

Catholic Bishops' New Investing Guidelines Move Closer to Inspire's Approach to Biblically Responsible Investing (BRI)

JAN 26, 2022

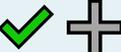
Contributors

Tim Schwarzenberger

In November 2021, the U.S. Conference of Catholic Bishops (USCCB) updated its Socially Responsible Investment (SRI) Guidelines¹ after 18 years. Inspire Investing, a recognized leader in the Biblically Responsible Investing (BRI) and ESG Investing (Environmental, Social, Governance) movements, applauds the Catholic Bishops for incorporating issues significant to the Christian faith that more closely align with Inspire's approach to investing.

Key Takeaways

- i. Updates to the guidelines will be made by the Conference every three years going forward.
- ii. The Guidelines place emphasis on the importance of shareholder engagement.
- iii. Significant updates have been added to the areas concerning human life and dignity, the common good, and environmental stewardship; of particular note was

LEGEND		
	Consistent with USCCB Guidelines	
	Goes above and beyond USCCB requirements	
CATEGORY	ISSUE	INSPIRE IMPACT SCORE
Protecting Human Life	Abortion, Euthanasia, and Assisted Suicide	
	In Vitro Fertilization	
	Embryonic Stem Cell and Fetal Tissue Research	
	Human Cloning	
	Access to Drugs and Vaccines	
Promoting Human Dignity	Human Rights	
	Discrimination	
	Pornography and Commercial Sexual Exploitation	
	Human Trafficking and Forced Labor	
	The Human Person	
	Marriage, Sexual Integrity, & Family	
	Contraceptives	

Enhance The Common Good	Reducing Arms Production	✓
	Addictive Materials or Harmful Habitual Behaviors	✓ +
	Media and Telecommunications	✓ +
Pursuing Economic Justice	Encouraging Social, Environmental, and Financial Responsibility	✓
	Labor standards	✓
	Affordable Housing/Banking	✓
	Impact Investing	✓ +
Saving Our Global Common Home	Climate Change	✓
	Biodiversity	✓
	Water and Natural Resources	✓
	Technology	✓
	Environmental Impact	✓

- iv. the Bishops' call to actively engage companies on issues of traditional marriage and human sexuality, as well as policy changes on tobacco, gambling, and cannabis; the inclusion of an entire section devoted to impact investing was also noteworthy.
- v. While the changes move the USCCB closer to Inspire's approach, there is still room for improvement in key areas such as abortion, religious discrimination, pornography, traditional marriage, and addictive substances.

The following pages detail the Bishops' policy guidance for each area of focus along with Inspire's response to the policies and how we address each issue through a biblically responsible perspective. In all cases, Inspire Impact Scores are consistent with or go above and beyond the USCCB requirement, giving Catholic investors confidence that utilizing Inspire's Impact Score methodology provided through inspireinsight.com will be in alignment with their faith.

Protecting Human Life

Abortion, Euthanasia, & Assisted Suicide

INSPIRE ✓ ✚

Inspire is pleased to see the additions of euthanasia and assisted suicide to the Guidelines but **hopes to see additional efforts made to disown all connections to companies supporting abortion**. Inspire excludes producers of abortifacients as well as those companies involved with euthanasia or assisted suicide. Regarding companies with "tangential" connections to these issues, **we will also exclude those that advocate for abortion or are involved in abortion philanthropy**. Abortion is one of the preeminent issues of our time. While we applaud the USCCB's call for engagement, our preference is to have no connection to the issue, especially since these companies have shown no desire to stop supporting abortion.

USCCB Policy

Policy I. 1: The USCCB 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. 2: 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, corporate dialogues, proxy voting, and support of shareholder resolutions to eliminate this connection.

In Vitro Fertilization (IVF)

INSPIRE ✓

Inspire applauds the Conference for adding this policy area. While the hardships with infertility are significant, there are also serious moral issues involved with IVF treatment. For example, there is an estimated 1 million embryos in a frozen state in the US alone because of IVF activities, many of which will be discarded. We believe life begins at conception and therefore exclude such companies to avoid these moral concerns.

USCCB Policy

Policy I. 3: The USCCB will not invest in companies that utilize in vitro fertilization for either assisting conception or for research.

Embryonic Stem Cell and Fetal Tissue Research

INSPIRE ✓

Inspire believes life begins at conception and therefore excludes companies engaged in Embryonic Stem Cell and Fetal Tissue Research. We fully support adult stem cell research that does not involve the taking of innocent human life and has been shown to be more efficacious in treating diseases than Embryonic Stem Cell Research.

USCCB Policy

Policy I. 4: The USCCB will not invest in companies that engage in scientific research on human fetuses or embryos that results in the end of pre-natal human life or makes

use of tissue derived from abortions or other life-ending activities and/or develops products and services from such research.

Human Cloning

INSPIRE ✓

Inspire's approach is consistent with the Guidelines and excludes companies engaged in human cloning. Human beings are created in God's image and likeness and have inherent dignity. Human cloning and experimentation, even if done for noble research goals, is contrary to biblical principles and must be avoided.

USCCB Policy

Policy I. 5: The USCCB will not invest in companies that engage in scientific research whose purpose is the cloning of human beings and/or develops products and services from such research.

Access to Drugs and Vaccines

INSPIRE ✓

Inspire favors investment in companies that rate above the industry standard regarding access and affordability. We also employ active ownership on these issues with companies held in our portfolios.

USCCB Policy

Policy I. 6: 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. 7: The USCCB will actively engage companies through corporate dialogues,

proxy voting, and support of shareholder resolutions to develop life-sustaining drugs and vaccines that do not rely on any cell lines procured from abortions.

Promoting Human Dignity

Human Rights

INSPIRE

Inspire agrees with the USCCB on the importance of tracking company and government policies as they relate to human rights. We address this issue through our positive ESG integration by investing in companies that rate above the industry standard regarding human rights policies. We also exclude state-owned enterprises (like those in China) where significant human rights abuses are known to occur.

USCCB Policy

Policy II. 1: The USCCB will engage companies through corporate dialogues, proxy voting, and support of shareholder resolutions to direct their efforts to protecting and promoting human rights – as understood by Church teaching – and supply chain transparency. The USCCB will consider divesting from companies whose activities are known to persistently violate the human rights of their workers or contract with companies or governments who persistently violate human rights until sufficient action has been taken to correct these human rights violations. Some tools in evaluating and recommending changes are the United Nations’ Guiding Principles on Business and Human Rights, and the International Labor Organization’s Conventions, insofar as these resources do not contradict the teaching of the Catholic Church.

Policy II. 2: 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.

Discrimination

INSPIRE ✓ ✚

Note that USCCB policy changed in that they no longer call for divestment for companies proven to be discriminatory. Inspire addresses the issue of discrimination in several ways. First, we invest in companies that rate above the industry standard regarding discrimination. Second, we will actively engage companies that discriminate against employees, especially on issues of religious freedom. For example, we will engage companies that discriminate against employees that support traditional marriage and push the LGBT agenda. And third, we will divest from those companies if they are unwilling to change their policies or support.

USCCB Policy

Policy II. 3: The USCCB will engage companies through corporate dialogues, proxy voting, and support of shareholder resolutions toward implementing policies and practices to ensure they do not discriminate against people based on their sex, race, skin color, language, or religion.

Policy II. 4: 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. The USCCB should also seek out investment opportunities in companies owned by people of color and women as well as companies whose practices or business relationships demonstrate diversity and racial justice.

Pornography and Commercial Sexual Exploitation

INSPIRE ✓ +

Note that print media was not included in the Bishops' criteria for exclusion. Perhaps this was an oversight that will be corrected in the next release of the Guidelines, but we believe that publicly traded companies that print pornographic materials should be excluded from investment, along with film producers, internet sites, etc. We also note that USCCB policy changed in that they added "sole" before the word purpose, thus weakening their original screening criterion to favor engagement for companies that distribute pornographic content. While we applaud the USCCB's call for engagement, our preference is to have no connection to the issue, especially since these companies have shown no desire to stop distributing pornographic content.

Inspire will exclude both producers and distributors of pornography. This category includes all media types, such as film, print, and online. Also included are companies that produce AO (Adult Only) rated video games that contain pornographic content. We will also engage media, technology, and telecommunications companies to promote responsible, marriage-affirming, and family-oriented programs.

USCCB Policy

Policy II. 5: 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 disengage from receiving revenue from the distribution of these products or services.

Policy II. 6: 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.

Human Trafficking and Forced Labor

INSPIRE ✓

Inspire agrees with the USCCB on the importance of companies being involved in the fight against human trafficking and forced labor. We address these issues through our positive ESG integration by investing in companies that rate above the industry standard regarding human rights policies, supply chain management, labor practices, and environmental responsibility. We also employ active ownership on these issues with companies held in our portfolios.

USCCB Policy

Policy II. 7: 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.

The Human Person

INSPIRE ✓

Inspire's approach to the issue of sex reassignment is consistent with USCCB policy. Note that we are not aware of any publicly traded companies that perform these surgeries. These types of operations are generally performed by hospitals and other private health organizations. If we become aware that a company is involved in these activities, we will exclude them from our portfolios.

Regarding manufacturers of hormonal drugs used to delay normal puberty, the medications most commonly used to suppress puberty are known as gonadotropin-releasing hormone (GnRH) analogues. These drugs can also be used for legitimate purposes, and not necessarily for what the USCCB says “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.” For example, Lupron can sometimes be used for delaying puberty, but it is more commonly used for cancer treatment.

USCCB Policy

Policy II. 8: 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.

Policy II. 9: The USCCB will also actively promote through corporate dialogues, proxy voting, and support of shareholder resolutions additional disclosure from companies on these activities.

Marriage, Sexual Integrity, and Family

INSPIRE ✓ ✚

Inspire is among the few (if any) investment firms that is addressing the issues of marriage, sexual integrity, and family in a manner consistent with the USCCB Guidelines. For example, in 2022 Inspire is engaging over 50 companies on their support of the Equality Act. Despite its name, the Equality act is a radical LGBT activist bill that seeks to amend the Civil Rights Act and actively discriminate against faith-based and other employees that support traditional marriage instead of being neutral on the issue. We are not aware of any other investment firms addressing this

issue despite the USCCB and other faith-based institutions strongly condemning companies supporting this legislation.

USCCB Policy

Policy II. 10: The USCCB will encourage companies through corporate dialogues, proxy voting, and support of shareholder resolutions to advocate for an understanding of marriage or sexuality that is consistent with Church teaching and natural law.

Contraceptives

INSPIRE ✓

Similar to the USCCB, Inspire excludes producers of both hormonal and barrier forms of contraceptives. Regarding hormonal contraceptives, we view these drugs very similarly to abortifacients as it is possible for fertilization of the egg to occur which would then result in the loss of innocent life if implantation is prevented by the drug. Inspire does not screen out distributors of contraception; there are very few, if any, distributors that make more than 10% of their revenue from contraceptives, so the difference between USCCB's approach and that of Inspire's is negligible.

USCCB Policy

Policy II. 11: The USCCB will not invest in companies that manufacture contraceptives or derive more than 10% of their revenue from the sale of contraceptives, even if they do not manufacture them

Enhance The Common Good

Reducing Arms Production

INSPIRE ✓

Inspire's approach to military weapons and firearms manufacturers is consistent with the guidelines. Although we understand USCCB making the distinction between hunting and legitimate military use and other uses, these manufacturers tend to supply both military and civilians, so distinguishing between types of firearm usage is not practical.

USCCB Policy

Policy III. 1: The USCCB will not invest in firms that derive any revenue from the production of weapons inconsistent with Catholic teaching on war (e.g., biological and chemical weapons, landmines, nuclear weapons, weapons of mass destruction, etc.). 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. 2: 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. For companies that may cause, contribute to, or be linked to warfare, such as technology companies or financial institutions, the USCCB will actively encourage them through shareholder engagement and voter proxy to uphold and incorporate human rights standards as understood by the Church into their business decisions. The USCCB will also actively promote additional disclosure from companies on their production and sales of weapons.

Addictive Materials or Harmful Habitual Behaviors

INSPIRE ✓ ✚

Note that the USCCB has omitted alcohol from the list of addictive materials.

Inspire excludes alcohol-based companies due to the negative societal effects of alcohol consumption. We also exclude gambling companies and manufacturers of tobacco and cannabis. This includes any level of

involvement and includes distributors. We are pleased that the USCCB has added these policies on addictive substances; however, we note that the language around “primary purpose” and not excluding distributors in the policy means companies involved in these problematic areas may be included in the portfolio.

USCCB Policy

Policy III. 3: The USCCB will not invest in companies whose primary purpose is to derive revenue from gambling or the production of tobacco or the recreational use of cannabis.

Policy III. 4: The USCCB will encourage companies through corporate dialogues, proxy voting, and support of shareholder resolutions to move away from the production, marketing, or distribution of addictive or other harmful materials.

Media and Telecommunications

INSPIRE ✓ ✚

Inspire is one of the few, if not the only, investment firms that will engage companies on issues of traditional marriage and family. In addition, we will exclude large tech and media companies that are distributors of pornography or involved in LGBT and abortion promotion and philanthropy.

USCCB Policy

Policy III. 5: The USCCB will actively encourage through corporate dialogues, proxy voting, and support of shareholder resolutions media and telecommunication companies, including social media companies, to employ and enforce guidelines that promote the dignity of the human person, as understood by Church teaching. The USCCB should avoid investing in media corporations that have demonstrated resistance to adopting and implementing a human rights policy that is consistent to Church teaching.

Pursuing Economic Justice

Encouraging Social, Environmental, and Financial Responsibility

INSPIRE

Inspire agrees with the USCCB on the importance of dialoguing with management, proxy voting, and supporting shareholder resolutions to report on social, environmental, as well as financial performance. We favor investment in companies that rate above the industry standard regarding human rights policies, supply chain management, labor practices, and environmental responsibility. We also employ active ownership on these issues with companies held in our portfolios.

USCCB Policy

Policy IV. 1: The USCCB will strongly encourage companies through corporate dialogues, proxy voting, and support of shareholder resolutions to report on social, environmental, as well as financial performance.

Policy IV. 2: The USCCB will actively promote and engage companies through corporate dialogues, proxy voting, and support of shareholder resolutions the adoption of corporate social and environmental responsibility guidelines within companies.

Labor Standards

INSPIRE

Inspire agrees with the USCCB on the importance of dialoguing with management, proxy voting, and supporting shareholder resolutions to promote human dignity and economic justice. To address this issue, we favor investment in companies that rate above the industry standard regarding employee health and safety, labor practices, just wages, etc. We also employ active ownership on these issues with companies held in our portfolios.

USCCB Policy

Policy IV. 3: 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. 4: The USCCB will advocate and engage companies through corporate dialogues, proxy voting, and support of shareholder resolutions to promote just wage and benefit policies, and worker safety. In addition, the USCCB will work toward the protection of migrant and seasonal workers.

Affordable Housing/Banking

INSPIRE ✓

Inspire agrees with the USCCB on the importance of dialoguing with management, proxy voting, and supporting shareholder resolutions to encourage companies to promote responsible banking and mitigate abuses related to discriminatory financial practices. To address this issue, we favor investment in companies that rate above the industry standard regarding affordable financial services. We also employ active ownership on these issues with companies held in our portfolios.

USCCB Policy

Policy IV. 5: The USCCB will encourage companies through corporate dialogues, proxy voting, and support of shareholder resolutions to adopt practices for ethical and responsible banking, including as it relates to corporate lending activities, project finance, and consumer banking to ensure there are appropriate due diligence and risk management systems in place to identify and mitigate abuses such as those related to discriminatory practices and excessive rates and fees and to serve the underbanked or financially marginalized.

Policy IV. 6: The USCCB will communicate, where appropriate, to its financial

institutions support for initiatives to reach out to the poor by providing access to fair credit and other means to help improve livelihoods, the financing of low-income housing, and increased access to capital for communities of color. The USCCB will encourage companies through corporate dialogues, proxy voting, and support of shareholder resolutions engaged in real estate activities to construct and preserve affordable housing that serves low-income individuals and families.

Impact Investing

INSPIRE ✓ ✚

Inspire Investing engages in impact investing primarily through our Give50 campaign where we give 50% of the net profits from our management fees and donate them to Christian ministries. For example, in 2018 we partnered with World Help and Hope of Life to adopt an impoverished village in Guatemala. The village of 720 people, 450 of whom are children, was in dire need of school and medical clinic repairs, clean water system improvements, and a church building for the recently converted believers to meet in and continue evangelism to their community.

Through investors choosing to invest with Inspire and align their investments with their faith, these needs were able to be met with love and dignity. After much planning and collaboration with local teams to assess the needed repairs, 3 years later in September 2021 the renovations were complete!

USCCB Policy

Policy IV. 7: The USCCB will seek opportunities to collaborate with other investors to invest in corporations, organizations, and other financial initiatives that not only aim at financial return but also actively intend to address the common good, generating positive social and environmental change. Examples of this policy can be seen in the work of the Catholic Campaign for Human Development of the USCCB and in the work of the Catholic Impact Investing Collaborative

Policy IV. 8: 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.

Saving Our Global Common Home

Climate Change

INSPIRE ✓

Christians are called to be stewards of all we are entrusted with, including caring for the earth that is home to us all. Inspire favors investment in companies that rate above the industry standard regarding environmental stewardship and sustainable energy use and production. We also employ active ownership on these issues with companies held in our portfolios.

USCCB Policy

Policy V. 1: 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. 2: 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.

Biodiversity

INSPIRE ✓

Without biodiversity, life on earth would not be able to be sustained. Companies need to consider the impact their operations have on various ecosystems around the world where they operate in order to preserve the natural order of life. Inspire favors investment in companies that rate above the industry standards regarding environmental stewardship and sustainable energy use and production. We also employ active ownership on these issues with companies held in our portfolios.

USCCB Policy

Policy V. 3: The USCCB will actively encourage companies through corporate dialogues, proxy voting, and support of shareholder resolutions to demonstrate high standards of protection for living organisms and terrestrial, marine, and other ecosystems. One resource outlining definitions, principles, and best practices for biodiversity protection is the United Nations Convention on Biological Diversity insofar as this resource does not contradict the teaching of the Catholic Church.

Policy V. 4: 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.

Water and Natural Resources

INSPIRE ✓

Fresh and accessible water is indispensable to sustaining life and must be protected from contaminating events and wasteful usage to ensure future generations' water consumption can be sustained. Inspire favors investment in companies that rate above the industry standard regarding environmental stewardship and sustainable energy use and production. We also employ active ownership on these issues with companies held in our portfolios.

USCCB Policy

Policy V. 5: The USCCB should avoid investing in companies whose activities directly contribute to depletion and/or degradation of available water, without mitigating these impacts, and in companies engaged in extraction of natural resources that do not demonstrate formal and/or informal compliance with the principles of the Extractive Industries Transparency Initiative insofar as this resource does not contradict the teaching of the Catholic Church.

Policy V. 6: The USCCB will encourage companies through corporate dialogues, proxy voting, and support of shareholder resolutions to employ water saving policies and technologies along with other means of saving water.

Technology

INSPIRE ✓

Technology has allowed culture and society to accomplish extraordinary feats, but can also contribute to irreversible pollution and energy consumption. Inspire favors investment in companies that rate above the industry standard regarding environmental stewardship and sustainable energy use and production. We also employ active ownership on these issues with companies held in our portfolios.

USCCB Policy

Policy V. 7: 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.

Environmental Impact

INSPIRE ✓

Inspire favors investment in companies that rate above the industry standard regarding environmental stewardship and sustainable energy use and production. We also employ active ownership on these issues with companies held in our portfolios.

USCCB Policy

Policy V. 8: The USCCB will actively encourage companies through corporate dialogues, proxy voting, and support of shareholder resolutions to uphold the highest environmental standards and to change and remediate practices that negatively impact the environment either in their operations, or those of their contractors or supply chain, and in their products or services. This may include, for example, a company's emissions, spills, hazardous waste or other forms of pollution, non-compliance with environmental regulations, damage to ecosystems, concerns over the risks that a company's products/services may pose to the environment and public health, or concerns related to products at the end of their life cycle.

Policy V. 9: The USCCB should avoid investing in companies that are non-compliant with the three environmental principles (7, 8, and 9) of the UN Global Compact insofar as this resource does not contradict the teaching of the Catholic Church.

¹The USSCB SRI Guidelines are meant to direct the Conference's own investments; Catholic institutions are not obligated to follow the Guidelines, although many consult the Guidelines as they attempt to apply Catholic teaching to their investment portfolios.