

► CRI PROGRESS REPORT SUPPLEMENT

# CRI 2016 Active Ownership Plan

MARCH 2016

## Key Highlights:

2016 Resolution <b>page 2</b>	2015 Concluding Engagements <b>page 2</b>	2016 Dialogues <b>page 3</b>	Proxy Voting <b>page 11</b>
----------------------------------	--	---------------------------------	--------------------------------

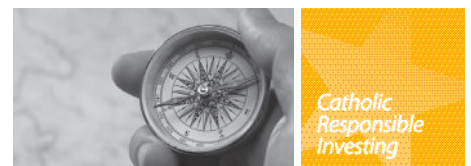
In 2016, CBIS will conduct 30 engagements, including dialogue with five new companies (**Apple, China National Offshore Oil Corporation, Gilead Sciences, Thai Union, and United Continental Holdings**), file one resolution (**Exxon Mobil**), and discontinue work with five companies (**AbbVie, Citigroup, Express, Schlumberger, Walmart-gun violence**). The active ownership plan will be conducted in phases, and more engagements may be added during the year, including those with European companies.

## ACTIVE OWNERSHIP OVERVIEW

Active Ownership is a critical element in CBIS' CRI approach. It is aimed at influencing the strategies, policies and practices of corporations in our portfolios. As responsible shareholders, we believe that we are called upon to be active owners and raise corporate awareness on issues of importance to Catholic investors. CBIS views active ownership as a fundamental responsibility of our stewardship of client assets.

CBIS' active ownership program is shaped by Catholic teaching and leverages a variety of tools to address issues related to human dignity, economic justice and environmental stewardship:

- **Shareholder Resolutions** — CBIS files resolutions that are voted on by shareholders to demonstrate wide-spread support to address our Participants' concerns.
- **Corporate Dialogues** — CBIS meets with Fund portfolio companies to encourage them to improve policies and practices that affect employees, customers, and communities.
- **Proxy Voting** — we vote more than 3,000 proxy ballots each year, throughout the world, to communicate to companies our Participants' positions on important issues.



## PRINCIPLES UNDERLYING CRI

- **Human Dignity** - human life is sacred
- **Economic Justice** - for the well-being of all people, particularly the poor
- **Economic Stewardship** - responsibility to protect the planet

## 2016 RESOLUTION



## EXXON MOBIL | Environmental Stewardship – Climate Change

Led by: Sisters of St. Dominic of Caldwell, NJ

**Resolution:** CBIS co-filed a shareholder resolution Exxon Mobil that asks the company to support the goal of limiting global average temperature increases to 2°C above pre-industrial levels.

**Why Exxon?** The company is the largest publicly traded oil company in the world. While Exxon provides vital energy services to the global economy, given its size and dominance in the industry, it can play an important role in addressing climate change and providing leadership for the transition to a low-carbon economy.

**The Paris Climate Change Agreement:** The request of the resolution is in line with the central goal of the global framework to address climate change resulting from the 21st Conference of Parties of the United Nations Framework Convention on Climate Change. The agreement (which is non-binding) seeks to hold the increase in global average temperature to well below 2 degrees Celsius. Only time will tell if major polluting countries like India and China will live up to this goal. The global average temperature has risen relative to pre-industrial levels, although with periodic cooling periods. According to NASA, the 10 warmest years in the 134-year record all have occurred since 2000, with the exception of 1998. The year 2015 ranks as the warmest on record. This research is broadly consistent with similar constructions prepared by the *Climatic Research Unit* and the *National Oceanic and Atmospheric Administration*.

**The Encyclical:** Pope Francis praised the “historic” agreement in Paris and called for a global commitment to implement it, including special attention to the poorest populations. Our resolution echoes these concerns, stating: “The poor and most vulnerable are the first to suffer, while future generations, holding no responsibility, will live with greater impacts of global warming.” Though the Pope does clarify that “the

Church does not presume to settle scientific questions” (188), he expresses his concern for the planet and how its people are treated – this too is our focus. Pope Francis acknowledged those living in poverty are “particularly vulnerable to extreme weather events due to their poor housing quality, poor environmental conditions, and economic instability.”

**Business Rationale:** Failure to address climate change could present reputational, competitive, regulatory and other risks to ExxonMobil. In contrast, ten oil industry peers, including Total, Shell and BP, declared their support for limiting global average temperature rise to 2°C.

**CBIS History:** CBIS has engaged Exxon for 15 years, helping to make incremental progress through the years. Thanks to shareholder efforts, the company no longer challenges or funds organizations that challenge the science of climate change, and has created basic carbon reduction goals.

## 2015 CONCLUDING ENGAGEMENTS

**Investment Screens Applied** — *AbbVie (Economic Justice – Access to Health and Nutrition):* In light of **AbbVie’s** embryonic stem cell research, CBIS has discontinued the engagement. Last year, AbbVie announced it would expand access for children to generic formulations of AbbVie’s leading HIV drug, a long time request by CBIS. We are proud of the achievements of our 7-year dialogue that will help children living with HIV.

**Goals Met** — *Citigroup (Economic Justice – Responsible Lending):* Our engagement with **Citigroup** has spanned 15 years and covered a range of issues, including the development of systems to stop predatory lending and of guidelines to ensure that the bank’s loans and investments do not fund projects that harm the environment.

*Continued*

## 2015 CONCLUDING ENGAGEMENTS | Continued

**Change in Investor Focus** — *Express (Economic Justice – Worker Rights)*: We did not meet the goals established for **Express**. Other investors have opted to discontinue the engagement at the present time and intend to re-engage at a later point.

**Change in Corporate Operations** — *Schlumberger (Human Dignity – Human Rights in Conflict Areas)*: In March 2015, a subsidiary of **Schlumberger** agreed to pay \$232.7 million for violating U.S. sanctions in Iran and Sudan. As part of the plea

agreement, the company has ceased oilfield operations in Sudan.

**Corporate Announcement** — *Walmart (Human Dignity – Violence)*: CBIS had intended to engage Walmart on the issue of gun violence when, in August 2015, the company announced that it would stop the sale of assault rifles, semi-automatic shotguns and other firearms commonly used in mass shootings, a significant advance. The long-term engagement with Walmart on advancement on women and people of color that CBIS has joined will continue.

## 2016 DIALOGUES



### UNITED CONTINENTAL HOLDINGS, INC. | Human Dignity – Human Trafficking

Led by: Mercy Investments

**Summary:** Busy airports can be natural distribution hubs for human trafficking. Airport personnel are in a unique position to discern possible trafficking situations. The industry has the potential to play a vital role in identifying and assisting trafficking victims. While United has a human rights policy, implementation is unclear. There are compelling reasons to take action — Delta is training staff, American Airlines is educating travelers, and the United States has signed a convention calling on airlines to prevent trafficking.

**United's Performance:** It is positive that United published a *human rights policy statement* last year that repudiates forced labor, child labor and sexual exploitation and a commitment to cooperate with law enforcement. Now, we are looking for the company to demonstrate implementation.

**Competitors:** Some airlines have taken steps to eliminate human trafficking. American Airlines, Air France and Lufthansa have informed travelers while Delta has signed The Code of Conduct for the Protection of Children from Sexual Exploitation in Travel and Tourism. Signatories train staff, educate customers and report annually.

**Business Rationale:** Failure to address human trafficking places United behind its peers. While other companies are taking action, United's reporting does not indicate if the company has developed effective internal controls. Commercial and financial advantages may accrue to companies that address trafficking and reputational risk.

#### Goals

- ▶ Train flight attendants, starting with regions of greatest risk, and assess training effectiveness;
- ▶ Develop programs with law enforcement to aid victims and identify traffickers;
- ▶ Raise awareness of travelers; and
- ▶ Report annually on progress and challenges.

#### Examples of Anti-Trafficking Efforts

- ▶ The U.S. signed United Nations Palermo Protocol in 2001, which calls on countries to “prevent the means of transport by commercial carriers from being used in commission of (trafficking) offenses.”

*Continued*

**UNITED CONTINENTAL HOLDINGS, INC. | Continued**

- ▶ The Department of Homeland Security's Blue Campaign helps Americans recognize and report potential instances of human trafficking at airports, truck stops and gas stations.
- ▶ Airline Ambassadors (AA) trains airport personnel to recognize signs of trafficking: travelers that avoid uniformed security, appear nervous, provide scripted answers, or have false identification. Traffickers tend to answer for victims, observe victims persistently, may pose as a relative, or evade answering altogether.

**Catholic Social Teaching:** "Human trafficking is a horrific crime against the basic dignity and rights of the human person. In the end, we must work together — Church, state,

and community — to eliminate the root causes and markets that permit traffickers to flourish; to make whole the survivors of this crime; and to ensure that, one day soon, trafficking in human persons vanishes from the face of the earth." — *On Human Trafficking, USCCB, 2007*

**Why United?** The 4th largest airline in the world, serving 138 million passengers last year and 352 destinations.

**Background:** Human trafficking is the act of recruiting, harboring, transporting, providing, or obtaining a person for compelled labor or commercial sex acts through the use of force, fraud, or coercion. According to the International Labor Organization's most recent global estimate, there are at least 20.9 million victims of forced labor, trafficking, and slavery in the world today.

**THAI UNION GROUP | Human Dignity – Human Trafficking**

**Led by:** CBIS

**Summary:** Over the past two years, human trafficking abuses in the shrimp supply chain in Thailand have been well documented. Media investigations, lawsuits, threats of government sanctions and public boycotts have put pressure on the Thai government and on companies, including Thai Union (TU), the largest seafood company in the world. Despite vows from authorities to clean up the industry, reports of abuse continue. **Thai Union Group**, the largest seafood company in the world, has attempted to address slave labor in the \$7 billion seafood supply chain in Thailand. However, investigations have revealed instances of child and forced labor.

**Investigations:** Several investigations of the Thai fishing industry have documented exploitation of workers:

**Thai shrimp peeling facility:** A 2015 investigation uncovered abusive working conditions at Gig Peeling Factory, a supplier to Thai Union and other companies. Burmese workers, including children, were sold to the factory by recruiters to peel shrimp. Workers were beaten and paid little to nothing. The factory has since shutdown.

**Thai fishing boats:** In 2015, reports shed light on the living and working conditions of migrant workers, including child laborers, aboard Thai fishing boats. Workers, mostly trafficked from Myanmar and Cambodia, were found beaten and starved. Some boats were destined for Songkla Canning Public Company, a subsidiary of Thai Union. Walmart and Costco were among those buying shrimp with suspect origins.

**Thai Union's Performance:** TU is taking steps to address the issue:

- ▶ Created a **Labour Code of Conduct** that prohibits child and forced labor, fees for jobs, restricted movement, and identity document confiscation.
- ▶ Audited its shrimp supply chain — from vessels to fishmeal plants and farms — to ensure suppliers comply with its code against forced labor. Violators of human rights stipulations are immediately terminated.

*Continued*

## THAI UNION GROUP | Continued

**Joined Leading Initiatives:**

- ▶ The *Shrimp Sustainable Supply Chain Task Force* includes retailers, manufacturers, government and human rights organizations working to create procedures for ports, and to trace the seafood supply chain from vessel to feed mill.
- ▶ *Project ISSARA*, a public-private partnership aimed at tackling human trafficking in Southeast Asia that features a 24-hour hotline for workers to report incidents and request assistance.

**Goals:** We will ask Thai Union to take action and report on progress on the following:

- ▶ Conduct independent audits of working conditions at factories, farms, ports and vessels;
- ▶ Conduct periodic, unannounced checks for accurate crew logs of boats;
- ▶ Increase direct hires and reduce use of labor brokers and recruiters; and
- ▶ Interview workers about conditions in a place they feel safe to speak openly.

If TU takes additional steps to rid its supply chain of forced labor, it could have far-reaching impacts on the country's seafood industry, help improve working conditions and bring positive changes for workers.

**Business Rationale:** Without appropriate oversight and enforcement, workers in a firm's supply chain may be exposed to human rights abuses. Awareness of the way traffickers can use a company's products and premises can reduce financial, reputational, legal and regulatory risk. Recent lawsuits alleging that cat food containing seafood were the product of slave labor provide one example of why knowledge of supply chains is critical.

**Catholic Social Teaching:** During Vatican II the Catholic Church reaffirmed its historic concern about forced labor, stating that "slavery, prostitution, the selling of women and

children and disgraceful working conditions where people are treated as instruments of gain rather than free and responsible persons" are "infamies" and "an affront to **fundamental values**...values rooted in the very nature of the human person\*."

\*Pontifical Council for the Pastoral Care of Migrants and Itinerant People, *People on the Move*, STATEMENT ON HUMAN TRAFFICKING, N° 105, December 2007.

**About Thai Union:** Thai Union Group Public Company Limited (TU) started its business of frozen seafood production and export in 1988. In 1997, TU invested in a foreign company for the first time by acquiring Chicken of the Sea in the US. TU continued its international expansion and today is the largest seafood company in the world by sales and the largest canned tuna processor in the world.

**RELATED:**

**Supply Chains:** CBIS encourages companies to adopt comprehensive, transparent, and verifiable human rights policies and systems for their direct operations and supply chains. Given the complexity of company supply chains and the multitude of contractors, recruiters, and suppliers used throughout a production process, there can be great risks to companies from human trafficking.

In addition to Thai Union, several of our current dialogues evaluate corporate supply chains. Monitoring suppliers, contractors, and sub-contractors, and tracing to raw materials (Macy's tracing cotton to Uzbekistan, for example) can help companies to ensure that measures are in place throughout their entire supply chains.

- ▶ **Target** — CBIS is asking Target to protect workers in its immediate and extended seafood supply chain from human trafficking. The company has taken some steps; including researching abuses in the shrimp supply chain and joining in-country meetings with the Thai government. We are calling on Target to disclose audit results, track progress, and demonstrate change on the ground.

*Continued*

## THAI UNION GROUP | Continued

- ▶ **Campbell Soup** — investigations revealed human trafficking in the palm oil supply chain in Indonesia and Malaysia. Workers, trafficked from nearby countries, were in many cases deceived, subjected to abuse, had wages withheld and were unable to leave job sites. Palm oil is in a multitude of products. CBIS leads a dialogue at Campbell's and we are asking the company to create policies that protect workers in the supply chain.

- ▶ In 2015, CBIS helped organize investors with \$1 trillion in assets in support of The Business Supply Chain Transparency on Trafficking and Slavery Act of 2015. The bill requires larger companies to report in their financial filings what they are doing to prevent the use of trafficked workers in their supply chains.



## GILEAD SCIENCES | Economic Justice - Access to Health and Nutrition

Led by: Adrian Dominican Sisters

Gilead Sciences is a research-based biopharmaceutical company that discovers, develops and commercializes medicines in areas of unmet medical need worldwide. The company's focus areas include HIV/AIDS and liver diseases. Its portfolio of products contains a number of category firsts, including complete treatment regimens for HIV and lifesaving medications for hepatitis. The goal of our dialogue is to expand access to HIV and Hepatitis C drugs in poor countries.

**The Human Immunodeficiency Virus (HIV):** About 37 million people are living with HIV around the world. No effective cure exists for HIV. But with proper medical care, HIV can be controlled. Expanding the global supply of HIV treatment is an urgent public health need and a priority for Gilead. The company offers several leading HIV medications that are recommended by The World Health Organization, including Viread®, Truvada®, Atripla® and Complera®.

**Gilead has helped to expand access to treatment:**

- ▶ **Expanding Access:** The company estimates that the number of people in developing countries receiving Gilead antiretroviral therapy has increased from fewer than 30,000 in 2006 to 8 million in 2015.

- ▶ **Discounted Pricing:** Provides medicines at discounted prices in low- and middle-income countries by working with generic drug manufacturers in India, China and South Africa.
- ▶ **Catalyzing Industry:** In 2011, Gilead was the first company to sign an agreement with the Medicines Patent Pool (MPP), a public health organization that partners with industry to license needed medicines and encourage generic manufacturing and the development of new formulations. Gilead's leadership propelled seven major pharmaceutical companies to negotiate licenses that have helped to expand access for the world's poor to critical medications. Gilead's license in 2011 for tenofovir alafenamide fumarate (TAF), now in clinical trials, could be a key ingredient in treatment options for children living with HIV.

*Continued*

**GILEAD | Continued**

- ▶ **Hepatitis:** Hepatitis C is a major public health threat affecting 150 million people globally, with the majority living in low-income countries. Gilead has a unique role to play in making hepatitis treatment available, accessible, and affordable in developing countries. Chronic infection can lead to serious and life-threatening liver damage, including liver cirrhosis and liver cancer. Gilead's drugs for viral hepatitis, Sovaldi® and Harvoni®, are considered breakthrough drugs. Sovaldi can cure most cases of hepatitis C in 12 weeks with few side effects.

**CONTROVERSY:**

- ▶ Sovaldi is \$1,000 a pill, or \$84,000 for a course of treatment. Patient advocacy groups and health ministries have protested. Gilead says it works with 11 generic drug manufacturers in India to produce low-cost versions for use in 101 developing countries. However, reduced pricing does not apply to countries like Brazil, China and Ukraine. Gilead estimates that 50,000 people in low-income countries have already been treated and it is working to expand access.

**Visceral Leishmaniasis (VL):** VL, transmitted by the sandfly, is the 2nd largest parasitic killer in the world after malaria, responsible for approximately 40,000 deaths each year. It persists today in poor, remote areas where healthcare is inadequate and unaffordable. The 400,000 new cases each year occur predominantly in Bangladesh, Brazil, Ethiopia, India, Nepal, South Sudan and Sudan. Almost half of clinical cases occur in children. Without treatment, VL is nearly always fatal.

Gilead provides AmBisome at a preferential price for the treatment of VL and committed to donating 550,000 vials of AmBisome until 2020. The donation supports country efforts to control and eliminate the disease and is equal to \$8 million in product if sold at a no-profit price.

**Highly Ranked:** According to the highly regarded Access To Medicine Index, an independent ranking of pharmaceutical companies' efforts to improve access to medicine in developing countries, Gilead was in 5th place. It remains a leader in intellectual property management and equitable pricing, demonstrated by a range of licenses and equitable pricing strategies that take affordability into account.

**Business Rationale:** Drug companies have a unique reputational risk associated with their medications and access to healthcare. Benefits can accrue to companies that are able to address unmet medical needs for patients living with life-threatening diseases.

**Goals:**

- ▶ Evaluate reduced pricing options to expand coverage for patients of both HIV and Hepatitis C.
- ▶ Coordinate and support educational activities for medical and clinical workers to ensure proper use of medicines.
- ▶ Expand the Medicines Patent Pool (MPP) licensing agreements to hepatitis therapies.

**Catholic Social Teaching:** According to "Resolution on Health Care Reform," from the U.S. Conference of Catholic Bishops, "Every person has a right to health care. This right flows from the sanctity of human life and the dignity that belongs to all human persons, who are made in the image of God. Health care is more than a commodity; it is a basic human right, an essential safeguard of human life and dignity."

**About Gilead:** The company, headquartered in Foster City, California, has 7,500 employees in offices across six continents. Gilead was #1 in the *Barron's* 500 rankings of 2014 and was recently named one of Fast Company's Most Innovative Companies of 2015. <http://www.gilead.com>

*Continued*



## CHINA NATIONAL OFFSHORE OIL CORPORATION | Environmental Stewardship – Climate Change

Led by: CBIS

**About CNOOC:** China National Offshore Oil Corporation (“CNOOC”), the largest offshore oil & gas producer in China, is a state-owned enterprise (SOE) under the People’s Republic of China. CNOOC businesses cover the main segments of oil & gas exploration and development, engineering & technical services, refining and marketing, and natural gas and power generation. China’s soaring domestic energy consumption has increased the company’s financial and economic impact and influence. With the government as its largest shareholder, CNOOC can benefit from state support and resources.

**Climate Change:** Climate change is a global issue requiring global solutions and our active ownership efforts will expand to include China, the world’s largest consumer of energy and biggest greenhouse gas emitter, accounting for about 25 percent of emissions, according to the US Environmental Protection Agency. As China sets out a global action plan to limit global warming in accordance with the Paris climate conference, there will be great pressure on CNOOC, whose reserves are predominantly oil, which translates to higher emissions. Controversial operations include the company’s oil sands development in China and Canada. CNOOC purchased oil-and-gas producer Nexen which has extensive oil-sands assets, acknowledged to be one of the more carbon-intensive fuels by The American Petroleum Institute, Union of Concerned Scientists, among others.

**CNOOC Performance:** While the company states that it is making efforts to reduce emissions and is increasing its natural gas supply, its vast oil reserves and high emitting projects pose challenges. The company has taken steps to address climate change, including developing technology to capture and store carbon, reducing energy consumption and improving energy efficiency in the production process. CNOOC though has not disclosed its carbon emissions and provides only limited information regarding its renewable energy and carbon sequestration efforts making it difficult to fully assess performance or compare the company to its peers.

**Goals:** Given the risks and opportunities associated with climate change, we will be requesting information from CNOOC about:

- ▶ Improvements in energy efficiency and reductions in greenhouse gas emissions
- ▶ Investments in the research and development of future technologies to produce oil and natural gas in a less carbon-intensive manner
- ▶ Public policy positions related to climate change
- ▶ Steps to support the goal of limiting global average temperature increases to 2°C above pre-industrial levels.
- ▶ Efforts to create reduction targets and measure and disclose emissions.

*Continued*





## APPLE, INC. | Human Dignity – Pornography

Led by: CBIS

**Online Child Pornography:** The Internet has transformed the availability of pornographic images and the accessibility of child victims, creating a dire need for increased security and monitoring. Companies providing digital storage, content sharing and communication, security software, and other products have a responsibility to ensure that their users are properly protected, illicit images are rapidly discovered, and child pornography perpetrators are found and brought to justice. Concurrently, they can be advancing reporting functionality and working with law enforcement to streamline the process from discovery to capture. We believe Apple shares these responsibilities as they relate to users of its web browser Safari and digital storage products. The company can strengthen its code of ethics against child pornography, expand parental controls, and streamline the process for removing exploitative content and providing it to the authorities.

**Definition:** The Catechism of the Catholic Church defines pornography this way: Pornography consists of removing real or simulated sexual acts from the intimacy of the partners, in order to display them deliberately to third parties. It offends against chastity because it perverts the conjugal act, the intimate giving of spouses to each other. It does grave injury to the dignity of its participants (actors, vendors, the public), since each one becomes an object of base pleasure and illicit profit for others. It immerses all who are involved in the illusion of a fantasy world.

Section 2256 of Title 18, United States Code, defines child pornography as any visual depiction of sexually explicit conduct involving a minor (someone under 18 years of age). Visual depictions include photographs, videos, digital or computer generated images indistinguishable from an actual minor. Electronically stored data that can be converted into a visual image of child pornography is also deemed illegal under federal law. Furthermore, Federal law prohibits the production, distribution, reception and possession of an image of child pornography, whereupon violation of this law is a felony, and

carries a mandatory minimum sentence of 15 years in prison (United States Department of Justice).

**Initiatives:** Several organizations have made strides to both encourage technology companies to improve their policies regarding exploitative material, and create innovative software to capture those who contribute to child pornography and exploitation:

- ▶ **Thorn** is a partnership of technology companies, child protection organizations, and government agencies that use their digital prowess to combat child pornography. Initiatives include software that screens and tracks victim images, deterrence programs to encourage victims to seek help, and policy recommendations for companies in the technology space. Members include Microsoft, Google, Twitter, and Yahoo.
- ▶ **ECPAT** seeks to eradicate child pornography through the legal and regulatory process. ECPAT also partners with financial firms to monitor potentially illegal transactions related to child pornography, and promotes national and internet hotlines. Members include Microsoft, Facebook and Google.
- ▶ **The National Center for Missing & Exploited Children** (NCMEC) has a system for identifying online predators and child pornographers. Leads forwarded are shared with the appropriate law enforcement agency for investigation. In 2014, NCMEC reviewed 22 million images and videos of suspected child sexual abuse in its victim identification program.

*Continued*

## APPLE, INC. | Continued

- ▶ **UNICEF Guidelines for Industry on Child Online Protection** These guidelines can provide advice on how the information and communication technology industry can help promote safety for children using the Internet, as well as guidance on how to enable responsible digital citizenship. Microsoft and Disney are coalition members.

**Competitors:** Microsoft, Google and Facebook are exemplary companies that have taken action both internally and in the global technology community. Leading the way is Microsoft, which has championed preventative software development, including PhotoDNA, a free service that detects and reports exploitative images. Many search engines and social media platforms have adopted zero tolerance policies in their codes of ethics, and many have expanded parental controls, simplified reporting functionality for users, and streamlined the process of removing exploitative content and providing it to the authorities.

**Goals:** Unlike its competitors, Apple does not play a major role in any leading industry initiative aimed at identifying and curbing abuse; nor does Apple have a robust child protection policy. We will be asking the company to:

- ▶ Develop new tools and techniques to help industry improve the detection and removal of images and videos of child pornography and abuse.
- ▶ Support mechanisms for public reporting of online child sexual abuse content.

- ▶ Participate in industry initiatives and deploy expertise and resources to enhance cooperation among industry leaders.
- ▶ Develop a child protection/safeguarding policy and/or integrate specific children's rights risks and opportunities into companywide policy commitments (e.g., human rights, privacy).
- ▶ Report annually on progress and challenges.

**Related:** The U.S. Conference of Catholic Bishops (USCCB) approved a formal statement, "*Create in Me a Clean Heart — A Pastoral Response to Pornography,*" at the General Assembly in 2015. It provides an explanation of why the production and use of pornography is a sin, an overview of its effects in our society, and a detailed look at its effects on men, women, children, young people, marriages and families. It delivers words of hope and encouragement to those who have been harmed by pornography.

*Continued*

## 2015 HIGHLIGHTS

### Environmental Stewardship

- ▶ After the resolutions that CBIS co-filed at **BP** and **ROYAL DUTCH SHELL** received near unanimous support, the companies committed to disclose information about greenhouse gas emissions, research and development on low-carbon alternatives, executive incentives and public policy positions on climate change. The BP and Shell boards recommended that all shareholders vote in favor of the resolutions – the first time that has ever happened in the UK.
- ▶ CBIS visited **NEWMONT MINING'S** gold mine in Ghana and **ANGLO AMERICAN'S** diamond mine in South Africa to meet with members of the community, workers at the mines, and staff at corporate headquarters. Through our participation, we were able to gain a better understanding of the positive and negative impacts of mining in the community and to raise corporate awareness of issues of importance to Catholic investors, including the protection of human rights and the environment. The trip was part of a Vatican initiative designed to encourage mining companies to ensure that local communities and indigenous peoples are included as key stakeholders in resource development.
- ▶ The resolution that CBIS co-filed requesting that **EXXON MOBIL** adopt goals to reduce greenhouse gas emissions from the company's products and operations received 9.6% support. We believe it is important to continue to encourage Exxon Mobil to take action -- leadership developing climate change solutions by the world's largest publicly traded oil and gas company can transform the industry.
- ▶ After engagement with **KRAFT FOODS** yielded little information, CBIS co-filed a shareholder resolution asking the company to publish a sustainability report documenting goals, strategies, and performance on environmental issues. Given its extensive supply chain, we believe the company

has an important opportunity to be a global leader in sustainability. Environmental degradation impacts all of us but particularly the poor and vulnerable, and it affects Kraft's long-term ability to source agricultural ingredients for its products. The resolution received 30% support at the company's annual shareholder meeting, a strong result.

- ▶ **ANADARKO** added more information to the corporate social responsibility section of its website, which now includes more in-depth discussions of a broader set of sustainability issues and improved performance reporting.

### Economic Justice

- ▶ **WALMART** announced comprehensive changes to hiring, training, compensation, and scheduling programs resulting in nearly 500,000 associates receiving a raise in 2015.

### Human Dignity

- ▶ **TARGET** met with the Thai government, strategized with other companies in the food marketing trade association, and strengthened its work with human rights organizations to address human trafficking in the seafood supply chain in Thailand. As the 4th largest retailer in the U.S., Target can have great influence on the industry.
- ▶ CBIS helped to lead investors with \$1 trillion in assets in support of **The Business Supply Chain Transparency on Trafficking and Slavery Act** to demonstrate to members of Congress interest from shareholders in corporate action to address human rights violations. The bill would require large companies to publicly disclose any measures to prevent human trafficking in their supply chains as part of their annual reports to the Securities and Exchange Commission (SEC).

*Continued*

## 2015 PROXY VOTING

*Each year, CBIS votes the management and shareholder proposals on ballots at all companies in our portfolio on behalf of Fund participants and other clients. CBIS views voting on management and shareholder proposals as a fundamental responsibility and exercises these rights on behalf of participants. In 2015, CBIS voted proxy ballots at 3,187 companies and voted more than 815 shareholder proposals. Voting proxies is the primary means by which shareholders can influence the strategic direction of a corporation.*

*Continued*

## CORPORATE RESOLUTIONS

COMPANY	ISSUE	OVERVIEW	GOAL
ExxonMobil	Environmental Stewardship: <b>Climate Change</b>	Given its size and dominance, Exxon can play an important role in addressing climate change and providing leadership for the transition to a low-carbon economy. The resolution we have co-filed asks the company to support the goal of limiting global average temperature increases to 2°C above pre-industrial levels.	Support the goal of limiting global average temperature increases to 2°C above pre-industrial levels.

## CORPORATE ENGAGEMENTS

*(N) denotes new dialogue*

COMPANY	ISSUE	OVERVIEW	GOAL
Allstate	Environmental Stewardship: <b>Climate Change</b>	Insurance companies are particularly susceptible to risks stemming from climate change, and they have the ability to affect responsible customer behavior through the products and incentives they provide. Allstate has begun to develop a comprehensive climate change strategy to reduce business risk and direct public policy advocacy that can benefit the company, shareholders, and customers.	Adopt and implement a policy that reduces business risk stemming from climate change.
Anadarko Petroleum	Environmental Stewardship: <b>Hydraulic Fracturing</b>	Impacts on local communities and the environment from hydraulic fracturing must be managed responsibly to minimize adverse consequences. We will be monitoring Anadarko's implementation of its human rights policy, which promotes the well-being of local communities and expands disclosure of environmental impacts.	Implement a human rights policy, engage stakeholders, and expand disclosure of practices to protect the environment.
Anglo American	Environmental Stewardship: <b>Environmental Justice</b>	A pattern of unrest exists across some mine sites due to labor and environmental issues. The company has the complex challenge of meeting demand while reducing impacts on the environment and maintaining social license to operate. Improvements have been registered but progress has been inconsistent at the 5th largest mining company in the world.	Strengthen labor and environmental standards to improve community and worker relationships.
Apple Inc. (N)	Human Dignity: <b>Pornography</b>	The Internet has transformed the availability of pornographic images and the accessibility of child victims, creating a dire need for increased security and monitoring. Apple has a responsibility to ensure that users of its web browser Safari and digital storage are properly protected, illicit images are rapidly discovered, and child pornography perpetrators are found and brought to justice.	Create a code of ethics against child pornography, expand parental controls, and streamline the process for removing exploitative content and providing it to the authorities.
Archer Daniels Midland	Environmental Stewardship: <b>Water Sustainability</b>	Supply chains for agricultural products contain risks involving water management, pesticide use, deforestation, and greenhouse gas emissions that can affect the sustainable supply of ingredients and impact company performance. ADM is working to improve its policies, performance, and related disclosure concerning responsible growing practices among its agricultural suppliers in order to improve supplier sustainability and reduce business risk.	Conduct water risk assessments in areas of scarcity and assess impacts of and take steps to mitigate deforestation.
AT&T	Human Dignity: <b>Child Pornography</b>	Access to pornography via mobile devices has become more widespread. Of particular concern is the ability of minors to view pornography, particularly as more children use smart phones at younger ages. Service providers including AT&T do not make effective content-blocking options available on all devices, which would enable parents to limit what they or their children can view.	Provide content-blocking controls on all mobile devices that provide the option of limiting what content can be accessed and viewed.
BP	Environmental Stewardship: <b>Climate Change</b>	Climate change can create material risks for investors. BP is among companies with the highest carbon footprints in the FTSE100 and can play a key role in a global energy transition. BP's board supported the resolution that CBIS co-filed asking for disclosure by the company on the potential risks from climate change, due in 2016.	Issue report on high cost, high carbon projects and plans to address climate change.

Continued

## CORPORATE ENGAGEMENTS | Continued

*(N) denotes new dialogue*

COMPANY	ISSUE	OVERVIEW	GOAL
Campbell Soup	Human Life and Dignity: <b>Human Trafficking</b>	Human trafficking is rife in the production of palm oil in Indonesia and Malaysia. More than 3 million workers that toil to meet growing global demand obtain their jobs through labor brokers, some of whom have exploitative labor practices. Campbell's has taken steps to make its palm oil sustainable. We will continue to press Campbell's to create new policies to protect workers and eliminate human trafficking.	Create and implement palm oil sourcing policies to prevent human trafficking.
CNOOC (N)	Environmental Stewardship: <b>Climate Change</b>	China is the 2nd largest economy in the world and emits more greenhouse gases than any other country. The country, and its largest oil & gas company, China National Offshore Oil Corporation (CNOOC), can play a critical role in the transition to low-carbon economy.	Create targets to measure emissions reductions and to report progress.
Coca-Cola	Environmental Stewardship: <b>Water Sustainability</b>	Coca-cola is heavily dependent upon water, both directly as a key ingredient in its products and indirectly through ingredients such as oranges and sugar cane that require water. Coca-cola has implemented a water policy that focuses on reducing water use, recycling water used in production, and replenishing water in local communities. We meet regularly with the company to monitor implementation of the policy, to urge the company towards additional best practices, and encourage collaborations with NGOs.	Expand and improve the effectiveness of Coca-Cola's water sustainability initiatives.
Ford Motor	Environmental Stewardship: <b>Climate Change</b>	Specific climate change-related issues that affect Ford include vehicle fuel efficiency, greenhouse gas emissions, and water use. Ford has made significant progress improving fleet fuel efficiency and reducing emissions from its production facilities, and it is in the process of developing a water strategy and assessing global water use. In addition, Ford is encouraging its suppliers to address these issues and is collaborating with a subset of suppliers on greenhouse gas emissions reduction projects.	Encourage Ford to promote its fuel efficient vehicles to gain greater market acceptance and to take strong steps to address climate change.
Gilead (N)	Economic Justice: <b>Access to Health</b>	Gilead Sciences is a global biopharmaceutical company that discovers, develops and commercializes medicines in areas of unmet medical need. The company's mission is to advance the care of patients suffering from life-threatening diseases worldwide.	Evaluate reduced pricing options to expand coverage for patients of both HIV and Hepatitis C.
JPMorgan Chase	Environmental Justice: <b>Responsible Lending</b>	We will closely monitor the bank's implementation of its most recent policy update, which includes a prohibition on financing projects that demonstrate involvement in human trafficking.	Strengthen environment and human rights lending standards for emerging markets.
Macy's	Economic Justice: <b>Worker Rights</b>	This year, we seek additional information to demonstrate how the factories that produce its clothing are complying with The Cotton Pledge against child labor in Uzbekistan. We will also encourage greater disclosure on labor standards. Comprehensive reporting can help companies demonstrate that they have in place effective programs and internal controls for managing environmental and social risks.	Strengthen and audit implementation of labor rights standards for contract suppliers.
Mondelez	Environmental Stewardship: <b>Water Sustainability</b>	Seventy percent of Mondelez's water use is in agriculture. Ensuring that water is used sustainably helps improve the water accessibility in local communities and reduces supply chain risk to the company caused by variable harvests and supply chain disruptions. Mondelez has shared its current approach to managing water resources, including water use reduction goals, but details of its programs are not clear and disclosure of goals and performance can be improved.	Implement goals to reduce water and identify areas of greatest water risk.
Nestlé	Economic Justice: <b>Access to Health</b>	Nearly 1 billion people suffer from hunger every day. Companies in the food industry are uniquely positioned to help. Nestlé already has taken several positive steps, including developing fortified products with added nutrients. We intend to learn more about Nestlé's long term strategic approach using its size, distribution system, and influence.	Expand product fortification to alleviate malnutrition and work with governments to make food supplies naturally good sources of nutrients.
Newmont Mining	Environmental Stewardship: <b>Environmental Justice</b>	Our dialogue will focus on changes the company is making in Peru and at other sites worldwide to bolster community development projects and to create comprehensive water management programs.	Strengthen human rights and environmental policies for global operations.

*Continued*

## CORPORATE ENGAGEMENTS | Continued

(N) denotes new dialogue

COMPANY	ISSUE	OVERVIEW	GOAL
Nucor	Human Life and Dignity: <b>Human Trafficking</b>	CBIS will continue to engage Nucor regarding forced labor in the production of steel in Brazil, a situation that was uncovered following a media investigation of steel manufacturers and companies that use it in production. While progress is being made, we seek more information on policies, audits and trainings conducted by Nucor and its suppliers to certify that no forced labor was used.	Implement and monitor policies against the use of forced labor by suppliers.
Shell	Environmental Stewardship: <b>Climate Change</b>	Since climate change can create material risks for investors, CBIS co-filed a shareholder resolution at Shell, among the companies with the highest carbon footprints in the FTSE100, seeking additional information. Shell's board has promised a report in 2016.	Issue report on high cost, high carbon projects and plans to address climate change.
Siemens	Human Life and Dignity: <b>Human Rights in Conflict Areas</b>	We intend to discuss reports the company must file to comply with S.E.C. regulations on the presence of conflict minerals (tin, tungsten, tantalum or gold) in its products sourced from mines in the Democratic Republic of the Congo (DRC). Funded by the mineral production in eastern DRC, the ongoing conflict has been linked to extreme violence, labor abuses, environmental degradation, and an emergency humanitarian situation.	Issue a report on steps being taken to ensure conflict minerals do not enter the supply chain.
Sprint	Human Dignity: <b>Pornography</b>	Access to pornography via mobile devices has become more widespread. Of particular concern is the ability of minors to view pornography, particularly as more children use smart phones at younger ages. Service providers including Sprint do not make effective content-blocking options available on all devices, which would enable parents to limit what they or their children can view.	Provide content-blocking controls on all mobile devices that provide the option of limiting what content can be accessed and viewed.
Target	Human Life and Dignity: <b>Human Trafficking</b>	As the 4th largest retailer in the U.S., Target can have great influence on the industry. It sells frozen seafood through private label brands. Over the past two years, human trafficking abuses in the shrimp supply chain in Thailand have been well documented. Since Target sells frozen seafood from Thailand, it has begun to take action, including joining meetings with the Thai government. We are calling on Target to join leading initiatives to create strong procedures to protect workers.	Address human trafficking in the seafood supply chain.
Thai Union (N)	Human Life and Dignity: <b>Human Trafficking</b>	Despite steps taken by <b>Thai Union Group</b> , the largest seafood company in the world, to address slave labor in the \$7 billion seafood supply chain in Thailand, investigations continue to reveal instances of child and forced labor. We will be expecting Thai Union to increase audits of suppliers and discontinue the use of labor brokers and instead hire directly. Given the company's size, it has an unrivaled position to drive positive change.	We will ask Thai Union to take action and report on progress on working conditions, crew logs, increasing direct hires and reducing use of labor brokers and recruiters.
United (N)	Human Dignity: <b>Human Trafficking</b>	Busy airports can be natural distribution hubs for human trafficking. Airport personnel are in a unique position to discern possible trafficking situations. The industry has the potential to play a vital role in identifying and assisting trafficking victims. While United has a human rights policy, implementation is unclear. There are compelling reasons to take action -- Delta is training staff, American Airlines is educating travelers, and the United States has signed a convention calling on airlines to prevent trafficking.	Train flight attendants, develop programs with law enforcement to aid victims and identify traffickers, raise awareness of travelers and report on progress annually.
Walmart	Economic Justice: <b>Advancement of Women and People of Color</b>	Walmart's performance on diversity issues has improved over the past 10 years but opportunities exist for further advancement. CBIS will continue to engage with Walmart to discuss diversity among its workforce, addressing various categories including job type, location, gender and ethnicity. We will review accomplishments, challenges and new programs under development.	Strengthen programs to advance women and people of color in the workplace.
Wyndham Worldwide	Human Life and Dignity: <b>Human Trafficking</b>	At the end of 2014, Wyndham announced it will train all staff at its 7,600 hotels in 70 countries on human trafficking. We will continue to engage with and monitor Wyndham's implementation of this impressive commitment.	Implement policies addressing human trafficking.

**Important Information**

This is for informational purposes only and does not constitute an offer to sell any investment. The funds are not available for sale in all jurisdictions. Where available for sale, an offer will only be made through the prospectus for the funds, and the funds may only be sold in compliance with all applicable country and local laws and regulations.