

# Impact and Justice

OCTOBER 2017

## Vatican, CBIS Ramp Up Fight on Child Sex Exploitation Online

CBIS has put child sexual exploitation at the forefront of our active ownership efforts in 2017. Throughout the year, CBIS has been interviewing internet experts, law enforcement, and companies on best practices to eliminate child sexual exploitation online. These efforts are gaining steam as we have started to see movement on our key requests of corporations. CBIS is also now working on building a coalition of faith investors to help us engage a larger slate of companies, to urge them to take action.

CBIS has been engaging with Apple Corp. since late 2016, and after several letters and phone calls, Apple responded in the spring about its *Guidelines for App Developers*. The tech giant has long disallowed pornography and included some language prohibiting physical harm to users, including kids. The Guidelines highlight software developers' responsibilities to refrain from facilitating content that conflicts with Apple's terms. In September, Apple released an updated set of *Guidelines* that took an even stronger stance on the topic: "In extreme cases, such as apps that are found to facilitate human trafficking and/or the exploitation of children, appropriate authorities will be notified." Apple further prohibited developers from using facial recognition software for account authentication if users are under 13; it strengthened its Kids portal requirements, anti-bullying, and anti-violence criteria; and it curtailed more Location Services tracking that can endanger children and facilitate sex grooming. However, Apple is still resistant to explain and disclose how it combats child exploitation through its products and services, and more work needs to be done.

Verizon, after several requests, sent information on the programs it has across its various brands (AOL, Oath) aimed at preventing child exploitation, but initiatives and disclosure were piecemeal and very sparse. Since the company has refused to meet with us, we will increase our engagement activities with them over the winter, which could include attendance at the shareholder meeting, joint letters with other investors, or a shareholder resolution.



*Assistant Director Tracey Rembert meets with Pope Francis at the Vatican on October 6, 2017, at a private audience regarding child exploitation online.*

### 140 Global Experts Join Together at the World Congress on Child Dignity in the Digital World

In October, Assistant Director Tracey Rembert joined Catholic leaders and experts from around the world at the World Congress on Child Dignity in the Digital World to develop strategies to fight online child sexual abuse. The Congress resulted in the release of the Declaration of Rome, which was shaped by all the participants and was officially presented to, and supported by, Pope Francis. The declaration is a statement and call for action by child protection experts and the Catholic Church to governments, companies, and faith leaders to step up and do much more to combat child sexual exploitation online.

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# Deutsche Bank Addresses Responsible Banking for Refugees

In June, Deutsche Bank responded to our inquiry and shared details about its work to connect and empower refugees displaced by war and conflict with financial products and services that could help them become part of the financial system and improve their lives.

We were pleased to learn the bank provides a basic account for EU residents and people without permanent residence—including homeless persons and asylum seekers. While many branches have multilingual staff, for clients with a Turkish background, additional services are offered. Bank branches are just one way to serve refugees—changes are underway in the financial markets with new digital technologies (financial services delivered via mobile phones, the internet, or cards) that are helping to make it easier to access funds, pay electronically, and more. These applications are numerous and for some institutions, just in their infancy. In 2016, Deutsche



Bank launched a Digital Factory, dedicated to developing digital banking projects. We look forward to learning more about the positive impact that digital inclusion can play, partnerships that they are developing, and ways Deutsche Bank is assessing the effectiveness of its efforts to better serve, protect, and empower refugees.

# Life Ethics and Corporate Transparency

## Holding Companies Accountable for Funding Abortion Providers

This summer, CBIS sent letters to 41 companies in the U.S., Australia, and the European Union that we own, seeking verification of corporate contributions to abortion providers, like the Planned Parenthood Federation of America. The responses have provided us with a means to start a frank conversation about the real need for transparency around what corporate resources are funding that might be controversial to employees, communities, customers, or shareholders like CBIS. They have also allowed us to bear witness to the importance of dignity for the unborn, and the role that corporate investment and corporate giving plays.

Our letters asked companies to confirm whether they, or their related corporate trusts or company foundations, have provided goods, services, or financial contributions to entities that provide abortion services. CBIS will be following up with those companies to ask for broader transparency for shareholders on all non-profit giving. This would provide investors with critical information to make investment decisions.

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# JBS SA: Corporate Governance Shake-up in Brazil

In November 2016, CBIS directed a letter to JBS SA, backed by an investor coalition with approximately USD \$1.2 trillion in assets under management. As the largest beef processor in the world, CBIS asked the company to describe its management of impacts to water resources along its value chain—from the grain grown to feed livestock, and waste produced, to waste from its meat-processing operations.

While the company promptly responded, during the following months headlines emerged of JBS SA's involvement in the adulteration of its meat products and bribery of inspectors and politicians, including the President of Brazil. Investigations later uncovered even more serious corruption. Investor concern surged at allegations of the company's failure to uphold its zero deforestation commitment and respond adequately to reports of forced labor.

We sent a second letter to the company in August 2017, requesting a meeting to urge changes in its corporate governance structure that integrates accountability of environmental and social issues at the company's helm. This letter garnered global support of over 35 investors with combined assets of over USD \$4.1 trillion. Given the continued negative events, CBIS is closely monitoring the company and will identify an appropriate time to re-enter the conversation specific to water, as we continue to build investor response to JBS' governance failures.

**Brazil police formally accuse JBS  
Batista brothers of insider trading**

**CEO of Brazil's JBS Is Arrested in New Twist  
of Scandal at Meatpacker**

**Meatpacker JBS suspends Brazil  
beef output amid import bans**

## MILESTONES IN ACTIVE OWNERSHIP: 3Q 2017

| Company<br><i>Issue Area</i>                         | Progress   |
|--|--|
| <b>Sanderson Farms</b><br><i>Worker Rights</i>       | We filed a shareholder resolution in Q3 on shareholders' ability to nominate board members that can address systemic health, safety, and worker rights issues. We also attended an invite-only meeting of poultry workers from across the U.S. to hear directly of concerns across poultry processing plants.  |
| <b>Wells Fargo</b><br><i>Responsible Banking</i>     | Wells Fargo removed its chairman of the board after another customer products scandal and placed Vice Chair Elizabeth Dukes, who we met with in February, into the Chair's role. Another meeting is set with the company and its new chairman in mid-December, and CBIS will participate.  |
| <b>Coca-Cola Company</b><br><i>Human Trafficking</i> | In September, CBIS met with Coca-Cola's director of global workplace rights and a small working group of ICCR members to strategize around best practices in respecting human rights in the company's operations and supply chains. This intelligence can help us assess human trafficking policies at other major companies that are sourcing commodities around the globe. |
| <b>Anadarko</b><br><i>Hydraulic Fracturing</i>       | CBIS and faith investors met with Anadarko to discuss a holistic water management approach to ensure that communities' access to water is not jeopardized. The company was receptive to CBIS' recommendation to identify and map community concerns around its operations.   |

## CBIS Forum on Child Sexual Exploitation Online at RCRI Conference

**November 2, St. Louis, MO**

CBIS has organized an outstanding panel of global experts on preventing child sexual exploitation online, including the founder of the International Center for Missing and Exploited Children and a child abuse litigator and professor at Catholic University of America. For more information, please visit: <http://www.trcri.org/page/NC17>

### MAXIMIZING IMPACT THROUGH POLICY ACTION

## Credit Rating Agencies and Better Sustainability Reporting

In July, CBIS signed onto a letter organized by the UN-supported Principles for Responsible Investment (PRI) that challenged credit rating agencies worldwide to focus on and better incorporate sustainability factors into credit analysis. The joint statement builds on our work to engage our corporate bond holdings and better integrate Catholic Responsible Investing into the management of Fixed Income assets.

## CBIS Met with Senate Banking Committee Staff on Financial CHOICE Act

CBIS met with the staff of a half-dozen key Senate Banking Committee members in July, in our efforts to oppose the current version of the Financial CHOICE Act of 2017 and key provisions in it that threaten our ability to file shareholder resolutions. We joined public funds, responsible investors, and other faith investors in an all-day push to defend these rights. We expect the Senate to take up the almost 600-page bill in smaller chunks over the coming months.

## CBIS Adds Its Support to Australia's Modern Slavery Act

CBIS joined faith and socially responsible investors in sending a letter prompting the Parliament of Australia to pass the Modern Slavery Act, which would require companies operating there to disclose how they are managing modern slavery risks in operations and supply chains. The proposed law would help raise awareness among businesses and consumers and help to create a level playing field among corporations and governments.

## 2017 CRI Survey: Thank You

Every few years, the Catholic Responsible Investing department at CBIS surveys our participant organizations to gather input on how we can improve the process of incorporating Catholic moral and social teaching into our investment process. Your perspectives help to guide our priorities, enhance our investment screens, and focus our initiatives to protect human dignity, promote environmental stewardship, and uphold economic justice. Look for updates on how your perspectives helped to shape our 2018 Active Ownership strategy.

## Contact Us

We want to hear from you! If you have any questions or want more information on any of our engagements, please reach out to our CRI team: [CRI@cbisonline.com](mailto:CRI@cbisonline.com) or by phone at **800-592-8890**.



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