

Impact and Justice

JANUARY 2019

2018 ACHIEVEMENTS & A LOOK AHEAD

Driving Change on Issues of Human Dignity

CBIS was proud to continue our leadership in the responsible investing space in 2018. We believe investing in public companies gives us an important opportunity—and great responsibility. Shareholders gain a voice in shaping policies and practices, and our mission compels us to take action. By engaging with companies in our portfolio, we fulfill the mission of Catholic Responsible InvestingSM: achieving sound financial returns while affirming our faith. In 2018, CBIS drove progress on our three focus issues through engagements with companies across the globe.

Industry Leadership

31 Companies CBIS focused on for 2018, from 13 countries and 4 continents

A Grade CBIS received from Principles for Responsible Investment, a U.N.-backed organization

\$4 TRILLION Combined AUM of the Investor Alliance on Human Rights, a global initiative CBIS helped launch

Driving Progress

CHILD SEXUAL EXPLOITATION



3,000+

Law enforcement officials **Apple** trained on digital crimes, including child exploitation

2

Major scandals at **Verizon** over child sex exploitation and child privacy online since CBIS filed a resolution on those issues, making clear the need for change

29

Members of an investor coalition CBIS formed to press **AT&T** to address child sex abuse imagery on its platforms

CLIMATE CHANGE

3-5 years

Royal Dutch Shell's window for major greenhouse gas reductions under a commitment to the Climate Action 100+ coalition, which includes CBIS

\$1.3 trillion

Combined AUM of investors CBIS convened to meet with **BP** on transitioning to a low-carbon economy and other climate issues

300

Facilities where **JBS** will assess water risk at the urging of a multi-billion dollar investor coalition led by CBIS

2° C

Adopted global target for limiting global warming; **Ford** agreed to report on scenarios to align its strategies with this goal after dialogue with CBIS and others

80+ times

Methane's climate warming impact vs. CO₂ over 20 years; at CBIS' request, **ExxonMobil** spoke out against weakening methane emissions rules



"The Church's social doctrine constantly points out the need to respect the dignity of children."

— Compendium of the Social Doctrine of the Church, #244

HUMAN TRAFFICKING

\$400+ billion

Combined AUM of faith investors CBIS organized to press **Ryanair** to do more to prevent human trafficking

54,000

Employees **United Continental** trained to spot human trafficking, following pressure from CBIS and other investors





Pursuing More Aggressive Action



Apple 1ST

SHAREHOLDER RESOLUTION AT APPLE INC. ON CHILD SEX ABUSE ONLINE WAS FILED BY CBIS

75%

OF CHILDREN TRAFFICKED OR SOLD FOR SEX ARE ADVERTISED ONLINE
SOURCE: THORN

CBIS is the leading investor worldwide pushing companies to combat child sexual exploitation online, and 2018 was a landmark year for that work. Our previous efforts to engage companies met with lackluster response, spurring us to take more robust action that included:

- Launching an Investor Working Group on Confronting Child Sex Exploitation Online
- Creating a global Advisory Committee of investors and child protection experts to develop expectations for tech companies
- Partnering with UNICEF and Human Rights Watch for a global webinar on children's human rights

Apple Makes Commitments to CBIS

Our work with **Apple**, CBIS' largest holding, marked our biggest breakthrough to date on this issue. After we filed our historic resolution, it was withdrawn when Apple responded with commitments including:

- Disclosing important partnerships and resources to confront child exploitation online
- Expanding training for law enforcement officials
- Continuing dialogue with CBIS and involving key internal teams

Pressing Tech & Telecom Giants for Answers

verizon[✓]

After CBIS filed a shareholder resolution, **Verizon** agreed to meet in early 2019 and expressed willingness to address child sex exploitation vulnerabilities in key systems.



To press **AT&T** for answers on confronting and disrupting child sex abuse imagery on its platforms, CBIS organized a large investor coalition including many Catholic institutions.



After receiving no response from **Sprint** in 2018, CBIS is moving forward with a shareholder proposal.



Taking the Fight to the Front Lines

In 2018, CBIS took our fight against human trafficking to the airline industry. Flight attendants are on the front lines in this battle, uniquely positioned to spot these crimes. CBIS began contacting airlines last year to press them on improving:

- Training to identify and intercept traffickers and victims
- Collaboration with trafficking experts and law enforcement
- Transparency on how they are fighting these crimes

Inspiring Fellow Faith Investors to Act

CBIS has contacted five airlines across three continents to date—most notably **Ryanair**. The Irish carrier has a poor performance record on many social, environmental and governance issues. To amplify our concerns, CBIS formed a coalition of leading faith investors worldwide to co-sign a letter to Ryanair, including:

- The Ecumenical Council for Corporate Responsibility
- The Church Investors Group
- The Interfaith Center on Corporate Responsibility

Taking a Global Approach

The largest airlines recognize their role in disrupting human trafficking. For example, after CBIS and other investors engaged **United Continental**, it announced plans to train all employees to do exactly that. CBIS is also engaging small but significant airlines that may not be active on this issue but fly critical routes across Asia and South America. (See page 5 for the full list.)

Ending Successful Engagements

After achieving our goals with **Target** and **Campbell Soup**, CBIS is ending engagements with the two iconic companies. We are proud of successfully pressing both companies to improve policies aimed at preventing human trafficking, forced labor and modern day slavery.



89
million people were victims of
modern slavery over a 5-year period

25 million
FORCED LABOR VICTIMS
AT A GIVEN TIME

25 percent
OF MODERN SLAVERY VICTIMS
ARE CHILDREN



Source: International Labor Organization, Global Estimates of Modern Slavery



Advancing Environmental Justice, Globally & Locally

CBIS has long engaged key influencers in the energy industry on climate change and related business risks. While some institutional investors have divested from fossil fuel companies, CBIS prefers active ownership because once shares are sold, leverage over management is lost. In addition, climate change is a systemic issue involving most economic sectors—so we prefer to take a holistic approach to the problem.

Pushing Energy & Auto Companies on Climate Issues



Shell continued to set the pace among oil supermajors with a significant commitment to the Climate Action 100+ coalition, which includes CBIS. The company will establish short-term greenhouse gas reduction targets aligned with the Paris Agreement—a much tougher task than meeting goals the company had set for 2035 and 2050.

ExxonMobil CBIS met with management twice in late 2018 to discuss **Exxon's** positions on:

- Recent emissions regulations
- Greenhouse gas targets
- Carbon tax advocacy
- Low-carbon investments

Days after the second meeting, Exxon announced its opposition to rolling back federal restrictions on methane—the most potent greenhouse gas.



CBIS hosted a meeting of shareholders and bondholders, where **BP** discussed:

- Recent acquisitions to prepare for a low-carbon economy
- Aligning public policy positions with stated climate goals
- Various climate change scenarios

At our request, BP agreed to additional meetings this year on issues including oil and gas development in sensitive areas and aligning compensation with climate strategy.



After a public policy dialogue with CBIS and other investors, **Ford** announced its support for aligning the EPA's auto emissions rules with California's—the most stringent in the country.

Promoting Water Stewardship Worldwide



CBIS met with the chairman of the world's largest beef producer, bringing additional pressure to bear through one of our sub-advisors—a major shareholder. **JBS'** chairman later announced to us that the Brazil-based company would assess water risk at hundreds of facilities worldwide.



"There is a real danger that we will leave future generations only rubble, deserts and refuse. So I express my hope that concern for the state of our common home will translate into systematic and concerted efforts aimed at an integral ecology."

— Pope Francis addressing climate change experts, July 6, 2018

Active Ownership Initiatives in 2019

Our signature campaign for 2019 is “Safeguarding Children in the Digital World.” This work will include engagements with some of the world’s largest technology companies, giving CBIS the potential to influence change across the sector. See below for more details, as well as additional corporate engagements we are planning for the year ahead.

	COMPANY	GOAL
CHILD SEXUAL EXPLOITATION	Alphabet, Amazon.com, Apple, AT&T, Facebook, Sprint, Tencent Holdings, T-Mobile, Verizon Communications, Weibo	<i>Disclose strategies and performance around protecting children from sexual exploitation online</i>
HUMAN TRAFFICKING	AIRLINES: Alaska Air Group, Copa Airlines, China Air, EasyJet, Lufthansa, Ryanair, United Continental	<i>Institute training programs to develop frontline defenses against trafficking; report annually on progress</i>
	APPAREL: Kering Group, Hermes, Hugo Boss, Inditex, Fast Retailing	<i>Create comprehensive, transparent and verifiable frameworks to end forced labor in supply chains</i>
CLIMATE CHANGE & RELATED WATER RISK	ENERGY & AUTOMOTIVE: BP, CNOOC, ExxonMobil, Ford Motor, Royal Dutch Shell	<i>Disclose plans to reduce emissions from operations and products; align lobbying with stated climate goals; share steps needed to align with the Paris Agreement</i>
	MEAT PRODUCTION: JBS SA, WH Group, Pilgrim’s Pride (majority owned by JBS)	<i>Push companies to assess and address risks their operations pose to water resources</i>

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 at:

CRI@cbisonline.com or (800) 592-8890

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.



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