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Investment Policy

Statement of Fiduciary Responsibility
We recognize that our fiduciary responsibility does not end with maximizing return and minimizing risk.

We also recognize that economic growth can come at considerable 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 social 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 reduce the dissonance between philanthropic mission and endowment management.

Investment Philosophy
In concert with the Foundation's mission to protect and restore Earth's natural systems and promote a sustainable society by strengthening individuals, institutions and communities pledged to pursuing those goals, we seek, where possible, to invest our endowment assets in companies that:

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

The Foundation will look at

- 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 equity within a corporation, particularly with regard to participatory management, employee ownership, salary structures, workforce diversity, employee

benefit 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 especially for the economically disadvantaged, 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 set spending levels based primarily on an assessment of current need and of current and projected investment returns
- to preserve, to the extent possible consistent with the foundation's spending levels, 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 20-year horizon. Interim performance will be monitored as appropriate.

Appreciation and income may be used to finance cash requirements for grants and operating expenses. Assets may be spent down during periods in which neither appreciation nor income are sufficient to fund grantmaking budgets.

The Foundation's assets will be managed by professional money managers that are selected by the Finance Committee. Assets are allocated in accordance with guidelines set forth by the Finance Committee and approved by the Board. Investment managers 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. Managers will be monitored on a regular basis.

The managers are responsible 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
- select and dispose of individual securities and related matters
- diversify securities by issuer, industry, geography, type, and maturity of investments, etc.
- 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 shareholder activities

Asset Allocation

Assets will be diversified both by asset class (domestic equities, foreign equities, fixed income, venture capital, private placements 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 issued by companies based in any except the following countries: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom, and the United States.

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

The Foundation does not currently invest in foreign debt securities.

Asset allocation will fall within the following ranges:

Equities	50% to 65%
Fixed Income	25% to 30%
Alternative Investments	
Venture Capital/Private Equity	5% to 10%
Absolute Returns (Hedge Funds)	10% to 20%

Screening

All public equity portfolios, indexed and active, will be managed by investment managers who employ social and environmental screens in addition to traditional financial analysis in their investment decision-making. Because the screening of fixed income portfolios investments is not generally available through institutional money managers, fixed income managers will be sought who are willing to work with the Finance Committee on a case by case basis with respect to avoidance of the debt of companies whose social or environmental impacts are deemed to be adverse to the Foundation's mission.

Notwithstanding the above, the Foundation may decide to own shares of certain companies whose actions are contrary to the concerns of the Foundation's grantees and that create particular problems for communities and the environment. If, in the judgment of the Foundation, ownership of such shares will afford the Foundation the opportunity to influence the behavior of these companies, ownership positions will be maintained at minimum levels necessary to support requisite shareholder activities.

With venture capital investments, we look for companies with a purpose that is compatible with the Foundation's mission. Later stage venture investments and private equity investments will be screened to the extent possible, recognizing, however, that in later stage investments the opportunities for proactive interventions in support of our mission are limited or, in the case of certain partnerships or asset classes, unavailable. In such cases the Foundation will try to assure itself that the investments will be benign in relation to its mission.

As a general rule, the Foundation will seek to have no more than 20 percent of its assets invested in asset classes in which social and environmental screening is not available. The Finance Committee will review the relationships, which may exist between financial returns and the impact of screening on our mission.

We will not invest in companies that:

- produce and/or use nuclear power
- produce synthetic pesticides, herbicides or other agricultural chemicals
- derive more than five percent of their revenue from the manufacture and sale of tobacco products.

In evaluating the impact of a company, we weigh its commitment to:

- general environmental issues, including producing an environmental policy statement, and supporting strong public environmental policies
- sustainable use of natural resources in the production of products and delivery of services
- processes and services that have minimum or no environmental impact
- practices in the manufacture, processing or marketing of food that are consistent with sustainable agriculture
- a record of waste and toxic emission reduction, toward a goal of zero emissions, that includes reuse and recycling practices and funding for the research and development of new processes and materials
- a record of regulatory compliance
- maintenance of healthy and safe workplaces
- environmental justice

- diversity of board, management and workforce that reflects nondiscrimination in employment on the basis of race, ethnicity, gender, sexual orientation and disability
- respect for the reproductive rights of all women;
- accountability to all stakeholders, including employees, consumers and the communities in which they are located.

In industries that do not meet our screens, companies that have signed the CERES Principles or demonstrated particular leadership within their industry with respect to social responsibility and environmental impact may be considered on a case-by-case basis.

Venture Capital and Alternative Investments
Because it involves investments and, in some cases, active involvement in early stage, private companies, venture capital can be a powerful tool for contributing to the Foundation's mission.

The financial objectives of venture capital and private equity investments are to generate returns, through the realization of long-term capital gains that are superior to those of public markets.

Investments will be sought which provide premiums over public market returns sufficient to compensate for the risk and illiquidity of private investments, and which, in some instances, take into account value added to our philanthropic mission. Early stage investments and investments that have particularly higher mission-related potential will be balanced with later stage private equity investments which usually do not afford opportunities for either screening or shareholder involvement.

Shareholder Activities The Foundation believes that shareholder activities are a key component of its efforts to add value to its philanthropic mission.

The Foundation will exercise its social responsibility as an investor by:

- writing letters to management
- meeting with portfolio companies
- publicizing our votes and general philosophy
- filing and co-filing shareholder resolutions in cooperation with other foundations and institutional investors, especially in support of the work of our grantees,
- voting its proxies on shareholder resolutions.

The decision to become involved in shareholder action relating to a particular company or group of companies will be guided by the Foundation's desire to support its philanthropic mission, and to assist its grantees in meeting their goals and objectives.

Where grantees have organized activities relating to the policies and practices of our portfolio companies, the Foundation, in consultation with the grantee, will add its voice to the concerns expressed by them. If the grantee believes that a shareholder resolution would be a useful tool in their strategy to change corporate behavior, the Foundation will consider filing the necessary resolution, and will, in consultation with the grantee, seek to enlist the support of money managers and other institutional investors.

Since one of the Foundation's interests is to encourage corporations to be more accountable to the communities in which they are located, details of the issues being addressed must be the subject of discussions between the companies and the communities, and not between the Foundation and the companies.

If the grantees' campaigns involve companies not in the Foundation's portfolio, the Foundation will consider purchasing the minimum amount of stock necessary to make our participation possible. In addition, the Foundation is prepared to receive a request from the grantee to purchase shares in the company that is the object of their organizing so that they too can become shareholders.

Proxy Voting 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.

The Foundation asks each of our managers, the Interfaith Center on Corporate Responsibility (ICCR) and the Council of Institutional Investors (CII) to inform us of shareholder resolutions being considered with corporations in which we hold stock.

The Foundation votes its proxies as follows:

The President of the Foundation, in cooperation with the Chair, the Treasurer and the Chair of the Finance Committee, reviews and votes proxies according to the following general principles:

- When program interests are directly involved, proxies are 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 Foundation will review each individual case and consult with our grantees, managers and others, as appropriate.

On issues of corporate governance the Foundation will consult with ICCR, CII, and others, and will vote our proxies 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 against incentive payments not related to financial performance
- 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 quarterly basis, with a face-to-face meeting scheduled at regular 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 risk (beta) and standard deviation (sigma) for each portfolio.

Performance Standards
Following are the benchmarks against which the Foundation's long-term investment performance is measured. 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 performance standards 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, as measured by the Sharpe ratio, 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. Peer group universes are currently provided by William M. Mercer Investment Consulting, Inc. for separate accounts and Morningstar, Inc. for mutual funds. The market index benchmarks were established in light of the Foundation's financial objectives and long-term expectations for the capital markets and inflation.

Benchmarks

Asset	Peer Group Universe	Market Index
Total Foundation	Endowment/Foundation Universe	N/A
	Blended Target Universe: 48% Equity - 10% International 28% US Large Cap 10% US Small Cap 25% Fixed Income - Core 12% Venture Capital - US Equity Combined 15% Hedge Funds - US Equity Combined	**Blended Target Index:** 10% MSCI EAFE (Net) Index 28% S&P 500 Index 10% Russell 2000 Index 24% Lehman Bros. Aggregate Bond Index 1% US 91-Day T-Bills Index 27% Wilshire 5000 Index
Fixed Income	Core Fixed Income Universe	95% Lehman Bros. Aggregate Bond Index 5% US 91 Day-T Bills Index
Domestic Equity: Large Cap Growth Small Cap	Large Cap Growth Equity Universe Small Cap Equity Universe	Domini Social Index, Russell 1000 Growth Index Russell 2000 Index
International Equity	International Equity Universe	MSCI EAFE (Net) Index
Alternative Investments	N/A	**Blended Hedge Fund Index:** 52% HFR Market Neutral Driven 32% HFR Event-Driven Index 16% Ibbotson Small Cap Index

Manager Changes

Managers will be considered for replacement under the following circumstances:

- Performance over three and five-year rolling periods falls below the standards described in this Investment Policy statement
- Changes in the organization, account management, or investment process that the Foundation believes may impact performance or the manager's compliance with the social or other requirements of this Investment Policy statement
- Changes in the Foundation's asset allocation strategy or capital markets outlook
- Any other circumstances or events under which the Foundation believes a manager's performance may suffer.

Should any of the circumstances described above occur, the Foundation, at its discretion, may replace or retain managers following an investigation of the causes and potential consequences.

Conclusion

The Noyes Foundation set out to reduce the dissonance between 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 concerns for dissonance reduction, and to learn what they are doing, as well. Each year we will report our progress in the Annual Report.