INTRODUCTION

Doris Duke Charitable Foundation, Inc. (the “Foundation”) is a leading national philanthropic organization. The Foundation is headquartered in New York and is governed by a board of 12 Trustees. The Foundation’s activities are guided by the Last Will and Testament of Doris Duke, who endowed the Foundation with financial assets that totaled approximately $1.9 billion as of December 31, 2019. The Foundation’s mission is to improve the quality of people’s lives through grants supporting the performing arts, environmental conservation, medical research and child well-being, and through the preservation of the cultural and environmental legacy of Doris Duke’s properties. Established in 1996, the Foundation supports four national grant-making programs:

- The **Arts Program** supports performing artists with the creation and public performance of their work.
- The **Environment Program** supports efforts that enable communities to protect and manage wildlife habitat and create efficient built environments. Having incorporated a prior special initiative on the prevention of climate change, the program pursues its work through that lens.
- The **Medical Research Program** seeks to contribute to the prevention, diagnosis and treatment of disease by strengthening and supporting clinical research.
- The **Child Well-Being Program** seeks to promote children’s healthy development and protect them from abuse and neglect.

In addition, the Foundation has funded the strengthening of health systems in several African countries since 2007, through its African Health Initiative. The Foundation provides grants to two related entities, each of which owns and operates Doris Duke’s former properties: Duke Farms Foundation, operating Duke Farms in New Jersey; and Doris Duke Foundation for Islamic Art (“DDFIA”), operating Shangri La in Hawaii. The Foundation also provides grants to an unrelated entity, the Newport Restoration Foundation, which owns and operates Rough Point in Rhode Island, also a former property of Doris Duke. These three properties are open for public visitation and used for educational programs to further their charitable missions. DDFIA also runs a grants program which focuses on advancing relationships, increasing understanding, and reducing bias between Muslim and non-Muslim communities. See APPENDIX A – “DORIS DUKE CHARITABLE FOUNDATION, INC.” of the Offering Memorandum for further detail on the Foundation.

**DESIGNATION AS SOCIAL BONDS**

The Foundation is issuing the Bonds as “Social Bonds” based on the use of proceeds of such Bonds, which will be used to fund organizations and initiatives that seek to address the specific social issues of the Foundation’s key grant-making programs. The designation is designed to track the generally accepted Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines updated as of June 2020 and as promulgated by the International Capital Market Association (“ICMA”). By reference to the ICMA’s “Green and Social Bonds: A High-Level Mapping to the Sustainable Development Goals” (June 2020), the Foundation has determined that the Social Bond designation reflects the use of proceeds of the
Bonds in a manner that is expected to be consistent with “Goal 3: Good Health and Well-Being,” “Goal 6: Clean Water and Sanitation,” “Goal 7: Affordable and Clean Energy,” “Goal 8: Decent Work and Economic Growth,” “Goal 10: Reduced Inequalities,” and “Goal 11: Sustainable Cities and Communities,” “Goal 12: Responsible Consumption and Production,” “Goal 13: Climate Action,” and “Goal 15: Life on Land” of the United Nations 17 Sustainable Development Goals (referred to as “UNSDGs” generally and “SDG 3,” “SDG 6,” “SDG 7,” “SDG 8,” “SDG 10,” “SDG 11,” “SDG 12,” “SDG 13,” and “SDG 15” specifically). Holders of the Bonds do not assume any specific project risk related to the funded projects or grants. See “SECURITY AND SOURCES OF PAYMENT OF THE BONDS” in the Offering Memorandum.

USE OF PROCEEDS

The Foundation believes that the nonprofit sector has been severely harmed by the COVID-19 pandemic and its economic fallout, and that nonprofit organizations will require substantial additional financial resources to continue to carry out their charitable missions. In response, the Foundation seeks to substantially increase its grant-making in the coming years to make grants directed at building resilience in the nonprofit sector and stabilizing and strengthening key nonprofit organizations (the “Special Allocation Grants”). The Special Allocation Grants will be made in addition to the Foundation’s normal grant-making.

The net proceeds of the Bonds are expected to be used to provide grant funding for Special Allocation Grants. These will be grants over and above the Foundation’s normal grant-making to organizations, projects, and programs meeting the Foundation’s grant-making evaluation criteria or as investments consistent with its Program-Related Investment (“PRI”) process. The Foundation’s target population of existing and prospective grantee and PRI partners are largely dependent on philanthropic funding and thus are particularly vulnerable to operational, employment, and mission disruption as a result of the wider economic slowdown caused by COVID-19 control measures. See APPENDIX A – “DORIS DUKE CHARITABLE FOUNDATION, INC. – Supporting a Nonprofit Sector in Crisis” in the Offering Memorandum.

The Foundation will have broad discretion as to its use of the proceeds of the Bonds, provided that such use is in compliance with the Foundation’s tax-exempt status under Section 501(c)(3) of the Code and the Foundation’s classification as a private foundation.

Special Allocation Grant candidates are to be screened as part of the Foundation’s application process to ensure consistency with the Foundation’s program areas that support the performing arts, environmental conservation, medical research and child well-being, and the preservation of the cultural and environmental legacy of Doris Duke’s properties – with a focus on target populations impacted by inequality. The Foundation has four primary purposes for these Special Allocation Grants:

- To provide in-year and multi-year commitments, primarily to existing grantees working in the Foundation program areas (as described above, on the Foundation website (https://www.ddcf.org/grants/) and in APPENDIX A of the Offering Memorandum);
- To provide in-year and multi-year grants to organizations capable of implementing strategies approved by the Foundation, including the ability to re-grant;
- To address the inequality in the nonprofit ecosystem that disadvantages organizations led by, and serving, underrepresented communities; and
- To amplify the resources and impact of funder collaboratives.
Other than Bond proceeds used to pay for costs related to the issuance of the Bonds, the Foundation expects to allocate 100% of remaining Bond proceeds to Special Allocation Grants over the course of 1-2 years. With the use of multi-year grant formats, full distribution of the proceeds may take an additional 1-3 years.

**PROCESS FOR PROJECT EVALUATION AND SELECTION**

Generally, the Foundation’s program staff conducts extensive research to identify gaps or needs that the Foundation can address in the fields it supports. Typically, this research leads to the development of a grant-making strategy, which supports a set of related grants that advance a specific goal or objective. Once a strategy is developed, grants are awarded in a variety of ways, including Foundation-initiated invitations to apply, re-granting competitions that are administered by service organizations, and competitions that are managed in-house using competitive, peer-reviewed request-for-proposal processes. The Foundation also makes relatively small opportunistic grants that are more broadly related to the programs’ missions.

In the case of the COVID-19 related Special Allocation Grants, the Foundation’s board, leadership and program teams will be responsible for selecting the grantees. Grantees and PRI partners will have undergone a rigorous proposal application process administered by program teams that are subject matter experts in their respective fields.

Special Allocation Grant proposal applications evaluate prospective grantees based on a number of criteria including, but not limited to, (i) the issues their organization/project addresses, (ii) geographic focus and/or communities and populations their organization/project intends to support, (iii) long-term goals, (iv) existing revenue sources, (v) potential impact, (vi) prior experience, and (vii) diversity goals and efforts.

Proposals for Special Allocation Grants will be thoroughly reviewed to ensure the Foundation complies with all legal requirements (including, but not limited to, IRS requirements and U.S. anti-terrorism laws) for charitable giving. The Foundation has designed its grant making process – from preparation of the grant recommendation to processing final reports – to conform to applicable legal standards and the Foundation’s procedures and standards. Special Allocation Grants will be monitored by the Foundation on an ongoing basis through visits, meetings, and written reports.

**MANAGEMENT OF PROCEEDS**

The Foundation will track the net proceeds of the Bonds. Until distributed, the net proceeds of the Bonds will be invested as a part of the Foundation’s endowment. The endowment is committed entirely to the fulfillment of the Foundation’s charitable purpose. A register will be established to record on an ongoing basis the allocation of the net proceeds of the Bonds to Special Allocation Grants.

**REPORTING**

The Foundation currently reports on its grant-making by listing all of its grants and grantees on its website with ongoing updates on the work conducted in furtherance of its mission (https://www.ddcf.org/grants/Grant-Recipients/). Reporting on the Special Allocation Grants is expected to be consistent with the Foundation’s current reporting. Additionally, the Foundation intends to designate Special Allocation Grants as such as part of its reporting and to update this information at least annually until all net proceeds of the Bonds have been awarded.
The timing of Special Allocation Grant payments will vary by grantee and may include multi-year payment schedules following the award of the grant. Upon full allocation and payment of the net proceeds of the Bonds to Special Allocation Grants, the Foundation intends to provide a summary of the Special Allocation Grant program on its website. This report is expected to include (i) an affirmation by management that the net proceeds of the Bonds were awarded to Special Allocation Grants and (ii) summary information regarding grants awarded by program area. Information contained in the Foundation’s website is not part of this Offering Memorandum and is not incorporated by reference herein. All updates on the expenditure of bond proceeds are voluntary.

**EXTERNAL REVIEW: FRAMEWORK OVERVIEW AND SECOND PARTY OPINION (“SPO”)**

The Foundation has engaged Sustainalytics US (“Sustainalytics”), a provider of environmental, social and governance research and analysis, to provide an opinion regarding alignment of the Social Bond Framework (the “Framework”) with the Social Bond Principles 2020. Sustainalytics evaluated the Foundation’s grant-making process, the planned use of Bond proceeds, the alignment thereof with relevant industry standards, and provided views on the robustness and credibility of the Framework which is intended to inform investors in general, and not for a specific investor. Sustainalytics is of the opinion that the Social Bond Framework aligns with the four core components of the Social Bond Principles 2020. See APPENDIX G — “SUSTAINALYTICS SECOND PARTY OPINION” in the Offering Memorandum.