

## ETHOS

Our Foundation invests in organizations that meet very specific criteria:

- Does it surpass our “net positive impacts” threshold for people, planet, governance?
- Does it have substantial potential for systems-changing, paradigm-shifting, amplified positive impacts?
- Does it do any harm anywhere in the organization’s local, regional or global ecosystem?
- Does it add diversity to our portfolio in the type of innovation/ service/ process enacted, as well as gender, race, geography, or social or environmental challenge addressed?
- Is there evidence of strong potential to realize financial ROI along with impacts ROI?

## GENERAL AREAS OF FOCUS FOR INVESTMENTS AND DISBURSEMENTS

The Foundation applies an impact lens focusing on environmental, societal and governance challenges:

- Environmental challenges include climate emergency, escalating weather events and environmental jolts; access to clean water and food; greenhouse gas emissions, carbon credits, risk management, renewable energy; biodiversity and waste.
- Societal challenges include addressing escalating inequities; human rights; polarization, civil unrest and the future of democracy; access to renewable energy, clean water and food; poverty; working conditions.
- Governance challenges involve quality, diversity and inclusiveness of Boards and top management teams; treatment of all stakeholders, especially employees; labor relations, safety and working conditions; remuneration; media and advertising practice; risk management; market manipulation, waste management; product quality and safety; ethics and scandals; exploitative products.

## SPECIFIC AREAS OF FOCUS FOR INVESTMENTS AND DISBURSEMENTS

### *1. Maximizing positive impacts and minimizing negative for all Foundation activities*

Over the long term, our Foundation aims for all the activities of the Foundation—from grants to investments, to research and advocacy, to our relationships—to be enacted for maximum positive social, environmental and governance impact. We therefore collaborate with and invest in organizations whose work maximizes potential positive impacts on the world and minimizes negative impacts. We favor organizations where impact—awareness and action—is embedded at all levels of the organization, from the products and services provided, to the processes they deploy, and their internal and public cultures, including how the organization treats stakeholders in their ecosystem, especially their employees and vendors.

## *2. Organizations and initiatives focused on the greater good without doing harm*

In the United States, Australia and around the globe, our Foundation seeks to invest in and/or partner with organizations and individuals who dare to imagine change for the collective betterment of humanity and the planet, with a specific intent to minimize harm: organizations and individuals who are developing efficient, cost-effective solutions and interventions with positive impact—whether economic, educational, or simply humanitarian. We seek out, work with and invest in changemakers whose ideas, products, services or processes dare to enact system-wide change for the greater good, and who have demonstrated potential in achieving that change.

## *3. Organizations and initiatives where collaboration with locals is at their epicenter*

Our Foundation invests in organizations and initiatives whose people, products, services or processes collaborate with communities who are at the front line of the world's most challenging predicaments—social and environmental. Organizations and initiatives that collaboratively work with local peoples and communities to develop effective, efficient, sustainable solutions with demonstrable significant positive impact for those communities.

## *4. Deployment of all forms of capital*

Our Foundation takes a holistic view of capital. We aim to use all forms of capital at our disposal—financial, social, intellectual, experiential, reputational, legal, etc.

## *5. Diversity in investments and impacts*

Over the long term, we aim for a distribution of investments that reflect diversity—geographic, sector, industry, asset type (equities, bonds, real estate, direct impact investments), asset size (Large Cap, Mid Cap, Small Cap), type of work-products, services and processes; as well as peoples and communities served.

## **IMPLEMENTATION OF INVESTMENTS AND COLLABORATIONS FOR POSITIVE IMPACT**

The Foundation adopts an incremental philosophy in enacting the changes to our investment portfolio. We aim to:

- a) Refine our strategy as we go,
- b) Test the changes with small steps, and
- c) Constantly monitor our “impact” portfolio (Impact ROIs) along with financial portfolio and financial ROIs.

These steps include:

- *Applying negative screens,*
- *Applying specific threshold criteria for diversity, governance, and*
- *Maximising positive impacts while minimising negative impacts across all asset types.*

## Negative screens

Our Foundation seeks to specifically exclude investments in:

- a) Entities involved in the manufacture or sale of alcohol and/or tobacco products.
- b) Entities involved in the manufacture or sale of firearms or other weapons;
- c) Traditional Oil and Gas companies that are involved in the extraction or exploitation of fossil fuels;
- d) Entities involved in gambling activities including casino operators, poker-machine manufacturers and gaming companies that provide betting products;
- e) Entities that do not meet minimum diversity criteria.

## INVESTING TO MAXIMIZE POSITIVE IMPACTS

Our Foundation impact/ESG (Environmental, Social and Governance) focus is intended to manifest across all asset types:

Public Equity Stocks—USA, Australia and international

Fixed Income Bonds and Funds

- High Yield Bonds
- TIPS (Treasury Inflation-Protected Securities)
- Core Bonds
- Taxable Municipal Bonds
- Short-term Bonds

Private Direct Investments

- Direct VC Fund Investments
- Direct Impact Investments
- Advisory managed Impact Investments

Real Estate

- “Green” sustainable real estate

Commodities

In our investment and disbursement of capital in any form, We:

### *Are active collaborators not passive receivers*

In demanding impact ROIs for all investments, we expect Fund Managers, Advisor-managed Impact Investments, direct impact investments and our partners in our grants program, to be collaboratively selected and assessed with respect to relevant ESG measures that we mutually agree upon. The Foundation expects to be an active collaborator, not a passive receiver of financial products, services and processes.

### *Expect ROIs on multiple fronts: equal to or better than benchmark indices*

The Foundation expects competitive financial returns on our investments in the majority of holdings—especially public equity stocks—to be better than (or at the very least, equal to) standard comparable benchmark indices such as S&P 500, Russell’s 2000, 2500 or 3000, the MSCI World Index, MSCI ACWI index, MSCI EAFE Index.

The Foundation expects all investments to be assessed on ESG indices, such as Bloomberg, MSCI, S&P. Where indices are unavailable, proxy measures—such as diversity on Boards and in Senior Management roles – should be used for positive impact assessment. For example, number and percentages of women and/or minorities in these roles can be used as an initial screen. A minimum of three women on a company's BOD has been proven to be critical for positive impact on Boards of Directors and is therefore our threshold decider. Similarly, national and international rankings on treatment of employees and other stakeholders, governance records, etc. will be used.

In our comprehensive assessment of multiple ROIs, we seek:

- Ongoing impact tallies—with quantitative and qualitative reporting, alongside financial reporting
- Quarterly **Ethic** Health Check analyses.

### *Aim to maximize positive impacts for the capital invested*

Foundation investments will be assessed, selected and monitored with emphasis on sustainability, exemplary green building, or socially and communally purposeful building of infrastructure, social services, education and renewable energy. In our direct impact investments, we seek to invest in paradigm-shifting initiatives with high potential for amplified impact on a massive scale – either by replication of the concept or methodology, or the organization's own capacity to scale up.

### *Seek a range of investments across asset types*

The Foundation appreciates that VC investment and Direct Impact Investing has substantial economic, social and environmental impacts beyond financial returns, especially when the General Partners of the VC firm also enact investments in portfolio companies which are **both** positively impactful and financially successful. We therefore seek to hold up to 30% of the Foundation's assets in: positive impact venture capital funds; direct impact investments that we have screened; along with advisor-sourced investments that we have jointly screened. Positive impacts are sought across all asset types: for example, in our Fixed Income Investments, we aim for innovative, impactful systems-changing initiatives, directed at education, water and food security, natural disaster preparedness, affordable housing and renewable energy in underserved populations), and we assess all other assets in the portfolio for positive and negative impacts.

To minimize risks, the Foundation expects questions to be asked of VC GP's about their own embedding of ESG/impact into structures and processes for their own firm and their portfolio companies: Do they require ESG/Impact considerations in entrepreneurs' business plans, key performance milestones, as well as in compensation/reward structures of Funds and portfolio companies, known/published treatment of others in the supply/distribution chain?

Any investments in real estate will also be assessed, selected and monitored with the same considerations—with an emphasis on sustainability, exemplary and replicable land management and land rejuvenation practices; role modelling green building, or socially and communally purposeful building.

## INVESTING WITH RISK ASTUTENESS

Our objective is to earn sufficient financial returns to sustain the Foundation's assets, especially the principal value of the investment portfolio, while moderately growing the principle, and enabling targeted grant-making capacity. The Board of Directors understands that different investment types carry different levels of risk. Our objective is that the portfolio of stocks and bonds will be 100% impact oriented--this objective should not compromise returns on the bulk of the investment portfolio, nor the financial viability of the Foundation. If investments in stocks and bonds are made to be BOTH positively impactful and financially successful, ROIs should remain intact.

### *a) Investments in public equity stocks*

The Board expects market returns on our investments in the majority of holdings—especially public equity stocks—to be better than (or at the very least, equal to) standard comparable benchmark indices such as S&P 500, Russell's 2000, 2500 or 3000, the MSCI World Index, MSCI ACWI index, MSCI EAFE Index. Research evidence affirms that organisations that enact business decisions that positively enhance impact rather than diminish impact are no less financially viable than those who blatantly ignore impacts of their products and services. We expect Fund Managers to find those investments which are BOTH positively impactful and financially successful.

Our Foundation expects Fund Managers to be selected and assessed with respect to how much they require ESG measures from investments, and the degree to which impact is embedded into structures, business plans, key performance milestones, and compensation/reward structures of Funds and companies. We expect these factors to be weighed alongside financial measures, hence mitigating financial risk.

The Foundation wishes for public equity holdings to be assessed on both financial and ESG indices. Where indices are unavailable, proxy measures—such as diversity on Boards or national and international rankings on treatment of employees—should be used for impact assessment. For example, a minimum of three women on the company's BOD has been proven to be critical for positive impact on the BOD.

### *b) Private Direct Investments*

#### *i) Venture Capital Firm investments*

Research by the Kauffman Foundation, Silicon Valley Bank, Preqin and others over the past two decades has shown that the average VC firm achieves a financial rate of return of around 6%. The Foundation appreciates that VC investment has substantial economic, environmental and social impact beyond financial returns, especially when the General Partners of the VC firm also enact investments in portfolio companies which are BOTH positively impactful and financially successful. VC firms contribute to the growth of innovative ecosystems, including many biotech companies, for example, which meet the Foundation's mission. As with public equities, we expect investments in venture capital to also meet both financial AND ESG ROI expectations. To minimize risks, the Foundation expects ongoing questions to be asked of VC GP's about their own embedding of ESG/impact into structures and processes for their own firm and their portfolio companies: Do they require ESG/Impact considerations in entrepreneurs' business plans, key

performance milestones, as well as in compensation/reward structures of Funds and portfolio companies, known/published treatment of others in the supply/distribution chain?

## *ii) Direct Impact investments (mission-related portfolio investments)*

The Foundation team defines mission-related portfolio investments as those that measure social and environmental impacts and strive to minimize negative impacts while maximizing positive impacts. We specifically look at:

- Enterprises and initiatives facilitating efficient, cost-effective, socially impactful strategies to address entrenched social challenges.
- Ventures enabling disadvantaged peoples to attain the skills and resources necessary to improve their existence.
- Enterprises and initiatives that contribute to environmental sustainability (but not adding to environmental problems), including clean energy and innovation in water technology (reuse, reclamation, repurpose).

For managed Direct Intentional Impact Investing in private companies the Foundation Board of Directors understands that the risk—returns ratios on these investments are much higher. We appreciate this characteristic of start-up entrepreneurial, socially impactful ventures which the Foundation wishes to support. We are specifically selecting Direct Impact Investments for BOTH their potential for financial returns (albeit very high risk), AND the potential for massive positive impacts on the lives of people around the world.

For Advisor-managed Direct Impact Investing in private initiatives, the Foundation understands that the risk—returns ratios on these investments are much higher. We are specifically selecting Direct Impact Investments for BOTH their potential for financial returns (albeit very high risk), AND the potential for massive positive impact on the lives of people around the world. The board expects to be involved in screening these investments.

From a regional perspective, the Foundation is not limited in its geographic scope. From a demographic perspective, again, the Foundation is not limited in its scope but is particularly interested in investments that focus on women-led innovation.

Each investment will be evaluated and selected based on the following criteria:

- Its capacity to substantively meet specific societal or environmental challenges relating to the Foundation's areas of priority
- Its capacity to achieve sustainability
- The availability of metrics to measure its impact performance
- The balance between the investment's impact objectives and its financial returns
- The value it adds to the Foundation's portfolio (along multiple dimensions)
- The required timeframe for the investment and how the timeframe fits investments/returns of the Foundation's total investment portfolio

For particular public firms/companies/funds, selection may include evaluating:

- 1) Is the public aware of the impact strategy the firm/company/fund follows?

2) Is the firm/company/fund known for net positive impacts in its particular sector?

To minimize risks, the Foundation expects the financial and ESG performance of Direct Impact Investments to be rigidly assessed.

### *c) Fixed Income Bonds*

Investments in bonds will be assessed, selected and monitored with the same considerations as investments described above—with emphasis on sustainability, role modelling green building, or socially and communally purposeful building of infrastructure, social services, education and renewable energy. Preferred Bond investments contribute to innovation in tackling entrenched socioeconomic and environmental problems in the USA and Australia. For each category, Bond investment guidelines are as follows:

- Infrastructure—Natural Disaster Preparedness, ie: programs which deal with preparedness and prevention, not just perpetuating the status quo programs of repair after disaster, or that facilitate repeat disasters because they are merely perpetuating the status quo.
- Social Services—Low-income Housing, ie: Low-cost housing that addresses systemic, long-term problems that limit access to housing for people in disadvantaged communities. We do not support low-cost housing initiatives that repeat the problems of the past such as building in high-risk disaster zones. Instead, we would support housing located and built in ways that address economic and social problems in innovative and creative ways.
- Education—Local School Districts, ie: educational bonds that advance democratization of educational opportunities and equalize access to educational resources. (I.e., Not bonds raised by elite schools that already have access to resources).
- Renewable Energy—Energy Conservation, ie: innovative approaches to ending global dependence on fossil fuels and new methods of technology that promote conservation.

### *d) Commodities*

Same risk tolerance considerations as detailed in a) above.

### *e) Real Estate*

Any investments in real estate will also be assessed, selected and monitored with the same considerations—with an emphasis on sustainability, role modelling green building, or socially and communally purposeful building.

## **ASSESSING THE IMPACTS OF OUR INVESTMENTS: ARE WE DOING WHAT WE SAY WE ARE DOING?**

The Foundation requires all assets to be assessed on financial and ESG indices, both individually and collectively. The Foundation requires publicly available impact indices to be

deployed, relative to current and emerging datasets and indices. Where indices are unavailable, PROXY measures—such as diversity on Boards and top management teams—should be used for impact assessment. For example, a minimum of three women on the company's board of directors has been proven to be critical for positive impact on the BOD; or national and international rankings on treatment of employees. We overlay the ESG impact component of the investment philosophy with the expectation of generating equal to or better than market returns. We expect:

- Ongoing impact tallies—with quantitative and qualitative reporting, alongside financial reporting
- Quarterly **Ethic** Health Check analyses
- Annual reviews of how well we meet our own impacts criteria

#### PRIVATE AND PUBLIC MEASURES

- **Ethic** Health Check
- Client-Directed Benchmarks:
  - B Corp certification: B Corps are for-profit companies certified by the nonprofit B Lab to meet rigorous standards of social and environmental performance, accountability, and transparency (<http://www.bcorporation.net>). Ideally, we would want all companies to undergo an impact assessment similar to the B Corp Impact Assessment
  - B Corp Certification *intent* ... with evidence of application in progress
  - Publicly available ESG indices as listed in Impact Investments below
  - Proxy for ESG Measurement: Diversity on the BOD - # of women (minimum of 3), # of other diversity
  - Proxy for ESG Measurement: Published rankings for organisational culture, employee treatment, shareholder treatment etc.
  - Measures re how ESG impact is embedded in organisational structures and processes (with B Corp measures a good proxy)
  - Measures scale of impact to under-served populations wherever possible
  - Measures of additional ESG indices including:
    - Bloomberg
    - The GIIN (Global Impact Investing Network)
    - Altius Asset Management (Australia-based)
  - Measures of financial performance indices including:
    - MSCI World Index
    - Barclays Capital Bond Index
    - Russell Mid-Cap Value Index