NorthLight Foundation

Investment Policy Statement

"NorthLight Foundation works to build a world where the Earth's environment is healthy, protected, and sustained for future generations."

Background:

NorthLight Foundation, a private foundation established by Dan and Sheryl Tishman, invests at the intersection of human and environmental landscapes to advance equitable and enduring solutions for environmental wellbeing and human health.

Originally incorporated as the Dan and Sheryl Tishman Family Foundation in 2011, the Foundation entered a new phase in 2018 with the hiring of its first staff, an Executive Director, and the development of a strategic grantmaking framework. It also adopted a new name, NorthLight, evoking the Trustees' commitment to supporting solutions that will bring about a healthy, just, and sustainable world. NorthLight Foundation is the product of many years of active philanthropy in education and the environment and builds upon the legacy of John L. Tishman.

The Foundation invests in five areas of focus, each centering on environmental movement building: leadership development, cross-issue collaboration, Just Transition, public lands, and Alaska. NorthLight Foundation also supports scholarship and education through the John L. Tishman Fund.

Mission & Vision:

NorthLight Foundation works to build a world where the Earth's environment is healthy, protected, and sustained for future generations. Our work focuses on building power across diverse communities to lead on environmental protection, with a particular focus on climate and land conservation. We fund through a lens of environmental justice.

We envision a world in which:

- Frontline communities across the country lead the charge for environmental protection with an effective, robust movement infrastructure and their leaders are equipped with the tools to address new challenges.
- The environmental movement is growing—not shrinking—with new advocates, new tactics, and new, effective messages.
- The core base of the movement is strengthened by empowering groups led by low income people and people of color, who are disproportionately affected by environmental assaults.
- The movement is broadened and deepened by new alliances with others also committed to the health and enjoyment of our environment – and the human communities it sustains.
- The significant gains that environmental advocates have won in recent years are protected.
- Critical new wins are not only achieved but lasting; in particular, sensitive and high value areas are free from encroachment by extractive industries and climate change solutions are widely supported and durable.

Goals for Portfolio Alignment:

Northlight Foundation has made the commitment to build a 100% mission-aligned or impact portfolio for three primary reasons.

1. To ensure consistency between our investments and our grantmaking. At minimum, this means avoiding investments in the types of companies and entities which might contribute to the problems we are seeking to solve through our philanthropy.

2. To materially expand our social change intentions by leveraging the investment portfolio for social and environmental benefit. We believe that all investments have impact, positive or negative, and we strive to create positive impact across all portfolio assets, not just the capital used for grantmaking in the current year.

3. We believe impact investments can be a return driver for our portfolio and, importantly, a powerful risk management tool. There is a long history of companies and industries that have engaged in poor business practices and eventually paid a financial cost for these practices.

We believe that impact and environmental, social, and governance (ESG) oriented investments can generate market-rate returns over long periods of time. Impact and ESG portfolios have greater alignment with the mega-trends of tomorrow, including the fight against climate change and its implications for the planet, as well as efforts to combat resource scarcity, income inequality, and structural racism in our society. Investments which help solve these problems will have significant tailwinds for growth and an ongoing and durable social license to operate. On the other hand, investments in companies which fail to acknowledge these issues and fail to incorporate broad-based stakeholder considerations will be at a significant disadvantage. A 2015 University of Oxford and Arabesque Partners meta-study revealed that[1]:

1) Prudent sustainability standards reduce firms' cost of capital (90% of studies on the cost of capital)
2) Good ESG policies and practices enhance companies' operational performance (88% of the studies), and
3) Good sustainability practices improve stock price performance (80% of the studies).

This data seems to illuminate that for businesses in competition with one another, focusing on sustainability and ESG can be a competitive advantage, and companies that have realized this and incorporated it have been rewarded. With the increased prominence of ESG in the media and global discussion, and given the growing consciousness around the impacts of investments, we expect this trend to continue.

While our perspective is forward-looking, there is also substantial evidence from the past to support the view that impact and ESG-oriented investments can generate competitive market-rate returns. For example, the MSCI World ESG Leaders Index has performed in-line with the broader MSCI World Index

---

[1] Clark, G., Viehs, M., & Feiner, A. (2015, March). *From the Stockholder to the Stakeholder: How Sustainability Can Drive Financial Outperformance* (Rep.). Retrieved https://arabesque.com/research/From_the_stockholder_to_the_stakeholder_web.pdf

over the 13 years up to 2020.[2] This timeframe long predates the current focus on ESG by investors and suggests the absence of time-horizon dependency on results. From a different lens, we have spoken to and researched other foundations that have migrated towards a 100% impact portfolio over time while generating investment performance meaningfully above their traditional benchmarks.[3]

Investment Objectives:

NorthLight Foundation's investment objectives should support the following objectives:

1. ***Perpetuity/Long Term Growth***: The Foundation's return objective is to achieve cumulative returns with the lowest possible risk that enable the portfolio to keep pace with inflation while making annual distributions to support the mission and operating costs of the Foundation. This goal should be pursued and evaluated over the course of a full market cycle and is not expected to be achieved every year. The Foundation aspires to maximize the probability of achieving the overall goal of perpetuity as long as it does not impede the Foundation's ability to execute its mission.

2. ***Operational/Capital Preservation***: The Foundation always needs to have sufficient liquidity for grant making and for payment of expenses. The portfolio structure should be designed to reflect this requirement without placing unnecessary drag on financial returns. Maintaining sufficient liquidity can be done by holding an adequate amount of cash and marketable securities.

3. ***Mission Alignment***: The Foundation has the objective of aligning the impact of its investments with its mission in a coherent manner. This may be done in several ways including general alignment of public market investments within our own values-based criteria as well as best-industry practices for ESG integration. We also seek to drive targeted impact in private markets through investments in environmental sustainability, socio-economic development outcomes, and the intersection of the two to promote environmental justice.

Return Target:

Northlight Foundation's return objective focuses on total return and seeks to provide growth of capital. The Portfolio is structured with a long-term horizon in mind yet will take advantage of market and investment opportunities when identified. Relative to other investment objectives, this Portfolio will generally have a greater allocation to equity-related strategies compared to cash and traditional fixed income.

Asset Allocation Guidelines:

---

[2] MSCI. (2020). *MSCI World ESG Leaders Index (USD)*. Retrieved December 18, 2020, from https://www.msci.com/documents/10199/db88cb95-3bf3-424c-b776-bfdcca67d460. MSCI is an investment research firm that provides analysis, data, tools, and stock indices for investors and funds. It is especially known for developing indices for benchmarking and analysis purposes. While the acronym once stood for Morgan Stanley Capital Index, the firm at this point is independent and not owned by Morgan Stanley. See https://www.msci.com/ and https://www.investopedia.com/terms/m/msci.asp.

[3] We researched several foundations that have moved to or are moving towards 100% mission alignment, including The Nathan Cummings Foundation, the Heron Foundation, the Wallace Global Fund, the Russell Family Foundation, and the Edwards Mother Earth Foundation.

Asset allocation is a primary driver of risk and return for the portfolio. The table below outlines long-term strategic targets for major asset classes, along with minimum and maximum levels for each asset class.

Asset Class	Target	Minimum	Maximum
Cash	2%	0%	20%
Fixed Income	28%	0%	50%
Credit/Hybrid	10%	0%	50%
Equity	50%	20%	70%
Private Investments	10%	0%	20%

Benchmarks & Reporting:

NorthLight Foundation's portfolio returns will be judged against a blended benchmark consisting of 65% MSCI All Country World Index and 35% Barclays Global Aggregate Bond Index. This benchmark is designed to reflect the risk profile of a portfolio expected to achieve the Foundation's long-term return objectives. The actual asset allocation of the portfolio may deviate meaningfully from the benchmark.

We report and assess the impact and alignment of our investments using industry best-practices, including internationally recognized frameworks for tracking the progress towards solving pressing global social and environmental issues such as alignment with the United Nation's Sustainable Development Goals (UN SDGs) and the Impact Management Project (IMP).

We incorporate these frameworks into our approach, which also includes the Global Impact Investing Network's Impact Reporting Investment Standards (IRIS+). As the tools to measure impact improve with time and impact data becomes more widely available, our processes will continue to evolve. We will report social and environmental data, including carbon emissions associated with our investments and rely on partnerships with our underlying investment managers to measure not only outputs but also outcomes.

Liquidity and Illiquid Investments:

NorthLight Foundation will keep a minimum of 30% of assets in structures that have daily liquidity. These assets will be a mixture of equity and fixed income securities.

Illiquid investments may play different roles within the portfolio. Traditional private equity, growth equity, venture capital and real assets may play a role in the long-term growth allocation due to their historical ability to generate returns in excess of public markets. Other private assets strategies may be included for their ability to increase the portfolio's mission alignment. Some illiquid investments may play a dual role such as mission and growth. As with other assets classes, the Foundation has a desire to align its illiquid investment allocation with its mission.

It is expected that illiquid investments will consist of no more than 20% of the total portfolio. Illiquid investments are defined as capital locked up for periods in excess of 18 months. This restriction is designed to ensure adequate liquidity for operational needs. Illiquid investments may take a form that resembles equity, credit, or real assets, and therefore the target weight for illiquid investments is designed to reflect liquidity constraints rather than the financial exposure. The allocation of illiquid investments in categories such as private equity/ venture, private credit or private real assets will be considered for the portfolio in the context of the Foundation's objectives and the availability of comparable exposures within liquid public markets.

Mission-Based Investing/Impact Investing Considerations:

NorthLight Foundation will seek to align our investment portfolio with our mission and values in order to further broaden and strengthen our grant-making goals through several portfolio strategies:

1. Values-Aligned Investments/Screening
2. ESG-Integrated Investments
3. Thematic/Catalytic Private Investments

- **Values-Aligned Investments – Negative Screening:** To the extent possible, the NorthLight Foundation's investments will focus positively on finding and supporting solutions that drive outcomes in alignment with its mission and values. That said, certain investments can be made with the desire to gain broad market diversification, and in this instance, through negative screening, we will limit exposure to companies, sectors, and strategies that engage in practices viewed as counterproductive to the Foundation's mission.

  For example, we understand that extractive industries (e.g., oil sands reserves, fracking, thermal coal reserves, and shale oil & gas reserves) not only further contribute to climate change—which disproportionately impacts people of color worldwide—but their practices and facilities also disproportionately hurt or are sited within or near communities of color, particularly Black, Latinx, and Indigenous communities. As such, NorthLight avoids investments in these extractive industries.

  At the same time, we do not want to support non-fossil fuel sources that come at the expense of low-income communities or communities of color. For this reason, we aim to avoid investments in renewables that could result in displacement of communities, as well as in nuclear power, which often results in waste disposal in communities of color.

  We consider "Environmental Justice Controversies" as part of both "Environmental Controversies" and "Human Rights Controversies" in our investment decisions, negative screens, and shareholder advocacy. Should we be informed of a company that repeatedly opposes the work of environmental justice groups or operates in racially and environmentally unjust ways, we will aim to conduct shareholder advocacy to improve their practices whenever possible. Divestment will be considered if the company does not respond to shareholder engagement.

  NorthLight Foundation also aims to screen out other practices and products that have a disproportionately harmful impact on Black communities and other communities of color (e.g., predatory lending, racist marketing or products, and harmful products that specifically target communities of color). These products, practices, and businesses may not always be explicitly listed as negative screens but are considered under the negative screen of "Human Rights Controversies." For example, according to the Edward W. Hazen Foundation, "overreliance on incarceration and detention come at great cost to communities of color despite the lack of any documented connection to increased public safety… These issues have a disproportionally large impact on low-income communities, immigrants, communities of color and youth."[4] As such, NorthLight aspires to avoid investing in companies that manage, own, or operate private prisons, as well as from companies whose businesses are rooted in prisons, jails, probation and detention services, and immigrant detention services. As related to the prior mentioned screens, shareholder advocacy and/or divestment are additional tools that may be utilized to ensure our investments align with our mission and values.

In summary, NorthLight seeks to avoid the following areas, themes, and practices:

- Oil Sands Reserves
- Fracking
- Thermal Coal Reserves
- Shale Oil & Gas Reserves
- Adult Entertainment
- Child Labor
- Environmental Controversies
- Factory Farming
- Human Rights Controversies
- Predatory Lending
- Civilian Firearms
- Controversial Military Weapons
- Tobacco

- **Values-Aligned Investments – Positive Screening:** This portion of the NorthLight Foundation's portfolio will consist of publicly-traded investments made with the intent to drive capital into specific businesses that are engaging in ESG best practices. To the extent possible, capital will be directed to strategies, sectors, or companies that have leading ESG practices or opportunities to meaningfully enhance ESG practices. NorthLight Foundation will tilt the portfolio towards companies that have demonstrated an ability to reduce carbon emissions and those with diverse and inclusive business practices. NorthLight seeks to promote the following areas, themes, and practices:

    - Low Carbon
    - Clean Technology
    - Women's Inclusion
    - Broad Diversity and Inclusion

[4] Edward W. Hazen Foundation. (2016, July). *ESG Investment Policy Statement*. Retrieved August 31, 2020.

We not only aim to avoid racially and environmentally unjust industries and practices, but also seek to affirmatively invest in firms and practices that can enhance racial justice, racial equity, diversity, and inclusion. NorthLight Foundation seeks to achieve this with at least one of its positive tilts, "Broad Diversity & Inclusion." This approach tilts the portfolio towards companies that have demonstrated excellence in recruiting and retaining racially, geographically, and ethnically diverse staff, boards, and leadership. It will also consider firms that have relevant policy disclosures—and have made measurable progress—around diversity, inclusion, racial equity, and racial justice goals. NorthLight also aims to invest in firms that meet our ESG requirements and that are run and/or owned by people of color.

- **ESG-Integrated Investments:** These investments exhibit meaningful integration of ESG characteristics across a range of factors that align with industry best practices and NorthLight Foundation's support for a portfolio managed to high ESG standards. This investment approach is preferred in public equity and fixed income securities with the aim of improving risk management, identifying opportunities for sustainability-driven improvements, and participating in shareholder engagement to influence company performance. Preference will be given towards investments that are more uniquely aligned with the focus areas of the Foundation, where possible.

  Through our ESG integrated investments, we utilize two approaches: 1) investing in companies with leading ESG practices and 2) activism and engagement to improve ESG practices. Examples of investing in leading ESG practices may include low-carbon investing in response to climate change or investing in businesses that already have strong governance and stakeholder practices. Examples of activism and engagement to improve ESG practices may include working with companies to enhance their carbon emissions reporting or improving gender and racial outcomes within hiring practices, wages, etc.

- **Thematic/Catalytic Private Investments:** This category includes private investments made with the intention of further expressing the values and mission of the NorthLight Foundation through funds targeting more intentional "positive change," while also contributing to the goal of perpetuity through capital appreciation. The Foundation will invest in a diversified set of "market-rate" or growth-oriented strategies across thematic areas that are likely to improve environmental and socio-economic outcomes aligned with the Foundation's mission. The Foundation may also consider a small allocation to "catalytic" opportunities where there is a strong mission alignment. By this, we mean investments that distinctly seek impact and require higher risk tolerance, with an associated potential for competitive returns, or concessionary investments that seek impact and require accepting lower returns to achieve that impact.

  To further guide this thematic/ catalytic impact investment strategy, we intend to initially focus these long-term, patient capital solutions across environmental sustainability and socio-economic themes, as follows:

  - **Environmental Sustainability:** We believe climate change is an environmental, social, and economic risk, expected to have its greatest impact in the long-term. Our strategy is guided by a scientific-based approach to low-carbon investing in public and private markets. These investments often span: (i) energy efficiency - one of the most economically efficient ways to reduce carbon emissions; (ii) sustainable agriculture and timber - one of the most effective ways to sequester existing carbon emissions; and (iii) water - a natural resource that is expected to be severely impacted by climate change. Through the private markets, we seek investments across a wide variety of climate solutions, including sustainable forest management, land conservation, ecosystem services, clean technology, energy efficiency, anaerobic digestion, wastewater technology, advanced mobility, green building, and more.

- **Social Equity Lens:** According to the Annie E. Casey Foundation, equity can be considered "synonymous with fairness and justice," and "involves trying to understand and give people what they need to enjoy full, healthy lives." This differs from "equality" which "aims to ensure that everyone gets the same thing in order to enjoy full, healthy lives…equality can only work if everyone starts from the same place and needs the same things."[5] According to The Winters Group, a diversity and inclusion consulting firm, "the difference between equality and equity…is the difference between sameness and fairness…Equality, in the sense that it is deeply felt and true across all lines of difference, is only possible after we achieve equity."[6]

  We believe that equity and the inclusion of oppressed communities—including women, LGBTQ persons (lesbian, gay, bisexual, transgender, and queer or questioning persons), the disabled, and Black, Indigenous, and people of color (BIPOC)—is a critical lens to apply across investments in all asset classes. This lens is particularly critical in private markets where small businesses and venture-backed startups alike should be able to achieve opportunity in employment and access to capital. Through the private markets, we seek investments that provide access to capital in the form of equity or debt to marginalized and mission-aligned businesses and that could help reduce the wealth gap experienced by those often excluded from private market opportunities.

Manager Diversity

NorthLight recognizes that women-owned and racially diverse firms account for just over 1% of the financial industry's assets under management (AUM), in accordance with analysis from the Rockefeller Brothers Fund.[7] NorthLight, in collaboration with Tiedemann Advisors, aims to support the racial, ethnic,

---

[5] The Annie E. Casey Foundation. (2020, August 24). Equity vs. Equality and Other Racial Justice Definitions. Retrieved from https://www.aecf.org/blog/racial-justice-definitions/

[6] Belden, C., Harris, B., Valbrun, V., Carter, K., & Jones, T. (2018). *Moving Beyond Equality: Perspectives on Achieving Inclusion Through Equity in Our Organizations & Beyond*. Retrieved https://www.wintersgroup.com/wp-content/uploads/2019/07/MovingBeyondEquality.pdf

[7] Rockefeller Brothers Fund. (2020, March). *ALIGNING INVESTMENTS WITH OUR MISSION: DIVERSIFYING INVESTMENT MANAGERS*. Retrieved from https://www.rbf.org/sites/default/files/investment_manager_diversity-rbf_board_commitment-2020_03.pdf

and gender diversification of managers in our portfolio (knowing that these designations are not mutually exclusive).

The Theme of Environmental Justice Within the Evolving Field of Impact Investing:

- NorthLight believes that in order for transformative change to occur, institutions with power and choice (such as NorthLight) need to support movements and have a distinct, intentional focus on movement-building. As noted earlier, NorthLight Foundation seeks to apply an environmental justice (EJ) lens to its work. Environmental justice inherently requires undoing and preventing racialized impacts of environmental destruction on communities of color and low-income communities. To better align with our mission, we aspire to support these goals through our investments.

- However, in thinking of EJ as a potentially investable impact theme, we see it as investing for conservation and repair of Earth's resources and ecosystems in ways that reduce harm to communities and improve how people experience life in relation to (and in harmony with) their environment. Investing with this lens would mean engaging and supporting those who bear the burden of environmental damage and pay the financial and health costs. It would also require ensuring that those same people can have significant influence in decision-making about how the environment will be managed or preserved.

- If equity and inclusion were already well-embedded into our systems, we would not need to parse out economic and social justice. We recognize that those most affected by environmental change and damage not only tend to be marginalized communities of color, but also tend to be excluded from decision-making about what affects their home geographies. In the most extreme cases, they are subjected to terrible conditions by virtue of being refugees or internally displaced persons far from home.

- Therefore, we begin by positing that without access to capital, vulnerable communities will be even more hard-pressed to effect systemic change and environmental justice. As we begin this work, we recognize that it starts as two separate themes that will connect and blend as our portfolio evolves. The reasoning for this evolution is as follows:

    - We recognize that it takes autonomy and power for people to own their decisions about where to live, whether to move, and how to handle the damage they may experience to their environments. Therefore, if the long-term goal is to enable people to live in safety (both in the environment and in their housing), with access to healthy food, reasonable and dependable employment, and the social and health services they require, then the long-term patient work begins by considering how to invest in the development of their independent wealth, power, and autonomy. Without savings, access to capital, or the opportunity to build and invest in businesses that serve their own communities, these marginalized groups cannot develop their own economic or political power.

- As this work is emerging across the field of impact investing, we seek to learn about the best investable ways to support the attainment of social justice and social equity for marginalized communities, starting within the United States. Early analysis indicates that focusing on the support of (and investment in) entrepreneurs and investors of color across the U.S. could help counter the systems that prevent many individuals and communities of color from creating intergenerational wealth.[8,9] This part of the work intends to seek market rate returns—at times with a higher risk profile—and to ensure the associated economic growth and profit stay and circulate within BIPOC communities, rather than being extracted by outside investors and leaving said communities no better than before.

  At the same time, we recognize that the other foundation for intergenerational wealth among White U.S. citizens has been preferential access to capital. How can the investor reconsider the roles of borrowing and financing to solve systemic problems in a way that provides the leg-up toward wealth creation and preservation that only some communities have historically enjoyed?

- Our society is now entering another stage in confronting systems of inequity and racism, both within and beyond the capital markets. Therefore, we propose that this thematic impact investing work begin with the pursuit of two parallel themes: "environmental sustainability" and "equity lens," for several reasons. The scientific understanding of climate change and its impacts, as well as the ability to invest in climate change mitigation, have both matured into a clear strategy that can be

---

[8] For more information on how supporting BIPOC investors and entrepreneurs can help reduce the wealth gap and create intergenerational wealth, see Chau, V., Mitchell, A., & Newsom, K. (2020, June 11). Financial Institutions Can Help Break the Cycle of Racial Inequality. Retrieved from https://www.bcg.com/publications/2020/financial-institutions-fighting-racial-inequality; Black Founder Startup Grant. (2020, November 06). Retrieved December 14, 2020, from https://www.iamsogal.com/black-founder-startup-grant/; Oliver, B. (2018, May 02). How Black Millennials Can Finally Close The Racial Wealth Gap. Retrieved from https://www.fastcompany.com/40561619/how-black-millennials-can-finally-close-the-racial-wealth-gap; Lynnise E. Pantin. "The Wealth Gap and the Racial Disparities in the Startup Ecosystem." *Saint Louis University Law Journal* 62, no.2(2018): 419-460. Retrieved from https://lawdigitalcommons.bc.edu/cgi/viewcontent.cgi?article=2176&context=lsfp; Policy Agenda to Close the Racial Wealth Gap. (2016, September). Retrieved from https://globalpolicysolutions.org/report/policy-agenda-close-racial-wealth-gap/

[9] For more information on how BIPOC and women investors and entrepreneurs are severely underrepresented and under-supported, see Mathur, P. (2020, October 8). Quarterly VC funding for female founders drops to three-year low. Retrieved from https://pitchbook.com/news/articles/vc-funding-female-founders-drops-low; Worley, C., & Gaillot, A. (2019, April 12). The Venture Capital World Has A Problem With Women Of Color. Retrieved from https://www.kaporcapital.com/the-venture-capital-world-has-a-problem-with-women-of-color/; Heller, J. (2020, June 29). Less Than 1% of VC Goes to Black Founders, But Here's How I Raised $11 Million. Retrieved from http://www.blackenterprise.com/less-than-1-percent-vc-goes-to-black-founders-heres-how-i-raised-11-million/; *DIVERSITY IN U.S. STARTUPS*. (2018). Retrieved https://ratemyinvestor.com/DiversityVCReport_Final.pdf; Diversifying Investments: A Study of Ownership Diversity and Performance in the Asset Management Industry. (2019, January 28). Retrieved from https://knightfoundation.org/reports/diversifying-investments-a-study-of-ownership-diversity-and-performance-in-the-asset-management-industry/

expressed in a theory of change, and can be measured in outcomes and returns. The use of an “equity lens” in considering socio-economic investments (e.g., education, finance, housing, etc.) is a newer, more emerging area of study and outcomes. While research needs to continue to understand both intended goals and unintended outcomes of applying an equity lens, our theory is that one key to advancing social and economic equity is to focus on creating intergenerational wealth in communities of color.

With time, the pursuit of equity and justice through thematic investing will mature in the same way as the environmental theme, and as the research deepens and findings become more clear, we then envision being able to combine both themes into a single strategy. With a truer understanding of systems and the dismantling of some harmful ones, and with the promotion of solutions that increasingly show alignment with intended and measurable outcomes, we expect to find and embrace specific strategies built around the blended theme of environmental justice as part of environmental sustainability.

Regular Assessment and Evaluation:

Overall, NorthLight will continue to assess and evaluate its environmental, social, and governance (ESG) investing considerations—including racial and environmental justice considerations—on a regular basis and will update them as appropriate.