CBIS®
Christian Brothers Investment Services

CRI PROGRESS REPORT

Impact and Justice

AUGUST 2017

Catholic Responsible Investing

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A Note from Our New CEO:

I'm pleased to present to you the latest edition of the CRI Progress Report newsletter: *Impact and Justice*. It features the most significant achievements of the past six months. I was drawn by my faith to the opportunity to work with a firm that has brought positive change to corporate boardrooms around the world. Coming in as the new CEO, it has been exciting to witness firsthand the ways we are able to help participants pursue their missions through their investments. Our CRI approach allows us to face head-on the many dire challenges of today and to bring hope to the most vulnerable.

I think you'll see in these pages that CBIS continues this work for the common good—keeping the firm solidly at the intersection of social justice and finance. As always, thank you for the trust you place in us.

Jeffrey A. McCroy, *President & CEO,* CBIS

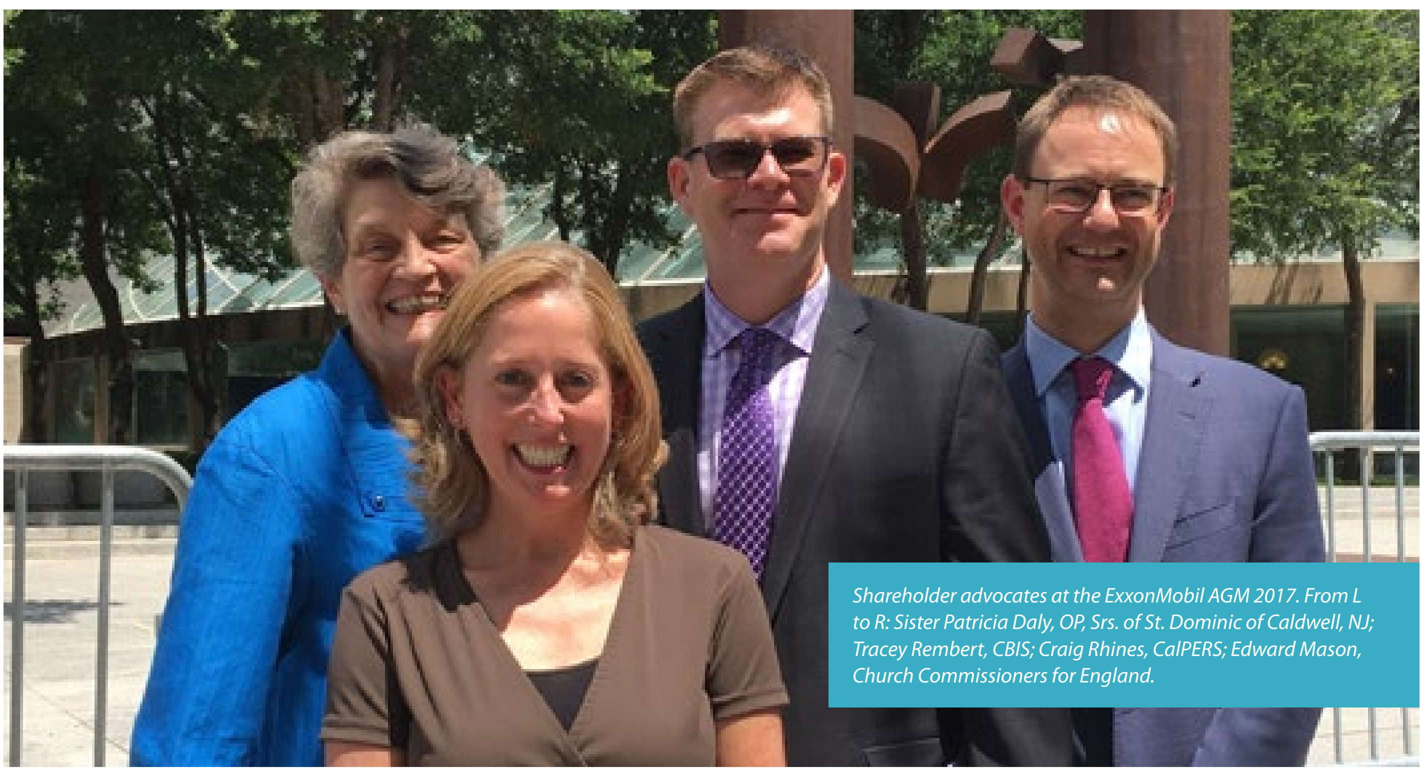
Climate Vote Passes at ExxonMobil

62% Support on Climate Proposal Achieved Building Broad Coalition and Breaking Through to Major Institutions on Climate Ask

This May, in Dallas, the markets were surprised when a coalition of investors—including CBIS—pulled off the unthinkable. A shareholder proposal, to get the world's largest public oil and gas company to assess how its core businesses would prevail under growing calls to curtail fossil fuels and greenhouse gas emissions, won the support of 62% of ExxonMobil's owners. CBIS helped lead the effort, calling on all ICCR members to join us in putting our full backing behind the two degree scenario proposal. We also met with and reached out to many of Exxon's top 20 shareholders, including several large asset managers, to convince them to support the resolution that would become the second largest vote-getter in the combined company's history.

The vote's timing was critical in aligning investors and companies behind the Paris Agreement, as the very next day the U.S. officially announced its withdrawal. This was also the culmination of over 15 years of work by CBIS and other investors to build support internally at the company on climate progress. Exxon's CEO publicly lobbied for the U.S. to remain in the Paris accord that month, and also advocated for a specific carbon tax plan quickly after the vote.

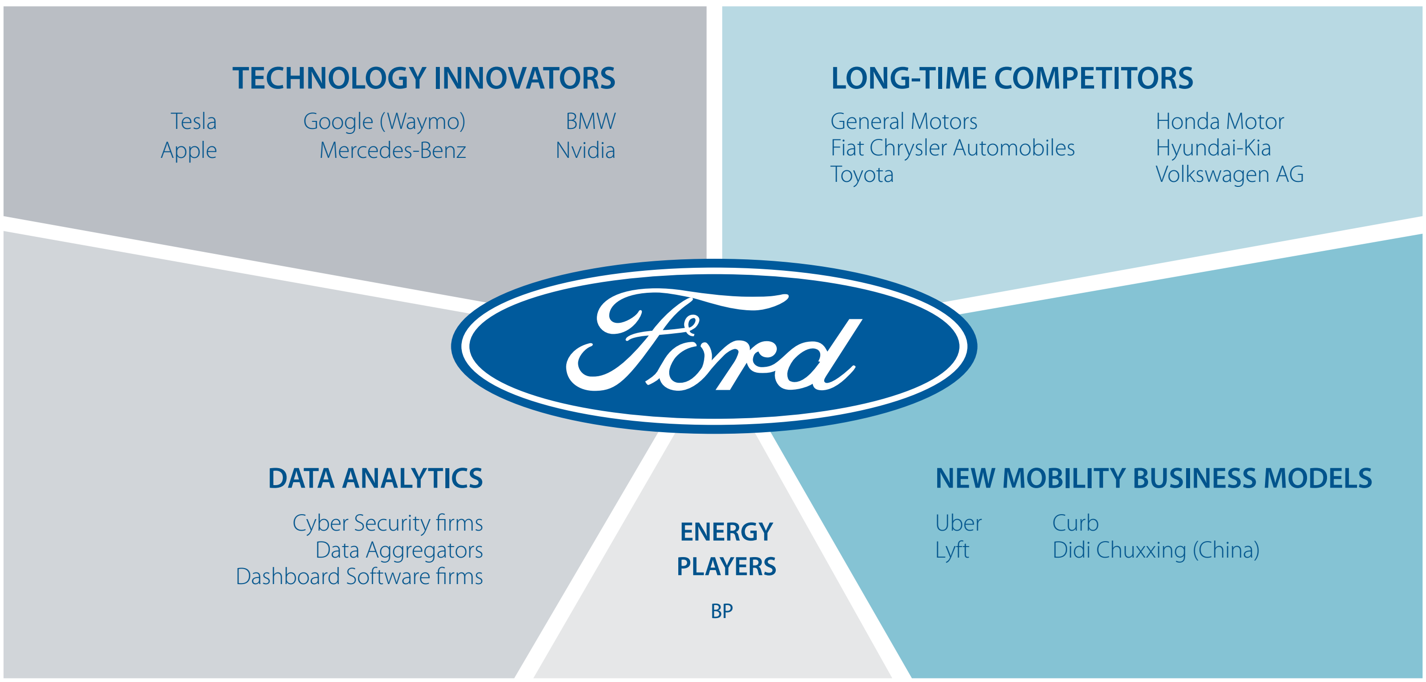
This proxy season witnessed for the first time ever large institutional investors like BlackRock, Fidelity, and Vanguard (to name a few) supporting a climate proposal not backed by the company's board. That support was hard-earned through efforts by the coalition that filed the Exxon climate resolution—CBIS, European asset managers, the Tri-State Coalition for Responsible Investment, the Church Commissioners for England, the NY State Comptroller, and CalPERS, among others. Now the equally hard work begins this summer to get the company to compile stretch-scenarios showing how it would fare with low oil demand and high emissions restrictions—and we need to further galvanize big investors to build consensus on what good scenario reporting looks like so we can measure Exxon's efforts fairly.



Shareholder advocates at the ExxonMobil AGM 2017. From L to R: Sister Patricia Daly, OP, Srs. of St. Dominic of Caldwell, NJ; Tracey Rembert, CBIS; Craig Rhines, CalPERS; Edward Mason, Church Commissioners for England.

Ford, the Future of Cars, and Mobility for Those Left Behind

Ford's Competitor List is Growing…



Engaging in the Auto Sector has been a Rollercoaster Exercise in 2017

Assumptions of auto industry trends and business models are now regularly turned on their heads, and the pace of change is staggering. Sisters of St. Dominic of Caldwell, NJ, is leading the engagement at Ford—CBIS works very closely with the Sisters, helping to set the engagement strategy by leveraging our 15 years of advocacy efforts with Ford. CBIS participated in a half-day discussion with Ford this June in Michigan on lobbying alignment covering a range of concerns: cleaner vehicle goals, advanced mobility progress, reaching low-income markets. We also addressed growing pressures on the company from newer competitors (like Tesla, Uber, and BP) that are shifting demand from the internal combustion engine (ICE) to new technologies and mobility strategies. Volvo recently announced it was eliminating the internal combustion engine in all of its vehicles by 2019, BlackRock reported that the number of electric vehicles will meet and then begin surpassing ICE vehicles by 2030, and Bloomberg just noted that electric cars may be as cheap as gasoline models by 2025 with battery manufacturing capacity tripling by 2021. CBIS pressed Ford on each of these trends, citing the latest research on disruption to its business, and queried the company on its capacity-building in Silicon Valley to stay ahead of new and old competitors. CBIS additionally pressed the company on its roll-out and timeframes for low-carbon fleets, and the policy, cybersecurity and leadership risks accompanying them. Much more progress is needed by Ford to stay ahead of the curve and be a relevant transport company in the coming decades. Ford's new CEO, Jim Hackett, has a non-traditional and venture-capital style background, and might be well-positioned to deliver a more nimble and sustainable company in the future.

Water Impacts by Global Food Leaders

CBIS Spurs International Coalition to Address Growing Problem

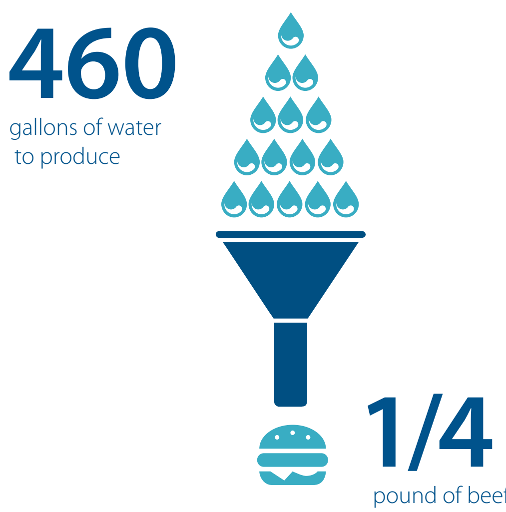
As our global population grows, so does our global consumption of meat—namely beef, poultry and pork—which puts increasing pressure on our natural resources, including the fresh water required to grow the crops to feed livestock, for livestock to drink, and for processing the meat. All of this usage amasses to about 460 gallons of water to produce just one quarter-pound of beef.

In April, CBIS organized a call with Conagra Brands (formerly ConAgra Foods) and investors from the U.S. and Europe, on the topic of water risks in the supply chain. The company has begun a process of mapping its suppliers to identify where its exposure to water risk lies, and to develop a plan of action with priority attention to the most water-intensive ingredients. CBIS encouraged the company to integrate community impact risks from both water scarcity and pollution in its supply chain mapping.

CBIS encouraged WH Group to take a more global look at its water quality impacts and invited it to a dialogue with investors, scheduled for later this year.

China-based WH Group responded to a letter from CBIS by describing its management of water impacts from operations. The environmental initiatives described mainly focused on U.S.-based Smithfield Foods, acquired by WH Group in 2013. CBIS encouraged the company to take a more global look at its water quality impacts and invited it to a dialogue with investors, scheduled for later this year.

Our engagement with Brazilian-based JBS SA has evolved from a focus on water quality impacts to the company's governance failures of sustainability issues overall. While JBS SA responded to our letter earlier in the year outlining its efforts to manage water-related impacts, during these past months, the company has faced significant corporate governance and corruption scandals, a steep decline in product quality and safety, and allegations of massive deforestation and health and safety violations. We are preparing an open letter seeking greater leadership and accountability on these issues by linking executive compensation to sustainability metrics.



2017 Continues to be a Challenge for Affordable Medicines

Engagement with Gilead No Exception

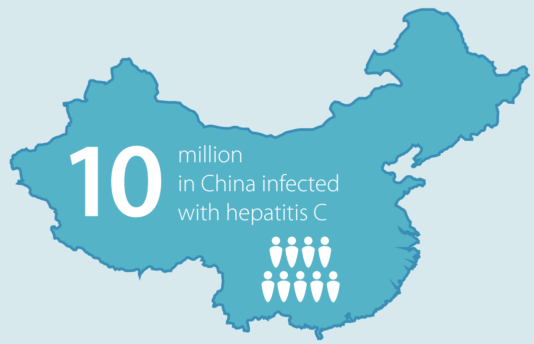
When lifesaving medications are priced out of reach of the poor, when drug companies put profits before patients, and when families have to choose between food and prescriptions, it is clear that the pharmaceutical industry can play a greater role in improving access to medicine. CBIS and our fellow members of ICCR, led by the Northwest Coalition for Responsible Investment, discussed these challenges with Gilead Sciences in April 2017.

The company has high hopes for its recent expansion into China, where 10 million people are infected with hepatitis C, a liver disease caused by the hepatitis C virus (HCV). Up to 80 million people are affected worldwide, 85% of whom have low- (13%) and middle-incomes (72%) and cannot afford costly drugs. Gilead reported that it will build new manufacturing plants and seeks to replace outdated medications that have poor cure rates. The company also discussed its pilot project in Georgia, which has the world's third-highest prevalence of hepatitis C, where it seeks a 90% reduction in HCV prevalence by 2020.

Gilead reported that it will build new manufacturing plants and seeks to replace outdated medications that have poor cure rates.

While these are positive moves, we have asked the company to substantially increase transparency and public disclosure so that we can better monitor its performance on expanding access and affordability of key drugs and encouraging innovation.

Hepatitis C: a Growing Challenge Worldwide



80
million
have hepatitis C
worldwide

85%
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the drugs

Online Dangers

CBIS Presses Tech and Telecom Companies on Child Sexual Exploitation

What responsibilities do Information Technology (IT) companies have to recognize and stop child sexual exploitation? Most are still trying to figure this out and a few are oblivious to the connection to their business, but a number of leading IT companies in the U.S. have dug in with attempts to address the challenge—from studying child exploitation trends online (bullying, child sex abuse, terrorism recruitment), to how their own technologies might be used to turn the tables on these dangers. Microsoft, Google, Facebook, AOL and Twitter are a few that have worked in coalition on several strategies including facial recognition software for child abuse images that have been altered, use of databases of child sexual abuse websites to block known offenders, and image tagging to lock down abusive content, among others. But there is much more to be done.

CBIS' Tracey Rembert and Shaska Chirinos met with Chicago Police Department detectives May 12 to learn more about how Internet technology is used to both assist and deter law enforcement in identifying child sex traffickers.

CBIS conducted extensive preparatory research on this devastating issue to better understand the players, best practices, legal and privacy concerns, and how victimization often occurs, before we began dialogues with companies in our portfolio. Building trust with companies on this topic is difficult, since most of them disclose little to nothing on the subject. Many fear an association between their company and child sex abuse, and others fear customer backlash around privacy invasions. To position our engagements for success with our focus companies, we interviewed a number of leading tech companies to understand off-record how they are tackling online sexual abuse, and what best practices look like. Our CRI staff spent one day in May with Chicago law enforcement agents who specialize in tracking child sex abuse online to learn how abusers are caught and how victims are often groomed. The agents also showed our team how website and chat room creators peddle the concept of child exploitation online without actually breaking the law (sometimes by staging or marketing the victimization of children but using very young looking adult models, for example). We are also in the midst of interviewing leading nonprofits, like Thorn, the Technology Coalition, the ACLU, and Unicef to understand how the many pieces of technology, privacy law, and online child sex abuse connect.

CBIS' focus for 2017 includes four telecom companies (Verizon, AT&T, Sprint, and T-Mobile) and Apple—all leaders in their field that are disclosing little in this space, but have enormous influence and ability to set best practices. Engagements have ranged from letters and phone calls, to emails and joining investor webinars and asking questions. Through our due diligence, we've honed in on three key areas where companies need to focus first:

1. Far greater expansion of free or low-cost, easy-to-implement, and robust parental controls, across children's devices, and which are regularly updated based on child usage trends, vulnerabilities, and age.

2. A commitment to ongoing education of parents, kids, app developers, and educators on child abuse online and its prevention and warning signs.

3. Public disclosure of what each company is doing to identify child abuse trends online using its technologies, identifying illegal images, and blocking or removing them, and evidence that each company is strengthening its customer "User Terms" to better respond to exploitative behaviors online.

Our ultimate goal is to have dedicated Online Child Safety teams, board oversight of the issue, annual disclosure of progress, and specific policies at our focus companies that connect integral divisions within the corporation to better identify and prevent child sexual abuse online.

Another Win for Ethical Recruitment

Campbell Soup's New Policies Begin Breaking the Chain of Indebtedness, Rebuilding Worker Dignity

Palm oil is ubiquitous—it is found in more than half of all products in our supermarkets. To meet high demand, hundreds of thousands of migrant workers, targeted by labor brokers, toil in the fields of Malaysia and Indonesia to grow, harvest and process it. In some cases, workers are charged high fees for landing jobs, face abusive conditions, work long hours for no pay, and have passports retained so they are trapped at remote plantations.

After two years of pressing Campbell Soup to address this issue that impacts so many corporations, we are pleased to see the company's new Code of Conduct for Suppliers. The policy includes several good elements and sets as a baseline a prohibition on slave, bonded and any form of forced labor and human trafficking. Importantly, it forbids suppliers from charging workers fees or retaining passports, so workers have freedom of movement. It also requires suppliers to delineate for workers the terms and conditions of employment, including itemized wage statements, in a language understood by the worker. It further makes clear that suppliers are to educate and monitor their vendors, subcontractors and independent contractors, and that suppliers in high risk industries will be required to undergo strict audits. We plan to meet with the company in the fall to discuss the rollout of the Code to suppliers, to better understand implementation, effectiveness and adherence.

PARTICIPANT CORNER

Society of the Divine Word Represents Community Justice Concerns at Mining Roundtable in Bogota

In February 2017, several mining companies—including Anglo American, Newmont, and Glencore—helped convene the Mining and Faith Reflections Initiative. It included site visits and a roundtable discussion in Bogota, Colombia, for 29 faith and civil society groups concerned about mining impacts in the region. CBIS asked Father Emigdio Cuesta with the Society of the Divine Word (a CBIS participant) to attend this dialogue. Father Emigdio, who resides in Bogota and has been a licensed theologian since 1995, brought 26 years of experience working with affected mining communities to the discussions.

Photographs provided by MFRI Secretariat, February 2017

The initiative was intended to build trust and lay the groundwork for discussions to come by sharing experiences and developing long-term goals for the group. "To move the conversation forward, you must have a seat at the table, even if you disagree with what others are saying," noted Father Emigdio, who believes engagement encourages companies to implement best practices, and also allows investors to better hold them accountable.

"There is no denying mines cause pollution. Corporate dialogue is an effective tool to implement best practices and measure results." Fr. Emigdio Cuesta Pino, SVD

MAXIMIZING IMPACT THROUGH POLICY ACTION

CBIS Writes House Financial Services Committee to Defend Our Rights as Shareholder Advocates

This spring, the U.S. House of Representatives debated and passed the Financial CHOICE Act (HR 10), which proposed hundreds of amendments including a provision to limit many investors' rights to file shareholder proposals at public companies—a tool CBIS has long used on behalf of our participants to raise issues related to Catholic teaching and our investments worldwide. The Act specifically sought to limit the filing of shareholder proposals to investors owning more than 1% of a company (at Apple, that would be over $7 billion worth of shares), to raise the percentage vote proposals would need to garner to be re-submitted, and to eliminate the filing of resolutions by investment managers and others who work on behalf of clients. The Act is now being considered by the Senate Banking Committee, of which CBIS met with several members in mid-July to press our case.

ACTION CENTER

Please Join Us: CBIS Forum on Child Sexual Exploitation Online at RCRI Conference

November 2, St. Louis, MO

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

Missed Our Climate Change Engagement Impacts Webinar on July 11th?

A replay is available on our website so you can catch up when you have time. The webinar includes updates from the ExxonMobil shareholder meeting and our resolution on climate scenario planning that passed, and other recent progress.

Contact Us

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

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