**The David and Lucile Packard Foundation**
**Socially Responsible Investment Principles and Guidelines**
**December 2021**

## Principles

The David and Lucile Packard Foundation's Endowment provides critical support to its ongoing philanthropic programs. As such, the Foundation's Investment Committee considers first and foremost its fiduciary responsibility to maximize returns while at the same time taking a reasonable amount of risk. The Foundation also views engagement on environmental, social, and governance ("ESG") matters within its Endowment as prudent practice, both important to and consistent with its fiduciary responsibility to generate attractive and sustainable risk-adjusted long-term returns. When considering screens in the Endowment, the Foundation draws a distinction between investments made directly, where the Foundation has discretion, and investments made through fund managers, where managers have discretion. Generally the Foundation believes that engagement with managers on ESG matters will further our mission more effectively than boycotting managers who make certain investments.

## Guidelines

The Investment Committee of the Board of Trustees is responsible for implementing the Foundation's SRI Principles and Guidelines. The Investment Committee will review this document regularly and recommend any changes to the Board of Trustees. The Investment Committee will also inform the Board annually that it has adhered to the policy and of any violations, and keep them apprised of trends related to ESG.

**Screens on Direct Investments.** Given its work on issues relating to children's health and the environment, the Foundation will exclude manufacturers of tobacco products and producers of fossil fuels (including coal, oil, and natural gas) when investing through discretionary separate account structures or making direct investments into companies. Any exceptions to this policy (e.g., for separate accounts that will not allow for such a restriction) will be addressed by the Investment Committee on a case-by-case basis.

**External Managers.** The Foundation considers investing with managers who have a responsible ESG track record and policies as important to the generation of attractive and sustainable risk-adjusted long-term returns. The Foundation will therefore conduct reasonable diligence on prospective managers to determine their ESG policies and their track record on ESG matters, and will consider whether they are conscientious stewards. Under the guidance of the Investment Committee, the Foundation will avoid investing with managers who have a history of acting irresponsibly with respect to ESG issues. Beyond deciding whether to invest with a particular manager, the Foundation does not expect to give direction as to which investments to choose and how to manage them. Although the Foundation generally prefers to engage with managers as described in the Principles above, the Foundation will not invest in any fund whose primary strategy involves the production of fossil fuels.

**Proxy Voting.** The Foundation will delegate its proxy voting to investment managers to be voted in the best economic interests 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 Investing.** To address investment opportunities that are aligned with our mission, the Foundation dedicates up to $250 million at a given time to investment vehicles chosen for their programmatic importance to furthering the mission of the Foundation. Recommendations for these investments are made by the Mission Investing team and vetted in coordination with the Chief Financial Officer, with decisions made by the Board of Trustees. The Mission Investing portfolio includes both Program Related Investments (PRIs), which are defined by the IRS and typically produce below-market returns, as well as Mission-Related Investments (MRIs) that may yield market-rate returns. 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 recommendation of these investments is by the Mission Investment team rather than the endowment investment function of the Foundation.