

INVESTMENT POLICY STATEMENT and GUIDELINES

for

The Sisters of St. Joseph Healthcare Foundation

Last Revision Date: May 4, 2023

PURPOSE

The purpose of this Investment Policy Statement and Guidelines (“Investment Policy”) is to:

1. Establish a clear understanding of the mission as well as the investment policies, objectives, and constraints of the Foundation for the benefit of all interested parties: leadership, finance and/or investment advisory committee, and outside advisors and managers.
2. Develop specific guidelines and limitations for the investment managers to ensure that assets are being managed in accordance with these investment policies and objectives; and
3. Provide a basis for the evaluation of the investment performance of our assets.

This Investment Policy is intended to provide investment objectives that are sufficiently specific to be meaningful, but adequately flexible to be practicable.

INVESTING PHILOSOPHY

The Sisters of St. Joseph Healthcare Foundation shall ensure responsible financial stewardship and ethical and social stewardship of its investments. It will ensure that its investment manager invests in corporations and actively works for changes that promote human dignity and support the common good in alignment with the tenets of the Catholic Church.

We are long-term investors with specific financial needs and goals that can best be met by making a reasoned, long-term commitment to fixed income and equity markets. We do not support the concept of speculation and, therefore, do not consider short-term market-timing an appropriate technique for the management of our account. This Investment Policy should provide a prudent method of achieving our long-term return needs and objectives while moderating risk of principal loss and volatility over shorter-term periods.

CATHOLIC RESPONSIBLE INVESTINGSM

The Sisters of St. Joseph Healthcare Foundation has adopted the Catholic Responsible Investing approach of Christian Brothers Investment Services.

Catholic Responsible InvestingSM (CRI) is an investment management approach designed by Christian Brothers Investment Services, Inc. (“CBIS”) specifically to help Catholic institutions pursue their missions by seeking to provide sound financial returns while remaining faithful to the teachings of the Church. Specifically, Catholic Responsible Investing includes:

- Catholic Investment Screening
- Active Ownership
- Diversified Asset Management

Catholic investors care not just about earning competitive returns, but how those returns are achieved — they do not want to benefit from activities that violate their beliefs. CBIS' Catholic investment screens aim to identify those companies involved in activities that fundamentally contradict Catholic moral and social teachings and exclude them from the investment universe, so that Catholic investors do not profit from those products or services.

Investment screening is applied to a portfolio to filter out companies based on moral or social beliefs. Similar to employing screens to implement a particular investment strategy (e.g., deep value investing or momentum investing), CBIS applies screens based on Catholic beliefs.

We want to utilize managers that help us achieve those goals. For example, CBIS' Catholic investment screens aim to identify those companies involved in activities that fundamentally contradict Catholic ethical and social teachings and exclude them from the investment universe, so that as Catholic investors we do not profit from those products or services.

CBIS' Catholic Investment Screens address the following areas:

- a. The life ethics screen excludes businesses that manufacture contraceptive drugs and devices, conduct human embryonic stem cell research, fetal tissue research, or human cloning, and healthcare facilities that perform abortions. In addition, companies with over 10% of their revenue from the retailing of contraceptives are excluded.
- b. The violence screen seeks to identify and exclude firearms manufacturers as well as large weapons manufacturers based on the amount of revenue a company earns from nuclear weapons, conventional weapons, support systems for weapons and support services, land mines and revenues dependent on weapons production.
- c. The pornography screen identifies and excludes companies that earn revenue from the production of adult entertainment or operation of adult entertainment establishments.
- d. CBIS does not invest in companies whose primary purpose is to derive revenue from gambling or the production of tobacco or the recreational use of cannabis. Tobacco manufacturers include but are not limited to companies that manufacture cigarettes, cigars, pipe tobacco, smokeless tobacco products, e-cigarettes and companies which process or trade tobacco or distribute wholesale raw tobacco to the manufacturers of tobacco products.
- e. The fossil fuel producers and users screen seeks to exclude companies that have the highest impact on carbon emissions, and those companies CBIS believes will be unable to adapt their business model and be part of the solution to climate change. Specifically, we are restricting companies who generate more than 10% revenue from the mining and processing of thermal coal, the extraction and processing of oil sands, or the burning of thermal coal for power generation.

Adherence to our screens shall be carefully monitored using a strict compliance process. CBIS monitors and reports the impact of our screens regularly. CBIS reviews the screens on an ongoing basis and screens may change.

Active Ownership: We believe that active ownership (shareholder advocacy) is an essential aspect of our fiduciary duty as a Catholic institutional investor. As responsible shareholders, we are called upon to be active owners by influencing the strategies, policies and practices of corporations in our portfolios, and we use our investments to encourage companies to improve their policies and practices in the areas of human dignity (such as human trafficking, pornography, violence, and human rights), economic justice (for example, access to health and nutrition, responsible lending, and worker's rights), and environmental stewardship (e.g., environmental justice, water sustainability, and climate change). We will employ, or our managers will employ on our behalf, the following active ownership strategies:

- a. Corporate Engagements – Working with portfolio companies to encourage them to improve policies and practices that affect employees, customers, and communities.
- b. Shareholder Resolutions – Filing resolutions that are voted upon by shareholders to demonstrate support to address our concerns.
- c. Proxy Voting – For all portfolio companies, voting proxy ballots are consistent with the ethical and social teachings of the Catholic Church in order to communicate to management and directors our positions on important environmental, social, and governance issues.

There are many sources which challenge us as stewards: “From everyone who has been given much, much will be required; and to whom they entrusted much, of him they will ask all the more.” (Luke 12:48)

The U.S. Conference of Catholic Bishops has encouraged shareholders to raise corporate awareness on issues of importance to Catholic investors:

*“Individual Christians who are shareholders and those responsible within church institutions that own stocks in U.S. corporations must see to it that the invested funds are used responsibly. Although it is a moral and legal fiduciary responsibility of the trustees to ensure an adequate return on investment for the support of the work of the church, their stewardship embraces broader moral concerns. **As part owners, they must cooperate in shaping the policies of those companies through dialogue with management, through votes at corporate meetings, through the introduction of resolutions and through participation in investment decisions.** We praise the efforts of dioceses and other religious and ecumenical bodies that work together toward these goals.”*

-U.S. Conference of Catholic Bishops, 1986 Pastoral Letter “Economic Justice for All”

GOVERNANCE

The **Finance Committee** is to provide an advisory function to the **Board of the Foundation** on the policies affecting the investment portfolio and the performance of the Investment Managers. This includes a review of any substantive changes proposed to this Investment Policy. It is recommended that Finance Committee members possess a thorough understanding of

Foundation's culture and mission, investment terms and procedures, and a willingness and intent to devote the necessary time in accordance with their fiduciary responsibility.

The Finance Committee will review at least annually this Investment Policy, monitor portfolio results, and make changes as needed. The result of this review and any recommendations will be shared with the Foundation Board for their approval. . The Foundation Board will submit any changes to the investment policy for final approval to the General Council of the Sisters of St. Joseph of Orange. It will be the Finance Committee's responsibility to communicate any changes to the investment manager. It is not expected that this Investment Policy will change frequently; in particular, short-term changes in the financial markets should generally not require adjustment in this Investment Policy.

Investment Managers – Investment managers will be selected from organizations registered with the Securities and Exchange Commission as investment advisers organized under the Investment Advisers Act of 1940. Criteria for consideration should include firm and/or fund longevity and experience, assets under management, ownership structure and incentives, investment philosophy and process, performance track record and fees, gender, racial and ethnic diversity of leadership and Board and experience with Catholic Responsible Investing.

CBIS will be retained as our investment manager and will be responsible for managing our account in accordance with the style of the mandate and Catholic Responsible Investing principles utilizing the CRI Funds. CBIS will also be responsible for providing assistance to the committee in drafting of the long-term investment policy, providing asset allocation recommendations and reporting on performance data including benchmark and peer rankings. CBIS is responsible for frequent and open communication with the Foundation on all significant matters reflected in these investment policies and the management of the portfolio. Both the Foundation and CBIS will agree to the frequency of performance reports, the medium for communication (online, email or mail), and the frequency of in-person meetings and/or conference calls from a CBIS Relationship Manager.

PURPOSE OF FUNDS:

The Sisters of St. Joseph Healthcare Foundation is a non-profit, public benefit corporation which addresses the needs of the working and indigent poor in: Southern California, the San Francisco Bay area, and Humboldt County. The Sisters of St. Joseph Healthcare Foundation funds programs which directly serve the needs of the underserved, especially families and children at risk. The purpose of the Foundation's investments is to fund the grants that support these programs.

Withdrawals/Distributions

The Executive Director of the Foundation will monitor the Foundation's activities and cash flow needs for Foundation disbursements. The Executive Director will communicate the Foundation's cash flow needs to the Investment Managers on an as-needed basis to minimize disruption of the investment process.

INVESTMENT OBJECTIVE

The objective of the Foundation includes a blend of the following:

Achieve Optimal Long-Term Total Return: Funds in excess of those required to meet projected liquidity needs should be invested in fixed income and equity securities in an amount which offers the greatest potential for realizing optimal long-term total return consistent with our risk tolerance. There are no tax implications for the managers to consider, so the goal of total return is specified without preference for income or capital gains.

Preserve Capital: Investment strategies utilized by the managers should provide long-term preservation of capital, in both real (net of inflation) and absolute terms. The managers should make reasonable efforts to avoid substantial loss of principal in any short-term period, consistent with their style of management.

Invest According to Catholic Values: The Foundation makes investment decisions based on both economic and social and environmental returns by investing according to Catholic Responsible InvestingSM (CRI). We may choose to periodically issue socially responsible investing guidelines that may include the avoidance of the investment in companies that violate our principles of justice and peace and active involvement that may include corporate dialogue, proxy voting, shareholder resolutions, and similar activities with the companies in our equity portfolio, either on our own part or through the services of CBIS.

Social Justice

Recognizing both the long and short-term responsibility, the Foundation makes investment decisions based on both economic and social justice factors and chooses investment managers who will collaborate in this effort. The Foundation will use the services of an Investment Manager and other socially responsible groups such as the Interfaith Center on Corporate Responsibility to assist in making these decisions. Investment Managers will consider the commitment to increasing diversity, equity and inclusion as an essential element in their decision-making processes practices which may be considered at variance with the social teachings of the Catholic Church and the values of the Foundation. The exercise of ethical and social stewardship within this Investment Policy is an important principle.

The Foundation may take an active role in attempting to effect favorable change or other positive influences with certain corporations and its management with which we may have an ownership interest from time to time. This activity may take the form of active participation in shareholders resolution, proxy voting or direct correspondence with management.

ASSET ALLOCATION

The single most important decision impacting portfolio performance is asset allocation, accounting for, in some studies, up to 95% of the variation of a portfolio's return. Asset allocation will be

determined by examining the estimated return and standard deviation (risk) of different scenarios and selecting the allocation that is most suitable to the Foundation.

We are long-term investors with specific financial needs and goals that can best be met by making a reasoned, long-term commitment to fixed income and equity markets. We do not support the concept of speculation and, therefore, do not consider short-term market-timing an appropriate technique for the management of our funds. This Investment Policy should provide a prudent method of achieving high longer-term returns while moderating risk of principal loss and volatility over short periods.

In view of the above considerations, the committee has established a target asset allocation of 60% return seeking (e.g., equities) and 40% income producing (e.g., fixed income) investments for the Foundation. To implement this allocation, the committee has selected the CRI Funds listed in Appendix A. Ranges should be +/-5% at the asset class level as shown below.

Asset Class	Asset Allocation Parameters		
	Minimum %	Target %	Maximum %
FIXED INCOME TOTAL	35%	40%	45%
EQUITIES TOTAL	55%	60%	65%

Portfolio Rebalancing – Since asset allocation is the largest determinant of returns, it is important to rebalance periodically to bring the portfolio back to its intended return and risk profile. Threshold rebalancing will be our preferred method over periodic rebalancing (quarterly or annually, regardless of deviations). Threshold rebalancing should be initiated when any asset deviates beyond its minimum and maximum weight.

INVESTMENT RESTRICTIONS

The portfolio’s investment assets will follow the policies and restrictions as stated in in this document and the Fund Prospectus (Available on CBIS’ website at: <https://cbisonline.com/us/investor-services/>).

PERFORMANCE EVALUATION

The Foundation will review portfolio performance at least annually. To facilitate these reviews, the manager will provide a performance summary for each measurement period agreed upon. Reviews

will take into consideration conformity to investment guidelines and objectives rather than focusing solely on absolute or relative performance standards.

1. **Portfolio Return** – The investment objective of the account is to earn a rate of return (after fees) consistent with the policy targets (see Appendix A). Relative success will be determined by comparing the portfolio return to that of a benchmark consisting of a weighted average of market indices that represent a passive implementation of the policy targets.
2. **Fund Level Returns** – Active managers utilizing reasonable risk should be expected to provide returns (net of fees) above their appropriate benchmark over rolling three- and five-year periods. In addition, active managers are expected to rank in the top half of their respective peer group over rolling three- and five-year periods. Index or passive managers should be expected to provide returns nearly identical, gross of fees, to their respective benchmark but just below the appropriate benchmark net of fees, with risk or volatility in line with the benchmark. Statistical measures such as standard deviation, tracking error, Sharpe ratio, information ratio, downside and upside capture, and active share are also helpful in evaluating fund performance.
3. **Fees** - Fees and expenses are paid by the CRI Funds and reflected in the net performance results. These fees and expenses include the CBIS investment management fee, and other fund expenses. The total fees and expenses paid are determined by the assets invested in individual funds. More information on the fees and expenses can be found in the CRI Fund Prospectus. CBIS does not charge separate fees for services such as investment performance analysis, asset allocation and investment policy review.
4. **Social Justice and Diversity, Equity and Inclusion** – The investment managers will report to the Finance Committee on their progress on mutually agreed-upon goals and metrics related to social justice and diversity, equity and inclusion.

Index benchmarks for the policy asset mix and the respective asset classes have been established and are provided in Appendix A.

APPROVAL

This Investment Policy Statement is hereby approved by Sisters of St. Joseph Healthcare Foundation

By: Barry Ross

Printed Name: Barry Ross

Title: Executive Director Date: May 04, 2023

Appendix A

In order to achieve the target asset allocation of 60% return seeking (e.g., equities) and 40% income producing (e.g., fixed income) investments, the committee has elected to invest in CBIS's CRI Magnus 60/40 Alpha Plus Fund for the Sisters of St. Joseph Healthcare Foundation. The committee understands that as the manager of this multi-asset fund, CBIS will implement a rebalancing strategy consistent with the policy set forth in this Investment Policy.

The following benchmarks for the policy asset mix and the respective asset classes have been established (as of 12/31/2021):

Investment	Benchmark
INCOME PRODUCING (E.G., FIXED INCOME)	
CRI Short Duration Bond Fund	Bloomberg US Treasury 1-3 Year Index
CRI Opportunistic Bond Fund	Bloomberg US 1-5 Year Gov't/Credit Index
CRI Bond Fund	Bloomberg US Aggregate Bond Index
RETURN SEEKING (E.G., EQUITIES)	
CRI Equity Index Fund	S&P 500 Index
CRI Multi Style Fund	Russell 1000 Index
CRI International Equity Fund	MCSI ACWI ex-US* Index
CRI Small Cap Style Fund	S&P Small Cap 600 Index
CRI International Small Cap Fund	MSCI ACWI ex-US* Small Cap Index
TOTAL PORTFOLIO	CUSTOM WEIGHTED POLICY BENCHMARK or BROAD-BASED MARKET INDEX
CRI Magnus 60/40 Alpha Plus Fund	40% Bloomberg Barclays Aggregate Bond Index, 45% Russell 3000 Index, 15% MCSI ACWI ex-US* Index (*Morgan Stanley Capital International All-Country World Index excl. U.S.)