

The David and Lucile Packard Foundation

Socially Responsible Investment Principles and Guidelines

Principles

The Foundation will pursue a targeted approach to socially responsible investing (SRI) where it can both further the Foundation's mission and be implemented without sacrificing the portfolio's expected return or level of diversification.

Guidelines

The Investment Committee of the Board of Trustees is responsible for review and oversight of the implementation of the Foundation's SRI Principles and Guidelines. The Investment Committee will provide an annual report to the Board of Trustees regarding the implementation of the Foundation's SRI Principles and Guidelines. The Investment Committee will review this document on a bi-annual basis and recommend any changes to the Board of Trustees.

The Foundation's SRI Principles will be implemented in the context of the Foundation's overall Investment Objectives and Long-Term Asset Allocation. The Foundation will not exclude any asset classes included in the long-term asset allocation due to SRI constraints.

Social Screening

The Foundation will exclude any companies that manufacture tobacco products from its public equity and fixed income portfolios when investing through separate account structures. Any exceptions to this policy (i.e. for separate accounts that will not allow for such a restriction) will be addressed by the Investment Committee on a case-by-case basis.

Proxy Voting

The Foundation will delegate its proxy voting to investment managers to be voted in the best economic interest of the Foundation. However, the Board designates the Investment Committee as a standing committee on proxies and shareholder activism, to be called into service if and only if an issue arises and is brought before the Committee by a member of the Board of Trustees that warrants direct action by the Foundation.

Mission and Program-Related Investments

For decades, the Foundation has worked to improve the lives of children, enable the creative pursuit of science, advance reproductive health and conserve and restore the earth's natural systems. Looking ahead, there will likely be investment opportunities aligned with our mission which our investment team will identify as compelling investments as they build out the Foundation's portfolio. These recommendations will come from the investment team and decisions will be made pursuant to the Foundation's Investment Policy and goals.

However, separate from this investment function and investment policy, the Foundation has for years dedicated up to 3 percent of its endowment at a given time to investment vehicles chosen for their programmatic importance to furthering the mission of the Foundation. Suggestions for these investments are recommended by the program areas of the Foundation and vetted under the supervision of the President and CEO, with decisions made by the Board of Trustees. Investment staff will provide counsel and advice as needed. To date, the Foundation has made Program Related Investments (PRIs) which are defined by the IRS and typically produce below-market returns. However, within this overall cap of 3 percent, the Foundation expects to expand the variety of these investments to include those which may yield “market-rate” returns, often referred to as “Mission Related Investments.” Accounting and tax treatment are different for PRIs and MRIs, but in both cases the primary purpose of the investment is to further mission, and the initiation of these investments is by the program function rather than the investment function of the Foundation.