Rockefeller Brothers Fund
Philanthropy for an Interdependent World

MISSION-ALIGNED INVESTMENT EFFORTS

As approved June 23, 2016, amended November 2017.

Visit rbf.org/mission-aligned-investing/at-a-glance *for the latest investment figures.*

Founded in 1940, the Rockefeller Brothers Fund seeks to build a more just, sustainable, and peaceful world. In doing so, the Fund is dependent on its endowment to generate the monies required to finance its grants and other philanthropic expenditures. An underlying objective for managing the endowment is to ensure that the foundation can continue to be, for future generations, the philanthropic resource it has been since its founding in 1940.

As a private foundation, the Fund is required by law to distribute 5% of its endowment annually for charitable purposes. Given the enormous and complex challenges facing today's increasingly interdependent world and the breadth of the Fund's programmatic priorities, leveraging the remaining 95% of the portfolio in strategic ways to support the Fund's mission is essential. Motivated by a sense of responsibility that has financial, social, and ecological dimensions, the Fund prioritizes investment policies that enable the foundation to achieve its long-term financial objectives while aligning its investments with its mission of helping to build a more just, sustainable, and peaceful world.

In developing the Fund's strategies to align its portfolio with its mission, one of the return objectives of the investment policy was changed in 2014:

> **From:** *The investment portfolio will be managed to maximize annualized returns net of all costs over rolling 10 year periods while adhering to the Fund's stated risk parameters.*
>
> **To:** *The Fund's long-term investment objective should be to preserve the real value of the endowment.*

Over the years, the Fund's efforts to implement mission-aligned investing policies have evolved and deepened, and the Fund has implemented a series of steps over a multiyear timeframe. Each of these can be viewed as separate elements of a cohesive effort to utilize the endowment to support the mission and programmatic goals of the Fund and leverage similar efforts by our peers:

Aligning the Fund's Endowment with its Mission

Seeking additional ways to better align the Fund's endowed assets with its mission, in 2010, the board approved initial steps to integrate programmatic interests into the Fund's investment management strategies. This has evolved into a two-pronged approach to ensure all investment allocations across the entirety of the endowment reflect mission-aligned investing objectives:

1. At the highest level, we have increased the degree of alignment between our portfolio and the Fund's mission. The clearest way to do this was to commit to divest from investments in fossil fuels.
2. At the same time, where practical, we seek to advance the Fund's mission and program initiatives through impact investing.

The following schematic illustrates the RBF's approach to mission-aligned investing:

MISSION-ALIGNED INVESTING

The Rockefeller Brothers Fund has worked over the last decade to align its financial portfolio with its programmatic interests in democratic practice, peacebuilding, and sustainable development. The Fund's Mission-Aligned Investment efforts include divestment from fossil fuels, impact investments, investing using environmental, social, and governance (ESG) criteria, and leveraging shareholder voting rights.

99% fossil fuel free

IMPACT INVESTMENTS

Market-rate investments in primary capital (e.g., private equity and debt, and real assets such as real estate and infrastructure) with meaningful and measurable impact advancing the RBF's mission and program initiatives.

ESG INVESTMENTS

Investments proactively screened for environmental, social, and governance criteria. While ESG criteria may differ, they can include factors such as carbon emissions, land use, labor management, health risk, board diversity, and financial

* REMAINING FOSSIL FUEL EXPOSURE

Mission-Aligned Investments

Our goal is for the entire portfolio to be aligned with our mission. Within this broad alignment, we pursue several distinct strategies, each with its own risk/return/impact characteristics:

Fossil Fuel Divestment

On September 22, 2014, the Fund announced that it would commit to a two-step process to divest from investments in fossil fuels. The Fund's immediate focus was on coal and tar sands oil, two of the most intensive sources of carbon emissions, with a longer-term approach to eliminate all fossil fuels from its holdings. Given the structure of some commingled investment funds and investments in highly diversified energy companies, our portfolio may continue to have minimal investments in those energy sectors.

> *For the most recent information on our divestment progress, please visit rbf.org/mission-aligned-investing/divestment.*

All managers in the RBF's portfolio are monitored for fossil fuel exposure and the potential for additional fossil fuel exposure is assessed prior to making any new investment and balanced against the RBF's objective to preserve the real value of the endowment and the Fund's primary benchmark of 70% MSCI All Country World and 30% Barclays Global Aggregate Bond.[1] The Fund will continue to seek to move toward 100% fossil fuel divestment; a transition away from fossil fuels is essential to the central goal of the RBF's efforts to address climate change. In assessing the financial impact of the Fund's fossil fuel divestment, the portfolio's performance is also measured against the 70% MSCI All Country World ex Fossil Fuels and 30% Barclays Global Aggregate Bond.

Investing with an ESG Lens

Through incorporating a mission-aligned lens to its investment considerations, the RBF also seeks to proactively invest in strategies broadly aligned with the Fund's mission or programs and integrate environmental, social, and governance (ESG) criteria (primarily public equities) into investment processes. This is accomplished through an affirmative screening and selection process, whereby we seek investments that proactively follow broad ESG considerations. ESG investments should maintain, in aggregate, risk-adjusted return characteristics similar to those of the whole portfolio.

Visit rbf.org/mission-aligned-investing/esg-investments *for the latest investment figures.*

Active Ownership

In line with the Fund's Democratic Practice program objectives, the RBF believes proxy voting and shareholder engagement are important components of its mission-aligned investing initiatives.

The Proxy Voting Guidelines (the "Guidelines"), first adopted by the Fund in 2005 and updated in 2016, are one such set of responsible investing policies. The RBF developed these Guidelines with the understanding that the voting rights that come with common stock ownership are economic assets of the foundation. Conscientious financial stewardship demands that proxy voting rights, like all other economic assets of the foundation, be managed with proper care and attention. Voting rights give shareowners the opportunity—and the responsibility—to participate in the governance and activities of publicly owned corporations. If shareowners engage actively, corporate responsibility will be strengthened and the prospects for favorable long-term financial performance will likely be enhanced.

The transition to an outsourced chief investment office (OCIO) in late 2007 moved the Fund's asset management into commingled funds; the RBF no longer had direct ownership of its holdings and lost its ability to exercise proxy voting rights. In late 2013, the RBF decided to

[1] Prior to the RBF's Divest-Invest pledge, certain managers agreed to screen out the most offensive securities as defined by the Filthy 15. Going forward, the RBF has elected to take a more inclusive approach to determining its fossil fuel exposure beyond the Filthy 15 to include all companies who own fossil fuel reserves.

change the investment structure of the portfolio by moving from commingled funds (where RBF assets were commingled with the assets of other OCIO clients) to a structure whereby the RBF invested directly into the funds of underlying managers. A formal search process for a new OCIO was undertaken and, in early 2014, Perella Weinberg Partners Agility (PWP) was hired as its new OCIO to manage the assets of the Fund. For the 2015 proxy season, the RBF directed PWP to vote its proxies, where possible, according to the ISS Sustainability U.S. Proxy Voting Guidelines. In 2015 and 2016, while developing more tailored guidelines in advance of the 2017 proxy season, we used the ISS Guidelines as they are broadly aligned with the RBF's core mission. The board approved 2017 Guidelines in November 2016. We have engaged ISS to vote our proxies in 2017, and will partner with ISS in the implementation and subsequent reporting phases.

Impact Investments

Seeking to maximize its efforts to address programmatic issues, the Fund is also deploying funds to market-grade[2] investments in primary capital (e.g., private equity and debt, and real assets such as real estate and infrastructure) with defined and measurable impact that further the Fund's mission to advance social change that contributes to a more just, sustainable, and peaceful world. Primary capital investments generally include private partnerships and co-investments (single asset and multi-asset), and generally exclude direct investments and nonsponsored opportunities. In evaluating investment opportunities, priority will be placed on identifying investments that are aligned with the RBF's specific program initiatives (Sustainable Development, Peacebuilding, and Democratic Practice) and pivotal places (Southern China and the Western Balkans). These investments are classified as Impact Investments. In 2010, the Fund set a portfolio allocation target of up to 10%[3] for Impact Investments. In 2016, this target was increased to 20% of the portfolio, which the Fund will seek to achieve over the next several years, while maintaining a diversified portfolio to preserve the real value of the endowment.

Visit rbf.org/mission-aligned-investing/impact-investments for the latest investment figures.

Investment criteria for the Impact portfolio is that it should deliver similar returns to other private market investment opportunities available. Investments are evaluated on both expected impact characteristics, as defined by the General Partner, and the investment characteristics of the strategy in isolation and within the context of the total portfolio. Due

[2] Defined as investments that seek to achieve a risk-adjusted return consistent with other investments with similar characteristics.

[3] For purposes of calculating progress towards the Fund's mission-aligned investment objective, the dollar amounts of investments committed is considered, versus the monies deployed.

diligence regarding investment characteristics includes, but is not limited to, assessment of expected return and risk, liquidity, asset class, and investment structure.

The portfolio is constructed to build exposure to a meaningful, diversified range of investments that reflects prudent and appropriate allocations by investment strategy. Additionally, we aim to construct the portfolio so that as the total portfolio allocation to Impact Investments reaches or exceeds the 20% target, no commitment to a single investment shall exceed 50% of the total allocation to aggregate impact strategies without the approval of the Investment Committee.

Building the Field

Recognizing the early stage of the mission-aligned and impact investing field, the Fund has committed to communicate its experiences and investment data to share knowledge gained, collaborate with other institutions engaged in similar goals (or considering such steps), and to support the expansion needed in investments that tackle the globe's pressing issues. This effort includes a wide range of activities, including serving on boards and committees of mission-aligned and impact investment affinity groups; providing grant dollars to support institutions in this field; participating in panels and related media events; meeting with boards and staff of peer foundations; and sharing data with entities collecting and disclosing mission-aligned and impact investments.

In 2017, the Fund joined other institutions reimagining ways of better deploying their investment assets, not only to create financial returns but also to generate measurable social impact. The Fund has been an active partner with several like-minded organizations, supporting the advancement of mission aligned investing, including Confluence Philanthropy, The ImPact, and Divest-Invest Philanthropy.

We are pleased now to further our outreach by joining the newly expanded U.S. Impact Investing Alliance, as well as to partner with Mission Investors Exchange as a member of its inaugural class of sustaining members. RBF President Stephen Heintz and Vice President for Finance and Operations Geraldine Watson are participants on the Alliance's Presidents' Council on Impact Investing, which comprises the CEOs and senior staff of 20 of the largest U.S. foundations with a combined $60 billion in endowed assets which are deeply committed to practicing and promoting impact investing.

Also in 2017, the Fund became a signatory to the United Nation-supported Principles for Responsible Investment (PRI) as part of its continuing efforts to align its investments with its philanthropic mission. The PRI was launched in 2006 by a group of 20 of the world's largest institutional investors from 12 countries, brought together by the UN Secretary-General. Now, its network of nearly 1,700 member institutions collaborate to implement and promot a set of voluntary principles that integrate environmental, social, and governance (ESG) factors into investment analysis.