



CCI Investment Management Limited
CATHOLIC VALUES TRUST INVESTMENT POLICY

1. INTRODUCTION AND PURPOSE

CCI Investment Management (CCIIM) is an investment service for Catholic Church entities that has been created to support the funding requirements of the Church in all areas of its mission. We provide our institutional investors with products and services that are designed to provide competitive investment returns over a three to five year period.

CCIIM has developed a Catholic Values Trust designed to offer Catholic entities the opportunity to place funds in a Trust which is invested in a socially responsible manner to reflect broadly the values inherent in Catholic social teaching and offer competitive investment returns. Should any operational surplus occur it will be distributed back to Church entities.

2. PRINCIPLES

The following broad principles supported by Catholic social teaching underlie the CCIIM Catholic Values Trust:

Financial Stewardship

The Catholic ethic of responsible financial stewardship and a just economy in which fiscal as well as ‘human needs’¹ are considered, requires CCIIM 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 people’s wellbeing; equity between the poor and wealthy nations; sustaining, caring and making good, substantial change to 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 11, 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’². Dignity also refers to all aspects of the well being of people including physical health, equity 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.

¹ Pope John Paul 11, Jan 1, 1999 World Peace Day Address, ‘Pope names free market failures’ National Catholic Review, Jan 8, 1999

² Christian Brothers Investment Service, New York, Principles for Socially Responsible Investing, Annual Report 2000

3. INVESTMENT OBJECTIVES

1. To maximise the Fund's long-term investment returns subject to limiting fluctuations in returns over shorter periods to an acceptable range.
2. To earn returns after tax and fees that exceed CPI increases by at least 3% over rolling three and five year periods.
3. To earn returns after tax and fees that exceed the notional return on the benchmark portfolio specified in the Investment Policy Statement over rolling three and five year periods.
4. To invest in accordance with Socially Responsible Investment Policies as set out on pages 6-8 to reflect consistency with the teachings and values of the Church and which incorporate negative, positive and neutral screening.
5. To manage and monitor the Fund Managers of the CCIIM Catholic Values Trust ensuring compliance with Socially Responsible Investment Policies and to report regularly to CCIIM unit holders.

4. THE CCIIM CATHOLIC VALUES TRUST APPROACH

The CCIIM Catholic Values Trust investments qualify on investment fundamentals and then those that qualify are screened for compliance with our Socially Responsible Investment Policies. This is achieved by applying negative, positive and neutral screens.

4.1 MATERIALITY CLAUSE

Investments that are restricted are not allowed to individually amount to more than 10% of the company's revenue. Where more than one undesirable activity forms part of a company's revenue, combined, it cannot exceed 10% of the company's revenue.

4.2 NEGATIVE SCREENING

Excluded Industries

The CCIIM Catholic Values Trust excludes investment in companies whose businesses derive significant revenues from activities associated with:

a) Abortifacients and Contraceptives

CCIIM identifies and excludes investment in public companies according to the materiality clause above, that perform elective abortions and companies that manufacture contraceptive products and abortifacients.

b) Armaments

CCIIM 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. CCIIM assumes that the major manufacturers are most likely to meet excess demand for armaments³ and therefore are avoided as investments.

c) Gambling

CCIIM identifies and excludes investment in companies as above, that generate revenue from gambling venues, from other gambling activities and the manufacture of gaming machines.

³ Christian Brothers Investment Service, New York, Principled Purchasing, Annual Report 2000

d) Pornography

CCIIM identifies and excludes investment in companies as above, generating revenue from exploitation of sex in a manner that is inconsistent with the ‘dignity of the person’ as specified in social teaching. This includes venues and any associated publication in any medium.

e) Tobacco

CCIIM identifies and excludes investment in companies as above, associated with the manufacture, process and distribution of tobacco products out of concern for the harmful effects on the health of human beings.

Excluded Conduct

In addition to the screening out of these industries the CCIIM Catholic Values Trust Fund Managers are also required to exclude companies whose conduct contravenes generally accepted Catholic values and standards such as:

- Child labour
- Discrimination
- Corruption
- Wages and conditions below minimum standards
- Lack of labour rights and relations
- Dictatorial regimes
- Unsafe working conditions
- Environmental damage that is not redressed.

4.3 NEUTRAL SCREENING

CCIIM allows for a neutral class of investment or a “watch” category to include companies whose conduct or activity has breached some of CCIIM’s Catholic Values Trust Policies but not as a consistent practice. Where a genuine effort to change is being made these companies can be included in the portfolio.

4.4 POSITIVE SCREENING

In accordance with Catholic values the CCIIM Catholic Values Trust seeks to invest in companies that support and sustain people in a socially just manner and who conduct business in an environmentally sound way.

The Fund Managers of the CCIIM Catholic Values Trust may seek investment 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.

5. ASSET ALLOCATION

The CCIIM Catholic Values Trust Policies are implemented as set out below.

5.1 EQUITIES OVERSEAS AND AUSTRALIAN

In equities the Funds Managers of the CCIIM Catholic Values Trust invest in companies along socially responsible lines and those with the best rating are selected. After screening these companies against CCIIM's Catholic Values Policies the investment universe is defined.

5.2 DIVERSIFIED FIXED INTEREST & CASH

In Fixed Interest the Funds Managers of the CCIIM Catholic Values Trust cannot invest in pooled diversified fixed interest portfolios with Socially Responsible Investment screens, as they are not available in Australia. CCIIM will ensure that securities that fail the Socially Responsible Investment screens will not make up more than 1% of the fixed interest component of the portfolio.

In the case of banks and insurance companies providing services for securities and cash the bank's own lending activities are not screened. However if a bank's conduct were shown to contravene law such as acting unfairly or discriminating in its employment or any other business practice CCIIM would assess it in line with its Catholic Values Trust Policies.

6. CATHOLIC VALUES TRUST ADVISORY COMMITTEE

CCIIM has established a Catholic Values Trust Advisory Committee that will maintain awareness on Socially Responsible Investment in relation to Catholic values and the extent to which these are reflected in the CCIIM Catholic Values Trust Policies. The Committee is advisory and is conducted in line with its own Terms of Reference. Members will be appointed by the Board of CCIIM.

The Committee will comprise members who are able to provide advice on social responsibility and can contribute the latest developments in Catholic thinking to the CCIIM Catholic Values Trust.

The tasks of the Committee may include:

- Reviewing information and advice provided from external sources relating to CCIIM Catholic Values Trust Policies.
- Seeking submissions, research or advice to satisfy any concerns relating to Catholic social values as embodied in CCIIM Catholic Values Trust Policies.
- Periodically reviewing, monitoring and making independent recommendations to the CCIIM Board of any enhancements to the CCIIM Catholic Values Trust Policies.
- Response to requests for advice from CCIIM directors in relation to CCIIM Catholic Values Trust Strategy.

7. FUND INFORMATION

For further information or a copy of the CCIIM Information Memorandum regarding the CCIIM Catholic Values Trust please call 1300 655 220 or contact David Smith, Client Relationship Manager on (03) 99343077.