



# Catholic Values Policy







## About Us

CCI Asset Management investment solutions provides Catholic entities with an opportunity to invest in a socially responsible manner to reflect the values inherent in Catholic social teaching, as well as offer competitive investment returns. Any operational surplus is distributed back to Church entities.

# Values and Principles

The following broad principles supported by Catholic social teaching underline the Investment Trusts and Individually Managed Accounts:

## Financial Stewardship

The Catholic ethic of responsible financial stewardship and a just economy in which fiscal as well as 'human needs'<sup>1</sup> are considered, requires CCI Asset Management to take a prudent and common sense approach to the relationship between faith and finance.

## Social Stewardship

Responsible social stewardship includes the 'proper development of economic life', as described in the encyclical *Gaudium et spes*, Second Vatican Council. This includes products and services that enhance wellbeing, equity between the poor and wealthy nations, sustaining, caring and making good, benefit the environment and the importance of 'the common good' as described in the encyclical *Populorum Progressio*.

## Human Dignity

The 'dignity of the human person' as described in the encyclical *Centesimus Annus* John Paul II, applies to consideration of all people, not just the interests of the company and shareholder, participating in and benefitting from economic life. 'Human activity, especially economic activity, must be focussed on honouring and preserving human dignity'<sup>2</sup>. Dignity also refers to all aspects of the wellbeing of people including physical health, equality between men and women and their moral and spiritual development. Catholic teaching also defends the right to life as described in the encyclical *Gaudium et spes* n.51 in this context.

*Pope John Paul II, Jan 1, 1999 World Peace Day Address, 'Pope names free market failures' National Catholic Review, Jan 8, 1999*

*Christian Brothers Investment Service, New York, Principles for Socially Responsible Investing, Annual Report 2000*

# Investment Objectives

## Catholic Values Trust

- To provide a return (after deducting fees and expenses) that exceeds CPI increases by at least 3%p.a. measured over rolling 3 and 5 year periods.
- To invest in accordance with Socially Responsible Investment Policies as set out on pages 5-7 of this policy to reflect consistency with the teachings and values of the Church.
- To manage and monitor the external Fund Managers of the Catholic Values Trust, engaging with the managers on matters relating to compliance with the Catholic Values Investment Policies and to report regularly to CCI Asset Management unit holders.

## Income Trust

- To provide investors with a quarterly income distribution and potential for capital growth by outperforming the 90 day bank bill index by 1.0% (after deducting fees) over rolling 3 year periods.
- To invest in accordance with Socially Responsible Investment Policies as set out on pages 5-7 of this policy, and to reflect consistency with the teachings and values of the Church.

## Individually Managed Accounts

- To provide an absolute return based on an individually mandated basis.
- To invest in the global universe of investment vehicles to provide a predetermined return and desired risk profile, focussed on capital preservation and managing downside risk.
- To invest in accordance with Socially Responsible Investment Policies as set out on pages 5-7 of this policy and to reflect consistency with the teachings and values of the Church.







## Our Approach

We are committed to delivering service and management excellence, without losing sight of our cooperative principals and the mutual values which are central to our philosophy.

CCI Asset Management investment solutions are first evaluated on the basis of investment fundamentals. The selected investments are then reviewed to ensure the activities of the companies invested in are broadly consistent with Catholic Values and Principles.

In accordance with Catholic values, CCI Asset Management investment solutions may in addition, seek to invest in companies that support and sustain people in a socially just manner, and who conduct business in an environmentally sound way.

Where external fund managers are used, they are identified based on their ability to identify investment opportunities in companies producing or marketing products and services that support sustainable development into the future that are socially responsible in their corporate conduct and contribute to a more just society.



# Our Process

## Negative Screening

### Excluded Business Activity

CCI Asset Management investment solutions excludes investment in companies whose core business comprise of the following;

#### Abortifacients

Under Catechism 2270 – 2272, the Catholic Church stance on abortion is that 'formal co-operation in an abortion constitutes a grave offence'

In light of the Church's position on abortion and the importance of preserving life, the investment policy of CCI Asset Management will exclude any investment in companies whose core 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.

#### Contraceptives

Under Catechism 2370, the Catholic Church stance on contraceptives is that 'every action which, whether in anticipation of the conjugal act, or in its accomplishment, or in the development of its natural consequences, proposes, whether as an end or as a means, to render procreation impossible' is intrinsically evil.'

CCI Asset Management therefore identifies and excludes investment in public companies whose primary purpose of business is in the manufacturing of contraceptive products and or derive a significant portion of its revenues from the sales of contraceptives, even if they do not manufacture them.

#### IVF and Foetal Stem Cell Research

Under Catechism 2376 – 2379, the Catholic Church stance on IVF and foetal stem cell research is that 'techniques that entail the dissociation of husband and wife, by the intrusion of a person other than the couple (donation of sperm or ovum, surrogate uterus), are gravely immoral'.

CCI Asset Management will not invest in companies that primarily engage in scientific research on human fetuses or embryos that result in the end of pre-natal human life and, or make use of tissue derived from abortions or other life-ending activities.

#### Armaments

Under Catechism 3207 – 2317, the Catholic Church forbids the intentional destruction of human life and requires us to work for the avoidance of war. Where war becomes necessary, the use of arms must not produce evils and disorders graver than the evil to be eliminated.

CCI Asset Management identifies and excludes investment in companies as above, representing the major manufacturers of armaments and means of mass destruction other than those which would be reasonably required in internationally accepted law enforcement. CCI Asset Management assumes that the major manufacturers are most likely to meet excess demand for armaments and therefore are avoided as investments

#### Pornography

Under Catechism 2354 and 2396, the Catholic Church stance on pornography is that it constitutes a grave offence.

CCI Asset Management identifies and excludes investment in public companies whose primary purpose of business is to generate revenue from the exploitation of sex or inciting sexual excitement in a manner that is inconsistent with the 'dignity of the person' as specified in social teaching. This includes venues and any associated publication depicting pornographic material in any medium.

CCI Asset Management investment solutions excludes investment in companies whose core business derives greater than 20% of its earnings from the following:

#### Gambling

According to Catholic social thought, the act of gambling in itself is morally neutral (Catechism 2413, 'games of chance (card games, etc.) or wagers are not in themselves contrary to justice') however it becomes morally unacceptable when the act of gambling deprive someone of what is necessary to provide for his needs and those of others. The passion for gambling risks becoming enslavement.'

CCI Asset Management identifies and excludes investment in public companies whose primary purpose of business is to generate revenue from gambling venues, gambling activities and the manufacture of gaming machines as they offer an enticement for individuals to gamble beyond their means.

#### Tobacco

Catholic teachings contained in Catechism 2290 suggest that 'the virtue of temperance disposes us to avoid every kind of excess: the abuse of food, alcohol, tobacco or medicine'.

There has been considerable evidence that has shown that tobacco is highly addictive in nature and poses significant risks to one's health with no offsetting tangible benefit to mankind.

As such, CCI Asset Management identifies and excludes investment in public companies associated with the manufacturing of tobacco products out of concern for the harmful effects on the health of human beings.

## Our Process *continued*

### Alcohol

Following on from the Catholic teachings contained in Catechism 2290 referenced above, and the negative ramifications on society through the perils of excessive drinking (such as violence and crime). CCI Asset Management identifies and excludes investment in public companies associated with the manufacturing of alcoholic products that actively market and promote excess consumption and underage drinking through advertising or promotional activities out of concern for the harmful effects on human beings.

### Excluded Conduct

In addition to the screening of the above activities, where external fund managers are used, they are also required to exclude companies whose conduct contravenes generally accepted Catholic Values and standards such as:

#### Child labour

The Catholic Church stance on child labour is that 'child labour, in its intolerable forms, constitutes a kind of violence that is less obvious than others, but it is not any less terrible. CCI Asset Management identifies and excludes investment in companies that engage in depriving children of their childhood, that interferes with their ability to attend regular school and that is mentally, physically, socially or morally dangerous and harmful.

#### Discrimination

Under Catechism 2433, the Catholic Church stance on discrimination is that 'access to employment and to professions must be open to all without unjust discrimination: men and women, healthy and disabled, natives and immigrants. For its part society should, according to circumstances, help citizens find work and employment.'

CCI Asset Management identifies and excludes investment in public companies that engage in discrimination due to an adverse action against a person because of a 'protected attribute' according to the Fair Work guidance.

#### Corruption and Dictatorial Regimes

Under Catechism 2426, the Catholic Church seeks to promote 'the development of economic activity and growth in production for the needs of human beings. Economic life is not meant solely to multiply goods produced and increase profit or power; it is ordered first of all to the service of persons, of the whole man, and of the entire human community'.

CCI Asset Management identifies and excludes investment in companies that engage in any action that abuses their power or position for economic benefits, and/or companies benefiting from dictatorial regimes.

### Wages and conditions below minimum standards

Under Catechism 302 and 2434, the Catholic Church advises that 'a just wage is the legitimate fruit of work. To refuse or withhold it can be a grave injustice.'

CCI Asset Management identifies and excludes investment in public companies that engages in wages and conditions that are below minimum standards, in accordance to the legislation of the company's country of origin.

### Lack of labour rights and relations and working conditions

Under Catechism 2430, 2431 and 2435, the Catholic Church stance on labour rights and working conditions are that 'economic life brings into play different interests, often opposed to one another. This explains why the conflicts that characterise it arise. Efforts should be made to reduce these conflicts by negotiation that respects the rights and duties of each social partner: those responsible for business enterprises, representatives of wage-earners (for example, trade unions), and public authorities when appropriate.

CCI Asset Management identifies and excludes investment in public companies that engage in a lack of labour rights and relations, including pay and working conditions, in accordance with the legislation of the company's country of origin.

### Modern Slavery and Human Rights in Supply Chains

Companies and their investors are exposed to risks arising from the exploitation and mistreatment of people as workers, contractors or suppliers.

In *Guadium et Spes*, 27 – Second Vatican Council, the Catholic Church reaffirmed its historic concern about forced labor, stating that "slavery, prostitution, the selling of women and children and disgraceful working conditions where people are treated as instruments of gain rather than free and responsible persons" are "infamies" and "an affront to fundamental values... values rooted in the very nature of the human person".

Where CCI directly invests, CCI seeks to identify and exclude investment in companies that do not have a risk management policy that seeks to mitigate the risk of modern slavery practices that are directly linked to their operations, products or services, as per the requirements of the Australian Modern Slavery Act 2018 (Cth).

Where funds are externally managed, CCI will engage with its investment partners to ensure that Modern Slavery risks are incorporated within the ESG assessment of their investment activities.



## Environmental damage that is not redressed

In the most recent Papal encyclical 'Laudato Si – On Care for The Common Home' the Church expressed the view that 'we know that technology based on the use of highly polluting fossil fuels – especially coal, but also oil and, to a lesser degree, gas – needs to be progressively replaced without delay. Until greater progress is made in developing widely accessible sources of renewable energy, it is legitimate to choose the lesser of two evils or to find short-term solutions'.

We have examined the fossil fuels industry extensively and assessed factors such as policy guidance, carbon emissions intensity, technological advancements and the availability of cost effective substitutes.

Our analysis has found that the mining of thermal coal and brown-coal (or lignite) for coal-fired power generation, is a fossil fuel source that is exposed to the greatest amount of investment risk due to its considerable contribution to CO2 emissions.

While we believe coal will still form part of the fuel generation mix given its favourable economic attributes, from a valuation perspective, the growth outlook and life value of coal assets are at risk as countries adapt or introduce policies to transition to a reduced carbon economy.

CCI Asset Management has taken the view to not invest in companies that derive more than 20% of their revenue from the mining and sale of thermal coal, and/or from the sale of power generated by brown coal.

CCI Asset Management believe that with further investment, the renewables sector will grow and meaningfully contribute to our energy mix. However, fossil fuels will still be key components of the world's future energy supply for some time to come, particularly with respect to supporting the economic growth and development of emerging nations.

We will continue to examine companies who engage in the extraction and production of other fossil fuels with the view of investing in companies that produce the least environmental damage in the current market. Companies seeking long-term economically sustainable solutions to climate change and low carbon output will be viewed favourably in investment decisions.

Additionally, CCI Asset Management will closely monitor the developments of the Intergovernmental Panel on Climate Change (IPCC), particularly with respect to setting a carbon budget that could provide the legislated support for a global cap on emissions.



# Asset Allocation

## Australian Equities, Diversified Fixed Interest & Credit Securities

Catholic Church Insurance Ltd, is the Fund Manager for Australian Equities and Fixed interest Securities within CCI Asset Management investment solutions. Catholic Church Insurance Ltd selects investments based on supported investment fundamentals and then screens these companies against the Catholic Values Policies and Principles as outlined in this document.

## Global Equities

CCI Asset Management's investment in Global Equities is achieved via a direct mandate managed by Perpetual Investments. Perpetual Investments aims to provide investors with long-term capital growth through investment in quality global shares of socially responsible companies. This diversified portfolio is constructed within a framework that excludes investments in companies that are involved in the following activities, and the integration of ESG considerations as part of the assessment of the quality of a company.

Excluded Activities:

- Abortion, including contraceptives or abortifacients
- Armaments - Military weapons systems, including nuclear, cluster munitions and landmines
- Civilian firearms
- Adult entertainment services / pornography
- Gambling
- Tobacco
- Alcohol
- Child labour
- Labour rights, including working conditions and discrimination
- Thermal coal mining

As part of its commitment to responsible investment, Perpetual Investments is a signatory to the United Nations Principles for Responsible Investment (UN PRI). UN PRI aim to provide an internationally agreed framework to help institutional investors incorporate ESG issues into investment decision making and ownership practices. On top of this Perpetual Investments also belong to other ESG investor groups - RIAA (Responsible Investment Association Australasia), IGCC (Investor Group on Climate Change), FSC (Financial Services Council) ESG Working Group, along with participating in the CDP (Carbon Disclosure Project) climate change reporting.

CCI Asset Management adds a secondary layer of screening which attends expressly to Catholic Values

and Principles (this process forms part of the Fund Manager dialogue as per page 9 of this policy).

On a monthly basis, Perpetual Investments provides CCI Asset Management with an underlying Holdings Report, which lists all securities held in the portfolio. CCI Asset Management reviews the Holding Report with the aim of identifying companies whose core business involves activity or conduct described on page 5-7 of this document.

If there are any instances where a company is identified as engaging in excluded conduct as stipulated in the Catholic Values policy, CCI Asset Management will proactively engage in discussions with Perpetual Investments to remove this company.

## Direct Property

QIC Global Real Estate (GRE) is the manager of the Direct Property asset class within the Catholic Values Trust and Individually Managed Accounts.

Through their Responsible Investment Policy, QIC GRE is committed to monitoring and managing environmental, social and corporate governance (ESG) factors.

## Environmental issues

- Management of energy, water and waste in all shopping centres and office assets.
- Greenhouse gas emissions and climate change related policy

## Social issues





Management of health and safety and community issues.

### Governance issues

- Provide value (influence) through board or board committee representation.
- Having a zero tolerance approach to bribery and corruption.

In addition to these guidelines, QIC GRE also take into account other global best practice frameworks relating to property investments. These include:

- UNPRI: United Nations Principles for Responsible Investment
- UNEPFI: United Nations Environment Programme Finance Initiative
- NGERS: National Greenhouse and Energy Reporting
- TRANSPARENCY INTERNATIONAL:  
[www.transparency.org](http://www.transparency.org)
- GRESB: Global Real Estate Sustainability Benchmark

As part of its management responsibilities, CCI Asset Management will periodically monitor the management of assets within the QIC GRE Fund against the Catholic Values Policies and Principles as outlined in this policy.

## Communication with External Fund Managers

Where an investment managed by an external Fund Manager is found to contravene the CCI Asset Management Catholic Values Policy, CCI Asset Management will initiate a dialogue with the respective Fund Manager to address any inconsistencies between the Catholic Values policies, as stated in this document, and the Socially Responsible Investment mandate of the individual Fund Manager. Where CCI Asset Management does not have a specific investment mandate with the Fund Manager, its influence on their investment decision making process is limited.

CCI will continue to advocate for the appropriate screens as detailed in this policy document, however is cognisant that despite best endeavours, it is possible

that these managers may still from time to time invest in companies that engage in activities that are in contravention to Catholic Values.

## Investor Communication

CCI Asset Management will continuously monitor topical Socially Responsible Investment issues and update investors via our website or monthly newsletters regarding any events or activities that are relevant to CCI Asset Management investment solutions.

## Fund Information

For further information or a copy of the CCI Asset Management Information Memorandum please call 1300 655 220 or contact David Smith, Business Development Manager on (03) 9934 3077.



Catholic Church Insurance Limited  
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#### **Important Information**

You should read this information memorandum before you invest. It contains general information that does not consider your particular investment objectives or financial situation. Prior to investing you should consider whether this investment is suitable. We recommend that you seek independent financial and/or taxation advice.

CCI Asset Management and Catholic Church Insurance Limited do not guarantee the performance of the trusts or the repayment of capital invested. Investments in the trusts are subject to investment and other risks. This could involve delays in the purchase of units, repayment, loss of income or capital invested.