

CATHOLIC VALUES INVESTMENT POLICY

Revised, June, 2004

The Board of Directors of the *Catholic Foundation for the People of the Diocese of Rockford* is called to exercise faithful, competent and socially responsible stewardship in how it manages and invests the financial resources entrusted to it. As a Roman Catholic organization, the Board draws its values from the Gospel of Jesus Christ, the teachings of the universal church and the guidance of our local Bishop. The following policy statement is written using the November 12, 2003 Socially Responsible Investment Policy of the United States Conference of Catholic Bishops as its model.

Faithful, competent and socially responsible stewardship directs the actions of the Board of Directors of the Catholic Foundation with dual and inseparable purposes: 1) to achieve a reasonable rate of return of invested financial resources in order for the participating parishes, schools, and diocesan ministries to strengthen their efforts of evangelization, education, service and pastoral care; and, 2) to employ socially responsible strategies and investments based on Catholic moral principles.

The Catholic Foundations' Performance Guidelines for achieving a reasonable rate of return on investments are found in a separate document titled "Investment Policy Statement." The following statements form the Policies of the Catholic Foundation for socially responsible strategies and investments:

Achieving a reasonable rate of return and employing socially responsible investment strategies work together to encourage the Board and its professional advisors to identify investment opportunities that meet both the financial needs and the social criteria. These purposes are carried out through the following strategies:

1) Do no harm (avoid evil)

This strategy involves two possible courses of action: 1) refusal to invest companies whose products and/or policies are counter to the values of Catholic moral teachings; 2) divesting from such companies. The decision to avoid or divest must be done prudently to minimize the financial impact and possible other negative consequences.

2) Active Corporate Participation

The Foundation will exercise normal shareholder responsibilities such as casting informed votes on proxies, dialoguing with corporate leadership, initiating or supporting shareholders' resolutions, and working with other religious groups who are advocating for corporate responsibility. This approach enables the Foundation to deal effectively with the reality of "mixed investments". One way for the Foundation to act as a socially responsible investor is to set limits for corporations engaged in questionable or objectionable activities, to hold a minimal position in those companies that fall under the threshold, and then to use our position as shareholders to work actively to influence or redirect the activities of the corporation toward activities and policies which are socially beneficial and serve the common good.

3) Positive Strategies: (Promote the Common Good)

This could include two possible courses of actions: 1) supporting policies and initiatives in companies owned by the Foundation that promote the values of Catholic moral and social teachings; 2) investing in companies that promote community development, which, in some cases, may result in a lower rate of return, but which are chosen because they give expression to the Church's preferential option for the poor or produce some significant social good.

In light of the above strategies the Board of Directors of the Catholic Foundation instructs its professional investment advisors in these specific areas:

Abortion

Absolute exclusion of investment in companies whose activities include direct participation in or support of abortion. Direct participation in abortion may include, but not limited to, companies involved in the manufacture of abortifacients and publicly held health-care companies that perform abortions when not absolutely required by federal or state law.

Contraceptives

The Foundation will not invest in companies that manufacture contraceptives or derive a significant portion of its revenues from the sale of contraceptives, even if they do not manufacture them.

Embryonic Stem Cell/Human Cloning

The Foundation will not invest in companies that engage in scientific research on human fetuses or embryos that 1) result in the end of re-natal human life; 2) make use of tissue derived from abortions or other life-ending activities; or 3) violates the dignity of a developing person. Specific activities covered by the policy include:

- 1) Embryonic stem cell research (ESCR)
- 2) Fetal tissue research or stem cell research from embryos; and
- 3) Human cloning.

Pornography

The Foundation will not invest in a company that derives a significant portion of its revenues from products or services intended exclusively to appeal to a prurient interest in sex or to incite sexual excitement. These would include, but not be limited to, sexually explicit (X-rated) films, videos, publications, and software; topless bars and strip clubs; and sexually oriented telephone and Internet services.

Production and Sale of Weapons

The Foundation, through its investments as well as its advocacy, seeks to discourage any nuclear and conventional arms race and to limit the distortions in the U.S. and global economy resulting from disproportionate military spending. The Foundation will, therefore, avoid investment in firms primarily engaged in military weapons production or the development of weapons inconsistent with Catholic teaching on war (e.g., biological and chemical weapons, arms designed or regarded as first-strike nuclear weapons, indiscriminate weapons of mass destruction, etc.) The Foundation will not invest in companies that are directly involved in the manufacture, sale, or use of anti-personnel landmines

Affordable Housing / Banking

The Foundation will not deposit funds in a financial institution that receives less than a "satisfactory" rating from federal regulatory agencies under the Community Reinvestment Act. The Foundation will encourage the financial institutions where it deposits its resources to undertake programs and implement policies to secure an "outstanding" rating under the act. The Foundation will communicate, where appropriate, to its financial institutions our support for their positive performance under the Community Reinvestment Act.

Using the opportunities available as a Corporate Participant, the Catholic Foundation, acting through its Catholic Values Investment Committee will advocate for Catholic moral and social teachings. Some specific areas are:

A. Abortion

The Foundation will consider supporting shareholder resolutions on abortion-related issues when deemed appropriate.

B. Human Rights

The Foundation will actively promote and support shareholder resolutions directed towards protecting and promoting human rights. For example, the Foundation could join efforts to influence corporations that are engaged in extractive industries or are operating in countries with significant human rights concerns. The Foundation will use selected shareholder resolutions and other means to encourage companies to provide sufficient wages, working conditions and other social benefits that enable their employees and families to meet basic human needs. The Foundation will seek means to encourage efforts by companies to promote a respect for fundamental human rights, especially in those countries in which these companies operate that have documented practices that deny or violate the human rights of their citizens.

C. Racial and Gender Discrimination

The Foundation will promote and support shareholder resolutions directed towards equal opportunities for minorities and will work for the inclusion of minorities on corporate board. The Foundation promotes the active participation of women in the life of the company, particularly in terms of policy and decision-making, and inclusion in corporate leadership positions.

D. Access to Pharmaceuticals (e.g. HIV/AIDS)

The Foundation will encourage companies to undertake or participate in programs designed to make life-sustaining drugs available to those in low-income communities and countries at reduced, affordable prices, consistent with our Catholic values. The Foundation will actively encourage and support shareholder resolutions directed towards making life-sustaining drugs more available and affordable to low-income communities and nations.

E. Curbing Pornography

The Foundation will promote and support initiatives, including in some cases, shareholder resolutions, to promote responsible and family-oriented program content development by media companies.

F. Production and Sale of Weapons

The Foundation will support shareholder actions to limit weapons production, to limit foreign sales of weapons and to convert corporate capacity to non-military uses.

G. Labor Standards/Sweatshops

USCCB will actively promote and support shareholder resolutions directed towards avoiding the use of sweatshops in the manufacture of goods. The Foundation will promote and support shareholder resolutions to promote generous wage and benefit policies and adequate worker safety guidelines.

H. Protecting the Environment

The Foundation will actively promote and support shareholder resolutions which encourage corporations to act "to preserve the planet's ecological heritage, addressing the rampant poverty in the poorest nations, redirecting development in terms of quality rather than quantity in the industrial world, [and] creating environmentally sensitive technologies." (*Renewing the Earth, 1991*) The Foundation will encourage policies and business that "undertake reasonable and effective initiatives for energy conservation and the development of alternate renewable and clean energy resources...[and offering] incentives to corporations to reduce greenhouse gas emissions and assistance to workers affected by those policies." (*Global Climate Change, 2001*)

J. Encouraging Corporate Responsibility

The Foundation will encourage companies to report on social, environmental, as well as financial performance and promote and support shareholder resolutions directed towards adoption of corporate social responsibility guidelines within companies.