

## Extract on Shareholder Advocacy from the Social Responsibility Policy dated December 8, 2016

### II. Shareholder Advocacy

To further its mission of engaging in collaborative efforts to raise the voice of the Sisters of Mercy to effect systemic improvements in corporate policies and activities, and guided by the mission, Direction Statement and critical concerns of the Sisters of Mercy, both locally and globally, Mercy Investment Services, Inc. will engage in a comprehensive and robust shareholder advocacy program that consists of company engagement, public advocacy, and proxy voting.

- A. Company Engagement:** In collaboration with other mission-based investors, including members of the Interfaith Center on Corporate Responsibility (ICCR) and other institutional investors, Mercy Investment Services, Inc. will implement the full range of shareholder advocacy strategies, including the filing of corporate shareholder resolutions and conducting dialogues with management. An annual advocacy action plan establishing advocacy priorities, issues to be addressed through shareholder engagement and goals for the following calendar year will be presented to the Social Responsibility Committee each year for approval and communicated to the Board of Directors
- B. Advocacy Portfolio:** To ensure its ongoing ability to engage with key companies over time and to enable managers to make timely and appropriate investment decisions, Mercy Investment Services, Inc. will maintain a shareholder advocacy portfolio through which an appropriate number of shares of companies that Mercy Investment Services, Inc. intends to engage through shareholder advocacy will be owned and maintained.
- C. Proxy voting:** Shares will be voted, and proxy voting guidelines approved by the Social Responsibility Committee. The guidelines will address appropriate governance, social and environmental criteria, with a focus on issues of importance to the Sisters of Mercy. Mercy Investment Services, Inc. may retain the services of a proxy-voting vendor to manage the proxy-voting program using the approved guidelines.
- D. Divestment:** Mercy Investment Services is committed to engagement with companies as its preferred approach to raise the corporate voice of the Sisters of Mercy to achieve systemic change in corporate policies and activities. Nonetheless, there may be occasion, as determined by the Social Responsibility Committee, that a company or group of companies (collectively referred to as the “company”) have committed egregious environmental, social or governance actions that are inconsistent with the values and critical concerns of the Sisters of Mercy, in which case the company will be reviewed for divestment from the investment portfolios. The following are the criteria that the Social Responsibility Committee will consider in making this determination:
1. Has the company committed egregious environmental, social or governance actions that are inconsistent with the values and critical concerns of the Sisters of Mercy and the Social Responsibility Philosophy and Policy of Mercy Investment Services?

2. Have Mercy Investment Services and/or other responsible investors engaged in long-term shareholder advocacy efforts with the company on the identified environmental, social or governance concerns?
3. Has the company failed to respond adequately by making and reporting measurable progress to address the identified environmental, social or governance concerns?
4. Is there consensus in the faith-based responsible investor community to divest from the company's stock so that divestment will contribute positively to resolving the environmental, social or governance concern created by the company's policies or activities?

As part of its review process, the Social Responsibility Committee and the Investment Committee will review the financial impact of the proposed divestment on the investment portfolios. Recommendations of the Social Responsibility Committee to divest from the company shall be communicated to the Investment Committee and presented to the Board of Directors for approval. Investment managers shall be provided notice of the divestment and provided appropriate time frame for sale. The Social Responsibility Policy will be communicated to all investment managers. A restricted list of companies will not be maintained as part of this policy unless management determines that the screens can be more effectively administered through the use of a restricted list with one or more of its investment managers. Where a restricted list is not utilized, compliance with the social screens will be effectively implemented through 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 screens. Mercy Investment Services, Inc. may use an outside consultant to perform a periodic review of compliance with the screens. Any securities deemed questionable or not in compliance with the social screens should be brought to the attention of the staff by the investment managers. If necessary, an appropriate timeframe for liquidations will be determined. Managers are also encouraged to consult with staff if there are any questions concerning the screens. Managers will be expected to apply the screens using appropriate sources of data from firms doing social investment research, such as MSCI, Sustainalytics, EIRIS and various advocacy groups.