JESSIE SMITH NOYES FOUNDATION

Statement of Fiduciary Responsibility

We recognize that we are fiduciaries and our fiduciary responsibility does not end with maximizing return and minimizing risk.

We also recognize that economic growth can sometimes come at a considerable financial and nonfinancial cost to communities and the environment.

We believe that efforts to mitigate environmental degradation, address issues of social justice and promote healthy communities should be incorporated as part of business and investment decision making. We believe that management, directors, employees and investors should consider these issues in the pursuit of financial objectives.

We believe that in light of the social, environmental and economic challenges of our time, fiduciary responsibility in the coming decades will dictate the integration of prudent financial management practices with principles of environmental stewardship, concern for community, and corporate accountability to shareholders and stakeholders alike.

We believe that foundations have a particular role to play in this process, seeing their mission not only in terms of the uses of income to fund programs, but also in terms of the ends toward which endowment assets are managed. We believe that it is essential to harmonize philanthropic mission and endowment management.

INVESTMENT PHILOSOPHY

In concert with the Foundation's mission to promote a sustainable and just social and natural system, we seek to invest our endowment assets in companies that:

- provide commercial solutions to major social and environmental problems; and/or
- build corporate culture with concerns for environmental impact, equity and community.

The Foundation will consider:

- the environmental impact of a business by its use of materials, generation of waste, and the goods it produces or services it provides
- issues of corporate governance, including selection of directors, role of independent directors, diversity on the board and executive team, compensation policies, relations with labor unions, employee benefits

programs or other demonstrated commitments to the well–being of all individuals involved in an enterprise
- a corporation's openness and accountability to all stakeholders, its local job creation, its corporate giving to and active involvement with community organizations, or its other initiatives that provide net benefits to the local economy.

SPENDING AND INVESTMENT GOALS

The spending and investment goals of the foundation are:

- to generate income and capital gains necessary to support the foundation's operations and fund its grantmaking over the long–term
- to provide capital directly to or own the equity or debt of enterprises which further the foundation's mission
- to avoid investing in companies whose environmental or social impacts contribute to the issues that the foundation's grant–making seeks to address
- to strive for a six percent (6%) annual payout, recognizing that the Board will set a payout percentage annually
- to preserve the real (inflation adjusted) value of its assets over the long term.
- The Board of Directors has determined that the Foundation should be viewed as a perpetual institution. Therefore, investments that have the potential to generate substantial and long–term total returns that offset inflation will be important to pursue.

INVESTMENT GUIDELINES

Investment guidelines are based on a long-term time horizon. Interim performance will be reviewed and monitored by the Finance committee.

Capital appreciation and income will be used to finance grants and operating expenses. Principal may be spent down during periods in which neither appreciation nor income is sufficient to fund grantmaking budgets.

The Foundation's assets will be managed by professional money managers selected by the Finance Committee. Assets will be allocated in accordance with guidelines set forth by the Finance Committee and approved by the Board. Investment managers will have discretion to manage the assets in each particular portfolio to best achieve investment objectives and requirements consistent with the social and financial guidelines set forth in the Foundation's Investment Policy. On a regular basis managers will be monitored for financial performance and adherence to the foundation's investment policies.

The managers have responsibility to:

- exercise of a high degree of professional care, skill, prudence and diligence in the management of assets under their direction
- perform thorough professional analysis and judgment with respect to all investments held in the account
- purchase and sell securities as appropriate
- diversify securities by issuer, industry, geography, type, and maturity of investments, etc. No individual security shall comprise more than 10% of the manager's portfolio.
- fully comply with all provisions of any governmental regulations and decisions thereunder dealing with the management and investment of foundations
- cooperate with the Foundation on voting shareholder proxies and related activities if requested

ASSET ALLOCATION

Assets will be diversified both by asset class (U.S. and global equities, fixed income, venture capital, private placements, community investments and real estate) and within each asset class.

Foreign debt and equity securities may include an allocation to emerging market countries. Emerging market securities are defined as those domiciled in countries represented in the MSCI Emerging Markets Index. The emerging market allocation may be accomplished via the hiring of managers specializing in emerging markets investing or through an allocation within broad foreign portfolios.

Emerging market debt securities should not exceed 20% of the market value of total Foundation foreign debt securities. Emerging market equity securities should not exceed 20% of the market value of total Foundation equity securities.

Asset allocation shall fall within the following ranges:

- Equities: 50% to 80%
- Fixed Income: 10% to 50%
- Alternative Investments: 5% to 20%

Up to one percent of assets may be invested in community investing. Community investing allocates money to under-served communities as an investment strategy to help remedy economic disparity by providing lower-income groups and people access to capital, credit and training that they otherwise would not have.

On a quarterly basis, the Foundation's President and Treasurer shall review the over and under weighting of the asset allocation and consult with the Finance Committee to rebalance the assets to bring them in line with policy ranges.

SCREENING

The Jessie Smith Noyes Foundation views its investments as an integrated component of its overall mission. Investments are based on sound, professional financial analysis and are screened consistent with the Foundation's values and mission. Exclusionary screens guide managers away from companies to avoid and inclusionary screens guide managers toward companies in which to invest.

The Foundation's domestic and international equity and fixed income asset classes shall be managed by investment managers who use financial analysis and social and environmental screens equal to or more comprehensive than those described in this policy.

The Foundation may also utilize socially screened mutual funds or other pooled investment vehicles. Investments in mutual funds or other pooled vehicles may be made even if all of the Foundation's screens are not addressed, provided that the overall orientation of such funds is consistent with the Foundation's mission and values.

Managers are free to choose the sources of data and outside research necessary to effectively apply the social criteria. Managers are encouraged to consult with the Foundation if there are questions regarding the screens.

In certain cases, shares may be owned in a company that is incompatible with the Foundation's mission. This provides the Foundation with the option of engaging as an active shareholder with that company.

In order to avail itself of a full spectrum of investment diversification, the Foundation may invest in asset classes where screening is limited or unavailable, including hedge/absolute return funds, venture capital and real estate. To the extent possible, the Foundation will seek to identify and consider managers in these asset classes that include screening in their investment processes and/or ensure that such investments are benign in relation to the Foundation's mission.

The Foundation will review the relationship between financial returns and the impact of screening regularly.

Screening will be employed as follows:

Toxic Emissions, Extractive Industries and Environmental Justice

Exclusionary Screens

- Companies that own and/or operate nuclear power plants.
- Companies that rank among the top ten on the most current Toxic 100, a list of the largest corporate emitters of toxics in the U.S. compiled by the Political Economy Research Institute at the University of Massachusetts.
- Companies that derive a significant portion of their revenue from mountain top removal mining.
- Companies that derive a significant portion of their revenue from fossil fuel production, drilling, extraction, refining or other extractive and energy intensive methods, unless the company has a demonstrated commitment both to addressing climate change through the management of emissions and to mitigating the potential environmental damage from its operations.

- Companies that consistently target Indigenous lands in the United States and globally for:
  - a. mining and extraction of coal, oil, natural gas or other minerals;
  - b. storage and disposal of nuclear wastes
  - c. dumping and disposal of hazardous and toxic wastes.
- Companies that have a pattern of significant violations of environmental laws and regulations in the United States or globally or recently paid substantial fines or penalties or were sanctioned for such violations.

Inclusionary Screens

- Companies that demonstrate a commitment to the environment either by signing the CERES Principles (Coalition for Environmentally Responsible Economies), by participating in recognized environmental programs such as the Business Environmental Leadership Council of the Pew Center on Global Climate Change or by issuing sustainability reports in line with the Global Reporting Initiative.
- Companies that have a comprehensive and effective environmental policy that seeks to reduce adverse environmental impacts through: (a) pollution prevention practices, (b) utilization of recycled products as raw materials, (c) practices that embrace and advance sustainable development, or (d) a demonstrated commitment to cleaning up waste derived from historical operations.
- Companies that have significantly reduced toxic emissions relative to emission reductions by industry peers.

Sustainable Agricultural and Food Systems

Exclusionary Screens

- Companies that are significant producers of synthetic pesticides and fertilizers.
- Companies that are significant producers of genetically engineered seeds, fish or animals and/or recombinant bovine growth hormone (rBGH/rbST),
- Companies that derive a significant portion of their revenue from the ownership of industrial agricultural operations and/or confined animal feeding operations.

Inclusionary Screens

- Companies that avoid using genetically modified organisms (GMOs) in the manufacturing of food products and/or label such products at the point of sale as containing GMOs.
- Companies that produce, distribute and/or sell organic food products.
- Companies that procure, utilize and/or sell locally and regionally sourced agricultural goods and products, particularly from family operated farms.
- Companies that have a record of negotiating in a fair and transparent manner with workers and production contractors.

Reproductive Health and Rights

Exclusionary Screens

- Companies whose practices, actions and positions are contrary to or limit a woman's reproductive choices.

Inclusionary Screens

- Companies that facilitate quality and accessible reproductive healthcare by providing reproductive services, products and/or insurance to their employees and/or to the general public.
- Companies that have publicly demonstrated support for pro-choice organizations.

A Sustainable and Socially Just Society

Exclusionary Screens

- Companies that manufacture tobacco or tobacco products.
- Companies that have paid significant penalties for violating occupational health and safety laws and regulations and/or have been continuously cited as having major workplace health and safety issues.
- Companies that repeatedly have violated affirmative action standards, practiced discriminatory labor practices based on disability, gender, age, race, religion or sexual orientation, or engaged in anti-union activities.
- Companies that have significant operations in countries with repressive regimes where internationally recognized human rights organizations have documented a pattern of human rights abuses and that have resisted shareholder initiatives to sign codes of conduct or to divest operations in such countries. [Note: Specific countries and companies will be reviewed on a periodic basis and that information will be shared with investment managers.]
- Companies that produce small firearms for personal use.

Inclusionary Screens

- Companies that have a demonstrated record of women and people of color serving on their boards of directors and in the top two levels of management.
- Companies with hiring practices and supportive environments that foster diversity and inclusiveness and/or are included on lists like Fortune magazine's 50 Best Companies for Minorities and Working Mother magazine's 100 Best Companies for Working Mothers.
- Companies that support the construction of and/or provide financing and mortgages for affordable and low-income housing.
- Companies with demonstrated leadership on charitable giving, innovative approaches to community development, environmentally friendly building designs and excellence in the public education system.
- Companies that purchase goods and services from minority and women owned businesses and actively promote contract opportunities for minority and women owned suppliers and service providers.
- Companies whose labor practices and compensation standards support collective bargaining, living wage and pay equity.

PROXY VOTING AND GUIDELINES

We believe that passive holding of corporate stocks without assessment of the social and environmental, as well as the financial performance of a corporation does not fulfill our obligation as a shareholder.

With its separately managed accounts, the Foundation votes its proxies as follows:

- When program interests are directly involved, proxies shall be voted in a manner consistent with them.
- When a shareholder resolution deals with a social or environmental issue that is not directly related to the Foundation's program interests, the proxy shall be voted in a manner consistent with this Policy Statement. The Foundation will review each individual case and consult with our grantees, managers and others, as appropriate.

On issues of corporate governance the Foundation will vote according to the following general guidelines:

- Ratify Auditors
- Ratify Directors unless governance or a program interest issue has been raised or there is a lack of diversity on the board
- Vote against golden parachutes for executives
- Vote for proposals requiring a majority of independent directors
- Vote for proposals requiring nominating and/or compensation committees to be composed exclusively of independent directors
- Vote for incentive payments that are tied to social and environmental performance
- Vote for proposals recognizing the standing of stakeholders other than shareholders in governance and control.

MONITORING

The Finance Committee will monitor the performance of the Foundation's managers on a regular basis with face-to-face meetings at appropriate intervals.

Issues to be addressed include:

- Year–to–date and cumulative performance in terms of our screened portfolio as against other screened and non-screened portfolios under management, in comparison to relevant indexes and in relation to the performance of other foundations
- Social research and interactions with portfolio companies including shareholder activities;
- Adherence to the Foundation's screens and values
- Transactions and transaction costs
- Market capitalization, portfolio balancing and holdings overlap among managers and systematic and unsystematic risk, standard deviation, and alpha for each portfolio or manager.

PERFORMANCE STANDARDS

For total Foundation assets and for each asset class a peer group universe benchmark and market index benchmark has been established. It is expected that the aggregate fund and the individual managers will meet or exceed these benchmarks on the following bases:

- Absolute returns should exceed both benchmarks on a three- and five-year rolling basis
- Risk, as measured by the annualized standard deviation of quarterly returns, should be less than that of the market index over the same three- and five-year rolling periods. Higher volatility is acceptable if the risk-adjusted return is greater than that of the market index.
- The peer group manager universe benchmarks are to be composed of professionally managed institutional managers for the Foundation's separate and collective account managers and mutual funds for the Foundation's mutual fund managers. The market index benchmarks shall be established in light of the Foundation's financial objectives and long-term expectations for the capital markets and inflation.

MANAGER REVIEW AND TERMINATION

Investment funds may be placed on "watch" status, replaced or terminated whenever the Finance Committee loses confidence in the management of the fund, when the characteristics of the fund are no longer consistent with the fund's intended role, or the current style is no longer deemed appropriate.

Following are some examples of reasons that may cause the Finance Committee to lose confidence in a manager:

Change in Organizational Structure or Personnel
A significant change in culture through a merger or acquisition that is likely to distort incentives and promote turnover, or if the investment team leaves the firm.

Changes in Strategy
If the manager departs from the strategy and/or style that it was originally hired to implement.

Performance
Continued performance shortfalls versus a peer group of managers with similar styles and/or a market index. Performance should be evaluated over at least a three-year period to provide the manager sufficient time to execute its strategy over full market cycles.

After reviewing a manager, the Finance Committee may take the following actions:

Retain
The Finance Committee has confidence in the manager's ability to add value in the future. The investment performance is satisfactory and there are no organizational and strategy issues of significant concern.

Place on Watch
The manager's investment performance is not satisfactory and/or issues relating to the organization or strategy are of concern.

Terminate
The Finance Committee does not have confidence in the manager's ability to add value over a benchmark in the future and/or if there are significant concerns relating to the organization or strategy.

In addition, if the investment strategy and/or objectives of the Foundation changes, the Finance Committee may terminate a manager that is not consistent with the Foundation's new strategy/objectives.

A manager will generally be placed on watch status for a period of time before a decision to terminate the relationship is made. There may be, however, circumstances under which the Finance Committee may terminate a manager without first placing it on watch.

A manager may be placed on watch after consideration is given to the following factors:

- The manager's strategy or portfolio characteristics no longer fit the desired portfolio structure.
- A manager that under performs both the median in the peer universe and market index over the most recent three-year period.
- A manager may also be placed on watch within a shorter period if performance deviates from the universe and benchmark dramatically and in a manner that would not have been expected given the tracking error expectations of the strategy
- Any known gross negligence, willful misconduct, or breach of federal and state securities laws
- The Finance Committee's conclusion for any other reason that a heightened review of a manager is warranted.
- The watch period may be established for as many as three quarters, for a maximum of one-year total watch duration.

Within one quarter from the time a manager is placed on watch, the Finance Committee may interview the manager to determine if performance is suitably explainable and may continue to watch performance over the remainder of the three quarter watch-period.

If at the end of the watch-period, performance has improved to above-benchmark or above-median over a market cycle, the manager may be removed from the watch list.

If at the end of the watch period the manager is under-performing both objectives, (in effect, four consecutive rolling time periods of non-compliance) the Finance Committee may:

- Immediately terminate the manager

- Begin a search for a replacement fund and extend the watch period
- Interview the manager again to determine if performance is suitably explainable and an upward trend in relative performance has developed, or is expected, and continue the watch-period for some specified number of quarters.

Other Considerations

- The Finance Committee may also consider the impact of the manager's style and that style cycles can persist for periods longer than three years;
- Consistency of performance as represented by rolling three-year performance versus benchmarks and peer groups will be considered. The Finance Committee may also consider a manager's pattern of past performance in various markets in applying criteria for watch and termination
- Risk-adjusted returns, relative to an appropriate peer group, may be considered in addition to absolute performance.

CONCLUSION

The Noyes Foundation set out to harmonize its grantmaking values and asset management beginning in 1993. Since then we have learned much. We are pleased to share our experience with other foundations that share our goals, and to learn what they are doing as well. On a regular basis, we will report on our activities through the Foundation's website.

For foundations and other institutional investing thinking about adopting parts of the Noyes investment policy, we suggest you discuss the goals you seek with your investment policy and the ways in which it will be implemented internally and with your investment managers. We have found socially responsible/mission-based investing to be a dynamic process that needs constant review and reflection.

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