

Impact and Justice

FEBRUARY 2018

Major Breakthroughs on Climate Change

ExxonMobil to Produce 2°C Analysis in 2018

After meeting with CBIS and other investors just days before the filing deadline for shareholder proposals, **ExxonMobil** finally announced that it was moving forward with a 2°C Scenario Analysis, a major request of CBIS for two years. Thanks to our ongoing pressure, and a majority-support-garnering shareholder resolution in 2017, the company committed to providing a report that will assess business impacts under scenarios where climate change policy is more rigorous, and fossil fuel demand lower than anticipated.

The company then released two reports in February 2018, including analysis of “energy demand sensitivities, implications of 2°C scenarios, and positioning for a lower-carbon future.” CBIS will be reviewing these thoroughly and will report our learnings and future action steps in our next issue of *Impact & Justice*.

CBIS Presses Ford for Greener Fleets and Climate Resiliency Reporting

In November, CBIS met with Ford Motor Company’s new CEO Jim Hackett, an executive with strong sustainability credentials, and Ford’s Chairman of the Board, Bill Ford, Jr. Topics ranged from the company’s policy advocacy on fuel economy standards to human rights due diligence in the supply chain, to the need to undertake a 2°C Scenario Analysis (assessing how climate policies and trends could impact Ford’s strategy, fleet mix, and business model). We discussed the importance of understanding disruptive trends and technologies that can negatively impact its strategic plan, and urged the company to assemble teams to look at factors disrupting growth areas and opportunities to meet emissions challenges head-on. The company agreed to investigate what the analysis would entail.

Royal Dutch Shell Sets Groundbreaking Carbon Footprint Reduction Goals

After 10 years of engagement with Shell, CEO Ben van Beurden announced the company’s ambitious new pledge to increase investment in renewable fuels and to cut carbon emissions in half by 2050. The announcement was made at Shell’s Management Day in November, an all-day session featuring the CEO and key division heads, where the company committed to:

- ✓ Cut its *total lifecycle greenhouse gas emissions* (emissions from Shell operations and those produced from Shell products) by half by 2050 and reduce those emissions by 20% by 2030.
- ✓ Increase investment by up to \$2 billion per year on renewable energy sources and electric-car charging stations.
- ✓ Work with BMW, Daimler, Ford, and Volkswagen to install fast-charging stations on Europe’s highways, due to projections that electric fleet growth will significantly slash gasoline demand.
- ✓ Report on progress every five years.

We pressed the CEO to improve its climate scenarios, so that investors understand the company’s strategic planning related to technology advances, government policy, and consumer shifts, and we pushed for strategies to identify new board leadership to help the company meet its ambitious net zero emissions commitments.



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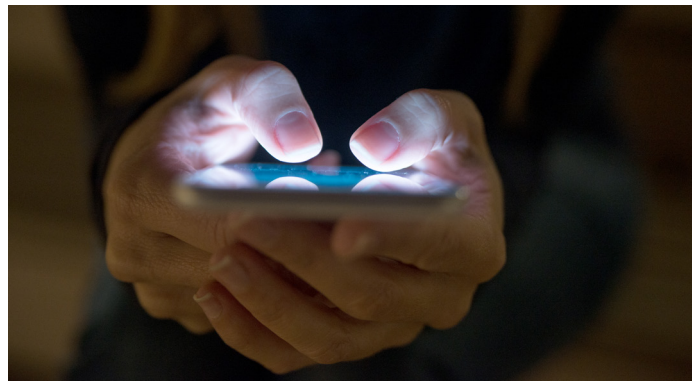
CBIS Rolls Out Next Stage of Engagement to Protect Children Online

Last October, CBIS attended the World Congress on Child Dignity in the Digital World in Rome, and thanked the Pope personally for his support of the Declaration of Rome (an action plan for faith leaders, governments and companies to better address child sexual exploitation online), and for his commitment to be more involved in the work stemming from the event.

CBIS is now part of a subgroup of experts working to roll out the Declaration, which will report to the Vatican on progress. CBIS will be organizing an advisory committee of investors during 2018 that specialize in children's human rights. In light of research that indicates "technology is playing an increasing role in grooming and controlling victims of child sex trafficking,"¹ the advisory committee's role to draft expectations for the technology sector is vital to better protect children from the digital threats of exploitation and grooming and trafficking online.

To read the Holy Father's powerful speech on the Congress and Declaration of Rome, visit <http://bit.ly/DeclarationofRome>

¹ "Survivor Insights: The Role of Technology in Domestic Minor Sex Trafficking," Thorn; <https://www.wearethorn.org/survivor-insights/>



ECONOMIC JUSTICE

Resolution Withdrawn at Sanderson Farms: Slow but Steady Progress to Put Worker Issues at the Forefront

CBIS began engaging Sanderson Farms, the third largest poultry producer in the U.S., in 2017 on worker rights and retaliation, health and safety controversies, lack of bathroom breaks for workers, and the generally hostile environment towards line workers, many of whom are refugees, immigrants, prisoners, and women. We received no response from the company to our letter spelling out these concerns, and subsequently filed a shareholder proposal seeking the right for investors to nominate directors on the company's own proxy ballot materials. We made clear to the board that our priority was nominating directors with worker rights and health and safety expertise critical to both industry success and addressing the risks we were raising.

Before our proposal went to a vote, Sanderson Farms agreed to amend its bylaws to allow for "proxy access," as we requested. CBIS withdrew the resolution, and we continue to press the company on improving its workplace practices and treatment of vulnerable workers, including refugees.

"The rights of workers, like all other rights, are based on the nature of the human person and on his transcendent dignity. . . the right to a just wage; the right to rest; the right 'to a working environment and to manufacturing processes which are not harmful to the workers' physical health or to their moral integrity. . ."

— p. 172-73 of the Compendium of the Social Doctrine of the Church.

Our Year in Review

CBIS joined Pope Francis in supporting the Declaration of Rome—a global action plan for tackling child sexual exploitation online. CBIS took part in the World Congress on Child Dignity in the Digital World, and **CBIS is the only investment firm among a subgroup of experts implementing the Declaration** and reporting on progress to the Vatican. CBIS made progress with Apple on child sex exploitation online, when it blocked an app developer found to be involved in the distribution of child sex abuse material. **Apple further strengthened its App Developer Guidelines in September to crack down on child sex exploitation and human trafficking**—a core ask by CBIS of the tech sector.

75% of child sex trafficking victims who entered the life in the past decade were advertised online.¹

62% IN FAVOR

At May's ExxonMobil (NYSE: XOM) Annual Meeting in Dallas, TX, shareholders voted 62% in favor of our proposal, seeking a report on its fossil fuel reserve risk under a 2° Celsius world. Following this victory, **Exxon agreed in December to produce the report**. CBIS also met with Ford Motor Company's new CEO Jim Hackett in November and its longtime chairman Bill Ford, Jr., asking **Ford to be the first major auto company to produce a 2°C analysis**—an ask the company is now exploring. And after years of engagement with Royal Dutch Shell, including a shareholder resolution in 2015 that earned over 98% support from investors, CEO Ben van Beurden announced that **Shell set long-term goals to reduce its total carbon footprint**—from its operations, energy use and the emissions from the fossil fuel products it sells—by 50% by 2050 and 20% by 2030.

"Every human person, created in the image of God, has the natural right to be recognized as a free and responsible being. All owe to each other this duty of respect."

– Compendium of the Social Doctrine of the Church (p. 115)

CBIS has made significant strides in the past two years to improve supply chain management affecting hundreds of thousands of migrant workers in the palm oil industry, where they often work under abusive and even life-threatening conditions. **Campbell Soup this year announced a new Code of Conduct for Suppliers**. The policy prohibits forced labor and human trafficking and spells out clear expectations for suppliers. The company agreed to **ban passport retention and charging fees for jobs**. Meanwhile, **Target joined the Seafood Task Force**, a multi-stakeholder alliance to prevent human trafficking in the seafood supply chain in Thailand.

CBIS voted 32,441 shareholder proposals this year on behalf of investors, leveraging opportunities to make investor voices heard on key issues over and above our active ownership engagements. CBIS voted with management only 58% of the time, demonstrating that we consider each management and shareholder proposal and vote to reflect Catholic values.



100
COMPANIES

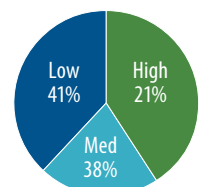
85%
GLOBAL EMISSIONS



CBIS joined 225 institutional investors with over \$26.3 trillion in assets under management to **launch the Climate Action 100+**, a new initiative focused on increasing investor engagement on climate change in order to reduce greenhouse gas (GHG) emissions and associated climate risk. The initiative identified an initial focus list of 100 companies that are responsible for 85% of global emissions.²

CBIS, with more than forty institutional investors managing more than \$6 trillion, contributed to the development of the **newly launched Investor Water Toolkit**, the first comprehensive resource to evaluate and act on water risks. Water scarcity and pollution create business risks that impact financial performance, and Ceres found that for each major global investment index, at least half of holdings are in industries with medium to high water risk.

Proportion of
S&P 500 by
Water Risk³



¹Survivor Insights: The Role of Technology in Domestic Minor Sex Trafficking, Thorn; <https://www.wearethorn.org/survivor-insights/>

²CDP analysis of companies' combined direct and indirect (scope 1, 2 and 3) emissions, including emissions associated with the use of their products; <https://www.cdp.net/en/investor/ghg-emissions-dataset>

³Ceres and KKS Advisors' interpretation of SASB materiality indicators; www.ceres.org/investorwatertoolkit

Company Issue Area	Progress
Target <i>Human Trafficking</i>	The VP of Corporate Responsibility announced Target’s new Sustainable Seafood Policy that commits the company to collaborate with companies and NGOs to promote ethical working conditions and support for public policy that will ensure implementation of core labor standards. CBIS has been calling for worker protections for two years and was pleased to learn of this advance on a call with the company in November.
Sprint Corp. <i>Child Sex Exploitation</i>	CBIS sent a letter to Sprint’s Board seeking policy changes where parents would opt-out of parental controls, and for the company to improve its <i>Acceptable Use Policy</i> to better protect children and block abusive content.
CNOOC <i>Climate Change</i>	Asked the Board of Directors in a letter to produce a 2° C Scenario Analysis, respond to a questionnaire from investor network CDP, and disclose how the Board is going to improve its climate competency and oversee climate risk.

PARTICIPANT CORNER

2017 CRI Survey: CBIS Thanks Our Investors for Providing Input

Every few years, CBIS investors are invited to complete a survey with the goal of better understanding investor attitudes and preferences regarding our approach to Catholic Responsible InvestingSM and related topics. This information is one major source of input into developing future Active Ownership plans, screening guidelines, proxy voting policies, and strategy. The 2017 survey is the sixth survey since CBIS first began this initiative in 1997. This year, we received the highest response rate yet, 33.6 percent, compared to 2013’s 16.5 percent. Investors showed strong interest in the topics of human trafficking, life ethics, child exploitation and immigrant and refugee rights, among others. CBIS’ screening capabilities continue to be highly valued. A summary of the survey results is forthcoming to fund investors. We appreciate the time you took to share your views — it will help us build better policies and programs to address your needs.

IMPACT THROUGH POLICY ACTION

Stepping Up Engagement on Fixed Income and with Credit Rating Agencies

Last July, CBIS joined with the Principles for Responsible Investment to challenge credit rating agencies worldwide to better incorporate sustainability factors into credit analysis. The joint statement builds on our work to engage our corporate bond holdings and better integrate Catholic Responsible Investing into Fixed Income assets. In November, CBIS attended a dialogue with the top two U.S. credit rating agencies to discuss how they are incorporating ESG risks into credit assessments and what information investors increasingly need. CBIS also moderated a panel discussion featuring leading experts in San Francisco in January 2018, on fixed income engagement on environmental and social matters. Read about our learnings in the next issue of *Impact & Justice*.

Contact Us

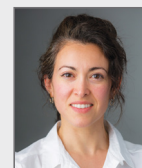
We want to hear from you! If you have any questions or want more information on any of our engagements, please reach out to our CRI team: CRI@cbisonline.com or by phone at **800-592-8890**.



Julie Tanner
Managing Director
jtanner@cbisonline.com



Tracey Rembert
Director
trembert@cbisonline.com



Marcela Pinilla
Director
mpinilla@cbisonline.com

IMPORTANT INFORMATION

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