

# THE BUSCH SCHOOL

## THE CATHOLIC UNIVERSITY OF AMERICA



### **Whitepaper: Conformity of Institutional Shareholder Services' (ISS) Catholic-Faith Based Proxy Voting Guidelines to the Updated Socially Responsible Investing Guidelines for the United States Conference of Catholic Bishops**

#### ***Executive Summary*** ***February 2024***

The United States Conference of Catholic Bishops (USCCB) publishes Socially Responsible Investment Guidelines in accordance with Catholic Social Teaching principles. Institutional Shareholders Services' (ISS) Catholic Advisory Services division publishes Catholic Faith-Based Proxy Voting Guidelines to fall in line with the USCCB investment guidelines.

An abundance of Catholic institutions, investors, and fiduciaries use the ISS proxy voting service that are based on the Bishops' guidelines, which makes the ISS Catholic Faith-Based Proxy Voting Guidelines highly influential. Given their significance, the purpose of this whitepaper is to assess ISS' current Catholic proxy voting guidelines fit with the USCCB Guidelines, identify where they fall short, and make recommendations for modifications.

The following eight items summarize our main recommendations for changes to ISS Catholic Faith-Based Proxy Voting Guidelines.

- **Focus on Corporate Governance.** 62 of the 98 pages of the template discuss corporate governance proposals: board of directors, management proposals, shareholder proposals, auditors, and takeover defense. We recommend a significant reduction, retaining only those recommendations specifically mentioned in the USCCB Socially Responsible Investment Guidelines, specifically diversity of the board and shareholder rights.
- **Re-organize Section 8, Social and Environmental Proposals.** We recommend re-organizing the section around the main USCCB investment policy sections, e.g. Human Life, Human Dignity, and Saving Our Global Home. This includes moving the discussion of human life to the front of the section, rather than in "Miscellaneous."
- **Expand Abortion/Right to Life Discussion.** We have edited the proxy guidelines to vote against proposals related to
  - No cell lines from abortions in drugs,

- Euthanaisa/assisted suicide,
  - Gender modification and delaying puberty,none of which are addressed in the ISS guidelines.
- **Remove References to Gender Identity and Sexual Orientation.** Footnote 11 (page 16) states that underrepresented gender identities on the board of directors includes directors who identify as women or as non-binary. This should be replaced with “women by biological sex.” Also, we propose removal of the entire section on sexual orientation and gender identity (p. 73) and specific board diversity quotas (p. 15).
- **Re-align Focus on ESG to Catholic Values.** There are many references to the goals of ESG investing and compliance with Christian values. We advocate for additional references to Catholic values and recommendations that are consistent with Catholic Social Teaching principles. For example, we refer to the Compendium of the Social Doctrine of the Church Section IV.b.155 as an authoritative source for human rights as understood by the Church.
- **Address the Role of Media, Technology and Telecommunications Companies.** Vote in favor of proposals that affirm the responsibility of media companies to support the importance of family and marriage.
- **Expand Weapons Proposals.** The weapons-related proposals do not go far enough in reducing arms production to serve the Common Good. The USCCB calls for a limit on the production of weapons except for those manufactured for hunting or legitimate military and law enforcement organizations. We add the recommendation to vote for proposals to convert military production facilities to non-military uses.
- **Community Investing.** Although the ISS guidelines discuss charitable giving, the guidelines should be expanded to support proposals related to community-building organizations and low income housing in the pursuit of Economic Justice.

For the complete whitepaper, navigate to this [webpage](#).