



The Russell Family Foundation



INVESTMENT POLICY STATEMENT

Addressing the climate crisis with an integrated portfolio approach.

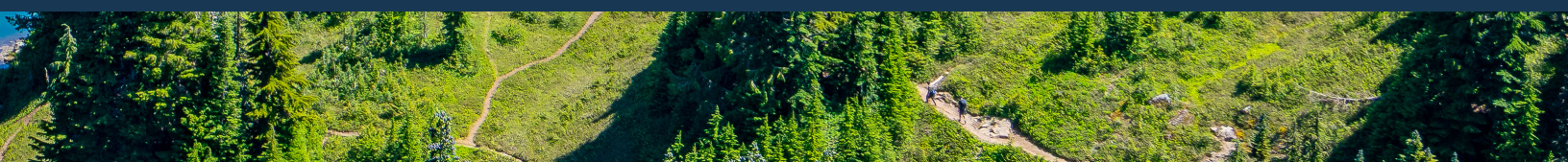




TABLE OF CONTENTS

INTRODUCTION	3
PURPOSE	4
PORTFOLIO ALIGNMENT WITH MISSION	4
FINANCIAL CHARACTERISTICS	5
FIDUCIARY DUTY	5
INVESTMENT OBJECTIVES	6
INVESTMENT PORTFOLIOS.....	7
TOTAL PORTFOLIO BENCHMARK	8
CLASSIFICATION OF INVESTMENTS	9
LIQUIDITY	9
INVESTMENTS AS A PROGRAM AREA.....	10
ROLES AND RESPONSIBILITIES	13
ACKNOWLEDGMENT	15
APPENDIX A	17
APPENDIX B: ADDITIONAL BENCHMARKS	18

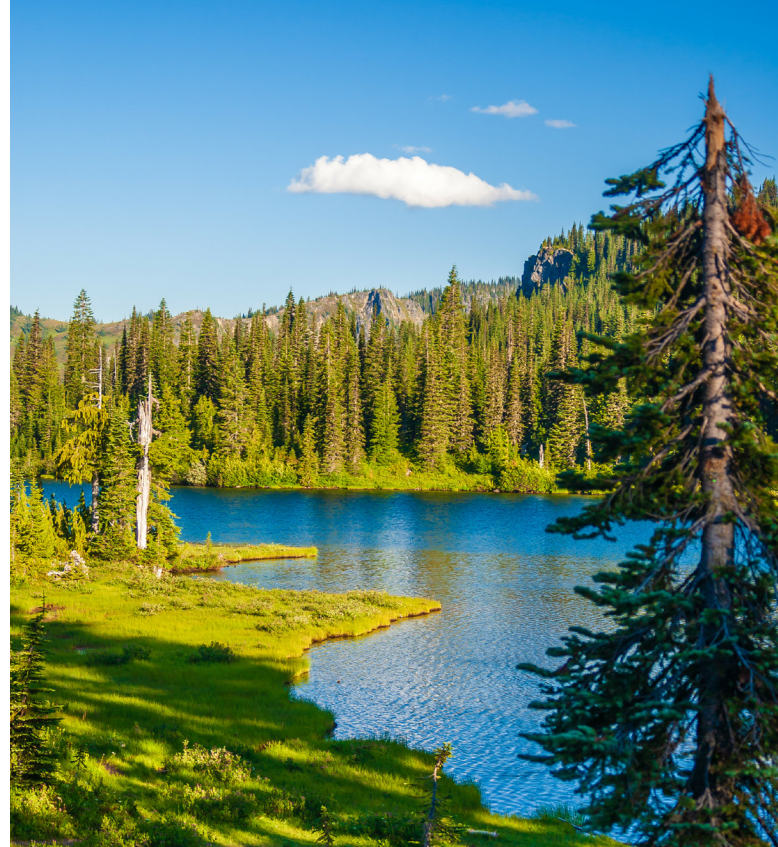
INTRODUCTION

The Russell Family Foundation (TRFF) was founded in 1999 by a family that values the continual pursuit of knowledge and the courage to take risks to do good. As a multi-generational family foundation, TRFF's mission is to invest in people and places to advance environmental sustainability and address the climate crisis.

TRFF has prioritized environmental sustainability for over 20 years, including integrating impact investing in 2004 and divesting of fossil fuels as a founding signatory to [DivestInvest](#) in 2014, and striving for a low-carbon portfolio ever since. TRFF's vision is a thriving, equitable and sustainable Earth and addressing Earth's changing climate is a primary focus to achieve this vision.

The endowment tells a story of impact as we strive to activate all philanthropic tools, including our investment portfolio, toward environmental sustainability and addressing the climate crisis. Since our beginning, we have focused on stewarding our resources toward collective, community-driven impact at every level. In this spirit, TRFF is committed to a ***just transition**** that seeks to create inclusive and equitable principles, processes and practices as the world shifts from an extractive economy to a regenerative economy.

To stave off the worst effects of climate change, scientists tell us that global greenhouse gas emissions (GHC) need to be reduced to net zero by 2050. Net zero refers to the state in which greenhouse gas emissions released into the atmosphere are balanced



or offset by an equivalent amount of GHG emissions removed from the atmosphere.

The Intergovernmental Panel on Climate Change asserts that to limit global warming to 1.5°C above pre-industrial levels, a commitment to net zero by 2050 or sooner must be made. TRFF sees an exciting opportunity for foundations to help meet this goal and act as innovative accelerators; TRFF is committed to further decarbonizing our portfolio starting now and striving to achieve net zero by 2030.

Foundations have a unique role in contributing to net zero goals for our global economy by being able to access many philanthropic tools, including communication, convenings, grants, human capital and investments. Trustees, managers and foundation investment committee members have a fiduciary duty to prudent management of its financial assets, investment portfolio, and the foundation's mission.

PURPOSE

This Investment Policy Statement (IPS) details TRFF's investment strategy, which:

- 1 EARNS INVESTMENT RETURNS TO SUPPORT OUR GRANTMAKING AND OPERATIONS**
- 2 CREATES A LOW-CARBON FUTURE TO MINIMIZE CLIMATE RISKS**
- 3 PRIORITIZES DIVERSITY, EQUITY, INCLUSION AND ACCESS ACROSS ALL ASSET CLASSES**

With the right partners and priorities, we will achieve competitive financial returns and avoid the downside inherent in holding assets that put our climate at risk and will eventually come out of the economy. As climate risk creates more volatility, foundations have an opportunity to help strengthen the ecosystem by using philanthropic capital in a way that intersects market rate approaches.

Our experience creating lasting change in communities we serve will continue to come into play as we research new pathways to investing and implementing net zero strategies. We do not have all the answers today, but we look forward to uncovering them and sharing what we learn with the broader philanthropic and investment community. By modeling best practices and communicating lessons learned, we aim to smooth the pathway and make it easier for others to make similar commitments, in whatever form those take.

PORTFOLIO ALIGNMENT WITH MISSION




TRFF is committed to aligning all its assets with our values and, where possible, advancing our mission. At TRFF, we value:

- Putting **relationships** at the center of our work
- Prioritizing **equity, justice, and belonging** in all that we do
- Caring for the **natural world**
- Being **courageous** and taking risks while **continually learning**
- Building **trust** through **transparency, and integrity**

We seek to support companies making positive contributions to society and the environment while avoiding those engaged in activities that conflict with our values. We recognize that investments can have a significant impact beyond financial returns, and we have a responsibility to consider the broader implications of our investments on society and the planet.

We evaluate the alignment of impacts of each investment at the time of investment and annually.

FINANCIAL CHARACTERISTICS

PORTFOLIO	STABILITY 	DIVERSIFIED 	GROWTH 	ASPIRATIONAL 
TIME FRAME	Short	Long	Long	Moderate
RISK TOLERANCE	Very Low	Moderate	High	Very High
LIQUIDITY NEEDS	Very High	Moderate	Moderate	Very Low
VOLATILITY	Very Low	Moderate	High	Moderate

FIDUCIARY DUTY

All parties with decision-making authority are fiduciaries of TRFF and are obligated to act in TRFF’s best interest. Washington State adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), establishing specific governance standards for private foundations such as TRFF.

TRFF recognizes that the foundation’s financial health and the impact of our investments are part of our fiduciary duty. This includes careful stewardship of our assets beyond a duty of care for financial performance. We also account for intergenerational equity by considering the future impact of decisions TRFF makes today.

We use consultants to help us assess and measure the financial and social impacts of our investments over time. The Investment and Audit Committee (IAC) is required to consider both financial and social impacts when making investment decisions.





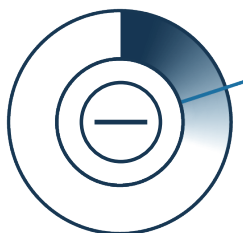
INVESTMENT OBJECTIVES

TRFF's financial return objective is to achieve cumulative returns with an acceptable amount of risk, enabling the portfolio to keep pace with inflation while making annual distributions to support the mission and operating costs.

This goal should be pursued and evaluated over a complete market cycle and is not expected to be achieved yearly. TRFF aspires to maximize the probability of achieving perpetuity as long as it does not impede TRFF's ability to execute its mission.

INVESTMENT PORTFOLIOS

TRFF has four asset categories that represent distinct functions for the assets, yet the portfolio is managed collectively as a pool. Each asset category has its own benchmark; when combined and weighted, it becomes the total portfolio benchmark. We define the four asset categories as follows:

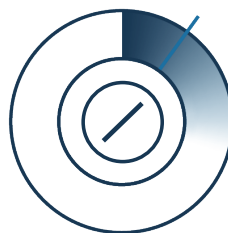


Stability Portfolio

5 – 30% of assets with a target of 20%

Benchmark: 25% US Treasury 1-3 Month / 75% Barclays US Aggregate

Assets within this category are intended to offer liquidity and stability to the broader portfolio. Typically weighted with cash, cash equivalents and investment grade fixed income instruments, these assets dampen overall portfolio volatility and present negligible risk for sustained or significant loss. These assets often provide ways to access cash flow to provide the cash needed for distributions or fund capital commitments when regular rebalancing may not be optimal. Returns from these assets come from a mix of interest payments and potentially some modest capital appreciation/depreciation. Risks center on interest rate sensitivity (duration) and a bond default, both of which we expect to be low.

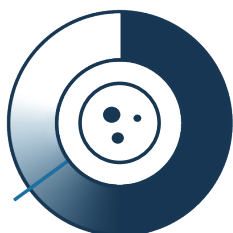


Diversified Portfolio

0 – 30% of assets with a target of 10%

Benchmark: HFRI RV Multi-strategy Composite

Assets within this category are intended to provide risk-adjusted solid results over time and offer exposure to complementary and uncorrelated assets to the other primary return drivers in the Stability and Growth categories. Typical investments within this category include hedge funds or similar alternative managers, higher-yielding credit or municipal bonds, long-short equity hedge funds and other off-market fund opportunities uncorrelated with broader markets.

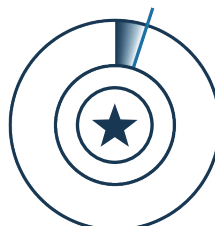


Growth Portfolio

50 – 80% of assets with a target of 65%

Benchmark: 45% MSCI All Country World Index (MSCI ACWI) / 25% Cambridge US Private Equity Index

Assets within this category are intended to drive capital appreciation and growth over time. Investments assume a higher degree of risk – be it market risk, default risk, illiquidity risk, etc. – in order to generate returns above a blended benchmark over a complete market cycle. This portfolio category should be viewed with a longer-term investment horizon in mind. Typical investments include publicly traded global equities, real assets, private equity, venture capital and infrastructure investments. This allocation will be subject to market risks and could experience meaningful drawdowns in times of market stress. Returns will be driven primarily by capital appreciation, and market volatility will likely be the biggest driver of risk.



Aspirational Portfolio

No more than 5% of Assets

Benchmark: Assets are included in the above portfolios depending on their characteristics for benchmarking purposes

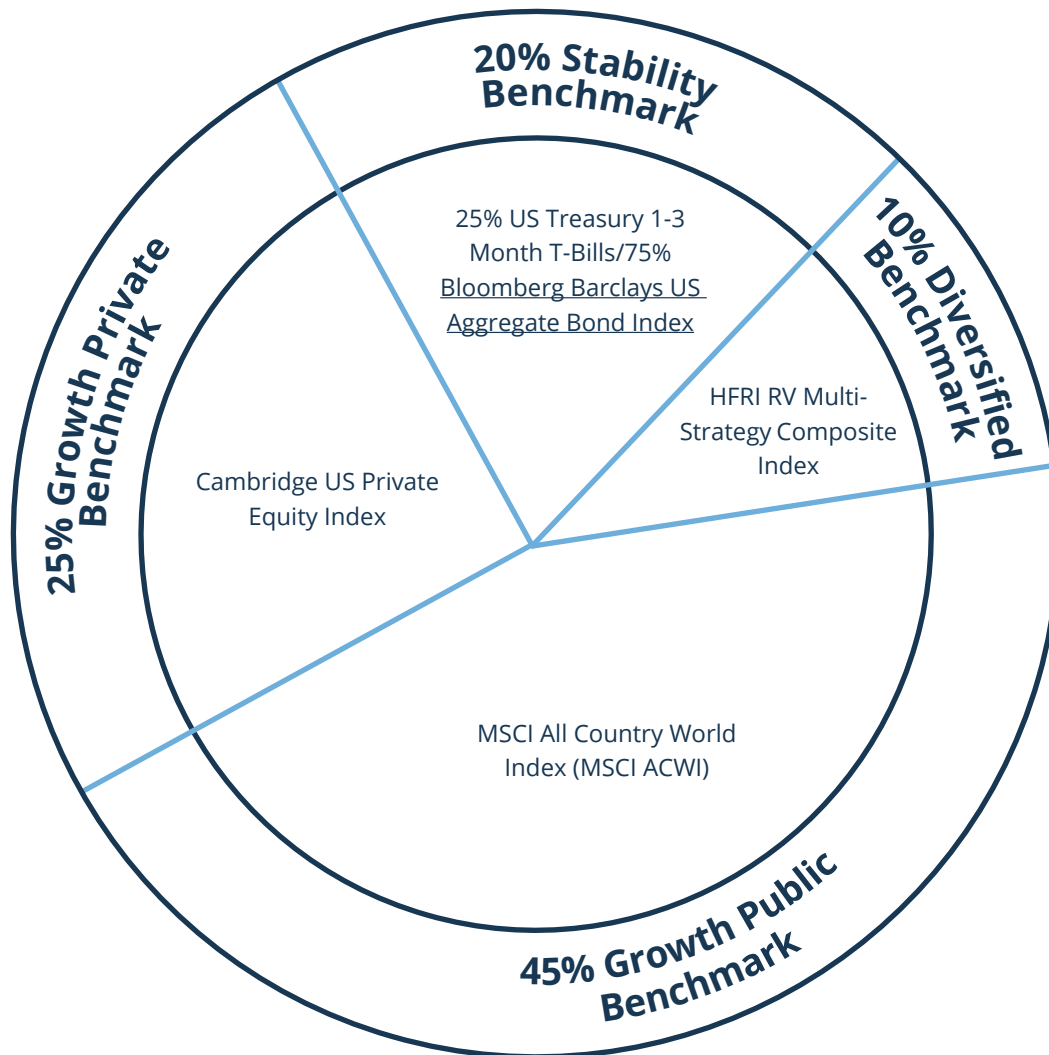
The primary objective of the Aspirational Portfolio is to make mission-aligned investments, including, but not limited to, these examples:

- **Catalytic investments** – Debt, equity, guarantees and other investments that accept disproportionate risk and/or concessionary returns relative to a conventional investment to generate a positive impact and enable third-party investment that otherwise would not be possible. We also consider transactions where a foundation investment would significantly influence the outcome of the project or endeavor to be catalytic.
- **Scaling of funds and investments** – Investments where a commitment by TRFF will help achieve a meaningful increase in the reach and potential impact of an organization, product or program. The IAC may also consider how investments can be used to incubate new mission-aligned investments.

NOTE: Investments in the Aspirational Portfolio may have the potential for elevated risk and/or lower return when compared to investments in other portfolios and may lack certain preferred investment characteristics, such as market rates of return, regional diversity, liquidity or track record due to the social and/or environmental impacts being prioritized. Preservation of principal is expected.

TOTAL PORTFOLIO BENCHMARK

TRFF's total portfolio returns will be assessed at the total asset, sub-portfolio and manager levels. The following benchmark and weights comprise TRFF's overall benchmark for the portfolio:



The benchmarks are designed to reflect the risk profile of the total portfolio expected to achieve TRFF's long-term objectives. The actual asset allocation of the portfolio may deviate meaningfully from the benchmark. TRFF seeks exceptional social and environmental impacts from its investments, which means that impact must be highly

curated and measured. We commit to being as disciplined in evaluating our impact as we are in evaluating our financial return.

We will also use customized benchmarks in our reporting and for internal purposes, as listed in Appendix B.



CLASSIFICATION OF INVESTMENTS

Occasionally an asset will be considered for one portfolio but, over time, will need to migrate to another category. The outside investment advisor will initiate this asset reclassification in conversation with the CEO.

In the ordinary course of business, the CEO can approve reclassifications. If the CEO deems it to be a material change in total assets or overall risk, the Investment & Audit Committee Chair may also be consulted.

LIQUIDITY

Sufficient liquidity is vital to meeting expenses for grantmaking and operating distributions. The portfolio structure should be designed to reflect this requirement without unnecessarily dragging on financial returns. Maintaining sufficient liquidity can be done by holding adequate cash and

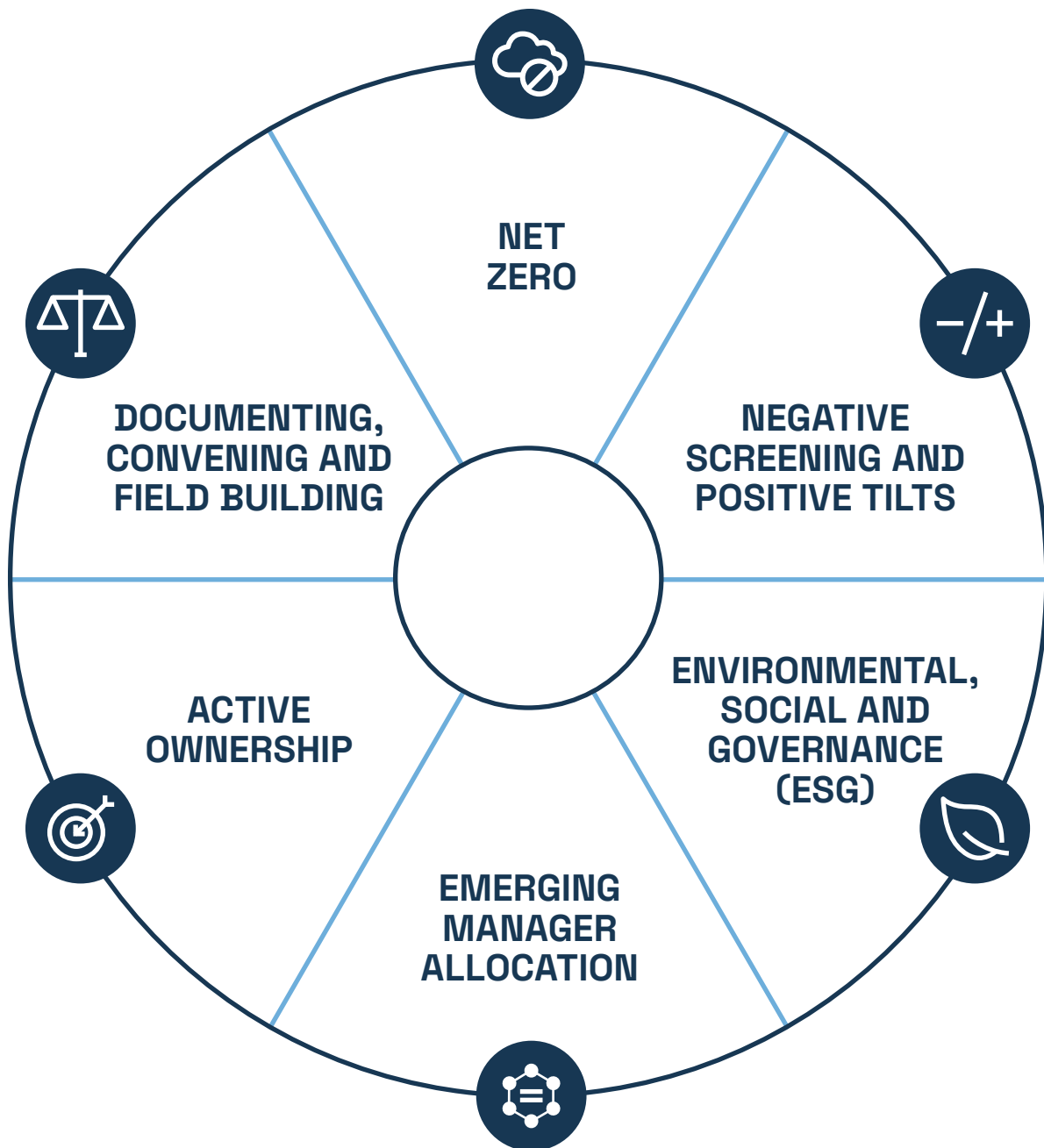
marketable securities. Our general guideline is to have a maximum of 25% of our assets in illiquid investments (investments with more than 12 months' notice before they can be redeemed). Liquidity is evaluated on a total portfolio basis, not by individual asset class.

INVESTMENTS AS A PROGRAM AREA

Russell Investments (whose sale proceeds established the foundation) was an innovator in the financial industry that helped provide access to investments for people through their retirement accounts. TRFF carries this DNA and intends to carry an innovative mindset forward as it addresses today's

issues, namely the climate crisis. TRFF will use our expertise in total portfolio activation, through values and mission-aligned investments, grantmaking, convenings, communications and collaboration, to achieve results that can further build the impact investing field.

Specifically, TRFF uses the following tools:





INVESTMENTS AS A PROGRAM AREA CONT.

- **Net Zero** – TRFF is committed to being a net zero asset owner and signed on to the Net Zero Asset Owners Alliance (NZAOA), pledging to have net zero carbon emissions by 2030. More information on the NZAOA can be found at <https://www.unepfi.org/net-zero-alliance/>.
- **Negative Screening and Positive Tilts** – TRFF’s investments support solutions that drive positive outcomes in alignment with its mission and values to the greatest extent possible. That said, certain investments can be made with the desire to gain broad market diversification. In those instances, we will limit exposure to companies, sectors and strategies that engage in practices viewed as counterproductive to TRFF’s mission through negative screening. We complement this practice by applying positive tilts to companies with high values or mission alignment.
- **Environmental, Social and Governance (ESG)** – TRFF believes that companies with policies and results that align with ESG are better long-term investments. TRFF believes that ESG is a risk framework, like other frameworks, which informs decisions made about potential risks within a company. Having a strong ESG score does not mean an investment is a good fit for TRFF, but it is one indicator that we expect our fund managers to consider as they make investments.
- **Emerging Manager Allocation** – TRFF is committed to diversity, equity, inclusion and access across all asset classes. We acknowledge that this work will take time to evolve through our diligence practices. To intentionally move our portfolio, we have an Emerging Manager Allocation of no less than 5% of the portfolio across all asset classes. This allocation will require our investment advisor to recommend managers that are considered emerging and meet TRFF’s net zero goals.

INVESTMENTS AS A PROGRAM AREA CONT.

- **Active Ownership** – TRFF’s active ownership will include the following approaches:
 - Automated proxy voting.
 - Co-Filing opportunities with third party support.
 - Direct engagement of our fund managers.
 - Field building and promotion of active ownership.

Engagement priority areas:

Climate change mitigation and adaptation issue areas:

- 1 CLIMATE AND ENVIRONMENT
- 2 CONSERVATION
- 3 AGRICULTURE REFORM – FOOD SYSTEMS
- 4 BIODIVERSITY

Diversity, equity, inclusion and access issue areas:

- 1 INCLUSIVE ECONOMY – ECONOMIC EQUALITY
- 2 DIVERSE C-SUITE REPRESENTATION
- 3 JUST TRANSITION
- 4 DIVERSE BOARD REPRESENTATION

- **Documenting, Convening and Field Building** – TRFF recognizes its role in the ecosystem and knows that the solutions to problems as significant as the climate crisis or creating a more equitable society will involve far more than the assets on our balance sheet. To that end, TRFF is committed to advancing the field of impact investing and will use its investment portfolio to model ways to help solve complex problems.



ROLES AND RESPONSIBILITIES

(for full definitions, see TRFF Bylaws date 9.23.22)

The **Investment and Audit Committee (IAC)** is a standing subcommittee of the Board of Directors. It is responsible for overseeing the investment affairs, which include the management of assets of TRFF and recommending investment policies. The IAC has the authority to engage the services of a professional investment advisor(s), subject to the approval of the Board of Directors.

Duties of the IAC:

- Monitors the performance of investment managers with the assistance of an investment advisor.
- Recommends the Investment Policy Statement (IPS) to the Board of Directors.
- Reviews the IPS periodically, generally once per year.
- Implements investment policy with the assistance of the CEO and investment advisor.
- Recommends to the Board of Directors the selection and dismissal of investment managers.
- Evaluates and reports to the Board of Directors on investment activity, performance and compliance with agreed-upon non-financial goals.
- Oversees annual audit and reports results to the Board of Directors.
- Additionally, the IAC has the responsibility and authority to oversee TRFF's preparation and dissemination of financial information and reports on such topics to the Board of Directors.
- Recommends to the Board of Directors the selection of the Investment Advisor.

The **Chairperson of the IAC** is appointed by the Board of Directors and is required to be a Board Member. The Chairperson serves as the primary liaison between the IAC and the Board of Directors.

Duties of the Chairperson:

- Manages the agenda for the IAC meetings.
- Brings forward recommendations from the IAC to the Board of Directors.
- Provides reports to the Board of Directors related to the investment portfolio and other work.
- In cases of emergency, the Chairperson has special authority to approve recommendations made by the investment advisor, provided that all other members of the IAC are notified immediately.

The **Chief Executive Officer** is a board-appointed position with full and complete authority, power and discretion to manage the day-to-day business affairs and properties of TRFF.

Duties of the CEO:

- Supervises the work of the investment advisor and makes recommendations to the IAC regarding the retention of the advisor.
- Oversees the implementation of the investment program, pursuant to the IACs direction.
- Signs all investment manager agreements.
- Supervises the work of the investment advisor regarding implementing investment decisions.
- Retains final approval for all shareholder resolutions filed by TRFF.

The **Investment Advisor** acts in a non-discretionary capacity and is responsible for making recommendations related to investments in accordance with this Investment Policy Statement.

Duties of the Investment Advisor:

- Exercises a high degree of professional care, skill, prudence and diligence in managing assets under their direction.
- Acts with fiduciary duty, always serves the best interest of TRFF and does not subordinate TRFF's interest to their own.
- Performs thorough professional analysis and judgment for selecting all investments held in the portfolio.
- Purchases and sells securities as appropriate.
- Rebalances portfolio to maintain allocations within their appropriate ranges.
- Diversifies investments by liquidity, credit quality, issuer, industry, geography, type, maturity and duration. Other than pooled investment vehicles (e.g., mutual funds or ETFs), no individual security shall comprise more than 5% of the total portfolio.
- Coordinates with TRFF on voting shareholder proxies and other shareholder engagement activities when requested.
- Makes written recommendations to the CEO and IAC regarding investment-related issues, including investment policy, performance, strategic asset allocation and manager selection and retention.
- Sources, vets and advances commitments that the IAC has agreed to, such as the commitment to net zero, Confluence Belonging Pledge and an emerging manager track.
- On an annual basis, the investment advisor will prepare an impact report capturing, at minimum, the progress toward net

zero, emerging manager allocation, active ownership and impact investments.

- Fully complies with all provisions of governmental rules, laws, regulations and decisions thereunder pertaining to the management of assets for private family foundations.

To evaluate the investment advisor, the IAC will review the following items periodically:

- Year-to-date, annual, cumulative, trailing and/or rolling financial performance of the accounts managed compared to stated benchmarks.
- Asset allocation and market capitalization, rebalancing, risk and standard deviation of the portfolio.
- Compliance with TRFF's screens and values.
- Social research and interactions with portfolio companies, including shareholder activities.
- Adherence to diversity, equity, inclusion and access policies within the advisory investment firm, investment advisor's teams, and the investment managers and companies in which they invest.
- Reasonable investment advisory service fee.



ACKNOWLEDGMENT

We recognize the importance of adhering to the mission and strategies detailed in this policy and agree to fulfill the objectives stated herein, within the guidelines and restrictions to the best of our ability.

Sarah Cleveland

TRFF Investment & Audit Committee Chair

Revision Approved May 22, 2023.

(The previous version was approved on May 17, 2016)

***Just Transition** – A crucial concept for ensuring that the transition to a low-carbon economy is fair and equitable for all. It requires a collaborative and inclusive approach that prioritizes the needs of workers, communities, and the environment.

The International Labour Organization (ILO) defines a just transition as “greening the economy in a way that is as fair and inclusive as possible to everyone concerned, creating decent work opportunities and leaving no one behind.” (ILO, 2015) The ILO stresses the importance of ensuring that workers and communities affected by the transition to a low-carbon economy are provided with the necessary support, including access to training and alternative employment opportunities.

The United Nations Framework Convention on Climate Change (UNFCCC) also recognizes the importance of a just transition, stating that “the transition towards a low-carbon and climate-resilient economy should be conducted in a manner that does not threaten food production” and “creates decent work and quality jobs” (UNFCCC, 2015).

In practice, a just transition requires the involvement of a wide range of stakeholders, including workers, employers, civil society organizations and governments. The World Economic Forum (WEF) has identified four key elements of a just transition: social inclusion, economic fairness, environmental sustainability and good governance (WEF, 2020). These elements emphasize the need for a comprehensive approach that balances economic, social, and environmental objectives.



The Russell Family Foundation

www.trff.org

APPENDIX A

Aspirational Portfolio Framework – Target 5% of Corpus over a period of 3-5 years

Thematic impact areas:

- **Equitable Communities** – Including managers that promote affordable housing, access to capital, low-impact development, food security and job creation.
- **Responsible Economies** – Including managers that promote new economic development, entrepreneurship, minority/women/native-owned enterprises, and innovative partnerships.
- **Sustainable Environments** – Including managers that promote sustainable land management, local agriculture and farming, climate change mitigation and adaptation, and water quality improvements.

Fundamental considerations for inclusion:

- **Mission alignment** – The Aspirational Portfolio should be reserved for the highest mission-aligned investments in the portfolio. Investments should truly be aspirational; mission should be a primary driver of the investment thesis as determined by TRFF.
- **Risk and return** – Investments have the potential for elevated risk and/or insufficient return when compared to investments in the Stability, Diversified or Growth Portfolios.
- **Investment characteristics** – Due to the social and/or environmental impacts being prioritized, investments may lack certain preferred investment characteristics, such as competitive market rates of return, regional diversity, liquidity, or track record; however, preservation of principal is expected.
- **Financial criteria** – Investments that meet both mission and financial criteria will be evaluated both on an individual basis and how the investment fits into the foundation's total portfolio.

Risk management guidelines:

- **Position size** – Limit investment or commitment position size to a maximum of \$1 million.
- **Percentage of fund** – Limit investments or commitments to a maximum of 20% of the fundraising target of a fund.
- **Investing and liquidity schedule** – Maintain an investing and liquidity schedule to forecast potential capital calls and distributions.
- **Committed capital** – Evaluate investment sizes based on committed capital until the Aspirational Portfolio is mature to ensure capital at risk in the Aspirational Portfolio does not exceed 5% of the corpus.
- **Diversification** – To promote diversification, consider debt and equity investments.
- **Designation for Aspirational Portfolio** – Recognize that only committed capital will count towards the Aspirational Portfolio (i.e., first-loss capital commitments, loan guarantees, etc., will not be considered as part of the Portfolio).
- **Legal compliance** – Vet Program Related Investments (PRI) by counsel to ensure that TRFF complies with IRS requirements, including documenting that the investment is made primarily for charitable purposes.

Investment recommendations to the Investment and Audit Committee will be delivered by The Russell Family Foundation staff in consultation with TRFF's investment advisor.

- Investments under \$100,000 may be directed internally – without the approval of the Investment and Audit Committee – up to \$250,000 in any one year.

APPENDIX B: ADDITIONAL BENCHMARKS

We measure our total portfolio against the blended benchmark included in the body of the IPS. In addition, we evaluate our portfolio using several benchmarks to isolate and understand performance. Listed below are some of the other benchmarks we use and their purpose.

TRFF Total Portfolio Benchmark – Including Private Assets, WITHOUT fossil fuel exposure.

20% - Stability Benchmark	25% US Treasury 1-3 Month T-Bills/75% Bloomberg Barclays US Aggregate Bond Index
10% - Diversified Benchmark	HFRI RV Multi-Strategy Composite Index
45% - Growth Public Benchmark	MSCI All Country World Index (MSCI ACWI) ex Fossil Fuels
25% - Growth Private Benchmark	Cambridge US Private Equity Index

This benchmark excludes fossil fuels and otherwise mirrors our blended benchmark in the body of the IPS. We maintain this benchmark for our internal purpose to understand how well our managers are doing relative to a benchmark that does not contain fossil fuel exposure.

TRFF Total Portfolio Benchmark – Excluding Private Assets, WITH fossil fuel exposure.

26.7% - Stability Benchmark	25% US Treasury 1-3 Month T-Bills/75% Bloomberg Barclays US Aggregate Bond Index
13.3% - Diversified Benchmark	HFRI RV Multi-Strategy Composite Index
60% - Growth Public Benchmark	MSCI All Country World Index (MSCI ACWI)
0% - Growth Private Benchmark	Cambridge US Private Equity Index

This benchmark excludes private assets by taking out the Cambridge Private Equity Index and redistributing the exposure to the remaining benchmarks. This benchmark shows overall performance without the reporting lag that comes from private assets.

TRFF Total Portfolio Benchmark – Excluding Private Assets, WITHOUT fossil fuel exposure.

26.7% - Stability Benchmark	25% US Treasury 1-3 Month T-Bills/75% Bloomberg Barclays US Aggregate Bond Index
13.3% - Diversified Benchmark	HFRI RV Multi-Strategy Composite Index
60% - Growth Public Benchmark	MSCI All Country World Index (MSCI ACWI) ex Fossil Fuels
0% - Growth Private Benchmark	Cambridge US Private Equity Index

This benchmark removes both private assets and fossil fuels and allows us to compare against equities with fossil fuels.

