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What is Responsible Today?

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Executive Summary

The U.S. Conference of Catholic Bishops (USCCB), in their November 2021 General Assembly, approved new **USCCB Socially Responsible Investment Guidelines** (the "Guidelines").[1] First promulgated in 1991, the Guidelines have since served as critical yardsticks for Catholic investing in the United States and were previously updated in 2003. The changes made in 2021 were substantive and meaningful. New Guidelines were established in each of three investment strategies: 1) companies in which the USCCB will not invest, 2) companies in which the USCCB will actively work to encourage change, and 3) companies in which the USCCB will seek to invest.

Scope

The Census of the 2021-2022 Pontifical Yearbook reported at the global level, the number of baptized Catholics increased to 1.36 billion at the end of 2020 to 1.378 billion in 2021, which implied a relative variation of +1.3 percent.[2] The Guidelines apply principally to the investments of Catholics residing in the United States. They are viewed by many Catholics globally as helpful guidance for responsible investing and may affect the way millions of Catholics manage their portfolios.

Table Of Contents

USCCB Investing Guidelines	03
New USCCB Guidelines	04
Strategies	05
I. Protecting Human Life	06
II. Promoting Human Dignity	07
III. Enhancing the Common Good	10
IV. Pursuing Economic Justice	11
V. Saving Our Global Common Home	12

USCCB Guideline Framework

Socially responsible investment guidance from the USCCB has historically been drawn from the Gospels, universal church teaching, and Conference statements.[3] USCCB guidance has always borne in mind the financial implications of responsible investing, noting two Principles of Stewardship compete in the exercise of investment management. **Principle 1** is the responsibility of the USCCB to 'exercise responsible financial stewardship over its resources.' Put differently, the USCCB recognizes investors depend on a reasonable rate of return to function effectively and missionally and are required to act as good financial stewards of resources. Unlike agnostic investors, however, the USCCB also recognized its religious mandate, **Principle 2**, to 'exercise ethical and social stewardship', that is, to act as good moral stewards of its resources, which can serve as a limiting governor, or brake, on opportunistic investing.

The 2003 USCCB Guidelines distilled the Church's role as shareholder, investor, and economic actor to 30 individual Policies, which are presented in the table on page 14. The Policies were grouped into six major categories:

I. **Protecting Human Life**
II. **Promoting Human Dignity**
III. **Reducing Arms Production**
IV. **Pursuing Economic Justice**
V. **Protecting the Environment**
VI. **Encouraging Corporate Responsibility**

In addition, the USCCB developed three overarching investment strategies to address each policy:

Do not harm (Avoid Evil)	Active Corporate Participation	Positive Strategies (Promote the Common Good)

Revised USCCB Guidance - 2021

Rather than starting from scratch, the Bishops built and expanded on their prior Guidance. Like those who first penned these Guidelines 30 years ago, it was the present Bishops' intent to use their new Guidance to "proclaim the Gospel in such a complex economic world."[4] To ensure the Guidance remains in step with contemporary society and its complexities, several substantive additions and revisions were made in the 2021 Guidance. According to the USCCB public affairs office,

Some of the significant changes in the update of the text include incorporating the teachings of Pope Benedict XVI and Pope Francis; extending all five sections of policies, with significant updates to areas concerning the common good and the environment; and adding new areas such as media, telecommunications, and impact investing. The updated investment guidance, in addition to its emphasis on shareholder engagement, includes expansions on environmental issues. [5]

The revised Guidance begins by reiterating the two Principles of Stewardship, essentially word for word. Significantly, however, the revised Guidance diverges from previous Guidance by adding "we do not believe [return on investment] is an adequate rationale for shareholder decisions." It goes on to provide clarification, which was not found in previous USCCB Guidance, stating,

What this means in terms of investments is that revenue should not be gained if it is gained by unjust means, comes at the expense of human life, reduces the human dignity of others, or leads to the destruction of our common home.[6]

This statement makes a concrete case for avoidance of investments regardless of potential for attractive return if those returns would be gained at the expense of others or leads to environmental destruction. One might read this as suggesting that Principle 1, to earn a market return, should be thought of as applying at the portfolio level, while Principle 2, to exercise ethical and social stewardship, should be thought of as applying at the security level. Investors should attempt to earn market returns on their portfolio, but not by investing in companies violating universal moral teaching.

New USCCB Guidelines

Approaches and Costs

In the 2021 USCCB Guidance, the 30 Policies from previous Guidance were expanded to 52, an increase of nearly 75%. However, the six major categories were reduced to five:

I. **Protecting Human Life**
II. **Promoting Human Dignity**
III. **Enhancing the Common Good**
IV. **Pursuing Economic Justice**
V. **Saving Our Global Common Home**

'Reducing Arms Production' is restated as 'Enhancing the Common Good',[7] while 'Protecting the Environment' is restated as 'Saving Our Global Common Home.' 'Encouraging Corporate Responsibility' is dropped altogether, presumably because it is incorporated into many of the policy areas.

The three investment strategies did not change in the new Guidance, although they received slight reworks to their titles.

Investment Strategies	2003 USCCB Guidelines	2021 USCCB Guidelines
Strategy I: Avoid Doing Harm	**Strategy I:** 10 Policies	**Strategy I:** 18 Policies
Strategy II: Actively Work for Change	**Strategy II:** 19 Policies	**Strategy II:** 29 Policies
Strategy III: Promote the Common Good	**Strategy III:** 1 Policy	**Strategy III:** 5 Policies

Strategy I

2003: Strategy I is met by refusing to invest in, or divesting from, companies whose products or services are contrary to Catholic moral teachings. Essentially, this is a zero-tolerance approach to what is viewed as immoral practices, although the Guidelines did permit a threshold examination ("significant portion of revenue") for sellers of contraceptives. Ten of the Policies were grouped in the first Strategy.

2021: As before, all policies within Strategy I require divestment, and are stated as zero-tolerance exclusions, save for that pertaining to sellers of contraceptive products, for whom up to 10% of the company's revenue may be derived from such sales before the company is required to be excluded from portfolios (so long as they are not also manufacturers of contraceptives).

Strategy II

2003: Importantly, Strategy II is met without divesting from stocks to which these policies pertain. Rather, this Strategy is for investors to encourage, influence, and shape corporate thought by corporate decision makers toward morally correct acts, whether by "initiating dialogue with corporate leadership, initiating or supporting shareholder resolutions, working with various religious and other groups promoting corporate responsibility and writing letters to corporate executives and board members to advocate specific steps or to support or raise objections to a corporation's activities or policies."[8] Nineteen of the Policies were grouped in the second Strategy.

2021: Strategy II policies leverage investors' positions as shareholders to engage and encourage company executives, board members, and other shareholders toward morally acceptable behaviors. Whether through dialogues with management or board members, letter writing, proxy voting, or participating in shareholder resolutions, Strategy II policies call for investors to engage and encourage companies to shape and mold company operational decisions.

Strategy III

2003: Strategy III involves both: 1) supporting policies and initiatives that promote Catholic moral and social teachings and 2) investing in community development intended to help the poor or create "significant social good", even if it results in a lower rate of return. Only a single policy was grouped in the third Strategy.

2021: Strategy III policies call on investors, either alone or in collaboration with other investors, to make investments intended to serve communities larger than themselves, whether local, regional, or global. These will be investments in companies which, in addition to their "fiscal merits and investment advantages, have strong records in such areas as labor relations, support of people of color and underprivileged communities, efforts to uphold the integrity and flourishing of families, affordable housing, ethical development of vaccines, renewable energy, respecting the life of the unborn and the conscience rights of religious believers."[9] These investments aim for a common benefit to all. These may also be directed toward benefits such as the UN's Sustainable Development Goals (SDGs), involving satisfying "basic needs associated with agriculture, access to water, adequate housing and reasonable prices, as well as with primary health care and educational services."[10]

Each Strategy is Effectively a Call to Action by Investors

Strategy I:	Investors are called to avoid or divest from certain companies.
Strategy II:	Investors are called to engage and encourage corporate decision makers.
Strategy III:	Investor are called to unselfishly make investments which promote the common good.

The 52 USCCB policies, together with the strategy to which each is assigned, are set out in detail on the following pages, grouped within the five major categories, and may be found on USCCB Guidelines Comparison on pages 14 and 15 of this guide .

I. Protecting Human Life

A. Abortion, Euthanasia, and Assisted Suicide

The first major Category, I. Protecting Human Life, continues to affirm human life starting from the very beginning, which Catholics view as the moment of conception. Category I has, however, been expanded to encompass euthanasia and assisted suicide, both of which are deemed moral evils. As such, **Policy I.1**, falling under Strategy I, provides the USCCB will not invest in any company whose activities include participation in or support of abortion, including abortifacient drugs, euthanasia, or assisted suicide.[11] As before, only materials produced or marketed specifically for the purpose of abortion, euthanasia, or assisted suicide are excluded, even if other products may, in fact, create the same outcome.

Policy I.2, a Strategy II policy, provides the USCCB will engage companies with some tangential connection to abortion, euthanasia, or assisted suicide, whether through dialogue, proxy voting, or shareholder resolutions, to eliminate this connection.

B. In Vitro Fertilization

Policy I has long been the source of restrictions against embryonic stem cell, fetal tissue research, and human cloning, all of which have been held morally reprehensible. The revised USCCB augments this by adding new language relating to in vitro fertilization, providing that, since human procreation other than by the conjugal union (i.e., fertilization of a human egg with sperm in a petri dish) is contrary to God's law, investing in companies that undertake in vitro fertilizations, regardless of whether for research or to assist contraception, must be avoided. The fact most human eggs fertilized in vitro are either discarded or sold for research provides further evidence of the reprehensible nature of the technique. As a result, **Policy I.3**, a Strategy I policy, provides the USCCB will not invest in companies that utilize in vitro fertilization for either assisting conception or for research.

C. Embryonic Stem Cell and Fetal Tissue Research

The previous USCCB stance against investments in companies engaged in fetal or embryonic research is largely reiterated in Policy I.4; however, the restriction is extended to companies that 'develop products or services from such research.'[12] As such, it is a Strategy I policy. This language encompasses pharmaceutical companies manufacturing medicines or drugs developed using stem cell research, regardless of whether the company is involved in the research itself. Thus, **Policy I.4** provides the USCCB will not invest in companies that engage in research on human fetuses or embryos that results in the end of pre-natal life or makes use of tissue derived from abortions or other life-ending activities and/or develops products and services from such research.

D. Human Cloning

Previous USCCB Guidance restricted investments in companies involved in human cloning. Policy I.5 clarifies, for the first time, that human cloning is evil because "it reduces human procreation to a mere manufacturing process."[13] This Strategy I policy states the USCCB will not invest in companies that engage in research for the purpose of cloning human beings, and also adds the new language whereby the USCCB will not invest in companies "developing products or services from such [human cloning] research". To date, scientists have successfully cloned several animals, including frogs, sheep (Dolly in 1996), and in 2018, primates, but have been stymied in attempts to clone humans.[14] At present, there is no federal law in the United States preventing human cloning.

E. Access to Drugs and Vaccines

Policy I.6, a Strategy II policy, provides the USCCB will actively encourage companies to develop life-sustaining drugs and vaccines and make them available affordably, both in the United States and in low-income countries. The Strategy II Policy contains a provision relating to access to drugs and vaccines which previously was housed under Category II (Promoting Human Dignity). The 2003 provision focused mainly on the dire need of the African continent for access to HIV/AIDS drugs, as well as drugs treating or preventing malaria, tuberculosis, and other communicable diseases common to Africa. The new provision eliminates language focusing or limiting its effect on any one continent or disease, and expands its reach by adding the term 'vaccines'.

Critically, in **Policy I.7**, the Bishops go on to define which drugs and vaccines Policy I.6 is meant to encourage—those 'that do not rely on any cell lines procured from abortions.'[15] This directly negates the notion of exemptions existing for fetal cell lines developed prior to Roe vs Wade.[16]

A. Human Rights

The previous iteration of Category II addressed the promotion of human rights, focusing especially on the poor, women, and vulnerable children as they are victimized by multi-national corporations reaping 'large profits from diamonds and oil' and providing weapons and arms in exchange for these natural resources, 'resulting in further instability and deeper human suffering.'[17]

Policy II.1a, provides the USCCB will engage companies to direct their efforts to protect and promote human rights and supply chain transparency. Though this is a Strategy II policy, the USCCB put teeth into it, adding **Policy II.1b**, a Strategy I policy, which provides the USCCB will consider divesting from companies whose activities are known to persistently violate human rights of their workers or which contracts with companies or governments which persistently violate human rights, at least until sufficient action has been taken to warrant reconsideration. The USCCB's mention of supply chain transparency (for the first time) in connection with violation of human rights suggests this policy is intended to apply principally to companies with extended and multi-national supply chains, such as those resourcing the third world to harvest agricultural products like cocoa and coffee beans, cotton and bricks, or those manufacturing or assembling products including toys and electronic goods, or those creating finished goods. This may include companies employing sweatshop labor and child labor, as well as those harvesting labor from genocidal concentration camps in China.

Under **Policy II.2**, a Strategy II policy, the USCCB will encourage companies 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.'[18] Although this specific language is new, the Policy is largely in line with its predecessor, Policy II.1 (2003).

B. Discrimination

The previous USCCB Guidance bifurcated discrimination into two sections, '2.2 Racial Discrimination' and '2.3 Gender Discrimination.' This Guidance sought to eradicate forms of discrimination on the grounds of sex, race, color, social condition, language, or religion. Both specifically provided for divestment of any company whose policies are found to be discriminatory against either women or people of historically disadvantaged ethnic and racial backgrounds.[19]

New Policies II.3 and II.4, which replace these provisions, repeat the controlling language against discrimination based on sex, race, color, social condition, language, or religion. Curiously, both Policies stop short of calling for divestment from companies evidencing discrimination. Rather, **Policy II.3** states the USCCB will engage companies to ensure they do not discriminate based on these factors. As such, it falls under Strategy II.

Policy II.4 is composed of four parts, the first two of which (4a and 4b) are Strategy II policies while the second two (4c and 4d) are Strategy III policies. Under **Policy II.4a**, the USCCB will engage companies to develop and maintain policies toward equal opportunities, pay and leadership positions—including board membership—for women, people of color, and people with disabilities. Under **Policy II.4b**, the USCCB will encourage companies to develop specific goals to become more diverse, including through their board.

Policy II.4c is the first policy to represent Strategy III. As such, it states the USCCB should "seek out investment opportunities in companies owned by people of color and women." **Policy II.4d** provides the USCCB should also seek out investments in 'companies whose practices of business relationships demonstrate diversity and racial justice.'[20] Here, one finds two calls to action, urging positive steps to promote the common good.

II. Promoting Human Dignity

C. Pornography and Commercial Sexual Exploitation

Policy II.5, the sixth Strategy I policy, pertains to curbing pornography and carries over the intent of its predecessor by mandating against investing in companies whose sole purpose is to incite sexual excitement. Note this provision limits its effect to those companies for which pornography represents its sole purpose. Thus, a streaming film service for which pornography represents less than 100% of its purpose would not be excluded. The previous version specifically mentioned R- and X-rated film content, while adding that pornography could be found 'in several forms.'[21] The new Policy extends the definition of content to 'sexually explicit films, videos, or Internet sites or services.'[22] The addition of Internet sites and services broadens the reach of this provision to Internet providers and hosts knowingly hosting such content.

Policy II.6, a Strategy II policy like its predecessor, encourages shareholders to promote family-oriented programing and content by media, technology, and telecommunications companies.[23]

D. Human Trafficking and Forced Labor

Modern slavery, human trafficking, and child labor are pernicious evils extant globally today, ensnaring millions of people. **Policy II.7** is a new policy, provided to address these issues. The Policy recognizes 'sexual exploitation of women and children is a particularly repugnant aspect of the [human trafficking] trade, and must be recognized as an intrinsic violation of human dignity and rights.'[24] Strangely, the USCCB determined not to position this as a Strategy I policy, requiring divestment from companies engaged in these practices. Instead, the Policy is positioned as Strategy II, and encourages active engagement with companies to address human trafficking and forced labor through developing codes of ethics following the Palermo Protocol of 2000 (the "Protocol"). The Protocol was designed to suppress and punish trafficking in persons, especially women and children. It serves as the internationally accepted definition of human trafficking.[25]

Also missing is the previous Guidance (**Policy IV.1** of 2003) which required the active promotion and support of shareholder resolutions directed towards avoiding the use of sweatshops in manufacturing goods. Presumably, any well-drafted code of ethics will necessarily address the elimination of sweatshops, whether drafted in keeping with the Protocol or with the *UN's Guiding Principles on Business and Human Rights*.[26]

E. The Human Person

The Human Person provisions tackle concerns surrounding what has come to be known colloquially as "gender confirmation surgery (GCS)." Clinically known as "genioplasty", GCS procedures alter a person's bodily appearance and, in some cases, functionality, from their biological gender to the gender they wish to be. Those employing this surgery prefer to think of it as "gender affirming", in that it affirms their personal choice of gender, in lieu of their natural biological gender. The surgery is meant to treat a disorder termed 'gender dysphoria' or the misalignment between gender and sex.[27] Numerous surgeries over time may be required to effect all changes desired by most transgender individuals, costing up to $100,000 or more.[28]

Additionally, according to the Mayo Clinic, puberty-blocking drugs, known as gonadotropin-releasing hormone (GnRH), are available to treat the stress caused by puberty in gender-nonconforming adolescents, including transgender and gender-diverse youth.[29] Essentially, these drugs suppress the body's release of certain hormones, including testosterone and estrogen, during puberty. In boys it decreases the growth of facial and body hair, prevents voice deepening, and limits the growth of genitalia. In girls, it limits or stops breast development and stops menstruation.[30]

Policy II.8. The seventh Strategy I policy, provides 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 sets out the USCCB will actively promote additional disclosures by companies involved in these activities and, as such, is a Strategy II policy.

F. Marriage, Sexual Integrity, and Family

Policy II.10, a Strategy II policy, provides the USCCB will encourage companies to advocate for the understanding of sexuality and marriage as existing only between a man and a woman who, as married spouses, commit to one another in conjugal love directed to the generation of a human being, as is consistent with Church teaching and natural law.

G. Contraceptives

Interestingly, in new **Policy II.11**, the Bishops decided to move the restriction against investing in companies manufacturing contraceptives from Protecting Human Life, Category I, to Promoting Human Dignity, Category II. As a Strategy I policy, this Policy takes a zero-tolerance approach to investing in companies that manufacture contraceptives. In addition, as before, the Policy continues to prohibit investments in companies whose contraceptives sales exceed a revenue threshold; however, rather than employ the previous indefinite language ("significant portion of revenue") it now prescribes a materiality threshold of 'more than 10% of their revenue' before the company must be excluded.

III. Enhance the Common Good

A. Reducing Arms Production

Policy III.1 continues its predecessor's Strategy I approach: the USCCB will not invest in companies which derive any revenue from the production of weapons of mass destruction, including nuclear, biological, chemical, and landmines. The Policy stops short of excluding manufacturers of conventional military weapons, whether rifles, machine guns, tanks, aircraft, or ships of war. Instead, the language of Policy III.1 is limited to weapons of mass destruction, which are further defined to include those commonly considered non-conventional.

However, this Policy does goes on, for the first time, to extend the Strategy I prohibition to all companies that manufacture firearms 'except for those which produce only firearms for hunting and/or 'legitimate' military and law enforcement organizations.' Does this necessitate divestment from companies making military-type weapons for civilian use, such as the now infamous AR-15? What of handguns—is this language intended to require divestment from manufacturers of handguns? Only a small minority of handguns are intended for hunting. And only a few models are produced under contract for military or law enforcement purposes, both of which typically contract for a single model at a time. Put differently, far fewer handguns fall into the hunting or legitimate organizational categories than the range of available handguns.

Policy III.2 states the USCCB will engage companies to influence them to limit weapons production and foreign sales of weapons, and to convert corporate capacity into non-military use. As such it is a Strategy II approach. It further mandates actively encouraging companies that 'may cause, contribute to, or be linked to warfare, such as technology companies or financial institutions' to uphold and incorporate human rights standards in their business decisions.[30] One wonders which companies can 'cause' warfare, and which technology companies or financial institutions might be so implicated? The Policy adds investors should also actively promote additional corporate disclosure on their production and sale of weapons.

B. Addictive Materials or Harmful Habitual Behaviors

Policy III.3 is another altogether new policy falling under Strategy I. The Policy identifies three investments as morally unacceptable: the USCCB will not invest in companies whose primary purpose is to derive revenue from gambling, the production of tobacco, or the recreational use of cannabis. Interestingly, the USCCB determined to avoid investing in these essentially due to the risk they pose to deprive addicted persons of resources necessary to support themselves and their family. It should be noted that a materiality threshold of sorts is applied in the case of gambling. The Policy will not exclude companies which provide gambling but whose primary purpose is other than deriving revenue from gambling. An example might be an Internet provider which, among a large variety of different sites, hosts a gambling or parimutuel site, revenues from which drive a small fraction of the company's total revenue.

Policy III.4 states the USCCB will encourage companies to move away from the production, marketing, or distribution of addictive or other harmful materials.

C. Media and Telecommunications

Policy III.5 takes a Strategy II approach and requires the USCCB to actively encourage media and telecommunications companies, including social media companies, to employ and enforce guidelines promoting dignity of the human person and requires excluding from permissible investments those companies demonstrating resistance to adopting such a human rights policy. This is the first mention in the USCCB of social media and other technology companies, and their inherent capability to denigrate the dignity of the human person. In the accompanying footnote, the USCCB suggests, as a helpful guide, the UN's Guiding Principles on Business and Human Rights.[31]

A. Encouraging Social, Environmental, and Financial Responsibility

Under **Policy IV.1**, the USCCB will strongly encourage companies to report on environmental, social, and corporate governance (ESG), as well as financial, performance. Policy IV.2 provides the USCCB will actively engage companies and promote the adoption of corporate ESG responsibility guidelines. Both are Strategy II policies.

B. Labor Standards

Policy IV.3, a Strategy II policy, states the USCCB will engage companies 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 production and promotion of human dignity and economic justice. The inclusion within economic justice and human dignity provisions of worker-led social responsibility models, employee ownership, profit sharing, protecting worker's children, and the right of workers to organize represents an extension of previous Policies II.1 and V.1.

In **Policy IV.4** the USCCB specifically mention, for the first time, migrant and seasonal workers in the context of a Strategy II approach to advocate for, and engage companies to, promote just wages and benefit policies and worker safety. The Policy goes then further to state the USCCB will work toward the protection of migrant and seasonal workers.

C. Affordable Housing/Banking

Previous **Policy IV.2a** prohibited the USCCB from depositing funds in financial institutions that receive less than a 'satisfactory' rating from federal regulatory agencies under the Community Reinvestment Act (CRA), and to encourage institutions where their resources are deposited to work to undertake programs and implement policies to secure an 'outstanding' rating under the CRA. New Policy IV.5, however, discards reference to the CRA and instead, states the USCCB will encourage companies to 'adopt practices for ethical and responsible banking, including as it relates to corporate lending activities, project finance, and consumer banking' to enable them to 'identify and mitigate abuses related to discriminatory practices and excessive rates and fees and to serve the underbanked or financially marginalized.' The footnote embedded in the USCCB Policy specifically confirms the Policy incorporates those companies that derive 10% or more of their revenue from predatory lending.[32]

Policy IV.6a, a Strategy II policy, states the USCCB will communicate to their 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.'

Under **Policy IV.6b**, the USCCB will encourage companies engaged in real estate activities to construct and preserve affordable housing that serves low-income individuals and families. This is also a new Strategy II policy.

D. Impact Investing

Impact investing, while not new to the USCCB Guidelines, is expanded from a single Strategy III policy in the 2003 version, to five in the 2021 iteration. As mentioned previously, Strategy III policies (PII.4a, PII.4b, PIV.7, PIV.8, and PV.1) maintain the USCCB will invest in ways which serve a larger community, whether local, regional, or global. These aim for a common benefit to all, such as those concerning 'basic needs associated with agriculture, access to water, adequate housing and reasonable prices, as well as with primary health care and educational services.'[33]

In **Policy IV.7**, the USCCB will seek to make investments which, in addition to providing a financial return, also aim to address the common good by generating positive social and environmental change. This is the third Strategy III policy.

In **Policy IV.8**, the fourth Strategy III policy, the USCCB will seek to make investments that promote and strengthen communities. As in all Strategy III policies, investors are to focus on social impact, as well as economic impact. Suggestions provided by the Guidelines include providing alternatives to 'pay-day loans' and finding ways to support community-building organizations, even if through charitable donations.

V. Saving Our Global Common Home

A. Climate Change

Of the nine policies in Category V, all but one are either Strategy I or II policies. As such, these are generally designed to engage and encourage corporate behavior, but, where companies are resistant to change or change is not forthcoming, the USCCB will divest. Of the fifth major Category, only **Policy V.1** is a Strategy III policy.

Under **Policy V.1**, the final Strategy III policy, USCCB will actively invest in companies with business models consistent with the Paris Agreement the "Agreement".[34] The UN Framework Convention on Climate Change adopted the Agreement May 9, 1992. In brief, the Agreement aimed to limit the increase in global average temperatures to less than 2 °C above pre-industrial levels to reduce the risks and impacts of climate change. Essentially, this is accomplished through limiting greenhouse gas emissions, reducing emissions from deforestation and forest degradation, and the conservation and sustainable management of forests and forest carbon stocks.

Policy V.2a, a Strategy II policy, states the USCCB will encourage companies to establish greenhouse gas emission reduction goals, provide disclosure around low-carbon planning, and mitigate climate change, while **Policy V.2b**, a Strategy I policy, backs it up by providing the USCCB will consider divestment from companies that consistently fail to initiate policies intended to achieve the Agreement goals.

B. Biodiversity

In **Policy V.3**, the USCCB will encourage companies to demonstrate high standards for the protection of living organism, and terrestrial, marine, and other ecosystems. **Policy V.4** provides backup, stating the USCCB should avoid investing in companies that cause specific instances of biodiversity loss, or whose practices have significantly contributed to biodiversity loss and have not worked toward correcting or remediating the damage they caused.

C. Water and Natural Resources

Policy V.5a indicates the USCCB should avoid investing in companies whose activities directly contribute to depletion and/or degradation of available water, without mitigating these impacts. Similarly, under **Policy V5b** the USCCB should avoid investing in companies that do not demonstrate formal and/or informal compliance with the principles of the Extractive Industries Transparency Initiative (EITI).[35] The EITI is a global standard implemented by 55 countries for governance of oil, gas, and mineral resources. According to the Natural Resource Governance Institute, EITI promotes transparency and accountability in the oil, gas, and mining sectors through the disclosure of government and company data in resource-rich countries.

Under **Policy V.6**, the USCCB will encourage companies to employ water savings policies and technologies.

D. Technology

Similarly, under **Policy V.7** the USCCB will actively encourage technology companies to employ and enforce guidelines that promote the dignity of the human person and protect the environment. In the view of the USCCB, "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."[36] Violations of personal privacy expectations by social media sites and various mobile applications, may be included within the 'dignity of the human person' aspect of this policy.

E. Environmental Impact

Policy V.8 provides the USCCB will actively encourage companies 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 chains, as well as in their products and services. Examples provided by the USCCB include "a company's emissions, spills, hazardous waste or other forms of pollution, non-compliance with environmental regulations, damage to ecosystems, concerns over the risk 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." [37] Examples might be Scope 3 emissions (as well as Scopes 1 & 2), issues relating to sustainable forestry and water use, and single-use plastics.

The USCCB Guidelines close with a Strategy I policy, **Policy V.9**, which provides the USCCB should avoid investing in companies not in compliance with Principles 7, 8, or 9 of the UN Global Compact. The UN Global Compact, officially launched July 26, 2000, is the world's largest corporate sustainability initiative, with over 13,000 corporate participants and other stakeholders in 170 countries, who are signatories to a non-binding, principle-based framework to encourage socially responsible policies in ten areas.[38] Principles 7, 8, and 9 are:

7. Businesses should support a precautionary approach to environmental challenges,[39]

8. Businesses should undertake initiatives to promote greater environmental responsibility, [40]

9. Businesses should encourage the development and diffusion of environmentally friendly technologies.[41]

It should be noted that the USCCB Guidelines are meant as just that, guidelines for institutional and personal use in managing financial resources wisely. Interpreting the Guidelines is left by the USCCB to the conscience of each reader in keeping with Catholic values and Church teaching.

Source Information

[1] Socially Responsible Investment Guidelines for the United States Conference of Catholic Bishops, (USCCB 2021), developed by the Committee on Budget and Finance of the United States Conference of Catholic Bishops (USCCB), and approved by the full body of the USCCB at its November 2021 General Meeting.

[2] "The Numeric State of the Catholic Church up to 2023." Abouna, 9 Mar. 2023.

[3] Socially Responsible Investment Guidelines, November 12, 2003, United States Council of Catholic Bishops (USCCB 2003)

[4] USCCB (2021), 1. Social Doctrine

[5] "U.S. Bishops Approve Updated Socially Responsible Investment Guidelines," USCCB Public Affairs Office

[6] USCCB (2021), II. Principles of Stewardship

[7] USCCB (2021), III. Investing Strategies

[8] USCCB (2021), III. Investing Strategies

[9] USCCB (2021), II Investing Strategies, Promote the Common Good

[10] USCCB (2021), Policy I.V D, Impact Investing.

[11] USCCB (2003), Policy I. 1.

[12] USCCB (2021), Policy I. 4.

[13] USCCB (2021), Policy I. 5.

[14] "Human Cloning", Center for Genetics and Society,

[15] USCCB (2021), Policy I. 6.

[16] Roe vs Wade, 410 US 113 (1973) and see "Abortion Statistics: Current United States Data", All American Life League, September 2021. The All American Life League is quick to point out that these numbers do not provide a complete accounting reporting,

[17] USCCB (2003), Policy II.

[18] USCCB (2021), Policy II.2.

[19] USCCB (2003), Policy II.2 and II.3.

[20] USCCB (2021), Policy II.3 and II.4.

[21] USCCB (2003), Policy II.5.

[22] USCCB (2021), Policy II.5.

[23] USCCB (2021), Policy II.6.

[24] USCCB (2021), Policy II.7

[25] "Protocol to Prevent, Suppress and Punish Trafficking in Persons Especially Women and Children, supplementing the United Nations convention against Transnational Organized Crime

[26] See, Guiding Principles on Business and Human Rights, Implementing the United Nations "Protect, Respect, and Remedy" Framework, United Nations, New York and Geneva, 2011

[27] Davy Z, Toze M. What is gender dysphoria? A critical systematic narrative review. Transgender Health. 2018;3(1):159-169. doi:10.1089/trgh.2018.0014

[28] Whitlock, J, RN, MSN, FN, "Gender Confirmation Surgery", medically reviewed by Lauren Schlanger, MD, VeryWell Health, Oct 07, 2021

[29] Mayo clinic staff, "Pubertal blockers for transgender and gender-diverse youth", Mayo Clinic

[30] USCCB (2021) Policy III.2.

[31] See, Guiding Principles on Business and Human Rights, Implementing the United Nations "Protect, Respect, and Remedy" Framework, United Nations, New York and Geneva, 2011

[32] See, "Backgrounder on Predatory Banking & Payday Lending", USCCB, 2019

[33] USCCB (2021), Policy IV. D, Impact Investing.

[34] See, Paris Agreement

[35] See EITI 2021 Progress Report. See also, "The Extractive Industries Transparency Initiative (EITI): Using EITI to Promote Policy Reform", Natural Resource Governance Institute

[36] USCCB (2021), V. D, Technology.

[37] USCCB (2021), V. E, Environmental Impact.

[38] United Nations Global Compact

[39] United Nations Global Compact (Principle 7)

[40] United Nations Global Compact (Principle 8)

[41] United Nations Global Compact (Principle 9)

USCCB Guidelines Comparison

2003 & 2021 USCCB "Will Not Invest" Lists

2003 USCCB	2021 USCCB	New
PI.1 Absolute exclusion of investment in companies whose activities include direct participation in or support of abortion. Direct participation includes, but is not limited to, manufacture of abortifacients and performing abortions not required by federal or state law.	**PI.1** Will not invest in companies with direct participation in abortion, euthanasia or assisted suicide.	**PI.1** Will not invest in companies with direct participation in **euthanasia or assisted suicide.**
	PI.3 Will not invest in companies which produce in vitro fertilization, either for assisting conception or research.	**PL.3 Will not invest in companies which produce in vitro fertilization, either for assisting conception or research.**
PI.2a Will not invest in companies that manufacture contraceptives	**PII.11a** Will not invest in companies which manufacture contraceptives.	No Change
P1.2b Will not invest in companies that derive a significant portion of its revenue from sale of contraceptives, even if they do not manufacture them.	**PII.11b** Will not invest in companies deriving more than 10% of revenue from sale of contraceptives, either if they do not manufacture them.	Materiality threshold is now **>10% of company's revenue from sale of contraceptives.**
I.3 Will not invest in companies that engage in research on human fetuses or embryos that (1) results in end of pre-natal life; (2) makes use of tissue derived from abortions or other life-ending activities, or (3) violates the dignity of a developing person. This includes embryonic stem cell research (ESCR), fetal tissue research or stem cell research derived from embryos, and human cloning research.	**PI.4** Will not invest in companies which do 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 from such research.	**PI.4** Will not invest in companies which **develop products** from 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. Eliminated exclusion for companies that engage in research on human fetuses or embryos that violate the dignity of a developing person.
PI.3 Will not invest in companies that engage in human cloning research.	**PI.5** Will not invest in companies which do human cloning research and/or develops products and/or services from such research.	Added exclusion for companies which develop products and/or services from human cloning research.
PII.2 Divest from companies whose policies are found discriminatory against people of varied ethnic and racial backgrounds that have been historically disadvantaged.	Eliminated	Eliminated
	PII.1b Consider disinvesting from companies whose activities are known to persistently violate workers' human rights or contract with companies or governments who persistently violate human rights.	**PII.1b** Added consider disinvesting from companies whose activities are known to **persistently violate workers' human rights or contract with companies or governments who persistently violate human rights.**
PII.3 Divest from companies whose policies are discriminatory against women.	Eliminated	Eliminated
PII.5 Will not invest in companies whose purpose is to appeal to a prurient interest in sex or incite sexual excitement. In addition, take every means to avoid participation in investments related to the same.	**PII.5** Will not invest in companies whose sole purpose is to appeal to indecent interest in sex or incite sexual excitement through the production of sexually explicit films, videos, or Internet sites.	**PII.5** Will not invest in companies whose **sole** purpose is to appeal to indecent interest in sex or incite sexual excitement **through the production of sexually explicit films, videos, or Internet sites.**

2003 USCCB	2021 USCCB	New
	PII.8 Will not invest in companies which directly participate in surgeries, drugs, or hormones for purpose of delaying puberty or modifying appearance or function from one's biological sex.	**PII.8 Will not invest in companies which directly participate in surgeries, drugs, or hormones for purpose of delaying puberty or modifying appearance or function from one's biological sex.**
PIII.1 Avoid investments in firms primarily engaged in military weapons production or the development of weapons inconsistent with Catholic teaching on war (e.g., biological and chemical weapons, arms designed or regarded as first-strike nuclear weapons, indiscriminate weapons of mass destruction, etc.)	**PIII.1a** Will not invest in companies which derive any revenue from production of weapons inconsistent with Catholic teaching on war (nuclear, biological, chemical, landmines, and weapons of mass destruction).	**Eliminated the exclusion of firms primarily engaged in military weapons production.**
	PIII.1b Will not invest in companies which manufacture firearms except for hunting and/or legitimate military or law enforcement.	**PIII.1b Will not invest in companies which manufacture firearms except for hunting and/or legitimate military or law enforcement.**
	PIII.3 Will not invest in companies whose primary purpose is to derive revenue from gambling, production of tobacco, or recreational use of cannabis.	**PIII.3 Will not invest in companies whose primary purpose is to derive revenue from gambling, production of tobacco, or recreational use of cannabis.**
PIV.2a Will not deposit funds in a financial institution that receives less than a "satisfactory" rating from federal regulatory agencies under the **Community Reinvestment Act.**	Eliminated	Eliminated
	PV.2b Consider disinvestment from companies that consistently fail to initiate policies intended to achieve the **Paris Agreement** goals.	**PV.2b Consider disinvestment from companies that consistently fail to initiate policies intended to achieve the Paris Agreement goals.**
	PV.4 Should avoid companies causing specific instances of biodiversity loss, or whose practices have significantly contributed to biodiversity loss and have not worked toward correcting or remediating the damage they caused.	**PV.4 Should avoid companies causing specific instances of biodiversity loss, or whose practices have significantly contributed to biodiversity loss and have not worked toward correcting or remediating the damage they caused.**
	PV.5a Avoid companies whose activities have directly contributed to depletion and/or degradation of available water, without mitigating these impacts.	**PV.5a Avoid companies whose activities have directly contributed to depletion and/or degradation of available water, without mitigating these impacts.**
	PV.5b Avoid companies engaged in extraction of natural resources that do not demonstrate formal and informal compliance with **Extractive Industries Transparency Act.**	**PV.5b Avoid companies engaged in extraction of natural resources that do not demonstrate formal and informal compliance with Extractive Industries Transparency Act.**
	PV.9 Avoid companies which are non-compliant with the **UN Global Compact** environment principals 7, 8, and 9.	**PV.9 Avoid companies which are non-compliant with the UN Global Compact environment principals 7, 8, and 9.**



Dennis Hammond | SVP, Responsible Investing

Mr. Hammond has over 43 years of experience in the investment management industry, including founding, owning, and managing as CEO, for over 25 years, a 120+ person institutional consulting shop providing investment consulting services to over 350 institutional clients with aggregate AUA of $55B and AUM of another $5B. He owned and managed a hedge fund and, more recently, was part-owner of a firm providing faith-based direct indexing. His expertise includes institutional investment policy creation, quantitative asset allocation, traditional and alternative investment manager selection, and performance measurement. He has enjoyed two successful private equity transactions. He currently provides guidance to institutions aligning their portfolios with their faith as part of the privately owned investment company involved in his last equity transaction, which manages approximately $200B in AUM. He has served as curator and board member on several endowment, foundation, educational, and charitable boards over the past 40 years, and has authored numerous papers, including 15 peer-reviewed articles published in national journals. Mr. Hammond received his Master's in Tax Law degree from Washington University Law School, his law degree from Villanova Law School, and his undergraduate degree in English from the University of Kansas.

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