



BIBLICALLY RESPONSIBLE INVESTING

IN THE (NEW?) KINGDOM ECONOMY

KENT T. SAUNDERS

► ABSTRACT

Biblically responsible investing (BRI) has developed into a distinct thematic investment style within the broader context of socially responsible investing (SRI). Data from Sustainalytics, MSCI, Institutional Shareholder Services, Inspire Investing, and the Biblically Responsible Investing Institute are used to examine environmental, social, and governance (ESG) and BRI criteria for the companies that make up the S&P 500 as a whole and the eleven sectors that make up the S&P 500. The real estate sector has the best median value for two of the four ESG sources and both BRI sources. The communication services sector has the worst or tied for worst median value for two of the four ESG sources and both BRI sources. One common finding is that most companies that do violate a BRI screen do so in just one category and the one category where the violation occurs is related to LGBT concerns. Different definitions, different sources, and different criteria can make the application of BRI investing harder than it would appear at first glance. Specific case studies for Microsoft Corporation and the GuideStone Funds Equity Index Fund are examined to address some of the issues involved in the application of BRI.

► INTRODUCTION

Investing in the primary and secondary markets is one of the driving forces of economic growth and human flourishing. When done properly, investing is a light shining, long-term, positive sum game where all interested parties stand to gain.¹ How then is investing done properly? Miller notes that any “individual or group which truly cares about ethical, moral, religious or political principles should in theory at least want to invest their money in accordance with their principles.”² Similarly, Mills notes that “the righteousness of any monetary return is conditional on the absence of the exploitation of customer, workers, creditors and suppliers.”³

Although the Message translation of the Bible titles both the Parable of the Talents (Matthew 25:14-30) and the Parable of the

Minas (Luke 19:11-27) as The Story About Investment, the specific study and practice of Biblically Responsible Investing (BRI) is a relatively recent development which traces its roots to Socially Responsible Investing (SRI). SRI is the practice of using both financial and social criteria when making investment decisions with the goal of investing in companies that support specific values. SRI strategies may include both screening (refraining from investing in corporations with products or policies inconsistent with one's values) and engaging management (actions taken to improve corporate

disclosure, policies, performance, and governance).⁴ The faith-based origins of SRI can be traced back to the anti-slavery campaigns of the Quakers in the 1700s, the investment needs of religious groups in the 1920s, and the anti-apartheid movement of the 1980s.⁵ Today, BRI has developed into a distinct thematic investment style within the broader context of SRI and environmental, social, and governance (ESG) investing.⁶ BRI mutual funds and exchange-traded funds are offered through a variety of firms. **Table 1** highlights some BRI example firms with a representative ticker and invest-

TABLE 1

BIBLICALLY RESPONSIBLE INVESTING (BRI) FUNDS AND INVESTMENT PHILOSOPHY

Fund Family (Sample Ticker)	Investment Philosophy
Ave Maria Mutual Funds (AVEAX)	Invest in companies that do not violate core values and teachings of the Roman Catholic Church
Eventide Asset Management (ETILX)	Honor God and serve clients by investing in companies that create compelling value for the global common good
Global X (CATH)	Invest in companies within the S&P 500 whose business practices adhere to the Social Responsible Investment Guidelines as outlined by the United States Conference of Catholic Bishops
Guidestone Funds (GEQZX)	Invest in organizations that seek to protect life, promote human dignity, and enhance the efficiency and accessibility of life-sustaining resources to create positive impact in the world - which we believe we are called to do as Christians
Inspire Investing (BIBL)	Invest in the most inspiring, biblically aligned companies in the U.S. applying a faith-based perspective to environmental, social, and governance criteria
Praxis Mutual Funds (MVIAX)	Invest in companies that support positive values such as the respect for human dignity, responsible management, and environmental stewardship, while avoiding industries and activities like gambling, alcohol and tobacco production, and military contracting
Timothy Plan (TPLC)	Screen companies that do not satisfy the eVALUEator proprietary Biblically Responsible Investing filtering criteria

Sources: <https://www.avemariafunds.com/fund-family/aveax.html>, <https://www.eventidefunds.com/purpose-and-values/>, <https://www.globalxetfs.com/funds/cath/>, <https://www.guidestonefunds.com/Impact>, <https://www.inspireetf.com/bibl>, <https://www.praxismutualfunds.com/how-we-invest>, <https://timothyplan.com/our-etfs/summary-etf-lcc.php>

ment philosophy.

This paper will consider a variety of screening sources, criteria, and their application to BRI. The paper will proceed as follows. Literature on SRI and BRI will be reviewed. Four publicly available ESG scoring sources will be examined. The BRI screening process from two sources will be explored. Next, the ESG and BRI characteristics of the S&P 500 along with the eleven sectors within the S&P 500 will be examined. Thereafter, a company case study and a fund case study will be examined. The conclusion will provide recommendations for conducting BRI.

LITERATURE REVIEW

BRI (sometimes known as stewardship investing, morally responsible investing, and faith-based investing) can be seen as the modern-day application of Scripture to investing.⁷ BRI is making productive use of what has been entrusted to us (e.g., Mt. 25:14-30, Lk. 19:11-27) for the glory of God (1 Cor. 10:31). Additionally, BRI can be seen as a specifically Christian extension within the umbrella term of SRI investing. The objectives of SRI according to Louche & Lydenberg are to generate financial and societal value, stimulate change toward corporate social responsibility, steer investments toward the productive and socially beneficial use of capital, and initiate debate on the proper role of corporations.⁸ The question of whether a corporation should maximize shareholder value alone or consider a broader set of stakeholders goes back to at least the Dodd⁹ and Berle¹⁰ debate of the 1930s. A full literature review on this topic is beyond the scope of this paper. For the purpose of this manuscript, it is assumed that many if not most publicly traded corporations, and many if not most investors are concerned with the well-being of a broad set of stakeholders.

Moving from the theoretical debate, BRI, SRI and ESG investing have become global in practice and have been adopted by a growing number of institutional investors.¹¹ The Forum for Sustainable and Responsible Investment reports that total US-domiciled assets under management using ESG strategies grew to \$16.5 trillion at the start of 2020 which represents nearly one out of three dollars of the total US assets under professional management.¹²

Even though the Scripture advises “Better a little with righteousness than much gain with injustice” (Prov. 16:8, NIV), most investors conduct their activities seeking a positive

return. Several studies have been conducted comparing the performance results of BRI and SRI funds relative to various benchmarks. All things considered, there is not a clear performance benefit or penalty associated with conducting BRI and SRI. The results of academic studies are conflicting depending on the time-period studied, benchmark used, active vs. passive fund type, and the inclusion or exclusion of fees. Superior performance was found by Enete¹³ and Camejo.¹⁴ Neutral performance was found by Rhodes,¹⁵ Revelli & Viviani,¹⁶ and Kurtz & diBartolomeo.¹⁷ Under performance was found by Stultz¹⁸ and Cheung.¹⁹

Rather than compare the investment performance of BRI funds, this research study will focus on the screening process with applications to both the S&P 500 and individual investor concerns. ESG sources will be considered next followed by the BRI screening sources.

ESG SOURCES

Generally speaking, SRI is broad. ESG was an evolution to distinguish between specific environmental concerns (E), social concerns (S), and governance concerns (G). Environmental concerns and innovations are obviously important to Christians interested in being a steward of the earth. Social concerns are generally related to the relationship between a company and their employees, customers, and suppliers. Social concerns are the ESG area most likely to have inconsistencies with BRI. Some inclusive social issues run contrary to biblical values. Governance issues relate to corporate leadership, internal controls along with malfeasance, and executive pay. BRI is a further evolution of ESG investing that makes a concentrated effort to identify ESG concerns that are inconsistent with biblical values and/or ESG innovations that further God’s Kingdom.

Investors seeking information on ESG criteria have access to several different sources. Four different sources publicly available online will be considered: Sustainalytics,²⁰ MSCI,²¹ Institutional Shareholder Services,²² and Inspire Investing.²³ The specific timeframe and data sources used by each source is described in more detail at the noted website for each source.

Sustainalytics’ ESG risk rating measure is a numerical score that considers both a company’s exposure to ESG risks and how well the company manages those risks. Zero is the lowest possible score, a score in the range of twenty-to-thirty is

considered medium risk, and a score above forty is considered severe risk. A lower score is better. Sustainalytics also provides the company's rank within both the company-specific industry and the entire universe of securities in their database.

MSCI's ESG rating is a seven-point, letter-based score ranging from CCC for an ESG laggard to AAA for an ESG leader. MSCI provides a rating history for the last five-years or since company-specific ratings began, whichever is applicable. Additionally, MSCI documents where the company lies within their industry rating distribution and specific ESG areas where the company is a laggard, average, or a leader.

The Institutional Shareholder Services (ISS) governance quality score is based on deciles within an industry (ranging from one to ten). A lower score indicates less governance risk which is good. In addition to the governance quality score, pillar scores are reported for audit, board, shareholder rights, and compensation.

The Inspire insight dashboard provides individual scores for environmental, social, and governance categories. In all cases, a higher score is better. For reporting purposes in this study, an equally weighted composite score is reported for the Inspire ESG. Inspire does not provide detailed information related to their ESG scoring methodology; however, they do provide a detailed explanation of the BRI screening and scoring process. The BRI screening process is the focus of the next section.

► BRI SCREENING PROCESS

There are many responsible Christians who appreciate the benefits of diversification (Eccl. 11:1-6) and own index mutual funds or ETFs (e.g., ticker SPY). Perhaps some Christians particularly concerned with stewardship will own diversified ESG funds (e.g., ticker ESGV). However, ESG funds

do not specifically screen issues of concern to many Christians. For example, companies involved in abortion, alcohol, gambling, and pornography may meet ESG screening criteria, but would not necessarily be the type of company a Christian would want to be involved with. BRI specifically screens for issues that are of concern to many Christians.

No publicly traded company is perfect. As with individuals, all companies fall short.²⁴ However, when one's faith teaches that an activity is harmful to human flourishing, then a responsible investor should either refrain from owning stock in companies conducting that activity (screen) or actively work with the company via proxy voting and shareowner proposal

writing (engage) to change the activity. In both screening and engaging, identifying instances of objectionable activity is necessary.

Not all Christians will agree as to what constitutes an objectionable activity. Differences of

opinion and conviction exist with respect to several common objectionable screens. For example, consider the production and distribution of alcohol. Followers of some faith traditions may cite John 2:1-11 and 1 Timothy 5:23 in support of the production and distribution of alcohol. Whereas followers of other faith traditions concerned with the addictiveness and destructive behaviors associated with the use of alcohol may find the production and distribution of alcohol to be objectionable. A further complication is where to draw the line. Many companies derive some but not all their revenue from the distribution and sale of alcohol. Similarly, it is not uncommon for alcohol to be served at corporate-sponsored events and to be a reimbursable entertainment expense for company employees. The investable universe would most likely drop to zero if all alcohol use, production, and distribution were screened out entirely. This does not imply that the screening process is hopeless; but rather it does call for awareness of what process is used and oftentimes the establishment of a threshold criteria. A common threshold criteria screen for alcohol and other possibly objectionable activities is to set a maximum percentage of revenue derived

When one's faith teaches that an activity is harmful to human flourishing, then a responsible investor should either refrain from owning stock in companies conducting that activity (screen) or actively work with the company.

from the objectionable activity.

The use of a threshold criteria is a practical approach that many Christians may disagree with. In some sense, the use of threshold criteria is like saying that “a little sin is okay.” This author will not argue that sin is okay but recognizes that sin is a fact of life, and the use of threshold criteria can help identify instances where the overwhelming good a corporation does outweigh relatively smaller concerns which can possibly be reduced through shareholder engagement.

Like ESG scoring, investors seeking information on BRI criteria have access to several different sources. Some BRI screening tools are currently available at no explicit cost (e.g., Inspire Investing) whereas other screening tools require a subscription (e.g., Biblically Responsible Investing Institute²⁵), and other tools are only available to broker/dealers (e.g., eVALUEator Services²⁶). This paper will examine two sources of data related to screening violations for common objectionable activities among Christians. First, the *Inspire Investing (Inspire)* dashboard will be examined. Second, the *Biblically Responsible Investing Institute (BRII)* will be explored.

In addition to scores for ESG, the *Inspire* insight dashboard provides a faith-based impact score. A higher impact score is better. Also, both positive and negative counts for activities within designated categories are provided. Companies are first screened for eight negative categories including: alcohol, bioethics, cannabis, gambling, human rights violations, LGBT activism, pornography, and tobacco.²⁷ For the *Inspire* impact score, a company with a violation in any of the negative categories receives a negative eleven score for each category where a violation occurs. Companies with a negative score are not included in the *Inspire* investable universe for the ETFs they manage. Companies with no violations in any negative category receive a positive impact score based on the following positive categories: business model, product integrity and innovation, corporate governance, human capital, social impact, supply chain, environment, and sustainable energy use and production.

BRII provides screens for 12 broad categories of violation screens including abortion, alcohol, anti-family activity, bioethics, contraceptives, gambling, human rights, low-income financial services, marijuana, non-married lifestyle, pornography, and tobacco.²⁸ The *BRII* score is a composite score based on the number and magnitude of violations. A higher score indicates more objectionable activities. *BRII* does not consider all violations as equal. For example, within the *BRII* broad category of non-married lifestyle, a “non-discrimina-

tion orientation” is considered a violation with a score of 0, “gender identity” is a violation with a score of 1, “political advocate” is a violation with a score of 2, and “trailblazer” is a violation with a score of 3. Additionally, *BRII* provides information for one broad category for positive activity.

The next section will compare both ESG and BRI criteria for the S&P 500 as a whole and break down the ratings for the eleven sectors that make up the S&P 500.

▶ ESG AND BRI CHARACTERISTICS FOR THE S&P 500

The S&P 500 is the typical benchmark for the large cap stock market in the United States.²⁹ The S&P 500 can be broken down into eleven different sectors including: communication services, consumer discretionary, consumer staples, energy, finance, healthcare, industrials, materials, real estate, technology, and utilities. Table 2 displays the sector distribution of companies by number³⁰ and market cap weight³¹ along with the median values for Sustainalytics ESG risk, MSCI rating, ISS quality score, *Inspire* ESG composite, *Inspire* impact score, and the *BRII* score. Since weights, ratings, and scores change over time, the author collected the data from these sources in January and February of 2021 to ensure a consistent timeframe for comparability. The author calculated median values are reported rather than average values since the average value is misleading for the MSCI rating and the *Inspire* impact scores based on how those scores are calculated.

Several interesting positive findings are apparent from an examination of Table 2. The real estate sector has the best median value for two of the four ESG sources and both BRI sources. The real estate sector has the lowest median value for Sustainalytics ESG risk, the highest median *Inspire* ESG, the highest median *Inspire* impact score, and the lowest median *BRII* score. The consumer staples, industrials, technology, and utilities sectors are in a four-way tie for the highest median MSCI rating. The finance and utilities sectors are tied with the lowest median ISS quality score.

On the other end of the scale, the communication services sector has the worst or tied for the worst median value for two of the four ESG sources and both BRI sources. Communication services has the lowest median MSCI rating, the highest median ISS quality score, tied for the lowest median In-

TABLE 2

S&P 500 SECTOR DISTRIBUTION, MARKET CAP WEIGHTS, MEDIAN ESG, AND BRI VALUES*

Sector	Comp- anies	Market Cap Weight	ESG MEDIANS				BRI MEDIANS	
			Sustainalytics ESG Risk	MSCI Rating	ISS Quality Score	Inspire ESG	Inspire Impact	BRII Score
Communication Services	22	11.1%	18.2	BB	10.0	54.7	-11.0	10.0
Consumer Discretionary	61	12.4%	17.4	BBB	6.0	58.5	-11.0	6.5
Consumer Staples	33	6.0%	24.4	A	6.0	60.0	-11.0	8.0
Energy	25	2.8%	33.6	BBB	6.0	52.5	23.5	2.0
Finance	65	11.2%	23.0	BBB	4.0	56.5	-11.0	8.0
Healthcare	62	13.1%	22.7	BBB	5.5	57.7	25.0	6.0
Industrials	73	8.4%	25.9	A	6.5	61.7	40.5	5.0
Materials	28	2.6%	26.0	BBB	5.0	62.8	37.5	3.5
Real Estate	30	2.4%	14.0	BBB	6.0	63.3	41.0	1.0
Technology	73	27.4%	17.5	A	5.0	61.7	33.0	5.5
Utilities	28	2.5%	31.8	A	4.0	61.0	37.5	5.0
S&P 500 Total	500	100.0%	22.3	BBB	6.0	59.7	23.0	5.0

*Data collected January to February of 2021, Median Values are authors calculations:

ESG/BRI Sources: <https://www.sustainalytics.com/esg-ratings/>, <https://www.msci.com/our-solutions/esg-investing/esg-ratings/>, <https://finance.yahoo.com/>, <https://www.inspireinsight.com/#/dashboard>, <https://briinstitute.com/>.

Key for Score Ranges: Sustainalytics: 0 (negligible ESG risk) to 50 (severe ESG risk), MSCI: CCC (ESG laggard) to AAA (ESG leader), ISS: 1 (low governance risk) to 10 (high governance risk), Inspire ESG: 0 (low value) to 78 (high value), Inspire Impact: -44 (low faith-based impact) to 67 (high faith-based impact), BRII: 0 (no violations) to 31 (high violations)

Inspire impact score, and the highest median BRII score. The median score of negative eleven for the Inspire impact score for communication services, consumer discretionary, and consumer staples indicates that more than half of the companies in those sectors have a violation in at least one of the biblically responsible investing screens. Although the energy sector does not score as consistently poorly as the communication services sector, it is worth noting that the energy sector has the highest median Sustainalytics ESG risk, and the lowest median Inspire ESG.

To delve deeper into the BRI screens, Table 3a documents

the percentage of companies with at least one screening violation and the number of violation categories of the Inspire Investing screens and Table 3b does the same for the Biblically Responsible Investing Institute screens. Table 3a shows that 46.1 percent of the companies in the S&P 500 have at least one violation of the Inspire Investing screens. The real estate sector has the lowest percentage with 10.7 percent and the finance sector has the highest percentage with 65.6 percent. Of the 224 companies with at least one violation, 199 have a violation in just one category of the Inspire Investing screens.

TABLE 3A
PERCENTAGE OF COMPANIES WITH AT LEAST ONE VIOLATION & NUMBER OF VIOLATION CATEGORIES OF INSPIRE INSIGHT SCREENS (SORTED BY INDUSTRY WITHIN THE S&P 500)*

Sector	% of Companies with at least 1 Violation	No. of Companies & No. of Violation Categories				
		0	1	2	3	4
Communication Services	65.0%	7	8	5	0	0
Consumer Discretionary	56.7%	26	25	8	1	0
Consumer Staples	63.6%	12	16	3	1	1
Energy	25.0%	18	6	0	0	0
Finance	65.6%	22	42	0	0	0
Healthcare	41.0%	36	21	4	0	0
Industrials	38.2%	42	25	1	0	0
Materials	32.1%	19	9	0	0	0
Real Estate	10.7%	25	3	0	0	0
Technology	45.8%	39	32	1	0	0
Utilities	42.9%	16	12	0	0	0
S&P 500 Total	46.1%	262	199	22	2	1

TABLE 3B
PERCENTAGE OF COMPANIES WITH AT LEAST ONE VIOLATION & NUMBER OF VIOLATION CATEGORIES OF BRII SCREENS (SORTED BY INDUSTRY WITHIN THE S&P 500)*

Sector	% of Companies with at least 1 Violation	No. of Companies & No. of Violation Categories					
		0	1	2	3	4	5
Communication Services	100.0%	0	5	9	6	1	0
Consumer Discretionary	93.3%	4	36	9	10	0	1
Consumer Staples	100.0%	0	17	14	1	1	0
Energy	88.0%	3	19	3	0	0	0
Finance	92.3%	5	53	6	0	1	0
Healthcare	95.0%	3	27	23	4	3	0
Industrials	93.0%	5	53	12	1	0	0
Materials	92.9%	2	21	5	0	0	0
Real Estate	73.3%	8	21	1	0	0	0
Technology	94.4%	4	51	10	6	1	0
Utilities	92.6%	2	25	0	0	0	0
S&P 500 Total	92.7%	36	328	92	28	7	1

*Data collected January to February of 2021, Source: <https://www.inspireinsight.com/#/dashboard>

*Data collected January to February of 2021, Source: <https://briiinstitute.com/>

Table 3b reports a substantially higher percentage of firms that violate at least one of the BRII screens with 92.7 percent. The real estate sector has the lowest percentage with 73.3 percent and both communication services and consumer staples have 100 percent of the firms with at least one violation. Of the 456 companies with at least one violation, 328 have a violation in just one category of the BRII screens.

Table 4a breaks down the percentage of companies with at least one violation of the eight Inspire Investing category screens, and Table 4b breaks down the percentage of companies with at least one violation of the twelve BRII category screens. The column that jumps out of Table 4a is LGBT activism. For the S&P 500, 44 percent of the companies vi-

olate the LGBT activism Inspire Investing screen. The second highest violation category for the S&P 500 is the bioethics Inspire Investing screen with 2.1 percent.

For the BRII category screens, Table 4b indicates that 92.5 percent of the firms in the S&P 500 violate the non-married lifestyles screen. The second highest violation category for the S&P 500 is the human rights BRII screen with 11.8 percent. Although the BRII non-married lifestyles category is clearly different from the Inspire Investing category of LGBT activism in terms of percentage of companies violating the screen, examination of the fifteen parameters that make up the BRII non-married lifestyle screen and terminology in other BRII publications indicate a great deal of overlap in the

TABLE 4A
PERCENTAGE OF COMPANIES WITH AT LEAST ONE VIOLATION OF THE SPECIFIC CATEGORY
INSPIRE INSIGHT SCREENS
(SORTED BY INDUSTRY WITHIN THE S&P 500)*

Sector	Alcohol	Bioethics	Cannabis	Gambling	Human Rights	LGBT Activism	Pornography	Tobacco
Communication Services	0.0%	0.0%	0.0%	0.0%	0.0%	60.0%	30.0%	0.0%
Consumer Discretionary	5.0%	0.0%	0.0%	11.7%	0.0%	53.3%	3.3%	0.0%
Consumer Staples	15.2%	3.0%	9.1%	0.0%	0.0%	54.5%	0.0%	6.1%
Energy	0.0%	0.0%	0.0%	0.0%	0.0%	25.0%	0.0%	0.0%
Finance	0.0%	0.0%	0.0%	0.0%	0.0%	65.6%	0.0%	0.0%
Healthcare	0.0%	13.1%	0.0%	0.0%	0.0%	34.4%	0.0%	0.0%
Industrials	0.0%	1.5%	0.0%	0.0%	0.0%	38.2%	0.0%	0.0%
Materials	0.0%	0.0%	0.0%	0.0%	0.0%	32.1%	0.0%	0.0%
Real Estate	0.0%	0.0%	0.0%	0.0%	0.0%	10.7%	0.0%	0.0%
Technology	0.0%	0.0%	0.0%	0.0%	0.0%	45.8%	1.4%	0.0%
Utilities	0.0%	0.0%	0.0%	0.0%	0.0%	42.9%	0.0%	0.0%
S&P 500 Total	1.6%	2.1%	0.6%	1.4%	0.0%	44.0%	1.9%	0.4%

*Data collected January to February of 2021, Source: <https://www.inspireinsight.com/#/dashboard>

type of LGBT activities being screened by Inspire Investing and BRII.³²

Tables 3 and 4 illustrate both the benefits of and inconsistencies with BRI screening. It is eye-opening to see the percentage of companies that are in violation of common BRI screens both on the high end and the low end. Yet, the results are also somewhat confusing. Do zero percent of the S&P 500 companies have human rights violations as reported in Table 4a or do 11.8 percent have violations as reported in Table 4b? Different definitions, different sources, and different criteria can make the application of BRI investing harder than it would appear at first glance.

The results reported in tables 3 and 4 indicate that most companies that do violate a screen do so in just one category and the one category where the violation occurs is related to LGBT concerns. If LGBT violations are a make-or-break issue for an investor, then this issue alone could potentially elimi-

nate somewhere between nearly half to almost all the companies in the entire S&P 500 from the investable universe. Certainly, some Christian faith traditions are more tolerant and even accepting of LGBT issues. It is possible that LGBT issues are not a reason to avoid an investment for a Christian investor. However, there are also unquestionably Christian faith traditions that do not support LGBT issues. When LGBT issues, or any potentially objectionable issue, cause a Christian investor concern the investor will need to decide if it is best to avoid buying the company or work with the company through shareholder engagement.

Perhaps, one could only invest in companies with no violation screening flags. Say, invest only in companies with BRII scores of zero. Using this type of screening process is possible. However, depending on the screening source and the criteria imposed, this type of process can be very limiting. For example, there are only thirty-six

TABLE 4B
PERCENTAGE OF COMPANIES WITH AT LEAST ONE VIOLATION OF THE SPECIFIC CATEGORY
BRII SCREENS
(SORTED BY INDUSTRY WITHIN THE S&P 500)*

Sector	Abortion	Alcohol	Anti-Family Activity	Bioethics	Contraceptives	Gambling
Communication Services	4.8%	0.0%	66.7%	0.0%	0.0%	0.0%
Consumer Discretionary	8.3%	1.7%	6.7%	0.0%	0.0%	11.7%
Consumer Staples	15.2%	15.2%	3.0%	0.0%	3.0%	0.0%
Energy	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Finance	3.1%	1.5%	1.5%	0.0%	0.0%	0.0%
Healthcare	28.3%	0.0%	0.0%	11.7%	8.3%	0.0%
Industrials	0.0%	0.0%	0.0%	1.4%	0.0%	0.0%
Materials	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Real Estate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Technology	4.2%	0.0%	2.8%	1.4%	0.0%	4.2%
Utilities	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
S&P 500 Total	6.7%	1.4%	4.5%	1.8%	1.2%	2.0%

Sector	Human Rights	Low-Income Financial Services	Marijuana	Non-Married Lifestyles	Pornography	Tobacco
Communication Services	0.0%	0.0%	0.0%	100.0%	42.9%	0.0%
Consumer Discretionary	15.0%	1.7%	0.0%	93.3%	10.0%	0.0%
Consumer Staples	9.1%	3.0%	3.0%	100.0%	0.0%	6.1%
Energy	12.0%	0.0%	0.0%	88.0%	0.0%	0.0%
Finance	4.6%	0.0%	0.0%	92.3%	1.5%	1.5%
Healthcare	20.0%	0.0%	0.0%	93.3%	0.0%	0.0%
Industrials	18.3%	0.0%	0.0%	93.0%	0.0%	0.0%
Materials	17.9%	0.0%	0.0%	92.9%	0.0%	0.0%
Real Estate	0.0%	0.0%	0.0%	73.3%	3.3%	0.0%
Technology	13.9%	4.2%	0.0%	94.4%	4.2%	0.0%
Utilities	0.0%	0.0%	0.0%	92.6%	0.0%	0.0%
S&P 500 Total	11.8%	1.0%	0.2%	92.5%	4.1%	0.6%

*Data collected January to February of 2021, Source: <https://briinstitute.com/>

companies in the S&P 500 with BRII scores of zero. Of those thirty-six, all of them also have zero record for positive activity from BRII.

► CHALLENGES OF BRI INVESTING

COMPANY EXAMPLE: MICROSOFT CORPORATION

This section and the next will illustrate some of the specific issues that arise in the application of BRI. One fundamental form of investing is the act of buying shares of stock in an individual corporation. Specific BRI considerations related to the purchase of shares of Microsoft Corporation will be used to demonstrate the application of BRI to an individual company.

In many ways, Microsoft would seem like a great company to buy based on ESG criteria. Sustainalytics ranks Microsoft in the top 4 percent of software and services companies for exposure and management of ESG risk. MSCI has assigned Microsoft the highest rating of AAA for at least the past five years and ISS assigns Microsoft their highest governance quality score of one. In addition to high ESG scores, Microsoft is tied for the highest number of positive counts from Inspire Investing and tied for the highest number of positive activities from BRII. So, what is the problem with buying Microsoft?

Along with high positive reports from Inspire Investing and BRI, there are also violations for some of the negative screens. Inspire Investing assigns Microsoft an impact score of negative eleven based on two instances of LGBT legislation and ten instances of LGBT philanthropy. BRII finds violations for anti-family activity (score of four), human rights issues (score of three), non-married lifestyles (score of seventeen), and pornography (score of three). In fact, Microsoft has the second highest BRII score (twenty-seven) in the entire S&P 500. It should be noted that very large companies attract a great deal of attention for both good and objectionable activity. Microsoft consistently ranks as one of the largest companies in the S&P 500 and ranked second largest in early February 2021.³³

A modified screening approach for a faith-based student managed investment fund is described by Brune & Files.³⁴ Students found strict adherence to the BRII screens to be

ineffective. Specifically, students found “a company might accumulate a score largely on the basis on a single criterion that wasn’t as important to the team. Conversely, other companies with a lower total score might have an offense deemed more egregious...In those cases, a high BRII score did not necessarily eliminate a stock from consideration, but it was still a negative factor in deliberations.”³⁵ This type of modified approach can be applied in several ways. A few possible modified screening approaches related to Microsoft will be considered next.

One way an investor could apply the modified screening approach is to simply ignore screening violations for categories that they do not deem objectionable. In the case of Microsoft, if you are using Inspire Investing as the screening source and you do not find LGBT issues objectionable then you could buy Microsoft without objection. This approach would be a bit trickier using the BRII screens. Microsoft had violations in four different screening categories with BRII. It is less likely that an investor would find all four categories as unobjectionable.

A second way an investor could approach Microsoft could be the use of threshold criteria (the use of threshold criteria was discussed in more detail earlier in the section titled BRI Screening Process). For example, an investor could be willing to invest in a company if no single objectionable BRII category score is above five. For this example, assume the investor considers all twelve BRII category screens objectionable. In this case, the scores for anti-family issues (four), human rights (three), and pornography (three) do not rise to the level to prevent investment, but the score for non-married lifestyles (seventeen) does. Based on the threshold criteria of five for any category, Microsoft would be eliminated from the investable universe for this investor.

In addition to the use of threshold criteria for individual categories, in cases where all screened criteria are deemed objectionable then the overall BRII score could be used. An investor could decide to invest in companies with an overall BRII score less than 12, less than 10, or any other number that an individual investor deems appropriate for them.

Using an overall score approach is more cumbersome with the Inspire impact score. Whether a company has one or twenty-one violations within a given category the impact score is the same. For a specific example, consider Ameriprise Financial Services and Bank of America, both of which have an Inspire impact score of negative eleven. Ameriprise Financial Services has one count of LGBT philanthropy. Whereas, Bank of America has seventeen counts of LGBT

philanthropy and four counts of LGBT legislation. When using Inspire Investing as the screening source and using a threshold criterion other than zero it would work better when using the counts of negative activity rather than the impact score itself.

One final topic to contemplate on the use of threshold screening for individual stock consideration is where to draw the line between avoiding and engaging. When a company has very little or no objectionable activity there is generally no faith-based reason to avoid it. When a company is involved in some objectionable activity but is simultaneously involved in good activities then it is important to think through what level of objectionable activity is reasonable. What can be addressed through shareholder engagement? What level of activity is so great that the company must be avoided? These levels can vary between Christians. Based on empirical study of faith-based mutual funds, this seems to be the case in practice. The next section will consider an investment in the GuideStone Funds Equity Index Fund.

MUTUAL FUND EXAMPLE: GUIDESTONE FUNDS EQUITY INDEX FUND

Whether investing in an individual retirement account, selecting an investment option as part of a 401K/403b, or simply seeking to invest in a bundle of assets for other purposes, buying shares in a mutual fund is a common investment choice. As was the case with buying individual shares, there are BRI considerations to be aware of when selecting a mutual fund. To demonstrate the BRI concerns when buying a mutual fund, purchasing shares of the GuideStone Funds Equity Index Fund (ticker: GEQZX) will be examined.

GuideStone Funds website headlines that they are the largest faith-based mutual fund family³⁶ and provides details on their screening process.³⁷ GuideStone specifically mentions screening for companies involved in alcohol, tobacco, gambling, pornography, and abortion. Guidestone currently offers multiple funds with different fund managers and investment objectives. The GuideStone GEQZX Fund uses the S&P 500 as a benchmark with 485 of the 500 S&P Index included in the portfolio.³⁸

Based on an examination of the holdings, GEQZX has screened out seven companies for abortion violations, three companies for alcohol violations, three companies for gam-

bling violations, and two companies for tobacco violations.³⁹ The screening of these fifteen companies is consistent with screening from Inspire Investing and BRIL, although both Inspire and BRIL screen out additional companies in these categories. For example, Inspire Investing would screen out three additional holdings for alcohol, five additional holdings for gambling, nine additional holdings for pornography, and one additional holding for abortion.⁴⁰ Thus, it is not surprising that the Inspire insight dashboard assigns GEQZX a negative faith-based score.

If a Christian agrees with the screening process and investment decisions made by Guidestone for GEQZX, then the investor can be satisfied with the purchase of this fund. If a Christian prefers to avoid additional companies engaged in objectionable activity beyond the GuideStone screens, then this Christian should avoid this GuideStone fund. If this Guidestone fund is the only choice within an employer-based retirement plan, then the Christian investor may want to avoid this employer-provided benefit or engage with Guidestone to modify the screening process. The purchasing of a mutual fund from a Christian firm that advocates and practices faith-based investing does not eliminate all possible dilemmas associated with the practice of BRI.

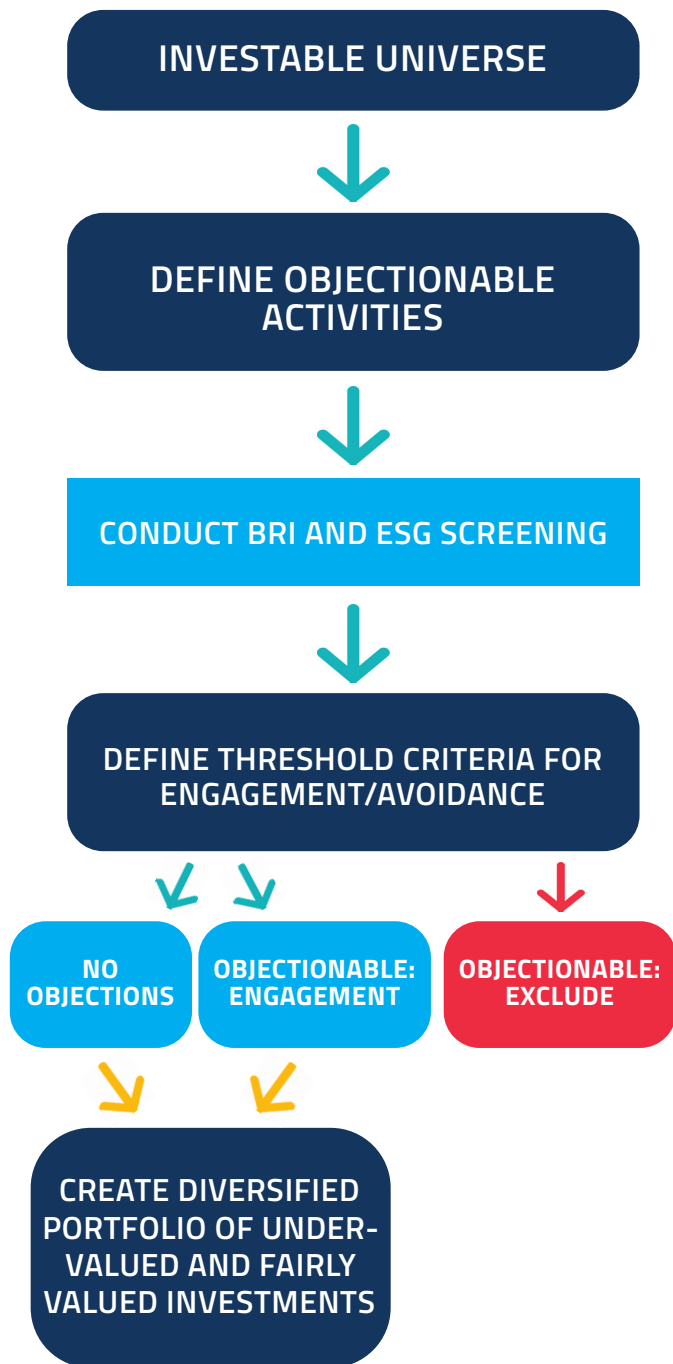
► CONCLUSION

Scripture instructs us that “whatever you do, do it all for the glory of God” (1 Cor. 10:31). It also calls us to make productive use of the resources entrusted to us (Mt. 25:14-30 and Lk. 19:11-27). The act of investing is one way in which someone can be “salt and light” with their financial resources (Mt. 5:13-16). ESG investing highlights the stewardship mandate found throughout the Bible. BRI is an extension of ESG investing that specifically considers issues of interest to Christians.

There is not a one-size-fits-all approach in the application of BRI. Christians do not have a uniform agreement as to what constitutes an objectionable activity. Even in cases of agreement on what is objectionable, there are different levels of tolerance for that activity. To conclude, here is a step-by-step (best practice) approach that can be considered for conducting BRI (see Figure 1):

FIGURE 1

BRI BEST PRACTICES SCHEMATIC



1. Know what you own.
2. Define specific actions and categories of business activity that you deem objectionable.
3. Use ESG and BRI screening tools to filter issues that may be objectionable within specific investment instruments.
4. For the objectionable categories, determine threshold criteria for engagement and threshold criteria for avoidance.
5. For feasible investments that are free from objectionable activities and have below threshold violations, conduct valuation analysis and invest in a diversified set of undervalued or fairly valued biblically responsible investments.



ABOUT THE AUTHOR



KENT T. SAUNDERS is a Professor of Finance and Economics at Anderson University in South Carolina. He has published in numerous peer-reviewed journals, including *Journal of Corporate Finance*, *Journal of Entrepreneurial Finance*, *Atlantic Economic Journal*, *Christian Business Academy Review*, *Journal of Education for Business*, and *Journal of Biblical Integration in Business*, among others. Kent earned a BS from Ball State University with a major in Mathematical Economics, a MA in Economics from Clemson University, and a PhD from Clemson University in Applied Economics. Kent teaches a broad array of finance and economics classes. His research interests include teaching pedagogy and investments. Kent has been married to his wife Chrissie since 1991 and together they have three grown children.

NOTES

¹ Kent T. Saunders, "Is There a Difference between Investing and Gambling? A Christian Perspective," *Journal of Biblical Integration in Business* 19 (2016), 71.

² Alan Miller, "Green Investment," in *Green Reporting: Accountancy and the Challenge of the Nineties*, ed. Dave Owen (London: Chapman and Hall, 1992), 248.

³ Paul Mills, "Investing as a Christian: Reaping Where You Have Not Sown?" *Cambridge Papers* 5, no. 2 (1996), 2.

⁴ Kent T. Saunders, "Experiential Learning: Shareholder Engagement in a Student-Managed Investment Fund," *Christian Business Academy Review* 10 (2015), 45.

⁵ Suzette Viviers and N. S. Eccles, "35 Years of Socially Responsible Investing (SRI) Research – General Trends Over Time," *South African Journal of Business Management* 43, no. 4 (2012), 1-16.

⁶ Endel Lias, "The Landscape for Christian Investing," <https://www.faithdriveninvestor.org/blog/2019/11/18/the-landscape-of-christian-investing>

⁷ For additional details on the Scriptural basis for BRI see <https://www.briinstitute.com/basis.htm>

⁸ Céline Louche and Steven Lydenberg, "Socially Responsible Investing," in *Finance Ethics: Critical Issues in Theory and Practice*, ed. John R. Boatright (Hoboken, NJ: John Wiley & Sons, 2010), 393-416

⁹ E. Merrick Dodd, Jr., "For Whom Are Corporate Managers Trustees?" *Harvard Law Review* 45, no. 7 (May, 1932):1145-1163, <https://doi.org/10.2307/1331697>.

¹⁰ A. A. Berle, Jr., "For Whom Corporate Managers Are Trustees: A Note," *Harvard Law Review* 45, no. 8 (June, 1932):1365-1372, <https://doi.org/10.2307/1331920>.

¹¹ Russel Sparkes and Christopher J. Cowton, "The Maturing of Socially Responsible Investment: A Review of The Developing Link with Corporate Social Responsibility," *Journal of Business Ethics* 52, no. 1 (2004), 45-57, <https://doi.org/10.1023/B:BUSI.0000033106.43260.99>

¹² <https://www.ussif.org/fastfacts>

¹³ Shane Enete, "Performance Attribution of the First Biblically Responsible-Based SRI Index," *Faculty Articles & Research* 394 (2019), <https://digitalcommons.biola.edu/faculty-articles/394>

¹⁴ Peter Camejo, *The SRI Advantage* (Gabriola Island: New Society Publishers, 2002)

¹⁵ Rhodes, Stacie, "The Effective Return of Biblically Responsible Exchange Traded Funds," *Doctoral Dissertations and Projects* (2018), <https://digitalcommons.liberty.edu/doctoral/1865>.

¹⁶ Christophe Revelli and Jean-Laurent Viviani, "Financial Performance of Socially Responsible Investing (SRI): What Have We Learned? A Meta-Analysis," *Business Ethics: A European Review* 24, no. 2 (2015): 158-185.

¹⁷ Lloyd Kurtz and Dan diBartolomeo, "The Long-Term Performance of a Social Investment Universe," *The Journal of Investing* 20, no. 3 (2011): 95-102.

¹⁸ Richard Scott Stultz, "An Examination of the Efficacy of Christian-Based Socially Responsible Mutual Funds," *The Journal of Impact and ESG Investing* 1, no. 2 (2020): 105-119.

¹⁹ Andy Cheung, "Biblically Responsible Investing: An Evaluation Report," *The Evangelical Review of Society and Politics* 6, no. 1 (2012): 37-60.

²⁰ <https://www.sustainalytics.com/esg-ratings/>

²¹ <https://www.msci.com/our-solutions/esg-investing/esg-ratings/esg-ratings-corporate-search-tool>

²² The Institutional Shareholder Services governance quality score is available for individual companies in the corporate governance section under the profile tab at <https://finance.yahoo.com/>

²³ <https://www.inspireinsight.com/#/dashboard>

²⁴ Romans 3:23

²⁵ <https://briinstitute.com/>

²⁶ <https://www.christianinvestingtool.com/screens/>

²⁷ <https://www.inspireinvesting.com/#screening>

²⁸ The categories listed in this manuscript correspond to the categories listed in the parameter ratings report. BRII sometimes uses different terms for the same categories: low-income financial services = abuse of poor, anti-family activity = anti-family entertainment = anti-family issues, non-married lifestyles = LGBT advocacy = homosexuality, gambling = gaming.

²⁹ The S&P 500 stock index is made up of 505 different stocks for 500 companies. Discovery (DISCA, DISCK), Fox (FOX, FOXA), Alphabet (GOOG, GOOGL), News Corporation (NWS, NWSA), and Under Armour (UA, UAA) have two share classes representing their companies in the index.

³⁰ Data was not available for all 500 companies from all sources. The sample size is 497 for Sustainalytics, 467 for MSCI, 496 for ISS, 486 for Inspire, and 492 for BRII.

³¹ The market capitalization weights were taken from <https://www.sectorspdr.com/sectorspdr/> on 2/28/2021.

³² See <https://briinstitute.com/screens.htm> for detailed parameters for each of the 12 BRII categories, see <https://briinstitute.com/about.htm> for homosexual agenda terminology use and https://briinstitute.com/dirt_in_dow.pdf for LGBT advocacy terminology use.

³³ <https://www.statista.com/statistics/1181188/sandp500-largest-companies-market-cap/>

³⁴ Chris Brune and James Files, "Biblical Screens and the Stock Selection Process: Applications for a Student-Managed Fund," *Christian Business Academy Review* 14 (2019), 87-90.

³⁵ *Ibid.*, 89

³⁶ <https://www.guidestonefunds.com/>

³⁷ <https://www.guidestonefunds.com/Why-We-Screen>

³⁸ For the entire list of holdings as of 12/31/2020 see <https://www.guidestonefunds.com/-/media/Funds/files/pdf/Equity-Fund-Holdings.ashx>

³⁹ The tickers for the screened companies are ABBV, ABC, COO, MRK, PFE, PRGO, and TMO for abortion violations; BF.B, STZ, and TAP for alcohol violations; LVS, WYNN, and MGM for gambling violations; and PM and MO for tobacco violations

⁴⁰ Inspire gives GEQZX a negative score in alcohol for owning ADM, DRI, and SBUX; a negative score in gambling for owning CLL, HLT, MAR, NCLH, and RCL; a negative score in pornography for owning AAPL, AMZN, CHTR, CMCSA, DISH, NFLX, T, TGT, and VZ; and a negative score in abortion for owning JNJ.