

THE ENDOWMENT FOR THE SUSTAINABILITY OF THE INTERNET ENGINEERING TASK FORCE

ENDOWMENT POLICY

Adopted May 29, 2012

As Amended April 20, 2015

1.0 Introduction

This Endowment Policy (the “**Endowment Policy**” or the “**Policy**”) has been adopted by the Board of Trustees (“**Board**”) of The Internet Society (“**ISOC**”) to provide guidelines for effectively managing, monitoring and evaluating the investment of donor-restricted funds held in the Endowment for Sustainability of the Internet Engineering Task Force (the “**IETF Endowment**” or the “**Endowment**”). This Endowment Policy supplements ISOC’s general Investment Policy, adopted May 18, 2009, as amended from time to time (the “**Investment Policy**”), by adding the IETF Endowment as a separate donor-restricted pool of investment assets. Funds held in the IETF Endowment must not be commingled 5th with other funds of ISOC, but instead must be maintained and invested separately and in accordance with this Endowment Policy. All capitalized terms not defined herein shall refer to terms defined in ISOC’s Investment Policy.

ISOC is incorporated under the laws of the District of Columbia, U.S.A. and follows the principles of the Uniform Prudent Management of Institutional Funds Act as adopted in the District of Columbia (“**UPMIFA**”) with respect to the management, investment, and expenditure of the IETF Endowment.

2.0 Responsibilities

The IETF Endowment funds are to be used for the exclusive support of the IETF and its activities. The Board of Trustees of the Internet Society has the fiduciary responsibility to administer the IETF Endowment funds to further the sustainability of the IETF.

The Board may delegate certain responsibilities to professional experts in various fields, although the Board maintains overall fiduciary responsibility. These professionals may include, but are not limited to:

- 2.1. Investment Advisor. An Investment Advisor may be selected to assist the Board in:
 - a.) establishing investment policy, objectives and guidelines;

- b.) selecting investment managers;
- c.) periodically reviewing any investment managers;
- d.) measuring and evaluating investment performance;
- e.) and other tasks as deemed appropriate.

2.2. Investment Manager. Investment manager(s) may be selected to manage a specific pool of investments under this Policy. The investment manager has discretion within policy guidelines to purchase, sell, or hold the specific securities that will be used to meet the investment objectives;

2.3. Custodian. The custodian will physically (or through agreement with sub-custodian) maintain possession of securities owned by the ISOC, collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales. The custodian will also perform regular accounting of all assets owned, purchased or sold, as well as movement of assets within the accounts.

2.4. ISOC Officers and Staff. The role of ISOC's officers and staff is to direct the day-to-day investment of the IETF Endowment funds according to the parameters and restrictions of this Endowment Policy and other directives of the Board. The Board may assign further responsibilities to ISOC officers and staff as required.

3.0 Endowment Council

The Internet Society will have a council of donors (the “**Endowment Council**”), which is to be identified according to guidelines recommended by ISOC staff, in consultation with the IETF Administrative Oversight Committee (the “IAOC”) and approved by the Board. It is the responsibility of the Endowment Council to provide advice and guidance to the Board in the performance of the Board's fiduciary responsibilities. The Board will seek advice from Endowment Council with respect to the following matters for which the Board is solely responsible:

- Setting performance benchmarks for the investment of the Endowment;
- Selecting and reviewing the performance of the Investment Manager(s);
- Annually establishing the appropriation of Endowment funds according to Section 7.0 of this Endowment Policy; and
- As needed, making changes to this Endowment Policy according to Section 12.0.

As the fiduciary responsibilities of the Board with respect to the IETF Endowment cannot be delegated, the Endowment Council serves in an advisory capacity only.

4.0. Investment Objectives

The investment objectives of the Endowment are to:

- (1) Manage the funds in the Endowment in a way that the corpus exists in perpetuity.
- (2) Maintain the long-term, real purchasing power of the Endowment by generating an investment return which exceeds the Core CPI (Consumer Price Index) reported by the U.S. Bureau of Labor Statistics.
- (3) Minimize the risk of losses by diversifying the Endowment across asset classes.
- (4) Maximize total risk-adjusted return in order to meet or exceed the spending requirements for the Endowment.
- (5) Provide for the operating costs of the Endowment from returns on investments (rather than principal).
- (6) Minimizes investment costs to the greatest extent possible, including minimization of taxes and/or legal and administrative fees.

5.0 Investment Guidelines

To accomplish its investment objectives, ISOC is authorized to make any legal investment that is consistent with the Investment Standards as set forth herein, including, but not limited to publicly traded securities and bonds, and to utilize any legal investment structure that primarily holds such investments, including separately managed portfolios, mutual funds, exchange traded funds, limited partnerships, and other commingled investment entities. When utilizing mutual funds or other commingled entities, ISOC shall ensure that it or its delegates have selected the investment entity appropriately based on the strategies and provisions contained in the entity's prospectus, and the terms and conditions of the prospectus are deemed to control the entity's internal asset allocation, return objective, risk parameters, and other requirements.

6.0 Investment Standards

Each person performing duties pursuant to this Endowment Policy, including managing and investing the IETF Endowment, shall do so in a manner consistent with the duty of loyalty, in good faith, and with the care that an ordinarily prudent person in a like position would exercise under similar circumstances. A person with special skills or expertise, or who is selected in reliance upon the person's representation that the person has special skills or expertise, has a duty to use those skills or that expertise in managing and investing the Endowment.

Unless otherwise provided by a gift instrument, management and investment decisions about an individual asset shall be made not in isolation but rather in the context of the Endowment's portfolio of investments as a whole and as a part of an overall investment strategy having risk and return objectives reasonably suited to the Endowment and to ISOC.

Unless otherwise provided by a gift instrument, Endowment funds shall be invested and managed considering the following factors:

- General economic conditions;
- Possible effect of inflation or deflation;
- Expected tax consequences, if any, of investment decisions or strategies;
- Role that each investment or course of action plays within the overall investment portfolio of the fund;
- Expected total return from income and the appreciation of investments;
- Needs of the Endowment to make distributions and preserve capital; and
- An asset's special relationship, if any, to the charitable purposes of the Endowment.

The investments of the Endowment shall be diversified unless it is prudently determined by the Board, or its delegates, that because of special circumstances, the investment objectives are better served without diversification. The Board, or its delegates, shall review a decision not to diversify as frequently as circumstances require, but at least annually. Within a reasonable time after receiving property, the Board, or its delegates, shall make and carry out decisions concerning the retention or disposition of the property or to rebalance a portfolio, in order to bring the Endowment into compliance with the purposes, terms, and distribution requirements of the Endowment as necessary to meet other circumstances and the requirements of this Policy.

ISOC may incur only those costs that are appropriate and reasonable in relation to the assets, the purposes of the Endowment, and the skills available to ISOC, and shall make a reasonable effort to verify facts relevant to the management and investment of the Endowment. The Endowment will be included in the independent annual audit of the Internet Society, or in the absence of such audit will be subject to other audit procedures as determined by the Board.

7.0 Spending Policy

The Board will make an annual determination regarding the amount of expenditure from the IETF Endowment. The Board will make the determination to appropriate funds for the support of the IETF and its activities based on the factors in this Section 7.0.

In making the annual determination, the Board will consider the following factors:

- Advice from the Endowment Council;
- Target size of the Endowment principal funds prior to initial appropriation;
- Preservation of the principal balance of the Endowment funds;
- Purpose of the Endowment funds;
- General economic conditions;
- Possible effect of inflation and deflation;
- Expected total return from income and the appreciation of investments; and
- Other provisions of this Endowment Policy.

8.0 Prohibited Investments

The Board has adopted the following restrictions to apply to the IETF Endowment portfolio. The Investment Advisor or the Investment Manager may not:

- 1) Purchase any private placements;
- 2) Purchase individual options contracts. However to the extent that mutual funds are used, the mutual funds may buy or sell option contracts for the purposes of managing portfolio risk;
- 3) Permit the mortgage, pledge, or hypothecation of any assets of the Endowment;
- 4) Engage in Short Sales;
- 5) Make use of margin transactions or the use of other such leverage instruments;
- 6) Of the entire portfolio of funds held in the Endowment, invest more than 5% of the portfolio in fixed income instruments that fall below investment grade (investment grade are those instruments rated BBB and above);
- 7) Hold more than 20% of Endowment in any one industry or sector;
- 8) Hold more than 5% of Endowment in the securities of any one company at cost, as determined at the time of purchase, or 10% of market value (this limitation does not apply to obligations in the aggregate issued or guaranteed by the United States Government);
- 9) Loan money or securities to any individual or corporation from the assets of the Endowment other than through the purchase of marketable fixed income securities;
- 10) Make investments at the direction of any ISOC representative that might create the appearance of a conflict of interest with ISOC member organizations. However, investments in such instruments, individually or in a diversified mutual fund, or at the direction of an Investment Manager are not precluded;
- 11) Make individual investments that are contrary to the purposes of the IETF or the Mission of the Internet Society. However, investments in such instruments, individually or in a diversified mutual fund, or at the direction of an Investment Manager are not precluded;
- 12) Make investments via financial firms or funds that are managed, overseen, or controlled by any member of the Endowment Council;
- 13) Make any investments that may be precluded by any special instructions issued in writing from time to time by the Board of Trustees.

9.0 Target Asset Mix

The IETF Endowment shall be comprised of the asset classes listed in the table below. The target weight is the desired weight for each asset class. The minimum and maximum weights are to allow for normal market fluctuations and flexibility given market conditions.

ASSET CLASS	MINIMUM WEIGHT	TARGET WEIGHT	MAXIMUM WEIGHT
CASH AND CASH EQUIVALENTS	0%	0%	N/A
EQUITY			
U.S. Equities			
Large Cap	15%	20%	35%
Mid Cap	5%	10%	20%
Small Cap	5%	10%	15%
Foreign Equities	5%	15%	25%
TOTAL EQUITY		55%	
FIXED INCOME			
Short Term Bonds	5%	10%	25%
Intermediate Term Bonds	10%	15%	25%
Long Term Bonds	5%	10%	25%
TOTAL FIXED INCOME		35%	
OTHER ASSETS	0%	10%	20%

10.0 Definitions - Asset Classes

Investments will be managed actively to pursue opportunities presented by changes in interest rates, credit ratings, and maturity premiums. The following definitions shall apply for the purposes of this Endowment Policy:

Cash and Cash Equivalents	Funds may be held in cash and cash equivalents as recommended by the Investment Advisor.
U.S. Equities:	U.S. publicly traded equities.
Foreign Equities:	Non-U.S. publicly traded equities.
Short Term Bonds:	Fixed income securities issued by the governments, government agencies, or corporations, and having a weighted average maturity of no more than three (3) years.
Intermediate Term Bonds:	Fixed income securities issued by the governments, government agencies, or corporations, and having a weighted average maturity of no more than six (6) years.
Long-Term Bonds:	Fixed income securities issued by the governments, government agencies, or corporations, and having a weighted average maturity of more than six (6) years.
Other Assets:	Commodities, REITS, and alternative investments used to diversify the portfolio and protect assets from downside risk.

There is no limitation to the level of funds that may be held in Cash and Cash Equivalents for the protection of the Endowment. Consequently, asset classes may fall below the mix parameters for the purpose of investment in Cash and Cash Equivalents.

From time to time, market conditions may cause the investments in various asset classes to vary from the targeted allocation. To remain consistent with the asset allocation guidelines established by this Endowment Policy, the Endowment will be rebalanced back to within the recommended asset mix parameters when asset-class weightings are outside their acceptable ranges. Such rebalancing will be accomplished within a reasonable timeframe to minimize the volatility of the mix of the investments held by the Endowment.

The Board will review the projected cash flow needs of the Endowment at least annually and identify any liquidity needs that would require advance notification of any Investment Manager.

The benchmarks for each asset class and for the entire portfolio shall be established by the Board, as agreed upon with each Investment Manager.

11.0 Proxy Voting

The Board may delegate responsibility to vote proxies to the Investment Manager(s) or a qualified third party. Proxies must be voted with the interest of preserving or enhancing the security's value and in a manner that best serves the interest of the Endowment and the purpose of the IETF and the Mission of the Internet Society. Each party responsible for voting proxies and taking a position with respect to other corporate actions on the Endowment's behalf is expected to be aware of provisions that may adversely affect the value of any securities for which it has such responsibility, including but not limited to "golden parachutes," "super majorities," "poison pills," "fair price" provisions, staggered boards of directors and similar concepts.

12.0 Review and Amendment of this Endowment Policy

The Board will review this Endowment Policy periodically. Changes to the Policy must be accepted by a vote of a majority of the Trustees then in office.

Adopted by the Board of Trustees of the Internet Society on May 29, 2012, and Amended by the Board of Trustees of the Internet Society on April 20, 2015.

