

▶ CATHOLIC RESPONSIBLE INVESTING

CRI Progress Report

OCTOBER 2015

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Catholic Responsible InvestingSM (CRI) extends a faith-based mission to encompass the management of an investment portfolio — allowing the two to work in harmony. CRI is a powerful management process that allows an organization to express its Catholic beliefs through its investments. By targeting both financial return and social return, fiduciaries can establish a broad vision for an organization’s mission and can demonstrate that all aspects of the organization can be integrated into it. In this issue, we provide updates on our ongoing engagements, including details on some recent events.

ONGOING ENGAGEMENTS | Environmental Stewardship

Anadarko: UPDATE

In September, CBIS and members of The Interfaith Center on Corporate Responsibility (ICCR) participated in a call with Anadarko. Shareholders are asking the company to implement a human rights policy, improve stakeholder engagement, and expand disclosure of environmental risk mitigation performance. Since the last conversation, Anadarko has taken steps towards incorporating water risk into their management strategies. Anadarko has developed risk assessment tools to be used across the company and is making strides exchanging information, good practice and technology throughout the firm. We were pleased to learn that Anadarko has created a Strategic Water Group within the company to accomplish the goals they have established. The Group intends to gather information about the company’s water use, sourcing and risk practices throughout the firm and assess Anadarko’s performance. The company plans to ensure that all divisions are sharing technology, good practice and knowledge about rules and regulations. CBIS will continue to encourage the company to uphold the human right to water, which refers to a recognition by the United Nations General Assembly that clean drinking water and sanitation are essential to the realization of all human rights. Water as a human right is as much about the quality — making sure that the water is clean and you do not get sick from drinking it — as it is about access to water.



PRINCIPLES UNDERLYING CRI

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

Ford: UPDATE

CBIS and members of the Interfaith Center on Corporate Responsibility (ICCR), led by the Tri-State Coalition for Responsible Investment, met with Ford in September. The focus of the meeting was to encourage the company to support strong climate policy in advance of the global climate negotiations in Paris this December, also known as COP21. COP21 is the 21st Session of the Conference of the Parties to the United Nations Framework Convention on Climate Change. It will be a crucial conference, as it needs to achieve a new international agreement on the climate, allocable to all countries, with the aim of keeping global warming below 2 degrees Celsius. We are asking Ford to join with leading companies in the U.S. and abroad and demonstrate climate leadership. For example, we encouraged Ford to join General Motors and 12 of the largest companies (Alcoa, Apple, Bank of America, Berkshire Hathaway Energy, Cargill, Coca-Cola, General Motors, Goldman Sachs, Google, Microsoft, PepsiCo, UPS, and Walmart) across the American economy in signing the American Business Act on Climate, an initiative launched by the Obama administration. Each company has announced significant new pledges to reduce their emissions, increase low-carbon investments, and deploy more clean energy. We also suggested Ford's inclusion in The Road to Paris Commitments, which is a group of 211 major companies, including Honda Motors and Nissan, which are speaking out on in support of a universal climate agreement ahead of the Paris meetings. Voicing support can help to influence strong and effective climate policy and send a strong signal to climate negotiators and US leadership that climate policy is good for business.

BP/Shell/ExxonMobil/Chevron: UPDATE

The climate resolution that CBIS co-filed at BP received a near unanimous vote of 98% in favor at the April 16th annual meeting. The resolution at SHELL received 99% support at that company's May 19 annual meeting. The results demonstrated to BP and Shell the strength of shareholder interest in receiving more information on steps the company is taking to address climate change. The companies are to provide the information

in late 2015/early 2016. The result raises the bar for all companies to pay close attention to the risks and opportunities related to climate change.

The GHG emissions reduction resolution at EXXON MOBIL received 9.6% support from shareholders at the May 27th annual meeting. CBIS helped to organize a Declare Your Vote initiative, whereby investors publicly indicate their support for the resolution in order to increase awareness and build additional voter support. Despite this effort, the vote result dropped from 22% in 2014 to 9.6% this year. ISS, the largest proxy voting vendor, changed its vote recommendation this year from "For," to "Against," which may have contributed to the poor results. Since the vote was less than 10%, the resolution cannot be re-filed next year, according to SEC rules. Shareholders will meet soon to strategize on next steps with Exxon.

Newmont: Update

In April, 2015, the Vice President of Newmont Mining in Peru and the head of Sustainability in the U.S. met at CBIS' New York office to update us on an ongoing legal dispute between the company and a family of subsistence farmers who sold land to the company 15 years ago. The situation has escalated into a serious public relations problem for the company. The family claims it had not been consulted about the sale and has since laid a foundation for a small barn. Newmont's attempts to remove the family have been unsuccessful. While Peruvian law allows the company to remove foundations on its property within 15 days of construction, the company has been accused of using intimidation tactics, strong arm tactics and protracted judicial action to re-establish its legal and documented ownership of the property. Civil society organizations have organized protests and letter writing campaign, both sides have produced videos explaining their position, the company has devoted an entire section of its website to the dispute with a series of updated fact sheets, photos and copies of legal documents. In Peru, social conflict and protests in communities affected by extractive industries continues to be widespread. The family claims they had not been consulted

and that their right to water and means of subsistence were threatened. Over the past 5 years, communities have expressed concerns and protests have been held, some violent, about potential impacts from the proposed \$5bn Minas Conga mine to water quality and availability. Minas Conga is an expansion of Newmont's nearby Yanacocha mine, the largest gold mine in Latin America. The mines are located in the poorest province of Peru. CBIS visited Peru in 2012 after 5 people were killed at the hands of police following protests over Minas Conga.

Kraft: UPDATE

CBIS co-filed a resolution asking Kraft to issue a report describing the company's goals, strategies, and performance on environmental, supply chain, and human rights issues. The 30% support vote at the company's annual meeting in May showed strong shareholder interest in having Kraft create a more transparent reporting framework around sustainability. In CBIS' view, Kraft had not made sufficient progress during more than two years of engagement efforts and this shareholder resolution was an important tool that can be an effective means of getting the attention of a company's senior leadership. The strong vote result demonstrates that the concerns addressed in the resolution are shared by a significant number of Kraft shareholders.

The company has an extensive global supply chain, and its size creates an opportunity to influence suppliers and impact how agricultural ingredients are sourced. Failure to sustainably produce ingredients can have negative impacts on the environment and on people's lives, both workers and local communities that also depend on sufficient and healthy natural resources; it can also impact Kraft's long-term growth and sustainability and pose reputational risks if problems arise. CBIS is looking for Kraft to publish a corporate sustainability report and to meet with all the co-filers to review the company's goals and performance. We would also like to see Kraft use the report as a tool to develop a strategy for managing sustainability issues, particularly in the company's agricultural supply chain, and for monitoring and communicating that strategy and its implementation to investors and other stakeholders.

CBIS has a particular concern with the sustainable use of water by Kraft's suppliers, recognizing that the availability of sufficient clean water is a requirement for Kraft's success and for the health of local communities and the environment on which they depend. The merger late this year between Kraft and Heinz will result in a significantly expanded global supply chain and market. Managing sustainability issues, including water resources, will become even more critical for the combined company.

ONGOING ENGAGEMENTS | Economic Justice

Walmart: UPDATE

Walmart, the largest private sector employer in the U.S., announced in February 2015 comprehensive changes to hiring, training, compensation, and scheduling programs. It is a meaningful advance that represents important progress in the company's commitment to opportunity. Walmart raised the pay of all current associates to at least \$9/hour in April of this year, which is \$1.75 more than the current federal minimum wage, and provided an increase to associates currently at the maximum pay level — approximately 500,000 associates received raises in the first half of 2015. In addition, the company increased access to healthcare, retirement benefits, bonuses and discounts. Walmart said it believes that the key to improving customer satisfaction is investing in staff.

CBIS has been a participant in the dialogue on the advancement of women and people of color since 2003. The engagement is led by Sisters of Charity of St. Elizabeth, N.J. We were pleased when, in 2006, after years of shareholder resolutions, Walmart agreed to publish annual reports on the advancement of women and people of color throughout the firm, a groundbreaking step. The ability of workers to succeed regardless of their gender, race, religion, or national origin is an important condition to maintaining respect and dignity for all workers.

ONGOING ENGAGEMENTS | Human Dignity

Target: UPDATE

Target is beginning to address the issue of human trafficking in the seafood supply chain. The program is in its early stages and little information is provided publicly.

In the last twelve months Target has furthered its knowledge of such abuses in the shrimp supply chain through in-country meetings with the Thai government, the International Labor Organization and key vendors. Target's objective is to determine how it can help eliminate such abuses in the seafood supply chain. Target is also working with other retailers on the Food Marketing Institute's Strategic Seafood Committee, which has also communicated the need to address these issues specifically to the Thai government and other key stakeholders. In addition, Target has engaged with several different industry and civil society organizations to discuss human rights, tracing the seafood supply chain from ocean to table ("traceability") and illegal, unreported and unregulated seafood. Target is not taking any specific actions independently as a result of these meetings. It is working collaboratively to find solutions, including agreements or commitments, and those will be publicly communicated as the various stakeholders deem appropriate.

Target audits its seafood processing facilities but at this time does not make audit findings public. Target does, however, make its audit expectations clear to any facilities to which they apply. They also have a process for documenting audit results, and if necessary, removing and re-approving facilities which do not meet the company's Standards of Vendor Engagement. Target has said: "Ensuring that seafood suppliers are taking measured and documented steps to eliminate human rights abuses from supply chains is an ongoing process that requires active engagement from retailers like Target." Target has taken more steps than most retailers and we are pleased with this progress. However, we look forward to receiving greater detail so we can more fully assess the strength of the company's actions.

TRAFFICKING LEGISLATION:

CBIS helped galvanize \$1 trillion in Assets to support new supply chain Anti-Trafficking Act

CBIS played a critical role in building support from more than one hundred investors representing over \$1 trillion in assets for the Business Supply Chain Transparency on Trafficking

and Slavery Act of 2015 (H.R. 3226/S.1968). The Act is aimed at strengthening corporate commitment to end human trafficking and modern day slavery by requiring them to disclose the policies and management systems they have in place to better identify and eradicate these violations within their global supply chains.

Julie Tanner, Director of Catholic Responsible InvestingSM at CBIS, has led the firm's effort to support this new Anti-Trafficking Act. "CBIS has long been in the fight to end modern slavery, and this bi-partisan legislation has real potential to make a difference," said Tanner. "It may also work to support shareholder value, by reducing the potential legal and reputational risks that can occur if an incident arises deep in a company's global supply chain." The Act would require public disclosures around auditing and verification procedures, risk assessments, training, remediation plans and accountability mechanisms that address trafficking and slavery risks to corporations.

In addition to CBIS, the Interfaith Center on Corporate Responsibility, Calvert Investments, the Connecticut State Treasurer's Office, U.S. and international public pension funds, and many other faith-based institutions also participated. Collectively, the group sent a statement to the U.S. Senate's Committee on Banking, Housing and Urban Affairs and the House of Representatives' Committee on Financial Services urging strong bi-partisan support.

For more information, please see the [Investor Support Statement](#).

CBIS SITE VISIT TO MINES IN AFRICA:

In July, 2015, CBIS had the opportunity to join with other faith organizations from around the world and assess the sites of two of the largest mining companies in the world — Newmont Mining's Ahafo gold mine in Ghana and Anglo American's De Beers diamond mine in South Africa. These site visits allowed CBIS to see how corporate guidelines and programs are implemented at the local level and provided an opportunity to view the impacts on communities. Through our participation, we were also able to gain a better understanding of the positive

and negative impacts of mining in the community, region and country more broadly and how the companies have been responding to these issues.

The trips to Ghana and South Africa were one component of an initiative that began in 2013 at the request of leaders in the mining sector with the Pontifical Council for Justice and Peace. Its aim was to build relationships between the industry and faith organizations and provide on-the-ground mining experiences.

At both sites we are able to raise corporate awareness of issues of importance to Catholic investors, like the protection of human rights and defense of the environment. Thanks to our trip, we are more informed and in a position to encourage the development of comprehensive and impactful programs that provide long-term benefits to the communities that host the mines and are a critical part of their success.

Raising critical issues with an aim towards influencing the strategies, policies and practices of corporations in our portfolios defines the Active Ownership component of Catholic Responsible InvestingSM (CRI). As responsible shareholders, we believe that we are called upon to be active owners. By staying engaged, we are able to fulfill our fundamental responsibility as stewards of our client assets.

For more information, please see our brief: [CBIS African Journey](#)

RCRI PANEL:

CBIS Develops Human Trafficking panel at RCRI 2015 National Conference

We are looking forward to this year's RCRI 2015 National Conference — Celebrating the Year of Consecrated Life — in Orlando, FL. Julie Tanner, Director, Catholic Responsible InvestingSM for CBIS has developed and is a featured speaker in the session: Human Trafficking — A Definitive Look at How

Better Supply Chain Management Can Bring About a Safer World. We have gathered together the leading experts in their field to share the steps they are taking to combat human trafficking: Carol Smolenski, Executive Director of ECPAT-USA; Amy O'Neill Richard, Senior Advisor to the Director, Office to Monitor and Combat Trafficking in Persons; and David Schilling, Senior Program Director, Interfaith Center on Corporate Responsibility (ICCR). The panel will examine what is currently being done by governments, companies, faith investors, civil society organizations and others about human trafficking, and ways each of us can make an impact.

Today, more than 20 million people worldwide are trapped in situations of forced labor, bonded labor, child labor and sexual servitude, according to the International Labor Organization (ILO). Sadly, many of these victims are children.

Check our [website](#) for an update on replay information.

PORNOGRAPHY:

CBIS pushing cellular phone companies to offer content filtering options on mobile devices

Background: The Federal Communication Commission (FCC) implemented its Open Internet rules in June 2015, which prohibit internet access providers (both fixed and mobile broadband providers) from blocking or slowing down legal internet content. Thus, it appears that cellular phone companies cannot completely block pornography from their networks. However, illegal content can be blocked by internet access providers; this includes child pornography, which involves people under the age of 18, as well as obscene material (whether or not pornography is considered obscene is determined by local juries using contemporary community standards, an approach that is difficult to apply to internet pornography when the community is the entire country). AT&T, Sprint, Verizon, and T-Mobile represent 99% of wireless subscriptions in the U.S.

Goals: Cellular phone companies provide content filtering options on all of the devices they service so that customers can block access to certain types of internet content such as pornography when surfing the web. This is consistent with the cable/satellite TV Parental Controls option that requires a password to view certain channels, and with internet service providers offering (often free) filtering software that can be installed on personal computers. Employees need to be knowledgeable about the content filtering capabilities of their systems (employee training may need to be improved), and companies should promote the option to ensure customers are informed.

Concerns: Smartphone users are able to view objectionable internet content such as pornography using web browsers on their devices. The ability to block unwanted content is not available from all companies and on all devices. Particularly as more children use smartphones at younger ages, the ability to filter unwanted content is crucial.

Status: From correspondence directly with the four companies and from reviewing their materials, CBIS has identified Sprint and T-Mobile as providing content filtering options on all of the mobile devices they carry, Verizon provides filtering options on some of its devices, and AT&T provides its customers with no capabilities to filter content.

NEXT STEPS:

- ▶ Persuade Verizon to make filtering options available on all of its devices, and push AT&T to offer content filtering options to its customers.
- ▶ Encourage all four companies to train retail employees on the content filtering capabilities offered and to educate customers.
- ▶ Push all four companies to promote their content filtering options (e.g. on their websites) to improve customer awareness and use.

Catholic Social Teaching: Pornography entails exploiting the human body and viewing it as a mere object instead of something that should be respected. It is an assault on the human dignity of those who produce it and of those who consume it.

PROXY VOTING:

CBIS voted proxy ballots at 3,451 company meetings for Fund holdings from July 2014 to June 2015. We voted 503 international proxies during the same period. Proxy voting is an important means of communicating with portfolio companies about leadership and governance matters such as who should represent shareholders on boards of directors and executive compensation packages. Proxy voting also enables CBIS to indicate our opinions on shareholder proposals submitted by other investors addressing additional governance topics as well as social and environmental issues that affect the company.

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.