CATHOLIC RESPONSIBLE INVESTING℠ (CRI)

CRI Progress Report

SEPTEMBER 2016

Key Highlights:

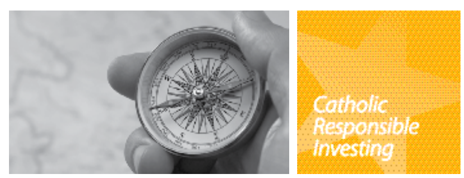
The past six months have presented great challenges but also great progress. Here is a roundup of the progress we have made in our engagements with companies this year across a range of issues, using our influence to gain positive outcomes that not only benefit participants, but also communities and the environment.

MEET THE EXPANDED CRI TEAM

Stewardship of limited natural resources, respecting human rights and safeguarding communities are some of the greatest challenges we face today. These issues are central to Catholic social teaching, good corporate citizenship and to a healthy bottom line. To help drive positive change throughout the investment process, CBIS is pleased to announce the expansion of our Catholic Responsible Investing team. We welcome Marcela Pinilla, Senior Analyst, and Tracey Rembert, Assistant Director. With their expertise and record of accomplishment, they will join CRI Director Julie Tanner to deepen and broaden CBIS' Active Ownership efforts, both in the US and internationally.

Julie Tanner | Director, Catholic Responsible Investing (CRI)

Julie is responsible for setting the direction and management of the CRI program. The Director oversees portfolio screening, proxy voting, and active ownership initiatives, including developing international partnerships to impact and improve corporate performance. Julie joined CBIS in 2002. She is a member of the governing board of the Interfaith Center on Corporate Responsibility (ICCR) and on the board of ECPAT-USA (End Child Prostitution and Trafficking).



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

Tracey Rembert | Assistant Director, CRI

Tracey is responsible for leading strategy for corporate and fixed income engagement. Tracey joined CBIS in May 2016. She comes to CBIS with 16 years of experience in the responsible investment industry, with a successful track record of both U.S. and international corporate engagement and policy advocacy on a range of sustainability issues, including climate change, labor and human rights, responsible lending, and corporate governance. Tracey is a member of the UN International Standards for Accounting and Reporting Group, the Network for Sustainable Financial Markets, the International Corporate Governance Network, and Campaign ExxonMobil.

Marcela Pinilla | Senior Analyst, CRI

Marcela is responsible for working with CBIS' investment managers to implement investment screens, conduct proxy voting, and manage select active ownership engagements. Marcela joined CBIS in 2016. She brings eight years of experience in the analysis and integration of environmental, social and governance (ESG) risks and opportunities into investment decision-making and shareholder engagement to CBIS.

Learn more about the CRI Team!

THE PARIS ACCORD MARKED A TURNING POINT

On April 22nd, 2016, world leaders from 175 countries gathered in New York, steps from CBIS' office, to sign the historic climate deal from the Paris climate conference, also known as Conference of the Parties-21 (COP21). The agreement is the first international accord to outline steps that countries must take to address climate change and reduce carbon emissions by 2100. CBIS is working with a range of oil, gas and transport companies regarding implementation of the agreement's main goals: 1) increase the ability to adapt to the adverse impacts of climate change; 2) make finance flows consistent with a pathway towards low greenhouse gas emissions; and 3) halt the increase in the global average temperature to well below 2°Celsius (3.6° F) above pre-industrial levels.

Our work on climate change melds corporate engagement with policy advocacy, where appropriate. This summer, CBIS, along with over 120 other investors, directed a joint letter to G20 leaders encouraging members to ratify and implement the Paris agreement.

CBIS COMMENTS ON PROPOSED SUSTAINABILITY REPORTING REGULATION

Recognizing the diverse ways that investors can influence corporations, CBIS also recently weighed in on the concept release by the US Securities and Exchange Commission (SEC) on Regulation S-K, which lays out corporate reporting requirements in specific SEC filings. The letter encourages the SEC to make sustainability reporting mandatory. Why is disclosure of sustainability-related performance important? Disclosure allows investors to identify industry leadership in each sector, informs investors how well-positioned a company is to changing regulations, is essential to the evaluation of investment risks, and informs overall investment and engagement strategies and the quality of corporate management and boards.

CBIS supports mandatory disclosure of sustainability information that is timely, comparable, and consistently provided, and that has the potential to affect short- and long-term shareholder value. Sustainability reporting also helps to inform communities and other stakeholders on corporate activities that affect them. CBIS has been working with companies to improve reporting for more than 20 years. Our comments to the SEC represent a broad, industry-wide approach to advance standards for reporting.

INVESTORS TURN UP THE HEAT ON CLIMATE CHANGE

Faith investors like CBIS have for years made the case to companies for an orderly and just energy transition (see below). This 2016 proxy season, we saw major shifts in investor sentiment towards carbon-intensive companies, from more shareholders divesting of coal securities, to those attending annual meetings and pressing companies toward positive policy involvement. At the same time, important changes in corporate attitudes toward climate change policy are unfolding, in part as a result of continued pressure on companies to better position themselves in response to forthcoming greenhouse gas regulations. For example, in recent months, several large oil and gas companies have announced goals to diversify their energy mix toward lower carbon sources by 2030. Additionally, U.S.-based giants like **ExxonMobil** are now influencing the American Petroleum Institute's (API) stance on climate change, through the API's creation of a new climate task force charged with re-thinking current trade association policies.

It is these major industry shifts, and bursts of headwinds, that keep faith investors like CBIS at the table challenging corporations to reshape our energy future. The convergence of industry trends taking place bodes well for major progress in the coming year on carbon asset risk transparency, global energy policy and carbon pricing.

Exxon Mobil Annual Meeting: Featured are Sr. Patricia Daly, OP, Sisters of St. Dominic of Caldwell, NJ; Michael Garland, NY City Comptroller's Office; Edward Mason, Church Commissioners of England, and Tracey Rembert, CBIS.

"Climate change is a global problem with grave implications: environmental, social, economic, political and for the distribution of goods. It represents one of the principal challenges facing humanity in our day. Its worst impact will probably be felt by developing countries in coming decades. Many of the poor live in areas particularly affected by phenomena related to warming, and their means of subsistence are largely dependent on natural reserves and ecosystemic services such as agriculture, fishing and forestry."

— Pope Francis, Laudato Si': On the Care of Our Common Home

A NEW TOOL TO ELEVATE CORPORATE HUMAN RIGHTS PERFORMANCE

Over the past two years, a number of key initiatives have resulted in increased disclosure by companies of their human rights performance. Armed with this information, investors like CBIS are better able to identify companies that have demonstrated sustained, superior corporate performance and those that are laggards and may be targets for engagement. One such measure is The Corporate Human Rights Benchmark (CHRB), introduced in June 2016. The CHRB will rank the top 500 globally listed companies on their human rights policy, process and performance, creating a race to the topamong companies seeking high marks through improved performance. The Benchmark, supported by investors with $4.8T in combined assets and endorsed by CBIS, is based in part on the UN Guiding Principles on Business and Human Rights, a set of guidelines for States and companies to prevent, address and remedy human rights abuses committed in business operations.

CBIS was proud to be among the investors selected to participate in early draft development and to submit comments in the latter stages of review that had an impact on the final methodology. There are important reasons for us to participate. While corporations can bring jobs and benefits to an area, there is also the potential to negatively impact communities and effect livelihoods. A new corporate benchmark can help to level the playing field. Plus, the information can help to make companies in our portfolio better investments since ineffective human rights due diligence can result in increased legal, financial, legislative and reputational risks, all of which can impact the bottom line.

We expect a host of stakeholders will benefit from the results generated by The Benchmark: CBIS and other investors will receive meaningful information to assess and monitor corporate performance; companies will learn from their corporate colleagues and have the opportunity to rise through the rankings; and importantly, consumers, civil society and impacted communities will have the data they need to challenge or commend companies.

PROGRESS ON ENGAGEMENTS

COMPANIES:	ISSUE:	GOAL:
Exxon Mobil, BP, Royal Dutch Shell	Environmental Stewardship: *Climate Change*	Reduce emissions from core products and diversify the energy mix to include low carbon options

Report Card on BP, Royal Dutch Shell and ExxonMobil: Where Do We Stand?

During 2016, CBIS focused interaction with **ExxonMobil** on the proposal we co-filed with the Sisters of St. Dominic of Caldwell, NJ. The proposal requests that the company acknowledge the importance of the Paris climate agreement and the need to limit global warming to 2°Celsius (C). On May 25th, CBIS attended ExxonMobil's annual meeting in Dallas, Texas, to raise these issues and to discuss how the company's current policies and actions are negatively impacting the world's poor — who both desperately need access to energy and are also on the frontlines of impacts from climate change. The first-year proposal received 18.5% support. ExxonMobil's CEO spent an appreciable amount of time at the meeting addressing this issue, both in the company's slide presentation and in responding to countless questions from shareholders on climate change policy and performance.

CBIS plans to raise these issues again with ExxonMobil in the fall of 2016, focusing on their goals related to reducing the emissions from their products, their lobbying for a carbon tax, and their energy diversification strategies.

We also kept the pressure on **BP** and **Royal Dutch Shell,** to honor their commitments under our 2014 shareholder resolutions, through meetings with the companies. The proposals, which each received a vote in favor of over 98 percent, a first in the U.K., asked the companies to report on: their investments in low-carbon energy research and development (R&D), executive incentives for addressing climate risk and opportunity, and public policy positions relating to climate change and a global energy transition. While progress on disclosure has been achieved — the companies released their reports in the spring of 2016 — we believe disclosure on actual performance and "asset stranding" risk are still lacking. CBIS expects to work with the company to encourage more substantial strategies that demonstrate a commitment to the Paris agreement on carbon reductions and a pivot to lower carbon energy sources over time.

Energy Transition Initiatives

The chief outcome of the meeting in Paris last December over climate change was an agreed recognition that economies will face harmful effects, physically and financially, if global average temperatures exceed the 2°C threshold. The 195 nations decided to move forward with ambitious plans to curb climate emissions globally using individual country plans that ramp up over time to ensure deeper cuts to emissions than those under a 2°C scenario.

Many scientists have concluded that a rise above 2°C may trigger even more extreme and unpredictable weather than is currently occurring, and lead to other potential increased risks to:

- human health (wider spread of infectious diseases and heat-related deaths),
- physical infrastructure (high-density cities on low-lying coasts are vulnerable to sea level rise from ice melt; or the increased likelihood of flooding, fire and storm damage),

- agricultural productivity (while some regions gain in productivity, temperature, soil and water impacts globally will cause major overall declines),
- economic losses (disrupted supply chains, damaged infrastructure, logistics and transport risks),
- mass migrations of people, and regional and geopolitical instability.

The toll on the poorest and most vulnerable people worldwide is well understood (i.e., lack of systems for resiliency, inability to access clean water or grow enough food when regions are stressed, shelter challenges, more infectious diseases coupled with a lack of medicines). This is exacerbated by violence and conflict and migration that is may be attributed to climate impacts. For example, a meta-study of over 50 quantitative studies that examined the links between climate change and human conflict found that "for each 1 standard deviation change in climate toward warmer temperatures or more extreme rainfall, median estimates indicate that the frequency of interpersonal violence rises 4% and the frequency of intergroup conflict rises 14%," according to *Science* magazine and the *Annual Review of Economics.* The US Department of Defense has raised climate change as a national security priority for over a decade, and a number of academic and geopolitical journals have linked climate change impacts to the conflicts in Syria, war in Darfur, Islamist insurgency in Nigeria, and the Somali Civil War.

Because of the risks if greenhouse gas emissions keep climbing, CBIS feels compelled to engage with policy makers and large, influential companies that produce or rely heavily on fossil fuels. We seek to raise these compounded impacts on humanity and often the world's poorest, and to discuss the negative impacts on markets and investment returns from practices that are creating more and more uncertainty for businesses across the value chain.

Therefore, we believe discussions with oil and auto companies about the carbon intensity of their business models and how they plan to transition to lower carbon products if climate risks keep climbing is a worthwhile aspect of our engagements.

While Royal Dutch Shell details what a less than 2°C scenario might look like for its business, it does not explain the impacts to it under this scenario and how the company would address them. BP and ExxonMobil, meanwhile, continue to doubt the likelihood of a 2°C policy scenario coming into effect, even post-Paris, and both forecast that fossil fuel demand will remain fairly consistent.

Shell's New Energies division has set respectable though still insufficient capital investment goals in lower-emissions energy strategies, and BP states it has the largest operated renewables business among its oil and gas peers to date. However, CBIS believes that both companies need to better articulate how these investment strategies dovetail with the Paris commitments now signed by both the U.S. and China, among other nations. ExxonMobil, while investing modest sums in carbon sequestration technologies and advanced biofuels like algae, still has a long path ahead of it to diversify its energy mix away from oil and gas, as almost all of its R&D and capital expenditures have gone to fossil fuel-based projects over the past five years.

How to Price Carbon?

According to the World Bank, "instead of dictating who should reduce emissions where and how, a carbon price gives an economic signal and polluters decide for themselves whether to discontinue their polluting activity, reduce emissions, or continue polluting and pay for it. In this way, the overall environmental goal is achieved in the most flexible and least-cost way to society." A carbon price also stimulates cleaner technologies and market innovation, fueling "new, low-carbon drivers of economic growth." There are two key methods for pricing carbon: **emissions trading systems (known as cap-and-trade)** and **carbon taxes.** A cap-and-trade system caps the total amount of greenhouse gas emissions and allows industries with low emissions to sell their extra allowances to larger emitters, thus creating supply and demand for emissions allowances, and creating a "market price" for carbon emissions through that emissions limit, and the trading activity. The cap helps ensure that the needed emission reductions occurs within a pre-allocated carbon budget. A carbon tax directly sets a price on carbon by defining a tax rate on greenhouse gas emissions or the carbon content of fossil fuels. The emission reduction outcome of a carbon tax is not pre-defined but the carbon price is.

Public Policy

It is promising that **BP, Shell** and **ExxonMobil** support carbon pricing by governments to limit greenhouse gas emissions. BP and Shell joined four other European oil majors in sending a letter in the run up to Paris to Christiana Figueres, the United Nations top climate official. Although carbon pricing "obviously adds a cost to our production and our products," the letter stated, the companies would prefer consistency and predictability over the patchwork of policies that exists now.

While **ExxonMobil** supports carbon pricing via a revenue-neutral carbon tax, it has to-date refused to join industry peers in joint engagement efforts with regulators on the subject.

These policy signals from companies — while still weak — seem to be paying off. For the first time ever, International Petroleum Week dedicated a major event to discussing climate change and the future of the oil and gas industry in a carbon-constrained world.

COMPANY:	ISSUE:	GOAL:
Ford Motor	Environmental Stewardship: *Climate Change*	Encourage Ford to promote its fuel efficient vehicles to gain greater market acceptance and to take strong steps to address climate change

FORD MOTOR COMPANY: SHIFTING ITS BUSINESS MODEL TO ADDRESS CLIMATE CHANGE

In addition to engaging companies in the oil and gas sector, CBIS commended the Ford Motor Company in early September and in January on its strategies for a transition to lower carbon vehicles, but continued to press for improvements. The dialogues, led by the Tri-State Coalition for Responsible Investment, focused on future trends, innovations and the fuel economy of Ford's fleet following an announcement in late 2015 that it would invest $4.5B in electrified (EV) vehicle solutions by 2020. CBIS expressed support for Ford's vision and its commitment to play a leading role in the transition to lower-emitting vehicles.

The investment means the company will launch 13 new EVs, bringing its electrified vehicle portfolio up to more than 40 percent of its global nameplates. The company outlined the ways it is considering measuring and monitoring the impact of the investment and how it intends to build consumer demand for fuel-efficient vehicles. Ford explained that its major markets are increasingly shaped by government actions to regulate fuel economy and carbon dioxide (CO_2) emissions, introduce low-carbon fuels, and provide incentives to shift consumer and business behavior regarding transportation options. In terms of building awareness and breaking down barriers to acceptance, the company is investing heavily in research to anticipate social trends affecting the future auto market and is utilizing a range of experts, including anthropologists and sociologists, to re-imagine its products—a core strategy missing when auto companies have launched major green product portfolios in the past. CBIS was also invited to participate in a unique discussion with Ford strategic planning staff on the future of the auto industry, and was asked for our views on innovations we would like to see addressed from now until 2030. CBIS raised issues of zero emissions fleet growth, autonomous vehicles meeting the needs of elderly and disabled populations, modifying cars and trucks to withstand the impacts of climate change (like severe heat and flooding), cybersecurity related to increasingly automated functions on cars, product obsolescence and waste issues for vehicles increasingly being upgraded with technology packages, and strategic partnerships with others to solve infrastructure, recharging, and product design challenges.

Resources

To learn more about CBIS' holistic approach to climate change and our views on one strategy that is gaining favor among a group of investors, read our recent issue report: **CBIS' Perspective on Fossil Fuel Divestment.** It outlines the various tools that CBIS brings to bear, including filing resolutions, engaging companies, and voting proxies in order to press for corporate policies that reduce greenhouse gas emissions, increase the use of clean energy technologies, improve fuel efficiency, and reduce the carbon impact of oil and natural gas production.

COMPANY:	**ISSUE:**	**GOAL:**
Nucor	Human Dignity: *Human Trafficking*	Implement and monitor policies against the use of forced labor by suppliers

In May, CBIS' new Assistant Director attended the **Nucor** shareholders' meeting in Charlotte, NC, to raise issues and discuss company progress around forced labor in the steel supply chain in Brazil. CBIS questioned the CEO and Board of Directors on its ongoing and new commitments to regional initiatives in Brazil, and how the company was assessing the value and impact of those initiatives. CBIS encouraged ongoing vigilance throughout the company's supply chain related to forced labor activities by suppliers to prevent future risks.

One of Nucor's sources of charcoal for pig iron (a raw material used to make steel) is in Northern Brazil, and its production is labor-intensive and takes place in relatively remote areas often under abusive labor conditions. In 2007, investigations of steel supply chains in the region revealed the prevalence of forced labor and armed surveillance by employers. Nucor has taken steps to eradicate slave labor from its supply chain, although progress is not always transparent. A recent update from Nucor reported no instances of slave labor or armed surveillance in audits conducted from 2010 - 2014 by the Citizens Charcoal Institute (CII), a trade association to which Nucor belonged, but which ceased to exist by this spring. At the AGM, CBIS asked the board to commit to providing robust annual reporting on the company's performance on slave labor and its auditing of suppliers. We also pressed the CEO on ways Nucor is auditing, training and monitoring its supply chain now that CII closed its doors due to Brazil's depressed economy, and because Brazil's Ministry of Labor discontinued publishing a list of unscrupulous suppliers. Nucor reported that it continues to monitor these manufacturers for compliance, insisting on certification so that each shipment is in line with its stated policies on forced labor.

Demonstrating the Meaning of "Active Ownership"

In the pastoral letter *Economic Justice for All*, the Catholic bishops of the United States called on investors to help shape the policies of companies in which they invest through "dialogue with management, through votes at corporate meetings, through the introduction of resolutions and through participation in investment decisions." At CBIS, we take all of those responsibilities seriously. Not only do we file resolutions and meet with companies to discuss complex social and environmental impacts, we also visit corporate operations to kick the tires and meet the staff, debrief with regional NGOs (non-governmental organizations) that are issue experts, and travel to annual shareholder meetings to address members of company boards and fellow shareholders.

Since early May, CRI staff has travelled to Charlotte, NC and Dallas, TX to attend annual shareholder meetings. Our CRI Assistant Director raised the issue of slave labor at Nucor's annual meeting, pressing the CEO of the largest steel company in the U.S. on measures the company will take to identify and eliminate slave labor from its Brazilian supply chain.

At ExxonMobil, we passionately challenged the board and CEO to reduce greenhouse gas emissions and develop strategies that will provide energy while not unduly impacting the world's poor. "Impacts to the world's poorest communities, including those in the Global South, are happening now. Climate change is not some abstract thing likely to happen 80 or 100 years from now," noted CRI Assistant Director Tracey Rembert at the meeting. "It is here and is visceral and devastating the world's poorest people. Exxon has said for over a decade that it wants to provide affordable energy to the world's poorest, but only through business-as-usual measures. We expect more."

To find out how you can become involved in CBIS' Active Ownership efforts, contact Julie Tanner, Director of CRI at **jtanner@cbisonline.com.**

COMPANY: Target	**ISSUE:** Human Dignity: *Human Trafficking*	**GOAL:** Address human trafficking in the seafood supply chain

In February, the team from **Target** updated CBIS on progress made on responsible sourcing of Thai seafood and steps being taken to eliminate human trafficking, an offense against fundamental dignity of the human person. Target continues to closely evaluate joining the Shrimp Sustainable Supply Chain Taskforce and Project Issara, two innovative organizations working with corporations and human rights organizations to protect workers in the region, strengthen audit procedures and root out unscrupulous labor brokers. Walmart, Thai Union, Red Lobster and Nestlé are among the companies that have committed to work with Project Issara. We strongly encouraged the company to demonstrate leadership by joining these effective initiatives. We also shared with Target a thorough and substantive **report** by Nestlé, "Recruitment Practices and Migrant Labor Conditions in Nestlé's Thai Shrimp Supply Chain," which includes a detailed **action plan** to protect workers and improve working conditions that we hope Target will replicate. We were pleased that Target recently hired staff based in Bangkok with labor and human rights expertise. Target's U.S. staff again traveled to meet with Thai government officials and reviewed the inspection process for boats entering and leaving ports to assess working conditions. The company is creating goals to establish a responsible seafood sourcing strategy and anticipates release by year-end. Ensuring that workers are treated fairly and protected from egregious human rights abuses is a key component of the strategy.

COMPANIES: Archer Daniels Midland, Mondelēz, Coca-Cola	**ISSUE:** Environmental Stewardship: *Water Sustainability*	**GOAL:** Conduct water risk assessments to identify areas of water stress and scarcity, take steps to mitigate risks and impacts, and address local water accessibility

Using Water Risk Mapping to Identify Local Water Concerns

Agriculture is by far the greatest consumer of water of any industrialized activity. In recent decades food production activities have consolidated into outsized operations that consume large volumes of water. Agricultural activities also contribute to water quality issues as they produce large amounts of effluent into waterways, such as pesticides and nitrates, both of which can be environmentally harmful in high concentrations. Very often these operations coalesce in rural communities around the globe, where access to water can already be limited.

CBIS has been encouraging companies to conduct water risk assessments in order to uncover local water scarcity and water stress. Water stress pertains to situations when the demand for water exceeds the available amount during a certain period or when poor quality restricts its use. Very often water insecurity occurs in poor communities.

In a recent dialogue with **Archer Daniels Midland** (ADM), led by the Tri-State Coalition for Responsible Investment, ADM reported that, although the Aqueduct water risk assessment tool did not reveal any facilities areas of water scarcity, the company has set and exceeded goals to reduce water use by 18 percent (against a goal of 15 percent, with a 2008 baseline) at its processing facilities by 2018. While CBIS welcomes the progress we continued to encourage the assessment of its agricultural supply chain. As the largest corn processor in the world, its largest share of water consumption and impacts lie in the agricultural supply chain. ADM also reported it will complete the CDP Water questionnaire for 2016, which CBIS will review. CDP's Water program gathers publicly reported corporate water information from the largest and most water-intensive companies around the globe.

CBIS also met with the global sustainability team from **Mondelēz** in early February, in a dialogue led by Mercy Investment Services. Mondelēz is one of the world's largest snack companies. CBIS was pleased to learn the company continues to make progress on its water use reduction initiatives in facilities that have been identified in water-scarce areas. As part of its 2020 Global Sustainability Goals the company has committed to a 10 percent water use reduction (with a 2013 baseline). However, as with our engagement with ADM, CBIS is encouraging greater efforts toward addressing the largest portion of the company's footprint—its supply chain.

Similarly, **Coca-Cola** continues to identify priority regions globally to address water risks and community concerns related to water accessibility. In early February CBIS participated in an engagement, led by Mercy Investments, with the company's senior management, including staff dedicated to water stewardship. In order to implement its commitment to respecting the human right to water and sanitation the company requires operations to assess vulnerabilities to community water sources, determine potential impacts from water uses and discharges of treated wastewater, and develop a Source Water Protection Plan. CBIS commended the progress the company is making in creating systems that embed water as a human right into their business activities and encouraged the company to monitor progress on this implementation.

Companies can play an important role in ensuring accessibility to water by connecting locally with communities. Corporate dialogues on water stewardship require an investment of time into acquiring data that pertains to water risk and stress assessments. Water risk assessment results and CDP report data also provide a foundation for identifying communities living in areas that suffer from water constraints. In addition, this information is helpful to CBIS and investors who are making the case to companies to commit to adopt a policy on the human right to water and sanitation as part of their water stewardship.

"…the sustainable management of water becomes a social, economic, environmental and ethical challenge that involves not only institutions but the whole of society. It should be faced in accordance with the principle of subsidiarity, that is, through the adoption of a participatory approach that involves both the private sector and above all the local communities; the principle of solidarity, a fundamental pillar of international cooperation, which requires a preferential option to the poor; the principle of responsibility to the present generation and those to come, from which derives the consequent need to re-examine the models of consumption and production, often unsustainable with regard to the use of water resources. "

— Message of Benedict XVI on the Occasion of the Celebration of World Water Day 2007

COMPANY:	ISSUE:	GOAL:
Newmont Mining	Environmental Stewardship and Environmental Justice	Strengthen human rights and environmental policies for global operations

Spotlight: The Cost of Community Consent

CBIS led a call in April 2016 with senior staff from **Newmont Mining**, the world's second largest gold miner, to discuss the company's announcement to abandon its Minas Conga mine in Peru "for the foreseeable future" due to lack of community support. While low copper prices and market conditions were also cited as a rationale for the decision, the $4.8B project has faced strong community opposition for nearly six years over concerns about access to, and potential contamination of, water supplies. Newmont holds out hope it can return at some point in the future. CBIS encouraged the company to develop strong relationships with neighboring communities, build supply chains that are based on local products and services, and engage with communities that are directly and indirectly impacted by the mine. These recommendations were based in part on our visit to the project area in 2012 with members of

ICCR, after protests over Conga had turned violent. We urged the company to gain the free prior and informed consent (FPIC) of host communities before proceeding. While the mine will not be developed in the short term, CBIS will continue to work with the company to ensure that insights from the Conga experience will translate to other Newmont mines and benefit local communities.

COMPANY: Anglo American	**ISSUE:** Environmental Stewardship and Environmental Justice	**GOAL:** Strengthen labor and environmental standards to improve community and worker relationships.

In March, CBIS organized a webinar attended by 50 SRI investment analysts about new tools to advance corporate efforts towards responsible mining. Anglo American, one of our active ownership companies, was one of the featured speakers. The company discussed its membership in The Initiative for Responsible Mining Assurance, an innovative multi-stakeholder group that is working to develop best practice for mine sites, including standards for environmental and social issues, labor rights, indigenous peoples and cultural heritage, and pollution control. The coalition includes mining companies, businesses purchasing minerals and metals, public interest groups, community organizations, and trade unions.

ECONOMIC JUSTICE | **Access to Health/Nutrition**

COMPANY: Gilead	**ISSUE:** Economic Justice: *Access to Health and Nutrition*	**GOAL:** Evaluate reduced pricing options to expand coverage for HIV and Hepatitis C patients

In February, CBIS met Jayasree Iyer, Executive Director of the Access to Medicine Foundation, to discuss ways to encourage Gilead and the pharmaceutical industry to do more to help the world's poorest people gain access to the medicine they need. The Access to Medicine Index (AtMI) independently ranks pharmaceutical companies' efforts to improve access to medicine in developing countries. Companies also use it to develop a greater understanding of their own scope of activities and to compare their performance to peers. From our discussion and the work of AtMI, we have established goals that include calling on Gilead to reduce the price of its Hepatitis C medications in middle-income countries, where there is the greatest need at present. Sovaldi costs $84,000 for a 12-week course while Harvoni, introduced a year later, has a list price of $94,500. We anticipate that research from AtMI will continue to play an important role in informing our engagements with the industry.

COMPANY: Nestlé	**ISSUE:** Economic Justice: *Access to Health and Nutrition*	**GOAL:** Expand product fortification to alleviate malnutrition and make food supplies better sources of nutrients

CBIS and members of ICCR spoke with **Nestlé's** Global Affairs team in May. The company continues to excel. Nestle recently ranked second among 22 companies in the highly regarded **Access to Nutrition Index** (ATNI), which measures a company's contribution to addressing global nutrition challenges. Nestlé has made exceptional progress increasing fortified foods in its affordable products line, which targets lower-income to upper-lower-income consumers. Currently, 81% of its popularly positioned product portfolio is currently fortified with one of the four key micronutrients that have been identified as public health concerns globally: iodine, vitamin A, zinc, and iron. Nestlé emphasizes health and nutrition projects for pregnant women, lactating mothers, and young children, as well as school-age children in low income countries. Presently, more than four-fifths of these products were fortified as of year-end 2015. Food fortification efforts are targeted towards 55 high risk countries with the greatest micronutrient deficiencies, which are typically low income or emerging economies. CBIS asked Nestlé about its work with local governments and joint initiatives to help citizens gain access to fresh fruits and vegetables through improving crop production and creating community gardens so that mothers and children can access healthy food naturally as well.

COMPANY:	ISSUE:	GOAL:
Siemens	Human Dignity: *Human Rights in Conflict Areas*	Report on steps to ensure conflict minerals do not enter the supply chain

The implementation of the Dodd-Frank Wall Street Reform Act (Section 1502) in 2010 ushered in significant progress in the development of traceability and certification mechanisms to distinguish "conflict-free" mines from those that continue to finance armed groups and promote violence. While the Democratic Republic of Congo (DRC) and neighboring regions remain in a state of armed conflict, increased traceability and transparency have led to a reduction in the number of tin, tantalum, tungsten, and gold (3TG) conflict mines in eastern Congo—as more than 60 percent of the world's smelters for the four minerals have now passed conflict-free audits.

While legislation was an important catalyst that propelled U.S. companies to trace their supply chains some five years ago, it was only in June 2016 that the European Union (EU) agreed on a framework to stop the financing of armed groups through trade in conflict minerals. Companies will now be expected to report on their sourcing practices based on a new set of performance indicators to be developed by the EU Commission.

With this progress in mind, in July 2016, CBIS requested a meeting with Siemens, a company that has made some strides in determining its exposure to conflict minerals but, we believe, has vast room for improvement. We have asked how Siemens intends to comply with the EU rule, what programs they have in development that will have a positive impact on the people and communities associated with such minerals, and when investors can expect a report on progress.

OUT & ABOUT— COME MEET THE CRI TEAM AT THESE EVENTS:

CONFERENCE	DATE	PLACE	SPEAKER
Diocesan Fiscal Management Conference	September 18-21	San Diego, CA	Julie Tanner, "What is keeping Diocesan CFOs up at night?"
Financial Advisor's Impact Investing Conference	September 19	Denver, CO	Tracey Rembert, "Impact and Effect"
Interfaith Center on Corporate Responsibility (ICCR)	September 26-29	New York, NY	The entire CRI team will attend the Fall conference
International Catholic Stewardship Council (ICSC)	October 3	New Orleans	Julie Tanner, "Catholic Values Investing Can Change the World"
Resource Center for Religious Institutes (RCRI)	October 11-14	Anaheim, CA	Tracey Rembert
The Shareholder Engagement & Communication Summit	October 19	New York, NY	Julie Tanner, "Involving Boards in Engagements: When It Works and When It Does Not"
The SRI Conference	November 9-11	Denver, CO	Julie Tanner, "A New Tool to Assess Forced Labor and Supply Chain Risk"
Huether Lasallian Conference	November 17-19	Chicago, IL	Julie Tanner, "Catholic Responsible Investing"
RI Americas Conference, "Risky Business, Risky Investments"	December 6-7	New York, NY	Tracey Rembert and Marcela Pinilla will attend