

► ISSUE REPORT

Human Trafficking: The Supply Chain Challenge

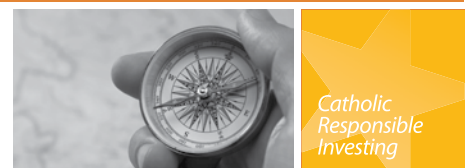
Catholic institutions can use their investments as tools to effect positive change in corporate activities and help protect people from exploitation. By engaging companies to raise awareness and guide them, and promoting legislation that calls for corporate action, we are making a difference.

More than 20 million people worldwide are trapped in situations of forced labor, bonded labor, child labor and sexual servitude, according to the International Labor Organization (ILO), a United Nations agency. Many of these victims are children. This wide range of crimes and abuses falls under the term “human trafficking”.

Unknown to many, goods and services used every day may be tainted by slavery. In fact, in 2014, the U.S. Department of Labor identified 136 goods from 74 countries that were made by forced and child labor.

Faith-based organizations have for many years been some of the strongest and most active opponents of human trafficking, raising awareness among the general public and offering aid and sanctuary to victims. But religious institutions can also use their influence as shareholders to oppose human trafficking by enlisting corporations as allies in the fight.

CBIS helps Catholic institutions pursue their missions with an approach we call Catholic Responsible InvestingSM (CRI). Active Ownership is a critical element of our approach. It is aimed at influencing the policies and practices of corporations in our portfolios by engaging with companies directly, filing shareholder resolutions, and voting proxy ballots at corporate annual meetings. As responsible shareholders, we believe that we are called upon to be active owners and raise corporate awareness on issues of importance to Catholic investors.



CATHOLIC RESPONSIBLE INVESTINGSM (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

One of the Catholic principles that guide our work is the issue of Human Dignity. Dignity is equal in every person before God; therefore, it is equal in all people before one another. This is one of the foundations of Catholic ethical and social teaching and the basis for all human rights.

SHINING A LIGHT ON CORPORATE SUPPLY CHAINS

For more than twenty years, CBIS has 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).

Monitoring suppliers and requiring them to take steps to detect and eliminate human trafficking can help companies to ensure that measures are in place throughout the entire production process, which can be increasingly complex. Depending on the product or service, hundreds of suppliers, recruiters and contractors from around the globe can be involved. As the number and location of these various players increases, so too does the risk from human trafficking.

Awareness of these risks and knowledge of the ways that traffickers may use a company's products, services or premises can help companies detect and take steps to eliminate human rights abuses. Adopting strict anti-trafficking measures can also help companies to avoid risks such as business interruptions, negative publicity, lawsuits, boycotts and the loss of consumer trust, all of which can impact shareholder value.

Risks from human trafficking have never been more apparent. Recently, several undercover investigations have called world attention to slave labor in the shrimp industry in Thailand, the world's largest shrimp exporter and 3rd largest seafood exporter. They found that workers from Thailand and migrants from Laos, Myanmar, Cambodia and other countries were routinely bought and sold and forced to work up to 20 hours per day, under mental or physical threat. Men hauled fish that were then ground to fishmeal and sold to Thai food conglomerates, which used the meal to feed its farmed shrimp. Shrimp was traced back to well-known retailers in the U.S.

The companies have since pledged to drop certain suppliers, strengthen audits and investigate recruiters who may have deceived workers and misrepresented jobs.

In many countries where labor is in short supply, companies may use recruiters and labor brokers to fill jobs in the agricultural sector, and at factories, hotels and ports. Those that are unscrupulous may require workers to pay fees in exchange for jobs, requiring them to take on high debt even before they start work. Some may misrepresent jobs, illegally deduct pay, confiscate identify documents, and use violence and intimidation tactics to force workers to remain at the job until the debt is repaid.

CBIS meets with many companies on an ongoing basis to discuss ways they are reducing their exposure to human trafficking throughout their supply chains, including taking steps to:

- ▶ Include specific mention of human trafficking in human rights policies, including forced labor, child labor and forms of child sexual exploitation
- ▶ Train staff and suppliers to identify and report human trafficking
- ▶ Monitor and audit supply chains, including recruiters and labor brokers
- ▶ Identify vulnerable workers and locations
- ▶ Repay workers and terminate agents that charge workers fees

Following are examples of our work with companies:

Target – Working to stop slave labor in the seafood supply chain

CBIS, starting in 2015, leads an effort to encourage Target, the nation's fourth largest retailer, to strengthen, implement and report on comprehensive corporate policies. The aim is to protect workers in their immediate and extended seafood supply chain from human trafficking. The company is taking steps to address the issue, including researching abuses in the shrimp supply chain through in-country meetings with the Thai government, the International Labor Organization

and key vendors. Target is also working collaboratively with retailers in the *Food Marketing Institute*, a key industry association. In addition, Target has engaged with several civil society organizations to discuss human rights, tracing the seafood supply chain from ocean to table (“traceability”), and preventing illegal, unreported and unregulated seafood. CBIS will encourage Target to disclose audit results, track progress, and demonstrate that changes are occurring on the ground. With 1,900 stores across North America, Target can have great influence on the industry.

Campbell Soup Company – Evaluating the potential to eliminate slave labor in the palm oil sector

CBIS, beginning in 2014, has led an effort to work with Campbell’s in this industry. Palm oil is in nearly half of all products in the supermarket – we use it to cook, to clean and as a source of fuel. While forests are being cleared at an alarming rate to grow oil palm, there is evidence that some workers, including children, are being exploited in the harvesting and processing of palm oil, much of which is grown in Indonesia and Malaysia. In some cases, workers are not receiving the promised compensation, face dangerous and abusive conditions, and may be charged exorbitant fees for jobs. At CBIS’ repeated requests, Campbell’s has agreed to review its own policies along with those of leading companies that have already committed to take action and will evaluate changes in the coming year. We have asked the company to ensure that workers in its extended supply chain have contracts stipulating the terms of employment, receive promised wages, work under safe conditions, and have any fees returned to them.

Wyndham Worldwide – Seeking an end to child sexual exploitation

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 agree 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 since taken important steps, including

teaming with highly regarded anti-trafficking organization Polaris to train staff at 7,600 hotels in 70 countries on human trafficking. Wyndham also donated one million 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 will continue to engage with and monitor implementation, including asking the company to share information publicly about its progress and measures of success.

Macy’s – Helping to fight child labor

Several years ago, in response to a CBIS-led dialogue that began in 2009, Macy’s instructed its vendors to ensure that suppliers avoid using cotton from Uzbekistan (the world’s third largest cotton exporting nation), where as many as two million children are forced to work for up to three months each year harvesting cotton. The company joined more than 150 major brands and retailers who took a pledge committing to not knowingly source Uzbek cotton for the manufacture of any product. Recently, Uzbekistan agreed to allow independent investigators into the country to evaluate the harvest. They reported vastly improved conditions. Unfortunately, while the use of children to pick cotton has been significantly reduced, adults are now subjected to forced labor in the fields. We will continue to work with leading organizations that are seeking diplomatic solutions and to encourage companies to use their influence to press for improved conditions.

Nucor – Taking steps to stop slave labor

In 2010, CBIS joined an investor group in withdrawing a shareholder resolution at Nucor, the largest steel maker in the U.S. The company agreed to take action to stop the use of slave labor in Brazil by a supplier to Nucor and other major steel purchasing companies. The agreement committed Nucor to use suppliers licensed by the Brazilian government, to conduct random audits of suppliers, to partner with companies that certify that neither they nor any of their suppliers have used illegal or involuntary labor, and to publicly report on progress. Nucor reported no instances of slave labor in audits conducted over a period of 4 years. From May of 2010 through June of 2014, the trade association to which Nucor belongs

conducted 882 random, unannounced audits of charcoal facilities supplying its member pig iron manufacturers – the audits covered approximately 25,138 charcoal laborers. In each of these audits, the ***Citizen’s Charcoal Initiative***, a voluntary association of manufacturers in Northern Brazil that conduct on-site inspections, found no instances of forced labor or armed surveillance by employers or hired guards. Nucor continues to take steps to eradicate slave labor from its supply chain. We look forward to a conversation with the company to learn about its 2016 goals and objectives.

SUPPORTING LEGISLATION

As the world’s largest importer, the American public is increasingly asking companies about the way their products and premises protect people and the environment. For consumers and investors, it is difficult to get this information since the majority of companies do not release sufficient details on how they are addressing human trafficking. As a result, for the past five years, CBIS has been leading the call for important legislative measures requiring corporate transparency.

In 2015, CBIS helped to lead over one hundred investors representing U.S. and European faith institutions, public pension funds, unions, and socially responsible asset management firms that collectively represent 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. This strong investor support signals to legislators the value of information released by companies on measures to audit, train, and review their operations and those of their suppliers and contractors. It should also 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.

CBIS has supported legislation since 2010, after successfully organizing investor efforts in support of ***The California Supply Chain law*** that requires approximately 3,000 of the largest

retailers and manufacturers in the world to publicly report on steps they are taking to combat human trafficking.

To demonstrate investor support for the law, CBIS was a featured panelist at a 2012 Congressional Briefing in Washington, DC and assisted companies comply with legislation by co-authoring a guidebook, ***“Effective Supply Chain Accountability: Investor Guidance on Implementation of The California Transparency in Supply Chain Law and Beyond.”***

RAISING AWARENESS

To raise awareness of human trafficking, CBIS has presented at major events and conferences, including the UN Commission on the Status of Women in New York City for the NGO Committee to Stop Trafficking in Persons in June 2015, in honor of World Day against Child Labor. In addition, CBIS organized and was featured on a panel on human trafficking at ***the 2015 Resource Center for Religious Institutes (RCRI) Conference***. The panel also featured Amy O’Neill Richards, Senior Adviser to the Director of the U.S. State Department Office to Monitor and Combat Trafficking in Persons.

Recognizing ways that sporting events can be a magnet for human trafficking, CBIS also organized and led global initiatives calling on corporate sponsors of the London Olympics, the NFL Super Bowl in Texas and the World Cup in South Africa to train staff, audit vendors and contractors, and root out slavery at their operations and within supply chains.

DEMONSTRATING LEADERSHIP

We are proud that our leadership has been recognized by such highly regarded organizations as the ***Coalition to Abolish Slavery and Trafficking (CAST)***. In 2011 we were honored to receive their Founders Award for our active ownership work on this issue. We show leadership in a variety of ways, not just with our investments. Julie Tanner, CBIS’ Assistant Director of Catholic Responsible Investing, sits on the board and helps to set the strategic direction of ECPAT-USA, the first U.S. non-profit to work on the issue of commercial sexual exploitation of children.

Eliminating Human Trafficking: Remaining Vigilant

Abuse and exploitation of children, adults and migrant workers who are desperate for jobs occurs in countless sectors in the U.S. and abroad, including seafood, hospitality, palm oil, gold mining, tobacco, electronics and cocoa. We must continue our quest to engage companies in our portfolios, monitor corporate

performance, and evaluate progress and measures of success. Our job is to shine a light on these abuses and to seek to ensure that companies are taking robust and substantive steps that can ultimately eliminate human trafficking from their supply chains once and for all.

TAKE ACTION TO END HUMAN TRAFFICKING

- ▶ KNOW the red flags that may indicate human trafficking.
- ▶ CALL The National Human Trafficking Resource Center at 1-888-3737-888 if you suspect a case of human trafficking or seek services.
- ▶ TALK about human trafficking with friends, family and co-workers to share learning and raise awareness.
- ▶ LEARN from human rights organizations and government agencies, such as [Free The Slaves](#), [ECPAT](#), and the [U.S. State Department Office to Monitor and Combat Trafficking in Persons](#).
- ▶ BE a knowledgeable consumer and make sure what you consume is slavery-free using sites like [Slavery Footprint](#), [Free2Work](#), [KnowTheChain](#) and the [U.S. Department of Labor List of Goods Produced by Child Labor or Forced Labor](#).
- ▶ VOTE your shares in favor of shareholder resolutions that call on companies to create and implement strong policies to prevent human trafficking.
- ▶ GIVE your business to companies that are demonstrating leadership, such as those that have signed [The Code of Conduct for the Protection of Children from Sexual Exploitation in Travel and Tourism](#).
- ▶ LOOK at the websites of your favorite companies for information on their anti-trafficking policies and programs, and let them know if they are doing a good job of communicating their performance; customer opinions matter!
- ▶ ENCOURAGE congressional leaders to sponsor and vote in favor of child protection and anti-trafficking legislation, such as [The Business Supply Chain Transparency on Trafficking and Slavery Act of 2015 \(H.R. 3226/S.1968\)](#).
- ▶ INVEST with CBIS! The more Catholic assets we manage, the more power and influence we have.

Important Information

The CUIT Funds are exempt from registration with the Securities and Exchange Commission and therefore are exempt from regulatory requirements applicable to registered mutual funds. All performance (including that of the comparative indices) is reported net of any fees and expenses, but inclusive of dividends and interest. Past performance is not indicative of future performance. The return and principal value of the Fund(s) will fluctuate and, upon redemption, shares in the Fund(s) may be worth less than their original cost. Complete information regarding each of the Funds, including certain restrictions regarding redemptions, is contained in disclosure documents which can be obtained by calling 800-592-8890. Shares in the CUIT Funds are offered exclusively through CBIS Financial Services, Inc., a broker-dealer subsidiary of CBIS.