

## *Lydia B. Stokes Foundation*

### **INVESTMENT POLICY STATEMENT**

#### **STATEMENT OF PHILOSOPHY**

The Lydia B. Stokes Foundation is committed to the Quaker philosophy of empowering people to help themselves. The Foundation accomplishes this through grant making, which focuses on women's issues, children, education, the environment and Quaker concerns (peace and social justice).

A core tenet of Quaker philosophy is that spiritual principles apply not only to individuals, but also to social and international relations, trade, and businesses. Therefore, we believe it is our responsibility to view our assets, as well as our income, as vehicles to achieve our mission, and have chosen to align our asset management with that mission.

Corporations are more than institutions for making money. They do not operate in a vacuum. They can provide quality and service, and promote innovation in their products. They can make efforts to improve the lives of their workers and the communities in which they are located. They can change their practices to diminish pollution and other negative environmental impacts. Because the purpose of this Foundation is to promote improved quality of life for both people and the environment, we believe the portfolio should be invested in companies which make consistent, committed efforts to be socially responsible, as defined in our guidelines.-We will seek out companies whose products, services, and methods of conducting business enhance the human condition and sustain our natural environment.

We recognize that no company is perfect, and that companies may excel in one social criteria and lag behind in another. We will look for quality of corporate disclosure, consistent efforts to be responsive to social concerns and changes, and environmental impacts as we evaluate investments on an individual basis for their ethical suitability.

## OBJECTIVES

The overall goal of the Foundation is to ensure the maximum level of grant making by preserving the Foundation's real (inflation adjusted) capital base and, over time, modestly increasing it.

The specific objective for the account is to achieve an average annual real total rate of return (net of investment fees) of at least 6% over the rate of inflation, over a rolling three-year period.

## CONSTRAINTS

*Taxes* - The foundation is tax exempt. It must distribute 5% of its market value annually to maintain its tax-exempt status.

### *Use of Social and Environmental Investment Criteria*

The portfolio manager will judge potential portfolio additions or changes on their quality, financial soundness, effect on asset mix, and congruency with the Foundation's social and environmental criteria guidelines. Since companies are often involved in controversies around areas of qualitative concern, the portfolio manager is requested to discuss with the investment committee, any confusion or question about the intent of that criterion.

*Time Horizon* - The time horizon is long term, which for planning purposes, means in excess of 3-5 years.

## SOCIAL JUSTICE CONCERNS

The account shall **avoid** domestic investments in companies with the following characteristics:

- derivation of more than 5% of revenues from alcohol production and distribution
- any involvement in tobacco production or processing
- derivation of more than 3% of revenues from the sale of tobacco products
- gambling services, and production and manufacture of gambling equipment
- genetic engineering and genetically modified products
- animal testing unless accredited by the AAALAC or the National Institutes of Health
- manufacture and distribution of weapons of war and/or weapons whose sole purpose is to kill people (not including hunting guns)
- derivation of more than 3% of revenue from the Department of Defense. This criterion does not apply to goods and services that have no direct military purpose. The Foundation wishes to avoid companies providing weapons and other goods or services created solely for the purpose of harming people or the earth.

## **ENVIRONMENTAL CONCERNS**

The account shall **avoid** investments in companies with the following characteristics:

- disregard for a clean, healthy and sustainable environment; i.e. polluting, not disclosing information, substantially or repeatedly violating air water, hazardous waste management, or other environmental regulations
- nuclear power generation or processing
- refusing to change harmful production methods or practices when alternative technologies or practices are available.
- high toxic emissions levels in relation to their peer group
- production of ozone-depleting and agricultural chemicals
- derivation of revenues from the sale or combustion of coal or oil and their derivative fuel products
- extractive fossil fuel companies, except for natural gas

## **INTERNATIONAL INVESTING**

The account shall **avoid** international investments with the following characteristics:

- strategic support for repressive regimes
- sweatshop labor, including unacceptable labor conditions and practices and use of forced labor or child labor
- conflict with indigenous peoples
- use of chemicals, pesticides, drugs, or environmental abuse which would be banned in the United States
- operational support of the government in Burma

Corporate practices abroad should be carefully examined. If any doubts exist, the Investment Manager should consult with the Investment Committee to decide whether to invest, divest, or file shareholder resolutions/protest.

## **AFFIRMATIVE SCREENING**

The account shall **seek out** socially responsible investments in companies that have the following characteristics:

- pro-active environmental policies
- a focus on alternative energy
- a focus on sustainable agriculture
- pro-active employment policies
- commitment to community affairs and charitable giving
- signing the CERES Principles
- a diverse board of directors with regard to gender and race
- reasonable compensation packages for CEOs relative to other employees

## **COMMUNITY INVESTING**

The Foundation considers community investing to be an additional way to align our assets with our mission, and to leverage our grant making activity. Therefore, we will designate a percentage of the average annual market value of the portfolio to community investing. This is currently set at 1%.

## **SHAREHOLDER ACTIVITIES**

Shareholder activities are a component of aligning the socially responsible investment guidelines with the investment activities. Voting on the proxies, co-filing, and filing shareholder resolutions are all part of this effort. Proxies shall be voted in accord with the concerns stated in the policy guidelines.

Proxies shall be voted in opposition of the following corporate board characteristics and actions:

- incentive payments unrelated to financial performance
- increasing salaries and options for executives that far exceed salary increases for average company employees
- boards composed mostly of “inside directors”
- nominating and compensation committees that are not composed exclusively of independent directors
- board nominees who serve on multiple (more than 3) boards, when the boards have many of the same people
- lack of diversity by gender, race and age
- golden parachutes for executives
- pension plans for non-employee directors