



**Policy/Procedure**

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**POLICY**

Bon Secours Health System, Inc. (BSHSI) is especially concerned for persons who are poor, alienated and underserved. Therefore, it is the policy of BSHSI to invest its assets in companies promoting human dignity, social justice and healthier communities.

Additionally, it is the policy of BSHSI that all community investment be done in support of and in consideration of the Bon Secours Ministries’ Directional Statement, BSHSI’s Strategic Quality Plan and Community Health Needs Assessments.

**SCOPE**

This policy pertains to all of BSHSI’s investment portfolios: Long-term Reserve Fund (LTR), Pension Master Trust (PMT), Bon Secours Assurance Company (BSAC), short-term operating cash and BSHSI foundations.

**RATIONALE**

BSHSI recognizes and accepts its moral and ethical obligation to steward its investable assets for all BSHSI investment portfolios in a manner consistent with its mission, vision, values and core strategies. BSHSI understands this stewardship responsibility within the context of the social teachings of the Catholic Church and its commitment to advocate for systemic changes to improve the health and well-being of individuals and communities.

The Mission of Bon Secours Health System is to bring compassion to health care and to be Good Help to Those in Need®, especially those who are poor and dying. As a System of caregivers, we commit ourselves to help bring people and communities to health and wholeness as part of the healing ministry of Jesus Christ and the Catholic Church.

In order to fulfill its mission and to be a socially responsible steward, BSHSI not only refrains from investing in companies whose products, services, or actions are contrary to BSHSI's mission, but also participates in community investments and shareholder advocacy to promote the health of the people and communities BSHSI serves and society at large.

The purpose of this Policy is to provide guidelines for the following three areas of socially responsible investing: Social Screens, Shareholder Advocacy and Community Investments.

## DEFINITIONS

**Community Investment:** domestic and international investments for the benefit of communities of which BSHSI is part.

**ICCR:** Interfaith Center for Corporate Responsibility

**Impact Investments:** investments that aim to generate specific beneficial social or environmental effects in addition to financial gain.

**Restricted Stock List:** collection of companies in which BSHSI refrains from investing because their products, services or actions are contrary to BSHSI's mission, as captured in the Negative Social Screens.

**Negative Social Screens:** limitation of investment options obtained by removing firms that engage in activities that an investor finds objectionable from the investible universe.

**Supplemental Social Screens:** company evaluations that consider factors not captured in negative screens, including, but not limited to environmental, social and governance issues.

**Shareholder Advocacy:** the process of dialogue with company executives and filing of shareholder resolutions to express investor sentiment for change in corporate policies and practices that respect and improve human conditions in the work place and impacted communities, lead to a sustainable environment and support international policies that protect and promote the health of vulnerable populations.

## PROCEDURE

### Social Screens

BSHSI prefers investments in companies whose products, services or actions display or promote beliefs congruent with the mission and values of BSHSI and the social teachings of the Catholic Church.

- BSHSI prefers investments in companies that are pro-active in support of:
  - The gift of life from its earliest stages through end of life, by promoting the wellbeing of all, providing affordable goods and services in areas of health and wellness, housing, food, education, access to utilities and transportation with renewable energy sources.
  - Respect for the environment, by having clear environmentally-sustaining policies and products, by promoting energy conservation, by using and/or developing clean, renewable energy sources, and by providing environmental reporting.
  - Its commitment to peace and investments that promote peace.
- BSHSI avoids investments in companies whose products or services are deemed to be contrary to BSHSI's mission or Catholic social teaching.
- BSHSI develops and maintains a list of restricted companies based upon BSHSI's Negative Social Screens. A third party compiles a Restricted Stock List.

- The Restricted Stock List is provided to BSHSI’s investment managers. BSHSI and BSHSI’s investment custodian monitors investment portfolios to ensure investment managers are in compliance.
- BSHSI periodically reviews its investment portfolios based upon the Supplemental Social Screens to develop an awareness of companies that operate or provide goods or services in a manner that is contrary to the mission and values of Bon Secours. BSHSI assesses companies that are in violation of the Supplemental Social Screens to determine if BSHSI desires to limit or restrict investing in such companies.

### **Shareholder Advocacy**

BSHSI seeks to extend the reach of its vision and mission to make a positive impact on those organizations affecting the communities it serves. BSHSI recognizes the importance of exercising its shareholder rights to raise issues of social, ethical, environmental or governance concern with companies with which it has vendor/business relationships or in which it holds stock or debt securities. BSHSI believes that engaging in shareholder activism and voting proxies provides an opportunity to affect its mission by advising its owned companies, vendors, business partners, stakeholders, employees and the public about BSHSI’s policies and values. BSHSI believes that shareholder activism complements and strengthens investment portfolio screening.

BSHSI may participate in various forms of dialogue with companies and vendors/business partners to promote its advocacy themes and goals.

- This dialogue may include collaboration with other mission-based investors in the filing of shareholder resolutions.
  - BSHSI may direct the purchase of a limited number of shares in a company so as to address significant concerns in concert with other mission-based investors (“Advocacy Fund”) without regard to the Restricted Stock List.
- BSHSI participates in the ICCR and considers issues identified through ICCR for inclusion in its annual shareholder advocacy plan.
- If BSHSI chooses to sponsor or co-sponsor a shareholder resolution related to one of BSHSI’s vendors or business partners, said party is given prior notification and an opportunity to discuss the issue stated in the resolution.
- The voting of proxies is ordinarily outsourced to a third party consultant. The consultant votes the proxies for the LTR, PMT and BSAC based upon criteria approved by BSHSI.
- BSHSI may vote a proxy in a manner that supports a specific Shareholder Advocacy concern.
- Annually, a report is presented to the BSHSI Board of Directors (“Board”) or committee of the Board to inform them of Shareholder Advocacy accomplishments and request input for themes and approaches.

### **Community Investments**

BSHSI allocates 5% of the LTR to Community Investments.

- The goal of the program is to make Impact Investments with institutions and/or projects to promote access to jobs, housing, food, education and healthcare for low income and/or minority communities.
- Investments are of institutional quality and diversified across manager, risk type, geography, style and other aspects.

- In the case of loans, funds are only invested through financial intermediaries. BSHSI is not a direct maker of loans.
- Return is reflected in impact on community indicators, e.g., jobs created, housing units, income level, etc., as well as economic return.

It is BSHSI's intent to seek Community Investments in the markets it serves whenever possible.

- The funding priorities are:
  - Local BSHSI communities
  - Green Revolving Fund
    - The Green Revolving Fund is seeded with Community Investment funds. Its investments are managed in consultation with the BSHSI Green Team.
  - Communities that correspond to BSHSI global health initiatives
  - Other domestic opportunities
- The selection and monitoring of investments are handled by management.
  - An advisory committee, including finance and mission representatives, reviews funding sources and uses.
  - The Executive Management Team approves all investment decisions.
    - In the case of the Green Revolving Fund, seeding of the fund is approved.
  - The Pension and Investment Committee receives annual updates on the program.

## EXHIBIT: STOCK SCREENING CONCERNS AND INVESTMENT PRACTICES

***Respect for Human Life*** – BSHSI does not knowingly invest in companies that manufacture and/or engage in any of the following (**no investing tolerance**):

- Manufacture primary abortifacient drugs or operate healthcare or physician management organizations that provide abortions. In accordance with the manufacturer's definition, a primary abortifacient drug is a drug where the first indication of the use of the drug is to induce abortion. (References can be found in the written material provided by the manufacturer).
- Engage in embryonic stem cell research and cloning of human beings.

**Moral Justification** – The tradition of Catholic moral theology and the Ethical and Religious Directives oppose abortion, embryonic stem cell research and human cloning. BSHSI does not want to profit from these activities.

***Tobacco*** – BSHSI does not knowingly invest in companies that manufacture any of the following (**no investing tolerance**):

- Tobacco products such as cigarettes, cigars, pipe tobacco, snuff, chewing tobacco or e-cigarettes.
  - This tobacco restriction does not include tobacco component manufacturers or companies that derive revenue from the retail sale of tobacco products to consumers.

**Moral Justification** – When used as directed, manufactured tobacco products can result in death or serious medical illness. BSHSI does not want to profit from these activities.

***Human Exploitation/Degradation*** – BSHSI does not knowingly invest in companies that engage in any of the following (**investing tolerance: 10% of revenue**):

- Pornography – companies that produce or originally distribute pornography or pornographic materials.

**Moral Justification** – Pornographic material exemplifies the degradation and exploitation of human beings. BSHSI does not want to profit from these activities. The screening criteria include the following activities:

- Producers or original distributors of adults-only material.
  - Publishers of books or magazines, video tapes, or DVDs with adults-only content.
  - Operators of establishments with live entertainment of an adult-only nature or establishments that offer adult-only channels.
- Gambling – companies which derive 10% or more of revenues from gambling activities including the operation of casinos, race tracks, sale and distribution of gambling equipment and other gambling or closely related activities.

**Moral Justification** – Gambling and gaming activities create serious health and social detriments for the economically disadvantaged. BSHSI wishes to limit its ability to profit from these activities but recognizes the diversity of these companies' business activities and therefore wishes to invest in them.

- Violence/Weapons – BSHSI does not knowingly invest in companies that research, develop, produce, sell or maintain weapons of mass destruction (chemical, nuclear, biological)

landmines and firearms. Criteria to be used to define weapons or weapons systems:

- Companies that derive more than 10% of revenues from the above activities.
- All companies with 10% or more of company contracts as a percent of total contracts with DOD.

***Moral Justification*** – The deployment and use of weapons of mass destruction, nuclear armaments, firearms, landmines and biological/chemical weapons are abusive and destructive to humankind and the environment. BSHSI wishes to limit its profit from these activities.

***For Profit Healthcare*** – BSHSI does not knowingly invest in large for-profit hospital corporations that are in direct competition with BSHSI healthcare ministries or other not-for-profit healthcare providers (**no investing tolerance**).

***Moral Justification*** – BSHSI does not wish to profit from companies that are direct healthcare competitors.

BSHSI does NOT restrict or prohibit investments in companies based on the criteria noted below.

***Respect for Human Life*** – BSHSI permits investment in companies that manufacture contraceptives or sell contraceptive drugs or devices.

***Moral Justification*** – There are numerous medicinal uses for contraceptive drugs that provide positive health benefits that are unrelated to the prevention of pregnancy. BSHSI does not believe that it is unjustly profiting or opposing Church teaching by investing in these companies.

***Alcohol*** – BSHSI permits investment in companies that manufacture, sell, or distribute alcoholic beverages.

***Moral Justification*** – The Ethical and Religious Directives do not oppose the consumption of alcoholic beverages. When used as directed, alcoholic beverages do not lead to death or serious illness. Recent studies have shown that there are positive medicinal benefits to drinking alcoholic beverages in moderation.

### **Supplemental Social Screens**

Supplemental Social Screens are qualitative in nature whereas restrictive/negative screens are generally more quantitative, i.e., % of revenue, % of contracts.

BSHSI may implement Supplemental Social Screens based upon the following process.

- BSHSI regularly reviews its investment portfolios based upon the Supplemental Social Screens to develop an awareness regarding company practices relative to the environment, human rights and the provision of healthcare.
- Companies that demonstrate environmental or human rights violations or provide healthcare in a manner contrary to the mission and values of BSHSI are considered for inclusion in

BSHSI's shareholder advocacy program.

- BSHSI does not restrict investment in these companies. However, if it is determined that a particular company acts in a manner that severely opposes the mission and values of BSHSI, BSHSI considers limiting or restricting its ability to profit from that company.
- Companies that make positive contributions to the environment or well-being of humankind are recognized by BSHSI by investing in these companies when appropriate, as determined in conjunction with BSHSI's investment managers.
  - BSHSI may establish a corresponding fund with representative investments that exemplify positive contributions to the environment, social conditions and labor practices that promote the dignity and well-being of humankind.
- Annually, a report of these companies is provided to the BSHSI Board and Board Committees that have investment oversight responsibility for BSHSI's investment portfolios. This report is for information only; no action is requested from the Board or Committees.

**Practices which are compatible with BSHSI's values and/or are morally acceptable.**

***Healthier Communities***

- Companies with a commitment to the unmet needs of communities served by Bon Secours.
- Improved quality of life, e.g., healthcare, housing, education, food, family life.

***Environment***

- Companies that protect the environment and Earth's natural resources, e.g., pollution control, development of environmental technology, access to clean/potable water.

***Human Rights***

- Companies promoting economic opportunities for those who are poor.
- Companies modeling positive employee practices such as education and career development, family life, etc.
- Companies actively working against human trafficking as evidenced by signing and implementing the Code of Conduct for the Protection of Children from Sexual Exploitation in Travel and Tourism.
- Companies honoring fair labor practices in the United States and in other countries and avoiding engaging in child labor.

**Practices which are incompatible with BSHSI's values and/or are morally unacceptable.**

***Healthcare***

- Companies deemed to practice healthcare in a manner significantly at variance with BSHSI's mission and values.

***Environment***

- Any corporation (1) cited as a major polluter of air, water, land and/or groundwater supplies based on information compiled by the appropriate U.S. government or international government agencies, or (2) engaging in practices that significantly harm or destroy the environment.
  - Examples of hazardous waste and pollution include known carcinogens, teratogens and unsafe nuclear waste disposal.

### ***Human Rights***

- Any company or manufacturer contributing to the support of governments displaying blatant repression and/or overt injustice against its citizens, especially persons who are poor.
- Any company or manufacturer not honoring fair labor practices in the United States and in other countries and/or engaging in child labor. Violations include:
  - Work environments that do not meet OSHA standards for safety and health in the United States or equivalent health and safety standards in non-U.S. countries; and
  - Discriminatory and/or unfair standards of hiring, compensation, or opportunities for promotion for all employees.
- Any company promoting the glamorization of alcohol.