

Impact and Justice

OCTOBER 2018

HUMAN DIGNITY

What Can Investors Do About Child Sex Abuse Online?

AS CATHOLIC INVESTORS READ DAILY HEADLINES ABOUT THE CHURCH'S RESPONSE IN COMBATING CHILD SEX ABUSE, THE QUESTION ARISES: WHAT ROLE DO COMPANIES AND INVESTORS PLAY IN PROTECTING CHILDREN FROM ABUSE?

The timing is ripe to press companies to improve their practices in this area. In September, the U.K. threatened the tech sector with stricter regulation if it failed to crack down on child sex abuse imagery online—one of many compelling reasons for companies to do more.

Joining Forces

CBIS recently pulled together a coalition of experts from four countries to begin drafting expectations for the technology sector, outlining best practices for combating child sex exploitation online. The plan focuses on building a broad coalition, driving greater disclosure from companies and insisting on innovative solutions to technology-related problems. Advisory Committee members include:

- Father Hans Zollner of the Centre for Child Protection of the Pontifical Gregorian University in Rome



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- Deacon Bernie Njodera of the U.S. Conference of Catholic Bishops
- US and European investors
- Child protection experts

Additional investors wondered what role they could play, so CBIS launched an Investor Working Group on Child Exploitation in early October. More than two dozen investors have already signed up for regular calls and educational sessions to facilitate their involvement in engagements on child sex exploitation online.

Also in October, CBIS moderated a global webinar on children’s human rights, featuring Human Rights Watch and UNICEF. There were more than 80 participants, including large corporations—a sign that protecting children is a growing priority for investors and companies alike.

DEMANDING DISCLOSURES

CBIS continues to press technology and telecom companies to take more responsibility for child sex exploitation occurring on their platforms, and through the use of their products:

- Apple – In dialogues, the company has refused to improve its practices to combat child exploitation online, or to provide greater disclosure. CBIS filed a shareholder proposal in August to bring the issue directly to the Board and fellow shareholders, pointing out ways Apple could better protect children online. We look forward to having a broader discussion with fellow investors when the proposal appears on the ballot.
- AT&T – This fall, CBIS wrote to AT&T requesting greater disclosure on its policies and practices to disrupt child sex imagery on the company’s platforms. The letter was signed by nearly 30 bondholders and shareholders, including two dozen Catholic institutions.
- Verizon Communications & Sprint – CBIS will issue at least two additional sign-on letters to telecom and technology/social media companies in the 4Q 2018, and may file shareholder proposals with Verizon Communications and Sprint if we continue to receive weak responses.



“Clean car standards should increase year over year, with the inclusion of provisions that promote ongoing investment in technology that will further drive greenhouse gas reductions.”

Bob Holecross, Global Director of Sustainability, Ford Motor Company

Aligning Automotive Lobbying with Company Climate Goals

In June, CBIS and other members of the Interfaith Center on Corporate Responsibility (ICCR) pressed Ford Motor Company on its lobbying efforts to rollback fuel economy standards in the U.S. Investors voiced their objections to any weakening of standards and their demand that Ford advocate for even higher standards, both independently and through its industry associations. Ultimately, Ford declared its support for a single fuel economy standard developed jointly between the EPA and California. The company noted it was sharing this view with its industry associations.

Are Fossil Fuel Giants Crucial to Making Progress on Climate Change?

CATHOLIC INVESTORS MAY DISAGREE ON THE BEST APPROACH TO BUILDING A LOW-CARBON ECONOMY, BUT CBIS IS CONVINCED THERE IS A PLACE FOR ALL STRATEGIES. IN PARTICULAR, WE BELIEVE ENGAGEMENT WILL BE CRUCIAL TO MOVING THE BIGGEST EMITTERS TOWARD POLICIES THAT ACHIEVE OUR SHARED GOALS IN THE COMING YEARS.

Peer pressure is currently raising the bar industry-wide among oil and gas players, magnifying the potential for some form of energy disruption. That creates the need for global policies to guide investments, including establishing a uniform price on greenhouse gas emissions. Divestment from fossil fuel companies may not help in this area, because it would take place in a policy vacuum. The ultimate question remains: Will industry giants strengthen their commitment to clear carbon pricing and greenhouse gas reduction, or will they continue to drag their heels until market forces compel them to act?

Investor Pressure Drives “Well to Wheels” Focus

Royal Dutch Shell announced last year it was setting a reduction goal for all of its emissions, including Scope 3 targets (see definition below). It was a critical development, which would likely not have happened without consistent pressure from investors like CBIS.

European oil giants Total and Equinor (formerly Statoil) have also set Scope 3 targets. Now the pressure is on for BP, ExxonMobil, Chevron and Chinese fossil fuel companies to follow suit and best one another in reduction ambitions.

While other investors push for divestment on the most climate-

WHAT ARE “SCOPE 3” TARGETS?

Scope 3 targets are goals oil and gas companies set for reducing emissions caused by customers burning their fuels—taking responsibility for their products from “well to wheels.”



Global emissions must be cut by

45% ↓
by 2030

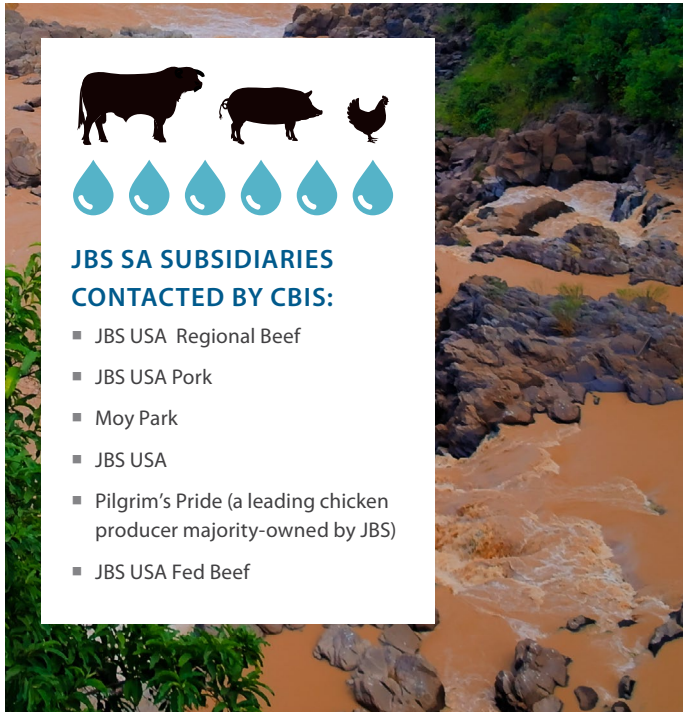
ACCORDING TO THE LATEST REPORT FROM THE INTERGOVERNMENTAL PANEL ON CLIMATE CHANGE, ACTIONS MUST MOVE EVEN FASTER THAN PREVIOUSLY THOUGHT, AT SCALE, TO HAVE GLOBAL TEMPERATURES PEAK AT 1.5° CELSIUS ABOVE PRE-INDUSTRIAL LEVELS, WHICH STILL POSES HIGH RISKS TO SOCIETY.



damaging corporate practices, CBIS believes it is critical to continue pressuring companies that have already expressed a commitment to reducing emissions:

- BP – In a recent discussion organized by CBIS, more than two dozen investors and bondholders pressed the company on its energy-transition risks. BP stressed that proactive, climate-supportive policy is a priority to help the company achieve its emissions reduction goals, further develop its low-carbon business segments and bring more certainty to the energy sector short term. However, it will be up to investors to move BP further in the short term.
- ExxonMobil – The company set a credible methane target in 2Q 2018, and joined BP and Shell in the Oil and Gas Climate Initiative—a coalition of companies that collectively have set reduction goals for greenhouse gases in several key areas.

CBIS Puts Water Challenge to JBS SA's U.S. Operations



In September, CBIS sent a letter signed by 21 investors with over \$1 trillion in assets to key U.S. subsidiaries of JBS SA, a Brazil-based beef, pork and chicken producer (see list in sidebar). We wanted to know how these businesses are furthering the commitment to water stewardship their parent company made earlier this year following pressure from a CBIS-led coalition. Specifically, we asked for disclosures regarding how water risk is being integrated into board strategy, and how impacts to water quality are being addressed including:

- How the subsidiaries are managing the water impacts stemming from their supply chains (including the growers of livestock feed where water use is intensive)
- Techniques being used to improve the quality of water contaminated by manure and fertilizer
- How the subsidiaries are responding to pressures from competitors already implementing best practices in this area

CBIS asked these companies to set goals for sustainably sourcing its key commodities (inputs for meat production), and requested a meeting to review current efforts.

PRI Gives CBIS High Marks for Implementing Responsible Investment Principles

In 2018, CBIS once again earned an “A” from Principles for Responsible Investment (PRI) for how well we support and integrate the initiative’s six core principles. That grade included an A+ in the Governance and Strategy category. (Read our summary of how we are implementing the six principles.) Going forward, we will continue to improve our operations to ensure we adhere to best practices in integrating sustainability and Catholic Responsible Investing throughout our work.



PRINCIPLES FOR RESPONSIBLE INVESTMENT (PRI) is a United Nations-supported network of investors committed to incorporating environmental, social and governance (ESG) factors into investment decisions.

CBIS Participates in Vatican Impact Investing Conference



At the third Vatican Impact Investing Conference in July, Catholic Relief Services and Cardinal Peter Turkson—Prefect of The Vatican’s Dicastery for Promoting Integral Human Development—challenged Catholic leaders and impact investing experts to develop ways the Church can achieve several key objectives:

- Mobilize investment to aid communities
- Improve health outcomes
- Protect the environment
- Help immigrants and refugees.

CBIS CEO Jeff McCroy and Julie Tanner, our Managing Director of Catholic Responsible Investing, joined other participants in panel discussions exploring the role of impact investing and the framework for investing across the returns continuum, from fully commercial investments at one end of the spectrum to philanthropic grants at the other. To view videos and materials from the conference please visit <https://www.viiconference.org/materials/>.

Left to right: John Allen, Jr. (CNN; Crux Catholic Media); Sir Ronald Cohen (Global Steering Group for Impact Investment); His Eminence, Cardinal Peter K.A. Turkson (Dicastery for Promoting Integral Human Development); Sean Callahan (CRS). Photo by Remo Casilli.

“Impact investment at its center is investment in real human values. When Ban Ki-moon presented the SDGs in 2015 at the United Nations, he referred to the SDGs as a human dignity narrative that leaves nobody behind. How can that be achieved? With integral human development and impact investing. Integral human development refers to not only economic needs, but also the spiritual and cultural needs of each person and everyone around them.”

—His Eminence, Cardinal Peter K.A. Turkson,
Dicastery for Promoting Integral Human Development



Corporate Engagements

COMPANY : ISSUE

PROGRESS

TARGET:

Forced Labor and Human Trafficking



Target will be releasing topline results on how high-risk factories are implementing its human rights standards to combat the trafficking of migrant workers in global supply chains, along with policy enhancements to its seafood sustainability policy. The company is also initiating a human rights impact assessment across its entire operation and value chain to help identify and address adverse effects of its operations on the human rights of workers and communities.

UNITED CONTINENTAL:

Human Trafficking



The company announced 54,000 employees—including gate agents and pilots—have been trained on identifying signs of human trafficking. United Continental aims to finish training all employees by year-end; new employees with customer-facing roles are receiving training as part of the standard onboarding process.

ROYAL DUTCH SHELL:

Climate Change



In September, Shell announced an industry-leading goal for reducing its methane emissions, the most potent greenhouse gas. Ultimately, the company seeks to maintain methane emissions intensity below 0.2% by 2025. This goal covers all oil and gas assets for which Shell is the operator and builds on Shell’s commitment in 2017 to cut its carbon footprint in half by 2050.

EXXONMOBIL:

Climate Change



Exxon has joined the Oil and Gas Climate Initiative (OGCI), an industry collaboration that is setting specific goals for reducing greenhouse gases. The company will be expanding its R&D investment in emissions reduction, pursue lower-emission technologies and strengthen its methane reduction commitment to better align with the OGCI’s tougher methane target.

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.

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IMPORTANT INFORMATION

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