

▶ CATHOLIC RESPONSIBLE INVESTING

# Active Ownership

Active ownership is a critical component of Catholic Responsible Investing<sup>SM</sup> that allows the assets of Catholic institutions to help influence corporations to positively impact people’s lives.



Catholic Responsible Investing

## OVERVIEW

Together with diversified asset management and Catholic investment screening, active ownership helps Catholic institutions earn competitive financial returns while generating social and environmental returns in alignment with the teachings of the Catholic Church.

Through our work on behalf of our clients (Participants), we seek to influence corporate behavior in order to promote human rights, economic justice and environmental stewardship, both today and in the future.

## KEY PRINCIPLES OF CATHOLIC RESPONSIBLE INVESTING

HUMAN DIGNITY	ECONOMIC JUSTICE	ENVIRONMENTAL STEWARDSHIP
Human beings are created in God’s image; human life is sacred, and the dignity of all must be protected	The moral measure of any economy is how the weakest are faring; a fundamental concern for investors and corporate executives must be the impact of their actions on the well being of people, particularly the poor and vulnerable	We are stewards of God’s creation; it is our responsibility to nurture, respect, preserve, and protect the planet as a resource for all, including future generations

## CBIS’ ACTIVE OWNERSHIP PROGRAM EMPLOYS SEVERAL IMPORTANT STRATEGIES:

**Corporate Engagements:** Ongoing communication with corporations through meetings, phone calls, and letters to influence the development of a wide range of policies and programs of companies in which we invest. CBIS seeks long-term constructive engagement with companies in our portfolios and builds relationships through trust and mutual respect.

**Shareholder Resolutions:** When management is unwilling to engage with shareholders or is failing to make meaningful progress, CBIS may choose to file a shareholder resolution,

which will be included on a company’s proxy ballot and be voted on by all shareholders at a company’s annual meeting. Often, either to prevent a shareholder resolution from appearing on the ballot, or in response to a significant vote in support of the resolution, management will take steps to address the concerns we raised.

**Proxy Voting:** CBIS votes the proxy ballots of all of the companies in the funds and portfolios we manage, which number more than 3,000. Voting proxy ballots on important governance issues including the election of directors and on shareholder resolutions is one of the key ways that shareholders can influence the strategic direction of a corporation.

ACTIVE OWNERSHIP STRATEGIES		
CORPORATE ENGAGEMENTS	SHAREHOLDER RESOLUTIONS	PROXY VOTING
CBIS meets with portfolio companies to encourage them to improve policies and practices that affect employees, customers, and communities	CBIS files resolutions that are voted upon by shareholders to demonstrate wide-spread support to address our Participants' concerns	CBIS votes more than 3,000 proxy ballots each year, throughout the world, to communicate to companies our Participants' positions on important issues

We believe that through active ownership not only can we have a positive impact on people's lives, we can address a variety of risks and potentially impact shareholder value over time. For example, companies' inattention to environmental and social issues may increase financial, regulatory, legislative,

legal, and reputational risks. Companies that are responsive to shareholders and other stakeholders and have a broad perspective on key issues may make for better long-term investments.

KEY ISSUES ADDRESSED THROUGH ACTIVE OWNERSHIP		
HUMAN DIGNITY	ECONOMIC JUSTICE	ENVIRONMENTAL STEWARDSHIP
Human Trafficking Pornography Violence Human Rights in Conflict Areas	Access to Health and Nutrition Responsible Lending Worker Rights Advancement of Women and People of Color	Water Sustainability Climate Change Hydraulic Fracturing Environmental Justice

**DETERMINING WHAT COMPANIES TO ENGAGE**

To ensure we cover a wide range of issues of concern to Catholic organizations, each year we directly engage companies on issues related to human dignity, economic justice, and environmental stewardship. Our basic philosophy is to screen out companies based upon what they do, and to use active engagement with companies when our concern is with how they are conducting their business. Which strategy we employ for any given issue is strongly influenced by the direction Catholic teaching leads us, by the preferences of CBIS' participants and by the potential financial impact. We also consider:

- ▶ Our largest holdings, to identify where we might have the most leverage
- ▶ The strategic importance of a company within an industry

- ▶ The performance of the company within the sector as a leader or laggard
- ▶ Company size and country of origin (to ensure we engage companies across our Funds)
- ▶ Whether CBIS is one of only a few socially responsible investors to hold a company

Our role as investors is not only to avoid or discourage bad practices, but also to encourage companies to positively contribute to the common good. When companies produce products whose end purposes are immoral, we will employ investment screens. When we can play a role in changing companies' behaviors to improve people's lives, we will pursue an active ownership strategy.

**ACTIVE OWNERSHIP IS PART OF A COMPREHENSIVE PROCESS**

Increasingly, companies recognize that investors’ views can prove to be extremely valuable. In engagements, CBIS provides both the business case and moral imperative for our concerns and suggests ways the company can address them. Companies understand that our recommendations are:

- ▶ based on extensive research of their industry
- ▶ leverage experience from working with many other companies
- ▶ are given in good faith

As shareholders, we have a direct stake in the success of the company. Thanks to this approach, coupled with our reputation, industry expertise, and solid record of accomplishment, many companies find that it is prudent to address concerns raised by CBIS. If a company is unwilling to meet with shareholders or when insufficient progress is being made, a shareholder resolution may compel a company to take action.

**ONGOING MONITORING**

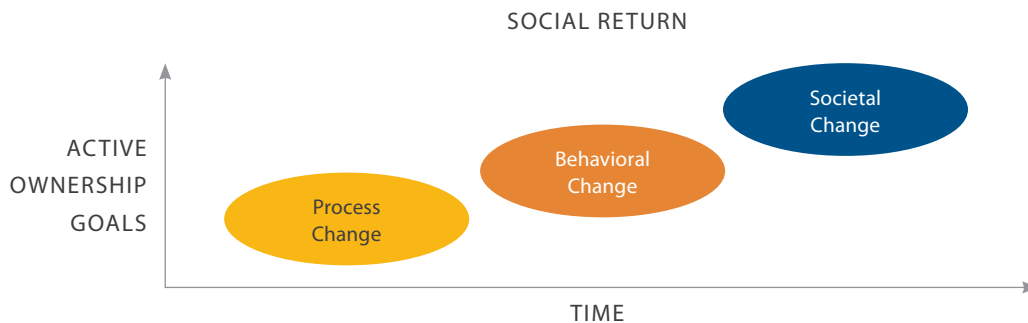
We look for companies to demonstrate that they are implementing the agreed upon changes. We ask companies to publish relevant policies (such as a human rights policy) and provide details as to the steps they are taking, the priorities they have established, evidence of accountability mechanisms, their measurements of success, and the benchmarks and metrics they have created to evaluate their ongoing

performance. We push for public disclosure of this information so that all investors and stakeholders can have access to it and may go on-site and evaluate company operations for in-depth engagement.

**MEASURING SUCCESS OVER TIME**

The chart below demonstrates our long term goal of bringing about systemic change that improves the lives of communities and individuals, particularly the poor. For each of our engagements, we first establish short and long-term goals in order to measure and evaluate our progress. We then approach our target companies and discuss our goals. A process change occurs when a company agrees to engage and accept input. Behavior change happens when companies start to implement significant reforms that can have a direct impact on people’s lives. For example, companies may create and implement a new policy or discontinue a product or practice of concern. Since engagement is an incremental process leading to corporate behavioral change, once the goals are met we typically re-define goals for the next stage of engagement. The real goal is social change. Our role in this larger process is to work for change in corporate behavior that results in better alignment with Catholic beliefs. In many cases, success is dependent on coordinated efforts with others — we can’t do it alone, and neither can our companies. We believe that this long-term perspective makes companies not only more ethical and responsible but also better investments that are in-line with Church teaching.

**RESPONSIBLE STEWARDSHIP THROUGH ACTIVE OWNERSHIP**



**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.*