expand and is a major player in today’s economy (Dania & Malhotra, 2013). While many of these Islamic fund’s values are shared with Christian based funds, a key differentiation is the exclusion of companies that involve interest-bearing debt obligations (Dania & Malhotra, 2013). It is important to understand the depth and breadth of BRI with religious organizations as well as individuals being involved in influencing this space and will continue to for years to come.

Influence of BRI Today

Investing as a whole has dramatically increased over the last couple of decades, including the influence and scope of BRI and socially responsible investing. While BRI spans the industry of both mutual funds and ETFs, there will be a focus on mutual funds throughout this analysis due to their longevity and longer history when compared to ETFs. In the United States alone, there are over ten thousand mutual funds, controlling trillions of dollars (Porter, 2013). Over 80 million individuals, representing over half of the households in the US, invest in mutual funds (Porter, 2013). The last few decades, specifically, have seen a rapid increase in investing with values and a purpose. In 2007, there was $201.8 billion in socially screened mutual funds among 260 funds (Porter, 2013). Today, there is over $7 trillion in assets in socially screened mutual funds in the US (Rhodes et al., 2022). This same jump in assets has been seen in faith-based funds as well. As of 2013, faith-based funds managed approximately $27 billion in assets (Porter, 2013). This number has rapidly jumped with almost $250 billion present in faith-based funds today (Visram, 2023). It is clear that this is an expanding field that has and will continue to influence the economy and individuals as a whole for years to come, with many mutual funds at the forefront of this movement.

Major Funds

Many funds and companies are involved with offering Biblically Responsible funds today. There are a large number of Catholic funds at the forefront of faith-based investing. Funds such as Carlisle funds, Ave Maria, and Aquinas Funds comply with the Catholic Bishops Investment Guidelines in screening and advocacy (Lyn & Zychowicz, 2010). While the screening criteria is similar to many Christian companies, these funds make an extra concerted effort to screen out any company that supports abortion, no matter how small (Lyn & Zychowicz, 2010).

Christian based funds are the largest proponent of BRI as a whole. Many funds are involved and affiliated with a certain denomination, such as Southern Baptist, Presbyterian, or Mennonite (Porter, 2013). Timothy Plan, which is not affiliated with a denomination, was on the forefront of BRI, starting in 1994 (Porter, 2013). The Timothy Plan is widely considered to be the one of the most exclusionary funds, boasting that they do not invest in any companies that are contributing to the moral decline of society (Lyn & Zychowicz, 2010; Porter, 2013). Not all Christian fund companies agree, though. Praxis Mutual Funds shares a similar overall worldview as Timothy Funds, although approaching this topic with Amish and Mennonite principals (Lyn & Zychowicz, 2010). Praxis tends to take a more liberal/progressive approach compared to Timothy Funds as they also exclude companies that profit from weapons and nuclear power, among others (Lyn & Zychowicz, 2010; Porter, 2013). Eventide Asset Management has been one of the largest and most successful faith-based fund companies over the last decade. Starting in 2008, Eventide has seen rapid success, with their flagship fund, Eventide Gilead, earning a 13.70% annualized return (Haanen, 2016). What makes Eventide unique, though, is their emphasis and desire to not simply avoid companies that do harm to the community and economy, but also to specifically and intentionally invest in companies that seek to create value for its stakeholders (Haanen, 2016). While there are dozens of faith-based mutual funds operating today, these are a handful of the major fund families that investors are investing in and that have influence in this space, as investors continue to seek positive return for the capital invested.

Returns

One of the biggest questions and hesitations investors have when considering faith-based funds is the area of returns. When people consider investing, they are always ultimately seeking to make as big of a return as possible. Restricting a fund from investing in certain companies would naturally seem counterintuitive and a hinder to performance. In standard financial reasoning, this thought process is fairly basic. By restricting the investment choices due to beliefs that an individual holds, it will result in a portfolio that is suboptimal due to the limitations of investment options, which leads to less diversification potential (Wan-ni, 2012). While this seems intuitive, it is not what is found in the majority of studies into the returns of Biblically responsible funds. Overall, the performance of belief-based indexes is not significantly different from their respective benchmarks (Wan-ni, 2012). Additional studies confirm that values-based screens do not hinder the overall performance of values-based funds when compared to traditional funds (Ascent, 2023). There is also strong statistical evidence that values-based funds are more stable than traditional funds during periods of extreme volatility (Ascent, 2023). Additionally, faith-based funds, as a whole, outperform their socially responsible fund counterparts (Lyn & Zychowicz, 2010). The research into the returns of faith-based funds confirms that a morality-driven portfolio can be effectively accomplished without giving up returns (Rhodes et al., 2022).

Avoid: Screening out Companies

On one side of the Biblically Responsible Investing discussion is the concept of avoiding certain companies within an investment portfolio. This space is entirely complex as every investor and fund company has different criteria and conviction regarding what companies should be included within their portfolio. The line of how far to take screens and thresholds of revenue differ from company to company. Additionally, many investors incorporate positive screens within their criteria as they seek to provide capital to companies that are making a difference and positively impacting their stakeholders.

What is a "Screen?"

Every investment fund uses screens to select the companies they will invest in and include in their portfolio. For most funds, these screens are purely economic, focused on market, accounting, or economic factors for each company (Lyn & Zychowicz, 2010). Biblically Responsible funds, in addition to those economic factors, features screens that look beyond the financials of the company. In the context of this discussion, a screen is specific investment criteria used to include or exclude certain companies based on their line of business or corporate behavior (Lyn & Zychowicz, 2010). Depending on the investment firm, this process might include imploring both positive and negative screens. Screening is the process of excluding certain companies from a portfolio due to social irresponsibility that otherwise might be attractive and including certain companies in a portfolio due to behavior that is socially commendable that otherwise might be unattractive (Rhodes et al., 2022). Essentially, screening is the process of voting with one's feet, representing the pleasure or displeasure an investor has with the actions of a company (Heimer, 2004). Investors are able to communicate their values and how they perceive the company's actions by their investment dollars, either contributing capital to companies with values they agree with and that align with theirs, or removing capital from companies with products or values that misalign with their own values.

Investment firms use many different tools to analyze and evaluate the companies they are seeking to put in their portfolios. One such resource is the Evalueator tool (Visram, 2023). Researchers from Evalueator meticulously comb through data from several sources about publicly available stocks to discover which companies are violating the principles of certain criteria while also simultaneously looking at positive characteristics of these companies that investors would enjoy (Visram, 2023). This complex process of screening involves both negative and positive screens by avoiding certain companies and seeking to include certain companies.

Negative Screens

When considering BRI and screens, most people consider and discuss negative or exclusionary screens. These screens are used to exclude firms that engage in certain lines of business or based on corporate behavior (Lyn & Zychowicz, 2010). This is the reason that many investors seek out Biblically Responsible funds. Many of the largest mutual funds have over 50% of their assets invested in morally objectifiable areas such as abortion and pornography (Tonn, 2009). In general, though, depending on the criteria, moral screening only eliminates between 5-10% of companies in the investable universe (Tonn, 2009). While every investment firm has their own tailored list of screens and how they apply them, negative screens are generally broken down into eleven broad categories: abortion, alcohol, anti-family activity, bioethics, contraceptives, gaming, human rights, low-income financial services, non-married lifestyle, pornography, and tobacco (Brune & Files, 2019). While these screens are applied in a number of contexts, one of the best-known contexts where a negative screen was applied is found in the 1970s and 80s. A number of US investment firms removed companies doing business in South Africa from their portfolio to support the anti-apartheid movement (Macleod, 2011). This advocacy ultimately helped end apartheid in South Africa and is largely seen as one of the biggest successes from the negative screening movement. In addition to negative screens, positive screens have started to gain more traction recently.

Positive Screens

Positive screens are generally less generalized in firms and less clear-cut as investors seek to invest in companies that meet a positive set of criteria (Lyn & Zychowicz, 2010). For some funds, positive screens focus on environmental policy as well as employee welfare and rights (Louche et al., 2012). For others, the emphasis is on progressive hiring practices and good product-safety records (Hopfinger, 2003). Other funds prioritize good corporate governance, social responsibility, or environmentally friendly policies when considering their positive screen practices (Lyn & Zychowicz, 2010). All of those criteria are specifically focused on the governance and practices of the management of the firm, on the environment, or their employees. Some investment firms, when applying positive screens, assess the products the company is producing, evaluating whether they are creating products that solve material challenges of human existence and determining whether they are making a positive impact in the world (Haanen, 2016). Not all investment firms embrace positive screening, and among the ones that do, they are all very diverse in the way they apply these screens to their investment criteria.

Where is the Line?

The major question that is brought up is how far one should go when negatively screening companies. The case could be made that every company in the US has something about them that could be viewed as a reason to exclude the company from a portfolio. It is apparent, though, that Christians should not simply cease investing altogether. In some cases, the issue is clear from a Christian worldview. For example, companies that produce abortifacients or make pornography very clearly contradicts a Christian worldview and are companies that a Christian should not own. What about a company that does not make these products but actively supports abortion with their corporate donations or paying for employees to get abortions? Or what about an issue that the Bible does not speak clearly about, such as companies that produce weapons used in war? These questions plague the BRI conversation. Everyone has their own opinion based on their own personal convictions and how they interpret God's Word. This is reflected in the way that every investment firm carries out their own investment criteria.

How Do Various Companies Screen?

This debate around how to screen investments is one that different Biblically Responsible mutual fund companies are having as well. Even companies that align with each other on theology and religion have different criteria for which companies they will screen out of their portfolios and which they will seek to keep in the portfolio.

Eventide, Praxis Mutual Funds, and Timothy Plans are three influential companies in this space that, although all are Bible-believing Christian mutual fund companies, differ in their values and how they screen. Eventide has several investment ideals that shape every decision they make. They seek to evaluate companies that (1) respect the value and freedom of all people; (2) demonstrate a concern for justice and peace; (3) promote family and community; (4) exhibit responsible management practices; (5) practice environmental stewardship (Eventide, 2021). Praxis states that they seek to guide their portfolios toward positive social impact while seeking to avoid harmful sectors (Praxis, 2023). Timothy Plan maintains a commitment as a "pro-life, pro-family" mutual fund which prompts them to not invest a single penny into anything that violates their filters (Timothy Plan, 2023). These values held by these companies how they screen.

These three companies all use their values to emphasize differences in their screening. Eventide seeks to screen out ten different products a business might create or activities they may be involved in: abortion, abortifacients, and contraceptives; alcohol; animal harm; stem cell;

corporate discrimination; gambling; pornography and explicit entertainment; predatory lending; tobacco; and weaponry (Eventide, 2021). Ultimately, Eventide seeks to screen out companies whose activities are harming others and seeks to invest in companies, who through their business, are creating value that benefit others (Eventide, 2021). While Praxis's specific thresholds for certain categories are different than Eventide, they maintain all the same screens while, in addition, screening out cannabis, firearms, nuclear power, and companies doing business in Russia (Praxis, 2023). Additionally, they seek to promote and include companies that maintain a high ESG score and show a willingness to continue to improve their ESG score (Praxis, 2023). Using the Evaluator screening tool, Timothy Plan both screens out and monitors companies through the lens of eight different criteria (Timothy Plan, 2023). These screens are abortion, gambling, pornography, tobacco, entertainment, alcohol, un-Biblical lifestyle, and human rights (Timothy Plan, 2023). Timothy Plan does not mention any positive screens that they employ as they are focused on negative screens and ensuring that their portfolio aligns with teachings found in Scripture (Timothy Plan, 2023).

While all three of these funds have similarities and overlap in their screening criteria, they do differ and go about how to screen in different ways. Although all three of these funds are founded on a Biblical worldview and seek to align their investments with God's Word, how that plays out in practice differs for every company. Any of these funds might look at the same company and one chooses to screen it out of their portfolio while the other keeps it in based off their selection and screening process and criteria. This issue, even today, is not black and white and still carries a lot of nuances, as seen by specific instances of different funds choosing to handle specific companies in different ways.

Case Study: Timothy Plan and Everence Group

One example that clearly illustrates the difference between faith-based funds is the way that Timothy Fund and Everence Fund, now Praxis, responded to Walt Disney Co. In 1996, Disney became the first major company to extend healthcare to partners of gay and lesbian employees (Porter, 2013). In response to this and many gay-friendly positions that Disney employs, Timothy Plan was quick to remove Disney from its portfolio and has placed it on its “hall of shame,” keeping a commitment to not invest a single penny into it (Porter, 2013). Everence, on the other hand, continued to hold Disney as an investment in their fund through this as they believe that Disney still passes all the core tenants of their values (Porter, 2013). This is one of many examples in which two Christian investment firms responded differently to the same situation in the economy. Disney is still a company that many Christian investors differ on as many faith-based funds exclude Disney today because of their social agenda, while many Christian investors still hold them and even support Disney in other ways by visiting their theme parks and purchasing their movies (Cagle, 2022). This highlights the ambiguity and differentiation that even Christians take on screening and the best ways that it can be applied within portfolios.

What is Shareholder Engagement?

In addition to screening out companies within a portfolio, Christian investors have an opportunity to employ shareholder engagement as a way to invest in accordance with their values. Shareholder engagement is the process of engaging with publicly traded companies through dialogue, shareholder proposals, and proxy voting (Bernard et al., 2022). While this process is often much more challenging and time-consuming than simply looking to screen out companies, it can often yield better results and can be more effective when looking at the success of promoting change within a company. It is a strategy utilized by many. Of surveyed individuals, 53% had used their voice at some point through proxy voting and voting against management (Bernard et al., 2022). Ultimately, shareholder activism is one of the control mechanisms that, by shareholders proposing and voting on resolutions, ensures that managers steward and manage organizational resources in the shareholder's best interest (Acharya et al., 2022). This is a field that has been expanding and continues to expand as more investors seek to engage with companies and as owners pursue companies to make changes to their practices.

History of Shareholder Activism

While shareholder activism is something that has expanded recently, its history spans back over 80 years. Shareholder activism began in 1942 with a ruling put forth by the Securities and Exchange Commission (SEC) legalizing shareholder activism and setting certain rules around it (Subramanian, 2017). John and Lewis Gilbert, Wilma Soss, and James Peck saw early success in this space (Logsdon & Buren, 2008). These individuals sought to enact corporate governance reform by filing shareholder resolutions in the 1940s and 50s (Logsdon & Buren, 2008). While they were small voices going up against major corporations, these individuals were able to see some success for their efforts (Logsdon & Buren, 2008). Two major shareholder proposals that failed to get on the ballot catalyzed a movement to further change the rules around shareholder activism. A shareholder proposal in 1948 to desegregate Greyhound buses and a proposal in 1964 that opposed General Motors business dealings in pro-Apartheid South Africa both failed to get on the ballot due to SEC regulations (Subramanian, 2017). Later, a proxy filing involving Dow Chemical led to a 1970 federal lawsuit ruling which ruled in favor of the engagement organization, Medical Committee for Human Rights, and forced Dow Chemical to accept the proxy (Subramanian, 2017). These three issues all forced the SEC to amend its proxy rules so that social issues could be brought forward on the ballot, the issues that are mainly seen today on the ballot (Subramanian, 2017). This catalyzed corporate activist campaigns throughout the 1970s, forcing companies to establish the annual corporate meeting, something that is commonplace today (Macleod, 2011).

This spurred on the creation of many religious activist organizations. The Church Investors Group was formed in the UK in 1972 as a way for churches to come together and discuss investments across the world together (Macleod, 2011). In Canada, the Taskforce on Churches and Corporate Responsibility was formed in 1975 as a way for Canadian churches to come together to engage with corporate America (Macleod, 2011). The most well-known faith-based organization today for shareholder engagement is the US-based Interfaith Center on Corporate Responsibility (ICCR), which was started in 1974 (Macleod, 2011). The ICCR, primarily formed of Protestant, Catholic, and Jewish churches in the US, has a mandate to guide the churches who are members of the ICCR on the ethics of their financial investments (Macleod, 2011). Their guiding principle is that as shareholders, corporations must look beyond just the financial report and must view and promote the well-being of their shareholders ("About ICCR," 2024). With over $150 billion in assets today, the ICCR has become a central player in US shareholder activism with prolific battles won against top companies such as Disney, Chevron, and Hilton (Macleod, 2011). This process of shareholder engagement is seen in two forms: dialogue and shareholder resolutions.

Dialogue

The first form of shareholder engagement is through dialogue with a corporation. This form of engagement is seen as less formal and is generally the first step taken when a shareholder has an issue they want to bring up with a company. The first step for shareholders looking to engage with a company is to send a letter to the company outlining their requests (Logsdon & Buren, 2008). When a company receives a letter from a shareholder, it has two options: ignore the letter or engage with the shareholder in dialogue (Logsdon & Buren, 2008). Engaging in dialogue is a proactive response by the company as they seek to learn about the issue the shareholder is bringing up to either address the issue immediately or to continue communication as they work through the issue (Logsdon & Buren, 2008). A company is incentivized to engage in dialogue as it allows them to hear about issues that shareholders have while not having the public pressure and media of a shareholder resolution or proxy vote (Bernard et al., 2022). Additionally, shareholders benefit from dialogue as it is a much easier process than a formal resolution and allows them to engage and talk directly with company management (Logsdon & Buren, 2008). A disadvantage to dialogue, compared to more formal methods of shareholder engagement, is that it all takes place behind the scenes and suffers from a lack of transparency due to the fact that most instances of dialogue are not disclosed to the public (Bernard et al., 2022). While dialogue is commonly used in shareholder engagement, shareholder resolutions and proxy voting are more public and common methods to engage with companies.

Shareholder Resolutions

Shareholders have the opportunity to submit shareholder resolutions that will be voted on at a company's annual meeting. Shareholders identify issues within a company relating to social responsibility or ethical behavior and bring it to the attention of the company and other shareholders by submitting a resolution (Logsdon & Buren, 2008). A shareholder must own at least $2,000 in stock for a period exceeding a year in order to submit a resolution (Logsdon & Buren, 2008). A shareholder resolution cannot address an issue that is related to "ordinary business," a rule that is defined and enforced by the SEC (Logsdon & Buren, 2008). This prevents shareholders from running the day-to-day operations of a company, but instead, allows them to have a say in the policies and business employs and the various stances the business takes (Logsdon & Buren, 2008). These resolutions submitted by shareholders are then voted on through proxy voting at the company's annual shareholder meeting.

Process of Proxy Voting

Proxy voting is the process of institutional investors voicing their concerns about a certain aspect of a company such as climate change, anti-corruption procedures, and diversity practices (Bernard et al., 2022). Proxy voting allows shareholders to cast their votes on issues that are presented at the shareholder's annual meeting. These issues are either shareholder proposals, discussed above, or by voting against things management wants to implement, such as compensation packages like stock options or the election of board members (Bernard et al., 2022). Mutual funds simply need to own a firm's shares on the record date to be entitled to vote at the next meeting (Duan and Jiao, 2016). Many mutual funds use proxy voting as a way of engaging companies as they seek the consensus of their shareholders and vote in accordance with that (Duan and Jiao, 2016). This is an effective way for shareholders to have their voice heard as they seek to promote change in a company. Due to its relative ease, this is the most popular shareholder engagement strategy, with over half of shareholders engaging in proxy voting (Bernard et al., 2022). This is a very public method of engagement as companies are required to publish all proposals and voting records (Mackey et al., 2022). Due to its public nature, some activists seek to punish an organization and tarnish its name by voting on and bringing up proposals and issues that the general public might otherwise not be aware about (Mackey et al., 2022). When a majority of a company's shareholders vote for a proposal opposed by management, the institution might begin to take a more pro-shareholder approach in response, representing a win for shareholders (Huang, 2022). The downside to this method of engagement is that resolutions might not be resolved for up to 3-4 years from the time they are brought forward at a shareholder meeting (Louche et al., 2014). Another disadvantage to proxy voting is that shareholder proposals are not binding or mandatory for management to implement due to the fact that they still have discretion over the management of the company (Bernard et al., 2022). Proxy voting as a whole is very common and popular today for most shareholders.

Proxy Voting Topics

While proxy voting can cover a wide range of topics and issues, the past several years has seen a theme of recurring themes and issues that shareholders are voting on. Proxy votes on the lobbying procedures of a company as well as the political spending make up about 50% of all proxy votes (Subramanian, 2017). Following that, making up approximately 15% of all proxies, is environmental issues, such as questioning a company's use of unrecyclable plastic and imploring them to look at the environmental impact of that (Subramanian, 2017). Human rights issues represent the third largest use at around 14% of all proxies (Subramanian, 2017). While certain proxies focus on human rights violations the company was committed itself, many focus on asking a company to restrict sales in certain countries, such as Sudan, due to human rights violations present in those countries (Subramanian, 2017). Additionally, there is a growing backlash to ESG with a number of shareholder proposals looking to derail diversity and climate change initiatives (Bradford, 2023). These proxy filings and the subsequent voting on proxies represent a major sphere of influence on companies that mutual funds have.

Influence of Mutual Funds

Mutual funds have a distinct and felt presence when it comes to shareholder engagement. Due to the large number of investors in mutual funds, they own a large number of shares on the stock market as a whole. This presence in shareholder engagement is felt mainly in what is commonly referred to as the “Big Three” mutual funds, made up of Vanguard, State Street, and BlackRock (Minority Staff of the U.S. Senate Committee on Banking, Housing, and Urban Affairs [MSUSCBHUA], 2022). Between the many funds these three companies run, they manage approximately $20 trillion in assets altogether (MSUSCBHUA, 2022). Currently, due to the large number of assets these three companies hold, they account for approximately 25% of all the votes at S&P 500 company’s meetings, with this number expected to reach 40% over the next twenty years (MSUSCBHUA, 2022). This is the main way Christians can have an impact today in the shareholder engagement space. Biblically Responsible mutual funds, while not yielding nearly as much influence as the “Big Three,” still holds hundreds of billions of dollars, giving it a wide range of influence, especially as more Christians put their money into these funds (Visram, 2023). Companies such as Eventide have statements present that outline their proxy voting summary. Eventide seeks to promote “integrity and value creation within portfolio companies” as they vote and engage on a number of issues (Eventide, 2022). Mutual funds certainly carry a lot of influence and have a big impact on companies today, represented by change that has occurred as a result of engagement.

Change that Has Been Enacted

Shareholder activism is something that has forced companies to make changes for years and continues to today. In one instance of dialogue, Large Manufacturing Company was facing a number of ethical issues, with human rights violations in their supply chain being the most prominent issue (Logsdon & Buren, 2008). This is a complex issue for Large Manufacturing Company as they employ a very complex and multi-stepped supply chain (Logsdon & Buren, 2008). The shareholders continue to engage with the company at meetings every 6 to 8 months as Large Manufacturing Company continues to evaluate their supply chain and update the shareholders about their findings and any changes they are making (Logsdon & Buren, 2008). An example of a proxy voting engagement win for Christians was seen recently through Costco. There was recently a proposal on the shareholder ballot asking Costco to issue a report outlining potential harm to the company from states with anti-abortion laws, seeking to get Costco to pull out of these states (Bowyer, 2022). This proposal was promptly shut down, garnering only 15% of shareholders' support (Bowyer, 2022). Abortion is an issue that continues to come up in shareholder meetings and is a clear way for Christians to engage and seek to promote Biblical values into a company by the way they vote. These are issues of both dialogue and proxy voting and the impact it can have on a company.

Biblical View of Investing

Before answering the question of how Christians should be investing, it is crucial to discover whether Christians should invest at all and how Christians should view money. With more than 800 passages and 2,100 verses about money and possessions, it is clear that the Bible offers a lot of wisdom surrounding this topic (Porter, 2013). While arguments can be made by Christians both for and against investing, it is vital to discover how the themes regarding money throughout the Bible and how Christians should view their resources and how they are using them on earth (Porter, 2013). It is argued that money has become the most practiced religion in the world (Graafland, 2014). Jesus talks about this in Matthew 6:24 as he discusses the danger of trying to elevate money to a higher place by saying, "You cannot serve both God and money" (New International Version, 2018). Elevating money to a place where it becomes an idol and thus, seeking to serve it over serving our Lord, is a danger for all Christians. This is the foundation that every Biblical principal surrounding money is grounded on.

Stewardship

A foundational concept regarding money and possessions found in the Bible is the concept of stewardship. Stewardship starts with the concept that God owns everything a Christian owns on earth, including money (Visram, 2023). Psalm 24:1 makes this concept very clear, “The earth is the Lord’s, and everything in it, the world, and all who live in it” (New International Version, 2018). Additionally, Jesus tells a parable in Matthew 25:14-30 that clearly communicates a Christ-follower’s role in stewardship. In this parable, Jesus tells a story about a master who leaves a different number of talents with three different servants. He leaves one with five talents, one with two, and another with one. The master leaves for a journey and comes back to find out what the servants did with his possessions while he was away. The servants with five and two talents both used those talents to double how much they had. The master responds to both of them by saying, “well done, good and faithful servant” (New International Version, 2018). The servant with only one talent, though, hid his talent in the ground and did not multiply his resources. To this, the master replies, “You wicked, lazy servant” (New International Version, 2018). This passage highlights the importance of stewardship and the weight that comes with stewarding God’s resources. Christians must realize that the money they have is not theirs and that the responsibility to manage resources from God is a high call. As illustrated in the parable, the number of resources that one has is not the determination, but what one does with those resources is what the Lord cares about. It is vital that Christians are being vigilant and purposeful with their resources as they seek to honor the Lord and store up treasures in Heaven.

Heavenly Treasures

Another foundational truth the Bible communicates regarding money and possessions is the insignificance of trying to store up treasures on earth and the importance or storing up treasures in heaven. Matthew 6:19-21 makes this truth abundantly clear, “Do not store up for yourselves treasures on earth, where moths and vermin destroy, and where thieves break in and steal. But store up for yourselves treasures in heaven, where moths and vermin do not destroy, and where thieves do not break in and steal. For where your treasure is, there your heart will be also” (New International Version, 2018). While human nature seeks to store up money and possessions on earth, this verse conveys the danger in doing that. Treasures on earth are futile and will all eventually pass away. On the contrary, any treasure stored up in heaven will last forever and is eternal. As Christians seek to steward their resources and honor the Lord with everything they have been entrusted, it is vital that Christians are looking forward to Heavenly treasures and how to steward those in a way that they last for eternity.

Should Christians Invest?

While there are clear Biblical principles for money as Christians are called to stewardship, how that looks in practice is less clear. A common question that many wrestle with is whether Christians should invest at all. There is a convicting narrative in Matthew 6 as Jesus challenges Christ-followers not to worry, knowing that their Heavenly Father will take care of them. This passage could be interpreted in such a way that admonishes Christians from saving for the future as a lack of faith (Porter, 2013). On the other side of the coin, one possible interpretation of Matthew 25:14-30 and the parable of the talents is that proper investment of financial resources is good stewardship (Porter, 2013). While that passage discusses stewardship as a whole, the servants who invested and doubled their talents are clearly praised for their actions. The reality today is that if Christians want to have a chance to retire one day, they are left with no option but to invest throughout their lifetime (Porter, 2013). As in many things in a Christian’s walk with the Lord, He cares not as much about our actions, but about the heart posture surrounding those actions. In terms of investing, it is not as much about whether a Christian chooses to invest their money or not, but where their heart posture is. Do they have faith that the Lord is going to provide for them? Are they a slave to their money or are they serving the Lord as they seek to be generous with their resources? Do they seek to build up treasures in Heaven over building treasures on earth? Are they aligning their investments with their values? This is the commonly held belief in religious organizations as well, such as churches. They do not see any contradiction between the activity of investing and religion as a whole but instead, emphasize the importance of doing it in a way that aligns one's beliefs with their investing and evaluating both the heart posture and the non-financial impact of one's investments (Louche et al., 2012). It is important for Christians to evaluate their heart posture and how they are investing as they seek to steward the resources that has been entrusted to them.

How Should Christians Invest?

In some ways, it seems straight-forward for a Christian to seek to align their investments with their values and only invest in companies that align with a Biblical worldview. How to do that in practice is where the challenge comes. Some proponents of Biblically Responsible Investing highlight that screening out and being vigilant about avoiding companies that do not align with the Bible is the only way to invest. Others highlight the importance of engaging in companies and being a light in a dark world. As highlighted above, the priority and heart posture behind it all must be a heart of surrender and stewardship. As Christians think through how to manage their investments, they must ensure that their heart is fully surrendered to the Lord and that their true desire and hope is to effectively steward the resources that the Lord has entrusted to them.

Avoiding

Screening out companies that do not align with a Biblical worldview is a crucial aspect of Biblically Responsible Investing and how Christians should manage their portfolios. Proverbs 10:2 makes a compelling case for how wealth is acquired, “Ill-gotten treasures have no lasting value, but righteousness delivers from death” (New International Version, 2018). This verse clearly conveys the danger and the worthlessness that comes from treasures that were acquired in ways not aligned with God’s Word, or “Ill-gotten” measures as this passage puts it. A shareholder is a part owner of a company, and thus, every dollar made from owning a stock is profiting off of the business that is owned. That is why it becomes very challenging for a Christian to own businesses that do not align with a Christian worldview as they are directly profiting from the creation and sale of goods they do not believe in and that are directly harming individuals. Companies that make products such as abortifacients, tobacco, and pornographic materials are all products that clearly do not align with a Christian worldview and directly harm people made in the image of God. While that seems very clear for most Christians, the line is not always crystal clear about what products they should be investing in. Certain companies, such as gun manufacturers and fossil fuel companies, are where many Christians disagree (Visram, 2023). The Bible does not speak clearly to these issues nor are they inherently right or wrong as many Christians have different convictions based on how they interpret and read God’s Word. It is crucial that Christians are thinking and praying through these issues, while being vigilant about where their resources are being invested. The line becomes even more murky when considering not what companies are actually producing, but the policies the company has with their employees such as LGBTQ+ rights, abortion policies, and funding research that assist with genetic modification. Certain companies, such as a company offering to pay for employee’s abortions, take a hardline stance that clearly violates a Christian's worldview (Visram, 2023). In some cases, a Christian will choose to screen out a company due to that, but in other cases, engaging with that company is a key opportunity to seek change.

Engaging

Another key element of Biblically Responsible Investing is to engage with a company and seek to be a voice for change. Due to proxy voting rules and the requirement that a shareholder cannot engage with anything related to "ordinary business," the engagement from shareholders can be used in cases where a company is taking an approach with their employees to a social issue that does not align with a Biblical worldview (Logsdon & Buren, 2008). In Matthew 5:13-14, Jesus calls Christians "the salt of the earth" and "the light of the world" (New International Version, 2018). Christ-followers must not simply exit from the world and hide from the issues of the world but must be the salt and light and engage boldly with the world, seeking to promote change. Additionally, proponents of the view that Christians must be bold in engaging with companies in the investment world, and not simply screening out companies point to Mark 7. In Mark 7:18, Jesus discusses how "nothing that enters a person from the outside can defile them," but that instead, "what comes out of a person is what defiles them" (New International Version, 2018). Investing in companies and bringing something in from the outside is not going to defile an individual, but it is instead, what is coming out of someone's heart that will defile them. Proponents of this view also point to the wins that shareholder engagement has produced over the years and the fact that they believe that with Christians fully engaged in this space, a lot of change could come among corporate America (Bowyer, 2022). While engagement in companies is a newer space when it comes to Biblically Responsible Investing, it is a vital piece to a Christian seeking to align their resources with their investments.

How Should They Intersect?

There must be a healthy balance between avoiding and engaging in the investment space for Christians. A pull too far to one side will cause the overall investment strategy and method for a Christ follower to become unbalanced and not align with God's Word. Avoidance is crucial as there are clearly companies that Christian should not be profiting from, but a swing to avoiding every company due to small practices in their company prevents a Christian from being the salt and light in the world and promoting change in a dark world. On the other hand, engaging is crucial as a way to see change in a company, but not all things can be changed by shareholder engagement, and seeking to do too much will force a shareholder to own a company which clearly violates their beliefs and values. From a purely business perspective, both choosing to sell investments in a company and engaging with the company can be an important way to convey displeasure with a company due to the depression on the stock price both methods can have (Duan and Jiao, 2016). While these can both be effective methods, Christians must closely evaluate their investments and what they are profiting from as they seek to ensure they are not profiting from products and activities that misalign with the Bible. Stewardship must be considered above all else as Christ-followers truly evaluate how they are to manage the resources that the Lord has entrusted to them while also making an impact in the world. While there is no clear way that a Christian must invest, there are clear commands in the Bible about management of resources. Every Christian will apply that to their own situation differently based off of their own convictions. The key in everything is to ensure that the Lord is what a Christ-follower is seeking and that the high call of stewardship of God's resources is held in constant view.

Conclusion

Coming out of the SRI movement, BRI has been around for decades and is a space that Christians continue to look to with their investments. Many companies, including Eventide, Praxis, and Timothy Plan, offer many mutual funds that both screen out investments that do not align with a Christian worldview as well as include companies that are positively influencing shareholders. Additionally, there is an emphasis within BRI on shareholder engagement. Through dialogue, shareholder resolutions, and proxy voting, shareholders and fund companies can seek to make an influence on a company and the policies within a company. Christians are called by God to be wise stewards of their resources in every facet of life. The Bible makes it clear that God owns everything, and proper stewardship of resources should influence how a Christian invests. Using resources to invest in and own companies is an important aspect of financial stewardship and should be done by every Christian with intentionality. The use of screening out certain companies that misalign with a Biblical worldview is important. Additionally, the use of shareholder engagement as a way to be a salt and a light in a broken and sinful world is important as Christians to continue to make an impact. How this should be carried out in practice for Christ-followers is not crystal clear and still an area that Christians and investors continue to discuss. In the end, though, what is clear is the command throughout the Bible to manage and steward resources well and to the glory of God. This is evident all throughout Scripture and as Christians must ensure that their financial decisions are aligning with God’s Word.

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