I. INVESTMENT POLICY BACKGROUND

This statement is issued by the Investment Committee of the Board of Directors of the Mary Reynolds Babcock Foundation for guidance in the investment and reinvestment of the assets in the Foundation’s Endowment Fund (“the Fund”). This policy will be reviewed regularly in the ongoing reports for manager’s compliance in meeting long term policy standards and benchmarks. This policy is meant to be a long-term strategic base for the Fund’s investments.

The Foundation is committed to applying impact and Environment, Social and Governance (“ESG”) factors to the Fund. Such impact and ESG factors will help to identify risk in the Fund and provide an important way to activate the entire Fund. The Foundation believes such investment focus is consistent with fiduciary responsibility. In utilizing such prudent investment criteria, the Foundation expects to generate competitive market performance returns.

Every three (3) or five (5) years, the Committee will formally revisit the key internal assumptions and capital markets to conduct a formal strategic study to consider what changes, if any, should be made to the long term policy strategy.

II. RESPONSIBILITIES –INVESTMENT COMMITTEE

The Directors are ultimately responsible for the management and direction of the financial affairs of the organization. In the performance of these duties and management of the investments of the organization, Directors should act prudently and for the best long-term interest of the organization.

The Investment Committee acts as an agent for the Directors in supervising the management of the organization’s investments. It will report at least semi-annually to the Directors on the progress of the organization in achieving its investment objectives, on compliance with the policies and guidelines as stated below, and on other matters relating to investments. If there are urgent or unusual matters requiring the Trustee’s attention, the Investment Committee may report more frequently.

Responsibilities include the following:

1. Maintain the investments to ensure that any contributions and investment proceeds are invested in accordance with the objectives of the organization.

2. Evaluate and select an independent Investment Consultant to assist the Investment Committee in forming investment objectives and policies, allocating assets, selecting investment vehicles and managers, monitoring performance, and considering other appropriate issues as they may occur.

3. Develop investment objectives, guidelines and performance measurement standards consistent with the risk, return, and policy parameters for the organization’s funds, and reviewing them on an ongoing basis.

4. Approve proposed investment managers, pooled funds, mutual funds, or other appropriate investment vehicles for the portfolio.

5. Communicate the investment objectives, guidelines and standards (including any material changes that may occur) to the investment managers.
6. Review and evaluate results of each investment manager or fund in context with established benchmarks for performance.

In hiring investment consultants and managers, the committee will consider to the extent people of color, women, and other under-represented groups are owners and / or actively involved in the firm’s management. The firm’s policies around the development and promotion of such demographics will also be considered. The goal for the organization is to provide an inclusive and intentional environment around the hiring of financial professionals. This will form one of the evaluation criteria but will not be the sole basis for hiring.

III. RESPONSIBILITIES - INVESTMENT CONSULTANT

The Investment Consultant will be responsible for the following:

A. STATEMENT OF INVESTMENT OBJECTIVES AND POLICIES

Make recommendations to the Investment Committee and staff as to changes in the objectives, guidelines, or standards, based upon material and sustained changes in the capital markets, or changes in the goals of the organization.

B. ASSET ALLOCATION

Make recommendations to the Investment Committee and staff, as to the appropriate portfolio weightings among the various major asset classes of the portfolio. This will include periodic rebalancing of asset weightings as capital market movements cause the actual weightings to diverge significantly from the target weightings.

C. SELECTION OF INVESTMENT VEHICLES OR MANAGERS

Assist the Investment Committee and staff through a selection process by identifying and screening candidates for appropriate portfolio and organizational characteristics. The Investment Consultant will be responsible for overseeing the selected managers for compliance with investment policies and reporting back to the Investment Committee on such information.

Given the organization’s mission and commitment to racial equity, the Investment Consultant should include people of color and women managed/owned investment managers when recommending the mix of managers or inform the committee of why such firms are not included. When recommending a mix of managers, the Investment Consultant should include a description of each manager’s policies around hiring, development, and promotion of people of color, women and other under-represented groups.

D. MONITOR INVESTMENT PERFORMANCE

A performance evaluation of the organization’s overall funds will be conducted quarterly. Performance will be measured quarterly, year-to-date, and annualized periods, and since inception. The reporting information will include consolidated and individual manager returns vs appropriate benchmarks, asset allocation, rebalancing recommendation and other pertinent market and economic data necessary to make investment decisions. The Investment Consultant shall meet face to face with the Investment Committee semi-annually, or more frequently if necessary.

Investment managers may be discharged by the Investment Committee at any time it deems the absolute or
relative performance of a given agent to be unacceptable or substandard. The Investment Committee may also
discharge an investment manager for other material reasons, as deemed appropriate and necessary by the
Investment Committee.

E. BOARD AND INVESTMENT COMMITTEE EDUCATION

The Investment Consultant shall keep the Foundation up to date not only financial market conditions and its
outlook, but shall also report on trends and issues facing the ESG and impact investment space. This is
consistent with the Foundation’s goal to evaluate the entire Fund against ESG criteria.

IV. RESPONSIBILITIES - INVESTMENT MANAGERS

The Investment Managers, in recognition of their role as fiduciaries for the organization, must assume the
following responsibilities as they pertain to:

A. INVESTMENT PROGRAM

1. Acknowledge in writing acceptance of the objectives, guidelines, and standards of performance as
defined in this statement, and invest separately managed portfolio assets in accordance with those
objectives, guidelines and standards.

2. Exercise full discretionary authority as to all buy, hold, and sell decisions for each security under
management, subject to the guidelines as defined in this statement.

3. There shall be no specific guidelines with regard to portfolio activity. By not restricting turnover, the
managers are given the flexibility to adjust their asset mix and security selection to changing market
expectations.

4. Except under unusual circumstances, all transactions should be entered into on the basis of best
execution, which means best realized net price.

5. The holdings in the Fund for any single investment manager may not represent more than 10% of that
investment manager’s total assets under management.

6. While a single investment manager may manage multiple asset products within the Fund, such
aggregate value of a single manager may represent no more than 25% of the Fund.

B. REPORTING

Investment managers will:

1. Produce a statement at the end of each month describing the portfolio asset class weightings, individual
security positions showing both cost and market value, all principal cash transactions, including all buys
and sells in sufficient descriptive detail including realized gains and losses, and portfolio performance.

2. Produce a statement quarterly describing performance in detail including applicable performance
attribution and analysis of portfolio and returns.

Custodian reports may also satisfy such reporting requirement.

C. REVIEW MEETINGS
At the request of the Investment Committee, each investment manager shall participate in a review meeting or conference call, the agenda to include:

1. A review of the investment program.

2. A commentary on investment results in light of the appropriate standards of performance.

3. A synopsis of the key investment decisions made by the manager, his/her underlying rationale, and how those decisions could affect future results.

4. A discussion of the manager’s outlook, what investment decisions this outlook may trigger and how these decisions could affect future results.

D. COMMUNICATION

The investment managers are responsible for frequent and open communication with the Investment Consultant and the organization’s personnel on all material matters pertaining to investment policies and the management of the portfolio. In particular, the investment managers will:

1. Provide notice immediately, and in writing, of any material changes in their investment outlook, strategy, and portfolio structure to the investment consultant and organization staff.

2. Notify the investment consultant and the finance staff of the organization immediately, and in writing, of material changes in an investment manager’s firm ownership, organizational structure, financial condition, senior staffing and management.

V. OVERALL INVESTMENT OBJECTIVES

1. The Committee’s management objective for the Fund is to preserve and enhance its real (inflation-adjusted) purchasing power while providing a relatively predictable, stable, and constant (in real terms) stream of returns in line with the Foundation’s spending requirements. Such objective will be achieved by employing ESG and impact investment criteria across the entire Fund. The Foundation believes this is consistent with its fiduciary responsibility to achieve competitive market returns for the Fund. It is understood that the return on the Fund will vary from year to year, exceeding the Foundation’s spending requirements in some years, and falling short in others. Nonetheless, when measured over rolling five-year periods, the stream of real returns should be in balance with the Foundation’s spending needs.

2. Current policy establishes a goal of spending 5½% of a twelve-quarter moving average of the market value of the endowment. This 5½% figure includes disbursements made for grants and administrative expenses, but is net of endowment management expenses.

3. The Committee’s investment objective for the Fund is to attain an average annual real total return (net of investment management fees) of at least 5½% over the long term, as measured over rolling five-year periods. The Committee will focus on total return without regard to whether that return is in the form of income or capital appreciation.

4. The Foundation has a commitment to aligning the Foundation’s investments with the mission of moving people and places out of poverty. Mission-related investing includes market-rate investments (MRIs) and below-market program-related investments (PRIs). PRIs are made from a separate budget and are not considered part of the investment pool subject to these policies (see PRI policy). MRI guidelines are detailed in the attached Appendix 1.
VI. INVESTMENT GUIDELINES

1. **Volatility**: The organization understands there will be market volatility with the Fund. Minimizing volatility is an important consideration, and recognition should be given to the importance of consistent yearly returns while engaging modern portfolio tools to match current assets with future needs.

2. **Proxy Voting**: The Foundation will delegate the proxy voting responsibility to investment managers. The Investment Consultant will instruct the investment managers to vote proxies according to ISS Social Guidelines. Managers should vote proxies according to ISS Social Guidelines, unless the manager has internal proxy voting policies that are acceptable to the Foundation. In such cases, those investment managers may vote proxies according to their internal ESG proxy voting policies.

3. **Asset Allocation**: The strategic long-term asset allocation for the Fund is presented in the table below, with approved ranges within each asset class and respective benchmarks. The Fund’s equity allocation will be reviewed quarterly by the Fund’s Investment Consultant. The Investment Consultant will notify the Foundation if the actual equity allocation is above or below the maximum or minimum levels. The Foundation staff has the authority to rebalance the Fund within the ranges, provided it does not breach either the maximum or minimum levels on the following table without the approval of the Investment Committee. The rebalancing will occur within a reasonable and prudent time and fashion with the recommendation of management and the Investment Consultant. The Investment Committee will review actual asset allocation versus targets at its semiannual or quarterly meetings, and may authorize further rebalancing.

<table>
<thead>
<tr>
<th>Asset</th>
<th>Minimum</th>
<th>Long Term Target</th>
<th>Maximum</th>
<th>Benchmark</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large Cap Equity</td>
<td>20%</td>
<td>35%</td>
<td>45%</td>
<td>S&amp;P 500/Russell 1000 value &amp; growth</td>
</tr>
<tr>
<td>Small Cap Equity</td>
<td>5%</td>
<td>10%</td>
<td>20%</td>
<td>Russell 2500/2000 value &amp; growth</td>
</tr>
<tr>
<td>International Equity</td>
<td>10%</td>
<td>20%</td>
<td>35%</td>
<td>MS EAFE/MS World</td>
</tr>
<tr>
<td>Emerging Equity</td>
<td>3%</td>
<td>8%</td>
<td>15%</td>
<td>MS Emerging Markets</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>10%</td>
<td>17%</td>
<td>30%</td>
<td>BGCI/ML HY/Citi World Bond</td>
</tr>
<tr>
<td>Alternative</td>
<td>5%</td>
<td>10%</td>
<td>20%</td>
<td>HFRI, S&amp;P 500 +3 or an absolute return target for private equity</td>
</tr>
<tr>
<td>Investments</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>0%</td>
<td>0%</td>
<td>10%</td>
<td>Tbills</td>
</tr>
</tbody>
</table>

It should be noted that the division of the Fund’s assets by asset class need not necessarily be related to the division of assets by its outside investment managers. The purpose of dividing the Fund in this manner is to ensure that the overall asset allocation between these two major asset classes remains under the regular scrutiny of the Investment Committee and is not allowed to become the residual of separate manager decisions.

4. **Diversification**: The total composite portfolio is to be prudently managed by the respective managers who shall invest the assets among their assigned asset classes within expert and prudent person principles, and in compliance with section VII of this policy. The total portfolio will be comprised of managers with complementary investment styles such as diversifying equity skills and complementary fixed income skills. The total portfolio will be monitored to ensure that there is no significant overlap among industries, asset classes and investment styles which would result in decreased diversification of the total portfolio.
5. Total Fund Performance Objectives

a. Absolute Performance Vs Market Indexes: The Fund should provide returns equal to or above the Target Weighted Benchmark Index. This performance benchmark should be compared over a full market cycle defined by both a rising and falling market environment as measured by an industry standard broad equity market index, such as the Russell 3000 or the S&P 500. Three to five years will be used as a proxy for the full market cycle. Performance on an absolute benchmark of CPI + 5.5% will also be evaluated.

b. Relative Performance Vs Peers: The Fund should provide relative performance in the top 50% of the Target Balanced Universe, which shall hold similar risk to the strategic long-term policy commitment, over a market cycle, or 3 and 5 years as a proxy.

6. Market-rate Mission Investments (MRIs): As part of its commitment to mission investing, the Foundation considers options for market-rate mission investments when it reviews asset allocation and conducts new manager searches. MRIs are expected to achieve financial returns that are competitive with the appropriate benchmark (determined based on the investment strategy) and reflect expense structures that are competitive with the MRI peer group. The criteria under which the Foundation will implement a mission investment strategy is detailed in Appendix 1.

VII. MANAGER’S OBJECTIVE AND GUIDELINES

A. General: The objectives for each manager are as follows:

1. Performance Vs Market Indexes: Each manager should provide returns equal to or above a fair and comparative market index. Each manager’s comparative market index is determined based on their investment asset class and style mandate. The specific comparative market indexes are detailed at the end of this policy and can be found in the table titled “Policy Objectives”.

2. Manager Performance Standards: Each manager will be monitored on a quarterly basis for long-term consistency of investment returns, philosophy, and risk. Changes to this philosophy would typically be grounds for termination as the selected investment disciplines are part of a larger strategic plan for diversified and complementary skills among managers. Detailed investment performance standards for each manager are contained in Policy Objectives matrix at the end of this document.

3. Risk Standards: Portfolio volatility and other measures of portfolio risk will be measured by variability of monthly returns (monthly standard deviation) and other traditional measures of statistical risk (beta, r-squared, relative risk and other industry measures) versus the fair market proxies for asset classes within a portfolio. For total manager composites, total asset class composites and the total portfolio composites, risk will be measured relative to market indexes constructed to reflect the appropriate custom benchmarks which uniquely relate to each asset class or portfolio's policy target asset allocation and strategic style structure.

4. Evaluation of Objectives: Managers will be evaluated for compliance with these objectives as performance history becomes available. The Investment Consultant will notify the Investment Committee of those managers who have consistently underperformed their objectives. Underperforming managers will be considered on a probationary watch by the Investment Committee, and will be so notified in writing. Managers on watch may be given the opportunity to present and justify performance to the Investment Committee. When circumstances warrant, the Investment Committee may offer managers a period of time to determine if performance will improve. Continuance of service will be at the discretion of the Investment Committee. The Investment Committee’s decisions are based on ensuring adequate investment performance is achieved, which will enable the Foundation to meet its organizational objectives.

B. Diversification (Excluding Alternative Investments): Each manager will maintain diversified portfolios at all times. Diversification will be measured against fair market index statistics for the total fund of each
C. Allowable Investments

1. Guidelines For Equity Managers
   a. Decisions as to individual security selection, security size and quality, number of industries or holdings, current income levels, and turnover are left to broad manager discretion subject to the usual standards of fiduciary prudence. In no case (excepting mutual fund shares) shall a single security exceed 15% of the market value of any individual equity portfolio at purchase. Additionally, no single major industry shall represent the greater of 30% of the market value of the equity holdings of any manager’s portfolio, or two times the benchmark’s weight.
   b. Equity managers may at their discretion hold investment in modest reserves of either cash equivalents but with the understanding that their performance will be measured against stock indices that maintain no cash component. To the extent that cash equivalents are used, their quality shall be governed by the guidelines set forth in Section VII.C.3.
   c. The use of options or financial futures is left to broad manager discretion subject to the usual standards of fiduciary prudence. Nonetheless, no equity portfolio may engage in short selling, trade securities on margin, or enter into commodities contracts without the approval of the Investment Committee.

2. Guidelines For Fixed Income Managers
   a. Money market instruments as well as bonds may be included in the fixed income holdings, but equities and convertible bonds are excluded. The fixed income managers may employ so-called active management techniques such as interest rate anticipation and inter-sectoral arbitrage, but changes in average duration should usually be moderate and incremental. In addition, current coupons and call protection should be emphasized to assure a high and stable level of income.
   b. In general, the fixed income portfolio shall be well diversified with respect to type, industry, and issuer in order to minimize risk exposure. The portfolio will contain no more than a 20% allocation to non-investment grade bonds. Excluding obligations of the U.S. Government and its agencies, securities of a single issuer, regardless of the number of differing issues, should be limited at time of purchase to no more than 15% of the manager’s portfolio at cost. To the extent that cash equivalents are used, their quality shall be governed by the guidelines set forth in Section VII.C.3.
   c. If a fixed income manager seeks to use derivative securities in the portfolio, the consent of the Investment Committee should be first obtained. Once such consent is obtained, policies regarding the types of derivative securities and strategies to be employed may be set out as part of the manager guidelines.

3. Guidelines For Cash Equivalent Investments
   a. “Cash equivalent investments” are defined as U.S. dollar-denominated fixed income instruments with maturities of one year or less.
   b. Permissible cash equivalent instruments are: direct obligations of the United States; obligations unconditionally guaranteed (principal and interest) by a federal agency of the United States government; repurchase agreements secured by U.S. government and Federal Agency obligations, such obligations to have a market value of at least 102% of the value of the repurchase agreement; CDs, commercial paper, and money market funds of commercial banks and other major investment managers which are comprised solely of the obligations listed in this section.

4. Guidelines For International Equity Managers
   a. International equity managers will be allowed to hold cash instruments denominated in US dollars or Euros or the local currency of their underlying stock. The investment manager may utilize forward
currency contracts to hedge a portion of the Fund’s currency exposure to US dollars and may engage in cross hedges if the US or other currencies are felt to be overvalued.

b. A maximum of 15% of assets at cost may be invested in any one single issuer. The manager may not hold more than 15% of the outstanding equity securities of any one company. The minimum market capitalization of any security initially acquired by the manager must be $100 million. Industry Groups will be limited to 30% of the market value of the portfolio at month end.

5. Guidelines For Emerging Market Equity Managers
a. Emerging markets equity managers will be allowed to hold cash instruments denominated in US dollars or Euros or the local currency of their underlying stock. The investment manager may utilize forward currency contracts to hedge a portion of the Fund’s currency exposure to US dollars and may engage in cross hedges if the US or other currencies are felt to be overvalued.

b. The emerging markets equity manager should invest in a well-diversified portfolio of common stocks. The portfolio should be invested primarily in equity securities of companies located in emerging countries, but may invest in companies headquartered in developed markets provided they do substantial business with emerging markets. A maximum of 15% of assets at cost may be invested in any one single issuer. The manager may not hold more than 15% of the outstanding equity securities of any one company. Industry Groups will be limited to 30% of the market value of the portfolio at month end.

6. Guidelines for Alternative Investment Managers
a. Investments in this class shall include hedge funds and private equity and debt. Hedge funds will be limited to fund of fund hedge funds strategies because of the additional benefits of diversification. Private equity and debt funds are allowed to be single manager funds, or fund of funds. It is understood that the guidelines for each alternative investment manager will be dictated by the guiding document of each respective fund. However, it is anticipated that the strategies of these funds will be reviewed by the manager and reported to the Committee on a regular basis to ensure that they are in line with the goals of the Foundation and consistent with the investment guidelines stated in their respective guiding documents.

b. It is understood that the Foundation will be provided copies of the offering memoranda and subscription documents for these investments and that these documents will be the guiding documents for this asset class superseding the Foundation’s Investment Policy Statement.

VIII. OTHER INVESTMENT GUIDELINES
A. All objectives and policies are in effect until modified by the board. The Investment Committee will review these policies at least annually for their continued appropriateness. It is anticipated that the Committee and the staff will propose revisions in these guidelines at any time that they could potentially impede the Mary Reynolds Babcock Foundation from meeting its objectives.

B. The strategic policy and performance guidelines for the Fund will be periodically reviewed to inspect capital market conditions, risk disposition, asset levels, anticipated changes in external or internal factors, investment history and other fundamental changes that may have occurred from the current set of assumptions and facts that are driving the present long term strategy and formal policy of the Fund’s investment portfolio. Asset mix and portfolio risk guidelines may be adjusted to reflect new factors that influence the long-term needs of Fund’s investment assets at that time.

C. New cash flow shall be allocated to investment manager(s) by the Investment Committee with assistance from the Investment Consultant. As a general rule, new cash will be used to rebalance the total Fund in the direction of the equity/fixed income ratio ratified by the Committee at its most recent meeting, unless otherwise recommended by the Investment Consultant and further approved by the Investment Committee. Cash to be raised for spending needs shall be projected at the beginning of the calendar year.
D. It is understood that from time to time the Foundation may utilize commingled products, common trust funds, or mutual funds because they may provide benefits to the Foundation that would not otherwise be available in a separate account structure. It is anticipated that the initial investment of these of funds will include a comprehensive review of the fund’s stated investment objectives, guidelines, and restrictions. From time to time the guidelines followed by these funds may come in conflict with the Foundation’s Investment Policy Statement. When these circumstances arise, the Foundation understands that the guiding document of the common trust fund, commingled product, or mutual fund will supersede the Foundation’s Investment Policy Statement. The investment strategies followed by these funds are expected to be monitored on a regular basis by the Committee or its designee and will be replaced if a fund is found to be utilizing an inappropriate strategy or investment determined to be against the best interest of the Foundation.

E. Margin or securities lending are not permissible, unless approved by the Investment Committee in advance.