

MISSION-ALIGNED INVESTING



Rockefeller
Brothers Fund



MISSION-ALIGNED INVESTING

The Rockefeller Brothers Fund (RBF) works to invest our endowment dollars in ways that finance our philanthropic programs and bolster our institutional mission to advance a more just, sustainable, and peaceful world.

Rooted in our 2014 decision to divest from fossil fuels, RBF Mission-Aligned Investing spans a range of initiatives. We dedicate a growing portion of the endowment to impact investments that deliver both market-rate financial returns and measurable social impact. We also direct investment dollars to companies distinguished by their environmental, social, and governance standards and firms in which women or underrepresented people of color hold majority ownership. Finally, we exercise shareholder voting rights to improve corporate practices.

■ 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 transparency.

■ REMAINING FOSSIL FUEL EXPOSURE



LAYING THE GROUNDWORK

For more than 80 years, the environment has been one of the most enduring philanthropic commitments of the RBF. In the early 21st century, it became increasingly clear that our investments in fossil fuel companies were undermining our grantmaking to climate advocates.

A decade before our 2014 divestment announcement, the RBF first examined how the endowment might be used to influence the behavior of public energy companies. In 2010, we pledged to devote 10 percent of endowment funds to impact investments that put capital in the hands of entrepreneurs whose work aligns with our mission.

By the time of our divestment decision, the RBF had learned what structures and capabilities we would need for a comprehensive and successful mission-aligned investing strategy.

THE RIGHT PARTNERS

We came to realize that the structure of our portfolio, commingled with funds from other investors, limited our ability to select investments and restricted proxy voting. So, in early 2014, we transitioned to a new outsourced chief investment office (OCIO), Agility, that would manage the endowment as a separately managed account.

The divestment movement was still nascent in 2014, but Agility committed to partnering with the RBF and developing the expertise needed to identify investment strategies to meet our goals. They analyzed existing investments to better understand our fossil fuel holdings and what would happen if these were sold.

COVER: OCEAN WINDS MORAY EAST WIND FARM, SCOTLAND

Photo courtesy of Blue Bear Capital Partners

CHANGING ATTITUDES

The RBF Investment Committee was naturally reticent to commit to rules or practices that might impair long-run returns. Strengthening the committee's support for mission-aligned investing required bringing new expertise and perspectives into the process by introducing term limits and recruiting diverse members. A 2011 report by Carbon Tracker also provided reassurance to the committee; it found that, to maintain a livable planet, most fossil fuel reserves must remain in the ground, thus becoming stranded assets worth nothing in the market.

To advance our mission-aligned investment efforts, the RBF also needed to rewrite our return objective. The previous objective to “maximize annualized returns” was modified to “preserve the real value of the endowment.” This subtle but important change provided the investment committee and OCIO more latitude to consider attributes of an investment beyond its potential for the highest possible returns.

FOSSIL FUEL DIVESTMENT

The RBF announced on September 22, 2014, that we would join the growing divestment movement and purge our portfolio of fossil fuels. We committed to first eliminating coal and tar sands exposure and to then examining how we could exit other fossil fuel investments. Today, the RBF endowment is more than 99 percent fossil fuel-free.

Our investments are assessed with the MSCI Fossil Fuel Reserves Screen to determine that they do not hold fossil fuel reserves. When needed, a side agreement commits fund managers to avoiding fossil fuels in investment vehicles owned by the RBF.

Five years after we announced the decision to divest, the RBF reported an average annual net return of 7.76 percent—a full percentage point higher than the returns for our benchmark indexes, made up of 70 percent stocks and 30 percent bonds, in the same period. Although past performance cannot predict future returns, we are optimistic.

DECARBONIZATION: THE NEXT STEP

To extend the impact of our mission-aligned investing strategies, the RBF has identified a series of next steps to decarbonize the portfolio. As we continue to evaluate our overall carbon footprint, we are examining top emitters among our endowment investments and developing engagement strategies to encourage them to reduce emissions. Together with peer organizations, networks, and industry groups, we will support increased availability of emissions data, development of industry standards, and collective action toward a low-carbon future.

You can find up-to-date information on our divestment and decarbonization progress at www.rbf.org/divestment

ESG INVESTMENTS

Another portion of the RBF portfolio is invested using Environmental, Social, and Governance (ESG) criteria. While ESG criteria may differ, they can include factors such as carbon emissions, land use, labor management, health risk, board diversity, and financial transparency. As part of the selection process for our investments, Agility evaluates the ESG metrics used by fund managers and assesses their level of engagement with companies in their portfolios to identify more profitable investments and opportunities for better alignment with the RBF's goals.

See a full list of our ESG investments to date at www.rbf.org/esg-investments

IMPACT INVESTMENTS

The RBF defines impact investments as those that address specific societal and environmental concerns while delivering market-rate returns. Unlike program-related investments undertaken by some foundations, our impact investments are non-concessionary—they aim to demonstrate the possibility of simultaneously bolstering programmatic work and earning competitive returns to fund our grantmaking.

In 2016, we raised our impact investing target, first set in 2010, from 10 percent to 20 percent of the endowment.

See a full list of our impact investments to date at www.rbf.org/impact-investments

GENDER, RACIAL, EQUITY LENS INVESTING (GREL)

Research suggests that investors undervalue funds that are managed by women and people of color. To both advance diversity, equity, and inclusion efforts and produce financial returns, the RBF pledged in March 2020 to invest 25

percent of our endowment with firms in which women or underrepresented people of color hold majority ownership. We also seek out firms and engage industry organizations that support and create meaningful leadership opportunities for managers from historically marginalized groups.

See a full list of our GREL investments to date at www.rbf.org/grel

ACTIVE OWNERSHIP

Voting rights give shareowners the opportunity—and the responsibility—to participate in the governance and activities of publicly owned corporations. The RBF first developed proxy voting guidelines in 2005 and revised them in 2017. The RBF, either directly or through the managers of our investments, votes on issues including political spending and lobbying, executive compensation, diversity, gender pay equity, and human rights.

Learn more about shareholder engagement at www.rbf.org/active-ownership

BUILDING A MOVEMENT

In all our mission-aligned investment initiatives, and especially in our fossil fuel divestment campaign, the RBF recognizes the potential to multiply our impact as part of a larger movement. The RBF was not the first to deploy its endowment assets to advance its mission and we have been helped by countless others. We strive to pay it forward, to be transparent in our actions and generous with what we have learned, and to share our experiences in conversations, conferences, reports, videos, and more.

For up-to-date information about our mission-aligned investing efforts, please visit www.rbf.org/mission-aligned-investing



SOLUBIO EXPERIMENTAL
AREA, BRAZIL

Photo courtesy of
Aqua Capital

The Rockefeller Brothers Fund, founded in 1940 by the grandsons of John D. Rockefeller, is a philanthropic foundation with a mission to advance social change that contributes to a more just, sustainable, and peaceful world. Through grantmaking, mission-aligned investing, and convenings at The Pocantico Center, the RBF supports the people and organizations building lasting solutions to the challenges facing today's increasingly interdependent world.



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