STATEMENT OF POLICY AND INVESTMENT OBJECTIVES

THE CATHOLIC FOUNDATION OF NORTH GEORGIA

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I. INTRODUCTION

The purpose of this Investment Policy Statement (IPS) is to assist the Investment Committee (the "Committee") in effectively supervising, monitoring and evaluating the investments of the Catholic Foundation of North Georgia (the "Foundation"). With the performance of these tasks, the Investment Committee is fulfilling their responsibility to the Foundation Board in the oversight and management of the Foundation investment program.

The Foundation's investment program is defined in the various sections of the IPS by:

- Stating in a written document the Committee's attitudes, expectations, objectives and guidelines in the investment of all Foundation assets.
- Setting forth an investment structure for managing all Foundation assets. This structure includes various asset classes, investment management styles, asset allocation and acceptable ranges that, in total, are expected to produce a sufficient level of overall diversification and total investment return over the long-term.
- Providing guidelines for each investment portfolio that controls the level of overall risk and liquidity assumed in that portfolio so that all Foundation assets are managed in accordance with stated objectives.
- Encouraging effective communications between the Committee, the investment consultant (the "Investment Consultant") and the investment managers (the "Investment Managers").
- Establishing formalized criteria to monitor, evaluate and compare the performance results achieved by the Investment Managers on a regular basis.

This IPS has been arrived at upon consideration by the Committee of the financial implications of a wide range of policies, and describes the prudent investment process that the Committee deems appropriate considering the charitable purposes of the Foundation and the purposes of the various funds held by the Foundation.

In addition, in developing this IPS, the Committee considered: (i) general economic conditions, (ii) the possible effect of inflation or deflation, (iii) the expected tax consequences, if any, of investment decisions or strategies, (iv) the role that each investment or course of action plays within the overall investment portfolio of the Foundation, (v) the expected total return from income and the appreciation of investments, (vi) other resources of the Foundation, and (vii) the needs of the Foundation and its various funds to make distributions and to preserve capital.

This IPS is intended to be a summary of an investment philosophy that provides guidance for the Foundation. It shall serve the Investment Managers as the principal source for developing an appropriate strategy. In addition, it shall serve as the basis for performance evaluation. Any changes in this IPS will be in writing and will be communicated to the Investment Managers.

II. PURPOSE

The Foundation holds and manages various funds, all of which are dedicated to its charitable, religious, scientific, literary, and educational purposes. The Foundation primarily makes grants to benefit Roman Catholic Church activities and programs within the Archdiocese of Atlanta and its surrounding areas, but it also, at times, makes grants to support organizations that are not affiliated with the Roman Catholic Church provided that the missions, purposes, and activities of such organizations are consistent with Roman Catholic Church teachings. This IPS was developed with the goal of assuring that these purposes can be fulfilled now and in the future.

III. SPENDING POLICY

The Foundation's spending policy is documented in the Addendum to this Investment Policy Statement.

IV. INVESTMENT OBJECTIVE AND RESTRICTIONS

The investment objectives and restrictions of the Foundation have been established in conjunction with a comprehensive review of the current and projected financial requirements. The investment objectives are:

- To achieve investment returns that will defray annual spending policy and permit some growth of the assets.
- To maximize returns within reasonable and prudent levels of risk in order to minimize chances for loss of capital.

The desired investment objective is a long-term rate of return on assets that is 5% greater than the rate of inflation as measured by the Consumer Price Index (CPI). The target rate of return for the Foundation has been based upon the assumption that future real returns will approximate the long-run rates of return experienced for each asset class in the IPS. In light of this return requirement, the portfolio should be constructed using a total return approach with a significant portion of the funds invested to seek growth of principal over time. The assets are to be invested for the long term, and a higher short-term volatility in these assets is to be expected and accepted. The Committee realizes that market performance varies and that a real rate of return may not be meaningful during some periods. Accordingly, relative performance benchmarks for the managers are set forth in the "Control Procedures" section.

Over rolling 5-year periods, the Foundation's overall annualized total return, after deducting for advisory, investment management, and custodial fees, as well as total transaction costs should perform above the median of an appropriate universe.

Investment results are the critical element in achieving Foundation objectives, while reliance on additional contributions is a secondary element.

V. SOCIALLY RESPONSIBLE INVESTING CRITERIA

The Foundation recognizes and accepts its moral and ethical responsibility to steward its financial resources in a manner consistent with its vision, mission, values and core strategies. In order to fulfill this responsibility, it is the policy of the Foundation to comply to the greatest extent deemed possible with the investment policies and principles as set forth by the U.S. Conference of Catholic Bishops (USCCB), which is attached to this policy. These guidelines apply to separately managed accounts only. The Foundation understands that it would not have any control over the management of mutual funds / collective trust funds / limited partnerships in the form of Fund of Funds Hedge Funds with regard to guidelines and restrictions. However, when possible, the Foundation intends to utilize funds that generally comply with the investment guidelines as stated by the USCCB.

VI. TIME HORIZON

The time horizon for these assets is perpetual. For strategic planning purposes, a minimum of ten years will be considered for decision-making purposes. Capital values do fluctuate over shorter periods and the Investment Committee recognizes that the possibility of capital loss does exist. However, historical asset class return data suggest that the risk of principal loss over a holding period of at least three to five years can be minimized with the long-term investment mix employed under this Investment Policy Statement.

VII. RISK TOLERANCE

The Committee recognizes the difficulty of achieving the Foundation's investment objectives in light of the uncertainties and complexities of contemporary investment markets. The Committee also recognizes that some risk must be assumed to achieve the Foundation's long-term investment objectives. Considering the future demands and expenses, the liquidity requirements of the Foundation are immaterial over the next ten years, which implies a higher risk profile is acceptable.

The Catholic Foundation's prospects for the future, current financial condition and several other factors suggest collectively that the Foundation can tolerate some interim fluctuations in market value and rates of return in order to achieve long-term objectives.

The Investment Committee recognizes that prudent investing requires taking reasonable risks in order to raise the likelihood of achieving the targeted investment returns. Research has demonstrated that portfolio risk is best minimized through diversification of assets. The portfolio of funds will be structured to maintain prudent levels of diversification. In terms of relative risk, the volatility of the portfolio should be in line with general market conditions.

VIII. PROCEDURES

The duties and responsibilities of the Investment Committee, the Investment Consultant, and the Investment Managers with regard to the funds are delineated as follows.

The Investment Committee, with active assistance and recommendations from the Investment Consultant, shall have responsibility for the following:

- Establishing overall financial objectives and setting investment policy;
- Setting parameters for asset allocation;
- Establishing a process and criteria for the selection and termination of investment program managers, custodians;
- Selecting a qualified investment management consultant;
- Selecting qualified investment manager(s);
- Selecting a qualified custodian;
- Monitoring investment results quarterly to assure that objectives are being met and that policy and guidelines are being followed;
- Reviewing the fees paid to the Investment Consultant and the Investment Managers as well as all other investment-related costs to assure that they remain appropriate and reasonable in relation to the assets, the purposes of the Foundation and the Foundation's funds, and the skills reasonably available to the Foundation;
- Communicating on a structured and ongoing basis with those persons responsible for investment results.

The Investment Consultant will be proactive in advising and making recommendations to the Investment Committee regarding:

- Investment Policy
- Asset Allocation
- Manager Selection
- Performance Evaluation
- Other investment matters and responsibilities of the Investment Committee

The Investment Managers will be responsible for the following:

- Managing the Foundation assets under their care, custody and/or control in accordance with the IPS objectives and guidelines set forth herein, and also expressed in separate written agreements when deviation is deemed prudent and desirable by the Committee.
- Exercising investment discretion within the IPS objectives and guidelines set forth herein.
- Reporting results to the Investment Committee using the same time parameters as our consultant.
- Promptly informing the Committee in writing regarding all significant and/or material matters and changes pertaining to the investment of Foundation assets, including, but not limited to:
  1) Changes in investment strategy, portfolio structure, tactical approaches and significant market value of managed assets;
  2) Changes in the ownership, organizational structure, financial condition, and/or professional staff of the firm; and,
  3) All material legal, SEC and other regulatory agency proceedings affecting the firm.
- Promptly voting all proxies and related actions in a manner consistent with the long-term interests and objectives of the Foundation set forth herein. Each manager shall keep detailed records of said voting of proxies and related actions and will comply with all regulatory obligations related thereto.
- Utilizing the same care, skill, prudence and due diligence under the circumstances then prevailing that experienced, investment professionals acting in a like capacity and fully familiar with such matters would use in like activities for like endowment funds with like aims.
- Acknowledging and agreeing in writing to their fiduciary responsibility to fully comply with the entire IPS set forth herein, and as modified in the future.
- Determining investment strategy.
- Implementing security selection and timing within policy guideline limitations.

IX. ASSET ALLOCATION & STYLE DIVERSIFICATION

Research suggests that the decision to allocate total assets among various asset classes will far outweigh security selection and other decisions that impact portfolio performance. The Committee has reviewed the long-term performance characteristics of various asset classes, focusing on balancing the risks and rewards of market behavior. The following asset classes were selected:

- United States Government Bonds (Intermediate & Long Term)
- Agency Bonds (Intermediate & Long Term)
- Cash & Cash Equivalents
- Investment Grade Corporate Bonds (Intermediate & Long Term)
- Non-Investment Grade Corporate Bonds
- International Equity (Developed & Emerging Markets)
- Large Cap Growth Equity
- Large Cap Value Equity
- Mid Cap Equity
- Small Cap Growth Equity
- Small Cap Value Equity
- Alternatives (i.e. Real Estate, Hedge Fund of Funds, Alternative mutual funds)

Additional asset classes and style strategies may be incorporated into the investment philosophy in the future.

A. Summary of Asset Allocation Guidelines:

Based on the Foundation’s time horizon, risk tolerance, performance expectations and constraints, the following asset allocation strategies has been identified to achieve the objectives of the Foundation:

Conservative

Asset Category	Minimum	Target	Maximum
Cash	**0%**	**0%**	**10%**
Fixed Income	**55%**	**60%**	**65%**
Equity	**30%**	**40%**	**50%**
Large Cap	20%	30%	40%
Large Cap Growth	10%	15%	20%
Large Cap Value	10%	15%	20%
Small Cap	0%	5%	10%
Small Cap Growth	0%	2.5%	5%
Small Cap Value	0%	2.5%	5%
International	0%	5%	10%

Long-Term

Asset Category	Minimum	Target	Maximum
Cash	**0%**	**0%**	**10%**
Fixed Income	**25%**	**30%**	**35%**
Equity	**50%**	**60%**	**70%**
Large Cap	25%	30%	50%
Flexible Fund(s)	0%	5%	10%
Small Cap	0%	10%	15%
Small Cap Growth	0%	5%	10%
Small Cap Value	0%	5%	10%
International	0%	10%	15%
Emerging Markets	0%	5%	10%
Alternative Investments	**0%**	**10%**	**15%**

B. Rebalancing Procedures

From time to time, market conditions may cause the investment in various asset classes to vary from the established allocation. At least on an annual basis, the Investment Committee and its Investment Consultant will review both the specific asset allocation (equity versus fixed) and the style targets for possible rebalancing back to the target allocation, to ensure consistency with the asset allocation guidelines established by this investment policy. If the actual weighting goes above / below the maximum / minimum weighting intra-year, rebalancing may be recommended.

C. Adjustment in the Target Allocation

The approved asset allocation displayed previously indicates both an initial target allocation and a range for each investment category. From time to time, based on changing economic circumstances of the Foundation as perceived by the Investment Committee and their advisors, it may be desirable to make changes in the target allocations. The Investment Committee and their advisors may determine such changes. Subsequent target allocation changes will be approved by the Investment Committee and the Investment Policy Statement will be updated accordingly.

X. SELECTION AND RETENTION CRITERION FOR INVESTMENTS

A. Investment Management

The Committee, with the assistance of the Consultant will select appropriate investment managers to manage the Foundation assets. Investment managers must meet the following criteria:

- Must be a bank, insurance company, or investment adviser as defined by the Registered Investment Advisers Act of 1940.
- The investment manager must provide GIPS-compliant historical quarterly performance numbers calculated on a time-weighted basis, based on a composite of all fully discretionary accounts of similar investment style, and reported net and gross of fees.
- The manager must provide detailed information on the history of the firm, key personnel, key clients, fee schedule, and support personnel. This information can be a copy of a recent Request for Proposal (RFP) completed by the manager. A current Fee schedule must be included.
- The manager must clearly articulate the investment strategy that will be followed.

In evaluating investment managers, the Committee will consider, among others, the following factors:

- The investment style and discipline of the proposed manager;
- How well each proposed investment complements other assets in the portfolio;
- The size of the organization as measured by the amount of assets under management with respect to the investment style under consideration;
- Experience of the organization as measured by the tenure of the professionals with respect to the investment style under consideration;
- Past performance, considered relative to other investments having the same investment objective. Consideration shall be given to both performance rankings over various time frames and consistency of performance;
- The historical volatility and down-side risk of each proposed investment;
- The appropriateness of the fees proposed in relation to the assets, the purposes of the Foundation and the Foundation’s funds, and the skills reasonably available to the Foundation.

B. Individual Securities

The Investment Committee desires to permit investment managers flexibility to maximize investment opportunities. However, it is cognizant of its responsibility to practice prudent management in order to conserve and protect Fund assets and to prevent exposure to undue risk. Exceptions to the guidelines stated below may be made upon special written approval of the Committee and shall be subject to annual review.

The following constraints on individual holdings apply to separately managed accounts. The Foundation may use mutual funds or commingled vehicles and understands that they would not have any control over the management of such funds with regard to guidelines and restrictions. However, when possible, they intend to utilize funds that generally comply with the investment guidelines stated in this Investment Policy Statement.

i) Equity Holdings:

Security Types:

Equity securities shall consist of common stocks and equivalents (ADRs, issues convertible into common stock, etc.) traded on a recognized exchange. There are no specific constraints as to earnings record and dividend policy.

Diversification:

No more than seven percent (7%) of the market value of the equity portfolio shall be in one issue. (If more than one investment manager manages equities, this restriction shall apply separately to each equity portfolio.)

Quality:

There are no qualitative guidelines with regard to equity ratings, etc., except that prudent standards should be developed and maintained by the Investment Manager(s).

Restrictions:
Investment in the following is prohibited unless written permission is granted:

- Derivative investments (futures or option contracts) for speculative purposes (as opposed to protection of asset value: *Covered call writing is permissible*)
- Direct ownership of letter stock and other unregistered securities
- Restricted stock
- Venture capital
- Short sales
- Margin transactions
- Securities lending

Flexible Fund(s):
A flexible fund(s) may be employed in the portfolio as a long-only equity replacement with a goal of earning risk-adjusted returns comparable to traditional equities over full market cycles. Flexible fund(s) aim is to widen the opportunity set through managers who have the ability to allocate to non-traditional asset classes.

ii) Fixed Income Holdings:

Security Types:

Investment in obligations of the U.S. Government, including Treasury Inflation-Protected Securities (TIPS), U.S. Government Agencies, U.S. Corporate entities, Mortgage Backed Securities (MBS), Preferred Stock, Collateralized Mortgage Obligations, Asset Backed Securities, Taxable Municipal securities, Commercial Mortgage Backed securities (CMBS), REIT debt and dollar denominated foreign bonds is permitted unless otherwise prohibited by investment restrictions.

Diversification:

With the exception of U.S. Treasury and Agency obligations, no more than five percent (5%) of the fixed income portfolio at market shall be invested in a single issue or corporate entity. If more than one investment manager manages fixed income, these restrictions apply separately to each portfolio.

Maturity:

The investment managers shall have responsibility for setting the appropriate maturity schedule for the fund based on the fund's investment objectives and risk profile. Based on current and expected market conditions, the manager should determine the structure that will yield optimal performance.

Quality:

Each debt instrument selected for investment shall be subjected to credit analysis by the investment manager prior to inclusion in the portfolio. The minimum acceptable quality is investment grade at the time of purchase by Moody's Investor Service (Baa) or Standard and Poor's (BBB) with the exception of 15% of the value of fixed income portfolio, which could be invested in below investment grade securities. The weighted average quality of the fund shall be A or better.

Restrictions:

Investment in the following is prohibited without written permission:

- Private Placements (However, private placement medium term notes and securities issued under SEC Rule 144A are permitted)

- Municipal or other tax exempt securities
- Margin purchases or borrowing money to effect leverage into the portfolio
- Inverse floater, interest only and principal only mortgage structures

iii) Alternative Investments:

Fund of Funds Hedge Funds (held in the form of professionally managed pooled limited partnership investments) and Liquid Alternative mutual funds (held in the form of single strategy mutual funds) are permitted. Both will be offered by professional Investment Managers with proven records of performance over time.

Fund of Fund Hedge Funds and liquid alternative mutual funds are subject to the same due diligence process as traditional investments; however, due to their unique nature, additional criteria are to be considered. Additional criteria include, but are not limited to:

- Transparency of the underlying hedge funds and to some degree their individual positions;
- Liquidity terms of the fund of funds to include lock-up period and frequency of withdrawals;
- No significant degree of leverage utilized at the limited partnership level;
- Financial commitment of the General Partner in the fund;
- Length of actual performance track record (no back tested results);
- Sufficient documentation for due diligence, on-going monitoring and financial controls.

iv.) Cash/Cash Equivalents:

Cash equivalent reserves shall consist of U.S. Treasuries, U.S. Government Agencies, or SEC regulated U.S. government money market funds. The average maturity of the portfolio shall not exceed one year.

XI. PERFORMANCE OBJECTIVES

The overall fund performance will be reviewed on a quarterly basis, with long term emphasis placed on results achieved over a three to five year period. Objectives will be reviewed annually and adjusted, if necessary, after consultation with the Investment Committee, Investment Consultant and Investment Managers.

A. Total Fund:

Fund performance will be compared to the performance of a similarly structured balanced index in line with the target allocation in each strategy. This custom index will be comprised of the S&P 500 Index (or Russell 1000 Index), Russell 2000 Index, EAFE International Index, MSCI Emerging Markets, Barclays Aggregate Bond Index, and Citigroup 30 day Treasury Bill Index and/or other appropriate indices. The Fund should at least equal the performance of the custom balanced index

B. Equity Segment:

The performance of the domestic large cap equity portion of the Fund is expected to meet or exceed the performance of S&P 500 Composite Index, the S&P/Citigroup Growth/Value Index or the Russell 1000 Growth/Value Index depending on the manager's investment style.

The returns of the large capitalization equity portion of the Fund should rank in the top thirty-three percent (33%) of a nationally recognized evaluation service's universe for comparable funds and investment styles over rolling three to five year time periods.

The performance of the small capitalization equity portion of the Fund should meet or exceed the performance of the Russell 2000 Small Stock Index or the Russell 2000 Value/Growth Index, depending on the manager's investment style.

The returns of the small capitalization equity portion of the Fund should rank in the top thirty-three percent (33%) of a universe for comparable funds over a rolling three to five year time periods.

The performance of the international equity portion of the Fund should meet or exceed the performance of the Morgan Stanley Capital International's Europe Australia Far East (EAFE) Index.

The returns of the international equity portion of the Fund should rank in the top thirty-three percent (33%) of a universe for comparable funds over a rolling three to five year time periods.

The performance of the emerging markets equity portion of the Fund should meet or exceed the performance of the Morgan Stanley Capital International's Emerging Markets Index.

The risk-adjusted performance of the flexible fund(s) is expected to meet or exceed the performance of an appropriate representative benchmark.

The performance of the flexible fund(s) within the portfolio will be compared to the following benchmarks:

- Appropriate benchmark designated by the Consultant/Investment Manager
- Other benchmark agreed upon by Committee and Consultant

C. Fixed Income Segment:

The performance of the fixed income portion of the Fund is expected to meet or exceed the performance of the Barclays Aggregate index or other appropriate index or mix of indices, which reflect the fixed income portion of the portfolio.

The returns of the fixed income portion of the Fund should rank in the top forty percent (40%) of a universe for comparable fixed income funds over a three to five year time period.

D. Alternative Investments:

The Investment Subcommittee recognizes that benchmarks for alternative investments, more specifically hedge fund of funds and liquid alternative mutual funds, are relatively new in their creation and there is no perfect benchmark in existence for these types of investments. Hedge fund indexes are created from hedge fund databases. There is no complete database because inclusion in these databases is voluntary and they are subject to survivorship bias. Additionally, each hedge fund, including fund of funds, has diverse investment objectives and characteristics making like comparisons difficult.

To aid in the on-going evaluation of the alternative investment portion of the portfolio, Fund of Funds Hedge Fund investments and liquid alternative mutual funds will be compared to the following benchmarks:

- HFRI Diversified Fund of Funds Index
- Citigroup One-Month Treasury Bill plus an appropriate premium
- Other benchmark designated by the Manager

E. Cash Segment:

The performance of the fixed income portion of the Fund is expected to meet or exceed the performance of the Citigroup 3-month T-bills Index or other appropriate index or mix of indices, which reflect the cash portion of the portfolio.

XII. CONTROL PROCEDURES

A. Review and Evaluation of Investment Objectives:

Investment performance will be reviewed at least annually to determine the continued feasibility of achieving the investment objectives and the appropriateness of the IPS for achieving those objectives.

It is not expected that the IPS will change frequently. In particular, short-term changes in the financial markets should not warrant adjustments to the IPS.

B. Review and Evaluation of Investment Manager(s):

The Investment Committee will meet at least annually with the Investment Managers or their representatives. Additionally, with or without the Investment Managers, the Investment Committee will review investment results quarterly.

These reviews will focus on:

- The Investment Managers’ adherence to the IPS guidelines;
- Comparison of the managers’ results to the objectives established for each fund or Investment Manager as the case may be;
- Comparison of the managers’ results against funds using similar policies (in terms of the stock/bond ratio and style);
- Opportunities available in both the equity and bond markets; and,
- Material changes in the Investment Managers’ organizations, such as philosophical or personnel changes.
- The Foundation’s performance results compared to the manager’s overall performance figures to determine unaccounted for dispersion between the manager’s reported results and the Foundation’s actual results.

The Investment Committee may discharge or replace a manager at any time it deems such action necessary and appropriate.

Guidelines for evaluation, retention, and replacement of Investment Managers will be as follows:

- Establish appropriate benchmark/index to which to compare Investment Managers’ performance.
- Establish performance target: To outperform benchmark/index and to achieve investment returns:
    - in the top thirty-third percentile (33%) of peer manager/fund groups for equities over a three to five year period
    - in the top fortieth percentile (40%) of peer manager/fund groups for fixed income over a three to five year period
    - Monitor managers’/funds’ performance on a quarterly basis and compare to selected index and peers with similar styles and objectives.

An Investment Manager will be rated in a “Favorable Status” if they are delivering favorable performance and there are no outstanding organizational issues.

An Investment Manager will be in a “Caution Status” if:

- <u>For Equities</u>:
    - Investment Manager’s three year performance is below the 50^{th} percentile of their peer universe, or they are trailing the style benchmark, or
    - Investment Manager’s five plus year performance is below the 33^{rd} percentile of their peer universe, or they are trailing the style benchmark

- For Flexible Fund(s):
    - The flexible funds portion will be compared to their individual stated objectives. In the event multiple flexible fund(s) are used in the category, emphasis will be placed on the performance of the flexible fund(s) portion as whole. Flexible fund(s) may be placed on caution status if the Consultant determines the fund is not achieving its stated objective.
- For Fixed Income:
    - Investment Manager's three year performance is below the 50th percentile of their peer universe, or they are trailing the style benchmark, or
    - Investment Manager's five plus year performance is below the 40th percentile of their peer universe, or they are trailing the style benchmark.

An Investment Manager will also be considered on "Caution Status" if there is a material change in the ownership structure of the Investment Manager's organization, or there is a departure of key investment professionals.

An Investment Manager that falls in "Caution Status" should undergo a formal review by the Investment Consultant. The review will address how the Investment Manager will move back to "Favorable Status" or recommend termination. An Investment Manager can move back to "Favorable Status" by improving its performance above the criteria as listed above. Highest priority will be given to those failing to meet the five-year target and next to those failing to meet the three-year target. There may be situations where immediate problems, questions or short-term performance issues arise regarding an Investment Manager and the priority will shift to review these situations first.

In addition to the above, immediate termination of managers should be considered:

- When they deviate from the Investment Committee's instructions
- When they deviate substantially from their investment disciplines and process
- When Investment Committee members have any material problem or concern regarding the Investment Manager

XIII. COMMUNICATIONS

Month-end accounting of transactions and portfolio holdings, ending portfolio and holdings values will be provided by the custodian(s).

Quarter-end regular accounting of transactions, portfolio holdings, yields, current market values, summary of cash flows, calculations of the portfolio's total rate of return on a latest quarter, year-to-date and since inception basis will be provided by each Investment Manager.

The Investment Managers will maintain communication with the Foundation and the Investment Consultant with as reasonable frequency as market conditions and the portfolio warrant. Major market conditions and major portfolio changes should be called to the attention of the Foundation and the Investment Consultant by the Investment Managers.

Significant changes within the Investment Managers' operations of personnel and the anticipated impact on the funds should be brought to the attention of the Foundation and the Investment Consultant immediately. If any changes are made to key personnel, ownership or any other critical areas of the firm, the client should be promptly informed.

The Investment Consultant will provide comparative performance evaluation reports quarterly.

Accepted by:

__________________________ ____________________
Date

INVESTMENT POLICY STATEMENT ADDENDUM

THE CATHOLIC FOUNDATION OF NORTH GEORGIA

ENDOWMENT SPENDING POLICY

This following Endowment Spending Policy governs the accumulation and expenditure of endowment funds held, managed and used by The Catholic Foundation of North Georgia (the “Foundation”). For purposes of this policy, an endowment fund is a fund, or a part of a fund, held by the Foundation that, under the terms of a gift instrument, is not wholly expendable by the Foundation on a current basis.

Primary Objectives

The Foundation manages endowment funds that were created by gifts from a number of donors. These endowment funds are intended to provide the Foundation with a source of revenue for grantmaking in perpetuity. The following Endowment Spending Policy, therefore, was selected to achieve the following primary objectives (in concert with the Foundation’s Investment Policy):

- To provide a predictable and stable stream of revenue to support the Foundation’s grantmaking;

- To ensure that the real (inflation-adjusted) value of this revenue stream is maintained over the long term;

- To maintain the real (inflation-adjusted) purchasing power of the endowment funds over time; and

- To assure that the Foundation’s endowment funds continue to exist in perpetuity.

Factors Considered

In developing this Endowment Spending Policy, the Board of Directors considered (i) the duration and preservation of the endowment funds, (ii) the purposes of the Foundation and the endowment funds, (iii) general economic conditions, (iv) the possible effect of inflation and deflation, (v) the expected total return for the endowment funds from income and the appreciation of investments, (vi) other resources of the Foundation, and (vii) the Foundation’s Investment Policy.

Spending Policy

After considering the primary objectives to be achieved by this Endowment Spending Policy and the factors noted above, the Board of Directors has determined that (except where the terms of a gift instrument explicitly provide otherwise, such as for a capital project) the following target spending rate and spending rule are prudent for the uses, benefits, purposes, and duration for which the endowment funds were established:

Target Spending Rate. The target spending rate is the percent of the endowment funds that may be distributed for use by the Foundation each year. The target spending rate will be set at 4% but will be subject to change by a vote of the Board of Directors.

Spending Rule. In order to provide a predictable, stable stream of revenue, the Board of Directors has adopted a mechanism to reduce the volatility of available distributions for the Foundation's grantmaking. The Foundation will use a spending rule that applies the target spending rate to the average of the market value of the endowment funds at the end of the previous twenty quarters. Such a formula greatly increases the predictability and stability of the revenue stream generated by the endowments.

Accounting Considerations

In accordance with current Georgia law, there will be no fixed maximum or minimum expenditure from any endowment fund, amounts contributed to an endowment fund will be permanently restricted, all unrealized gains and all realized gains in any endowment fund that are not currently expended will be temporarily restricted for the purposes of the endowment fund, there will be no obligation to restore any unrealized or realized losses in any endowment fund, any unrealized or realized losses will reduce the temporarily or permanently restricted funds in an endowment fund, and there will be no restriction on any expenditures from any endowment fund that has incurred unrealized or realized losses. Rather, all such expenditures will be governed by this Endowment Spending Policy, as adopted or amended from time to time by the Board of Directors.

Changes to Endowment Spending Policy

Changes to this Endowment Spending Policy may only be made by the Board of Directors by majority vote.

UNITED STATES CONFERENCE OF CATHOLIC BISHOPS

Socially Responsible Investment Guidelines

November 12, 2003

Principles for USCCB Investments

Introduction

The United States Conference of Catholic Bishops ("USCCB", "Conference") is called to exercise faithful, competent and socially responsible stewardship in how it manages its financial resources. As a Catholic organization, the Conference draws the values, directions and criteria which guide its financial choices from the Gospel, universal church teaching and Conference statements. In order to function effectively and to carry out its mission, the Conference depends on a reasonable return on its investments and is required to operate in a fiscally sound, responsible and accountable manner. The combination of religious mandate and fiscal responsibilities suggests the need for a clear and comprehensive set of policies to guide the Conference's investments and other activities related to corporate responsibility.

I. **Background**

The Catholic bishops of the United States have addressed this in the pastoral letter *Economic Justice for All*. The following excerpts from the pastoral letter emphasize three basic themes:

A. *Church as Shareholder and Investor*

"Individual Christians who are shareholders and those responsible within church institutions that own stocks in U.S. corporations must see to it that the invested funds are used responsibly. Although it is a moral and legal fiduciary responsibility of the trustees to ensure an adequate return on investment for the support of the work of the church, their stewardship embraces broader moral concerns. As part owners, they must cooperate in shaping the policies of those companies through dialogue with management, through votes at corporate meetings, through the introduction of resolutions and through participation in investment decisions. We praise the efforts of dioceses and other religious and ecumenical bodies that work together toward these goals. We also praise efforts to develop alternative investment policies, especially those which support enterprises that promote economic development in depressed communities and which help the church respond to local and regional needs. When the decision to divest seems unavoidable, it should be done after prudent examination and with a clear explanation of the motives." (*Economic Justice for All*, 354)

B. *Shareholder Responsibility*

"Most shareholders today exercise relatively little power in corporate governance. Although shareholders can and should vote on the selection of corporate directors and on investment questions and other policy matters, it appears that return on investment is the governing criterion in the relation between them and management. We do not believe that this is an adequate rationale for shareholder decisions. The question of how to relate the rights and responsibilities of shareholders to those of other people and communities affected by corporate decisions is complex and insufficiently understood. We therefore urge serious, long-term research and experimentation in this area. More effective ways of dealing with these questions are essential to enable firms to serve the common good." (*Economic Justice for All*, 306)

C. *Church as Economic Actor*

"Although all members of the Church are economic actors every day of their individual lives, they also play an economic role united together as Church. On the parish and diocesan level, through its agencies and institutions, the Church employs many people; it has investments; it has extensive properties for worship and mission. All the moral principles that govern the just operation of any economic endeavor apply to the Church and its agencies and institutions; indeed the Church should be exemplary." ("Economic Justice for All," 347)

Many dioceses and religious communities have also been seeking to apply these directions through their own policies on corporate responsibility. The USCCB Committee on Budget and Finance has sought a review and updating of these guidelines based on universal Church teachings and USCCB statements and policies. More than a decade ago the Bishops' Conference adopted and began to implement Socially Responsible Investment Guidelines (adopted at Nov.1991 General Meeting and presented in *Origins*, Nov. 28, 1991, Vol. 21. No. 25).

The Committee on Budget and Finance and the related Conference staff have carried out these policies, but more comprehensive and clear corporate responsibility guidelines are needed. Until now, the Conference corporate responsibility policies have consisted primarily of exclusions, choosing not to invest in companies that comprise about ten percent (10%) of the S&P 500. Through this current review, the Conference seeks to put in place policies that are broader, more explicit, active, flexible and effective in applying the teaching of the Church to the realities of the market.

II. Principles of Stewardship

This current effort to fashion such guidelines is guided by two fundamental and interdependent principles:

Principle 1: The Conference should exercise responsible financial stewardship over its economic resources. In practical fiscal terms, this means obtaining a reasonable rate of return on its investments. For example, the Conference now expects its managers to perform at least at the level of the market. In some areas the Conference has an actual fiduciary role (e.g., pensions). This requires caution in terms of risks taken with Conference resources.

Principle 2: The Conference should exercise ethical and social stewardship in its investment policy. Socially responsible investment involves investment strategies based on Catholic moral principles. These strategies are based on the moral demands posed by the virtues of prudence and justice. They recognize the reality that socially beneficial activities and socially undesirable or even immoral activities are often inextricably linked in the products produced and the policies followed by individual corporations. Given the realities of mergers, buyouts and conglomeration, it is increasingly likely that investments will be in companies whose policies or products make the holding of their stock a "mixed investment" from a moral and social point of view. Nevertheless, by prudently applying traditional Catholic moral teaching, and employing traditional principles on cooperation and toleration, as well as the duty to avoid scandal, the Conference can reflect moral and social teaching in investments.

III. Strategies

These two major principles work together to encourage the Conference to identify investment opportunities that meet both our financial needs and our social criteria. These principles are carried out through strategies that seek: 1) to avoid participation in harmful activities, 2) to use the Conference's role as stockholder for social stewardship, and 3) to promote the common good.

Briefly, these three approaches may be described as follows:

A. *Do no harm (avoid evil):* This strategy involves two possible courses of action: 1) refusal to invest in companies whose products and/or policies are counter to the values of Catholic moral teaching or statements adopted by the Conference of bishops; 2) divesting from such companies. The decision to divest, or to refuse to invest, would be based on the principle of cooperation and the avoidance of scandal. It would have to be done prudently, with care taken to minimize the financial impact and possible other negative consequences. In some cases, Conference policy may not absolutely require divestment, but significant Conference investments in these areas might cause confusion or scandal (e.g., heavy investment in conventional military weapons producers, gambling stocks, etc.). In these cases, prudence would be the guiding principle.

B. *Active Corporate Participation.* Given the clear teaching of *Economic Justice for All*, it seems appropriate for the Conference to adopt a strategy of active corporate participation with regard to its stock holdings. Under this approach the Conference will seek to exercise its normal shareholder responsibilities, especially casting informed votes on proxies and shareholders' resolutions in accord with Conference policies. It should be noted that failure to vote in such situations, or assigning proxies to management, is effectively counted as a vote for current management and the status quo. In the future the Conference should vote its proxies and use its opportunities as a shareholder to support policies in accord with its values and oppose those in conflict with them, within the limitations discussed below.

This strategy involves actively using the Conference's position as shareholder to influence the corporate culture and to shape corporate policies and decisions. These activities could include dialogue with corporate leadership, initiating or supporting shareholder resolutions, and working with various religious and other groups who are working for corporate responsibility, writing letters to corporate executives and board members to advocate specific steps or to support or raise objections to a corporation's activities or policies.

This approach could also enable the Conference to deal effectively with the reality of "mixed investments." One way to be 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 one's position as shareholder to work actively to influence or redirect the activities or policies of the corporation toward activities and policies which are socially beneficial and serve the common good. Investments of this type may be tolerated, after careful application of the principle of cooperation and the duty to avoid scandal, so long as the Conference engages in active participation and there is a reasonable hope of success for corporate change.

C. *Positive Strategies ("Promote the Common Good")*. These strategies involve at least two possible courses of action: 1) supporting policies and initiatives in companies owned by the Conference that promote the values of Catholic moral and social teaching or positions advocated by Conference statements while earning a reasonable rate of return; 2) investments that promote community development, which, in some cases, may result in a lower rate of return, but which nevertheless are chosen because they give expression to the Church's preferential option for the poor or produce some truly significant social good.

In the first case, the Conference can support companies and financial institutions which, in addition to their fiscal merits and investment advantages, have strong records in such areas as labor relations, affirmative action, affordable housing, (for example, market-rate certificates of deposit in institutions with special programs for low cost housing, or common stocks of companies that produce socially superior products and perform well in the market, etc.). In the second case, the Conference already has positive experience with community development investments through the Catholic Campaign for Human Development ("CCHD") Given the purpose of the funds which the Conference holds, and, in some cases, its fiduciary responsibilities, opportunities for investing in community development initiatives with lower rates of return will probably be limited to CCHD's efforts or other special initiatives.

IV. Financial Impact

The experience of the Conference has been that there has not been a negative impact on the financial return of the Conference's investments since these Socially Responsible Investment Guidelines have been in place.

When the guidelines were put into place and in our review, the Conference consulted with advisors and groups who have extensive experience in managing funds under these kinds of policies. Each of them presented evidence that their restricted funds had performed better than or at the level of the market as a whole. Theoretically, a corporate responsibility program that precluded investment in a significant segment of the market would reduce the options available to the portfolio management and could negatively impact performance. Since the market is so large, every investor selects some stocks and avoids others, using a variety of financial and other evaluative financial criteria. The addition of the ethical criteria is an extension of this process. Some argue that further limiting investor options reduces flexibility, can distort market choices and could negatively impact financial return. Others argue that the market is so large and varied that ethical criteria do not unduly inhibit investor choice, and there are ample options available to a capable and skilled advisor. They also argue that there are many well-run and profitable companies that practice corporate responsibility. In fact, they suggest that in today's environment of increased regulation and social concern, those companies with good records in these areas often perform better than their counterparts.

It is not possible to predict future results from past experience; therefore the financial impact of these policies needs to be continuously monitored.

V. **Conference Directions**

In carrying out these strategies the Conference will be required to strengthen its capacity in several areas:

1. *Corporate Awareness*: The Conference will have to build on its current efforts and monitor more closely how Catholic teaching and Conference policy are advanced and undermined in the marketplace and by corporate actions. It will need to make use of the growing resources that regularly monitor corporate responsibility issues and stay in touch with networks of others who share similar concerns. In addition, the Conference ought to subscribe to the publications of groups that offer research, advice, and assistance in the area of corporate responsibility.

2. *Investment Guidance*: The Conference will have to continue to work closely with its investment advisors, to clearly articulate its goals and policies in this area and assist them in carrying them out. A tool that has proven useful for others is a set of instructions for voting proxies on issues of concern to the client. The Conference needs investment advisors who have shown themselves to be sympathetic, skillful and successful in carrying out an effective investment program within these kinds of constraints.

3. *Prudence/Common Sense*: Our work with investment advisors and others interested in corporate responsibility will require both prudence and common sense in carrying out these policies. The basic direction is set by Conference policies. The strategies employed and their scale, timing and pace will depend on the considered judgments of the Committee on Budget and Finance, USCCB staff and advisors.

4. *Limitations*: We seek to implement these guidelines without new investments in staff. In carrying them out, they may need to be phased in over time. It will be necessary to focus our efforts on a few areas at a time rather than trying to implement in a sweeping way a comprehensive set of policies. Clearly, this task will require additional attention from the Committee on Budget and Finance and its related staff, as well as other Conference staff with expertise in related areas (e.g., Doctrine, Pro-Life, Social Development and World Peace, etc.).

VI. **Summary**

In seeking to carry out these continuing principles and directions, the Conference has both limitations and opportunities. Its corporate responsibility policies need to reflect both the financial and fiduciary responsibilities of the Conference, and the mandate to apply our traditional social teaching in the world of investments. The Conference cannot preach to others what it does not practice itself. The Committee on Budget and Finance seeks to pursue these policies in good faith, recognizing the limitations of staff and other committee commitments. The Committee seeks to pursue these policies not in any spirit of confrontation or conflict, but in a sincere desire to work for a more just society and more peaceful world through the careful stewardship of the limited resources of the Conference. In this modest, but hopefully useful effort, the Committee on Budget and Finance seeks both to protect the financial resources of the Conference and to exercise its responsibilities as an investor to advance in a small way the values of the faith. While recognizing the complexity and challenge of this exercise of faithful stewardship, the Committee is convinced that the Conference cannot fulfill its responsibilities without a clear commitment to socially responsible investing.

USCCB Investment Policies

Introduction

The USCCB investment policies cover the following areas: protecting human life; promoting human dignity; reducing arms production; pursuing economic justice; protecting the environment, and encouraging corporate responsibility.

Each policy recommendation is presented according to the following format:

A. One or more statements of Catholic teaching or Conference policy on the topic drawn from a pastoral letter or other documents adopted by the bishops

B. A general statement of policy or policies to guide the investment activities of the Conference

C. In certain areas, a series of options that are based on the principles as noted beginning on page 1

I. **Protecting Human Life**

" Life in time, in fact, is the fundamental condition, the initial stage and an integral part of the entire unified process of human existence. It is a process which, unexpectedly and undeservedly, is enlightened by the promise and renewed by the gift of divine life, which will reach its full realization in eternity (cf. 1 Jn 3:1-2). At the same time, it is precisely this supernatural calling, which highlights the relative character of each individual's earthly life. After all, life on earth is not an "ultimate" but a "penultimate" reality; even so, it remains a sacred reality entrusted to us, to be preserved with a sense of responsibility and brought to perfection in love and in the gift of ourselves to God and to our brothers and sisters." ***(Pope John Paul II, The Gospel of Life (Evangelium vitae)*****, no. 2; 1995.**

"Human life is sacred because from its beginning it involves 'the creative action of God', and it remains forever in a special relationship with the Creator, who is its sole end. God alone is the Lord of life from its beginning until its end: no one can, in any circumstance, claim for himself the right to destroy directly an innocent human being." ***(Congregation for the Doctrine of the Faith, Donum vitae, no. 5 and Pope John XXIII's encyclical, Mater et magistra)***

A. Abortion

"...we proclaim that human life is a precious gift from God; that each person who receives this gift has responsibilities toward God, self, and others; and that society, through its laws and social institutions, must protect and nurture human life at every stage of its existence. These beliefs flow from ordinary reason and from our faith's constant witness that 'life must be protected with the utmost care from the moment of conception' **(Pastoral Constitution on the Church in the Modern World, no. 51)**--a teaching that has been a constant part of the Christian message since the apostolic age." **(U.S. Catholic Bishops, Pastoral Plan for Pro-Life Activities: A Campaign in Support of Life, pp 1-2, November 2001.)**

"At this particular time, abortion has become the fundamental human rights issue for all men and women of good will. The duty to respect life in all its stages and especially in the womb is evident when one appreciates the unborn child's membership in our human family, and the grave consequences of denying moral or legal status to any class of human beings because of their age or condition of dependency..." **(Resolution on Abortion, November 7, 1989)**

Policy

In view of the nature of abortion, the investment policy of the USCCB should remain as it is, namely, *absolute exclusion* of investment in companies whose activities include direct participation in or support of abortion.

Direct participation in abortion may include, but not be 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.

Additional Policy Recommendation

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

B. **Contraceptives**

"The Church...teaches that each and every marital act must of necessity retain its intrinsic relationship to the procreation of human life." **(Paul VI, Humanae vitae, n.11)**

"In contraceptive intercourse the procreative or life-giving meaning of intercourse is deliberately separated from its love-giving meaning and rejected; the wrongness of such an act lies in the rejection of this value." **(*To Live in Christ Jesus: A Pastoral Reflection on the Moral Life*, NCCB, November 11, 1976, n. 46.)**

Policy

In view of the Church's clear teaching on the immorality of contraceptive intercourse, the USCCB 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.

C. **Embryonic Stem Cell/Human Cloning**

"No objective, even though noble in itself, such as a foreseeable advantage to science, to other human beings or to society, can in any way justify experimentation on living human embryos or fetuses, whether viable or not, either inside or outside the mother's womb...To use human embryos or fetuses as the object of instrument of experimentation constitutes a crime against their dignity as human beings having a right to the same respect that is due to the child already born and to every human person." **(Congregation for the Doctrine of the Faith, Donum vitae, no. 4.)**

"[The] evaluation of the morality of abortion is to be applied also to the recent forms of intervention on human embryos which, although carried out for purposes legitimate in themselves, inevitably involve the killing of those embryos. This is the case with experimentation on embryos..." **(Pope John Paul II, Evangelium vitae, no. 63.)**

"...attempts or hypotheses for obtaining a human being without any connection with sexuality through 'twin fission,' cloning or parthenogenesis are to be considered contrary to the moral law, since they are in opposition to the dignity both of human procreation and of the conjugal union." **(Sacred Congregation for the Doctrine of the Faith, Donum vitae, no. 6)**

"It is immoral to produce human embryos destined to be exploited as disposable 'biological material.'" **(Donum vitae, no. 5)**

Policy

The USCCB will not invest in companies that engage in scientific research on human fetuses or embryos that (1) results in the end of pre-natal human life; (2) makes 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 will include:

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

Because this field of research is dynamic, new forms of research, or products and services derived from such research, will be evaluated on a case-by-case basis.

II. **Promoting Human Dignity**

A. Human Rights

"Promotion of the full complement of human rights and religious liberty has been and remains a central priority for our conference...the maintenance of peace and the progress of authentic democracy in the world will require enhancing the priority in US foreign policy of human rights, especially of the poor, women and vulnerable children, and improving international arrangements for their enforcement." ***(The Harvest of Justice Sown in Peace, 1993)***

"In each of these countries, foreign corporations-American, European, Asian, and others reap large profits from diamonds and oil while too often demonstrating little concern for the negative impact their activities may have on peace stability, human rights, and the environment. As part of this exchange for natural resources, individuals, multinational corporations, and foreign governments have provided arms to African governments and non-governmental entities resulting in further instability and deeper human suffering." **(*A Call to Solidarity with Africa*, p. 17)**

"Catholics managing U.S. and multinational corporations bear a special responsibility in the exercise of their professional obligations, particularly where the activities of their corporations might exacerbate conflict, corruption, human rights abuses, and environmental degradation in Africa. They could play a central role in helping to promote prosperous and just economics in Africa." **(*A Call to Solidarity with Africa*, p. 30)**

Policy

USCCB will actively promote and support shareholder resolutions directed towards protecting and promoting human rights. For example, USCCB could join efforts to influence corporations that are engaged in extractive industries or are operating in countries with significant human rights concerns.

Additional Policy Recommendations

USCCB 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 met basic human needs.

USCCB 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.

B. Racial Discrimination

"Discrimination based on the accidental fact of race or color, and as such injurious to human rights regardless of personal qualities or achievements, cannot be reconciled with the truth that God has created all men with equal rights and equal dignity." **(Discrimination and Christian Conscience, n. 11.)**

"Racism is a sin: a sin that divides the human family, blots out the image of God among specific members of that family, and violates the fundamental human dignity of those called to be children of the same Father." **(Brothers and Sisters To Us, n. 9.)**

"Discrimination in job opportunities or income levels on the basis of race, sex, or other arbitrary standards can never be justified." **(Economic Justice For All, n. 73.)**

Policy

USCCB will divest from those companies whose policies are found to be discriminatory against people of varied ethnic and racial backgrounds that have been historically disadvantaged..

Additional Policy Recommendations

USCCB will actively promote and support shareholder resolutions directed towards equal opportunities for minorities.

USCCB as a shareholder will actively work for the inclusion of minorities on corporate boards.

C. Gender Discrimination

"Since women are becoming ever more conscious of their human dignity, they will not tolerate being treated as mere material instruments, but demand rights befitting a human person both in domestic and public life." **(Pope John XXIII, *Pacem in terris*, n. 41)**

"Forms of social or cultural discrimination in basic personal rights on the grounds of sex, race, color, social conditions, language or religion must be curbed and eradicated as incompatible with God's design." **(*Gaudium et spes*, n. 29.)**

"We also urge that women should have their own share of responsibility and participation in the community life of society and likewise of the Church." **(1971 Synod of Bishops, *Justice in the World*, III/4.)**

"The concrete and historical situation of women...is weighed down by the inheritance of sin . . . . This inheritance is expressed in habitual discrimination against women in favor of men." **(*Mulieris Dignitatem*, n. 14)**

"Vigorous action should be undertaken to remove barriers to full and equal employment for women" **(*Economic Justice for All*, n. 199.)**

Policy

The USCCB will divest from those companies whose policies are found to be discriminatory against women.

Additional Policy Recommendations

The USCCB will direct its investment advisors to invest in companies that actively promote corporate policies on equal pay and promotion opportunities for women, and accommodation of legitimate family needs.

The USCCB will exercise its responsibility as shareholder to promote 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)

"Most [Africans] lack access to health services or safe drinking water. Malaria, tuberculosis, HIV/AIDS, and other communicable diseases threaten to wipe out as much as one-quarter of the populations of some African countries over the next twenty years." **(*A Call to Solidarity with Africa*, p. 13)**

We also urge the international community and major pharmaceutical companies to respond more effectively to the needs of AIDS patients in poor countries "so that these men and women, tired in body and soul, may have access to the medicines they need." **(*A Call to Solidarity with Africa*, p. 21)**

Policy

USCCB 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.

Additional Policy Recommendations

USCCB 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

"Pornography itself, which denies the dignity which God gives each human being. This kind of 'entertainment'...blocks the moral and emotional development of those who are lured into its use...At this level we are dealing with what is usually referred to in legal terms as obscenity and indecency."

"*Soft-core* pornography (sometimes described as *erotic* rather than *obscene*) which is readily available in several forms. Some R-rated movies [which] are only marginally less offensive than X-rated films."

"Material which, while not usually identified as either *hard core* or *soft core*, is disturbing because it seems to pervasively present, offering portrayals of sex in a frivolous and titillating manner." **(*Renewing the Mind of the Media*, pg. 109)**

Policy

The USCCB 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.

Additional Policy Recommendation

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

III. Reducing Arms Production

A. Production and Sale of Weapons

"While extravagant sums are being spent for the furnishing of ever new weapons, an adequate remedy cannot be provided for the multiple miseries afflicting the whole modern world. Disagreements between nations are not really and radically healed. On the contrary, other parts of the world are infected with them . . . . Therefore, it must be said again: The arms race is an utterly treacherous trap for humanity, and one which injures the poor to an intolerable degree." **(*Gaudium et Spes*, n. 81)**

"The serious distortion of national economic priorities produced by massive national spending on defense must be remedied. Clear-sighted consideration of the role of government and the economy shows that the government and the economy are already closely intertwined through military research and defense contracts. Defense-related industries make up a major part of the U.S. economy and have intimate links with both the military and civilian government; they often depart from the competitive model of free-market capitalism. Moreover, the dedication of so much of the national budget to military purposes has been disastrous for the poor and vulnerable members of our own and other nations. The nation's spending priorities need to be revised in the interests of both justice and peace." **(*Economic Justice for All*, n. 320)**

"We do not perceive any situation in which the deliberate initiation of nuclear warfare on however restricted a scale can be morally justified." **(*The Challenge of Peace*, n. 150)**

Policy

The Conference, 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 Conference 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.)

Additional Policy Recommendation

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

B. **Antipersonnel Landmines**

"Government controls do not absolve those involved in the arms industry of moral responsibility for their decisions to sell arms. They have a moral obligation not only to ensure compliance with export controls, but also to avoid sales that will probably be used for illegitimate purposes or that will threaten stability and peace."

We would like to add our voice to the appeals of Pope John Paul II and the growing movement to control and eventually ban antipersonnel landmines. The Holy Father has issued "a vigorous appeal for the definitive cessation of the manufacture and use of those arms called 'anti-personnel'..."
(Sowing the Weapons of War)

Policy

USCCB will not invest in companies that are directly involved in the manufacture, sale, or use of anti-personnel landmines.

IV. **Pursuing Economic Justice**

A. Labor Standards/Sweatshops

"If the dignity of work is to be protected, then the basic rights of workers must be respected--the right to productive work, to decent and fair wages, to organize and join unions, to private property and to economic initiative." **(*Sharing Catholic Social Teaching*, p. 5)**

"The attainment of the worker's rights cannot however be doomed to be merely a result of economic systems which on a larger or smaller scale are guided chiefly by the criterion of maximum profit. On the contrary, it is respect for the objective rights of the worker--every kind of worker: manual, or intellectual, industrial or agricultural, etc.--that must constitute the adequate and fundamental criterion for shaping the whole economy, both on the level of the individual society and state and within the whole of the world economic polity and of the systems of international relationships that derive from it." **(*Laborem Exercens*, #17)**

Policy

USCCB will actively promote and support shareholder resolutions directed towards avoiding the use of sweatshops in the manufacture of goods.

Additional Policy Recommendations

USCCB will promote and support shareholder resolutions to promote generous wage and benefit policies and adequate worker safety guidelines.

B. **Affordable Housing / Banking**

"We are particularly concerned about the abundant evidence of 'redlining' or disinvestment. . . . Where it exists it must be condemned; discrimination based on geography is as destructive as other forms of discrimination. We must insure fair and equal access to available credit. We urge banks and savings and loan associations to meet their responsibilities in central city areas. We recommend financial institutions which have chosen to intensify programs of investment in these neighborhoods. . . . We also urge individual depositors and those responsible for Church funds to encourage a responsible and sensitive lending policy on the part of the financial institutions which they patronize." **(*The Right to a Decent Home: A Pastoral Response to the Crisis in Housing*, November 20, 1975, n. 32.)**

Policy

The Conference will not deposit funds in a financial institution that receives less than a "satisfactory" rating from federal regulatory agencies under the Community Reinvestment Act.

Additional Policy Recommendations

The Conference, through private correspondence and appropriate shareholder action, 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 Conference will communicate, where appropriate, to its financial institutions our support for their positive performance under the Community Reinvestment Act.

V. Protecting the Environment

"Our tradition calls us to protect the life and dignity of the human person, and it is increasingly clear that this task cannot be separated from the care and defense of all creation...We must seek a society where economic life and environmental commitment work together to protect and to enhance life on this planet."

"The ecological problem is intimately connected to justice for the poor...the poor suffer most directly from environmental decline..."

"Environmental progress cannot come at the expense of workers and their rights."

"We ask business leaders and representatives of workers to make the protection of our common environment a central concern in their activities and to collaborate for the common good and the protection of the earth."
(*Renewing the Earth*, 1991)

Policy

USCCB investment policy 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)**

Additional Policy Recommendations

USCCB investment policy 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)**

VI. Encouraging Corporate Responsibility

"The private sector must be not only an engine of growth and productivity, but also a reflection of our values and priorities, a contributor to the common good. Examples of greed and misconduct must be replaced with models of corporate responsibility." **(*A Place at the Table*, 2002)**

"Ethical responsibility is not just avoiding evil, but doing right, especially for the weak and vulnerable. Decisions about the use of capital have moral implications: Are companies creating and preserving quality jobs at living wages? Are they building up community through the goods and services they provide? Do policies and decisions reflect respect for human life and dignity, promote peace, and preserve God's creation? While economic returns are important, they should not take precedence over the rights of workers or protection of the environment." **(*Everyday Christianity*, p. 6)**

Policy

USCCB will encourage companies to report on social, environmental, as well as financial performance.

Additional Policy Recommendations

USCCB will actively promote and support shareholder resolutions directed towards adoption of corporate social responsibility guidelines within companies.