

INVESTMENT POLICY STATEMENT AND STANDARDS OF FIDUCIARY CONDUCT

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This Investment Policy Statement (IPS) details the oversight and management of the investment pools of Berkshire Taconic Community Foundation's (the "Foundation") assets (collectively, the "Portfolio").

I. INVESTMENT / PORTFOLIO OBJECTIVE

The investment portfolio's objective is to maximize the return from the various investment pools while preserving capital and liquidity, and producing long term growth with moderate risk appropriate for each pool. Annual performance will be measured primarily according to the total return of the Managed Pool. The Foundation strives to achieve performance in the top quartile of its peer group, viewed over rolling 3-5 year periods, and produce on average, over long term horizons, returns that will offset spending plus inflation, as well as administrative and investment management fees. The Fund will be managed on a total return basis, consistent with the applicable standard of the conduct set forth in the Uniform Prudent Management of Institutional Funds Act (UPMIFA).

II. THE INVESTMENT COMMITTEE

The Foundation's Investment Committee shall be comprised of 6 to 8 members with extensive experience in institutional investing, who together provide a broad range of expertise in a variety of asset classes. At any one time, at least one half of the Investment Committee must be comprised of Board or alumni board members. The remaining half may be residents of the region with expertise that enhances or complements the Board members on the Committee. The Committee must be free from actual and perceived conflicts of interest, and sign appropriate statements. Committee members must be committed to ongoing education and performing research on a regular basis on various investment styles, methods and emerging asset classes, and be willing to challenge (and be challenged on) the assumptions, philosophy and guidelines of the investment process and objectives.

The role of the Investment Committee is to establish and continuously monitor the investment policies and guidelines of the Foundation and to recommend investments. Through the Investment Committee Chair, it reports to the Board quarterly on the performance of the various portfolios as well as any other relevant issues including approval of any new managers and changes to the asset allocation model. This role includes establishing overall and manager specific benchmarks, as well as the hiring, overseeing and if needed, firing of managers not following their mandates or meeting performance expectations. In addition, the Investment Committee recommends to the Board the annual spending policy for all endowed funds under management. In doing so, it takes into account general economic conditions, the possible effects of inflation/deflation and Berkshire Taconic's commitment to its mission to improve the quality of life in the region. It is acknowledged that investment returns are a key factor in the grant-making and operations of the Foundation.

The Investment Committee at all times shall have authority to invest and reinvest the assets of the Foundation, and to sell or exchange funds or securities. Such actions may be taken directly and/or delegated to external

investment managers. The Investment Committee will exercise prudence and good faith in selecting, instructing and monitoring investment managers. With respect to the engagement of new investment managers, the Chair of the Investment Committee shall provide all Board members with written notice of the Investment Committee's intention to take such action at least five days prior to entering into any such engagement ("Notice Period"). Should any Board member provide the Chair of the Investment Committee with a written objection to any such action within the Notice Period, approval by a majority vote of the Board or the Executive Committee shall be required prior to the Investment Committee's entering into any such new engagement. (All notices and objections to be provided hereunder may be provided by email or other electronic communication.) The Investment Committee, from time to time, shall submit to the Board such other matters of, or changes to, general investment policy and strategy, as the Committee may desire to have considered for approval.

The Committee is responsible for establishing, subject to Board approval, the asset allocation and strategy for all investment pools, which shall be reviewed at least annually; and for establishing appropriate benchmarks and then monitoring the performance of the total portfolio and of the individual fund managers against the benchmarks. Normally the fund manager's performance will be judged over a full business cycle, of which such time period may vary depending upon the investment and economic environment, but generally considered a three to five year period.

In its review, the Committee will consider, among others, the following criteria:

1. Adherence to Overall Investment Policies – that the investment managers follow investment strategies consistent with the policies set forth in this document
2. Adherence to Specific Strategy – that each investment manager adheres to its stated strategy and that any significant deviation is communicated to the Committee in writing as soon as possible with an explanation as to why, and what impact it may have on performance and risk
3. Acceptable Growth of Total Return – that the assets under management are growing satisfactorily in a manner consistent with the asset allocation parameters and investment objectives of the capital under management, and consistent with overall market direction
4. Relative Performance – Performance of each investment manager will be monitored by the Committee not less than quarterly and will be measured using appropriate investment industry benchmarks as agreed by the Investment Committee. If the Committee determines that a manager has consistently underperformed the relevant benchmark, it may decide to reduce or redeem the investment.

III. INVESTMENT POOLS AND ASSET ALLOCATION

The Foundation has established different investment pools to accommodate donors with different investment perspectives. The following is a summary of each, together with their respective asset allocations. As a general rule, publicly traded securities received as gifts will be sold on receipt and allocated to the relevant investment pool.

1. Managed Pool

This portfolio was established and is maintained for endowed funds and most other funds invested for the long term. It is structured on the premise that a highly diversified portfolio with a bias toward quality, equity-oriented investments will provide a competitive risk-adjusted total return over the long-term. The portfolio should demonstrate below average volatility as measured by standard deviation in a similarly constructed portfolio.

The Managed Pool shall be diversified as to fund managers and as to underlying industries and geography.

Asset Class (% of allocation)	Lower Boundary	Upper Boundary
Global Equity (Public and Private)	50%	80%
Global Public Equity	35%	65%
Domestic Equity	25%	50%
Non-us Developed Equity	7%	20%
Emerging Markets Equity	0%	10%
Private Equity	15%	28%
Flexible Capital	15%	30%
Global Fixed Income	0%	20%
Real Assets	0%	10%
Cash	0%	10%

Maintaining liquidity for foundation spending:

The asset allocation should also consider the latest available information from the Foundation’s CFO on liquidity requirements of the invested funds, which should be reviewed regularly. The Investment Committee will review quarterly the percentage of the assets of the managed pool that are endowed.

2. Socially Responsible Investment (SRI) Pool

This portfolio was first created in 2009 to provide the opportunity for donors to direct their fund’s investment in vehicles more aligned with their values and the Foundation’s mission and vision. The SRI pool has evolved since then, leveraging increased assets through performance growth and expanded donor participation. In 2017-18, the BTCF Investment Committee undertook a review of the SRI pool toward the end of developing an enhanced, more actively managed portfolio. The goals of the portfolio are to maximize performance, better reflect the aims fund holders seek through SRI investing, produce positive impact, and be available to a wider-ranging group of Foundation funds.

The Investment Committee will work with foundation management and investment consultant to use the following principles in constructing and managing the portfolio:

- a) Strong performance – Although the portfolio is screened, and therefore, will not participate in certain sectors of the economy or types of companies, there remains an emphasis on achieving compelling long-term investment returns, sufficient to meet annual spending needs and support long-term growth, as well as asset diversification to minimize risk.
- b) Social Responsibility Criteria – To the extent possible, the portfolio will reflect those values the Foundation management believes donors place on environmental sustainability and the health and social well-being of people living in communities in our region and beyond. The portfolio will seek to eliminate investments in companies and sectors whose focus or practices are inconsistent with these values.
- c) Positive Impact – The portfolio will also emphasize investments in companies and sectors of the economy that are consistent with the impact that the Foundation seeks to achieve.

The screening of portfolios is an imperfect science given the evolution of foundation and fund holder interests, the retail sector, and underlying investment opportunities as corporate practices evolve and

individual circumstances change. Working with its consultant, the Foundation management will regularly review best practices among peer organizations to annually determine exclusions to the portfolio in the context of the stated principles and donor engagement. The Investment Committee will then select managers based on their ability to meet the pool objectives.

The current screens employed are:

Complete Exclusion	Exclusion of Companies with >5% of Revenue
Oil, Gas & Consumable Fuels	Gambling
Fracking	Civilian Firearms
Tar Sands	Alcohol
Carbon Reserves	Tobacco
Coal	Adult Entertainment
Nuclear Power	
For Profit Prison Facilities	

In addition, positive impacts on environmental and social well-being are sought through proactive investments in

- best of class managers with an ESG focus (environment, social, & corporate governance) taking into consideration regulatory compliance, labor practices and carbon footprint,
- renewable energy, affordable housing; and/or municipal and corporate bonds that finance such activity,
- efforts to enhance education, economic mobility, agribusiness and preservation of natural resources.

At least 60% of the portfolio will be screened using an approach the Foundation can control. To minimize concentration risk and market correlation, the remainder of the portfolio investments will be determined by manager judgment and implementation, recognizing that most will employ many of the same screens in their distinct approaches.

Overall, the diversified, low-cost portfolio seeks to preserve capital and liquidity, and produce long-term growth with moderate risk. The SRI Pool will seek to replicate the Managed Pool's asset allocation mix, to the extent possible – thereby leveraging the insights of the Foundation's Investment Committee and Consultant.

The current asset allocation targets are as follows:

Asset Class	Target	Ranges
Global Equity	70.0%	55-80%
Private Equity	0.0%	0-5%
Flexible Capital	10.0%	0-20%
Real Assets	10.0%	0-20%
Fixed Income	10.0%	0-20%
Liquidity	0.0%	0-5%

The SRI portfolio's diversification along with benchmarks in place to establish and monitor long-term performance also enable endowed funds to be invested in the pool. To the extent possible, alternative investments that meet more than one Foundation pool's objectives will be shared between the pools in order to obtain diversification where the minimum investment requirements prevent a single position.

3. Income Pool

This pool contains funds for individuals and organizations that want their funds to be invested in fixed income only intended for a shorter term horizon than the Managed Pool.

Asset Allocation Guidelines:

Bonds, Preferred Stock 90 -100%

Bond funds selected should contain bonds which are primarily investment grade but may also contain some lower grade bonds. Bond maturities should be staggered, and provide appropriate market duration.

4. Minimum Market Risk Pool

This pool was established and is maintained to accommodate organizations and individuals that want their funds to be invested with minimum risk. It is invested in high quality, liquid short-term fixed income and government securities which will typically have lower but more stable returns than the Managed, SRI or Income Pools.

5. Separately Invested Portfolio(s)

Under special situations, assets may be held outside of the four main pools, including:

- a) Gifts of restricted securities or other illiquid assets. These assets will be held separately from the investment pools until such restriction is lifted.

Donor advised gifts whereupon the donor advisor wishes to retain an investment manager. Such gifts of \$500,000 or more will be considered by the Committee and monitored in accordance with the provisions for all investment managers as set forth in this document, along with additional guidelines detailed in the appendix to this investment policy statement. The Committee will not consider situations where the donor or related persons are the investment manager.

IV. INVESTMENT POLICIES AND PRACTICES

1. Oversight and Due Diligence. The Investment Committee will review the overall composition of each investment pools to ensure the asset allocation and diversification guidelines are being met. Specific investments held within each fund or account are to be determined by the investment managers selected by the Investment Committee.

The due diligence on each fund being considered for investment shall include an analysis of:

- the strategy of the fund manager and its performance
- the liquidity and diversification of the underlying portfolio investments
- the quality and stability of investment professionals in the fund manager
- the decision making process for portfolio strategy, structure and investment selection
- internal financial and risk management controls, pricing policies, and reporting systems
- ownership structure and alignment of interests among investment professionals with long term expectations
- gates, lock ups and any other factors which may affect the Foundations ability to redeem its investment fees and expenses
- external references and interview with the fund manager.

2. New Managers. Prior to committing to an investment with a new investment manager, the Investment Committee shall interview the manager and ensure that adequate due diligence was performed by the investment consultant.

3. Manager Reporting. Investment managers are to provide the Foundation directly or through its custodian with monthly or quarterly reports:

- a report of the portfolio's market value as of the last day of the month or quarter,

- reinvestment of all income collected and gains on realized transactions,
- a report of all fees and commissions,
- a report of all withdrawal or fund addition transactions, with a month-end or quarter- end schedule of assets
- a report indicating asset allocation percentages, monthly or quarterly net return, annualized total return, and measurements of performance against the relevant benchmark and any others that may be appropriate and requested.

4. Central Custodian. The Portfolio will utilize the services of a central custodian to hold funds as allowed by the fund managers.

5. Investment Consultant. The Investment Committee is required by the Board of Directors to utilize the services of a well- recognized institutional investment consultant to provide an entirely independent viewpoint on all portfolio matters, conduct systematic and continuous review of all capital markets, systematically and proactively source best-in-breed investment ideas across all asset classes, perform rigorous due diligence on any investment manager being considered for investment, continually monitor existing portfolio managers, and prepare comprehensive, detailed and customized performance monitoring reports including performance relative to benchmarks and peer groups.

6. Conflict of Interest. If any member of the Investment Committee, staff or consultant shall have, or appear to have, a conflict of interest regarding the fund being considered for investment (that may be perceived to affect his or her ability to exercise independent judgment) he or she shall disclose such conflict prior to discussion and shall abstain from any vote that may be taken.

V. SPENDING POLICY

The Foundation’s spending policy is designed to allow the assets of an endowed fund to be invested on a "total return" basis to maintain and, if possible, increase the purchasing power of the Fund, while at the same time providing a relatively steady and predictable level of funding for grantees. The spending policy in effect for 2023 is 4.10% of the value of the endowed fund based on the average of the trailing twenty quarters as of June 30th and is determined annually. If the fund is under historic dollar value (HDV), the spending rate will be reduced as follows:

<u>Under HDV by</u>	<u>Spending Rate</u>
0 – 1%	4.0%
1 – 5%	3.75%
5 – 10%	3.25%
>10%	2.25%

The fund will be managed in accordance with the Uniform Prudent Management Institutional Funds Act (UPMIFA) and thus the following provisions are considered when determining the spending rate:

1. The duration and preservation of the endowment fund
2. The purposes of the institution and the endowment fund
3. General economic conditions
4. The possible effect of inflation or deflation
5. The expected total return from income and appreciation of assets
6. Other resources of the institution
7. Where appropriate and circumstances would warrant, alternatives to expenditure of the endowment fund, giving due consideration to the effect that such alternatives may have on the institution
8. The investment policy of the institution

The Investment Committee reviews the spending policy and makes a recommendation to the Board annually in September for the following year.

Appendix A

Policy for Separately Managed Donor Advised Funds

From time to time, Berkshire Taconic Community Foundation may accept separately managed investment accounts, subject to its full discretion and further subject to the conditions set forth by the committee in its Investment Policy at the time.

- A. A financial advisor/investment manager associated with a separately managed account recommended by a donor advisor will be subject to approval of the Investment Committee of the Berkshire Taconic Community Foundation in accordance with its Investment Policy and due diligence review by its consultant. All cost incurred with respect to outside evaluation of the advisor/manager and the underlying investments will be allocated to the related funds. The Committee will not consider situations where the donor or related persons are the investment manager.
- B. The Investment Committee has full responsibility for the relationship with each advisor/manager and may terminate the relationship at any time.
- C. The investment manager must have a proven track record and expertise investing a diversified portfolio. The investment manager must be able to demonstrate satisfactory investment results for at least the past 10 years.
- D. A minimum of \$500,000 in investment assets is required to open a separately managed account. If the assets fall below \$500,000 for three successive quarters, the Investment Committee will evaluate the relationship and decide if the separately managed account should be continued.
- E. The Investment Committee has established an initial limit of three separate accounts which the Foundation may accept.
- F. To achieve its investment objective and to control risk, the investment manager's portfolio will be diversified across multiple asset classes and invested in funds or securities of low to moderate risk. The investment manager's long-term allocation to these asset classes will be generally aligned with the asset allocation targets determined by the Investment Committee, which are adjusted from time to time. Portfolio returns will be measured against appropriate benchmarks for each asset class.
- G. The investment manager will provide monthly reports summarizing the following information:
 - 1. Asset allocation by asset class.
 - 2. Total return compared to benchmark.
 - 3. Reports will include information for:
 - a. Current month
 - b. Current quarter
 - c. Calendar year-to-date
 - d. Trailing 1, 3, 5, 7, and 10 year, and inception date returns.
- H. The periodic reporting provided by the investment manager must include:
 - 1. Detailed list of all assets held at market and at cost
 - 2. Moody's or Standard & Poor's rating on all fixed income investments
 - 3. Dividend and interest income received for the period
 - 4. Realized gains and losses for the period
 - 5. Duration and maturity of fixed income assets
- I. The investment manager is required to inform the Investment Committee of any significant change in firm ownership, organizational structure, professional personnel, total assets under management, or fundamental investment philosophy.
- J. The Foundation may require the investment manager to use a designated custodian.

- K. The Investment Committee will seek the services of an investment consultant for due diligence and monitoring of the portfolio. Compensation for services rendered by a consultant will be charged directly to the investment portfolio:
1. Investment managers will be subject to the Foundation's customary due diligence
 2. Annually, each manager will be required to meet in person with either the consultant or a member of the Investment Committee, along with the CFO of the Foundation.
 3. The consultant will provide written reports consistent in form and substance with the monthly and quarterly reports provided to the Foundation for its other managed portfolios.