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NATURAL
INVESTMENTS LLC

IMPACT REPORT



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INVESTING IN OUR VALUES

Best for the World Award

WHY THE GINKGO?

A ginkgo leaf
signals healing
& regeneration.



That's why it stands
behind our mission
to heal humanity's
relationship with money.

“Our business has expanded, introducing more people, new ideas, and a wider range of business styles.”



Nicole Middleton Holloway in Oakland, CA joins the team



Team retreat in Manitou Springs, CO



Smart and Soulful Money® Podcast featuring Jacquette Timmons

Intentional Growth, DEEPER COMMITMENT

OVER THE PAST 30 YEARS, Natural Investments has grown slowly and organically over time by attracting advisors who are aligned with our mission. Even without specific growth targets, our firm has expanded, introducing more people, new ideas, and a wider range of business styles. As a collective of advisory practices, we share common investments, codes of ethics and conduct, policies and procedures, technologies, and values—yet there is a diversity of approaches in how, where, and with whom we work.

This growth has created dynamism and prompted deep reflection on how we wish to move forward, particularly as we work to maintain a sense of family while embracing diversity and minimizing bureaucracy. Beginning a few years ago, for example, our desire to make a commitment to gender and racial diversity led us to add more women and people of color to the team. At the time, this goal seemed somewhat daunting given that we are almost exclusively approached by white, male advisors—a reflection of overall industry demographics. Another challenge is that we are not a typical firm offering salaried employment; rather, we seek self-starter entrepreneurs who have the skills and tenacity to build their own practices within the collective. We have contributed to various industry scholarships over the years aimed at increasing interest among diverse graduates looking for careers in this field, but we have generally been approached by few professionals of color looking to join us.

We are delighted, therefore, to have expanded in the manner we have: six of the seven new advisors we've added in the past few years are women, two are women of color, and we also hired a woman of color as our editor. Our newest advisor, Nicole Middleton Holloway, a Certified Financial Planner® based in Oakland, California joined us this year.

As we welcome Nicole, our composition of 21 advisors is now 43% women and 14% people of color. It is a marked

improvement, yet we are not satisfied; our priority for any possible expansion will continue to be increasing diversity.

Similarly, we are continuing to seek investments that focus in particular on underserved communities of color. While we have long invested client assets in various institutions, private debt, and equity funds that provide people of color with access to capital, this year we invested some of our firm's reserves in Self-Help Credit Union, whose branches primarily serve people of color and low-income people in rural and urban communities across several states.

As we celebrate 30 years of helping investors create the change they wish to see, we wish to acknowledge our growth trajectory in the infographic on the adjacent page. We also want to celebrate our major increase in assets in the past year, as we now manage over \$1.2 billion¹. Scaling to this level allows us to make an even greater impact in the world as we strive for social and racial justice and facilitate a more regenerative way of life for all of humanity. We thank you for being on this path together with us.



MICHAEL KRAMER
Managing Partner



MICHAEL KRAMER is Managing Partner and Director of SRI Research. He is also Board Vice Chair of US SIF—The Forum for Sustainable and Responsible Investment. Michael is co-author of *The Resilient Investor: A Plan for Your Life, Not Just Your Money*. He lives in Kailua Kona, Hawaii.

THIRTY YEARS OF Milestones

1990S

19
90

FOUNDED

Jack Brill and Hal Brill form Natural Investments Services, Inc.; Michael Kramer becomes one of Hal's first clients

19
92

PUBLISHED

First book, *Investing from the Heart*, is published

INNOVATION

The Heart Rating is created, the first social rating for SRI mutual funds

19
95

GROWTH

Invests in the first Community Investment Note offered by Calvert Impact Capital

19
99

PUBLISHED

Second book, *Investing with Your Values*, is published by Bloomberg

2000S

20
00

INNOVATION

Joins US SIF—The Forum for Sustainable and Responsible Investment

GROWTH

Michael Kramer (Kona) joins as the firm's third advisor

2010S

20
10

GROWTH

Greg Garvan (Charleston) and Greg Pitts (New York) join the firm

20
11

GROWTH

Andy Loving and Susan Taylor (Louisville) join the firm

20
12

INNOVATION

James Frazier founds the Local Investing Resource Center, sponsored by NI

Fossil-fuel-free portfolios developed for clients

GROWTH

Carrie Van Winkle (Louisville) joins the firm

20
15

PUBLISHED

Third book, *The Resilient Investor*, is published by Berrett-Kohler

20
16

INNOVATION

Co-founds the Shareholder Rights Group

GROWTH

Eric Smith (Seattle), and Ryan Jones-Casey (Duluth) join the firm

20
03

GROWTH

Christopher Peck (Sonoma County) joins the firm

20
05

GROWTH

Scott Secrest (San Luis Obispo) joins the firm

20
07

INNOVATION

Firm becomes Natural Investments, LLC and is owned and operated equally by Hal, Michael, and Christopher

20
08

INNOVATION

Becomes a Founding Certified B Corp, one of the first financial services firms certified

20
09

GROWTH

James Frazier (Maui) and Malaika Maphalala (Hilo) join the firm

20
17

GROWTH

The firm adds Malaika, James, and Greg Pitts as additional ownership partners

Amy Pender (Hudson Valley), Evan Quirk-Garvan (Asheville), and Joel Koerner (Louisville) join the firm

20
18

GROWTH

Kirbie Crowe (Greenville) and Sylvia Panek (Chicago) join the firm

INNOVATION Michael Kramer joins the USSIF Board of Directors and NI is Main sponsor of the USSIF annual conference

20
19

INNOVATION

Sixth time earning B Corp “Best for the World” honoree award

GROWTH

Kate Poole (Central New Jersey) and Tiffany Brown (Bay Area) join the firm

2020 & BEYOND

20
20

GROWTH

Nicole Middleton Holloway (Oakland) and Steve Algieri (Seattle) join the firm

Sustainable & Responsible Impact (SRI)

NATURAL INVESTMENTS enjoyed significant growth since the last report, with responsibly managed assets increasing by 24% to \$650M¹. For the first time, we are using an impact data aggregation firm to delve deeper into our clients’ positive effects on the environmental, social, and governance (ESG) areas of the economy. The additional information allows us to see the bigger picture of our collective efforts, as well as understand trends in areas that are important to our clients. For example, one of the most frequent requests by clients is to avoid direct investments in extractive oil, coal, and natural gas companies, which are driving the climate crisis. In the last year, client demand for our fossil-fuel-free portfolios rose by 127% .

\$650M

SRI ASSETS

\$398M

UTILIZE ESG STRATEGY

TOP 5 UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS IMPACT



UN SDG



The newest category of our impact assessment is alignment with the United Nations Sustainable Development Goals (SDGs). These are 17 targeted goals for 2015–2030 to improve life on the planet for all people. Though our sustainably managed holdings touch almost all of the goals in some way, the top five goals matched what our clients generally ask for—investments that cultivate thriving local communities with fair labor conditions and ecologically-viable corporate practice.

IMPACT ASSET CLASS



- Responsible Mutual Fund 39.40%
- Municipal Bond 18.66%
- Responsible Managed Account 16.16%
- Community Investment Note 4.81%
- Green Bond 3.09%
- Mortgage Backed Security 2.82%
- Sustainable Asset and Infrastructure 2.67%
- Responsible Corporation 1.89%
- Impact CD 1.88%
- Others 8.60%

WHEN EVALUATING the industries and types of assets we select for client investments, a significant portion (approximately 40%) is in responsibly managed mutual funds using ESG integration strategies. Applying environmental, social, and governance (ESG) criteria helps us screen out firms with the worst corporate behavior, an approach that minimizes poor performance risk, per numerous studies.

IMPACT INDUSTRY



- ESG Integration 39.76%
- Community Facility & Infrastructure 18.66%
- Economic Development 8.63%
- Climate Change 8.31%
- Renewable Energy 7.98%
- Affordable Housing 5.71%
- Environmental Sustainability 3.34%
- Responsible Business 1.68%
- Sustainable Agriculture 1.42%
- Others 4.52%

IN ADDITION to mutual funds, Natural Investments sources opportunities in municipal bonds, community investment notes, and other economic development tools that support resilient cities and rural communities. The funding targets areas for infrastructure improvement, affordable housing, clean energy, and small businesses. When regional economies thrive with stable capital flows, they build the backbone of a resilient US economy.



“The fruits of the divestment movement may be seen a few years ahead, but the movement’s rapid, sustained growth is a testament to the chord it has struck with stakeholders.”



Progress on Private Prison Divestment

A GROWING MOVEMENT, STATE BY STATE

By Kirbie Crowe

THE PRIVATE PRISON divestment movement has gathered great momentum since our June 2019 webinar, “Private Prison Divestment—Justice for Refugees and Migrants”. During that event, we provided an overview of the movement’s history and an update on current developments, mainly related to the family separation crisis at the US and Mexico border. In June, only two of the six major banks lending to the private prison industry had announced their intent to halt financing, JP Morgan Chase and Wells Fargo. Over the subsequent six months, US Bank, Bank of America, SunTrust, BNP Paribas, Fifth Third, PNC, and Barclays followed suit. By the end of 2019, the two major private prison companies, CoreCivic and GEO Group, were estimated to face an 87% financing gap as a result of this withdrawal of funds from their primary lenders.

The divestment movement has also advanced in several state governments. In January 2020, Rhode Island announced its decision to divest its public pension system from private prisons, becoming the fourth state to do so. New York also continued its leadership in the movement, passing a 2019 bill prohibiting state-chartered banks from “investing in and providing financing to private prisons”, a move designed to thwart regional banks that may see mega-banks’ divestment plans as a growth opportunity.

While divestment advocates rightly celebrate these victories, the question remains of how divestment efforts affect conditions “on the ground”. In his January announcement, Rhode Island General Treasurer Seth Magaziner acknowledged that given the state pension’s relatively small investment in the private prison sector, the move to divest was largely symbolic—yet he also said that “symbolic gestures are important.” While the large banks’ plans to cut off funding for the sector were announced in 2019, funding will continue through the end of current contracts, most of which expire in two to five years. This means these companies’ daily operations remain largely unchanged for the time being.

Where does the private prison divestment movement go from here? Freedom to Thrive (formerly Enlace), a nonprofit that builds intersectional movements at the city and campus levels to redefine safety, has been a leader in the private prison divestment movement for most of the last decade, and has no intention of becoming complacent with recent victories. A relatively new target for the group is the elimination of e-carceration, or “the use of technology to deprive people of their liberty” through surveillance technology like ankle monitors.

The fruits of the divestment movement may be seen a few years ahead, but the movement’s rapid, sustained growth is a testament to the chord it has struck with stakeholders. Rhode Island’s Magaziner summed up succinctly the feelings of a growing number of investors: “We don’t want to be associated with businesses we think are fundamentally immoral.”



“The planet’s five warmest years have all occurred since 2015, and nine of the ten warmest years have occurred since 2005.”





Divest, Then Reinvest

INVESTING WHERE IT MATTERS

By Scott Secrest

IN JANUARY, The National Oceanic and Atmospheric Administration (NOAA) reported that 2019 was the second hottest year on record, following closely behind 2016. The planet's five warmest years have all occurred since 2015, and nine of the ten warmest years have occurred since 2005.

There is now overwhelming scientific consensus that CO₂ emissions from fossil-fuels are a primary cause for our rising average global temperatures. The US Environmental Protection Agency (EPA) states, "Human activities are responsible for almost all of the increase in greenhouse gases in the atmosphere over the last 15 years." The obvious remedy? A steep reduction of CO₂ emissions.

Financial investments are made with an eye for future opportunities and risks. While fossil-fuels remain in use today, forecasts consistently show production costs declining and demand rising for renewable energy, electric vehicles, and the electrification of homes and buildings.

According to the US Energy Information Agency, in 2018 only 17% of US energy generation came from renewable sources, including hydropower, wind, biomass, solar, and municipal solid waste. The potential to increase this proportion creates an extraordinary investment opportunity.

\$195M

FOSSIL-FUEL FREE

Within the socially responsible investment (SRI) community, there are different notions about the most effective means to deploy investment capital in the fight against climate change. Some believe that shareholder activism creates more leverage. In this model, investors own shares in companies with certain fossil-fuel holdings. As shareholders, they are then in a position to engage with company management to encourage an operational or product transition to minimize their carbon footprint, thereby modeling improvements for their industries.

The other investment approach is the complete divestment option. Investors who take this approach believe that the climate crisis has come to a head, and that engagement has not yielded adequate results. These investors sell out entirely of companies involved in the extraction, refining, and infrastructure of the fossil-fuel sector. The idea is to accelerate the transition to carbon-free operations by creating public pressure on fossil-fuel companies; stigmatizing them can help fast-track the shift to renewable energy and technologies.

In both approaches, investors push for investment in promising operational or product breakthroughs that might help the world break its fossil-fuel addiction. Sensible investors will of course diversify across a broad range of sectors and industries as part of a prudent overall strategy.

Natural Investments began offering fossil-fuel-free investment strategies to our clients in 2012. In 2019 we managed client assets of greater than \$195 million in these strategies. Whether our clients choose the engagement route or divestment, we are gratified to join the climate fight with our Natural Investments clients.



The background features abstract, organic shapes in various shades of green and yellow. A prominent dark green shape on the left resembles a leaf or a stylized profile. Other shapes in lighter green and yellow are scattered across the white background, creating a layered, artistic effect.

Our choices
are driven by
our values.

Shareholder Advocacy Review 2019

NATURAL INVESTMENTS is involved in a range of efforts with our industry colleagues that facilitate positive economic, social and environmental change, including shareholder engagement with companies and public policy advocacy.

Natural Investments regularly engages in corporate and political advocacy to protect ecosystems, defend human rights, and advance racial and economic justice. In 2019, we participated in more than 30 environmental, social, and governance activities on behalf of investors on issues ranging from gun violence and shareholder rights to climate change and reproductive rights.

GUN VIOLENCE

Our work to engage companies in reducing gun violence continued through 2019. We urged US Bank, Bank of America, Wells Fargo, JP Morgan, Capitol One, Citi, Mastercard, American Express, VISA, and nine others to curb direct lending to gun manufacturers and indirect support for gun buyers via credit card transactions. The financial institutions we targeted responded that gun violence is a matter of regulatory or legislative authority, not company policy, as they do not consider this issue a material risk to their industry.

\$237M

SHAREHOLDER ADVOCACY

CLIMATE CHANGE

We signed several letters to Congressional leaders in support of their sponsorship of Green New Deal legislation.

We endorsed the Carbon Disclosure Project's appeal to dozens of companies to disclose the impacts of company operations on the forests, air, and waterways of the world.

We supported a letter to Congressional leaders in support of the Climate Risk Disclosure Act of 2019 which would enable investors to assess the climate risk for companies unwilling to disclose this information publicly. Under current Senate leadership, the bill is stalled.

We supported a letter to dozens of companies, particularly the largest banks that loan to fossil-fuel companies, to address the urgent need for a climate plan and to address how their government lobbying activities undermine the goals of the Paris Climate Agreement; we also shared investor expectations regarding such behavior and the potential corporate risks it exposes. We requested that these companies align their own interests and lobbying activities with the industry associations to which they belong and encourage such associations to adopt positions that acknowledge the materiality of climate change risk.

We signed onto As You Sow's letter to the governments of developed nations, along with 500 institutional investors representing \$34 trillion in assets, demanding compliance with the Paris Agreement's climate change financial reporting standards and the private sector collaboration required to reduce atmospheric carbon.

We signed onto a letter to natural gas producers and utilities requesting that they pressure the EPA not to roll back previously established standards regulating oil and gas methane emissions. Methane capture is critical to address climate change and represents a possible secondary revenue stream, so it must be properly regulated.

As a signatory to the Global Investor Engagement on Meat Sourcing, we signed onto letters orchestrated by Ceres and the FAIRR Initiative to McDonald's, Chipotle, Yum! Brands, Domino's, Wendy's, and RBI (the owner of Burger King, Popeye's, and Tim Horton's) asking the companies to better manage water and environmental risk within their meat and dairy supply chains, given their impact on greenhouse gas emissions and climate change.

TOXICS

We signed onto an As You Sow letter to General Mills regarding its purchase of grains from farmers that use glyphosate before harvest on crops. Although engagement with the company was at first unsuccessful, the company agreed to reduce pesticides in its supply chain after a proxy vote on the matter garnered over 30% support.

REPRODUCTIVE RIGHTS

In conjunction with an investment coalition facilitated by Reproductive Health Investors, we signed a letter to more than 30 companies urging them to provide comprehensive reproductive health care for women and family-friendly workplace benefits; disclose political contributions toward political candidates and PACs that advocate limits on women's reproductive rights; and end the practice of forced arbitration for employee sexual harassment claims (which creates a shroud of mystery that leaves investors and the public in the dark about how such claims are handled and what steps are being taken to reduce such risks). Several companies, such as Coca-Cola, FedEx, and CVS, have been willing to engage in dialogue on these topics.

HUMAN RIGHTS

We supported a campaign by the Investor Alliance for Human Rights to urge the financial institutions that have signed the Equator Principles to uphold strong human rights workplace and community standards. The principles address the protection of vulnerable people; human rights grievances; and the health, water, food, housing, land, and resource

impacts of the climate crisis. They also uphold the needs of relevant stakeholders, particularly the prior consent rights of indigenous peoples.

Through our participation in the Bangladesh Investor Initiative of the Interfaith Center on Corporate Responsibility, we wrote a joint letter to the

Bangladeshi government to request that the country not abandon the 1,600-company-strong Accord on Fire and Building Safety. The accord is in jeopardy of ending just six years after it was established—before the formalization of a significant facilities inspection program to protect workers from unsafe working conditions. The result of these efforts

“We endorsed the Carbon Disclosure Project’s appeal to dozens of companies to disclose the impacts of company operations on the forests, air, and waterways of the world.”

was the establishment of a sustainability council with representatives from manufacturers, brands, and trade unions to enforce a transparent factory inspection process that guarantees workplace safety.

SHAREHOLDER RIGHTS

Through our co-sponsorship of the Shareholder Rights Group, a coalition of leading SRI firms, we submitted a letter to the SEC during its public comment period on its proposed rule changes on how investors can submit shareholder proposals—and why proxy advisor firms hired by investors, advisors, and money managers are suitably representing investors and not their own interests. The SEC has received thousands of such comments critical of the SEC’s proposed rules, which severely curtail the rights of average investors to advocate against risky corporate practices that can affect share value. Many comments requested that the SEC conduct an economic analysis of the proposed rule, as required by statute.

TAXES

We signed a letter from dozens of investment firms in support of the new Global Reporting Initiative (GRI) topic-specific standard, “Tax and Payments to Governments,” which would increase transparency in tax reporting by multinational corporations and evaluate the penalties, risks, and economic impacts associated with retaining profits in “shell” countries to avoid domestic taxes.

Similarly, we endorsed a letter to the Financial Accounting Standards Board rejecting its proposal to disaggregate income and tax information into two sum totals—foreign and domestic—a practice that prevents investors from understanding how companies operate and pay taxes in each country of operations. Such information is critical to the management of corporate risk that may affect share value.

Regenerative Investments

REGENERATIVE INVESTMENTS IN PRIVATE MARKETS

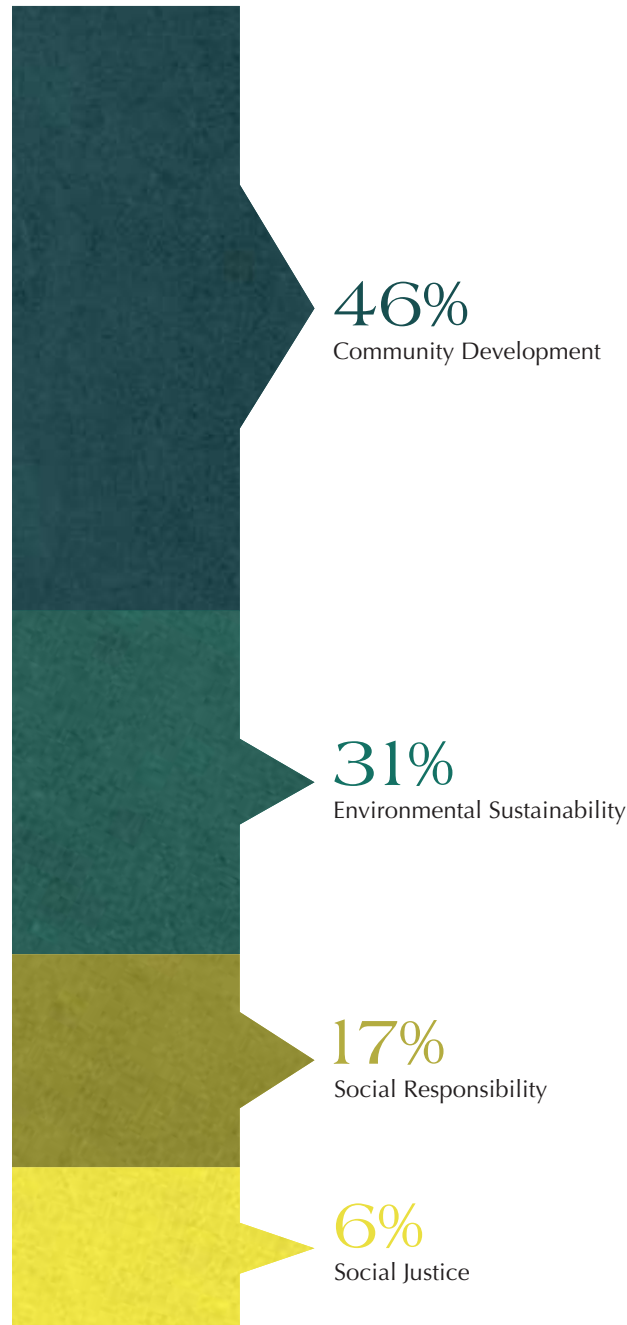
WHEN AVAILABLE, a portion of client assets are directed to so-called “regenerative investments” in the private market. Natural Investments seeks funds and companies with an elevated business model that takes into account the public good. The authenticity of the model is usually backed by language in the corporate charter or third-party certifications verifying moral conduct at all levels: people, planet, and prosperity. The objectives foster a regenerative business structure at the outset, that can then be maintained through any economic environment.

\$89M
in social enterprises

72%
have a corporate structure legally committed to creating public good

68%
have a third-party certification verifying their social and environmental impact

TOP IMPACT THEMES



TARGET BENEFICIARIES



PEOPLE

\$45.5M (51%)

are empowering women, people of color, indigenous populations, and other underserved communities



PLANET

\$20.1M (23%)

are protecting the planet and developing innovative solutions to work in harmony with Mother Nature



PROSPERITY

\$23.4M (26%)

are building a society that works for everyone without sacrificing the well-being of future generations

Spotlight: First Nations Oweesta

By James Frazier

FIRST NATIONS OWEESTA (or Oweesta for short) was founded in 1999 to support economic development in Native American communities across the United States by addressing a lack of financial infrastructure and money. Oweesta, which means money or “item of exchange” in the Mohawk language, is a non-profit Community Development Financial Institution (CDFI)—a federally certified class of banks, credit unions, and loan funds that are committed to making affordable, responsible loans to historically underserved and disadvantaged communities. In their words, Oweesta’s mission is to “provide opportunities for Native people to develop assets and create wealth by assisting in the establishment of strong, permanent institutions and programs, contributing to economic independence and strengthening sovereignty for all Native communities.”

Although there are more than 70 CDFIs that focus their financial empowerment work in Native American communities, Oweesta occupies a special role as a field builder within this ecosystem. Oweesta is the only Native CDFI intermediary that offers financial products (such as loans and grants) and development services exclusively to other Native CDFIs and Native communities. Practically speaking, this means that Oweesta uses a great deal of the money borrowed or granted from investors, including Natural Investments clients, to make loans and grants to diverse Native CDFIs and communities across the country. Oweesta also provides the expert training, technical assistance, investments, systems, research, and policy advocacy needed to help Native communities develop integrated financial ecosystems that are rooted in their unique place, culture, and needs.



From left, Elsie Meeks of First Nations Oweesta, Sylvia Panek of Natural Investments, and Susan White, Oneida Trust Department

A great example of this can be found in the Daily Bread Bakery on the prairie of the Cheyenne River Indian Reservation in South Dakota. The owner and founder, Robi Miller, wanted to offer homemade bread and pastries as a healthy alternative to conventional off-the-shelf bakery products typically made with artificial ingredients, preservatives, and food colorings. She launched and grew her bakery with financial assistance and encouragement from the Four Bands Community Fund, which in turn is supported by First Nations Oweesta. Be sure to stop by for a delicious, healthy meal next time you’re in Hot Springs, South Dakota, and remember that by doing so, you are supporting Native entrepreneurs like Ms. Miller and her community.

INVESTMENT IMPACT FIRST NATIONS OWEESTA

91

supported businesses owned
by people of color

\$17,306,165

investments in businesses owned
by people of color

207

new jobs created in 2019

Spotlight: The Ujima Fund

By Kate Poole

THE UJIMA FUND LAUNCHED in Boston in 2017 as an outgrowth of years of organizing for racial and economic justice. Ujima, the first community-controlled loan fund in the US, has raised \$1.7 million to date. Ujima is a Swahili word meaning “collective work and responsibility”. The membership of Ujima is comprised of more than 250 working-class people of color living in Boston. As members, they vote on community business standards, neighborhood investment plans, and top community needs. Each member, no matter their level of investment, has one vote. Together, members decide which black-owned cooperatives and social enterprises to invest in, as well as those owned by people of color.

Why did Natural Investments support clients in investing in a fund for which ordinary community members make the decisions? Many impact investments that target communities of color are led by wealthy, white investors and executives. That means the communities that are theoretically served by such funds don't have a say in the terms of that support; the boards and leadership teams rarely include members of the communities themselves. Ujima Fund has built a model for community governance and accountability that addresses these failings and shifts decision-making power out of boardrooms and into neighborhoods.

In Boston, the median net worth for white households is \$247,500, while the median net worth for black households is \$8. Racial wealth inequality—in Boston and across the country—is the result of racist institutions and practices, including slavery, sharecropping, redlining, racial covenants in the real estate industry, and racist lending practices. Ujima Fund is working to close the racial wealth gap by shifting both



Boston Ujima Project members signal their support for the One Fair Wage campaign at a citywide assembly held in Dorchester in October 2018.

Photo by Cap Jacqz, courtesy of The Ujima Project



investment capital and decision-making power to those who have been historically excluded.

By shifting both wealth and power, Ujima Fund is a part of an emergent ecosystem of funds that centers community governance and self-determination. Instead of prioritizing the ideas of outside investors, investments are designed by and for the community. Ujima believes that community members perform the best due diligence—they know the reputation of local businesses and can hold those businesses accountable to Ujima's community business standards. Ujima also knows that members will help the businesses thrive by patronizing them, encouraging their friends and family to become

customers, and organizing anchor institutions to purchase from Ujima businesses. Ujima has built an ecosystem of support for social enterprises owned by entrepreneurs of color in Boston to prosper.

At the end of 2019, Ujima's membership voted to make the fund's first investment in CERO, a bilingual composting cooperative. But the impact of investing in Ujima goes beyond this one radical social enterprise. Investment in Ujima supports community self-determination and agency. It also builds local governance capacity. Investing in Ujima builds political and economic power for working class people of color in Boston. It's a significant way to shift wealth and power to repair and democratize our economy.

“The Ujima Fund is a part of an emergent ecosystem of funds that centers community governance and self-determination.”

UJIMA FUND: AN ECOSYSTEM OF CHANGE

We believe that change won't happen if we continue to work in silos.

The challenges facing our communities—gentrification, poverty, homelessness, lack of food access, unemployment, and lack of healthcare—are all interconnected. We need a solution that is equally complex.

Explore our ecosystem of innovative strategies for transformation.



SOCIAL JUSTICE IS RACIAL JUSTICE

Diversity is a key theme not only for financial assets, but for human capital as well. Being too heavily invested in one area decreases resilience when there are shocks to the system. Racial and ethnic minority groups are often under-represented in recipient pools of investment capital, as well as in leadership positions. A just economy requires increased support across all types of communities. Natural Investments encourages clients to support the funding of minority-owned businesses whenever possible.

NATURAL INVESTMENTS OVERALL IMPACT

\$52.1M

invested in businesses owned by people of color

86,143

businesses owned by people of color supported

175

senior management and board positions filled by people of color

LEADERSHIP BALANCE

70%

of reporting companies have at least one person of color on their board of directors

40%

of the board of directors from reporting companies are people of color

25%

of reporting companies have 50%+ minority members on their boards and senior management teams

Spotlight: Ecotrust Forest Management

RESTORING AND PROTECTING TEMPERATE FORESTS IN THE PACIFIC NORTHWEST

By Malaika Maphalala

SCIENTISTS HAVE been clear that in order to prevent some of the runaway effects of climate change, it's not enough to simply reduce our dependence on fossil-fuels: we also have to draw down and sequester carbon from the atmosphere. Radically shifting the way we use and manage land is integral in tackling the climate crisis, and the choices we make around forest management offer significant potential to mitigate global climate change and biodiversity loss.

Forests cover about 31% of Earth's global land area, and a quarter of them lie in the temperate zone (mostly



*EFM's practices include the re-planting of important native tree species like the Western Red Cedar.
Photo by EFM*

in the Northern Hemisphere). Today, 99% of temperate forests have been altered in some way—timbered, converted to agriculture, or disrupted by development. Project Drawdown considers temperate forest restoration to be a high priority given its impressive sequestration potential and numerous co-benefits. Temperate forest restoration ranks as the 12th most effective and viable solution to achieving carbon drawdown goals.

The coastal temperate forests of the Pacific Northwest are among the most productive ecosystems in the world. They are globally unique in their capacity to capture and store immense amounts of carbon from the atmosphere. Pacific Northwest forests, known for red cedar, redwood, and spruce tree species, have been widely degraded by clear cutting and the introduction of lower cost, single species Douglas-fir plantations preferred by the lumber industry.

Ecotrust Forest Management has made it their mission to protect, rehabilitate and restore the iconic temperate forests of the Pacific Northwest. Founded in 2004, Ecotrust Forest Management (EFM) uses investor capital to purchase and invest in commercially, ecologically, and culturally significant landscapes—specifically those that need rehabilitation, can benefit low-income communities, or are in an ecologically significant watershed. These properties span throughout the region, from the Olympic Peninsula in Washington State to the Klamath Basin in northern California, currently totaling 100,000 acres of forestland. EFM's team of finance, forestry, and conservation professionals have pioneered a range of climate-smart forest management practices tailored to the unique features and location of each property, with the goal of restoring the complex natural function and integrity of the forest ecosystems.

EFM's approach is characterized by a long-term view of forest management and an appreciation for the whole spectrum of economic, social, and ecological benefits forests offer to communities. Practices include the re-planting of important native tree species like the Western Red Cedar, restoration of riparian zones, sustainable timber harvest cycles that mimic natural



disturbances, sale of conservation easements, and development or support of complementary non-timber forest product businesses that add economic value to forestlands and incentivize forest preservation in perpetuity. Examples of the latter include the region's first forest carbon offset project, and a number of women and minority-led businesses based on wild-harvested forest products like salal foliage and berries, edible mushrooms, cider, and essential oils.

Ultimately, EFM works to transition its forest properties to mission-aligned, long-term owners such as community land trusts, public agencies, governments, and Native American tribes. The 2015 sale of 3200 acres of land to the Coquille tribe in Curry County embodies exactly the kind of mutually beneficial transition the fund works very hard to achieve. The purchase enabled the Coquille tribe to reestablish a significant portion of its ancestral homeland. Its mix of timber, culturally significant plants, salmon habitat, and hunting and foraging habitat will provide a place for the tribe to expand its traditional sustainable land-management practices and transfer cultural knowledge between the generations.

INVESTMENT IMPACT

EFM

234,451 MT CO₂
Carbon Emissions Captured

128,314 MT CO₂
Carbon Emissions Avoided

65,220 ACRES
Land Area Sustainably Managed



The coastal temperate forests of the Pacific Northwest are among the most productive ecosystems in the world. The EFM-managed Garibaldi property featured above is the site of the first carbon project on private land in Oregon and Washington, a project which will generate 150,000 tons of carbon credits over its lifetime. Photo by EFM

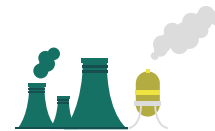
ENVIRONMENTAL SUSTAINABILITY

Maintaining healthy ecosystems on the planet is inherently necessary for the sustained survival of all species. By directing investments to protect and conserve the natural environment, Natural Investments' client assets support a green, circular economy. Not only is there a focus on conservation, but on industrial processes that minimize harmful waste and utilize biodegradable materials as well.

MEASURABLE IMPACT

\$28M

Invested in companies protecting the planet and mitigating the risks of climate change through conservation, sustainable management, and the production of clean energy.



ENVIRONMENTAL PROTECTION

22,230 ACRES

Protected Land Area

The same land area as 26 Central Parks

1,463,701 ACRES

Land Sustainably Managed

Equivalent to the size of the Grand Canyon and Rocky Mountains combined

627,992 FARMERS

Supported Across the World



CLIMATE CHANGE & CLEAN ENERGY

5,320,458,820 kWh

Renewable Energy Produced

The same as powering 636,891 homes with electricity for one year²

22,253,062 MT CO₂

Carbon Emissions Avoided

The same as avoiding 4,724,642 vehicles driven for one year²

303,707 MT CO₂

Carbon Emissions Captured

The same as planting 5,021,860 trees 10 years ago²

The background features abstract, organic shapes in various shades of green and yellow. A large, dark green shape dominates the upper right, while a bright yellow shape is partially visible on the left. The overall composition is layered and textured.

*Socially & environmentally
responsible business
is simply good business.*



Mitigating Our Carbon Impact

By Christopher Peck

IN THE LAST YEAR, THE CLIMATE CRISIS seems to have finally gotten its due in mainstream culture. The deniers are still dishing distractions, but the voices for change are now front and center. Perhaps Greta Thunberg's sailboat journey to the United Nations was the turning point? Was it the asset manager BlackRock finally making a public declaration on the urgency of sustainability? Or maybe Amazon's Climate Pledge to achieve "net-zero" carbon emissions by 2040? Certainly, the wildfires, floods, and sixty-degree weather in Antarctica make it harder to pretend the climate crisis hasn't begun. Whatever future historians peg as the tipping point, it's clear that we must mobilize a massive change in our entire global economy.

Natural Investments continues to purchase offsets for the carbon impact of our business activities. Our primary carbon impact comes from air travel for conferences and meetings. Our offices, website servers, and general business activities actually use such small amounts of energy, and the cost to offset is so reasonable, that each year I add in a few extra tons just to make sure we're really covering our expenditures. We are proud to continue funding the Honduras Coffee Growers Clean Water Project through Native Energy. Our funding contributes to the installation of efficient water filters and promotes the sustainable development of coffee-producing communities within Honduras, including improved livelihoods and community well-being.

According to Native Energy, "As a matter of principle, all carbon credits must be real, permanent, measurable, unique, verifiable, and additional." In last year's Impact Report I discussed the crucial idea of additionality. This year let's focus on what "permanent" means in this context. One simple and hopefully helpful way to think about permanence in carbon offset projects is from the



Members of the Honduran Association of Coffee Producers, whose clean water project is supported by our purchase of carbon offsets through Native Energy.

Photo by APHROCAFE

“Whatever point future historians peg as the tipping point, it's clear that we must mobilize a massive change in our entire global economy.”

perspective of option availability in time. For example, consider the decision to purchase a car. When you're buying a car you evaluate several options, settle on one, and buy it. Once you've bought the car you've eliminated the other options. (Of course you could change your mind and buy a different car.) This is the sense in which a carbon offset is permanent. With my example, choosing an electric vehicle could be a dramatic carbon reduction strategy, depending on the fuel source mix at your electric utility. Here in Sonoma County, an electric vehicle that charges using our local renewable energy option is only responsible for 200 pounds of CO₂ a year, compared to 11,200 pounds for the average fossil-fuel guzzler. That's a huge reduction!

Natural Investments is also considering how we might take a more direct and active role in mitigating carbon emissions. Is there a way we could plant trees and sequester carbon for the long term? Install more solar panels? Fund a biochar kiln? We're open to ideas, so contact your advisor to explore the possibilities!

GLOSSARY & ENDNOTES

SOCIALLY RESPONSIBLE INVESTMENTS

Investments that have intentional or measurable impact or have an explicit strategy to consider environmental, social, or governance factors into their investment decisions.

SUSTAINABILITY MANDATE

Managers that state an explicit strategy to consider environmental, social, or governance factors into their investment decisions.

UN SDG

The Sustainable Development Goals are a universal call to action to end poverty, protect the planet, and ensure that all people enjoy peace and prosperity.

IMPACT SECTORS

Broad impact themes that address key social and environmental issues.

IMPACT INDUSTRY

Specific impact themes that represent a subset of Impact Sectors.

THIRD PARTY CERTIFICATION

Indicates whether investments have been verified for social or environmental impact by a third party.

SOCIAL ENTERPRISE

An organization that has specific socially responsible objectives and utilizes commercial strategies to improve economic, social, and environmental wellbeing.

IMPACT ASSET CLASS

Investment vehicles and financial models designed to produce a positive impact or a reduction of negative effects.

ASSET CLASS

Group of securities that exhibits similar characteristics and are used for diversification purposes.

Endnotes

1. Any non-impact assets managed at Natural Investments excluded from the count are those held in cash or clients' legacy positions held for tax purposes.

2. Number of individuals calculated based on the average number of individuals per household in the US in 2019:

census.gov/data/tables/time-series/demo/families/households.html

3. Carbon emission equivalents calculated using the US EPA's Greenhouse Gas Equivalencies Calculator:

epa.gov/energy/greenhouse-gas-equivalencies-calculator

Disclaimer

It is important to note that this impact was not financed solely by Natural Investments. We do not take credit for all of the impact stated in this report. Our client holdings in impact investments are absolute totals, but the impact reported by our investees is a full picture of the impact they had on the environment and the community. Investees may utilize estimation techniques in accordance with best practices. Data aggregation and calculations were managed by Andorra, Inc.

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INVESTING IN Our Values

For the sixth time, Natural Investments was rated “Best for the World” by B Lab, the national organization certifying B Corps worldwide. This award is reserved for the top 10% of 2,500+ B Corps that are certified based on a company’s commitment to responsible environmental, social, and governance policies and practices.

Natural Investments, now in its 12th year of certification, receives high marks not only for the types of socially and environmentally responsible investments it facilitates for investors, but for its internal practices regarding ecological footprint, supply chain commitments to buying local and green, civic engagement and charitable giving, and transparency and accountability. Our most recent rating assessment can be found at bcorporation.net/community/natural-investments-llc.





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