

CATHOLIC RESPONSIBLE INVESTMENTSSM PROGRESS REPORT

Impact and Justice

FEBRUARY 2021

Persistence, Progress and a New Perspective

As a new year begins, CBIS reflects on our response to the complex challenges of 2020, the progress made with our portfolio companies and the honors we earned. That includes updates on our active ownership initiatives—focused on the interrelated principles of care for creation, human dignity and economic justice. We also look to the year ahead, with new guidance from the Vatican on fossil fuel investments and other priority issues Pope Francis outlined in *Laudato Si'*.

\$250
billion+



AUM of CBIS and allies that filed a shareholder resolution pressing ExxonMobil to catch up to peers in planning for a low-carbon future

verizon[✓]
one +
MILLION DOLLARS

Budget for Verizon's campaign with the National Center for Missing and Exploited Children to locate runaway kids, after CBIS stressed the importance of partnerships in fighting sex abuse



1 IN 6 RUNAWAY CHILDREN

Likely victims of child sex trafficking, of the nearly 26,300 runaways reported to NCMEC in 2019

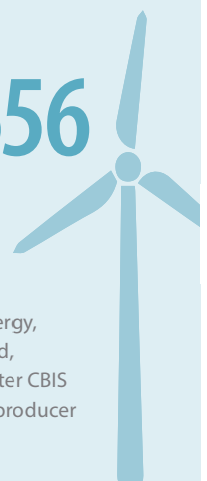
80%
of China's cotton
representing

22%
of the global
market

Produced in the XUAR region, which CBIS is urging apparel brands to avoid over human rights concerns



\$339-556
MILLION



Approximate annual investment in new energy, primarily offshore wind, pledged by CNOOC after CBIS urged the oil and gas producer to diversify

A Look Back at 2020 Accomplishments

After a challenging year, below are our proudest achievements of 2020.



Three-Pronged Approach to COVID

CBIS pivoted quickly as a response to the pandemic and engaged at the highest levels to confront the resulting health, humanitarian and economic crises by:

Engaging 15 sub-advisers to voice concerns on priority issues and build clout for active ownership initiatives

Sparking dialogues with 20 portfolio companies in the highly impacted apparel, tech and meatpacking sectors

Collaborating with other investors with over \$1T and NGOs to share strategies and increase our influence on companies



Recognition for Responsible Investing

PRI (Principles for Responsible Investment), 3,100 signatories with \$110T in assets under management:

Named CBIS a finalist for **Stewardship Project of the Year Award** for our active ownership work to protect children online

Awarded CBIS **straight As** on our annual report card for the fourth year in a row, as we outperformed the median score



Aligning with Our Sub-Advisers on ESG

CBIS surveyed, benchmarked and engaged each sub-adviser, across the US and Europe with over \$1T AUM, on the role of environmental, social and governance factors in their investment decisions.



Fighting to Protect Shareholder Rights

As the U.S. government attempted to roll back key shareholder rights, CBIS engaged federal agencies—including meeting with SEC commissioners—to advocate for our investors.



Active Ownership Successes in 4Q

HUMAN DIGNITY

Novel Partnership Produces Results

CBIS consistently asks tech and telecom companies to partner with online safety experts to protect children from exploitation. **Verizon** showed how effective these partnerships can be in teaming up with the National Center for Missing and Exploited Children (NCMEC) for a campaign to bring missing kids home. It featured a remake of the hit 1990s song “Runaway Train” and an interactive music video spotlighting local missing children, which Verizon sent to email customers.



“Runaway Train 25”
Campaign Results

LOCATED AND RECOVERED	LEADS ON OTHER MISSING CHILDREN
20	60
missing children	percent increase

WATCH THE VIDEO >

Strengthening Anti-Exploitation Efforts

AT&T completed two studies requested by CBIS on the impact of its products and services on children, helping the company:

- Create a policy outlining its commitment to safeguarding children from online predators
- Develop mandatory training for customer call center employees and field technicians to detect and report child sex abuse material



Representing Investors in Content Oversight Talks

CBIS was one of four investor representatives invited to participate in discussions on **Facebook’s** new Oversight Board. The panel of experts across domains such as human rights and censorship will make decisions on removing or reinstating flagged content. CBIS has emphasized the need to be more vigilant on child exploitation imagery, improve training for content moderators and better manage their workloads.



Leading Child Protection Discussions

CBIS helped organize a shareholder dialogue with **Alphabet**, parent of Google and YouTube, to learn about its efforts to crack down on child sex abuse material on its platforms. Among other actions, Alphabet touted its financial support for the Technology Coalition against child exploitation online, which CBIS has engaged since 2017.



Thought Leadership for Faith Investors

GreenMoney Journal’s November 2020 issue featured a piece by CBIS’ Julie Tanner, “Moving Child Labor: Faith Investors Must Pay Greater Attention to Impacts on Children from Our Market Decisions.”

READ THE ARTICLE >

Active Ownership Successes in 4Q (cont.)



ECONOMIC JUSTICE

Urging Brands to Eliminate Forced Labor



Holy Father Decries Uyghur Abuses

Pope Francis described the Uyghurs as “persecuted” in his new book “Let Us Dream: The Path to a Better Future,” saying he keeps them in his prayers. [Read the article >](#)

Nearly one-quarter of the world’s cotton is produced in China’s Xinjiang Uyghur Autonomous Region (XUAR). In this global hub for apparel manufacturing, the Chinese government has imprisoned an estimated one million Uyghurs and other Muslim minorities in “re-education camps,” subjecting many to forced labor.

CBIS contacted several portfolio companies in the apparel industry, urging them to stop sourcing from XUAR. While **Kering** has not yet responded:

- **Hugo Boss** directed all suppliers to discontinue purchasing cotton from the region; some have already turned to other sourcing countries.
- **Uniqlo** reported none of its products are manufactured in the region, insisting all supply chain partners follow codes of conduct for human and worker rights.
- **Hermès** and **Inditex** told us they do not source from XUAR factories, although the latter could not confirm its supply chain was free of cotton from the region.

In addition, CBIS joined investor letters to **Adidas**, **Hanes**, **L Brands** and **Ralph Lauren** on possible supply chain entanglements in XUAR.

CBIS Joins Anti-Trafficking Group

As longtime leaders in the fight against human trafficking, it was a natural fit for CBIS to join the Coalition of Catholic Organizations Against Human Trafficking. We look forward to bolstering our work on human trafficking and child exploitation as a member of this alliance, organized by the U.S. Conference of Catholic Bishops.



CARE FOR CREATION

Pushing to Catch Up to Peers



ExxonMobil is falling further behind other oil and gas leaders in planning for a low-carbon future. CBIS led an investor coalition in filing a groundbreaking shareholder resolution to urge the company to follow the lead of its peers and announce financial projections for a net-zero 2050 business scenario.

Driving Green Energy Investment



After lackluster responses to previous attempts, CBIS helped form a coalition of fellow Climate Action 100+ members to try and break through to **China National Offshore Oil Corp. Ltd.**

(CNOOC). We met with company leaders, who shared ambitious goals to combat climate change and align with China’s recent pledge to achieve carbon neutrality by 2060.

“The time has come to change course. Let’s not rob the new generations of hope for a better future.”

— POPE FRANCIS, 12/12/20, COMMITTING THE VATICAN TO NET-ZERO CARBON EMISSIONS BY 2050

[READ THE ARTICLE >](#)

Evolving Our Approach as Vatican Issues New Guidance

JOURNEYING

A NEW ROADMAP FROM THE VATICAN WILL HELP TO INFORM OUR CATHOLIC RESPONSIBLE INVESTMENTSSM APPROACH MOVING FORWARD. *JOURNEYING TOWARDS CARE FOR OUR COMMON HOME* WAS RELEASED IN 2020 TO MARK THE FIFTH ANNIVERSARY OF LAUDATO SI'. IT OFFERS A LITANY OF CONCRETE STEPS TO ACHIEVE THE PAPAL ENCYCLICAL'S INTERRELATED GOALS OF FIGHTING CLIMATE CHANGE WHILE FOSTERING A MORE JUST AND EQUITABLE SOCIETY.

Why It Matters

Journeying was issued by the Holy See's Interdicasterial Working Group on Integral Ecology, with the support of Pope Francis. Reiterating his message that everything is connected, the publication recommends paths of action in 12 priority areas.

"In light of the Church's social doctrine and specifically that of *Laudato Si'*," the introduction states, "*(Journeying)* will present various operational proposals, with the aim of inspiring action on the part of Church institutions, believers and all people of good will."

What It Means for CBIS & Our Investors

CBIS will incorporate guidance from *Journeying* into our Catholic Responsible InvestmentsSM approach in three key areas:

- **Active Ownership: Reinforcing Existing Strategy with Calls to Action from *Journeying*** – The priority areas the Vatican outlines are strongly aligned with our own integrated approach to active ownership. By correlating our corporate engagements with paths of action identified in *Journeying*, we greatly reinforce our cornerstone strategies for Catholic Responsible InvestmentsSM. Examples include eliminating human trafficking, ensuring the dignity of work in an inclusive economy and achieving a low-carbon future that leaves no segment of society behind.

- **Fossil Fuel Investments: Shifting Away from Companies Unwilling or Unable to Adapt** – *Journeying* identifies progressive divestment from fossil fuels as a good practice. Since our global economy still relies heavily on these energy sources, trying to build a completely carbon-free portfolio is not practical. Instead, applying a rigorous in-house model, CBIS will strategically divest from companies with significant involvement in the most carbon-intensive fossil fuels that are not likely to play a role in the energy transition.
- **Catholic Social Teaching: Introducing Our Proprietary Scoring System** – CBIS is incorporating issues and actions outlined in *Journeying* into our Catholic Score system, launching in 2021. Much like investors assign ESG ratings, we will quantify companies' support for Catholic principles such as human dignity, economic justice and environmental stewardship. Scores will help guide investment decisions and active ownership initiatives.

Stay tuned as we continue "journeying" in the months and years ahead!

Priorities & Focus Companies for 2021 Engagements



Keeping Kids Safe Online

CBIS will continue our groundbreaking work with major tech and telecom companies to spur industrywide cooperation on child protection and ensure platforms and technologies do not extend the reach of predators.

FOCUS COMPANIES INCLUDE:

Alphabet, Amazon, Apple, AT&T, Facebook, Tencent, Verizon, Weibo

Protecting & Restoring Biodiversity

CBIS will engage some of the largest and most influential food, supermarket and consumer staple companies to ensure they and their suppliers are taking action to protect critically endangered species and habitats.

FOCUS COMPANIES INCLUDE:

Carrefour, Kellogg's, Nestlé, Unilever

Defending the Dignity of Work

After COVID exposed the extreme vulnerability of many workers, CBIS is urging meatpacking companies to prioritize health and safety, provide paid sick leave and pay a living wage.

FOCUS COMPANIES INCLUDE:

JBS SA/Pilgrim's Pride, Tyson Foods, WH Group/Smithfield Foods

Eliminating Human Trafficking

CBIS will call upon some of the biggest brands in apparel and footwear to redouble their efforts to prevent forced labor and exploitative recruitment practices in their supply chains.

FOCUS COMPANIES INCLUDE:

Fast Retailing, Hermès, Hugo Boss, Inditex, Kering SA

Meeting the Challenge of Climate Change

CBIS will continue pressing energy companies to forecast business impacts from the transition away from fossil fuels, detail progress toward carbon neutrality and invest in greener solutions. As CBIS shifts away from investment in certain carbon-intensive companies, we will share our expectations on reducing emissions and advancing the energy transition.

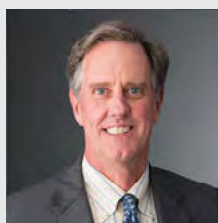
FOCUS COMPANIES INCLUDE:

CNOOC, ExxonMobil

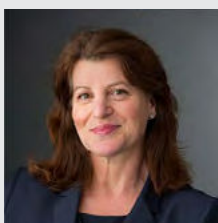
Contact Us

We want to hear from you! If you have questions or want more information on any of our engagements, please reach out to our Catholic Responsible InvestmentsSM team at:

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



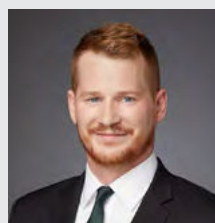
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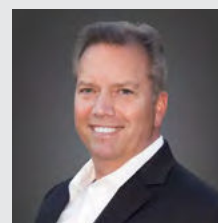
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