The V. Kann Rasmussen Foundation, Inc.
Investment Policy Statement

Purpose

The purpose of the V. Kann Rasmussen Foundation, Inc. (the Foundation) is to support the transition to a more environmentally resilient, stable, and sustainable planet. We believe best practices for promoting sustainability will be most effectively developed through an integrated systems approach based on sound scientific knowledge, and one that furthers the involvement of an informed public. The Foundation's programs are focused on dealing with the urgency of climate change, unsustainable consumption, and loss of biodiversity.

This document articulates the Foundation's commitment to gradually align all its invested assets with that purpose and to reflect the Foundation's desire to generate both positive environmental impacts and financial returns. The Foundation will pursue purpose aligned investments across asset classes, subject to the highest diligence standards, and evaluated by their expected and actual contribution to the Foundation's purpose.

Core Belief

We believe that on a planet with finite resources, economic growth needs to be operating within our planetary boundaries. Economic transactions of all kinds will serve current and future generations better, if designed to restore rather than deplete our natural and social capital.

Priorities

The Foundation will employ all forms of capital, both philanthropic and investment, to pursue its overall purpose and programs. The key objective of the Foundation's investment strategy is to align its investment capital 100% with its purpose before 2025.

While our priorities may evolve over time, the following pillars provide a frame for how we will approach the investment opportunity set.

- *Climate Change Mitigation and Resource Efficiency* – With the aim of sustaining and preserving precious natural resources, the Foundation will seek investments that create and demonstrate models of carbon neutral and carbon negative outcomes, resource efficiency and sustainable consumption.

- *Ecosystems Resilience, Protection, and Restoration* – The Foundation will seek investments that foster ecosystem health, protection and expansion.

- *Learning, Partnering and Collaboration* – The Foundation seeks to promote learning through its programmatic activities and will do the same with its investments. The Foundation will seek to inspire, learn from others and form enduring partnerships with peers and other stakeholders.

Principles

- All investments have an impact. All investments provide some form of environmental, social and financial impact. The Foundation intentionally pursues positive impact both on financial and non-financial parameters.

- Investment decisions are based on the best knowledge available and are fundamentals driven. Investment decisions will be based on strong due diligence and evaluation of both potential benefits and risks. The Foundation also understands that as it invests in new and evolving markets, there will sometimes be limited historical data or trends behind a thesis, and the investment diligence process will require human interpretation and judgment to ensure purpose alignment.

- Investments will mainly focus on achieving incremental change in fewer large investments, as opposed to investing in many small niche products. We will however monitor the larger field of purpose aligned investments as we learn and gain more experience.

Investment Strategy

Summary

The Foundation is committed to aligning 100% of its investment capital with its purpose and its program activities before 2025. Achieving alignment will require a significant shift in the portfolio structure and liquidity profile, and this strategy provides a framework for how the investments will be conducted to meet this objective.

The overarching goal of the strategy is to achieve attractive, risk-adjusted financial returns and clear, environmental impacts. While many impact investors target both environmental and social sectors, the Foundation chooses to focus on investments with clear environmental impacts to ensure focus, and will measure them quantitatively and qualitatively as accurately as possible.

The main financial objective of the strategy is to generate returns required for funding grant making and meeting regulatory requirements. Furthermore, there is an aspiration for growing the real value of the endowment to enable greater and more scalable action for key programmatic priorities such as climate change mitigation.

Investment Thesis

The investment thesis of the Foundation is based on the well-informed assumption that integrating awareness of climate change factors within the investment decision-making process presents opportunities to both enhance risk management and capitalize on economic opportunities and solutions associated with climate change mitigation and the transition to a lower-carbon economy.

A warming climate, and associated changes in global weather patterns, will materially impact businesses, economic assets and communities. The consideration of these risks and potential impacts leads to the prioritisation of investments that seek to mitigate climate risks by lowering carbon emissions and fostering more efficient use and consumption of resources, particularly energy, water and food.

As a complement to the focus on climate risk, the investment strategy also prioritizes the pursuit of solution-oriented green impact investments to capitalize on climate opportunities. In a resource-constrained world, there are real economic opportunities in a wide range of environmental technologies, services, and assets that lead to a more sustainable, resource efficient future.

Our premise is that the more challenging the problem, the greater the opportunity set for innovations, solutions, and, ultimately, attractive investment returns. There are numerous existing and emerging opportunities to invest in under-capitalized green sectors and enterprises, with an expectation of significant capital appreciation.

While global opportunities will be considered, the primary focus is expected to be on developed markets. Opportunistic private investments in emerging markets will be considered, but emerging markets-only private strategies will be avoided for risk-management purposes.

Investment Themes

The key investment themes will inform the scope and composition of opportunities to be considered for the portfolio, and include the following:

- Climate change mitigation, including renewable energy infrastructure and low/negative-carbon projects;
- More efficient management of existing energy resources to reduce carbon intensity and costs;
- Resource efficiency across the global economic value chain, including industrial and manufacturing processes, the built environment, sustainable transportation, energy storage, and waste management;
- Fostering development and distribution of renewable energy resources, and
- Financing development and preservation of green real assets strategies, which could include sustainable forestry, agriculture, and water management.

Portfolio Structure

The Foundation will consider global investment opportunities across asset classes. Private market investments are preferred over publicly listed investments as the provision of primary capital generates a clearer link between the investment and its associated impact. Accordingly, the portfolio structure will migrate from being largely public market investments to a majority of private market investments in mission-aligned sustainable real assets, growth equity, credit, private equity, and venture capital strategies. The long-term allocation to private markets is expected fall within the range of 60% - 80% of Foundation assets, with the upper bound being determined by ongoing assessments of risk and liquidity needs. As further outlined below, the remaining public markets portfolio is also expected to be mission-aligned over time.

As the portfolio structure moves to 100% alignment, the Foundation will monitor and manage its risk exposures. Moreover, the Foundation prefers to invest with a focused number of investment managers and projects to amplify impact, maximize engagement, and express conviction. All investments will be evaluated on financial and impact dimensions, and the progress toward the goal of 100% alignment will be measured and mapped across a spectrum of ESG and impact characteristics.

Public Markets Investments

The public markets portfolio serves a critical purpose as a source of both capital appreciation and liquidity for programs and the growth of the private markets allocation. As with the total portfolio, all public investments are expected to be aligned with the Foundation's purpose and consistent with its Priorities articulated in the lead of this policy. The progression to purpose alignment will be tracked and measured on a regular basis, and moving public assets out of more conventional strategies is an early priority for the public portfolio.

The public portfolio will mainly comprise of liquid fund partnership and separately managed accounts that can include:

- Actively managed equity funds with a strong sustainability thesis, and potential to outperform market benchmarks
- Passively managed equity funds that integrate ESG and/or climate factors with portfolio construction and are expected to match market returns
- Hedged equities or absolute return strategies that are expected to have differentiated sources of economic return and help mitigate volatility
- Actively managed fixed income and credit strategies that integrate ESG and sustainability
- Passively managed fixed income funds to minimize costs and provide liquidity

The size of the Public Markets allocation is expected to steadily decrease to a range of 20-40% of assets, as the portfolio moves toward 100% alignment, and its composition and risk profile are expected to be dynamic as the size of the private allocation increases toward the 60-80% target range. Similarly, the manager roster will become progressively more concentrated over time.

The shift in the risk profile of the public markets investments will be monitored and re-evaluated on an annual basis.

Private Markets Investments

The private investment portfolio has a target range of 60-80% of total assets. The portfolio will mainly comprise of illiquid fund partnerships, implementing strategies that can include:

- Equity or debt financing of sustainable real asset projects and/or development companies that would generate a reasonable total return, including some cash yield. Indicatively, these sustainable real asset strategies will comprise between 30-70% of the Foundation's private investment portfolio by value.
- Control-oriented buyouts, or minority growth equity investments, in sustainable businesses that provide solutions to enhance the resource efficiency of the global economy. Growth equity and buyouts will likely comprise 20-60% of the private portfolio.

- Venture capital investments in high risk-return-impact opportunities that capitalize on technological and/or business model innovation. These opportunities will likely comprise 0-20% of the private portfolio.

The above ranges are indicative targets only. Ultimately, portfolio construction is shaped by the evolving market environment from a top-down perspective, and the availability and accessibility of high-conviction managers from a bottom-up perspective.

The Foundation will build exposure with managers across several funds over time in order to provide vintage year diversification.

Private investments typically have a clearer impact than public investments since they generally represent primary capital, which funds the creation and/or growth of businesses and projects. Each investment will be subject to extensive due diligence on the management team, investment strategy, prior track record, market environment, risk factors, terms, and impact relevance.

It is expected that private investment returns will take time to materialize, so we should expect a "J-curve" during the early years of each investment's lifecycle. That said, ongoing monitoring and evaluation of the private investments will seek to ensure underlying financial and impact traction.

While funds will be the primary focus of the Foundation, there may eventually be opportunities to participate in direct or co-investments in companies that are particularly attractive and aligned with the Foundation's purpose.

Risk & Return

The portfolio must generate a risk-adjusted return sufficient to support grant making, operational requirements and to meet regulatory requirements, including the 5% payout rule of the IRS, with an aspiration of increasing the long-term real value of the portfolio to increasingly scale the impact of its programmatic and investment work. This aspiration is based on a programmatic spending not exceeding 5% per annum.

This means that portfolio should generate approximately an average annual return of 8% (nominal) to cover 5% spending, 2% inflation and 1% misc. expenses.

Public market investments are expected to meet, or exceed, relevant public market benchmarks over a full market cycle (typically ~ 7 years). Private investments are expected to meet, or exceed, relevant private market benchmarks and to generate a net IRR of around 10% over the long term (i.e. 10-15 years).

The Foundation is not seeking concessionary financial returns on investments, but is willing to tolerate less liquidity and to take more risks compared to the previous strategy in order to meet the Risk & Return targets described above.

Impact Measurement

Impact measurement is an important component of the Foundation's investment strategy. While measurement is an evolving field that is often described as one which integrates both art and science, the Foundation will produce an impact report annually. The framework for impact measurement is expected to evolve as the Foundation's and broader industry's measurement capabilities improve over time.

During the diligence and deliberation process for any impact investment, an impact thesis will be articulated. When assessing potential investments, the following dimensions and questions will inform the selection process:

- Additionality. Is there a specific benefit related to the investment of the Foundation's capital, or might the impact have occurred regardless of its participation?
- Intentionality. Is an investment manager or distinct enterprise within the portfolio intentionally seeking positive environmental impacts? Or, are any positive benefits just an indirect result of the investment strategy?
- Measurability. How measurable are expected impacts? What methods and capabilities exist for capturing these measures? What additional capabilities or resources might be needed?
- Scale. Are positive impacts of a given investment scalable? If an investment may help prove the viability of a new technology or market, what are the prospects for scale?

For every investment, the Foundation will seek to measure its impact using quantitative and qualitative measures. Quantitative impact data will primarily be sourced from investment managers, underlying portfolio companies, and third parties when available. These data will seek to measure specific outputs (e.g., megawatt hours of green energy generated) and outcomes (e.g., net reduction in carbon emissions).

Qualitative impact data will also be integrated in the impact measurement framework, and such data is particularly relevant for early stage investments such as venture capital. The Foundation will seek anecdotes and case studies about the various impacts of the investments and bring those forward in the reporting to help increase the learning benefits of the Foundation.