

THE BUSCH SCHOOL
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**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**

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The formation of the United States Conference of Catholic Bishops (USCCB or Conference) and its predecessors dates back to 1917. The Conference's purpose is (i) to unify, coordinate, encourage, promote and carry on U.S. Catholic activities, (ii) organize religious, charitable, and social welfare work in the U.S. and abroad, (iii) aid in education, (iv) care for immigrants, and (v) generally to enter into and promote by education, publication and direction the objects of its being.

The USCCB is "called to exercise faithful, competent and socially responsible stewardship in how it manages its financial resources" to guide its financial choices from the Gospel, universal teaching and Conference statements (USCCB, 2003). Therefore, In November 1991, the Bishops released its first ever "Socially Responsible Investment Guidelines." These guidelines were subsequently updated in 2003 by the USCCB Committee on Budget and Finance, and included policies to avoid investment in firms involved in abortion, calls to accommodate family needs for employees, and for the first time, protection of the environment.

More recently, the 2003 Socially Responsible Investment Guidelines were updated in November 2021, an effort led by Bishop Gregory L Parkes of St. Petersburg, the chairman of the USCCB's Committee on Budget and Finance. Guided by Christian Brothers Investing Services, and seventeen subject matter experts in areas such as finance, accounting, and theology, with significant updates to the focus on the common good and the environment, and an emphasis on advocating for the importance of shareholder engagement.

Although the Conference created the guidelines for the use of its own investments, many Catholic parishes and institutions rely on the guidelines to incorporate into their own investing. Catholic investment managers worked to implement them in their own portfolios and provide a detailed outline of how their own investments comport with the newly updated Bishops' guidelines. Many of these Catholic investors enlisted the help of Institutional Shareholder Services (ISS) to do so.

ISS is a leading provider of corporate governance and responsible investment solutions, advising many of the world's leading firms, including those with assets under management of over \$1 trillion, on market intelligence, fund services, and how to vote their proxies. ISS' Catholic Advisory Services division publishes the Catholic-Faith Based Proxy Voting Guidelines, whose purpose is to recognize "that faith-based and other socially responsible investors have dual objectives: financial and social" (ISS, 2023).

ISS' February 2022 update of their proxy guidelines details their implementation of the USCCB investment guidelines, and includes a table of issues newly treated and also not included in the most recent guidelines. Its 2023 annual update states that they incorporate, among other Catholic

documents, the 2021 U.S. Bishops Socially Responsible Investment Guidelines in consideration of their policies.

An abundance of Catholic institutions, investors, and fiduciaries use the ISS proxy voting service that are based on the 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.

- **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,
 - Euthanasia/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.

The attached Table 1 details the results of the analysis and the proposed change to more closely align with the USCCB Guidelines.

References

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Table 1: Proposed Modifications to ISS United States Catholic Faith-Based Proxy Voting Guidelines

General Topic	Modification Description & Rationale	Current Treatment	Recommended Treatment
<p>Focus on USCCB Guidelines</p>	<p>Roughly 62 of the 98 pages of the ISS Catholic Faith-Based Voting Guidelines relate to Corporate Governance recommendations and Compensation Issues that are not mentioned in the USCCB guidelines . For example,</p> <ul style="list-style-type: none"> ● Problematic Pledging of Company Stock ● Classification of Boards ● Cumulative Voting ● Board Refreshment ● Auditor Rotation ● Greenmail ● Reverse Stock Splits ● Golden Parachutes ● Stock Plans in Lieu of Cash ● Mutual Fund Proxies 		<p>Significantly reduce the discussion and recommendations on board of directors, auditors, executive and director compensation, and takeover defense. Limit the discussion by only retaining recommendations on diversity of the board and shareholder rights since they relate to investment policies in the USCCB Socially Responsible Investment Guidelines. Therefore, given that it is a Catholic investing proxy statement, <i>we only retain recommendations that directly relate to recommendations in the USCCB guidelines and in accordance with Catholic Social Teaching and the Compendium of the Social Doctrine of the Church</i> . The focus on the USCCB policies will carry throughout the recommendations on the following pages.</p>

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General Topic	Modification Description & Rationale	Current Treatment	Recommended Treatment
Re-Organization	Section 8. Social and Environmental Proposals are the key proposals related to the USCCB guidelines.		Social and Environmental Proposals are moved to section 1, and the main sub topics are: <ul style="list-style-type: none"> ● Human Life ● Human Dignity ● Economic Justice ● Saving Our Global Home

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<p>Abortion/ Right to Life Issues</p>	<p>Abortion and Right to Life Issues are listed under Miscellaneous in Section 8. Social and Environmental Proposals. This is probably because “[S]hareholder proposals pertaining to abortion and right to life issues are rare” (ISS, p. 92). However, the Human Life section should still be expanded on to include other matters, such as euthanasia and fetal and stem cells used in medical experiments.</p> <p>Abortion, euthanasia, and stem cell research are discussed in the USSCB guidelines in Protecting Human Life: “The USSCB will not invest in any company whose activities include direct participation in or support of abortion, euthanasia or assisted suicide. Direct participation involves the manufacture of materials that are produced and/or marketed for the specific purpose of abortion (including abortifacients), euthanasia, or assisted suicide as well as companies that perform abortions or facilitate assisted suicide or euthanasia” (Policy I. 1.).</p>	<p>P. 92, Abortion/Right to Life Issues section</p> <p>Catholic Advisory Services Recommendations: Vote on shareholder proposals that address right to life issues in a manner consistent with the teachings of the Catholic Church on abortion and right to life issues.</p>	<p>New Section Title: HUMAN LIFE</p> <p>Amended Recommendations: Vote for shareholder proposals that eliminate any direct or tangential connection with abortion issues in a manner consistent with the teachings of the Catholic Church, regardless of whether they relate to products, services, or the organization itself.</p> <p>Vote for shareholder proposals that seek a review of the firm’s stem cell research and the use of human fetal-cell lines in medical research, or provide in vitro fertilization products or services, in a manner consistent with the teachings of the Catholic Church</p> <p>Vote for shareholder proposals that seek a review of the firm’s involvement with euthanasia and assisted suicide products and services.</p>

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General Topic	Modification Description & Rationale	Current Treatment	Recommended Treatment
<p>Abortion/ Right to Life Issues -continued-</p>	<p>“For companies where it is discovered that there is some tangential connection to abortion, euthanasia, or assisted suicide related issues, the USCCB will engage companies through corporate dialogues, proxy voting, and support of shareholder resolutions to eliminate this connection” (Policy I.2). Refer to</p> <ul style="list-style-type: none"> ● USCCB Policy I.3. for a discussion of In Vitro Fertilization ● Policy I. 4. for Embryonic Stem Cell and Fetal Tissue Research ● Policy I.5 for Human Cloning 		<p>Vote for shareholder proposals that seek a review of the firm’s involvement with human cloning products and services.</p>

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General Topic	Modification Description & Rationale	Current Treatment	Recommended Treatment
<p>Gender Identity and Sexual Preference</p>	<p>References to gender identity and sexual preference should be removed from the Catholic recommendations. The USCCB policy guidelines on Promoting Human Dignity states:</p> <p>“The USCCB will not invest in companies that directly participate in the performance of surgeries or in the administration of drugs or hormones for the purposes of delaying normal puberty or modifying the body’s appearance and/ or functions in order to express an identity incongruent with one’s biological sex”¹ (Policy II. 8).</p> <p>“Faced with theories that consider gender identity as merely the cultural and social product of the interaction between the community and the individual, independent of personal sexual identity without any reference to the true meaning of sexuality, the Church does not tire of repeating her teaching: ‘Everyone, man and woman, should acknowledge and accept his sexual identity...’”(Compendium of the Social Doctrine of the Church, Section III.a.224)</p>	<p>Prohibit Discrimination on the Basis of Sexual Orientation or Gender Identity section including three Catholic Advisory Services Recommendations, p. 73:</p> <p>Vote for shareholder proposals to include language in EEO statements specifically barring discrimination on the basis of sexual orientation or gender identity.</p> <p>Vote for shareholder proposals seeking reports on a company’s initiatives to create a workplace free of discrimination on the basis of sexual orientation or gender identity.</p> <p>Vote against shareholder proposals that seek to eliminate protection already afforded to gay and lesbian employees.</p>	<p>Remove the section and the recommendations.</p>
<p>¹ Pope Francis, Amoris Laetitia, no. 56.</p>	<p>Page 10 of 31</p>		

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General Topic	Modification Description & Rationale	Current Treatment	Recommended Treatment
<p>Gender Identity and Sexual Preference -continued-</p>		<p>Excerpt from Diversity and Equality section, p. 71: The Civil Rights Act of 1964 prohibits discrimination based on race, color, religion, sex and nationality. However, discrimination on the basis of race, gender, religion, nationality, and sexual preference continues.</p>	<p>Amended Verbiage: The Civil Rights Act of 1964 prohibits discrimination based on race, color, religion, sex and nationality.</p> <hr/> <p>Added Section: Gender Modification</p> <p>Additional Recommendations: Vote for shareholder proposals that, consistent with the teachings of the Catholic Church, eliminate providing drugs and services for the purposes of gender modification.</p> <p>Vote for shareholder proposals that seek a review of the firm’s involvement in any medical intervention (surgery, hormones, puberty-blockers etc.) related to expressing a gender identity inconsistent with biological sex.</p>

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<p>Catholic Social Teaching</p>	<p>Additional references to Catholic values and ensuring that proxy votes are in line with Catholic Social Teaching principles are recommended throughout the document. 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. We provide a few examples of places where references to Catholic Social Teaching principles could be added. Essentially, when social and environmental goals are mentioned, CST goals should also be kept in mind.</p> <p>It is understandable that some of the Catholic Social Teaching goals might have to be achieved through votes for certain board members because these topics will not appear as proxy vote issues, but CST is included regardless.</p>	<p>Material Environmental, Social and Governance (ESG) Risk Oversight Failures Section Heading, p. 14</p> <hr/> <p>Excerpt from Executive and Director Compensation section, p. 44: Evaluating appropriate alignment of pay incentives with shareholder value creation includes taking into consideration, among other factors, the link between pay and performance, the mix between fixed and variable pay, equity-based plan costs, and performance goals - including goals tied to social and environmental considerations.</p> <hr/>	<p>In Material Environmental, Social and Governance (ESG) Risk Oversight Failures, p. 14. an additional footnote: ESG risk should be considered to the extent that ESG efforts do not contradict Catholic Social Teaching.</p> <p>Additional Recommendation: Egregious and ongoing violating of Catholic Social Teaching (CST), as defined by Compendium of the Social Doctrine of the Church</p> <hr/> <p>Amended Verbiage: <i>Additions underlined.</i> Evaluating appropriate alignment of pay incentives with shareholder value creation includes taking into consideration, among other factors, the link between pay and performance, the mix between fixed and variable pay, equity-based plan costs, and performance goals - including goals tied to social, <u>environmental and Catholic Social Teaching considerations.</u></p> <hr/>

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General Topic	Modification Description & Rationale	Current Treatment	Recommended Treatment
Catholic Social Teaching -continued-		<p>Lobbying Efforts Catholic Advisory Services Recommendation, p. 90: Vote for shareholder proposals asking companies to review and report on their lobbying activities, including efforts to challenge scientific research and influence governmental legislation.</p>	<p>Amended Recommendation: Vote for shareholder proposals asking companies to review and report on their lobbying activities, including efforts to challenge scientific research and influence governmental legislation, and with respect to firm lobbying/contributions regarding important issues of Catholic Social Teaching.</p>

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Catholicism	<p>The introduction to the ISS Catholic Faith Based Proxy Voting Guidelines 2023 Policy Recommendations generalizes the recommendations to the teachings of “Catholicism and Christianity as a whole” (ISS, p. 8). The edited version includes a more narrow focus on Catholic Social Teaching and an additional source from the Catholic Church and we eliminate reference to the ICCR.</p>	<p>Excerpt from Introduction, p. 8: Catholic Advisory Services has, therefore, developed faith-based proxy voting guidelines for Catholic and other Christian religious institutions that are consistent with the objectives of socially responsible shareholders as well as the teachings of Catholicism and Christianity as a whole. On matters of social and environmental impact, the guidelines seek to reflect a broad consensus of the faith-based socially responsible investing community. Generally, we take as our frame of reference policies and proposals promulgated by the Catholic Bishops’ Pastoral on economics, the Socially Responsible Investment Guidelines adopted by the Bishops, and the policies developed by members of the Interfaith Center on Corporate Responsibility (ICCR).</p>	<p>Amended Verbiage: These guidelines provide an overview of Catholic proxy voting policy. We note there may be cases in which the final vote recommendation varies from the vote guideline due to the fact that we closely examine the merits of each proposal and consider relevant information and company-specific circumstances in arriving at our decisions. The guidelines are consistent with the objective of socially responsible shareholders as well as the teachings of the Catholic church. For a broader breakdown of Catholic Social Teaching, refer to the Compendium of the Social Doctrine of the Church (CSDC). Human Rights from the Catholic perspective is defined in CSDC (Section IV.b.155). The framework used is based on the Socially Responsible Investment Guidelines promulgated by the Committee on Budget and Finance of the United States Conference of Catholic Bishops.</p>

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<p>Review of Involvement with Pornography</p>	<p>The ISS proxy guidelines state that there have not historically been many proxy votes on adult entertainment. “However, with the consolidation of the communications industry, a number of companies have diversified into media. These companies may offer their customers access to programming intended for adult audiences” (ISS, p. 92). The recommendation on pornography advises to vote for reviews of involvement with pornography.</p> <p>Even for a well diversified company, the USCCB does not advocate for pornography and commercial sexual exploitation.</p> <p>“The USCCB will not invest in a company whose sole purpose is to appeal to an indecent interest in sex or to incite sexual excitement through the production of sexually explicit films, videos, or internet sites or services. The USCCB will also actively encourage companies through corporate dialogues, proxy voting, and support of shareholder resolutions to <i>disengage from receiving revenue from the distribution of these products or services.</i>” (Policy II.5. with emphasis added).</p>	<p>Catholic Advisory Services Recommendation: Vote for shareholder proposals that seek a review of the company’s involvement with pornography.</p>	<p>Additional Recommendation: Vote for shareholder proposals to decrease business activities involving improper interest in sex or to incite sexual excitement through the production of sexually explicit films, videos, video games or internet sites or services.</p>

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Responsible Media	<p>The USCCB not only avoids firms involved in pornography and other forms of adult entertainment, but in contrast, it promotes investment in firms engaged in responsible media.</p> <p>“The USCCB will advocate through corporate dialogues, proxy voting, and support of shareholder resolutions company initiatives to promote responsible, marriage affirming and family-oriented program content development by media, technology, and telecommunications companies.” (Policy II. 6.)</p> <p>The ISS guidelines call for a review of the company's involvement with pornography, but does not specify a reduction in company involvement in pornography, nor does it look to promote the potential positive impact of media on issues of sexuality and the family.</p>	Not currently addressed in ISS guidelines.	<p>Add the following recommendation in a new subsection under Human Dignity (following the discussion in Media and Adult Entertainment):</p> <p>“Vote for shareholder proposals geared towards the development of family-oriented and marriage affirming program content, developed by media, technology and telecommunications companies to promote human dignity.”</p>

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<p>Weapons</p>	<p>The weapons-related proposals are expanded upon in reducing arms production to serve the Common Good. The USCCB is in favor of limiting weapons production except those for legitimate military and law enforcement organizations, and hunting: “...The USCCB will not invest in companies that manufacture firearms with the exception of those companies that only manufacture firearms for hunting and/or legitimate military or law enforcement organizations” (Policy III. 1.).</p> <p>The USCCB also calls for the conversion of military production facilities to non-military uses: “The USCCB will engage companies through corporate dialogues, proxy voting, and support of shareholder resolutions efforts to limit weapons production, to limit foreign sales of weapons, and to convert corporate capacity to non-military uses.” (Policy III. 2).</p>	<p>Report on Handgun Safety Initiative section Catholic Advisory Services Recommendation, p. 86: Vote for shareholder proposals asking the company to report on its efforts to promote handgun safety.</p> <p>Vote for shareholder proposals asking the company to stop the sale of handguns and accessories.</p> <hr/> <p>Catholic Advisory Services Recommendation, p. 88: Vote for shareholder proposals to report on foreign military sales or offset agreements.</p> <p>Vote case-by-case on proposals that call for outright restrictions on foreign military sales.</p>	<p>Amended Recommendation: Vote for shareholder proposals asking the company to stop the sale of handguns and accessories, except for those firms that manufacture firearms for hunting and/or legitimate military or law enforcement organizations.</p> <p>Additional Recommendation: Vote for shareholder proposals to generally limit the production of weapons, except for legitimate use as specified above.</p> <hr/> <p>Eliminate foreign military sales section.</p>

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	<p>We eliminate “Prepare Report on Foreign Military Sales” (ISS, pg 88), as we consider it to insufficiently describe the kind of general limit on weapons production specified by the USCCB. Foreign military sale reduction is implicitly included in the recommended addition to “generally limit the production of weapons.”</p>		

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Community Investing	<p>ISS includes a recommendation to vote in favor of proposals to review community investing. The USCCB would like to go further in combining efforts to encourage companies to keep in mind economic impact on corporate decisions on the community. USCCB Policy IV. 8. states:</p> <p>“The USCCB will seek opportunities to collaborate with other investors to invest in corporations, organizations, and other financial initiatives that promote and strengthen communities, focusing on not only their economic effect but their social impact as well. This can be demonstrated through such activities as having office or production sites located in areas of economic need, incorporating in all major company decisions the impact they will have on employees and people of the local communities, providing an alternative to pay day loans, and giving charitable donations or other forms of support to community-building organizations.</p>	<p>Catholic Advisory Services Recommendation: Vote for proposals that seek a policy review or report addressing the company’s community investing efforts (ISS, p. 92).</p>	<p>Additional Recommendation: Vote, on a case-by-case basis, for shareholder proposals to reduce dependence on payday loans, and offer fair credit, the financing of low-income housing, and access to capital for communities of color</p>

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Anti-Social Proposals		<p>Catholic Advisory Services Recommendations, p. 93: Vote against shareholder proposals that do not seek to ultimately advance the goals of the social investment community.</p> <p>Vote against shareholder proposals that do not seek to ultimately advance the goals of the social investment community.</p>	Remove the section and recommendations.

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<p>Access to Drugs</p>	<p>The section called “Report on the Impact of Health Pandemics on Company Operations” discusses how past proposals have called for policies to increase the availability of affordable drugs in third world countries, but there is now a shift in proposals towards risk assessment and mitigation when it comes to operations in third world areas (ISS pg 76).</p> <p>In the Protecting Human Life section of the USCCB guidelines, the USCCB advocates for access to life saving drugs and vaccines around the world at fair prices:</p> <p>“The USCCB will actively encourage companies through corporate dialogues, proxy voting, and support of shareholder resolutions to undertake or participate in programs designed to make life-sustaining drugs and vaccines available at affordable prices in both the United States and in low-income countries, consistent with our Catholic values.” Policy I. 6.</p>	<p>Catholic Advisory Services Recommendation: Vote for shareholder proposals asking for companies to report on the impact of pandemics, such as HIV/AIDS, malaria, and tuberculosis, on their business strategies.</p>	<p>Amended Recommendation: In addition to voting for shareholder proposals asking for companies to provide access and reasonable prices to life-sustaining drugs in low income countries, vote for shareholder proposals asking for companies to report on the impact of pandemics, such as HIV/AIDS, malaria, and tuberculosis, on their business strategies.</p>

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<p>Codes of Conduct and Vendor Standards</p>	<p>Catholic Advisory Services has a number of recommendations on issues related to Code of Conduct and Vendor Standards (ISS pp. 74-75). The USCCB places a similar emphasis on protecting Human Dignity through its Policy on Human Trafficking and Forced Labor.</p> <p>“The USCCB will actively engage companies through corporate dialogues, proxy voting, and support of shareholder resolutions to effectively address human trafficking and forced labor by developing codes of ethics that follow the Palermo Protocol of 2000, insofar as this resource does not contradict the teaching of the Catholic Church, and identify high risk areas for human trafficking and forced labor along their supply chains and partner companies and make necessary changes” (Policy II. 7.).</p>	<p>Catholic Advisory Services Recommendation: Vote for shareholder proposals to adopt labor standards for foreign and domestic suppliers to ensure that the company will not do business with foreign suppliers that manufacture products for sale in the U.S. using forced labor, child labor, or that fail to comply with applicable laws protecting employee’s wages and working conditions.</p>	<p>Amended Recommendation <i>Additions underlined.</i></p> <p>Vote for shareholder proposals to adopt labor standards for foreign and domestic suppliers to ensure that the company will not do business with suppliers that manufacture products using forced labor, child labor, or that fail to comply with applicable laws protecting employee’s wages and working conditions, <u>including migrant and seasonal workers.</u></p> <p>Additional Recommendations: Vote for shareholder proposals that call for the implementation of corporate responsibility standards consistent with Catholic Social Teaching.</p> <p>Vote for shareholder proposals that adopt a code of conduct and vendor standards with the intent to eliminate the trafficking of individuals, particularly women and children, consistent with the Palermo Protocol, to the degree it does not contradict Catholic Church teaching.</p>

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General Topic	Modification Description & Rationale	Current Treatment	Recommended Treatment
<p>Codes of Conduct and Vendor Standards -continued-</p>	<p>“The USCCB will engage companies through corporate dialogues, proxy voting, and support of shareholder resolutions to provide decent working conditions, just wages, employee ownership/ profit sharing, the right to organize, protecting children, worker-led social responsibility models, and other initiatives aimed at the protection and promotion of human dignity and economic justice” (Policy IV.3) The USCCB also calls for protection of migrant and seasonal workers in its labor standards (Policy IV.4.).</p>		<p>Vote for shareholder proposals that involve worker-led social responsibility models.</p>

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<p>Reputation Effects of Outsourcing</p>	<p>Supply chain is discussed throughout the ISS Proxy Voting Guidelines with respect to labor and human rights, safety in the supply chain, emissions in the supply chain and water usage (ISS, p. 74-77, 84-85).</p> <p>The Investment Guidelines from the USCCB discuss monitoring supply chain transparency for human rights and environmental issues. Supply chain is discussed in Policy II. 1., on Human Rights, II. 7., Human Trafficking and Forced Labor, and V. 8., Environmental Impact.</p> <p>Since the supply chain is so heavily covered in the proxy guidelines, it is unnecessary to include the section weighing the financial benefits to the reputation loss of outsourcing the supply chain.</p>	<p>Report on Risks of Outsourcing Catholic Advisory Services Recommendation, p. 76: Vote for shareholders proposals asking companies to report on the risks associated with outsourcing or off-shoring.</p>	<p>Remove the section and the recommendation.</p>

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Fair Wages	<p>To add a benchmark to the sustainable wage discussion in the Labor and Human Rights section, amend the verbiage slightly. Additions underlined.</p> <p>The benchmark used is wages to meet “basic human needs” (USCCB Policy II. 2. on Human Rights):</p> <p>“The USCCB will encourage companies through corporate dialogues, proxy voting, and support of shareholder resolutions to provide sufficient wages, decent working conditions, and other social benefits that enable their employees and families to meet basic human needs while abiding by the rule of law and safeguarding against environmental degradation particularly among developing countries.”</p>	<p>“In instances where companies themselves operate factories in developing countries for example, these advocates have asked that the companies adopt global corporate standards that guarantee sustainable wages and safe working conditions for their workers abroad” (p. 74).</p>	<p>Amended Recommendation <i>Additions underlined.</i> “In instances where companies themselves operate factories in developing countries for example, these advocates have asked that the companies adopt global corporate standards that guarantee sustainable wages <u>to meet basic human needs</u> and safe working conditions for their workers <u>domestically and</u> abroad.</p>

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<p>Technology Company Responsibility</p>	<p>The USCCB guidelines specifically recommend engagement of technology companies when it comes to renewable energy, responsible consumption, energy efficiency, and contribution to the common good.</p> <p>“The USCCB will actively encourage technology companies through corporate dialogues, proxy voting, and support of shareholder resolutions to employ and enforce guidelines that promote the dignity of the human person and protect the environment. Technology companies have a particular responsibility to ensure that they promote responsible consumption, employ efficient and renewable energy use, contribute to the common good, and conform to environmental standards.” (Policy V. 7)</p> <p>Therefore, in the Energy Efficiency section of the Climate Change Section (ISS, p. 81), emphasize the responsibility of technology companies.</p>	<p>Catholic Advisory Services Recommendation: Vote for shareholder proposals requesting a report on company energy efficiency policies and/or goals. (ISS, p. 81)</p>	<p>Amended Recommendation: Vote for shareholder proposals requesting a report on company energy efficiency policies and/or goals of particular note in technology companies.</p>

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General Topic	Modification Description & Rationale	Current Treatment	Recommended Treatment
<p>Biodiversity Loss</p>	<p>The section on Arctic National Wildlife Refuge includes proposals calling for reports on environmental damage caused by company operation and the “sale of products manufactured from materials extracted from environmentally sensitive areas” (ISS, page 83). Biodiversity loss is part of the USCCB’s recommendations in Section V. Saving Our Global Home. Policy V.4. states: “The USCCB should avoid investing in companies that have caused specific instances of biodiversity loss, or whose practices have significantly contributed to biodiversity loss and have not worked toward correcting or remediating the damage their operations have caused.”</p>	<p>No recommendation on biodiversity loss</p>	<p>New Recommendation: Vote for shareholder proposals asking companies to enact policies to reduce the likelihood of spills and hazardous waste, which cause risks to public health and animal welfare.</p>

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<p>Paris Agreement</p>	<p>The United Nations Convention on Climate Change formed a legally binding international treaty that was enacted in 2016 called the Paris Agreement. Its goal is to reduce “global average temperature to well below 2° C above pre-industrial levels” and pursue efforts “to limit temperature increase to 1.5° C above pre-industrial levels.” The Paris Agreement was the first time a multilateral agreement was reached among 196 parties under the umbrella of the United Nations and is recognized as a benchmark in the USCCB policy guidelines:</p> <p>The USCCB will actively invest in companies whose business models are consistent with the emission reduction goals of the Paris Agreement, insofar as this resource does not contradict the teaching of the Catholic Church” (Policy V.1).</p>	<p>Climate Change/Greenhouse Gas Emissions Catholic Advisory Services Recommendation, p. 80: Vote for shareholder proposals calling for the reduction of GHG or adoption of GHG goals in products and operations.</p> <hr/> <p>Say on Climate Change (Soc) Shareholder Proposals Catholic Advisory Services Recommendation, p. 80: Vote case-by-case on shareholder proposals that request the company to disclose a report providing its GHG emissions levels and reduction targets and/or its upcoming/approved climate transition action plan and provide shareholders the opportunity to express approval or disapproval of its GHG emissions reduction plan, taking into account information such as the following ...</p> <hr/>	<p>Amended Recommendation <i>Additions underlined.</i> Vote for shareholder proposals calling for the reduction of GHG or adoption of GHG goals in products and operations, <u>in line with those called for in the Paris Agreement adopted by the United Nations.</u></p> <hr/> <p>Amended Recommendation <i>Additions underlined.</i> Vote case-by-case on shareholder proposals that request the company to disclose a report providing its GHG emissions levels and reduction targets and/or its upcoming/approved climate transition action plan, <u>including compliance towards meeting the Paris Agreement goals adopted by the United Nations,</u> and provide shareholders the opportunity to express approval or disapproval of its GHG emissions reduction plan, taking into account information such as the following ...</p> <hr/> <p>Amended Verbiage <i>Additions underlined.</i></p>

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<p>Paris Agreement -continued-</p>	<p>“The USCCB will encourage companies through corporate dialogues, proxy voting, and support of shareholder resolutions to establish greenhouse gas emission reduction goals, provide disclosure around low-carbon planning, and mitigate climate change. The USCCB will consider divestment from those companies that consistently fail to initiate policies intended to achieve the Paris Agreement goals” (Policy V.2.).</p> <p>ISS has goals listed in the proxy statement guidelines; the Paris Agreement is simply added to the recommendations as a supplement for specific targets to meet. Carbon reduction via net zero is certainly a step towards the primary goal of the Paris Agreement (decrease climate change).</p>	<p>Excerpts from Climate Risk Mitigation and Net Zero section, p. 14</p> <p>For companies that are significant GHG emitters, through its operations or value chain, generally vote against or withhold from the incumbent chair of the responsible committee (or other directors on a case-by-case basis) in cases where Catholic Advisory Services determines that the company is not taking the minimum steps needed to be aligned with a Net Zero by 2050 trajectory.</p>	<p>For companies that are significant GHG emitters, through its operations or value chain, generally vote against or withhold from the incumbent chair of the responsible committee (or other directors on a case-by-case basis) in cases where Catholic Advisory Services determines that the company is not taking the minimum steps needed to be aligned <u>with the United Nations’ Paris Agreement</u> and a Net Zero by 2050 trajectory.</p>

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Pay for Performance	<p>Section 6., Executive and Director Compensation, highlights using social and environmental goals to measure value creation and emphasize long-term shareholder value in compensation packages (ISS, p. 44).</p>	<p>“Evaluating appropriate alignment of pay incentives with shareholder value creation includes taking into consideration, among other factors, the link between pay and performance, the mix between fixed and variable pay, equity-based plan costs, and performance goals - including goals tied to social and environmental considerations” (ISS p. 44).</p>	<p>Add “Catholic Social Teaching” after social and environmental:</p> <p>“...including goals tied to social, environmental <u>and Catholic Social Teaching considerations.</u>”</p>
Non Financial Compensation Metrics	<p>Since corporate and environmental scandals can have a significant impact on stock price, ISS includes recommendations on proposals to include non-financial factors in pay for performance metrics.</p> <p>This recommendation ties many of the policies in USCCB guidelines to actual compensation metrics, e.g. with respect to human dignity, the environment, human rights, and the common good.</p>	<p>Catholic Advisory Services Recommendation: “Vote for shareholder proposals calling for linkage of executive pay to non-financial factors including performance against social and environmental goals, customer/employee satisfaction, corporate downsizing, community involvement, human rights, or predatory lending” (p. 93).</p>	<p>Amended Recommendation <i>Additions underlined:</i> Vote for shareholder proposals calling for the linkage of executive pay to non-financial factors including performance against social, environmental, <u>and Catholic Social Teaching goals</u>, customer/employee satisfaction, corporate downsizing, community involvement, human rights, predatory lending, <u>and efforts to preserve a natural law understanding of marriage and the family and the dignity of the human person.</u></p>

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<p>Board Diversity</p>	<p>The USCCB does not provide any quantifiable board diversity targets:</p> <p>“The USCCB will engage companies through corporate dialogues, proxy voting, and support of shareholder resolutions to develop and maintain policies toward equal opportunities, pay, and leadership opportunities – including inclusion on corporate boards – for women, people of color, and people with disabilities. The USCCB will also encourage companies to develop specific goals to become more diverse, including within the membership of their corporate boards...” (Policy II.4.)</p> <p>Encouragement of diversity is already in the ISS sections on Board Refreshment (p. 22), and Add Women and Minorities to the Board (p. 72).</p>	<p>Catholic Advisory Services Recommendation: Generally vote against or withhold from incumbent nominees if: The board is not comprised of at least 40 percent underrepresented gender identities; or the board is not comprised of at least 20 percent racially or ethnically diverse directors (p. 15).</p>	<p>Remove the recommendation.</p>