



# Social Investment Policy

## **Foundation Objective**

The Hewlett Foundation's broad purpose is to promote the well-being of humanity. Alternatively stated, our objective is to generate maximum social benefit from our financial and human resources. The Board believes that the Foundation creates substantial social benefit through its grants and related philanthropic activities.

## **The Foundation's Approach to Social Investing**

Organizations may also express their social priorities through their financial investments, through mechanisms including proxy voting, negative screening, positive screening, and mission-related ("double bottom line") investments. When considering a social investment initiative, the Foundation will assess the expected social benefit relative to the possible investment return forgone and also consider the resources required to develop a policy, assess alternatives, make the investments, and monitor progress and results. The Foundation's assets are invested by carefully selected outside managers. Most of these managers are given wide discretion relative to the underlying investments they choose. This discretion includes making decisions with respect to economic sectors, geographies, degree of maturity of individual companies, etc. The Foundation is cognizant of the fact that many of the managers selected by the Foundation see the greatest investment promise in companies with enlightened managements that recognize that sustainable practices and sound employment policies are in the best long-term interest of their companies and shareholders. The rising importance that investment managers and company managements each give to these policies is leading to a convergence between the portfolios of social investors and mainstream investors.

## **Current Social Investing Activity**

Among the various avenues to try to generate social return through investing, the Foundation favors proxy voting aligned with its core mission. This strategy appears to have an increasing influence on management decisions, is unlikely to degrade investment returns, and can be accomplished with minimal administrative burden. Given the Hewlett Foundation's programmatic concerns and expertise and our investment processes, we believe we can be most effective in voting proxies that implicate climate change or forestry practices. Recognizing that many companies' activities either directly or indirectly have an impact on this issue, the Foundation may selectively choose to exercise proxies when doing so is seen to have a particularly beneficial impact.

In general, the Foundation is not attracted to either positive or negative screening. Typically, the reasons that a company might be positively or negatively screened are highly subjective and are subject to significant differences of opinion among reasonable observers.

There are two exceptions to this general practice. The first concerns tobacco. This product, even if used as intended, has deleterious consequences for both individuals and society. Consequently, where the Foundation is able to do so, it excludes from its portfolio the stocks of any companies for which manufacture of tobacco products is a significant contributor to sales or earnings. A second exception, adopted in 2015 to reflect the Foundation's extraordinary commitment to mitigating climate change, is to refrain from future investments in private partnerships primarily involved in oil and gas drilling.