

Financial Expert: How does ESG Stack Up Against Biblically Responsible Investing?

There's a lot of talk today about ESG (environmental, social and governance) investing. In particular, Millennials are gravitating toward companies that match their values.

"Millennials are nearly twice as likely to invest in companies or funds that target specific environmental or social outcomes," according to a recent *Ernst & Young* report. The survey also says that "29% of investors in their 20s and 30s seek a financial advisor that provides values-based investing."

Financial advisers are also discovering that even their nonreligious clients are embracing faith-based strategies.

describes it this way: "[F]aith-based investing is the original impact investing, so it's only natural that the rapidly expanding appeal of ESG and sustainable investing is also raising awareness of faith-based strategies."

Increasingly, more Americans realize that money isn't everything, but it's still profoundly important. Jesus told us that where our treasure is, our heart is also. He also warned us not to place it above something even more critical: our relationship with God.

In the same vein, in 1994, I founded the Timothy Plan, which pioneered the concept of Biblically Responsible Investing (BRI).

At the time, BRI fell under the Socially Responsible Investing (SRI) umbrella. In the first few years of Timothy Plan, my

daughter Cheryl Mumbert vividly remembers finding an online resource that listed specialty funds similar to ours: “In the early days of the internet, we felt like a fish out of water,” Cheryl recalls. “I was excited to find *Social Investment Forum*, established in 1997. My brother Steve Ally and I contacted them to request adding Timothy Plan. Unfortunately, abortion and pornography were not part of their screening database. Therefore, we never were listed. Then, a few years later, I found . After several communications, they added a new category, ‘Religious Funds,’ and included Timothy Plan.

“It felt like a victory,” Cheryl added. “Due to the lack of biblically screened investments in the marketplace, being categorized as a social fund was BRI’s best option.”

With the growing market of BRI, it is clear that faith-based investments are more than capable of standing on their own. Unfortunately, many feel that values-based investing focused on biblical principles can be squeezed into one of these categories: Socially Responsible, ESG or Impact Investing. According to the Securities and Exchange Commission’s “Environmental, Social and Governance (ESG) Funds – Investor Bulletin” article, faith-based issues fit under the “S” of ESG.

Over the last few years, ESG has grown in popularity. This has prompted several struggling mutual funds to add “ESG” to their name. They are signaling that they now consider ESG factors in their overall investment process, even though many leave their portfolios unchanged ().

So, how does ESG stack up against BRI? There is some overlap between the two philosophies, but there is one, huge difference. BRI adheres to the principles found in the Bible, a book over 3,400 years old and known by many as the unchanging, infallible Word of God. This biblical blueprint specifies seven building blocks—virtue, knowledge, self-control, perseverance, godliness, brotherly kindness and

love—all of which constitute BRI's standard for a biblical worldview.

In contrast, ESG bases its criteria on a secular worldview created by man. As a result, ESG principles can be changed easily and re-interpreted. Without a solid, permanent foundation, a company's commitment to ESG can mean anything you want it to. "The whole thing is very subjective," Mark Tinker, chief investment officer at Toscafund Hong Kong, said of ESG in a recent Reuters interview.

For a recent example of ESG's subjectivity, we can look at Tesla. The largest manufacturer of electric vehicles globally, Tesla was recently removed from the S&P 500 ESG Index. A furious Elon Musk fired back on Twitter, saying, "The ESG movement has been weaponized by phony social justice warriors (*Fortune*)."

Meanwhile, Exxon Mobil, one of the world's largest oil companies, remains a leading company in the index.

As I mentioned before, there is some overlap in many BRI, ESG and SRI investment strategies. Like BRI, many avoid investing in alcohol, tobacco or gambling. I believe this is where the inaccurate comparison lies.

John Wesley, the founder of the Methodist movement, "urged his followers to shun profiting at the expense of their neighbors. Consequently, they avoided partnering or investing with those who earned their money through alcohol, tobacco, weapons or gambling—essentially establishing social investment screens," wrote William Donovan in *The* . Again, although there are some commonalities, BRI focuses on a biblical worldview, while ESG focuses on a secular worldview.

In addition to "screening out" companies like fossil fuel producers, ESG and SRI funds are also "screening in" companies pursuing causes like climate change and gun control, to name a few.

While there can be overwhelming ambiguity in ESG strategies, Biblically Responsible Investing has a clearly defined focus. It is about being obedient to God with the money He has entrusted to us.

Christians, including Millennials, can choose investments that do not profit from unbiblical cultural influences such as abortion or pornography. By contrast, ESG, SRI and Impact Investing emphasize environmental activism, health, safety, welfare, diversity, inclusion and other social concerns. While some of these issues have merit, others can be abused to contradict Scripture.

If you are considering an ESG investment, take the time to look into its underlying philosophy. You might find it contradicts your core values. If you seek to invest in a way that honors biblical principles, seek out Biblically Responsible Investments.

Timothy Plan is not for everyone. Timothy Plan currently has 12 mutual funds and six ETFs that filter out companies whose corporate policies violate God's rules for living. The good news is that wherever your passion lies, you are likely to find an investment strategy that fits your values. The better news is that BRI's clear objectives create a firm foundation for just about anyone searching through the ambiguity of ESG investing.

Although Timothy Plan's talented and experienced fund managers work hard to gain maximum returns for our investors, obedience trumps performance every time. {eo}

Art Ally is the founder and CEO of the Timothy Plan family of mutual funds and ETFs.

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