

## **Chapter 9: Investment Policies and Guidelines**

### **Canonical Overview**

The Archdiocese recognizes and accepts its moral and ethical responsibility to steward its financial resources in a manner consistent with its vision, mission, values and core strategies. The Archdiocese 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 well being of individuals and communities. In order to fulfill this responsibility, it is the policy of the Archdiocese to utilize its financial resources to emphasize human dignity and social justice and to comply in principle with the investment policies and principles as promulgated from time to time by the USCCB<sup>1</sup>.

This chapter of the Pastoral Handbook also pertains to the principles of stewardship and the duty of the fiduciary to manage the investment assets of the Archdiocese, as would a prudent investor knowledgeable in similar matters. Its purpose is to express the investment objectives of the Archdiocese and to establish appropriate investment policies and guidelines. The management of Archdiocesan investment assets is the responsibility of the CFO with the advice and consultation of the Investment Committee of the AFC. Subject to the approval of the AFC, the Investment Committee sets the necessary investment policies, guidelines and objectives and will implement and monitor these policies.

While the following Investment Policies and Guidelines pertain primarily to the Archdiocese, parishes and other related ecclesiastical organizations within the territory of the Archdiocese, along with their applicable finance councils/committees, must utilize the following principles as a reference source to provide assistance and guidance in the performance of their fiduciary duties relating to investments.

#### **9.1. Introduction**

The policies, guidelines and objectives that follow are dynamic in nature and may be modified from time to time by the Investment Committee with the approval of the AFC. They should represent the current consensus of the Investment Committee's philosophy on the investment of Archdiocesan funds.

9.1.1. The investment philosophy is intended to allow for sufficient flexibility in the management process to capture investment opportunities as they may occur, while providing reasonable parameters to ensure prudence, attention to relevant social concerns, and care in the execution of the investment program.

9.1.2. Investment managers will act as fiduciaries.

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<sup>1</sup> The most recent update by the USCCB was November 13, 2003.

## 9.2. **Purpose**

The purpose of this Investment Policy and Guidelines is:

9.2.1. To set forth the investment objectives, policies and guidelines which the Investment Committee judges to be appropriate and prudent in consideration of the needs of the Archdiocese.

9.2.2. To establish the criteria that investment managers retained by the Investment Committee are expected to meet and against which they may be measured.

9.2.3. To communicate the investment objectives, guidelines and performance criteria to the investment manager and to investment consultants expected to assist in reviewing performance.

9.2.4. To serve as a document to guide the Investment Committee of the AFC and, as necessary, parish and other Archdiocesan entities' finance councils' ongoing oversight of their related investment assets.

## 9.3. **Objectives, Policies and Guidelines**

The primary objective of the Archdiocesan Investment Program (the Program) is to earn the highest return commensurate with the Archdiocese's and its participating related ecclesiastical organizations' tolerance for risk. Equally important, the Program should ensure that investment assets are managed in accordance with the objectives, policies and guidelines set by the Investment Committee.

9.3.1. *Objectives:* The primary investment objectives of the Program are to invest assets in a manner that fulfills the following:

9.3.1.1. The primary objective of the Archdiocese of Denver's Master Trust (the Master Trust) and the Archdiocese of Denver's Preneed Master Trust (Preneed Master Trust) is to increase the purchasing power of the Archdiocese and the participating entities within each Trust while reducing, to the greatest extent possible, the possibility of loss.

9.3.1.2. The investment strategy of the Master Trust's and Preneed Master Trust's asset allocation should take into consideration the specific spending requirements and the present and future needs of the Archdiocese and the respective participating entities within each Trust.

9.3.1.3. In addition to the Master Trust and the Preneed Master Trust, the Archdiocese has additional investments that both the CFO and the Investment Committee will manage and monitor acting as designees for certain Trusts and/or other related entities. The primary objective of these investments is to earn an appropriate rate of return, but reduce our exposure and risk of losses to a minimal level. Such investments collectively represent the "Short-term Money Management" component of the overall investment portfolio of the Archdiocese.

9.3.1.4. A secondary objective of the Archdiocese's investment program is to have a sufficient degree of flexibility in order to meet the unanticipated demands and changing market environment.

9.3.1.5. The investment program provides for the preservation of capital.

9.3.2. Short-Term Money Management Portfolio:

9.3.2.1. *Cash and Temporary Cash Investments:* The investment objective is to achieve the highest rate of interest on very safe investment alternatives that mature in *less than 180 days*. Investment alternatives include Mutual Funds (those which maximize current income with preservation of capital and maintenance of liquidity), US Treasury Issues, US Agency Issues, Insured Certificates of Deposit, Insured Money Markets and A2P2 or better-rated Commercial Paper.

9.3.2.2. *Short-Term Investments:* The investment objective is to achieve the highest rate of interest on income investments that mature in *less than four years*. The scheduling of maturity dates should coincide with cash needs of the Archdiocese and the liquidity needs of the respective participating Trusts, including the Irrevocable Revolving Fund Trust, the AOD Welfare Benefits Trust and the AOD Risk Management Property/Casualty Insurance Trust. Investment alternatives will include those noted under cash and temporary cash investments and under the guidelines for the Fixed Income component of the Master Trust and the Preneed Master Trust discussed later in this Chapter.

9.3.2.3. The assets of the short-term portion of the overall portfolio will be invested in a diversified manner within each asset category to reduce volatility of returns and/or credit risk. This approach is consistent with the Investment Committee's desire for minimum variance of returns.

9.3.3. Long-Term Component of the Portfolio:

Subject to the specific investment objectives, policies, guidelines and limitations set forth in this document, the investment managers' are granted full investment discretion regarding the purchase and sale of individual securities within the Master Trust and Preneed Master Trust. Realization of gains or losses should be decided solely on the basis of investment merits.

9.3.3.1. *Asset Allocation:* The Investment Committee will establish asset allocation guidelines for the Archdiocese's Master Trust and Preneed Master Trust assets, incorporating the distinct requirements of short-term and long-term requirements/components of the respective Trusts. Such guidelines, which are periodically updated, must also be approved by the AFC. Accordingly, the specific target allocations of the Master Trust and Preneed Master Trust portfolios, as between various investment asset allocations, and appropriate rebalancing ranges are documented in the minutes of the meetings of both the AFC and its Investment Committee and in a supplementary document entitled "Investment Guidelines – Asset Allocation".

9.3.3.2. *Diversification:* Diversification of assets will ensure that adverse or unexpected results from one asset class or one security will not have a detrimental impact on the entire portfolio. Diversification is interpreted to include diversification by asset type, characteristic and the number of securities.

9.3.4. *Rebalancing Policy:* The purpose of re-balancing is to maintain the risk profile implied by the stated long-term asset allocation targets. The CFO and Controller should review the actual and target allocations quarterly and carefully consider rebalancing the portfolio whenever an asset class is outside its rebalancing ranges for two consecutive quarters.

9.3.5. *Review Procedures:* The Investment Committee will review quarterly the performance of the Funds and of the individual investment managers relative to the objectives and guidelines described herein. Such a review may include performance and analysis and comparisons compiled by the Archdiocese's Investment Consulting Firm (the Investment Consultant) retained by the Investment Committee. The consultant will act as a fiduciary to the Investment Committee. The investment performance review will include comparisons with un-managed market indices, a broad sample of investment managers, and the rate of inflation.

9.3.6. The Investment Committee shall review annually its asset allocation strategy, when considering the short-term and long-term liquidity needs of the Archdiocese. Such a review will include forecasts compiled by the Controller and/or CFO, reflecting the short-term and long-term cash liquidity needs of the Archdiocese.

9.3.7. The Investment Committee shall review this Investment Policy and Guidelines annually to ensure that it is consistent with the overall Archdiocesan vision, its mission and values. If modifications are approved by the AFC, they shall be promptly communicated to all investment managers and other interested persons.

#### 9.4. **Investment Guidelines**

##### **General**

Securities owned, but held in custody by another party, such as a bank custodian, will not be loaned to any other party for any purpose, unless such securities lending is pursuant to a separate, written agreement which the Investment Committee has approved.

9.4.1. *Investment Performance:* Investment performance will be reviewed quarterly and include comparisons to appropriate benchmarks for each asset class. The Master Trust's return will be measured using a three-year moving average against:

9.4.1.1. An absolute return target of Consumer Price Index +3%

9.4.1.2. On a relative basis, performance will be measured and compared with Policy index comprised of 15% Merrill Lynch 1-3, 10% Lehman Aggregate, 10% 90-day Treasury bills +5%, 10% Russell 2000, 10% MSCI-EAFE, and 45% S&P 500

9.4.1.3. For individual managers, performance benchmarks will be as follows:

a. Large cap managers:

i. Value - will be measured against S & P 500 index

ii. Growth - will be measured against the S & P 500 index

b. Small cap managers-will be measured against the Russell 2000 Index

c. International managers-will be measured against the MSCI-EAFE Index

- d. Short-term fixed managers-will be measured against the Merrill Lynch 1-3 year index
- e. Fixed income managers-will be measured against the Lehman Aggregate
- f. Alternatives:

Individual benchmarks will be created when managers are hired with consideration given to the following:

- i. Absolute return managers-will be measured against the 90-day T-bills +5%
- ii. Hedged equity managers-will be measured against the S&P 500 Index and the Tremont Long/Short Index

Appropriate style indices will be utilized for comparison purposes over shorter time horizons.

Managers are expected to beat their respective indices on a net basis over rolling three-year time periods.

9.4.1.4. *Annual Review:* In view of the rapid changes within the capital markets and investment management techniques, these guidelines will be reviewed by the Investment Committee on an annual basis.

9.4.1.5. *Selection of Investment Manger(s) and Investment Vehicle(s):* The Investment Committee will select investment managers, commingled funds and/or mutual funds and other investment vehicles only after a complete qualitative and quantitative review of the firm and the portfolio manager's professional experience, past performance and verification of their historic performance representations has been completed by the Investment Consultant. Consideration will be given to the risk characteristics, investment philosophy, portfolio design and internal management capabilities.

The use of commingled funds (mutual funds, unit trusts, etc.,) within the Archdiocesan Investment Program is permitted under the following constraints. For the equity portfolio, commingled funds are only permitted if the underlying commingled fund investments are socially screened in compliance with the Archdiocese's Socially Responsible Investment Policy. For the fixed income and alternative investment portfolios, the use of commingled funds are permitted; however, investment in commingled funds and partnership funds are not allowed if it becomes evident through reasonable due diligence that greater than 10% of the investments in the commingled fund would be prohibited under the Socially Responsible Investment Policy.

9.4.1.6. *Accepted Standards of Fiduciary Responsibility:* Assets shall be invested in a manner that is consistent with generally accepted standards of fiduciary responsibility. The safeguards that would guide a prudent investor will be observed. All transactions will be undertaken for the sole benefit of the Archdiocese.

## 9.5. Equity Components

9.5.1. *Definition:* Equity securities are defined to include common stocks. Permissible investments are all publicly traded American Depository Receipts representing foreign corporations, preferred stocks, and common stocks of any voting class.

Mutual funds and commingled funds as an equity component of the portfolio may be used where it can be demonstrated that such a vehicle is a more cost efficient and/or better investment vehicle than the use of a separate account structure. If mutual funds are utilized, the investment restrictions may not necessarily apply under all circumstances.

9.5.1.1. *Selection:* If a separate account structure is utilized, equity securities are to be selected in accordance with criteria to be determined by the investment manager and applied on a consistent basis. Purchases and sales of such investments are the direct responsibility of the designated investment manager under the discretion granted herein.

9.5.1.2. *Temporary Investments:* Funds available for investment in equity securities may be temporarily invested in money market funds, short-term U.S. Treasury obligations, short-term obligations of government-sponsored enterprises, federal agencies, commercial paper and commercial bank certificates of deposit.

9.5.1.3. *Prohibited Transactions:* Prohibited investments and transactions for separately managed accounts of the Archdiocese are:

- a. Investment in common stock of non-public corporations
- b. Short sales of any type
- c. Investment in insurance investment contracts, such as guarantee investment contracts
- d. Investment in lettered or restricted stock
- e. Transactions in options of any kind or in futures contracts of any kind
- f. Investment in “penny stocks”
- g. Margin buying, short selling or any strategy or instruction involving the use of leverage.<sup>2</sup>

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<sup>2</sup> The use of leverage within the Archdiocese investment portfolio is prohibited except as specifically permitted in the alternative investment allocation. No securities which involve leverage, such as futures, may be utilized without a fully collateralized cash position. No strategies based on leverage such as margin buying or short selling may be employed within the investment portfolio.

The use of derivatives is allowed for instruments, which have well understood risk/return patterns, well-documented market liquidity, and a well-recognized pricing mechanism. Such securities as exchange traded futures and options, and Treasury strips are permitted only if and to the extent that they are fully collateralized to avoid any leverage from such positions. Futures trading will generally be for the purpose of hedging the investment portfolio's investments.

## 9.6. Fixed Income Components

9.6.1. Fixed income securities are defined to include debt obligations that carry a predetermined rate of interest and date of maturity. Fixed income investments of choice would be:

9.6.1.1. Mutual funds and commingled funds as a fixed income component may be used where it can be demonstrated that such a vehicle is a more cost efficient and/or a better investment vehicle than the use of a separate account structure. If mutual funds are utilized, the investment restrictions may not necessarily apply under all circumstances

9.6.1.2. U.S. Treasury obligations (bills, notes, bonds)

9.6.1.3. Federal agencies of the U.S. government

9.6.1.4. Certificate of deposit backed by Federal Deposit Insurance Corporation (FDIC)

9.6.1.5. Corporate bonds rated "BAA" or better by Standard & Poor's

9.6.1.6. Archdiocese and Diocese fixed income debt obligations, rated or un-rated, so long as the issue remains a direct obligation of the Catholic Church.

9.6.2. If a separate account structure is utilized, prohibited investments and transactions include the following:

9.6.2.1. Investment in tax-exempt bonds

9.6.2.2. Investment in bonds, notes, or other indebtedness for which there is no public market (private placements)

9.6.2.3. Investment in corporate obligations not rated at least one notch above the lowest investment grade rating of Standard & Poor's, Moody's or Fitch (e.g. "BBB-" and "Baa3" prohibited; "BBB" and "Baa2" not prohibited)

9.6.2.4. Investment in un-rated corporate bonds

9.6.2.5. Investment in commercial paper not rated A2P2 or better

9.6.2.6. Investment in master notes, unless the public debt of the issuer is rated at least AA or the equivalent

9.6.2.7. Investment in direct placement of mortgages on real property.

## 9.7. Socially Responsible Investment Policy

The Archdiocese recognizes and accepts its moral and ethical responsibility to steward its financial resources in a manner consistent with its vision, mission, values and core strategies. In

order to fulfill this responsibility, it is the policy of the Archdiocese to utilize its financial resources to emphasize human dignity and social justice and to comply in principle with the investment policies and principles as promulgated from time to time by the USCCB.

9.7.1. *Shareholder Activist/ Proxy Voting:* The Archdiocese's CFO and Moderator of the Curia, through the utilization of the firm of Institutional Shareholder Services (ISS) or another firm selected from time to time, controls all proxy voting in order to communicate its views on social and management issues. The CFO and Moderator of the Curia will also control the voting of all proxies for equity securities held in the Priests' Pension Plan and general accounts utilizing the consultant noted above to vote proxies based on the guidelines contained in this Policy. The Proxy Voting Guidelines, which are included in this Policy, have been developed to provide consistent criteria for voting on relevant social and management issues and to be consistent with those of the USCCB. Issues not covered by the Proxy Voting Guidelines will be voted based upon the discretion of the Investment Committee.

9.7.2. *Shareholder Resolutions:* The Archdiocese may partner with other mission-based investors and other Catholic entities in the filing of shareholder resolutions that support advocacy priorities, goals, and strategies. The Archdiocese may work with these mission-based investors to establish dialogue with corporations in order to redirect activities or policies that are inconsistent with the Archdiocesan mission and values. The decision to participate will be determined based on availability of resources and relevance of issues.

## 9.8. **Social Criteria**

The Archdiocese believes that the social, moral, and ethical beliefs and teachings of the Catholic Church provide the fundamental framework within which all actions carried out should reside in the conduct of its ministerial mission. In keeping with this belief, it is the policy of the Archdiocese to invest only in those companies that make a meaningful contribution to the good of society, and which operate in a manner consistent with the social, moral, and ethical beliefs and teachings of the Catholic Church.

Therefore, investments will be encouraged in those corporations whose products, services or actions are congruent with the values of the Archdiocese and the social teachings of the Catholic Church. Investments in domestic and international equity and fixed income securities will be avoided in certain corporations whose products, services or actions are deemed to be contrary to the Archdiocesan mission. The following are the exclusionary social criteria in all of the Archdiocese and its related ecclesiastical organization's investment portfolios.

9.8.1. *Protecting Human Life* – Absolute exclusion of investments in companies whose activities include direct participation in or support of abortion and contraception.

9.8.2. *Promoting Human Dignity* – Exclusion of investments in companies whose policies promote racial, and gender discrimination and that produce, sell or distribute pornography

9.8.3. *Military restrictions* – The production of nuclear, chemical or biological weapons or the holding of major contracts for military weapons and/or the production of land mines

9.8.4. Any corporation whose operation does not serve a useful social purpose consistent with Catholic moral teaching or whose behavior raises serious questions concerning social justice.

These areas of concern may be expanded over time through revision to this policy. In order to avoid investment in corporations associated with these issues, specific definitions have been developed in the “Restrictions” section listed below.

#### 9.9. **Restrictions on Investments**

Restrictions on investments are as follows:

##### 9.9.1. *Protecting Human Life*

9.9.1.1. *Abortion and Contraception Restrictions:* The Archdiocese will not knowingly invest in corporations that manufacture abortifacient drugs, contraceptive devices or operate health care facilities and physician management organizations that provide elective abortion services. Investments in any corporations deriving identifiable revenue from the manufacture of such products or the operation of such facilities will be excluded.

9.9.1.2. *Embryonic Stem Cell/Human Cloning:* The Archdiocese will not invest in companies that engage in scientific research on human fetuses or embryos 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. Specific activities covered by the policy will include:

- a. Embryonic stem cell research (ESCR)
- b. Fetal tissue research or stem cell research derived from embryos and
- c. Human cloning.

Because this field of research is dynamic, new forms of research, or products and services derived from such research, will be evaluated on a case-by-case basis.

9.9.2. *Promoting Human Dignity:* The Archdiocese and its related ecclesiastical organizations will, through its investment and its advocacy of the USCCB, seek to promote resolutions towards protecting and promoting human rights and in doing so,

9.9.2.1. *Racial Discrimination* – The Archdiocese and its related ecclesiastical organizations will divest from those companies whose policies are found to be discriminately against people of varied ethnic and racial backgrounds that have been historically disadvantaged.

9.9.2.2. *Gender Discrimination* – The Archdiocese and its related ecclesiastical organizations will divest from those companies whose policies are found to be discriminatory towards women.

9.9.2.3. *Pornography*: The Archdiocese and its related ecclesiastical organizations will not knowingly invest in any company or corporations that produce, sell or actively distribute pornography.

9.9.3. *Reducing Army Production*

9.9.3.1. *Military Restrictions*: The Archdiocese will, through its investments as well as its advocacy of the USCCB, seek to discourage any nuclear and conventional arms race and to limit the distortions in the U.S. and global economy resulting from disproportionate military spending. The Archdiocese will, therefore, not knowingly invest in firms primarily engaged in military weapons production or the development of weapons inconsistent with Catholic Teaching on war (e.g., biological and chemical weapons, arms designed or regarded as first-strike nuclear weapons, indiscriminate weapons of mass destructions, etc.). The intention of this section is to eliminate corporations deriving any revenue from these activities.

9.9.3.2. *Land Mines*: The Archdiocese will not knowingly invest in any corporations that derive identifiable revenue from the production of land mines, or are involved in the manufacture, sale or use of anti-personnel land mines.

9.9.4. *Pursuing Economic Justice* – The Archdiocese will promote and support shareholder resolutions (see 9.1.8) which avoid the use of sweatshops and that do not deposit funds in financial institutions that receive less than satisfactory regulatory ratings under the Community Reinvestment Act.

9.9.5. *Protecting the Environment* – The Archdiocese will promote and support shareholder resolutions which encourage corporations to act to “preserve the planet’s ecological heritage, addressing rampant poverty in the poorest nations and creating environmentally sensitive technologies”.

9.9.6. *Encouraging Corporate Responsibility* – The Archdiocese will encourage companies to report on social environment as well as financial performance.

9.9.7. *Other*: In the event the Archdiocese deems a certain corporation’s actions, products, or other characteristics are incongruent with the Archdiocesan mission and values, such investment in the corporation will be restricted and any holdings will be liquidated.

9.10. **Ownership Considerations**

The general Archdiocesan policy in evaluating a corporation for exclusion includes a review of ownership issues whereby a publicly traded corporation may be responsible for a wholly owned subsidiary. In such a case, both the parent and the subsidiary corporation would be excluded from the portfolio. The Archdiocese will not knowingly invest in corporations that are majority owned (50% or more) by firms excluded by the social criteria.

9.11. **Compliance**

The Socially Responsible Investment Policy will be communicated to all investment managers as noted in Exhibit A to these guidelines. A restricted list of corporations will not be maintained as part of this Policy. The Archdiocese believes that compliance with the Social Criteria will be

effectively implemented through the use of ISS and/or similar firms, communication provided to its investment managers and periodic portfolio reviews; thus the use of a restricted list is not required. Investment managers will be directed to avoid purchases of any securities defined in the Social Criteria. Any securities deemed questionable or not in compliance with the Social Criteria should be brought to the attention of the CFO and/or Moderator of the Curia by either the investment managers or ISS. If necessary, an appropriate time frame for liquidation will be determined.

#### 9.12. **Shareholder Resolutions**

The following shareholder resolutions will generally be supported by the Archdiocese's Proxy Voting Guidelines:

9.12.1. The Archdiocese will actively support resolutions directed towards protecting and promoting human rights. For example, the Archdiocese will discourage and work to avoid investments in corporations that are engaged in extractive industries or are operating in countries with significant human rights concerns.

9.12.2. The Archdiocese will support resolutions regarding equal employment opportunity, affirmative action, and elimination of racial/ethnic/religious discrimination.

9.12.3. The Archdiocese will support resolutions that address the conversion of military technology to civilian uses, limit weapons production and limit foreign sales of weapons.

9.12.4. The Archdiocese will support initiatives, including in some cases, shareholder resolutions to support the production of family-oriented content development by media companies.

9.12.5. The Archdiocese will use selected shareholder resolutions and other means to encourage companies to provide sufficient wages, working conditions and other social benefits that enable their employees and families to meet basic human needs.

9.12.6. The Archdiocese will support resolutions requesting the development of criteria for the evaluation, support, and use of intermediaries capable of promoting appropriate development in emerging economies. In addition, the Archdiocese will support requests for disclosure of information on IMF-World Bank-enforced programs that help developing countries repay loans.

9.12.7. The Archdiocese will support resolutions that address smoke-free restaurants, divestiture of tobacco holdings, tobacco smoke in the environment, and limitation on tobacco sales to minors and restrictions on tobacco advertising.

9.12.8. The Archdiocese will actively encourage and support shareholder resolutions directed toward making life-sustaining drugs more available and affordable to low-income communities and nations at reduced, affordable prices consistent with our Catholic Values.

9.12.9. The Archdiocese will support resolutions that ask certain mainstream retail companies to stop selling handguns and related ammunition and to return all handgun inventories and related ammunition to the manufacturers.

9.12.10. The Archdiocese will encourage shareholder resolutions that promote policies and businesses that “undertake reasonable and effective initiatives for energy conservation and the development of alternate renewable and clean energy resources...(and offering) incentives to corporations to reduce greenhouse gas emissions and assistance to workers affected by those policies.” (Global Climate Change, 2001)

9.12.11. The Archdiocese will encourage companies to report on social, environmental, as well as financial performance. (For example, those companies which have signed on or adopted formal corporate social responsibility guidelines; e.g., The UN Global Compact, the Global Sullivan Principles, and the Caux Round Table Principles for Business.) The Archdiocese will actively promote and support shareholder resolutions directed towards adoption of corporate social responsibility guidelines within companies.

### 9.13. **Shareholder Governance**

The following shareholder resolutions address governance issues of concern to the Archdiocese:

9.13.1. *Independent Board:* The Archdiocese recognizes it is in the best interest of all shareholders that a majority of board members be independent from the corporation.

9.13.2. *Cumulative Voting:* The Archdiocese will oppose resolutions requesting cumulative voting. Cumulative voting allows shareholders to cast all of their votes for 1 nominee to the board. This is viewed as violating the principles of fairness and equity by granting minority shareholders a disproportionate voice in the corporation.

9.13.3. *Staggered Terms:* The Archdiocese will support resolutions endorsing staggered terms for the board of directors in order to maintain board continuity.

9.13.4. *Annual Meetings:* The Archdiocese will support resolutions requesting annual meetings to be held in various/rotating sites to allow shareholders the opportunity to participate in these meetings.

9.13.5. *Political Contributions:* The Archdiocese will support resolutions requesting Boards of Directors to establish corporate political contribution guidelines and reporting provisions.

9.13.6. *Mergers and Acquisitions:* The Archdiocese will evaluate bids by one corporation for another on a case-by-case basis. The Archdiocese will generally support these resolutions unless there are mitigating circumstances, such as labor or social issues.

9.13.7. *Management and Director Compensation:* The Archdiocese will support reasonable compensation packages for managers and directors. In cases where the compensation is not deemed to be reasonable, the resolution will be opposed.

9.13.8. *Management Compensation – Non-financial Performance:* The Archdiocese will support resolutions requesting companies to review their executive’s compensation and report to

shareholders on its link to not only financial performance but to the company's performance on environmental, diversity, and social issues.

9.13.9. *Independent Auditors:* The Archdiocese will support shareholder proposals asking companies to adopt a policy to ensure that the firm that is appointed to be the company's independent accountants will only provide audit services to the company and not provide any other services that may conflict with the principle responsibility of providing audit services.

9.13.10. *Research:* The Archdiocese will support resolutions requesting finance companies to develop stronger firewalls between the investment banking and investment research divisions to prevent conflicts of interest, including the total separation of these lines of business from one another.

#### 9.14. **Meetings and Communication of the Investment Committee**

The Investment Committee of the Archdiocesan Finance Council is comprised of qualified individuals with professional competence in the area of investment management. These individuals will serve in an advisory/general oversight/review capacity to monitor the investment performance of Archdiocesan assets and provide strategic input and professional expertise for assurance of capable and competent stewardship to the Archbishop. The Chairperson of the Investment Committee reports to the Archdiocesan Finance Council on a quarterly basis.

The Investment Committee shall consist of a maximum of five members, each of whom is not employed or has no significant relationship with the Archdiocese or its related entities. Terms of the Committee members will be staggered, but no member can serve for greater than five years unless reappointed by the Archbishop. The chairperson presides at the meetings which are scheduled by the Archdiocesan staff in accordance with the Archdiocesan Finance Council meetings. Generally, the Committee will meet a minimum on a quarterly basis. The CFO and Controller comprise the Archdiocesan staff with a Recording Secretary present to record minutes. Specific duties of the Investment Committee are governed by the Charter of the Investment Committee.

#### 9.15. **Approval of Policy and Guidelines**

As previously stated, in view of the rapid changes within the capital markets and investment management techniques, this investment policy and guidelines will be reviewed by the Investment Committee periodically and such review will be acknowledged by the Committee chairman as noted in Appendix A.

In addition, it is required that the investment managers utilized by the Archdiocese review and accept the objectives and guidelines of the Archdiocese investment policy and guidelines and provisions contained therein and acknowledge the same. Such acknowledgement will be evidenced as noted in Appendix A.

## **Appendix A**

### **Archdiocese of Denver Investment Policy and Guidelines**

#### **Approval**

##### **Committee**

It is understood that this investment policy is to be reviewed periodically by the Investment Committee of the Archdiocese of Denver to determine if any revisions are warranted by changing circumstances including, but not limited to, changes in financial status, risk tolerance, or changes involving the investment mangers.

\_\_\_\_\_  
Chairperson, Investment Committee

\_\_\_\_\_  
Date

##### **Investment Manager**

The investment policy as set forth in this document will be reviewed annually by the Committee, which can approve and implement changes. If at any time the investment manager believes that these objectives cannot be met or that the investment guidelines constrict performance, the Investment Committee should be so notified in writing. By initial and continuing acceptance of these objectives and guideline, the investment manager concurs with the provisions of this document effective as October 4, 2007.

\_\_\_\_\_  
Investment Manager

\_\_\_\_\_  
Date