Socially Responsible Investing and Catholic Social Thought

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Socially Responsible Investing and Catholic Social Thought

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Honors Thesis
Department of Theology
Carroll College, Helena, Montana
April 8, 2009
This thesis for honors recognition has been approved for the
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PROLOGUE

In part, this thesis represents my time spent at Carroll College. I hope to share all that I have learned and the love that has been given to me these past four years to those who read this thesis. I write in humble thanksgiving for the tremendous gifts that I have received in hopes of sharing them with others. This thesis is not meant to be a set of guidelines or rules that one must follow, but rather to serve as an example of how to love one’s neighbor more fully.

I dedicate this thesis to Sister Annette Moran in memoriam. I would not be the student I am today without her wisdom and guidance. She has helped me in more ways than I could ever express here, and I am very thankful for the love and generosity that she has given me.
Acknowledgements

To Dr. James Cross, for patiently directing this thesis and all of his time

To Dr. Chris Fuller and Mike Holland, for serving as the committee of readers

To Dr. John Ries, for his guidance and encouragement

To my uncle, Robert Achurra, for inspiring me to write about this topic

To Sister Annette Moran, in memoriam and for her encouragement and inspiration

To the Carroll College faculties of Theology and Business Administration

To my parents, family, and friends for their continuous support and encouragement

To my peers at Carroll College, for their love and generosity

To Sister Sharon Smith, for her prayers and guidance

"Like Jesus we belong to the world living not for ourselves but for others.

The joy of the Lord is our strength."

-Mother Teresa
ABSTRACT

This thesis seeks to contribute to the emerging field of socially responsible investing. The first chapter provides an overview of the history of socially responsible investing, including explanations of four essential strategies. The four strategies, specifically, are avoidance screening, affirmative screening, community investing, and shareholder activism. The second chapter examines the 1991 and 2003 editions of the United States bishops’ “Socially Responsible Investment Guidelines.” These Guidelines are a detailed plan for socially responsible investing by the United States bishops. The third and final chapter analyzes and evaluates these Guidelines, and proposes additional policies and recommendations. One of these recommendations calls for the Guidelines to address the strategy of community investing, since this essential strategy is ignored in the extant Guidelines. The overall goals of this thesis are to provide additional assistance to any who base their investment behavior significantly on the United States bishops’ Guidelines, and to positively contribute to this burgeoning field within Catholic social thought.
INTRODUCTION

“Our economic decisions must be shaped by moral principles and ethical norms, and should be measured by whether they enhance human life, human dignity and human rights.”¹ This statement by Christian Brothers Investment Services, Inc. demonstrates that economic decisions have consequences. Socially responsible investment (SRI) is making investment decisions that are not only based on necessary financial gain, but also on underlying moral and ethical values.

The overall goals of this thesis are: to educate the reader about the growing field of socially responsible investing and its relationship to Catholic social thought; to inspire the reader to, at least, consider the social teachings of the Catholic Church; to provide additional assistance to any who base their investment behavior significantly on the United States bishops’ “Socially Responsible Investment Guidelines;” and to propose new content for this burgeoning field within Catholic social thought.

This thesis will provide an overview of the history of socially responsible investing. It will examine the vast growth that has taken place as well as current strategies. Then, the United States bishops’ “Socially Responsible Investment Guidelines” will be analyzed and evaluated. Ongoing critical evaluation is necessary because the policies and issues that are important when considering investments are ever changing, and new issues arise all the time. The critical attention given to the Guidelines is simultaneously accompanied by great respect for them. Such criticism

will be followed by proposals which, if heeded, might improve the U. S. bishops’
Guidelines and the investment behavior of those who follow them.
CHAPTER 1: HISTORICAL OVERVIEW OF SOCIALLY RESPONSIBLE INVESTING

"We are at a moment in history when the development of economic life could diminish social inequalities if that development were guided and coordinated in a reasonable and human way."  
-Gaudium et Spes, 63

The History of Socially Responsible Investing

It is important to explain socially responsible investments as a whole and how the movement has progressed throughout history\(^2\) before examining applicable Catholic social teaching. Socially responsible investment has been present since the early 1900s, but only within the last three decades has socially responsible investment been a widespread and popular movement.

In 1928 socially responsible investment became formalized; due to the demand of religious Christians, the Pioneer Fund was created by Philip Carret. The Pioneer Fund was established for Evangelical Protestants who wanted to avoid investing their money in firms that manufactured alcohol and tobacco. Today it is the longest running screened fund that avoids investment in alcohol, tobacco, gambling, and firearms,\(^3\) and Carret was the active leader of the company until he passed away at the age of 102. Since socially responsible investment was still not commonly known, it took thirty-four years before a similar fund was established. In 1962 the

\(^2\) The Quakers are commonly credited as the first group of people to include a moral aspect in investments in the 16th century. For example, they refused to invest in slaves. Hal Brill, Jack Brill, and Cliff Feigenbaum, *Investing With Your Values: Making Money and Making a Difference* (Gabriola Island B.C., Canada: New Society Publishers, 2000) 25.

\(^3\) Brill, Brill and Feigenbaum, 26.
Christian Scientists formed a fund, called the Foursquare Fund, which screened alcohol, drugs, and tobacco.  

However, it was not until the 1960s and 1970s when socially responsible investing started gaining momentum. The 60s and 70s were periods of important issues such as the civil rights movement, nuclear power, and the Vietnam War. According to Hal Brill, Jack Brill, and Cliff Feigenbaum, “ordinary people began to see that economic power, even more than political power, held the key to solving social problems and moving society toward a positive future.” In the midst of Vietnam protests in 1971, the Pax World Fund was launched as the first socially responsible investment mutual fund. This fund had many screens, but the main reason why it was launched was to provide people a place to invest that opposed the Vietnam War.  

In 1971 the Interfaith Center on Corporate Responsibility (ICCR) was formed by a variety of religious groups. The ICCR files shareholder resolutions and promotes corporate social responsibility, as well as promoting socially responsible investments. In keeping with the requirement established in 1942 by the Securities Exchange Commission, the ICCR encourages shareholders to actively participate  

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5 Brill, Brill and Feigenbaum, 28. 
6 Founded by two Methodists, Luther Tyson and Jack Corbett, who strongly opposed the Vietnam War. 
7 Pax World Fund provided screens for promoting peace, protecting the environment and promoting equality. 
10 Shareholder resolutions are proposals that are submitted by the shareholders, to vote on at the company’s annual meeting. 
11 This policy required management to come out with a proxy statement, which informs investors on the issues they can vote on at shareholder meetings. 
12 Beabout and Schmiesing, 66.
and vote on issues at the shareholder meetings. The shareholder resolutions help the shareholder have an active role as a part owner of the company. While there were companies arguing that purely social issues were not pertinent to business issues, the Securities Exchange Commission overturned the argument. In 1972 there were 30 “social resolutions” filed, and the number went up to 100 to 200 between the years 1976 to 1988. In the year 1990, there were over 300 resolutions that had been filed.13

The impact of socially responsible investment still remained relatively insignificant until the 1980s. Many companies from the United States had been doing business in South Africa, where its apartheid policy involved racial discrimination against Blacks. Eventually, many Americans demanded change. In 1971, the Right Reverend John Hines, a Bishop of the Episcopal Church, went to the annual meeting of General Motors14 and put pressure on its managers to leave South Africa and stop doing business in the country.15 The vote did not pass, but the new board member created a code of conduct for businesses in South Africa that became known as the Sullivan principles.16 Kinder, Lydenburg, and Domini report, “These resolutions were effective in both getting U.S. companies to disinvest in South Africa and building public support for action against the apartheid.”17 Two thirds of the companies that were in South Africa in 1984 had left by 1991.18 The United States was the third largest investor in South Africa and was able to help persuade South

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13 Lowry, 26.
14 General Motors was the largest American employer in South Africa. See Amy Domini, Socially Responsible Investment: Making a Difference and Making Money (Chicago, IL: Dearborn Trade, 2001) 35.
15 Domini, 35.
16 Ibid., 35.
18 Ibid., 97.
Africa to change. The economic pressure of shareholders and companies was a huge success. Gregory Beabout and Kevin Schmiesing state that “the issue of apartheid in South Africa spurred a dramatic increase in the public awareness of SRI and in the value of assets being managed in a socially responsible fashion.” The apartheid in South Africa can be considered the turning point for socially responsible investment.

The Social Investment Forum began in 1985, a clearinghouse which advocates for socially responsible investing. In 1995 the Social Investment Forum came out with its first biennial report of socially responsible investing. The biennial report discusses recent news and trends of socially responsible investment. The reports in 1995 and 2005 gave a detailed account of what the different funds are, and thoroughly discusses what socially responsible investment is and the current strategies of SRI. As of today there are over 500 practitioners and institutions that are members of the Social Investment Forum.

In the 1990s socially responsible investing started growing exponentially. Ritchie Lowry claims:

[socially responsible investing (SRI) and socially responsible business practices can pay off very handsomely relative to investments and business conduct done solely ‘for profit’ and that social investments and socially

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19 The anti-apartheid strategies were no longer necessary and ended in 1991. See Kinder, Lydenberg, and Domini, 98.
20 Beabout and Schmiesing, 67.
21 Kinder, Lydenberg, and Domini, 20.
22 One of the members is Christian Brothers Investment Services. Due to its respect for Catholic social teaching, this fund will receive special attention in a later chapter.
responsible companies can weather difficult economic times better than their ‘profit only’ counterparts.\textsuperscript{24} Lowry is among those who hold that, contrary to people’s beliefs, profits and ethics can work hand in hand and will when it comes to investments. Beabout and Schmiesing add, “Indeed, it may be the profitability of SRI, more than any other single factor, which has propelled its expansion through the late 1990s.”\textsuperscript{25} Social responsibility may be better in the long run for businesses as well as investors. The Social Investment Forum includes that, “rooted in empirical research, that enterprises that adopt sustainable business practices will be more competitively situated to deliver stronger returns and long-term shareholder value.”\textsuperscript{26}

Socially responsible investing took off in such a way that it even branched out to other countries including the following: the United Kingdom, Canada, Australia, New Zealand, and several European countries. In 2005, there were also several up-and-coming markets in Brazil, South Africa, and parts of Asia.\textsuperscript{27} According to the Social Investment Forum, “investor involvement in promoting corporate responsibility and providing economic opportunities for undeserved populations has clearly become an emerging trend all around the world.”\textsuperscript{28} Furthermore, in the developing countries, banks and loan funds have been helping to substantially alleviate poverty.\textsuperscript{29} These countries have been developing their own social

\textsuperscript{24} Lowry, 14.
\textsuperscript{25} Beabout and Schmiesing, 72.
\textsuperscript{26} The Social Investment Forum, 5.
\textsuperscript{27} Ibid., 37.
\textsuperscript{28} Ibid., 36.
\textsuperscript{29} Kinder, Lydenberg, and Domini, 30.
investment strategies, and a strategy that seems to be practiced more in these countries is community investing.\(^ \text{30} \)

During the 1990s, faith-based investments started growing as well for religious organizations. In 1991, the National Conference of Catholic Bishops (NCCB) approved out with the “Socially Responsible Investment Guidelines,”\(^ \text{31} \) and in 2003 the U. S. bishops issued a revised edition. Catholic funds also started growing, and there are several different funds to this day. KLD Research & Analytics, Inc. is a socially responsible investment firm that launched the first index fund that follows the United States Conference of Catholic Bishop’s (USCCB) “Socially Responsible Investment Guidelines.”\(^ \text{32} \) Catholic Values 400 (CV 400) was launched in 1998, and in 2007 its directors implemented the USCCB’s guidelines to its screening process.\(^ \text{33} \) CV 400 offers evidence that it is not necessary for a person to suffer a loss to invest responsibly. As seen in the graph below, the returns of Catholic Values 400 are very similar to the S & P 500.

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\(^ \text{30} \) Community investing will be discussed thoroughly in the second part of this chapter.

\(^ \text{31} \) The U. S. Bishops issued these guidelines to guide its own investments, which will be further discussed in Chapter Two.


Fig. 1. KLD Research & Analytics, Inc. KLD Catholic Values 400 Index, http://www.kld.com/indexes/cv400index/performance.html.

Socially Responsible Investing has grown astronomically over the past decade. In 1995 the amount of assets in SRI was 639 billion dollars. In 2005 the assets rose to 2.29 trillion dollars.\textsuperscript{34} One out of every ten dollars invested in the United States is involved in socially responsible investing.\textsuperscript{35} The Social Investment Forum reports, “Over the last ten years, assets involved in social investing have risen four percent faster than all professionally managed investment assets in the United States.”\textsuperscript{36} The fastest growing part of socially responsible investment has been mutual funds. Shareholder resolutions have also increased from 299 proposals in 2003 to 348 in 2005.\textsuperscript{37} Community investing rose from 14 billion dollars in 2003 to

\textsuperscript{34} The Social Investment Forum, iv.
\textsuperscript{35} Ibid., iv
\textsuperscript{36} Ibid., 1
\textsuperscript{37} Ibid., v
19.6 billion dollars in 2005. Brill, Brill, and Feigenbaum state, “[Socially responsible investors] today are playing a historic role—bringing life-enhancing human values back into the center of our economic lives.”

**Current Strategies**

There are four strategies that are essential to socially responsible investing. They are avoidance screening, affirmative screening, community investing, and shareholder activism.

Avoidance screening is a basic strategy to social responsible investing that is applied to both stocks and bonds. Investors screen companies in portfolios to avoid investing in a company with negative qualities. Avoidance screening is not only applied to manufacturers of certain products, but also to companies that make profits from these products. Examples of the products screened for social investors include alcohol and tobacco. Amy Domini asserts, “Negative screens grew out of a deeply personal conviction that it would be wrong to make money from certain industries, but it is also arguable that these industries, if allowed to benefit from unfettered for-profit management, would benefit to the detriment of civic society.” The most popular avoidance screens for socially responsible investing are for tobacco, gambling, alcohol, and weapons. There are several other important issues that are imperative for Catholic social teaching that will be discussed in detail in Chapter Three.

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39 Brill, Brill, Feigenbaum 31.
40 Domini, 56.
Affirmative screening (sometimes called positive screening) is similar to avoidance screening; however, affirmative screening is screening for companies that provide positive contributions to society. This is a strategy for investors to actively invest in and support companies with positive values.\textsuperscript{41} Affirmative screening is especially important when looking at small-cap funds.\textsuperscript{42} Brill, Brill, and Feigenbaum state, “By investing in smaller start-up companies, you help provide the financial fertilizer needed to make good ideas flourish.”\textsuperscript{43} It is necessary for investors to be cautious when investing in small start-up companies, because these companies are often participating in new innovations. There is a high risk in investing in these start-up companies. Positive environmental screens are the most common issue for affirmative screening. Other screens that are common are for human rights and labor.\textsuperscript{44}

Investment screening issues have evolved over time. The Social Investment Forum discusses that repressive regimes brought many topics to attention for social investors such as social, political, and reputation risks for companies involved in international operations.\textsuperscript{45} Dealing with current times, many issues take precedence over others because the issue may be necessary to solve or fix at the moment. The Social Investment Forum also declares:

The emergence and evolution of different types of screening over time reflect the social investors’ roles not only in promoting stronger corporate citizenship

\textsuperscript{41} The Social Investment Forum, 4.
\textsuperscript{42} Small-cap funds are small, rapidly growing companies. These funds generally have more risk than mid-cap and large-cap funds.
\textsuperscript{43} Brill, Brill, Feigenbaum, 111.
\textsuperscript{44} Ibid., 70.
\textsuperscript{45} The Social Investment Forum, 4.
and social responsibility but also in building long-term wealth for companies, their shareholders, their stakeholders, and the communities in which they do business.\textsuperscript{46}

Investors can and do have an impact on societal issues and can help influence change as well as supporting companies in which they invest.

Community investing is another important aspect to socially responsible investing that involves investors directing their assets to a particular lending company. It is one of the fastest growing parts of SRI. The companies are generally called community development financial institutions (CDFIs). These companies lend to people or businesses that would usually be refused by regular banks. Community investing also facilitates necessary services such as affordable housing, child care, and health care.\textsuperscript{47} Brill, Brill, and Feigenbaum state, “CDFI investment[s] can help revitalize a community, alleviate poverty, empower individuals and families, and provide access to capital for those traditionally confined to the economic sidelines.”\textsuperscript{48}

CDFIs include four community investment institutions: Community Development Banks (CDBs), Community Development Credit Unions (CDCUs), Community Development Loan Funds (CDLFs), and Community Development Venture Capital Funds (CDVCs). The table below is a breakdown of assets of the four institutions of community investing.

\textsuperscript{46} The Social Investment Forum, 5.
\textsuperscript{47} Ibid., 3.
\textsuperscript{48} Brill, Brill, and Feigenbaum, 114.
Community Development Banks are similar to traditional banks, but instead focus on lower-income communities, and Community Development Credit Unions serve people with limited financial resources. Community Development Loan Funds are nonprofit companies that lend to various sources; however these funds are not insured by the FDIC, so they are the riskiest fund.49 Community Development Venture Capital Funds uses its capital to invest in competitive small businesses that can rapidly grow.50 CDVCs are high-risk because they generally invest in start-up companies that are not publicly traded on the market yet, and it is often the women and other minority groups that would have a hard time finding capital that these funds help with.51 CDVCs focus their investments in certain geographical areas. These four funds each play a distinctive role to create jobs and alleviate poverty in certain disadvantaged communities. Below is a chart of the different sectors of community development.

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49 Brill, Brill, Feigenbaum, 122.
50 The Social Investment Forum, 30.
51 Brill, Brill, Feigenbaum, 248.
Community Investment Institutions are an integral part of socially responsible investment through helping lower-income families gain financial control. The specific areas that CIs support are the following: affordable housing, development of small businesses, community services, such as child care, education, and health services, creating livable wage jobs, serving women, minorities, and other disadvantaged populations, and supporting businesses and nonprofits that focus on development, resource conservation, and environmentally safe products and services. CDFIs go above and beyond lending and borrowing money. Brill, Brill, and Feigenbaum state, “Money is a medium for communication; it can communicate faith, hope, and even love for the people with whom life is shared.” This is what the CIs help create: faith, hope, and love for the disadvantaged populations.

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52 Brill, Brill, and Feigenbaum, 30.
54 Brill, Brill, and Feigenbaum, 132.
Shareholder activism is the fourth strategy to socially responsible investing, which is directly engaging in companies. It is a shareholder’s responsibility to actively participate through dialogue with the company in which he or she owns shares. There are three ways to exercise to shareholder activism: filing shareholder resolutions, direct dialogue with management, and divestment.55

Shareholder resolutions are proposals for a company that is voted on at the annual company’s meeting. There are three types of shareholder resolutions: Social Responsibility Resolutions, Corporate Governance Resolutions, and Crossover Proposals.56 Social Responsibility Resolutions address companies’ practices, and policies involving social issues, such as the environment, labor standards, tobacco, and various other issues. Corporate Governance Resolutions focus on how the company is governed by looking at voting, compensation, and others to maximize shareholder value. Crossover Proposals are resolutions that overlap Social Responsibility Resolutions and Corporate Governance Resolutions.57

According to the SEC regulations, in order for a shareholder to file a resolution, he or she must own at least 2,000 dollars (or own one percent of company’s shares) for over one year.58 Resolutions must be presented at the company’s annual meeting in order for it to be voted on.59 Each shareholder has one vote per every share owned, but if the individual does not vote then the votes go to management.60 Resolutions can often serve their purpose by only gaining a small

55 Brill, Brill, and Feigenbaum, 135.  
56 The Social Investment Forum, 17.  
57 Ibid., 17.  
58 Brill, Brill, Feigenbaum, 137.  
59 The Social Investment Form, 18.  
60 Brill, Brill, Feigenbaum, 138.
percentage of the vote as well, because it often is enough to catch the attention of the company’s management. As seen in the table below, resolutions do not receive a high percentage of votes, and because of that have plenty of room to grow.

<table>
<thead>
<tr>
<th>Social Shareholder Resolution Activity • 2003-2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resolutions Filed</td>
</tr>
<tr>
<td>Resolutions Voted On</td>
</tr>
<tr>
<td>Resolutions Withdrawn</td>
</tr>
<tr>
<td>Average Votes Received</td>
</tr>
</tbody>
</table>


Investors are often able to discuss issues with management out of respect and the hopes of management’s avoiding a formal proposal. The Social Investment Forum discusses, “The decision to file a shareholder resolution can therefore initiate or intensify fruitful, ongoing dialogue between shareholder proponents and management, which can itself be an effective vehicle for promoting changes within the company.”

When the dialogue is successful, shareholders often agree to withdraw their resolution instead of bringing it up at the company’s annual meeting. Shareholders have played a key role in corporate behavior through shareholder resolutions, and withdrawals from the resolutions can signify response from the companies.

Investors in mutual funds cannot vote on proxy issues of the companies that are a part of the mutual fund. However, the Social Investment Forum reports,

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61 The Social Investment Forum, 18.
62 Ibid., 18.
63 Ibid., 21.
“Thanks to groundbreaking regulation adopted by the SEC in January 2003, mutual funds and investment advisers began, as of August 31, 2004, uniformly disclosing how they vote on a host of proxy issues.”64 Through this regulation, investors can still practice shareholder activism in mutual funds.

The final piece to shareholder activism is divestment. Divestment is the act of selling off stocks. This action should be taken as a last step to shareholder activism if the companies do not respond to resolutions or dialogue. According to Beabout and Schmiesing, “Divestiture represents the most serious disapproval by a shareholder of a corporation’s activity.”65 This tactic, because of its seriousness, has played an important role in socially responsible investing. Brill, Brill, and Feigenbaum say, “Divestment—and the threat of divestment—has played its most important role by preventing or stopping companies from doing business with countries led by repressive regimes.”66 As discussed earlier in this chapter, South Africa is a relevant example. Divestment played an important role in ending apartheid, and the investors had significant influence on the companies in South Africa.

It is helpful to companies as well to behave in a socially responsible manner. Brill, Brill and Feigenbaum declare, “Companies that have the foresight to embrace social responsibility and make the necessary policy adjustments are likely to improve their competitive advantage and avoid publicity nightmares.”67 These companies avoid the risk of scandal while being socially responsible, which can lead to higher profits in the long run.

64 The Social Investment Forum, 26.
65 Beabout and Schmiesing, 71.
66 Brill, Brill, Feigenbaum, 140.
67 Ibid., 14.
Socially responsible investing has come a long way since its debut in 1928, and is now a popular movement offering a variety of investment strategies for an investor to participate in. These strategies have become popular, in large part because none of us can continue to ignore the moral implications of global interdependence. Some ongoing consequences of social irresponsible investing are continuing poverty, exploitation, war, and disease in many parts of the world. The 1991 and 2003 “Socially Responsible Investment Guidelines” of the U. S. bishops will be examined in the following chapter.
CHAPTER 2: GUIDELINES FOR SOCIALLY RESPONSIBLE INVESTMENT

“The decision to invest in one place rather than another, in one productive sector rather than another, is always a moral and cultural choice.”
- *Centesimus Annus* by Pope John Paul II, 36

A detailed plan for socially responsible investing of the United States bishops’ is given in their “Socially Responsible Investment Guidelines.” The most recent version of these guidelines was issued in 2003. The authority which these possess is one which binds only the investment practices of the United States Conference of Catholic Bishops (USCCB) itself. Additionally, these guidelines promise to be helpful for Catholics and others who are attempting to invest in a socially responsible manner.

**Principles Section of the Guidelines**

The United States’ bishops state that there is a need for a set of policies to guide the Conference’s investments. The Conference also says that in order to function effectively, it relies on a reasonable rate of return on its investments. The Conference must make a profit on its investments in order to function financially. The U. S. bishops’ state, “[a]s a Catholic organization, the Conference draws from the values, directions and criteria which guide its financial choices from the Gospel, universal church teaching and Conference statements.”

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68 See page seven above.
The bishops say that they have already addressed three basic themes in *Economic Justice for All*, which are: the Church as a shareholder and an investor, shareholder responsibility, and Church as an economic actor.\(^{72}\) Before “Socially Responsible Investment Guidelines” were implemented, the bishops practiced only exclusionary strategies.\(^{73}\) “Through this current review, the Conference seeks to put in place policies that are broader, more explicit, active, flexible and effective in applying the teaching of the Church to the realities of the market.”\(^{74}\)

There are two “fundamental and interdependent” principles that guide the investment policies that the bishops call “Principles of Stewardship.” The first principle is, “[t]he Conference should exercise responsible financial stewardship over its economic resources.”\(^{75}\) This simply means obtaining a reasonable rate of return on investments. The Conference expects to perform at least as good as the market and if not better. The Conference is cautious about taking on too much risk, because there are certain responsibilities that the Conference must meet financially.

The second principle is, “[t]he Conference should exercise ethical and social stewardship in its investment policy.”\(^{76}\) Investment strategies must respect Catholic moral principles, and so an ethical dimension is added. The virtues of prudence and justice are essential components of this dimension of stewardship. The products and the policies by the individual corporations are linked to moral and social realities. By applying Catholic moral teachings, the Conference can begin to fulfill the teachings in its investments.

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72 See *Economic Justice for All* nos. 306, 347, 354
73 See p. 10 above on Avoidance Screening.
75 Ibid.
76 Ibid.
The two fundamental principles are carried out through three essential strategies. The three strategies are: “1) to avoid participation in harmful activities, 2) to use the Conference’s role as stockholder for social stewardship and 3) to promote the common good.” The bishops say that this is a good way for them to meet both their financial and social criteria.

Within the first strategy of avoiding participation in harmful activities the bishops have two possible courses of action: “1) refusal to invest in companies whose products and/or policies are counter to the values of Catholic moral teaching or statements adopted by the Conference of bishops; 2) divesting from such companies.” This decision to avoid investing and or divesting is to be done prudently to reduce negative consequences. Divesting in companies is not an absolute necessity, but should be used as a last option.

The second strategy of corporate participation involves, “actively using the Conference’s position as shareholder to influence the corporate culture and to shape corporate policies and decisions.” It is important to exercise necessary corporate responsibilities, which include voting on proxies and shareholder resolutions. A failure to vote constitutes a vote for current management and proxies. This strategy also includes dialogue with leadership, initiating resolutions, and working towards corporate responsibility. Corporate participation also helps when dealing with “mixed investments.” This is, “to use one’s position as shareholder to work actively to influence or redirect the activities or policies of the corporation toward activities

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78 Ibid., Principles Section part III. A.
79 Ibid., Principles Section part III. B.
and policies which are socially beneficial and serve the common good." These investments are acceptable as long as the Conference has reasonable hope for change.

Promoting the common good is the third strategy, which has two possible choices of action:

1) supporting policies and initiatives in companies owned by the Conference that promote the values of Catholic moral and social teaching or positions advocated by Conference statements while earning a reasonable rate of return;

2) investments that promote community development, which, in some cases, may result in a lower rate of return, but which nevertheless are chosen because they give expression to the Church’s preferential option for the poor or produce some truly significant social good.

The first part of the strategy is merely supporting companies and financial institutions that, for example, have good records in labor relations, affirmative action, and affordable housing. The second strategy is to invest in funds that contribute to community development, even if it results in a lower rate of return. The bishops in the 1991 statement call these types of investments “alternative investments.”

In the 1991 “Socially Responsible Investment Guidelines” the bishops were concerned that these strategies might have a negative impact on return. However, in the 2003 statement the bishops observed that the strategies did not have a negative impact, but they should still be continually monitored. The Conference consulted

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80 USCCB, “Socially Responsible Investment Guidelines” (2003), Principles Section part III. B.
81 Ibid., Principles Section, Part III. C.
83 Ibid., Part I. D.
84 USCCB, “Socially Responsible Investment Guidelines” (2003), Principles Section, Part IV.
with financial experts and added an ethical dimension to its financial criteria. The financial advisors “suggest that in today’s environment of increased regulation and social concern; those companies with good records in these areas often perform better than counterparts.” As an example the bishops point out that companies that had direct investments in South Africa in the 1980s, performed worse than companies that did not have direct investments.

Through these strategies the Conference hopes to strengthen its capacity in four areas: corporate awareness, investment guidance, prudence/common sense, and limitations. The Conference wants to build upon and monitor how Catholic teaching effects corporate social responsibility. It also needs investment advisors who will help carry out effective investments with these restraints. In order to carry out such policies the Conference and the advisors must have prudence and common sense. There must also be limits to these investments. The Conference realizes that it is going to take time to implement these policies fully and they should focus on a few areas at a time rather than doing everything at once.

The principles section of the guidelines may be summarized thusly: the Conference desires to meet both financial and fiduciary duties, and ought to reflect Catholic social teaching in its investments. “The committee seeks to pursue these policies...in a sincere desire to work for a more just society and more peaceful world

85 One of these experts was Christian Brothers Investment Services, Inc. which will be discussed thoroughly in Chapter Three.
86 USCCB, “Socially Responsible Investment Guidelines” (2003), Principles Section, Part IV.
88 USCCB, “Socially Responsible Investment Guidelines” (2003), Principles Section, Part V.
through the careful stewardship of the limited resources of the conference."\textsuperscript{89} Ultimately, the Conference desires socially responsible investing.

**Policies Section of the Guidelines**

The section on Investment Policies in the 1991 "Socially Responsible Investment Guidelines," discusses that at the present time the policies are purely exclusionary.\textsuperscript{90} The exclusionary areas are: abortion, contraception, military spending, nuclear armaments, and South Africa.\textsuperscript{91} There is also a sixth area, which is affordable housing, but is for considerations of investment strategies. Other areas that are policy recommendations are: racism, sexism and women’s participation in economic life.\textsuperscript{92}

The introduction to the policy section in the 2003 Guidelines are much shorter and precise. These guidelines say “[t]he USCCB investment policies cover the following areas: protecting human life; promoting human dignity; reducing arms production; pursuing economic justice; protecting the environment, and encouraging corporate responsibility.”\textsuperscript{93} These policies are separated into overall areas and many of them contain several sub-policies that fit into the specific area.

**Abortion**

The policy that the bishops address first in both statements is abortion. The 1991 statement quotes from the Second Vatican Council’s *Gaudium et Spes*, no. 51, “Life must be protected with the utmost care from the moment of conception;

\textsuperscript{89} USCCB, “Socially Responsible Investment Guidelines” (2003), Principles Section, Part VI.
\textsuperscript{91} Ibid.
\textsuperscript{92} Ibid.
\textsuperscript{93} USCCB, “Socially Responsible Investment Guidelines” (2003), Policies Section, Introduction.
abortion and infanticide are abominable crimes.”\textsuperscript{94} There needs to be an absolute exclusion of investments of companies that have direct participation or support of abortion. Direct participation includes, “companies involved in the manufacture of abortifacients and publicly held health-care companies that perform abortions when not absolutely required by federal law.”\textsuperscript{95} The Conference will support shareholder resolutions on abortion when they feel it is necessary.

Affordable housing

The Conference is concerned about affordable housing. It will not “deposit funds in a financial institution that receives less than a ‘satisfactory’ rating from federal regulatory agencies under the Community Reinvestment Act.” The Community Reinvestment Act encourages institutions to meet the credit needs of the communities of which they serve.\textsuperscript{96} It is important for banks to give fair and affordable rates to everyone. Investors should support financial institutions that give affordable and respectful loans to current or prospective homeowners.

Contraception

Pope Paul VI’s encyclical \textit{Humanae Vitae}, no. 11, teaches that, “each and every marital act must of necessity retain its intrinsic relationship to the procreation of human life.”\textsuperscript{97} Therefore, the 1991 statement says that the Conference will exclude companies that manufacture contraceptives from its investments.\textsuperscript{98} The 2003 statement says that it will “not invest in companies that manufacture contraceptives or derive a significant portion of its revenues from the sale of contraceptives, even if

\textsuperscript{94} NCCB, “Socially Responsible Investment Guidelines” (1991), Part II, 1.
\textsuperscript{95} USCCB, “Socially Responsible Investment Guidelines” (2003), Policies Section, I. A.
\textsuperscript{97} NCCB, “Socially Responsible Investment Guidelines” (1991), Part II. 3.
\textsuperscript{98} Ibid.
they do not manufacture them. 99 The ambiguous qualifier “significant” is here employed, possibly due to respect for the principle of informed conscience.

**Gender Discrimination**

This is the fourth policy in the 1991 statement that is also present in the 2003 Guidelines. The USCCB will divest from companies that are discriminatory against women. 100 *Economic Justice for All* states, “Vigorous action should be under taken to remove barriers to full and equal employment for women and minorities.” 101 The Conference will promote equal pay and promotion opportunities for women. It also promotes participation of women in the companies and in corporate leadership positions. 102

**Military Spending**

The fifth policy in the 1991 guidelines is labeled as “Military Spending.” However, this policy is called “Production and Sale of Weapons” under the “Reducing Arms Production” area in the 2003 guidelines. The Conference discourages nuclear weapons and any arms race. Therefore, they will “avoid investment in firms primarily engaged in military weapons production or the development of weapons inconsistent with Catholic teaching on war.” 103 Examples of the Catholic teaching on war that will not be tolerated in investments are: weapons of mass-destruction, biological and chemical weapons, and first-strike nuclear weapons. 104 The Conference will also support actions that limit foreign sales of

100 Ibid., Policies Section. Part II. IV.
101 Ibid.
102 Ibid.
104 Ibid.
weapons and weapons production.\textsuperscript{105} The 2003 Guidelines add to this notion of “Reducing Arms Production” through not investing in companies that manufacture, sell, or use anti-personnel landmines. The Conference desires to promote peace by committing to these policies.

\textbf{Racial Discrimination}

“Racial Discrimination” is also an important criterion that the U. S. bishops base their investment decisions on and is the last policy that is the same in the 1991 and the 2003 statement. Discrimination based upon, race, gender, social class, etc. will not be tolerated. It is necessary to recognize and protect the basic equality of every human person. The 1991 and the 2003 statements quote from the U. S. bishops’ statement “Brothers and Sisters to Us” no. 9, “Racism is a sin: a sin that divides the human family, blots out the image of God among specific members of that family and violates the fundamental human dignity of those called to children of the same Father.”\textsuperscript{106} Therefore, the Conference will support companies that honor the equality of every human person. The Conference will also support shareholder resolutions that promote equal opportunities and will work towards inclusion of minorities on corporate boards.\textsuperscript{107}

Racial discrimination is addressed in a distinct policy titled, “South Africa” in the 1991 statement. This is the last policy discussed in the 1991 statement. This policy is not in the 2003 guidelines because apartheid had come to an end. It is worth noting that, the U. S. bishops say that they have “consistently supported the church in South Africa in its courageous struggle against apartheid – a system the South

\textsuperscript{105} NCCB, “Socially Responsible Investment Guidelines” (1991), Part II. 5.
\textsuperscript{106} Ibid., Part II. 6.
\textsuperscript{107} Ibid.
African bishops have called ‘intrinsically evil.’ The bishops state that they will follow the South African Bishops’ Conference on their economic pressures to end apartheid. This includes “policies on economic sanctions, divestment and corporate practices within South Africa.” The bishops also encouraged others to persuade corporations to act against apartheid.

Embryonic Stem Cell/Human Cloning

Embryonic Stem Cell/Human Cloning is the first policy in the 2003 guidelines that is not present in the 1991 guidelines. The USCCB quotes from Pope John Paul II’s 1995 encyclical, *Evangelium vitae*, no. 63, “[The] evaluation of the morality of abortion is to be applied also to the recent forms of intervention on human embryos which, although carried out for its purposes legitimate in themselves, inevitably involve the killing of those embryos. This is the case with experimentation on embryos.” Therefore, the Conference will not invest in companies that support scientific research on embryos or human fetuses that: “(1) results in the end of pre-natal human life; (2) makes use of tissue derived from abortions or other life-ending activities; or (3) violates the dignity of a developing person.” Examples of activities that the Conference will not invest in are: embryonic stem cell research, fetal tissue research or stem cell research from embryos, and human cloning. They also say that any new forms of this research will be evaluated on a case by case basis. It is likely that such evaluation will be performed by the USCCB.

109 Ibid., Part II. 7.
110 Ibid.
111 USCCB, “Socially Responsible Investment Guidelines” (2003), Policies Section, Part I. C.
112 Ibid.
113 Ibid.
Human Rights

The Conference desires to support companies and shareholder resolutions that are directed towards promoting human rights. "[The] USCCB could join efforts to influence corporations that are engaged in interactive industries or are operating in countries with significant human rights concerns."\textsuperscript{114} The USCCB says that they will use shareholder resolutions to promote companies to give "sufficient" wages, working conditions and any other benefits that help employees and their families meet basic needs.\textsuperscript{115} Again, the bishops use ambiguous words in this policy such as, "sufficient" and "significant." They seem to be respecting individual conscience, such as in the policy on contraception.\textsuperscript{116}

Access to Pharmaceuticals

The Conference desires to encourage shareholder resolutions that are directed towards making life-sustaining drugs readily available and affordable to low-income households. "[The] USCCB will encourage companies to undertake or participate in programs designed to make life-sustaining drugs available to those in low-income communities and countries at reduced, affordable prices, consistent with our Catholic values."\textsuperscript{117} It is important that pharmaceuticals can be readily available. Making sure everyone has a right to decent healthcare is an important part in respecting the dignity of the human person.

\textsuperscript{114} USCCB, "Socially Responsible Investment Guidelines" (2003), Policies Section, Part II. A.
\textsuperscript{115} Ibid.
\textsuperscript{116} See page nine above.
\textsuperscript{117} USCCB, "Socially Responsible Investment Guidelines" (2003), Policies Section, Part II. D.
Curbing Pornography

The USCCB document, *Renewing the Mind of the Media* on page 109 states, "Pornography itself, which denies the dignity which God gives each human being. This kind of ‘entertainment’...blocks the moral and emotional development of those who are lured into its use...At this level we are dealing with what is usually referred to in legal terms as obscenity and indecency."\(^{118}\) The Conference wishes to support and promote family-oriented entertainment that is developed by media companies. "The USCCB will not invest in a company that derives a significant portion of its revenues from products or services intended exclusively to appeal to a prurient interest in sex or to incite sexual excitement."\(^{119}\) Examples of these activities include: X-rated films, videos, publications, software, strip clubs, and sexually oriented telephone and internet services.\(^{120}\)

Labor Standards/Sweatshops

The USCCB will support shareholder resolutions that avoid the use of sweatshops in manufacturing of goods.\(^{121}\) It is important that the dignity of work be protected and that each employee receives a fair and just wage. Safe working conditions and the rights of workers must be recognized. Therefore, the Conference will also support shareholder resolutions that "promote generous wage and benefit policies and adequate worker safety guidelines."\(^{122}\)
Protecting the Environment

*Renewing the Earth* by the USCCB, states “Our tradition calls us to protect the life and dignity of the human person, and it is increasingly clear that this task cannot be separated from the care and defense of all creation... We must seek a society where economic life and environmental commitment work together to protect and to enhance life on this planet.” The Conference says that it will promote and support shareholder resolutions that promote preservation of the planet. They will also advocate for shareholder resolutions that seek creation of “environmentally sensitive technologies.” The Conference will also support policies and companies that seek conservation of energy and also to find alternative renewable and clean energy.

Encouraging Corporate Responsibility

*A Place at the Table* by the USCCB referenced in the Guidelines discusses, “The private sector must be not only an engine of growth and productivity, but also a reflection of our values and priorities, a contributor to the common good. Examples of greed and misconduct must be replaced with models of corporate responsibility.” Therefore, the Conference desires to support and promote shareholder resolutions that are directed towards encouraging corporate social responsible guidelines within companies. Also, the “USCCB will encourage companies to report on social, environmental, as well as financial performance.”

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123 USCCB, “Socially Responsible Investment Guidelines” (2003), Policies Section, Part V.
124 Ibid.
125 Ibid.
126 Ibid., Policies Section, Part VI.
127 Ibid.
128 Ibid.
is important for the companies to report on these three activities for the shareholders' awareness.

The United States bishops have established and held themselves accountable to a detailed plan for morally responsible investment practices. These guidelines can also serve as a model for other investors including individual Catholics. The bishops have expanded the guidelines immensely since 1991; however there is still room for more development. Exploring the latter will be a focus of Chapter Three.
CHAPTER 3: EVALUATING THE UNITED STATES BISHOPS’ GUIDELINES

“Catholic social thought does not merely consist of what gets authored by popes or emphasized by bishops, but also what is lived by communities of hope and faith.”

-Kristin Heyer, “A Feminist Appraisal of Catholic Social Thought”

The United States bishops, in 1991, published their “Socially Responsible Investment Guidelines,” which they have since expanded upon. Of course there is still room for more development. One development necessary is a better employment of investment strategies other than avoidance screening and shareholder activism. The latter two strategies dominate the Guidelines, whereas the strategies of affirmative screening and community investing are almost entirely ignored. These, and other, observations and proposals are the concern of this final chapter.

Present Strategies

Shareholder activism and avoidance screening are consistently present throughout the Guidelines and its policies. The second principle of stewardship mainly discusses avoidance screening. The bishops say that this principle is guided by the virtues of prudence and justice.¹²⁹ They continue on to say, “by prudently applying traditional Catholic moral teaching, and employing traditional principles on cooperation and toleration, as well as the duty to avoid scandal, the Conference can reflect moral and social teaching in investments.”¹³⁰ The “duty to avoid scandal” is a prime example of avoidance screening. The bishops will avoid scandal by not

¹²⁹ Classic definitions of prudence and justice are given in Thomas Aquinas’ *Summa Theologica* I II. 61. 4.
investing in companies that hold values or participate in behaviors and activities that are contrary to their teachings.

The three strategies or approaches that carry out the principles of stewardship also discuss three investment strategies (avoidance screening, shareholder activism, and affirmative screening) that are crucial to socially responsible investing. The first strategy is “Do no harm (avoid evil).”\footnote{131} This strategy reflects both avoidance screening and shareholder activism. The first part is the refusal of investing in companies that have products and/or policies that are contrary to the bishops’ teaching, which is avoidance screening. The second part to this strategy is divesting from these companies. As seen on page fourteen above, divesting is a part of shareholder activism. Divestment is the final piece to shareholder activism and should be done only after careful consideration and by the virtue of prudence. Divestment may not be necessary at all times, but only as a last resort and after unsuccessful dialogue with the company.

The second strategy, which is “active corporate participation,” reflects only the strategy on shareholder activism. The bishops say, “[u]nder this approach the Conference will seek to exercise its normal shareholder responsibilities.”\footnote{132} It will vote on proxies and shareholder resolutions. This strategy is to be active as a shareholder and to help influence corporate culture as well as through voting and dialogue to help shape policies and decisions.\footnote{133} The bishops also say that this strategy is to help with the reality of “mixed investments.” These investments will be

\footnote{131} USCCB, “Socially Responsible Investment Guidelines” (2003), Principles Section, Part III.  
\footnote{132} Ibid.  
\footnote{133} Ibid.
tolerated only with the principle of cooperation, which is also through the strategy of shareholder activism, but the bishops must have reasonable hope for change.\textsuperscript{134}

The third strategy, which is called, "Positive Strategies (‘Promote the Common Good’)" consists of affirmative screening. This is the first time the affirmative screening appears in the Guidelines. The bishops say that this strategy has two courses of action which are: 1) to support policies in companies that promote Catholic values and/or positions that are supported in Conference statements; 2) investments that promote community development, but may receive a lower rate of return.\textsuperscript{135} Not only is it important to avoid companies that are contrary to the bishops' teachings, but it is just as important to support companies that share the same beliefs and practices. Affirmative screening cannot be forgotten about or excluded when investing, even if it does result in a slightly lower rate of return.

The bishops have specific policies that involve the investment strategies. The policies that reflect only avoidance screening are those on, abortion, contraceptives, embryonic stem cell research/human cloning, and antipersonnel landmines. The bishops will not invest in companies that have activities and/or practices that are related to these policies.

The specific policies that reflect only shareholder activism are, human rights, racial discrimination, access to pharmaceuticals, labor standards/sweatshops, protecting the environment, and encouraging corporate responsibility. The main form of shareholder activism that the bishops implement in these policies is through shareholder resolutions to promote their teachings. Racial discrimination, however,

\textsuperscript{134} USCCB, “Socially Responsible Investment Guidelines” (2003), Principles Section, Part III.
\textsuperscript{135} Ibid.
discusses both shareholder resolutions and divestment if the company does not cooperate in having equal opportunities.

Curbing pornography, production and sale of weapons, and affordable housing/banking are policies that reflect the strategies of shareholder activism and avoidance screening. The bishops will not invest in companies that receive a significant portion of its profits from products or services that are not family appropriate. They will also encourage shareholder resolutions that support family-oriented entertainment. For the policy of production and sale of weapons, the Conference will not invest in companies in military weapons production, and it will support shareholder resolutions to limit such activities. The Conference is using the avoidance screening in the policy affordable housing/banking by not investing in a financial institution that "receives a less than 'satisfactory' rating" under the Community Reinvestment Act.\(^\text{136}\) The Conference will advocate for positive performance under this act as well, which is an example of shareholder activism.

The policy on gender discrimination reflects avoidance screening, shareholder activism, and is the only policy that explicitly employs affirmative screening as a strategy. The Conference exercises shareholder activism by divesting from companies whose policies are discriminatory against women. This seems to be the main policy because they have two additional policy recommendations in which affirmative and avoidance screening is present. The example of affirmative screening is, "The USCCB will direct its investment advisors to invest in companies that actively promote corporate policies on equal pay and promotion opportunities for

\(^{136}\) USCCB, "Socially Responsible Investment Guidelines" (2003), Policies Section, Part IV. B.
women, and accommodation of legitimate family needs." The affirmative screening is a positive approach to supporting the bishops’ teachings.

The strategies of avoidance screening and shareholder activism are consistently utilized throughout the Guidelines, with affirmative screening being utilized at least twice. However, there is a necessary socially responsible investing strategy that is completely lacking in the Guidelines.

**Community Investment**

Community investment is entirely ignored in the bishops’ Guidelines. This is very unfortunate because community investment plays a large role in socially responsible investment as explained in Chapter One. Community investment is one of the four strategies to socially responsible investment, and is currently the fastest growing aspect.

The closest the bishops come to discussing community investment is in the policy on affordable housing/banking. The bishops will not invest in companies that have a less than satisfactory rating under the Community Reinvestment Act. The Community Reinvestment Act encourages institutions to meet the credit needs of the communities which they serve.

Community investment involves investors directing their assets to a particular lending company. As stated in Chapter One, the companies are generally called community development financial institutions (CDFIs). These companies focus on

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137 USCCB, "Socially Responsible Investment Guidelines" (2003), Principles Section, Part II. C.
138 See page eleven above.
139 USCCB, "Socially Responsible Investment Guidelines" (2003), Policies Section, Part IV. B
lending to people that would generally be refused by other banks. CDFIs include four different types of community investment institutions: Community Development Banks (CDBs), Community Development Credit Unions (CDCUs), Community Development Loan Funds (CDLFs), and Community Development Venture Capital Funds (CDVCs). The impact from loan funds has been impressive. According to Robin Hood was Right: a Guide to Giving Your Money for Social Change, one of the oldest loan funds is the Revolving Loan Fund for the Institute for Community Economics that was founded in 1981.141 “Loans from the fund have been critical in the construction or rehabilitation of 3,675 units of affordable housing and an estimated four thousand new jobs through small businesses.”142 CDFIs can help alleviate poverty, provide additional access to capital, help individuals and families, and regenerating a community.

It would have been helpful for the bishops to at least briefly mention community investment in their Guidelines, as well as the four different community investment institutions. This type of investing seems to have a direct impact on the community as well, which makes this strategy a priority. Not only does it have a direct impact, but it also has the most hope for positive outcomes. This type of investment directly serves those that are in need and can positively contribute to the common good.

142 Ibid., 142.
Existing Policy Recommendations

The USCCB has established a noteworthy, albeit incomplete, set of Guidelines for socially responsible investment. However, there are some policies that the bishops could expand upon. The bishops can also improve on the different policies by better emphasizing the four strategies within the policies.

In the policies on abortion and embryonic stem cell research/human cloning, the bishops exclusively employ avoidance strategies, but it would also be appropriate to utilize affirmative screening. The Conference can positively invest in companies which state that they are both against these two issues and are supportive of human life. For example, the Conference can invest in companies that offer services that promote life and help to put an end to issues such as, abortion and embryonic stem cell research/human cloning.\textsuperscript{143}

In the 2003 Guidelines, the bishops expanded their 1991 policy on contraceptives: besides avoiding investment in companies that manufacture contraceptives, the policy also prohibits investment in companies that sell contraceptives and derive a significant portion from doing so. The bishops are being more aggressive against contraceptives than they were in the 1991 Guidelines by expanding the screen against them. However, by totally excluding contraceptives and the selling of them, the bishops seem to be contradicting themselves in light of their

\textsuperscript{143} In mind here are companies whose stem cell research and/or utilization is/are limited to using only adult (or other non-embryonic) stem cells. On the possible superiority of adult stem cells in contemporary treatment of human pathologies, see, for example, C.P. McGuckin and N. Forraz, "Potential for Access to Embryonic-Like Cells from Human Umbilical Cord Blood," Cell Proliferation 41 (2008): 31-40. Also see S. Shostak, "Speculation on the Evolution of Stem Cells," Breast Disease 29 (2008): 3-13.
own “Ethical and Religious Directives for Catholic Health Care Services.” The bishops state:

A female who has been raped should be able to defend herself against a potential conception from the sexual assault. If, after appropriate testing, there is no evidence that conception has occurred already, she may be treated with medications that would prevent ovulation, sperm capacitation, or fertilization.\(^\text{144}\)

In this directive, the bishops are saying that use of contraceptives, in some circumstances, is morally permissible. So, in their excluding manufacturers of contraceptives, the bishops are jeopardizing an essential component of their directive for treatment of rape victims. This is something that the bishops might consider when discussing total exclusion of contraceptives.\(^\text{145}\) Instead of total exclusion, the bishops should probably propose shareholder resolutions to support contraceptives only for means judged necessary by the bishops.

The policy on protecting the environment discusses shareholder activism, which encourages companies to protect and preserve the earth and its natural habitats. The Conference says it will also support policies and companies that conserve energy and strive to find alternative renewable and clean energy. It is important to invest in companies that use wind energy or solar energy. Also the bishops can invest in companies that produce materials for renewable energy.


\(^{145}\) This inconsistency was pointed out by James T. Cross, personal interview, March 20, 2009.
Avoidance screening is missed in the environment policy. The bishops also need to avoid investment in companies that excrete excessive amounts of pollution from plants and/or factories. Also, the bishops should not invest in companies that entirely ignore the need for alternative energies.

The access to pharmaceuticals policy encourages companies that have remedies that are easily accessible to low-income communities. The bishops discuss remedies for these diseases, such as HIV and AIDS, but leave out how they can help prevent such diseases. It is also important for the bishops to invest in companies that not only actively help relieve HIV and AIDS, but also prevents these diseases. In “A Feminist Appraisal of Catholic Social Thought,” theologian Kristin Heyer points out, “Most women with AIDS do not have multiple sexual partners or use IV drugs, and since the majority of married women infected with HIV had no other partner than their husbands, mere exhortations to fidelity and monogamy do not protect women from infection.”\(^{146}\) It is important to educate these women on how they can prevent HIV. The guidelines are lacking this sensitivity to the voice of the woman who is monogamous and still is infected with such diseases. It would be helpful for the bishops to invest in companies that can help these women to prevent these diseases because they are faithful and monogamous.

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Suggestions of New Policies

Policy on Nutrition

A policy that would improve the Guidelines is one which discusses different elements of nutrition.\textsuperscript{147} It is important for the Conference to invest in companies that promote good health as well as avoid investing in companies that mainly consist of “junk food,” such as fast-food chains. Types of companies that can be supported in investments are companies that sell nutritional items such as real and organic food stores and companies that pride themselves in making healthy foods.\textsuperscript{148} It is also important for the bishops to exercise shareholder responsibility and vote for proxies and resolutions that are in support of making foods that are more nutritious if the bishops see reasonable hope for positive change within these companies.

Also, not only is the nutritious value of food important, but also how the food was worked for and harvested. The Conference should not invest in companies that favor cheap labor in order to sell cheap products, including workers in factories, stores, and in the fields. According to theologian Patrick McCormick, “This food bears the sweat of many others, and not to know or care about what they suffer in the process of preparing our daily bread is to be an unconscious but genuine collaborator in injustice.”\textsuperscript{149} Here the bishops can exercise responsibility towards the workers for certain firms. If a company’s employees are being exploited so food prices can be

\begin{footnotes}
\item[\textsuperscript{147}] Adding this policy, as well as one on non-violent media, were recommended by James T. Cross in multiple interviews in 2008.
\item[\textsuperscript{148}] For example, the Kashi Company makes a variety of healthy foods such as cereal and frozen foods. See www.kashi.com.
\end{footnotes}
cheap and not making a living wage for the food that they are harvesting, then the bishops should avoid investing in such companies.

The bishops can invest in companies that have fair practices and pay decent wages to its employees. For example, the necessity for Fair Trade for coffee\textsuperscript{150} is becoming more acknowledged. According to globalexchange.org, many coffee farmers receive prices for their coffee that are less than production costs, which forces these farmers into debt and poverty.\textsuperscript{151} Fair Trade ensures that farmers receive a fair price for their harvests. It is also important for the bishops to exercise shareholder responsibility so that farmers will make a livable wage for all crops. If farmers are not able to make enough money doing what they love, then the family farm will become extinct and it will be more challenging to be able to get certain products.

Policy on Non-Violent Media

Another policy that the bishops can add to the Guidelines is one that is against violence in the media. The U.S. bishops in “Confronting a Culture of Violence,” say:

This growing culture of violence reflected in some aspects of our public life and entertainment media must be confronted. But it is not just our policies and programming that must change; it is our hearts. We must condemn not only the killing, but also the abuse in our homes, the anger in our hearts and the glorification of violence in movies and music.\textsuperscript{152}

The bishops should not invest in companies that promote, produce, or sell media that is predominantly devoted to degrading violence. People are influenced by what is

\begin{itemize}
\item[\textsuperscript{150}]The Fair Trade movement now extends to other industries, such as, Fair Trade clothing. See for example, Fair Indigo, http://www.fairindigo.com/.
\end{itemize}
around them, so eliminating such violence in media and society will help make the world a more peaceful place. Also the bishops can exercise shareholder activism if a company that they are investing in starts to take part in violent media by trying to persuade them to not do so. Lastly, it is advisable for the bishops to invest in companies that support family values in their media.\footnote{153 The Public Broadcasting System (PBS), for example, comes to mind.}

Tobacco

Pope John Paul II expresses concern in his encyclical, \textit{Evangelium Vitae} 10, by stating:

\begin{quote}
And how can we fail to consider the violence against life done to millions of human beings...What of the spreading of death caused by reckless tampering with the world’s ecological balance, by the criminal spread of drugs, or by the promotion of certain kinds of sexual activity which, besides being morally unacceptable, also involve grave risks to life?\footnote{154 Pope John Paul II, \textit{Evangelium Vitae}, Vatican City: 1995, 10.}
\end{quote}

The spread of drugs, including tobacco, is a serious threat to human life. Tobacco use is the most significant factor in preventable diseases and deaths. Each year nearly 400,000 Americans die from tobacco-related diseases.\footnote{155 Hal Brill, Jack Brill, and Cliff Feigenbaum, \textit{Investing With Your Values: Making Money and Making a Difference} (Gabriola Island B.C., Canada: New Society Publishers, 2000) 84.}

With tobacco use being such a threat to the human person, it is necessary for the bishops to add a policy on the issue of tobacco use in their Guidelines. According to the Pontifical Council for the Family, “drug use is the result of a culture which, emptied of so many human values, compromises the promotion of the common good and, therefore, the authentic promotion of the person.” Since tobacco use is a threat
to what is good for individuals and communities, the bishops should avoid investments in companies that are involved in tobacco. Tobacco screening is used in nearly all socially responsible investment screens, and should also be utilized by the U. S. bishops. In addition to avoidance screening, the bishops can vote in proxies and support shareholder resolutions that are against tobacco use. The bishops can also actively invest in companies that are tobacco free.

Care for Animals

Animals are creatures that are created by God and deserve appropriate respect. Genesis 1:25 says “God made all kinds of wild animals, all kinds of cattle, and all kinds of creeping things on the earth. God saw how good it was.” This goodness of animals should not be ignored; animals should not be treated poorly. It is important for the bishops to avoid investments in companies that treat their animals poorly and/or do cruel and unnecessary animal testing. Also, the bishops should not invest in companies that sell products from the exploitation of animals. On the contrary, the bishops can support companies that treat their animals well. The bishops can vote in proxies and support shareholder resolutions that hope to put an end to negative treatment of animals.

Next Step for the Guidelines

Some developments that can be beneficial to the Guidelines overall is that they include non-Magisterial sources among their supporting quotations. The quotations that the bishops use in the Guidelines are solely from their own works or

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156 Brill, Brill and Feigenbaum, 84.
157 For example, egg producing companies who ensure humane treatment of chickens.
other Magisterial writings. Incorporating Magisterial writings is important, but it is also necessary to incorporate other voices. *Economic Justice for All* is exemplary in this regard. Kristin Heyer states:

Ultimately excluding women’s voices—or married persons voices in the case of *Humanae Vitae*—from the development of church teaching fails to attend to the promptings of the Holy Spirit among the people of God and fails to embody the conciliar emphasis on inductively engaging humanity’s joys, hopes, fears and anxieties.

It is necessary to gather diverse Church voices to have a complete and dynamic work that will speak much more to the people of the Church as a whole.

Since the bishops have established a comprehensive set of investment guidelines for themselves, a necessary next step can be offering a new set of Guidelines for lay people. Another possible step could be educating Catholics about socially responsible investing via communal penance services. It is imperative for many people to participate in socially responsible investing in order to increase its positive impact on society.

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159 Heyer, “A Feminist Appraisal.”

Supportive Companies

Christian Brothers Investment Services, Inc. (CBIS) and KLD’s Catholic Values 400 Index Fund (CV 400) exemplify the incorporation of Catholic social thought into their investment strategies. CBIS is a Catholic company that directs its investments in a socially responsible manner and by incorporating Catholic social teaching. CBIS has worked closely with the USCCB, and in fact CBIS, “was honored to be the only investment firm asked to advise the USCCB in the development of the updated guidelines.” CBIS helped guide the process of the new Guidelines, as well as attend policy meetings. CBIS’ socially responsible investment program is consistent with the U. S. bishops’ Guidelines, but they also value its investors’ opinions as well as the rest of the SRI community. CBIS says, “[t]ogether, over time, we believe we have achieved significant progress with many companies. Indeed, our collaboration with other faith-based investors has allowed us to leverage our influence to promote progress and change.”

The main focus of CBIS investments is not merely excluding companies from portfolios, but also in actively engaging in dialogue with these companies by proxy voting, dialogue, and shareholder resolutions. CBIS also offers investors an opportunity to participate in community investing. It sponsors Partners for the

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161 This section is not to serve as an advertisement for these companies, but rather as examples of practical application and availability to exercise socially responsible investment and Catholic social thought.
163 Ibid.
165 Ibid.
Common Good, which is an investment fund that supports affordable housing, job creation, and small business development.\textsuperscript{166}

As mentioned in Chapter One, the Catholic Values 400 Index Fund was the first index that followed the United States bishops’ Guidelines. CV 400 selects companies to invest in based upon the policies in the Guidelines. In addition to the Guidelines, KLD also does not invest in companies with involvement in tobacco and nuclear power.\textsuperscript{167} This index fund primarily participates in avoidance and affirmative screening.

These are two concrete examples of how an investor can be faithful to the teachings of the Church, including the teachings of the USCCB. There are many other investment firms that also invest in a socially responsible way. It is hoped that the lay investor and/or those investing for a Catholic institution will recognize these resources as essential in their conscience formation.

\textsuperscript{167} KLD Research & Analytics, Inc. \textit{KLD Catholic Values 400 Index}, http://www.kld.com/indexes/cv400index/performance.html.
CONCLUSION

This thesis contributes to the emerging field of socially responsible investing. It examines socially responsible investing in general and the United States bishops’ “Socially Responsible Investment Guidelines” in particular. It demonstrates the four strategies of socially responsible investing and studies the attention given them in the U. S. bishops’ Guidelines. Finally, this thesis analyzes and evaluates these Guidelines, and proposes additional policies and recommendations. One of these recommendations calls for the Guidelines to address the strategy of community investing, since this essential strategy is ignored in the extant Guidelines. Ultimately, this thesis hopes to help the world to become a more just and peace-filled place.


