CBIS

LAUDATO SI' — A CBIS PERSPECTIVE

A Look Back: Laudato Si' & the Pope's Historic 2015 Visit

How Catholic Responsible Investing℠ Aligns with the Inspired Words of Pope Francis

Through the early months of 2015, there was much anticipation of Pope Francis' encyclical letter, On Care for Our Common Home, and how he would position his views to Catholics globally. What we received in the Summer and early Fall though, was a heartfelt plea by the Holy Father for ALL people of the Earth to take a closer look at not just the environment, and how we treat the planet, but how we treat each other.

"Let us treat others with the same passion and compassion with which we want to be treated." — Pope Francis, Address to Joint Session of Congress on Thursday, September 24, 2015

We believe that there is a special link between Laudato Si' and the ongoing work of CBIS — the daily efforts that our employees are so passionate about. His historic visit to America helped to underline this — from the unprecedented speech before Congress, the address to the United Nations, public Masses offered in Washington and Philadelphia, meetings with prisoners and at schools, we were moved by the Pope's faith and his passion. He has given us renewed energy and conviction that our efforts to help Catholic institutions are just, and essential in achieving better alignment with the Church.

His encouragement to greater activity to protect creation and the dignity of every human person is the foundation of all we do at CBIS. We call our approach Catholic Responsible Investing™ (CRI). It seeks to enable Catholic institutions to effectively manage their investment portfolios in a manner which reflects, and advances, their faith-based missions — allowing the two to work in harmony.

CATHOLIC RESPONSIBLE INVESTING℠ (CRI)

Keeping the Faith

CRI is an investment management approach designed specifically to help Catholic institutions pursue their missions by seeking to provide sound financial returns while remaining faithful to the teachings of the Church.

CRI seeks to identify key issues that underline some of the core beliefs of the Church:

- Human Dignity
- Economic Justice
- Environmental Stewardship

At the very heart of CRI are three key elements:
1. Comprehensive, disciplined Catholic investment screens designed to align an organization's portfolio with Church teaching, **2.** Distinctive, professionally managed investments that integrate these screens and seek to deliver diversification and competitive, risk-adjusted performance, **3.** Active ownership that is also in line with Church teaching, but aimed at moving beyond screens to direct corporate engagement.

ALIGNING WITH THE PRIORITIES ARTICULATED BY POPE FRANCIS

Focus on the marginalized and disenfranchised
Pope Francis has spoken eloquently to a variety of audiences and in many venues of our shared responsibilities to care for the poor and those who are marginalized and disenfranchised. Pope Francis acknowledges the needs of the poor are many and implores us to not be fearful or overwhelmed by their numbers but instead to look in their eyes and see their faces.

Think of the poor, he encouraged us at every turn. They have "sacred rights" to labor, land and lodging, he said. ***"They are cast off by society, forced to live off what is discarded and suffer unjustly from the consequences of abuse of the environment,"*** Francis said. ***"These phenomena are part of today's widespread and quietly growing 'culture of waste.'"***

At CBIS, our work seeks to shine a light on abuse on the world's poor and to help companies strengthen their policies and practices to prevent exploitation. For more than twenty years, we have encouraged companies to adopt comprehensive human rights policies for their direct operations and supply chains, often alongside and in partnership with other faith-based organizations like the Interfaith Center on Corporate Responsibility (ICCR).

For example, for the past seven years, CBIS has led a dialogue with Wyndham, one of the largest hospitality companies in the world. We were proud of our role successfully encouraging the company to sign The Code of Conduct for the Protection of Children from Sexual Exploitation in Travel and Tourism. By signing The Code, companies agreed to implement policies that condemn child trafficking, to train employees and franchisees to identify and report trafficking activities, and to raise awareness among business partners and customers. Wyndham has taken important steps, including teaming with anti-trafficking organization Polaris to train staff at 7,600 hotels in 70 countries on human trafficking. Wyndham also donated 1 million hotel rewards points for free hotel rooms and supplies for survivors. Given its size, Wyndham's commitment has the potential to have a great impact worldwide.

We have also worked with other companies in the hotel industry to end the availability of pornographic materials (that exploit adults and children) in their facilities and to develop policies and procedures that also address human trafficking. Marriott, for example, eliminated access to pornographic content in 2009 and Hilton has removed on-demand pornographic videos from all of its properties, worldwide. These changes serve as another source of inspiration of what can be achieved with shareholder engagement.

In *Laudato Si'*, Pope Francis called upon us to be generous in our hearts and to have respect for all people, including the unborn. ***"A sense of deep communion with the rest of nature cannot be real if our hearts lack tenderness, compassion and concern for our fellow human beings. It is clearly inconsistent to combat trafficking in endangered species while remaining completely indifferent to human trafficking, unconcerned about the poor, or undertaking to destroy another human being deemed unwanted."***

CBIS meets with numerous companies on an ongoing basis to discuss ways they are reducing their exposure to human trafficking throughout their supply chains, including taking steps to train staff and suppliers to identify and report human trafficking. In addition to our leading engagements with companies making progress in the fight against human trafficking in the steel, cotton, seafood and palm oil supply chains, CBIS is also using its leadership to call for legislative measures to address these egregious crimes. We have presented at Congressional briefings, educated legislators, and encouraged the introduction of new bills designed to encourage companies to share more information on steps they are taking to combat human trafficking. Most recently, CBIS helped to organize investors and craft a statement signed by one hundred U.S. and European faith and socially responsible

investors with over US$1 trillion in assets under management in support of The Business Supply Chain Transparency on Trafficking and Slavery Act of 2015 (H.R. 3226/S.1968). The bills call on corporations to disclose the policies and programs they have in place to better identify human trafficking within their global supply chains. If enacted, the information provided as a result of this groundbreaking legislation should reveal the companies that are leaders — and those that are laggards — and allow consumers and investors to respond by giving their business and investments to those that are making progress and taking action.

PROTECTION OF THE ENVIRONMENT

Since his election in March 2013, Pope Francis has frequently shown concern for the environment: in his inaugural Mass homily, he called on everyone to be ***"protectors of creation, protectors of God's plan inscribed in nature, protectors of one another and of the environment."*** Francis has continued the strong message of concern for the environment that his predecessor, Benedict XVI, conveyed. In Laudato Si', he points to the role corporations and investors should play in working collaboratively to pursue solutions that will improve people's lives, especially the poor and vulnerable. In his speech to the United Nations during the visit to the U.S., he took things a step further, warning, ***"The ecological crisis, and the large-scale destruction of biodiversity, can threaten the very existence of the human species."***

In the encyclical letter, Pope Francis calls for an "honest and open" environmental debate that considers the bigger picture around the common good. While making a solemn declaration that Earth "our sister" faces environmental challenges, including among them climate change, and that contaminating her is a sin, the Pope encouraged people to engage with others and build "real relationships" that have often been replaced in this modern age of the internet. In his address to Congress, the Pope reiterated this concept by calling for a renewed spirit of cooperation. The encyclical ties together a number of issues by expressing the conviction that everything in the world is connected — the fragility of the planet earth has consequences.

"Ecological culture cannot be reduced to a series of urgent and partial responses to the immediate problems of pollution, environmental decay and the depletion of natural resources. There needs to be a distinctive way of looking at things, a way of thinking, policies, an educational program, a lifestyle and a spirituality which together generate resistance to the assault of the technocratic paradigm." — (111)

CBIS has long acted to directly engage the management of companies we hold, to conduct mutually beneficial dialogues around environmental stewardship. We believe that this kind of "honest and open debate" with corporations, through meetings with management and board members, phone calls, and letters, can fundamentally influence the development of a wide range of environmental policies and programs. At the same time, it can provide greater transparency around energy use and plans for sustainable corporate growth, so companies can have a positive impact on "our sister" Earth.

For the past thirty-five years, CBIS has represented the interests of our Participants to press companies to commit to climate leadership and adopt more environmentally friendly business practices such as pollution controls, energy efficiency improvements, waste reduction, and recycling.

Examples of our work through the years include:

- CBIS co-filed shareholder resolutions at BP and Royal Dutch Shell, companies with the highest carbon footprints in the FTSE100, with 53 investors with more than $200bn in assets under management. In a groundbreaking decision, both companies supported the resolutions. The BP resolution received a vote of 98% in favor at the company's 2015 shareholder meeting in London that CBIS attended. The resulting reports from BP and Shell should reveal each company's commitments to greenhouse gas emission reductions, research and development on low-carbon alternatives, executive incentives, and public policy positions relating to climate change;

- CBIS is working collaboratively with Exxon Mobil as part of a multi-year engagement. We have succeeded in pressing the company to no longer challenge the science of climate change and to curtail funding of groups skeptical of climate change. We continue to file shareholder resolutions requesting the company to create a business plan with clear greenhouse gas reduction goals, which can strengthen the company's competitive position, protect shareholder value, and effectively manage climate risk; and
- After years of filing resolutions, CBIS worked with faith investors, the State of Connecticut pension funds and other socially responsible investor colleagues, to convince American Electric Power to become the first major utility to issue a report disclosing to investors the risks to shareholders from climate change. The report triggered other companies in the utility and oil and gas sector to vastly increase the information they provide on ways they are assessing and addressing greenhouse gas emissions and changes to their business models in light of climate change.

While these are just a few examples of our longstanding work on the issue, the Pope firmly believes that a focus on only one aspect of the challenges ahead of us will not be sufficient. Instead, to achieve success, a patient, long-term approach is needed. CBIS' method of long-term engagement with companies — an average of six years working with companies in our portfolio in crafting agreements and monitoring their implementation — ensures that we do not fall victim to short-term advances at the sake of long-term, substantive solutions.

At CBIS', we have engaged with a variety of corporations across a range of sectors, highlighting a recognition that they all need to make substantive changes in their business models in order to impact climate change. While oil and gas companies are critical to the issue, we are also having substantive discussions with companies in other sectors like hydraulic fracturing (Anadarko), utilities (American Electric Power), banking (Citigroup and JPMorgan Chase) and the insurance sector (Allstate) about the role they play in respecting the environment in which we live .

CONCERN FOR GOD'S CREATION

Pope Francis makes it clear that there is an "inseparable" bond between nature and society. He implores us to approach the environment in a way that "respects our unique place as human beings," but recognizes we must remedy "the damage we have done" to the Earth's climate. CBIS has been at the forefront of efforts pushing companies to improve their activities related to the use of fossil fuels, deforestation, agriculture, and other land-use. Like the Holy Father, we believe that Catholic teaching provides "ample motivation to care for nature" and together with our Participants continue this work that is "an essential part" of the Catholic Faith.

"Yet only when 'the economic and social costs of using up shared environmental resources are recognized with transparency and fully borne by those who incur them, not by other peoples or future generations†' can those actions be considered ethical." — (195)

It is with a sense of responsibility that we engage a wide variety of companies on these issues. We attempt to raise concerns about the social and environmental responsibilities of businesses that can unfortunately be overlooked or "reduced to a series of marketing and image-enhancing" measures.

Maximizing profits without regard for the impact on society and the environment may lead to short-term gain, but at the expense of longer-term well-being and the rights of future generations.

† Benedict XVI, Encyclical Letter *Caritas in Veritate* (29 June 2009), 50: AAS 101 (2009), 686.

A PASSION FOR JUSTICE

During his speech before Congress, Pope Francis highlighted the work of four "great" Americans: Abraham Lincoln, Rev. Martin Luther King Jr., Dorothy Day and Thomas Merton. ***"A nation can be considered great when it defends liberty, as Lincoln did; when it fosters a culture which enables people to 'dream' of full rights for all their brothers and sisters, as***

Martin Luther King sought to do; when it strives for justice and the cause of the oppressed, as Dorothy Day did by her tireless work, the fruit of a faith which becomes dialogue and sows peace in the contemplative style of Thomas Merton," the pope said.

Speaking of the tireless work of Dorothy Day, a Servant of God, and founder of the Catholic Worker Movement, Pope Francis said, ***"Her social activism, her passion for justice and for the cause of the oppressed were inspired by the gospel, her faith and the example of the saints."***

CBIS' fight for the rights of workers is exemplified by our work the past three years following the Rana Plaza tragedy in Bangladesh that killed 1,138 workers when a building collapsed. We have collaborated with global investors representing $2.5 trillion in assets to send letters to retailers and brands in our portfolio that are members of the Bangladesh Accord for Fire and Building Safety, and The Alliance, requesting that they disclose efforts to safeguard the lives of workers in the garment factories.

"Let us seek for others the same possibilities which we seek for ourselves. Let us help others to grow, as we would like to be helped ourselves." — Pope Francis, Address to Joint Session of Congress on Thursday, September 24, 2015

Referring to justice in the mining sector, Pope Francis communicated his concerns to communities impacted by mining operations in July, 2015, in Rome. In his message sent to Cardinal Peter Turkson *(Message of His Holiness Pope Francis to the President of the Pontifical Council for Justice and Peace on the occasion of the meeting "A Day of Reflection — "United with God, We Hear A Cry"* [Rome, July 2015]), the Pope spoke of the cry for justice coming from these communities for their lost lands, the violence, the trampled human rights, the dire working conditions, and sometimes the slavery and human trafficking as well as the pollution of water, air and soil.

The Pope has urged the entire mining sector to carry out a radical paradigm shift to improve the situation in many countries. He said all involved in the field of mining ***"are called upon to adopt behavior inspired by the fact that we constitute a single human family, everything is interconnected."***

CBIS is helping the sector to make that shift. In July, 2015, CBIS conducted a site visit at Newmont Mining's Ahafo gold mine in Ghana and Anglo American's Venetia diamond mine in South Africa. The trips were one component of an initiative that began in 2013 at the request of leaders in the mining sector with the Pontifical Council for Justice and Peace. Its aim was to build relationships between the industry and faith organizations, recognizing the need for the industry to become a partner for long-term sustainable development with host communities and governments. Through our participation, we were also able to gain a better understanding of the positive and negative impacts of mining in the community, region and country and how the companies have been responding to these issues.

CBIS believes that all stakeholders, including companies, communities, investors, and government, must collaborate if we are to address the challenges ahead. In his letter to Cardinal Turkson, Pope Francis urged collaboration in ***"countering the dramatic consequences of environmental degradation in the life of the poorest and the excluded, and advancing toward integral, inclusive and sustainable development."***

In addition to trips to evaluate mine sites in Africa, CBIS has also visited Yanacocha mine in Peru to speak with communities that were protesting against the development of the Minas Conga gold mine and the potential that the mine would pollute local water supplies. As a result of our visit, we were able to press the company to improve ongoing communication, expand local investment in the region, and to start the project only when the company had obtained social license to operate, referring to the local community's acceptance of a company's project. It is generally recognized by various stakeholders and communities as a prerequisite to development.

In seeking justice for those impacted by these many issues, our CRI efforts aim to be a positive counter mechanism — the Pope notes that when humans place themselves "at the center" of existence, we often see their efforts focused on delivering convenience and the slow drift to a "misguided lifestyle" — one that favors only what serves one's "immediate interests" and leads ultimately to "social decay."

"The culture of relativism is the same disorder which drives one person to take advantage of another, to treat others as mere objects, imposing forced labor on them or enslaving them to pay their debts. The same kind of thinking leads to the sexual exploitation of children and abandonment of the elderly who no longer serve our interests." — (123)

We believe our efforts help contribute to the common good in ways not typically addressed by most asset managers. Screening is a critical component to a strong responsible investing program, by filtering companies that operate counter to Catholic beliefs, but CBIS takes a broader, and we believe more effective, approach by combining screening with active ownership — i.e., accepting the responsibility that as shareholders we must actively challenge the status quo in order to defend "objective truth."

THE SACREDNESS AND INTERCONNECTEDNESS OF LIFE

Catholic investors acknowledge that human life is at the center of the environment and so properly recognize the right relationship between the human and natural aspects of God's creation: caring about the environment deeply, but also caring about the human person deeply. Catholic teaching views environmental stewardship and life ethics as utterly consistent and "interrelated." The "throwaway culture" the Pope criticizes undermines both the natural environment and the dignity of the human person, both of which CBIS and its Participant investors have fought for over the years.

"Since everything is interrelated, concern for the protection of nature is also incompatible with the justification of abortion. How can we genuinely teach the importance of concern for other vulnerable beings, however troublesome or inconvenient they may be, if we fail to protect a human embryo, even when its presence is uncomfortable and creates difficulties?" — (120)

To apply this to investments, CBIS has devised strict Catholic Investment Screens that enable us to identify companies that fundamentally contradict Catholic ethical teachings, and exclude them from the investment universe, so that Catholic investors do not profit from those products or services. CBIS' life ethics screens are derived from the principle of human dignity and focus on respect for human life, both born and unborn. Any involvement in the following activities triggers an exclusion:

- Producers of abortifacients;
- Producers of contraceptive drugs and devices;
- Health care facilities that perform abortions;
- Companies involved in human embryonic stem cell research, fetal tissue research, or human cloning.

Through active ownership, CBIS has utilized corporate engagements, shareholder resolutions, and proxy voting to address many critical human dignity and environmental stewardship issues such as human trafficking, pornography, water sustainability, as well as climate change.

"The Golden Rule also reminds us of our responsibility to protect and defend human life at every stage of its development," — Pope Francis, Address to Joint Session of Congress on Thursday, September 24, 2015

THE FUNDAMENTAL LINK BETWEEN SOCIAL RESPONSIBILITY AND CORPORATE SUCCESS

With respect to the relative financial health of companies and their willingness to address social or environmental issues brought forth by socially responsible investors, it's important to appreciate the fundamental link between these issues and the financial success of the company.

Certainly companies provide people with the opportunity to work. In Laudato Si', Pope Francis notes ***"Work is a necessity, part of the meaning of life on this earth, a path to growth, human development and personal fulfillment."*** (128) And he goes on, stating that ***"business is a noble vocation, directed to producing wealth and improving the world."*** (129) This is especially the case if the "creation of jobs" is an "essential part of its service to the common good."

However, when companies fail to address and manage issues such as labor relations or human trafficking in the supply chain, the impact on people can be devastating and the companies themselves may suffer longer term performance issues, including reduced stock prices. Instead, if companies can successfully manage these issues, it may help them improve employee relations and better withstand other crises that come up including those outside of the company's control (e.g. a significant drop in commodity prices, natural disasters, etc.).

Companies can be distracted by crises, mergers, and more which can make it more difficult for them to achieve progress on an engagement with CBIS. But these situations might also create new opportunities to influence a company. One of the ways we try to be effective through corporate engagement is to take the time to understand companies' perspectives, priorities, or challenges and help them understand how moving forward on these issues may help them down the road.

PAYING THE "SOCIAL MORTGAGE"

As the Pope notes, "our common home" is part of "creation" and has to do with God's plan "in which every creature has its own value and significance." Human beings are part of this plan and in the conduct of the global economy, goods are created to service the needs of humanity. The Pope explains that St. John Paul II reaffirmed that God's plan was that the gift of the Earth was to be used for the good of all:

"…the Church does indeed defend the legitimate right to private property, but she also teaches no less clearly that there is always a social mortgage on all private property, in order that goods may serve the general purpose that God gave them." — (93)

CBIS' ongoing efforts around human dignity, social justice and environmental stewardship attempt to help cover the "social mortgage" that is inherent when corporations seek to do business around the world. It also helps our participants advance their missions by bringing their assets to bear in efforts toward the common good.

CONCLUSION: COOPERATING WITH THE CREATOR

With *Laudato Si'* and his visit to the U.S., Pope Francis captivated millions and left a lasting impression with his message of hope, profound respect for the human person and all of Creation and his calls for peace and justice. He also made clear that we must take action and move swiftly.

In his speech at The White House, Pope Francis said, "When it comes to the care of our 'common home,' we are living at a critical moment of history." There is still time to bring the "whole human family" together to create change and reassess how we treat each other.

God entrusted this dynamic, though fragile, planet Earth to humanity. Pope Francis explains that God "wishes to work with us" on our journey, as we explore the "meaning and mysterious beauty of what is unfolding." While each of us has his or her own gifts to work with, we must decide how to employ them — either positively or negatively — in the management of our common home for future generations.

"Creating a world in need of development, God in some way sought to limit himself in such a way that many of the things we think of as evils, dangers or sources of suffering, are in reality part of the pains of childbirth which he uses to draw us into the act of cooperation with the Creator." — (79)

In many ways, this speaks to the spirit of CBIS' mission which ultimately strives to work for the common good in cooperation with God. While humanity will continue to grow and develop as God intended, our efforts have focused on moving companies to adopt business practices that reflect the vision his Holiness intended with *Laudato Si'*, "one which is healthier, more human, more social, more integral."

As responsible shareholders, we will remain active owners and raise corporate awareness on issues of importance to Catholic investors. We will be asking companies to commit to bold leadership to address issues such as climate change, human trafficking, and poverty alleviation, and will encourage ethical behavior and strong human rights and environmental performance. CBIS views these as key aspects of our responsibility to be good stewards of the planet — reflected in both our screening and direct engagement efforts, and potential long-term growth in shareholder value.

"Let us remember the Golden Rule: 'Do unto others as you would have them do unto you' — (Mt 7:12). *This Rule points us in a clear direction."* — Pope Francis, Address to Joint Session of Congress on Thursday, September 24, 2015

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.