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IMPACT REPORT



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### GLOSSARY & ENDNOTES

The background of the slide is a solid olive green color. Overlaid on this background are several faint, semi-transparent images of ginkgo leaves. Some are dark green, matching the background, while others are light blue/white, appearing as if they are floating or layered on top. The leaves are fan-shaped with distinct vein patterns.

**WHY THE GINKGO?**

A ginkgo leaf  
signals healing  
& regeneration.



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

## ANNUAL COMPANY LETTER

# ESG Investing: Reaping What We've Sown

**D**RIVEN BY EVER-INCREASING investor demand, most major investment institutions are practicing sustainable, responsible, and impact (SRI) investing. As a result, the number of products claiming to integrate environmental, social, and governance (ESG) criteria continues to rise.

Per [Morningstar](#)<sup>®</sup>, there are now more than 600 ESG mutual funds and exchange-traded funds in the U.S., including 87 added in 2022. These funds saw net inflows of more than \$3 billion last year. We continue to scrutinize and rate these new entrants, and while many are from mainstream firms with weak ESG standards, we know there may be gems out there.

### **The Securities and Exchange Commission (SEC) released two proposals in 2022.**

In other developments, last year the SEC released two potential rules to prevent misleading or deceptive fund names and to require more detailed ESG disclosure by funds and financial advisors. These proposals, though not yet approved, are already causing the “pretenders” to reclassify and reduce


their stated ESG offerings. The result will ultimately enhance the rigor of the field by narrowing the definition of what qualifies as an ESG investment.

### **The SEC also initiated rare ESG enforcement actions in 2022.**

The SEC fined Goldman Sachs \$4 million for failing to follow its policies and procedures involving ESG investments. It also fined BNY Mellon \$1.5 million for misstatements and omissions about ESG considerations. These may be small fines in Wall Street terms, but they are symbolically important in efforts to restore the integrity of the field.

Since “greenwashing” is rampant in the investment sector (and in many other sectors of the economy), we created the Heart Rating more than 30 years ago. It helps investors distinguish between the novices and experts. Words like sustainable, responsible, and impact are quite subjective, and while the SEC hasn't yet chosen to define these terms, the Commission is nevertheless making sure that firms utilizing the terminology back up their words with clear procedures and criteria.

“We created the Heart Rating more than 30 years ago to help investors distinguish between the novices and experts.”



## The pushback from conservative state political jurisdictions is surely a response to the mainstream popularity of ESG investing.

States like Texas and Florida are preventing large money managers with ESG policies from doing business, and falsely characterizing ESG investing as having an anti-capitalist, liberal “woke” agenda. ESG is in fact a widely embraced, apolitical financial risk management process practiced by most investment firms. Research and performance metrics make the business case for it as just and sustainable capitalism. But facts don’t always reign supreme in the political arena.

For example, Kansas Attorney General Kris Kobach, a conservative Republican, stated a conflict that does not exist in a recent [Associated Press](#) article: “The agent who is representing or investing on behalf of the principal has a fiduciary duty to put the principal’s interest over the agent’s interest.”



ESG decisions are not made against the interests of investors; they are based on financial analysis. Efforts to restrict this – as this and other AGs are attempting – interferes with the freedom of investment professionals to adhere to their fiduciary responsibility, politicizing it unnecessarily since there is nothing political involved in the process.

**Despite negative stock and bond market returns in 2022, Natural Investments’ assets under management remained nearly level from 2021, as we brought in more than 80 new clients with \$77 million in assets during the year.**

If you’re new to NI, welcome to the family. We thank those of you who’ve stayed the course with us over the decades as we’ve collectively illustrated the capacity to make money and to make a difference. We are

pioneering the strategies responsible for mainstream acceptance of ESG investing today.

This year’s impact report highlights the important work we are doing together to [make our economic system more resilient](#), just, and regenerative. Now in our 38<sup>th</sup> year of managing investor assets, we appreciate your enduring commitment to this transformation of society and our economy. ♻️

Handwritten signature of Michael Kramer in black ink.

**MICHAEL KRAMER**  
Managing Partner

# 2022 Sustainable & Responsible Impact

**D**ESPITE THE MARKET downturn in 2022, interest in sustainable investments continued to increase across the United States. At Natural Investments, the inflow of new clients starting their sustainable, responsible, impact (SRI) investing journey helped grow the firm to \$1.18 billion assets under management.<sup>1</sup>

The stewardship approach with client assets also reimagines the purpose of investing for the betterment of the economy, environment, and society.

**We strive to create impact in three ways:**

## 1. SOCIAL ISSUES

Avoiding investments involved with wealth and resource-depleting activities.

\$478M

## 2. ENVIRONMENTAL ISSUES

Working with managers that incorporate environmental, social, and governance (ESG) factors into investment decision-making.

\$377M

## 3. IN THE COMMUNITY

Funding social enterprises that contribute to solutions and support our communities.

\$563M

1. Natural Investments had \$1.6 billion in assets under management at the end of 2022. Non-impact assets excluded from the count are those held in cash or clients' legacy positions held for tax purposes.

The largest portion of responsibly managed assets lies in the publicly traded market. Approximately \$695 million was in responsibly managed mutual funds, ETFs, and separately managed accounts that incorporate various environmental, social, and governance (ESG) strategies.

Screening on ESG issues helps to identify and avoid the worst corporate actors, but Natural Investments chooses fund managers who engage in shareholder advocacy as well.

Approximately \$384 million of assets managed factored in shareholder engagement via corporate dialogue or filing ESG resolutions at annual meetings to improve corporate policies and practices.

**In 2022, in order to avoid investing in the industries that cause the most harm to people and planet, our managers commonly screened out fossil fuels, tobacco, military/defense, and private prisons.**

\$375M

### FOSSIL FUEL FREE

*This includes coal, oil and gas, fossil-fired utilities, the Carbon Underground 200, and the Macroclimate 30.*

\$206M

### MILITARY WEAPON FREE

*This includes cluster munition, landmine and nuclear weapons manufacturers, and military contractors.*

\$132M

### PRIVATE PRISON INDUSTRIAL COMPLEX FREE

*This includes enterprises involved in financing, labor, facility management, and more.*

\$365M

### TOBACCO FREE

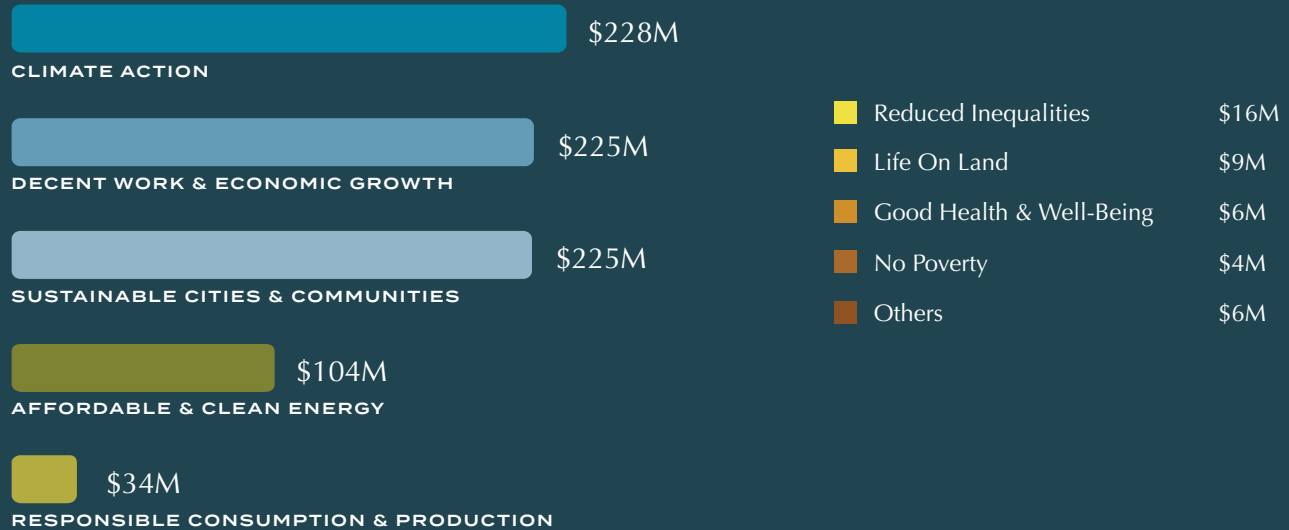
*This includes enterprises involved in the production of tobacco.*



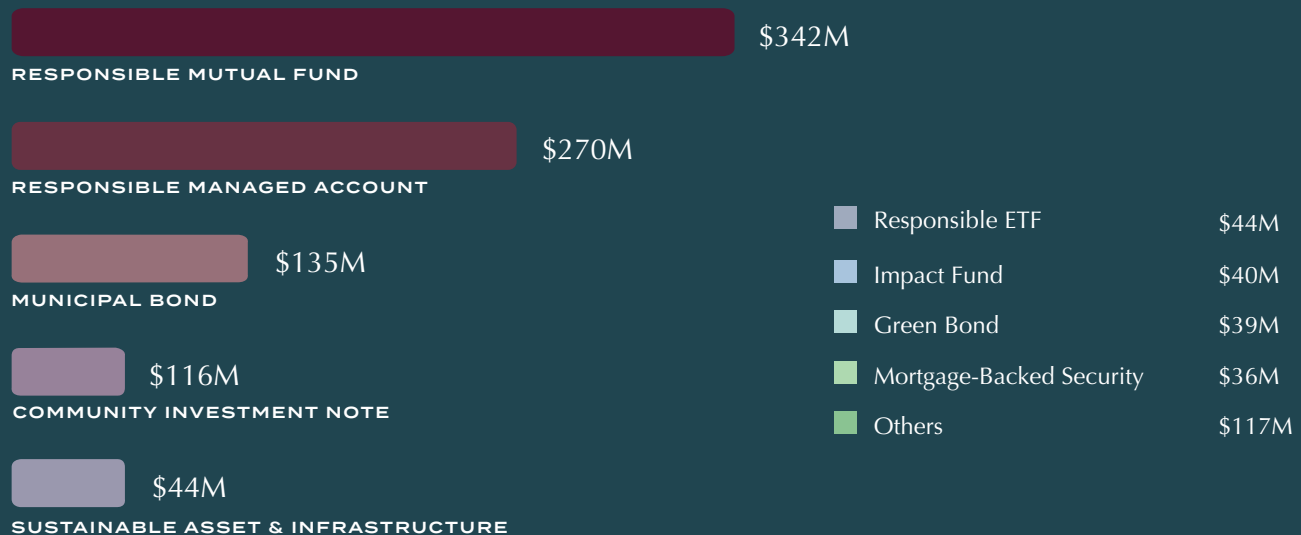
# Alignment with the United Nations Sustainable Development Goals (SDGs)

In September 2015, world leaders created the SDGs to facilitate the end of poverty, protect the planet, and safeguard prosperity for all. Approximately 72% of SRI assets, both in the public and private markets, were pegged by fund managers to at least one of 17 SDG goals.

Of the \$855 million assets managed in the publicly traded market, the top five categories of SDGs that our investments targeted include: ▶



While spread across a variety of asset classes, most of our funds are held in one of five investment vehicles: ▶





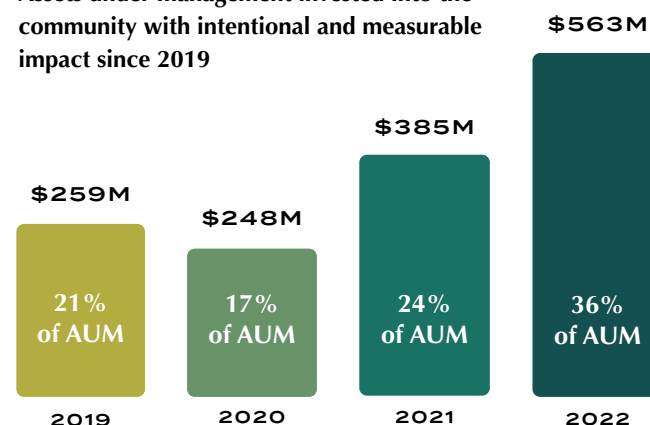
# Community Investments

Natural Investments has always believed community development finance to be an important aspect of socially responsible investing. However, the pandemic and stark racial inequities in the U.S. spurred our advisors to have conversations with clients about the high impact that community investments have in addressing poverty, infrastructure needs, and overall societal well-being.

Between 2020 and 2022, Natural Investments more than doubled investments into local communities and small businesses, adding up to approximately \$563 million by the end of the year.

In the public markets, this means investing in municipal bonds and mortgage-backed securities, where capital flows directly into community infrastructure. In the private markets, this means investing in social enterprises, community development financial institutions ([CDFIs](#)), and fund managers contributing to solutions in the community.

Assets under management invested into the community with intentional and measurable impact since 2019



# Regenerative Investments

We refer to private market investments as “regenerative” because they channel financial resources into endeavors that mimic natural systems and minimize toxic social and environmental outputs. It’s a stewardship approach to help ensure that future generations will share in the bounty to which we all have rights, such as clean air and water, healthy foods, affordable housing, and safe and secure jobs.

In the last year, Natural Investments has directed \$301 million into 80 private entities supporting the public good for people and planet in a regenerative economy, a 60% increase from the previous year (see page 25 for a list of private investments). Among these companies, we invested in six cooperatives, 12 nonprofits, and 15 Certified B Corporations.

These opportunities focus on sustainable food and forestry, renewable energy and energy efficiency, green building, and more. Through investments that decentralize and democratize the economic system, we are creating greater community resiliency.

**Here are some examples:** ►



## Affordable Housing

Natural Investments invested in 13 organizations that are involved with affordable housing. Collectively, these organizations helped finance 65,432 housing units. In addition, 389,571 housing units were provided to low-income individuals.



## Supporting BIPOC-Owned Businesses

Natural Investments invested in 23 organizations that support Black, Indigenous, and people of color (BIPOC) owned businesses. Collectively, these organizations invested over \$615 million into 9,318 BIPOC-owned or led businesses.



## Mitigating Climate Change

Natural Investments invested in 13 organizations that collectively avoided or captured 60,544,177 MT of CO<sub>2</sub>, equivalent to avoiding 13 million passenger vehicles from driving for one year.

## SPOTLIGHT

# East Bay Permanent Real Estate Cooperative

BY KULU MAPHALALA

**T**HE EAST BAY PERMANENT Real Estate Cooperative (EB PREC) is a Black women-led cooperative founded in 2017 and incubated out of a partnership between the People of Color Sustainable Housing Network (POCSHN) and the Sustainable Economies Law Center (SELC). Its transformative mission is to “foster a culture of democracy and cooperation by giving everyone (tenants and investors, alike) an opportunity to co-own and co-manage real estate” in Oakland and the East Bay of San Francisco.

With a focus on the historically disenfranchised Black, Indigenous, and people of color (BIPOC) communities of the East Bay, EB PREC has offered an amazing opportunity for Natural Investments’ clients to invest in directly addressing the root problems associated with poverty concentration and neighborhood disinvestment in one of the country’s most important Black communities.

### HOW DOES EB PREC WORK?

EB PREC’s innovative structure allows different types of members, holding different roles and responsibilities within the organization, to co-own real estate properties.

- Resident owners and community owners are residents of the community and of the specific real estate projects in which EB PREC

has invested. They play an integral role in collaborating with staff owners to manage and develop the property in which they live.

- Staff owners are members who collectively manage EB PREC’s operations and work with resident owners to steward EB PREC’s properties.
- Investor owners invest in EB PREC’s Direct Public Offering (DPO). Though they have the least amount of decision-making power, they benefit from dividends and their ability to place their investment dollars outside Wall Street and the traditional speculative real estate market.

To date, EB PREC has raised \$5 million through its DPO, which offers shares at \$1,000, with target dividends of 1.5%. These funds, in addition to grant and philanthropic capital, enable EB PREC to fulfill its mission of protecting its community from the forces of gentrification.

### EB PREC HAS FOUR ACTIVE REAL ESTATE PROJECTS.

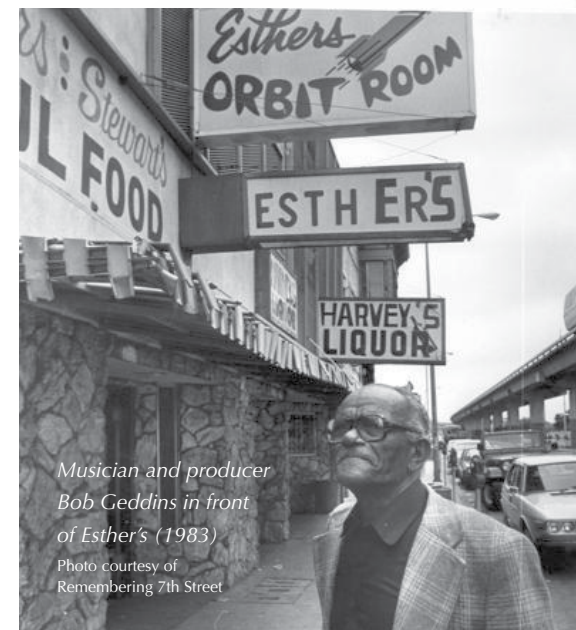
- 1. Co-op 789**  
In 2017, residents of an Oakland apartment complex approached EB PREC to assist in purchasing their building after the landlord placed it on the open market. The purchase closed in 2018 as a partnership between EB PREC and the Northern California Land Trust. EB PREC works with residents to co-manage the property and is in process of completely transitioning ownership from the Land Trust to EB PREC.
- 2. Prince Street**  
Made possible through the donation of a house to the cooperative by its owner, EB PREC has worked to transform it into a focal point of women-centered arts in the community. It currently houses three Black women artists and educators.

- 3. Altruism Crocus Cooperative**

This project supports legacy East Bay residents to acquire property for their intergenerational BIPOC families so they can remain rooted in the community as co-owners.

- 4. Esther’s Orbit Room & Cultural Arts Center**

Esther’s is the first step in EB PREC’s “multi-year effort that supports an integrated place-based approach to advancing the collective economic revitalization” of Oakland’s 7th Street Corridor. Once known as the Harlem of the West and a thriving Black business corridor, West Oakland’s 7th Street was decimated by federal intervention in the form of redlining, “urban renewal,” and “modernization” projects that displaced thousands in the 1950s and 1960s. This government-caused blight led to the economic disinvestment and disenfranchisement of West Oakland. Until its closure in 2010, Esther’s was the last vestige of the many iconic Black cultural



Musician and producer  
Bob Geddis in front  
of Esther's (1983)

Photo courtesy of  
Remembering 7th Street



*EB PREC staff and Community Director of Board celebrating at a year-end community happy hour at Esther's Orbit Room, 2022 ▼*

Photo credit: EB PREC



touchstones that once made up the Corridor. EB PREC's 7th Street Cooperative Cultural Corridor (CCC) Revitalization Plan is a partnership with LISC Bay Area, a local organization focused on creating resilient and inclusive communities, to reinvest in neglected community assets through community-led neighborhood development and to reassert the Corridor as an engine of BIPOC-led economic growth, arts, and culture. Esther's will serve as a model for this kind of development and will be the epicenter of the Black arts and the small business ecosystem that EB PREC is fostering in the Corridor.

Esther's is a mixed-use commercial and residential development where residents will be able to access services and reestablish it as a community arts hub. The building's second floor will be affordable housing

for 10 artists, while the first floor's commercial space will be used to recruit, develop, and launch five to 10 small, Black-led cooperative businesses. The space will be available for BIPOC-owned startups at 50% of market rate.

EB PREC closed escrow on the building in September 2021 and has embarked on a community-led design process to discover what exactly the community wants and needs from Esther's. In 2022, EB PREC began architectural planning and hosted a series of in-person and virtual events including walkthroughs, surveys, happy hours, and live jazz performances to reintroduce the space to the community and work to envision its future. EB PREC plans to break ground on new development by the beginning of 2024.

The CCC Plan has already started to pay dividends beyond itself. With the proof of concept provided by EB PREC, other community members and organizations have started to engage in the revitalization of the Corridor and greater Oakland.

The City of Oakland, once disinvested from the community, has started to prioritize neighborhood infrastructure and security, including trash pick-ups and sidewalk lighting. New organizations like the [BlacSpace Cooperative](#), aimed at building a thriving ecosystem of Black arts, business, ownership, and culture, and sister organizations like the [Black Cultural Zone](#), founded in 2014 and focused on keeping Black folks in East Oakland, have been important partners in the "cultural reforestation" of Oakland.

Investor dollars and philanthropic contributions have allowed EB PREC to grow exponentially over the last six years. As the revitalization of West Oakland proceeds and EB PREC continues to grow in strength, EB PREC will continue to provide our clients the opportunity for deeply impactful and non-extractive regenerative investing.



*Esther's Orbit Room & Cultural Arts Center is a mixed-use commercial and residential development in Oakland, also known as the Harlem of the West.*

Photo credit: EB PREC





COULD OWN THIS!!!

*Noni Session and EB PREC Staff announcing  
the launch of East Bay Permanent Real  
Estate Cooperative, 2018  
Photo credit: EB PREC*

## SHAREHOLDER ADVOCACY

# The Battle for the Soul of Finance

BY MICHAEL KRAMER,  
MANAGING PARTNER

**W**E'VE REACHED THE BIG TIME. When every major media outlet, Congress, the Department of Labor, and Securities and Exchange Commission (SEC) are all focused on issues pertaining to sustainable, responsible, and impact (SRI) investing, it's clear that this segment of the financial services industry has hit its stride in terms of popularity, impact, and yes, controversy.

Indeed, this once-marginalized investment approach is now facing an ideological battle for the soul of finance given its widespread application across the conventional financial services industry. Conservative politicians clearly aren't inspired by notions of corporate citizenship and responsibility, characterizing such efforts as extraneous to the purpose of business, and even anti-capitalist – particularly when they refuse to hold toxic industries like fossil fuel accountable for their harms.

While [industry and academic research](#) prove a strong correlation between responsible business practices and investment returns, some politicians have placed environmental, social, and governance (ESG) investing into the “culture wars.”

**They are politicizing ESG as if it were part of a radical liberal plot to destroy America.**

Unfortunately, their ignorance regarding ESG has led them to false justifications for policy changes.





In March, both the House of Representatives and the Senate used the 1996 Congressional Review Act to vote, and to nullify the Department of Labor’s approved 2022 rule, “Prudence and Loyalty in Selecting Plan Investments and Exercising Shareholder Rights.” This guidance, for which [Natural Investments advocated in 2021](#), clearly stated that considering ESG criteria in retirement investments is material, prudent, and in accordance with the longstanding practice of fiduciary responsibility.

**On March 20, 2023, President Biden vetoed the anti-ESG legislation.**

“The veto will allow retirement marketplace actors to continue fulfilling their fiduciary duty to plan participants and meet the growing demand for sustainable offerings,” said Bryan McGannon, acting CEO and managing director of The Forum for Sustainable and Responsible Investment (US SIF). “The Department of Labor’s ESG rule is a sensible policy allowing retirement plan fiduciaries to consider all financially relevant information when making investment decisions. This is good for plan participants and beneficiaries.”

“They are politicizing ESG as if it were part of a radical liberal plot to destroy America.”

While Congress does not likely have the votes to override this veto, the legislative battle over what investing is, and should be, has only just begun.

**PROPOSED SEC RULES**

The SEC is finally and appropriately seeing itself as an essential regulator and enforcer of securities law, and last year it took significant steps toward establishing regulations on how the financial services industry practices SRI investing in this country. The agency issued drafts of three rules in 2022 that address corporate disclosure of climate change risks and opportunities, how ESG funds are named, and how ESG products and advisors will need to justify their process of selecting suitable investments.

These efforts could codify the relationship between business and environmental impact by requiring companies to measure and disclose to investors their carbon footprint. While some major companies already do, many refuse to, and as such, we requested the SEC require companies to disclose all categories of emissions, including their supply chains. These are risks investors need to assess when making investment decisions. Standardizing this disclosure requirement so investors can have accurate, consistent information available to make investment decisions is an essential form of regulation.

The other two rules relate to investment products and services. Given the “greenwashing” in the investment industry, where firms may use names like “sustainable” and “impact” and produce glossy materials claiming they integrate social and environmental factors but then fail to support the words with actionable policies, the Commission is trying to establish standards for how firms name their ESG products and apply investment methodologies accordingly. This is long overdue, and we are pleased that the Commission has already engaged

in enforcement actions against firms involved in misleading investors (e.g., Goldman Sachs, UBS).

Though the SEC has yet to release its final rules on these issues, we have been very vocal about them in the past year, not just in our company materials, but in other ways:

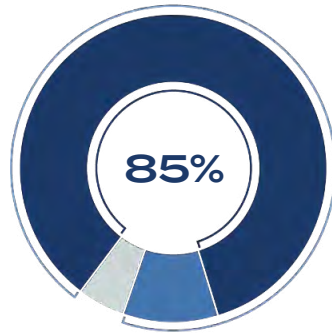
- Speaking at industry conferences like ESG for Impact and USSIF Forum
- Attending meetings with SEC staff
- Submitting letters during the rulemaking comment period

**FIGHTING ANTI-ESG**

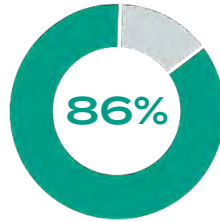
In response to many of the recent attacks on our industry by conservative politicians, we assisted our trade association, USSIF, in endorsing the launch of the House of Representatives’ Congressional Sustainable Investment Caucus in January. The Caucus, co-chaired by Reps. Juan Vargas, D-Calif., and Sean Casten, D-Ill., will focus on educating members of Congress about sustainable investing, advancing sensible policies to ensure that sustainable investing continues to flourish in the U.S., and acting as a counterweight against recent attacks aimed at limiting investor access to ESG information.

We similarly helped USSIF to develop [ESGtruths.com](#), which sets the record straight on sustainable and responsible investing, in particular highlighting its primary focus on long-term competitive financial return. Refuting the notion that sustainable investing is irresponsible, ineffective, or partisan in nature, the site shares the results of a [Morgan Stanley poll](#) that illustrates the overwhelming majority of investor support for sustainable and responsible investing. The numbers show the public wants companies to be good actors.

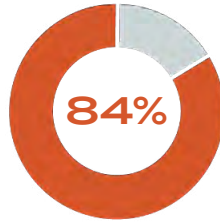
**85% OF ALL INVESTORS ARE INTERESTED  
IN SUSTAINABLE INVESTING**



**95%**  
95% of millennials  
are interested



86% believe  
that companies  
with leading  
sustainability  
practices may be  
better long-term  
investments



84% are interested  
in sustainable  
investments that can  
be customized to  
meet their interests  
and goals

Source: Morgan Stanley

**CLIMATE CHANGE & THE ENVIRONMENT**

We signed the [Global Investor Statement to Governments on the Climate Crisis](#) developed by The Investor Agenda, which demands that governments enforce existing and new investments in clean energy and reduce carbon emissions rapidly and with greater intensity. This will ensure that global average temperature rise is limited in the next 20 years.

We signed a letter created by the [American Sustainable Business Network](#) and Trillium Asset Management in support of the [Protect America's Children from Toxic Pesticides Act](#), which would significantly strengthen current regulations, create incentives to transition away from toxic pesticide use, protect the health of communities, and reduce public health care costs.

**COMPANIES IN A WAR**

It's one thing to oppose Russia's war against Ukraine, but we also joined other SRI firms in further calling on companies across all sectors with business activities or

business relationships in Ukraine, Russia, and Belarus to map their business activities, relationships, and/or investments across their value chain. The purpose is to identify, assess, prevent, and mitigate any human rights harms they are causing, contributing to, or linked with, including Russian and Belarusian states or any of their agencies, state-owned and state-affiliated entities, business oligarchs, or Russian separatists in occupied eastern Ukraine.

Companies that derive any revenues from such business relationships and activities that may enrich military-owned, controlled, or affiliated business and/or provide funding or support to the Russian or Belarusian military made before or after the February 2022 invasion were requested to terminate those business activities. [More than one thousand companies](#) like American Airlines, Amway, Garmin, and McDonald's have left these countries, but some American companies are still there: Carl's Jr, Hard Rock Café, Sbarro Pizza, TGI Friday's, Tom Ford, and Tupperware are some recognizable brands.





“In response to many of the recent attacks on our industry by conservative politicians, we assisted our trade association, USSIF, in endorsing the launch of the House of Representatives’ Congressional Sustainable Investment Caucus in January.”



We also filed a letter to the SEC in support of a petition requesting the Commission enact a rule requiring issuers to disclose their business dealings with the Russian Federation and the Republic of Belarus. They have not yet done so.

We further supported Heartland Initiative's letter to Analog Devices International, whose chips are used by the Russian military in weapons that are being used in Ukraine. The letter requests engagement to discuss the company's due diligence process. The purpose is to assess and address the use of its products by customers in ways that may contribute to violations of international humanitarian and human rights law.

#### **OFFSHORE OPERATIONS**

We formally supported Senator Van Hollen's introduction of the Disclosure of Tax Havens and Offshoring Act, a bill that, if enacted, would require companies to publicly report overseas tax and operations data on a country-by-country basis. The goal is to illustrate the abuse of offshore tax havens and provide much-needed information to investors.

We signed letters initiated by our friends at Corporate Accountability to PepsiCo, McDonald's, and Coca-Cola asking them to assess and prioritize disclosure of both their domestic and foreign political spending wherever they operate.

#### **WORKER RIGHTS**

We signed the [Don't Ban Equality](#) pledge, a coalition of 700 businesses making the case that public policies restricting reproductive health care are bad for business. A recent [LeanIn.org poll](#) revealed that 68% of Republican, 86% of Democratic, and 74% of Independent workers think their employer should take concrete steps to protect abortion access.

We signed a letter with Trillium Asset Management to Apple regarding its commitment to conduct a civil rights audit. At Apple's last annual meeting, 53% of Apple's shareholders supported a proposal requesting

that the board oversee a third-party civil rights audit. The company is facing multiple unfair labor practices charges alleging captive audience meetings, a mandatory meeting during working hours, organized by an employer with the purpose of discouraging employees from organizing or joining a labor union. It is considered a union busting tactic. Concerns continue that the company may be hindering employees' freedom of association.

We signed letters generated by Interfaith Center on Corporate Responsibility and sent to railway companies Union Pacific Corp., Norfolk Southern Corp., and CSX Corp., as well as Petco, Olive Garden, FedEx, Cracker Barrel, Disney, Starbucks, and Walgreens, to make the case for offering paid sick leave to their employees.

We signed letters generated by the Farm Animal Investment Risk & Return (FAIRR) initiative to Sanderson Farms, Tyson, and other meat producers to enforce internationally recognized labor standards at their processing facilities, to include worker representation on boards, and to address the impacts of climate change on workers.

We signed a letter generated by Shareholder Association for Research and Education to Amazon related to a 2022 shareholder proposal. The letter requests a report analyzing how Amazon's current human rights policies and practices protect the rightful application of the fundamental rights of freedom of association and collective bargaining. Shareholders voted on the proposal at Amazon's annual general meeting, and it received support from 39% of the overall vote and 47% of independent shareholders.

#### **RACIAL EQUITY AND JUSTICE**

We signed a letter by [Americans for Financial Reform](#) to foster climate and racial justice in the Community Reinvestment Act. This was in response to the Office of the Comptroller of the Currency (OCC), the Federal

“We signed the Don't Ban Equality pledge, a coalition of 700 businesses making the case that public policies restricting reproductive health care are bad for business.”


Deposit Insurance Corp. (FDIC), and the Federal Reserve Board of Governors releasing a Notice of Proposed Rulemaking to strengthen the Community Reinvestment Act. We advised that the act be changed to specifically consider the community-level impacts of climate change on BIPOC communities, since climate change is a risk multiplier that exacerbates racial and economic inequality.

As part of our involvement with [Investor Circle Toward Decarceration](#), we signed a letter to Wells Fargo, Raymond James, Frazier Lanier, and Stephens Bank regarding their involvement in the latest Alabama bond issuance deal to expand their prisons. Alabama had issued these bonds to complement its use of American Rescue Plan Act funds, even though the Treasury Department's final rules prohibit states from using COVID-relief funds to construct new prisons and/or expand existing facilities.

Our engagement with Mondelēz, which owns many global snack food brands like Oreo, Ritz, and Wheat Thins, resulted in an agreement to conduct a third-party racial equity audit that will address diversity, equity, and inclusion goals and initiatives, marketing strategies, political contributions, and environmental and sustainability programs.

As a member of the Investors and Indigenous Peoples Working Group, we signed its letter to the SEC requesting that any climate change disclosure rule it develops include specific disclosures regarding Indigenous Peoples' rights risks where Indigenous Peoples are directly or indirectly impacted by listed companies' operations, business models, transition risk mitigation plans, and emissions.

We signed the [Statement of Investor Expectations for Job Standards & Community Impacts](#) in the Just Transition, which establishes investor expectations for job standards and community impacts to ensure a racially and economically equitable, decarbonized economy by prioritizing high-road jobs, respect for human rights, positive community impacts, and the remediation of harms.

We signed Adasina Social Capital's letter to Dine Brands (Applebee's, IHOP) to raise the wages of tipped workers to a full minimum wage. The current subminimum wage is less than \$3 per hour in 36 states and less than the minimum wage in all but four states. Dine has been accused of wage theft and racial discrimination partially in relation to this subminimum wage. 

## SPOTLIGHT

# Ecosystem Integrity Fund

BY GREG PITTS

**WHEN ECOSYSTEM INTEGRITY FUND (EIF)** came to my attention in 2014, the members were raising capital for their second venture fund. I found them to be particularly attractive because of my background in physics and environmental science and their serious focus on environmental sustainability. Today, the depth and breadth of that sustainability focus makes EIF stand out against other venture capital funds.

### Take a look at two EIF investments: [Bluon, Inc](#) and [For Days Clothing](#)

HVAC equipment is responsible for 40% of global electricity use and 12% of the world's greenhouse gas emissions. Bluon has developed a replacement refrigerant that improves the efficiency of HVAC equipment and significantly lowers global warming potential (GWP). Why is that important? Because of the high global warming potential of existing refrigerants, the management and replacement of these ubiquitous chemicals in air conditioning systems across the globe has been identified as a top priority in mitigating climate change.

To aid in the training and support of technicians and the adoption of Bluon's refrigerant, the company developed a mobile app that more than 50% of technicians have adopted. The platform has rapidly grown into the largest HVAC community. Moreover, the impact of incorporating this replacement

refrigerant, TdX-20, in existing equipment, has already led to impressive energy savings and reduction of carbon emissions (see graphic). In 2022, EIF completed a Series B investment in Bluon.

### As a contrasting example, let's look at the fashion and clothing industries.

According to a 2022 National Institute of Standards and Technology (NIST) report, 85% of clothing donations end up in landfills, and there is minimal infrastructure or information on how to responsibly handle textiles at the end of their life cycle. Tackling this problem is For Days, a clothing startup that creates recyclable apparel and incentivizes customers

to return used clothing by rewarding them with digital currency that can be used on new goods.

According to the company's website, 90% of all returned For Days clothes are recycled into new materials. The company accomplishes this via its Take Back Bag, which customers can order for \$19, fill up with unwanted clothes, and return for an instant \$20 credit toward their next purchase.

Fifty percent of all Take Back Bag items are downcycled into shoddy rags and insulation, 45% of all Take Back Bag items are resold, and 5% of all Take Back Bag items are sadly, truly trash. The Take Back Bag is the company's best seller, with more than 80,000 bags sold, and 2.4 million garments saved from landfills.

By aligning virtue and value, For Days solves a real problem for its customers. As a result, the company has been growing by 3x every year, while demonstrating industry-leading customer loyalty metrics.

In 2021, EIF led a Series A investment in For Days because the fund recognized that the incentives and economics of a closed-loop system for fashion are most powerful when you connect the beginning and end of a garment's life.

### These two investments show how EIF considers sustainability from a systems perspective.

Problems are systemic by nature and, in seeking to address them, the team is trying to shift the

### BLUON'S IMPACT METRICS AND SUSTAINABLE DEVELOPMENT GOALS:

<b>140,000,000</b>	Total Energy saved (kWh)
<b>99,092</b>	CO2 Abated (MT) <sup>1</sup>
<b>600,000</b>	TdX-20 Refrigerant (lbs)
<b>95,000+</b>	Total Accredited Technicians

behavior of large, established systems. According to EIF, because these systems are typically well-established and may resist change, successful investing in sustainability requires a sophisticated understanding of system behavior, incumbent technologies, stakeholder interests, and other factors.

Looking at the bigger picture before settling on a particular growth-stage company in which to invest helps the fund identify more viable business solutions that make incremental change, rather than disruptive change, to systems.

**EIF seeks the greatest possible impact with the least possible amount of capital.**

The firm's investment focus includes areas of sustainability such as renewable energy, energy efficiency, waste reduction, green chemistry, power grid management, transportation, agriculture, water, and natural foods. In addition, it looks for quantifiable long-term positive impacts on reducing greenhouse gas emissions and enhancing climate change adaptation.

With its success over the last decade, EIF has attracted more than \$450 million in investment capital across five funds and has invested in dozens of companies with impressive impact metrics and outstanding financial results. ♻️

Sustainability =  
renewable energy  
natural foods water waste green chemistry  
reduction energy efficiency transportation agriculture  
power grid management

*The core team at Comfort Kitchen in Boston. Food co-ops are one of LEAF's three types of investment specialties.  
Photo credit: Comfort Kitchen*





## SPOTLIGHT

# Local Enterprise Assistance Fund (LEAF)

BY JAMES FRAZIER

**T**HE GOOD OLD-FASHIONED cooperative (co-op for short) continues to demonstrate its merit as a time-tested alternative to extreme concentrations of wealth through private business ownership.

As one might imagine, Wall Street is not enamored with co-ops due to their intentional distribution of wealth. This makes financing co-ops challenging, even though their business models can be as good as any other bottom-line-focused company.

This is where the Local Enterprise Assistance Fund (LEAF) steps in. LEAF is a community development financial institution (CDFI) specializing in financing and supporting the development of co-ops, disadvantaged businesses, and similar social ventures. There are one thousand CDFIs operating nationally, but LEAF's focus on co-ops is rare.

### LEAF INVESTS IN THREE SPECIFIC TYPES OF CO-OPS:

#### 1. Food Co-ops

Most of us are familiar with consumer-owned natural food co-ops, which raise money from their local community to open and run grocery stores. They create local jobs and provide access to affordable, fresh food in both urban and rural areas.

#### 2. Low-Income Housing Co-ops

These help manufactured home ("mobile home")

owners organize to purchase the land underneath their homes so they don't have to pay increasing rents to a landlord.

#### 3. Worker-Owned Co-ops with a focus on temporary staffing

Temp agency co-ops use their own worker-owners to provide temporary or seasonal employees to local businesses. LEAF can support worker-owned co-ops in virtually any field. The values they share include commitment to democratic principles, such as "one person, one vote," and broad-based ownership of the business by worker-owners.


Since its founding more than 30 years ago, LEAF has invested and leveraged more than \$122 million, resulting in the creation or retention of more than 10,300 jobs. Benefits have been broad-based:

- 88% of LEAF's food co-op loans are in "food deserts" – communities that have no other local access to fresh food.
- LEAF has funded 368 housing units on land now owned by the community itself.
- Of the jobs LEAF has helped to create through investees' training and placement programs, 5,100 of them are for people who had "barriers to employment" such as the formerly incarcerated, homeless, or addicted.

**Seattle Electric Bike (SEB) is a great example of a LEAF cooperative investment from 2022 that offers both community and environmental benefits.**

Founded in 2009, SEB expanded significantly over time to meet the growing demand for e-bikes – battery-powered bicycles which are easy to ride, offer a healthy, alternative form of transportation, and help reduce vehicle traffic and pollution. It opened new stores and eventually became the largest independent e-bike retailer in the Seattle region.

Yet, its founder was the only owner, and he wanted to retire and pass ownership to his eight-member team. SEB worked with the Northwest Cooperative Development Center to plan a transition to cooperative ownership. LEAF and Shared Capital stepped in with loans to fund the buyout and allow the new worker-owners to take SEB in new, innovative directions which could include e-bike rentals and online sales.

Investors in LEAF help finance a wide variety of transactions like this. Though LEAF is still a relatively small and lean organization, it has created an impressive long-term track record of empowering small community-based businesses to achieve their visions of a more inclusive and democratic approach to business ownership. 

## INVESTMENT TEAM

### AMY D. PENDER CFP®

Financial Advisor  
New York, NY & New Paltz, NY  
amy@naturalinvestments.com  
888.351.2362 | 973.476.4060

### ANDY LOVING CFP®

Financial Advisor  
Louisville, KY  
andy@naturalinvestments.com  
502.454.3839

### CARRIE B. VANWINKLE CFP®

Financial Advisor  
Louisville, KY  
carrie@naturalinvestments.com  
502.475.3805

### CHRISTOPHER PECK Managing Partner

Sonoma County, CA  
christopher@naturalinvestments.com  
707.758.0171

### DIANA G. YÁÑEZ CFP®, RLP®

Financial Advisor  
Southern California  
diana@strategysquad.com  
562-281-5143

### ERIC SMITH CFP® AIF®

Financial Advisor Emeritus  
Seattle, WA  
ericsmith@naturalinvestments.com  
206.782.1205

### GREG GARVAN AIF®

Financial Advisor  
Money with a Mission, Charleston, SC  
garvan@naturalinvestments.com  
800.563.8301

### GREG PITTS Partner

New York, NY & Ithaca, NY  
gpitts@naturalinvestments.com  
607.216.8308 | 646.801.4593

### HAL BRILL AIF®

Founding Partner  
Paonia, CO  
hb@naturalinvestments.com  
970.527.6550

### JAMES FRAZIER CFP®

Partner  
Kula, HI & Port Townsend, WA  
james@naturalinvestments.com  
HI-808.876.1786 | WA-360.379.0295

### JOEL KOERNER Financial Advisor

Louisville, KY  
joel@naturalinvestments.com  
502.454.3839

### KATE POOLE Financial Advisor

Philadelphia, PA  
kate@naturalinvestments.com  
267.314.7643

### KIRBIE CROWE CFP® AIF®

Financial Advisor  
Greenville, SC  
kirbie@naturalinvestments.com  
800.563.8301

### KULU MAPHALALA Financial Advisor

Pahoa, HI  
kulu@naturalinvestments.com  
503-915-0091

### MALAIKA MAPHALALA CPWA®

Partner  
West Linn, OR & Pahoa, HI  
malaika@naturalinvestments.com  
503.915.0090 | 877.424.2140

### MICHAEL KRAMER Managing Partner

Keauhou, HI  
michael@naturalinvestments.com  
808.443.1456 | 888.779.1500

### NICOLE MIDDLETON HOLLOWAY CFP®

Financial Advisor  
Oakland, CA  
nicole@naturalinvestments.com  
888.657.7823

### RYAN JONES-CASEY CFP® AIF®

Financial Advisor  
Duluth, MN & Seattle WA  
ryanjones-casey@naturalinvestments.com  
206.782.1205

### SCOTT SECREST AAMS®

Financial Advisor  
San Luis Obispo, CA  
scott@naturalinvestments.com  
805.235.3031 | 877.861.4161

### SUSAN TAYLOR Ph.D. Financial Advisor

Louisville, KY  
susan@naturalinvestments.com  
502.454.3839

### SYLVIA PANEK AIF®

Financial Advisor  
Chicago, IL  
sylvia@naturalinvestments.com  
874.786.5706

### TIFFANY BROWN Financial Advisor

Santa Rosa, CA  
tiffany@naturalinvestments.com  
267.314.7643

### MELANIE FELICIANO Editor

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The following private companies and funds contributed impact information for purposes of this report. We are grateful for their efforts in creating a world where all people can live a life with dignity, health, and economic prosperity.

**2022 REGENERATIVE INVESTEES**

- Apis and Heritage Capital Partners
- BlueHub Capital
- Boston Impact Initiative Fund
- Boston Ujima Project
- Bridge Investment Group Opportunity Zone Fund
- Builders Fund
- Calvert Impact Capital
- Capital Impact Partners
- Community Vision
- Cooperative Fund of Northeast
- Craft3
- Ecotrust Forest Management
- Fahe
- Fair Food Network
- Farmland LP
- Force For Good Fund - Lift Economy
- Greenbacker Renewable Energy Corporation
- High Impact Fund
- HOPE Credit Union
- Iroquois Valley Farm, LLC
- Kachuwa Impact Fund
- Local Enterprise Assistance Fund
- Local Initiatives Support Corporation
- Lyme Timber Company
- Namaste Solar
- New Summit Investments
- Obran Acquisitions Fund
- Organically Grown Company
- Oweesta Corporation
- Recompose
- Renewal Funds
- Root Capital
- RSF Social Finance
- Rural Community Assistance Corporation
- Seed Commons
- Self-Help Federal Credit Union
- Shared Interest
- SJF Ventures
- SunWealth
- The Enterprise Multi Family Opportunity Fund
- Trilinc Global Impact Fund

**TARGET BENEFICIARIES**



PEOPLE

**\$209M**




PLANET

**\$94M**



PROSPERITY

**\$301M**

The image features an abstract graphic design with various shades of green and yellow. In the top left, there are several overlapping, organic shapes in bright yellow and olive green. In the top right, there are shapes in a medium green and a darker forest green. The bottom half of the image is dominated by a large, dark forest green shape that curves across the width of the page. Overlaid on this dark green shape is the text "We value our differences because collectively, they make us better." in a white, serif font. The text is arranged in four lines, centered horizontally within the dark green area.

We value our  
differences because  
collectively, they  
make us better.



## INVESTING IN Our Values

Natural Investments has consistently been rated a “Best for the World: Customers” B Corp, an award reserved for the top 10% of Certified B Corps in the world that contribute to the economic and social well-being of the communities in which they operate.

Natural Investments, now in its 16<sup>th</sup> 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/en-us/find-a-b-corp/company/natural-investments-llc](https://bcorporation.net/en-us/find-a-b-corp/company/natural-investments-llc).



## GLOSSARY & ENDNOTES

### SUSTAINABLE, RESPONSIBLE, AND IMPACT INVESTING (SRI)

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

### SUSTAINABILITY MANDATE

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

### UN SDGs

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 well-being.

### 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. Natural Investments had \$1.6 billion in assets under management at the end of 2022. Non-impact assets excluded from the count are those held in cash or clients' legacy positions held for tax purposes.

### 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 collected and verified by Andorra, Inc.*



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NATURAL  
INVESTMENTS LLC

[NATURALINVESTMENTS.COM](http://NATURALINVESTMENTS.COM)

800.793.7512