

CATHOLIC RESPONSIBLE INVESTMENTS<sup>SM</sup> PROGRESS REPORT

# Impact and Justice

AUGUST 2020

BUILDING ON A SOLID FOUNDATION THROUGH OUR HOLISTIC APPROACH

## Escalating Our Fight Against Racial Injustice

THE VATICAN HAS LONG BEEN A CONSISTENT VOICE IN SUPPORT OF CIVIL RIGHTS AND RACIAL JUSTICE WORLDWIDE.

Our Catholic Responsible Investments<sup>SM</sup> approach has aligned with Church teachings on these vital topics since our founding nearly 40 years ago. We are called to be active owners of the securities we purchase, working with companies in our investment portfolio to address all forms of inequality.

In an open letter entitled “[CBIS’ Reflections on Racial Discrimination](#),” CEO Jeffrey A. McCroy recently outlined an ambitious plan to step up our firm’s work to confront systemic racism. This statement was the product of intensive discussion and prayer following the police killing of George Floyd.

At this watershed moment in history, we look back on our decades of active ownership fighting racial discrimination, including:

- Pressing companies such as IBM, Eastman Kodak, Whirlpool and Chemical Bank to support the Sullivan Principles, a code of conduct for businesses operating in South Africa that helped bring about an end to apartheid
- Pushing for greater disclosure on the advancement of women and people of color at companies such as Walgreens, Dillard’s, Dayton Hudson, Sprint and Microsoft

*Continued >*

*“We cannot close our eyes to any form of racism or exclusion, while pretending to defend the sacredness of every human life.”*

POPE FRANCIS

June 30, 2020



- Fighting redlining and urging programs to address discriminatory lending practices at financial institutions such as Citigroup, Mellon, Northern Trust and Freddie Mac
- Voting against every board lacking a woman and person of color

Moving forward, we commit ourselves to building on this foundation by expanding our active ownership addressing systemic racism, and engaging our sub-advisers on steps they are taking. As part of our holistic approach, we are undertaking this important work in concert with our efforts on other focus issues. As Pope Francis emphasized

in *Laudato Si'*—and continues to reinforce five years after the encyclical's release—human dignity, economic justice and care for creation are all interconnected. We look forward to updating you on our progress.

On behalf of the Impact and Justice team,

**Julie B. Tanner**

*Managing Director, Catholic Responsible Investments<sup>SM</sup>*

**John W. Geissinger, CFA**

*Chief Investment Officer*



## Confronting COVID Challenges on Multiple Fronts

At the start of the coronavirus outbreak, CBIS shifted resources to address the heightened health and economic challenges facing workers globally.

Our efforts to safeguard the dignity of work and confront other challenges posed by the pandemic continue on several levels:

- Engaging sub-advisers to amplify our concerns
- Working with apparel, food production and technology companies
- Forming coalitions with fellow faith investors and like-minded organizations
- Raising awareness through education and joint investor calls for action

### Supporting Vulnerable Meat & Poultry Workers

Outbreaks at meat and poultry processing plants are among the biggest single-source COVID-19 clusters in the U.S. Together with

other institutional investors, CBIS sent letters to **Tyson**, **WH Group**, **JBS** and **Pilgrim's Pride** urging them to adopt a series of measures to protect workers from infection and ensure their financial security.

For the JBS engagement, CBIS spearheaded a coalition representing more than \$2 trillion in total AUM. Our outreach led to two meetings between investors and top executives from the company's Brazilian headquarters.

### REPORTED COVID-19 CASES LINKED TO U.S. MEATPACKING PLANTS\*

33,500+ positive tests

≥133 deaths

\*As of July 17, 2020

Source: [The Midwest Center for Investigative Reporting](#)



*“The pandemic... exposes JBS to reputational, legal and financial risks that may interrupt operations if COVID-19 outbreaks continue and the company is judged not to have implemented best practices and U.S. CDC recommendations to keep its workers safe.”*

CBIS-LED INVESTOR LETTER TO JBS

CBIS also took the lead on issuing an [investor statement outlining expectations for meat and poultry processors](#) with fellow members of the Interfaith Center on Corporate Responsibility. For added clout, we successfully persuaded one of our sub-advisers to join the statement.

**Appealing to the Ailing Apparel Industry**

Apparel companies across the globe are facing COVID-related challenges in their operations and supply chains. Brands have cancelled orders, with devastating consequences for the workers in their supply chains in the U.S. and abroad. Many have lost their jobs with little or no compensation.

CBIS contacted 10 apparel companies in our investment portfolio including **Hanes**, **Adidas** and **L Brands**, the corporate parent of Victoria’s Secret. We are urging these industry leaders to take several key steps such as:

- Ensuring out-of-work employees receive all legally mandated pay and severance
- Paying suppliers promptly for existing orders
- Providing personal protective equipment and paid sick leave for returning employees

CBIS would also like to give kudos to several of our focus companies for stepping up to address challenges facing the industry:

- **Kering** and **Inditex** joined commitments laid out by The Worker Rights Consortium.
- Inditex also contributed to the “COVID-19: Global Action to Support the Garment Industry” fund.
- Along with Kering and Inditex, **Hermès**, **Fast Retailing** and **Hugo Boss** expanded humanitarian efforts and repurposed factories to produce and donate protective masks and gowns.

**Urging Tech Leaders to Safeguard Kids Amid Online Surge**

CBIS has worked with global tech leaders since 2016 to protect children from online exploitation. When the pandemic began, we re-engaged several of these companies as three major trends converged to put children at much greater risk:

- Children dismissed from school were spending more time online than ever.
- Content moderators were furloughed en masse when other tech

**COVID’S FINANCIAL TOLL ON FASHION INDUSTRY WORKERS**

The Business & Human Rights Resource Centre (BHRRCC) is monitoring the pandemic’s economic impacts and how 35 of the world’s biggest fashion brands are responding.

**Bangladesh**



**\$3.7 billion**  
value of orders retailers cancelled



**75,000 workers**  
were not paid for March



**Cambodia**



**67% pay cut**  
given to suspended workers



See how your favorite brand is responding with the BHRRCC’s [COVID-19 Action Tracker >](#)



colleagues began working remotely, as monitoring internet crimes cannot be done from home.

- Law enforcement globally saw an uptick in online searches for child sex abuse material.

CBIS reached out to **Verizon**, **AT&T**, **Alphabet** and **Facebook** to find out how they are addressing the rising risks to children, and we will also engage **Apple**.

On a positive note, Verizon launched an online safety portal with numerous resources to help protect kids, and AT&T is assessing internet safety risks in monthly company-wide meetings. CBIS considers these initiatives successful outcomes of our active ownership engagements.

SEE UPDATES ON ALL OUR [active ownership engagements >](#)

# Celebrating Laudato Si' with an Expanded Approach



As Catholics worldwide celebrate the Laudato Si' Special Anniversary Year, we continue to align our work with the encyclical's core message that everything is interconnected. CBIS believes investors should view climate change holistically, recognizing that many greenhouse gas (GHG) emissions stem from activities that undergird the global economy—from the factory to the tailpipe to our plates.

Our integrated approach to caring for creation includes engagements covering a broad spectrum of issues—extending beyond emissions to address specific impacts on nature—with companies across a variety of industries.

- **Oil & Gas** – CBIS achieved successes at **BP** and **Total S.A.**, convincing them to adjust their projections for fossil fuel prices to align with the Paris Agreement and their stated commitments on carbon reduction.

*"We are faced not with two separate crises, one environmental and the other social, but rather one complex crisis which is both social and environmental. Strategies for a solution demand an integrated approach to combating poverty, restoring dignity to the excluded, and at the same time protecting nature."*

LAUDATO SI'

- **Transportation** – **Ford** continues to show progress, as the automaker expands its leadership on public policy and electric vehicles. CBIS also began working with **Jet Blue** on climate change, as aviation accounts for a growing share of GHG emissions.
- **Fast Food** – CBIS contacted **Chipotle**, **Dominos**, **McDonald's** and **Yum! Brands** with 100 other investors, including several Catholic organizations. Our coalition, representing \$6.5 trillion in total AUM, is calling on these companies to address climate and water risks associated with their meat and dairy supply chains.
- **Consumer Goods** – CBIS will call upon **Nestlé** and **Carrefour** to shift their business models to address deforestation and protect biological diversity. We will also engage **Kellogg's** on a potential increase in pesticide use, which causes harmful emissions, as climate warming extends the growing season.

VATICAN ISSUES ROADMAP FOR ACHIEVING LAUDATO SI' OBJECTIVES

Stay tuned for updates from CBIS once "On the Journey for Care of the Common Home" is released in all major languages.



## Be a Part of Our Holistic Approach

Our holistic approach to addressing the interrelated issues of care for creation, economic justice and human dignity involves many different stakeholders—including, most importantly, our investors. You participate in our work first and foremost by entrusting your assets to CBIS, giving us significant leverage to effect change in alignment with Catholic moral and social teachings. Contact us to discuss other ways you can get involved!

# Growing Our Team

Please join us in welcoming Ray Burnell to the Catholic Responsible Investments<sup>SM</sup> team. Ray comes to CBIS from the California Catholic Conference, where he had served as Director of Education & Environmental Stewardship since 2010. He brings extensive experience advocating on care for creation through expert guidance, lobbying and government relations.

## 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 Investments<sup>SM</sup> team at:

[CRI@cbisonline.com](mailto:CRI@cbisonline.com) or (800) 592-8890



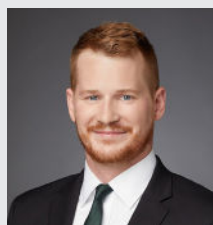
**John Geissinger, CFA**  
Chief Investment Officer  
[jgeissinger@cbisonline.com](mailto:jgeissinger@cbisonline.com)



**Julie Tanner**  
Managing Director  
[jtanner@cbisonline.com](mailto:jtanner@cbisonline.com)



**Tracey Rembert**  
Director  
[trembert@cbisonline.com](mailto:trembert@cbisonline.com)



**Lucas Schoeppner**  
Director  
[lschoeppner@cbisonline.com](mailto:lschoeppner@cbisonline.com)



**Ray Burnell**  
Director  
[rburnell@cbisonline.com](mailto:rburnell@cbisonline.com)

## IMPORTANT DISCLOSURES

*The securities identified and described do not represent all of the securities purchased, sold or recommended for CUIT Funds, CBIS Global Funds and separate managed accounts. For a complete list of securities please contact CBIS. The reader should not assume that an investment in the securities identified was or will be profitable.*

*The reader should not assume that an investment in the securities identified was or will be profitable. All material of opinion reflects the judgement of Adviser at this time and are subject to change. This material is not intended as an offer or solicitation to buy, hold or sell any financial instrument or investment advisory services.*