



2020 **IMPACT**  
PUBLIC MARKETS IMPACT REPORT

sonen capital

Social & Environmental impact investment management



# REPORT CONTENT

3

**LEADERSHIP PERSPECTIVE**

4

**GLOBAL FIXED INCOME**

18

**GLOBAL PUBLIC EQUITY**

36

**SHAREHOLDER ADVOCACY**

41

**SNEAK PEEK**

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# LEADERSHIP PERSPECTIVE



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2020 was a challenging year. A year ago, the Covid-19 pandemic tightened its grip on the world's economies, causing economic hardship, job losses and uncertainty for hundreds of millions of people around the planet. Even as the global economy slowly regains its momentum, it is likely that many of these economic challenges will remain and the world's poorest populations will remain vulnerable to further economic shocks and hardship, as the planet's more wealthy citizens are largely unaffected by the crisis.

As world economies shut down in 2020, global greenhouse gas emissions diminished significantly, by some estimates up to 8% less than the previous year. But despite this, climate change continues unabated: In 2020, wildfires burned a record amount of land in the U.S., and the most active Atlantic hurricane season on record devastated Central America and U.S. Gulf Coast states.

Despite these persistent challenges, there are some data that suggest that the global crisis catalyzed more interest and awareness among investors on issues of social, economic and environmental sustainability.

Sustainability-focused funds (i.e. those integrating ESG factors into investment selection) attracted a record amount of capital in the first quarter of 2020 with inflows of \$45.7 billion, according to Morningstar.

Research suggests that investors are taking steadily greater interest in scrutinizing corporations' responses to the pandemic, and investors are now considering companies' environmental, social and governance attributes with greater focus as part of broader investment decisions. Indeed, retail investors comprised the majority of the recent growth in sustainability-based investing in 2020.

For Sonen, these kinds of data serve as a welcome affirmation of our investment approach: we believe that investing in companies that actively manage environmental, social and governance risks simply amounts to better investment decisions that lead not only to superior financial returns but also demonstrable sustainability benefits.

This report highlights some of these benefits in quantitative and qualitative terms. For Sonen's Global

Fixed Income and Global Public Equity strategies, we illustrate how specific investments can lead to positive social and environmental outcomes and contribute to the global sustainability agenda articulated by the United Nations' Sustainable Development Goals (SDGs).

This year, in our eighth annual impact report, our analysis shows how we employ our proprietary Impact Frameworks and the Sustainable Development Goals to orient our investments, measure our results and showcase actual examples of companies who embody the growing sustainability aspirations of investors.

We are encouraged by the growth of impact investing around the world. We believe that as this market continues to expand, investors' expectations of corporate sustainability practices will also grow and ultimately lead to significant corporate contributions to global social and environmental sustainability.

Thank you for your interest in our work.



**F**ixed income investments can provide one of the clearest connections between invested resources and specific impact results. In many instances fixed income investments directly support specific projects that create measurable outputs, giving investors a more direct relationship with impact creation.

In Sonen's Global Fixed Income strategy (Sonen GFI), Sustainable investments are allocated to issuers with favorable Environmental, Social and Governance (ESG) profiles or policies. Fifty-five percent (55%) of the strategy is classified as Sustainable: underlying bonds are issued from municipal governments, corporations and sovereign governments that exhibit leadership through actively managing ESG issues and improving ESG performance.

Thematic investments in fixed income are allocated to issuers that underwrite business activities and large-scale infrastructure development that typically can relay specific, measurable social or environmental outputs. Thirty-seven percent (37.4%) of the fixed income strategy is composed of Thematic bonds that directly underwrite specific social or environmental impacts through municipal, corporate and supranational (e.g. World Bank) bonds. Just under four percent (7.4%) of the portfolio is classified as "non-impact," which is typically cash held for liquidity purposes.

# GLOBAL FIXED INCOME





## IMPACT PERFORMANCE

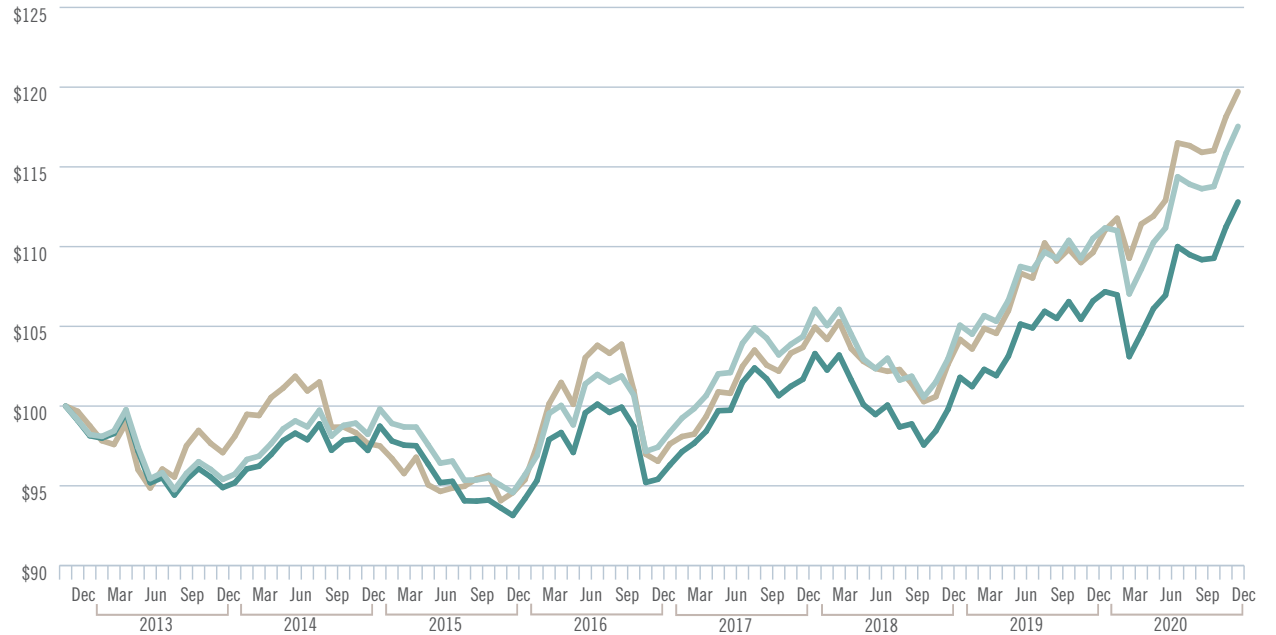
2020 was certainly the most remarkable period since the 2008/2009 Financial Crisis, with some of the most significant, world-changing events of the 20th century. By late March, once much of the world had almost completely stopped functioning, markets were in free fall.

Sonen's Global Fixed Income strategy (Sonen GFI) underperformed the Bloomberg Barclays in the first quarter due to higher exposures to emerging market currency-denominated green bonds and emerging market sovereigns. In the second quarter, markets rallied sharply as news brightened, and Sonen GFI benefited from exposure to developing economies. In the third quarter, an underweight to corporate bonds and underweights to the Euro and Yen, both of which rallied, detracted from performance.

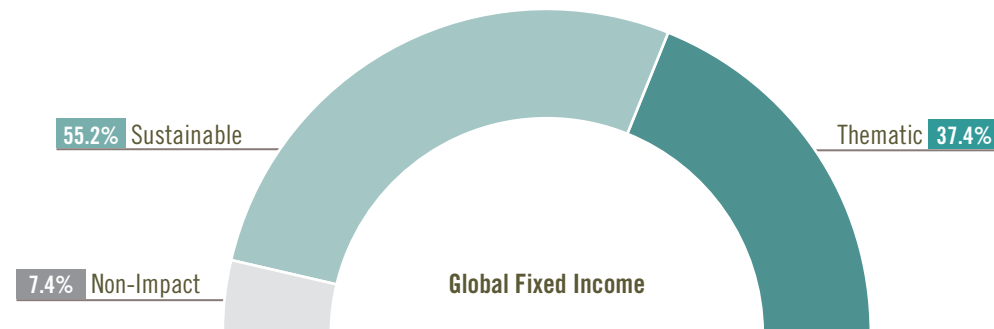
Finally, in the fourth quarter, the fund outperformed again as a result of overweights to thematic green bonds and municipals, as well as emerging market currencies. In 2020, Sonen GFI returned 5.83% versus the Bloomberg Barclays Global Aggregate return of 9.20% and since inception the fund has returned 1.51% annualized versus 2.23% for the benchmark, net of fees.

### Sonen Global Fixed Income Financial Performance

■ SONEN GLOBAL FIXED INCOME STRATEGY (NET) ■ SONEN GLOBAL FIXED INCOME STRATEGY (GROSS)  
VS. ■ BLOOMBERG BARCLAYS GLOBAL AGGREGATE BOND INDEX (SINCE INCEPTION 1/3/2013)



### Impact Classification



The chart above illustrates the proportion of Responsible, Sustainable, and Thematic holdings in Sonen Global Fixed Income strategy as of 12/31/2020.

## Impact Evaluation: *Sonen's Approach*

To evaluate the social and environmental impact of our investments in Fixed Income, Sonen's process includes:

- A. Classifying underlying bond issues as Responsible, Sustainable or Thematic (see page 4 for the definitions of these classifications). This year, we illustrate how various ESG policies among Sustainable municipal and corporate bond issuers result in specific, measurable impacts.
- B. Detailing key impact themes across the strategy (such as energy, water or economic development).
- C. Evaluating how Sonen's own impact objectives intersect with the United Nations Sustainable Development Goals and how our fixed income strategy makes definitive contributions to both the UN's and Sonen's impact intentions.

## Sustainable Bonds: *Integrating ESG Factors into Security Selection*

Sustainable bonds do not necessarily underwrite specific activities compared to Thematic bonds. Yet, the ESG profile and ESG activity of underlying Sustainable bond issuers is often indicative of better overall sustainability performance and better creditworthiness when compared to bonds selected

without regard to sustainability performance. Over time, bonds issued by government or corporate issuers that are categorized as Sustainable can generate numerous positive social or environmental impacts as a result of forward-looking ESG policy choices. Examples include policies to reduce environmental impact; expand housing affordability; or widen diversity and inclusion in governance. As these policy choices are implemented, Sustainable fixed income investments can help realize long-term social or environmental benefits – such as reduced carbon emissions, a larger supply of affordable homes and improved corporate governance practices. Below are Sustainable fixed income investment examples for a municipal bond and a corporate bond. See textbox on the next page regarding intentionality.

### Sustainable Municipal Bond: *City of Detroit Financial Recovery Bonds*

After Detroit's historic municipal bankruptcy in 2013, Financial Recovery Bonds issued in 2014 helped the city emerge from bankruptcy and provide a path to economic recovery. As part of a comprehensive debt restructuring plan, refinancing the city's debt freed more than \$1.4 billion in cash to invest in public services and blight removal over the following 10 years. Currently, Detroit is not only out of bankruptcy, but is also issuing bonds backed by its own credit, instead of bonds guaranteed by the state government or insurers.<sup>1</sup> Since then, and for the first time in 20 years, Detroit has issued tens of millions in new general

obligation bonds to fund capital improvements for public transportation, arts and culture facilities, park upgrades, health clinics and affordable housing.<sup>2,3</sup> Detroit's credit rating has also been upgraded twice since its 2014 bankruptcy.<sup>4</sup>







## Sustainable Corporate Bond: 3M

For the last five years, 3M has maintained the highest possible overall ESG rating, reflecting their commitment\* to proactively manage various Environmental, Social and Governance risks. Key sustainability initiatives for 3M include building a more circular economy and designing products that use less material, reducing its carbon footprint, and improving worker and patient safety in healthcare and industrial settings.

## 3M ESG Summary

### Environment

High ratio of R&D spending (4x the ACWI average compared to other industrial conglomerates) on small but growing business segments in recycling and renewable energy. Comprehensive environmental programs have reduced toxic emissions and waste from production and operations.<sup>5</sup>

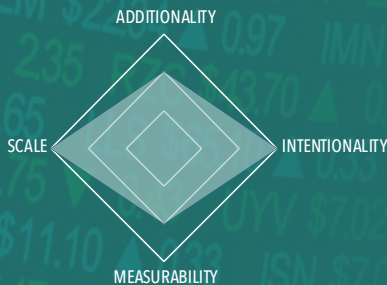
### Social

Compared to industry peers, 3M offers strong leadership development programs, diversity initiatives, accessible share ownership plans and freedom to work on employee-driven projects.<sup>6</sup>

### Governance

3M maintains detailed ethics policies and extensive anti-bribery programs. More than 36% of the board is comprised of women (compared to 20% for MSCI ACWI).<sup>7</sup>

## \*SONEN AIMS FRAMEWORK: INTENTIONALITY



\* In Sonnet's AIMS framework, Intentionality can be viewed, as the policy choices and commitments made by companies or governments. Policy choices on matters of sustainability often have significant social or environmental impacts that can result in durable, positive change. For example, 3M set an internal target to achieve zero landfill disposal at 30% of its sites by 2025. By the end of 2019, the company had exceeded the goal, with 35% of its manufacturing sites complying with the company's zero-waste target. In real terms, 3M reduced landfill waste by 7% between 2015 and 2019, reducing waste by a total of 11,000 metric tons.

3M also acts with Intentionality by significantly increasing its targets for greater gender and racial diversity within its workforce.

By 2025, 3M aims to double the pipeline of diverse talent in management (3M defines diversity by gender, race/ethnicity, nationality, people with disabilities, U.S. military veterans, and LGBTQ). To measure its progress, 3M's Diversity Index conveys the total number of diverse future leaders within the company. Through 2020, 3M's Diversity Index increased by 9.2 points, moving from 32.6% to 41.8%, progressing toward its 2025 Goal of 65.2%.

Policy choices made by the company in this case lead to demonstrable, measurable and durable social and environmental change.

## Thematic Bonds: Underwriting Specific Social or Environmental Impacts

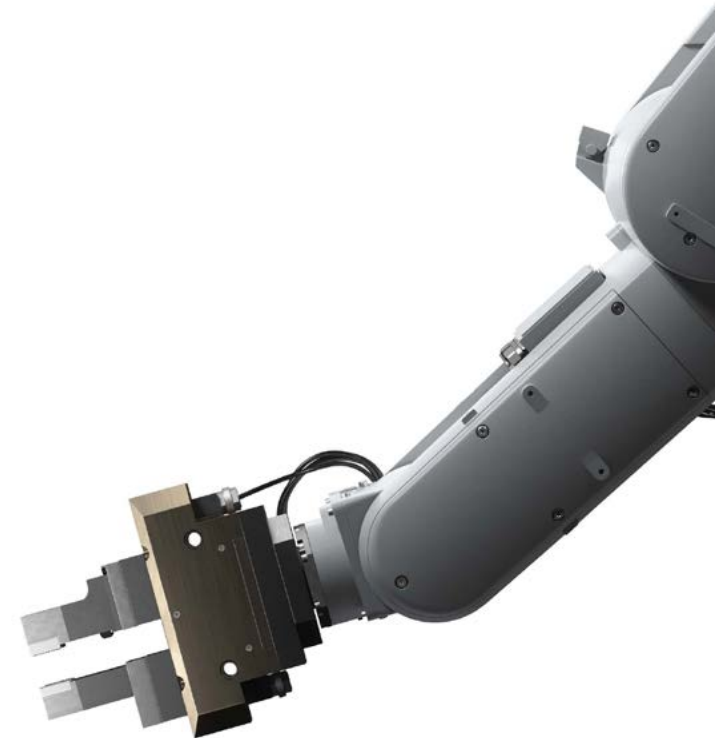
Thematic bonds offer investors a direct connection to the products, services or projects that are underwritten by the bond. Underlying activities in Thematic fixed income must have a direct relation to a specific social or environmental challenge (e.g. energy production, economic development, or affordable housing). In this case, investors' resources are directly supporting or enabling such activities, and in many cases social or environmental outputs are much more easily measured and evaluated. Examples of a corporate Thematic bond and a supranational Thematic bond are below.



### Thematic Corporate Bond: Apple Inc.

Apple Inc.'s second green bond, issued in 2017 and totaling \$1 billion, is allocated to 28 specific projects focusing on three key goals: reducing the company's impact on climate change, using safer materials in products and processes, and conserving resources. Projects cover six distinct impact areas, with each reporting total cumulative impact.<sup>8</sup> See table at right for results.

Apple has started using a Materials Recovery Robot, named Daisy, as a way to recover materials used in the company's products. Daisy is able to reclaim more valuable materials, without diminishing their quality, at a pace of up to 200 iPhones per hour. Daisy enables Apple to recover more higher-quality recyclable materials, enabling these materials' use in secondary markets or re-use in the company's supply chain.



### Apple Inc. Green Bond Projects

IMPACT THEME	% OF BOND ISSUE	IMPACT RESULTS FOR 2019
Green Buildings	61%	127,000 m <sup>2</sup> of green building
Energy Efficiency	17%	724,900 metric tons of CO <sub>2</sub> avoided/year
Water Efficiency	9%	5,870,100 gallons saved/year
Renewable Energy Generation	8%	1,157,371 MWh/year
Environmental Design	4%	2,077,000 kWh saved/year
Waste Management	2%	47,600 metric tons of waste diverted from landfills



## Thematic Supranational Bond: Nordic Investment Bank

The Nordic Investment Bank (NIB) is the international financial institution for the Nordic and Baltic states (Denmark, Finland, Iceland, Norway, Sweden, Estonia, Latvia and Lithuania). NIB focuses on financing projects that improve productivity and benefit the environment in the region through long-term loans to the public and private sector. Since 2011, NIB has issued more than €4 billion in green bonds that finance energy efficiency, renewable energy generation, clean transportation systems, water management and protection, waste management and green buildings. As previously noted, thematic bonds (including green bonds) finance specific projects and often are able to provide definitive, measurable results. The data in the table on the right illustrates impact results for specific themes supported by NIB green bonds between 2011 and 2019.<sup>9</sup>

*A new BREEAM-NOR Excellent certified building in Tullinkvartalet, Oslo.  
Illustration: Entra ASA*

### NIB Green Bonds

IMPACT THEME	% OF BOND ISSUE	IMPACT RESULTS THROUGH 2019
Renewable Energy Generation	27%	830 MW installed capacity 2,200 GWh/year in renewable energy production
Water Management and Protection	25%	Wastewater treatment capacity adequate for 1 million people
Green Buildings	25%	246,000 m <sup>2</sup> of green-certified building space 350 MWh/year of renewable energy capacity
Clean Transport	12%	1,700 MWh/year of energy saved
Energy Efficiency	8%	58 GWh saved annually
Waste Management	3%	600 GWh waste-to-energy conversion





# IMPACT THEMES

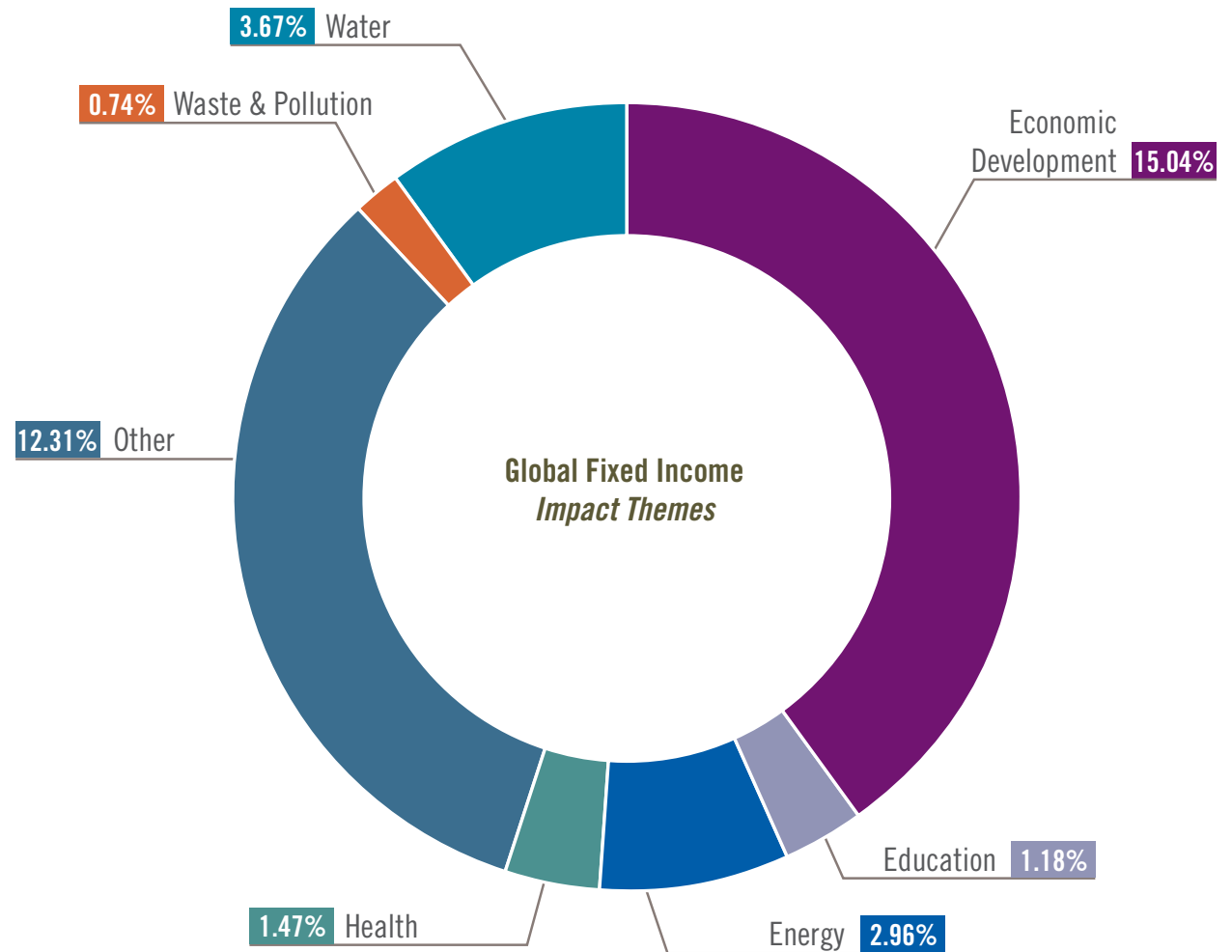
In this year's annual impact report, we illustrate how Sonen's investment strategies are complimentary to the SDG agenda. In the following thematic analysis, we identify our own specific impact objectives derived from various Sonen Impact Frameworks, and then show how these objectives are highly aligned and supportive of various Sustainable Development Goals and underlying impact targets. For each specific impact theme, we also identify how specific investments and investment activities within our investment strategies contribute to various objectives shared by Sonen and the UN SDGs.

Sonen's eight impact frameworks focus on individual impact themes and articulate the specific social and environmental outcomes that we wish to achieve as a result of our investing activities. Our impact frameworks are publicly available for download on our [website](#).

Impact Themes in Sonen's GFI for 2020 include:

- > Economic Development
- > Education
- > Energy
- > Health
- > Waste and Pollution
- > Water
- > Other (multi-sector)

## Key Impact Themes in Sonen Global Fixed Income Thematic Total: 34.2%





# ECONOMIC DEVELOPMENT

**WEIGHT:**

15.04%

**NUMBER OF INVESTMENTS:**

27

**GEOGRAPHIES:**

United States, Puerto Rico, Asia

**UNSDG:**



## RELEVANT OBJECTIVES FROM SONEN IMPACT FRAMEWORKS

- ▶ [Sustainable Infrastructure](#) ▶ [Financial Services](#) ▶ [Green Real Estate](#)
- › Increase the availability of high-quality, conveniently located and affordable housing for low- and middle-income communities
- › Expand availability and reach of low-carbon mass transit, focused on urban geographies where infrastructure is lacking to expand inclusive economic growth

## IMPACT OBJECTIVES FROM UN SDGS

- ▶ SDG 11: Sustainable Cities and Communities
- › Increase access to safe and affordable housing, focus on sustainable buildings and local materials
- › Increase access to safe, affordable and accessible sustainable public transport systems

## ECONOMIC DEVELOPMENT IMPACT EXPOSURES IN SONEN GLOBAL FIXED INCOME

- › Community development (small business loans through US SBA)
- › Affordable housing (mortgage-backed securities, senior housing)
- › Transportation (roadway infrastructure, mass public transport infrastructure and systems)

### Economic Development Example: *Mortgage-Backed Security, Affordable Housing*

Sonen's Global Fixed Income strategy includes numerous exposures that serve low- and moderate-income communities and families with affordable rental housing and home ownership.

The Villages at Roll Hill development in Cincinnati, OH,

consists of 703 newly renovated garden apartments and townhomes. The development is 100% Section 8 housing (i.e. designated affordable for low-income households), and is conveniently located near

downtown with access to public transit. The renovation earned a Silver LEED certification and is considered the largest green renovation of an affordable housing development in the country.<sup>10</sup>





# EDUCATION

**WEIGHT:**

1.18%

**NUMBER OF INVESTMENTS:**

6

**GEOGRAPHIES:**

United States

**UNSDG:**



## RELEVANT SONEN IMPACT OBJECTIVES

- › Expand access to education among underserved and low-income communities
- › Reduce socio-economic and gender disparities in educational outcomes, particularly by increasing girls' enrollment
- › Increase employability through skills, educational attainment and vocational training

## IMPACT OBJECTIVES FROM UN SDGS

▶ SDG 4: Quality Education

- › Ensure all children have access to and complete primary and secondary school
- › Ensure access to early-childhood education
- › Ensure all children achieve literacy and numeracy

## EDUCATION IMPACT EXPOSURES IN SONEN GLOBAL FIXED INCOME

- › Construction of new schools and related physical infrastructure improvements
- › Refinancing and construction of charter schools
- › Capital improvements to university campuses

### Education Example: *School District of the City of Erie, Pennsylvania*

Municipal bonds issued in 2012 help pay for the operating expenses of the Erie school district, including K-12 classrooms, special education and vocational classes. The school district enrolls approximately 11,000 students across 15 public schools. The student population in the Erie School District is 41 percent white and 59 percent nonwhite: 36 percent black, 14 percent Hispanic and 5 percent Asian. Even though Erie is one of the most impoverished districts in the state and has one of

the highest percentages of English language learners, the district currently receives less per-pupil funding from the state when compared to hundreds of other districts.<sup>11</sup>





# ENERGY

## WEIGHT:

2.96%

## NUMBER OF INVESTMENTS:

6

## GEOGRAPHIES:

United States, Europe

## UNSDG:



### RELEVANT OBJECTIVES FROM SONEN IMPACT FRAMEWORKS

#### ► [Energy](#)

- › Increase energy efficiency and conservation
- › Support low-carbon infrastructure
- › Invest in energy efficiency innovation
- › Increase energy equity by expanding global supply of renewable, affordable energy

### IMPACT OBJECTIVES FROM UN SDGS

#### ► SDG 7: Affordable and Clean Energy

- › Universal access to affordable, reliable and modern energy services
- › Increase the share of renewable energy in global energy mix
- › Double the rate of global energy efficiency
- › Expand renewable energy infrastructure in developing economies

### ENERGY IMPACT EXPOSURES IN SONEN GLOBAL FIXED INCOME

- › Corporate bonds that finance renewable energy projects, primarily clean power generation.
- › Corporate bonds and municipal bonds that finance renewable energy infrastructure such as transmission and distribution.
- › Energy efficiency improvements among corporate operations.

## Energy Example: **Corporate Green Bond, Georgia Power**

Georgia Power is an electric utility that services over 2.6 million residential and 300,000 commercial customers in the state of Georgia. The utility is involved in the generation, purchase, transmission, distribution and sale of electric energy. The bond issued by Georgia Power finances investments in a) solar power generation facilities; and b) electric car charging infrastructure. Apart from the use of these green bond proceeds, the company plans to add 2,210 megawatts of renewable energy to its mix by 2022.<sup>12</sup>





# HEALTH

## WEIGHT:

1.47%

## NUMBER OF INVESTMENTS:

3

## GEOGRAPHIES:

United States

## UNSDG:



### RELEVANT OBJECTIVES FROM SONEN IMPACT FRAMEWORKS

#### ► Health (to be published mid-2021)

- › Increase access to and affordability of healthcare systems
- › Reduce incidence of chronic illness and treatable diseases, particularly in developing economies
- › Reduce incidence of diseases caused by harmful environmental conditions (e.g., water/sanitation, nutrition, clean energy, safe housing)

### IMPACT OBJECTIVES FROM UN SDGS

#### ► SDG 3: Good Health and Well-Being

- › End AIDS, tuberculosis, malaria and neglected tropical diseases, and water-borne diseases
- › Ensure access to essential healthcare services and access to medicines and vaccines
- › Reduce deaths due to hazardous chemicals, and reduce air, water and soil pollution and contamination

### HEALTH IMPACT EXPOSURES IN SONEN GLOBAL FIXED INCOME

- › Municipal bond financing that upgrades regional hospitals and expands services.
- › Financing to regional retirement and assisted living community with inpatient services.

## Health Example: *Corporate Bond, Commonspirit Health*

Commonspirit is a nonprofit Catholic Health System created in February 2019 through an alignment of Catholic Health Initiatives and Dignity Health. It is the largest non-profit health system in the United States (by revenue), and it owns and operates health care facilities in 21 states. Facilities include 142 hospitals, including three academic health centers, major teaching hospitals, 31 critical access facilities, community health services organizations, nursing colleges, home health agencies, 22 long-term care facilities, and a medical foundation.<sup>13</sup>

*CommonSpirit Health, headquartered in downtown Chicago, IL.  
Credit: Crain's Chicago Business*





## WASTE AND POLLUTION

### WEIGHT:

0.74%

### NUMBER OF INVESTMENTS:

1

### GEOGRAPHIES:

United States

### UNSDG:



### RELEVANT OBJECTIVES FROM SONEN IMPACT FRAMEWORKS

► [Sustainable Infrastructure](#)

- › Expand efficient waste management practices
- › Improve sustainability performance of infrastructure in the urban environment, where growth will be greatest

### IMPACT OBJECTIVES FROM UN SDGS

- SDG 11: Sustainable Cities and Communities
- SDG 12: Sustainable Consumption
- › Reduce the adverse environmental impact of cities, particularly municipal and other waste
- › Reduce waste generation through prevention, reduction, recycling and reuse

### WASTE AND POLLUTION EXPOSURES IN SONEN GLOBAL FIXED INCOME

- › Municipal bonds that finance the acquisition and upgrade of community-level recycling and waste management facilities.
- › Development bank bonds that upgrade urban waste management facilities and infrastructure, particularly in developing economies.

## Waste and Pollution Example: California Pollution Control Financing Authority (CPCFA)

CPCFA manages the largest waste-to-energy facility in North America, the Rialto Bioenergy Facility. Serving Los Angeles, Rialto diverts food waste and biomass from landfills and anaerobically digests the biomass to produce renewable energy from natural gas. The facility estimates it will convert 700 tons of food waste and 300 tons of biosolids daily, to produce 13MW of clean energy annually. The net carbon dioxide emissions reduction will be approximately 220,000 metric tons annually, equivalent to taking 47,500 cars off the road.<sup>14</sup>



Groundbreaking symbolizing the start of construction of the Rialto Bioenergy Facility.



# WATER

## WEIGHT:

3.67%

## NUMBER OF INVESTMENTS:

2

## GEOGRAPHIES:

United States, Netherlands

## UNSDG:



### RELEVANT OBJECTIVES FROM SONEN IMPACT FRAMEWORKS

#### ► [Water](#)

- › Increase water efficiency, water quality, and rates of re-use
- › Reduce water poverty
- › Restore water resources through natural ecological function

### IMPACT OBJECTIVES FROM UN SDGS

#### ► SDG 6: Water and Sanitation

- › Increase access to water and sanitation services
- › Improve water use efficiency
- › Improve water quality
- › Increase wastewater treatment, water recycling and water re-use

### WATER EXPOSURES IN SONEN GLOBAL FIXED INCOME

- › Municipal bonds that finance water and sewerage infrastructure in the U.S.
- › Municipal bonds that finance waterway management, flood protection, wastewater treatment and disposal in Europe.
- › Development bank bonds (e.g., World Bank, IFC, EBRD) that improve access to water and sanitation services globally.

## Water Example: *Nederlandse Waterschapsbank*

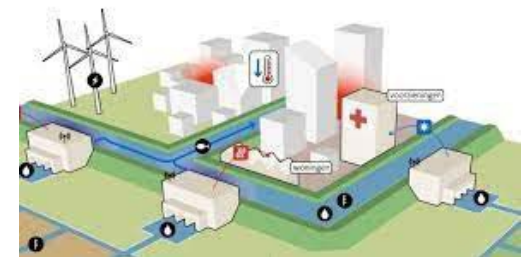
Nederlandse Waterschapsbank (NWB) is a Dutch government agency that serves as the primary provider of financial services for regional water authorities in the Netherlands. As a central element of its mission, NWB provides low-cost financing for essential water services, with all financing aimed at facilitating the transition to a climate-neutral economy. Eligible projects that can be financed by NWB include energy recovery from wastewater, flood protection, wastewater treatment and sewage sludge treatment and disposal.

## Sample Project: *Extracting Resources from Wastewater*

As part of NWB's efforts to finance a carbon neutral economy, water authorities in the Netherlands are steadily making new uses for raw materials produced from treating domestic wastewater. In particular, sludge leftover from purifying wastewater can be converted into biogas, which can then be used to generate electricity or as fuel to power vehicles. Water authorities are among the largest producers of biogas in the Netherlands, producing over 120 million cubic meters of biogas in 2018.<sup>15</sup>

Water authorities in the Netherlands are increasing the conversion of wastewater treatment plants into "resource factories." Recovered phosphorus, cellulose and bioplastics from wastewater are now being used in

multiple ways. Phosphorus is reused as a fertilizer for local agriculture; cellulose can be used to strengthen asphalt in in road construction; and bioplastics can be repurposed into biodegradable plastics used in domestic and industrial applications. One wastewater treatment plant opened in 2017 recovers more than 880 lbs. of cellulose fiber from wastewater daily.<sup>16</sup>



*This 'SMART Plant' recovers roughly 880 lbs of cellulose from the wastewater each day using a fine sieve technique. Credit: NWB*

## OTHER (MULTI-SECTOR)

**WEIGHT:**

12.31%

**NUMBER OF INVESTMENTS:**

6

**GEOGRAPHIES:**

Global

**UNSDG:**



### RELEVANT OBJECTIVES FROM SONEN IMPACT FRAMEWORKS

- ▶ [Energy](#) ▶ [Green Real Estate](#)
- ▶ [Sustainable Infrastructure](#) ▶ [Water](#)

- > Increase social equity through improved access and affordability of modern infrastructure
- > Pursue low-carbon development strategies via updated infrastructure
- > Increase conservation of resources through more natural infrastructure
- > Support technology solutions to increase water efficiency and reduce waste

### IMPACT OBJECTIVES FROM UN SDGS

- ▶ SDG 7: Clean Energy ▶ SDG 11: Sustainable Cities and Communities
- ▶ SDG 12: Responsible Consumption and Production
- ▶ SDG 15: Life on Land

- > Expand sustainable energy infrastructure services
- > Increase access to safe, affordable, accessible, sustainable transport systems
- > Reduce deaths caused by disasters, including water-related disasters
- > Reduce waste generation via prevention, reduction, recycling and reuse
- > Protect freshwater ecosystems and reduce deforestation

### MULTI-SECTOR EXPOSURES IN SONEN GLOBAL FIXED INCOME

- > Multilateral development banks' green bonds financing projects that adapt to and mitigate the effects of climate change globally.
- > Sectors include clean power generation, energy efficiency retrofits, technical support for small scale agricultural producers and public transportation.

### Multi-Sector Example: **World Bank Green Bond, Espirito Santo Integrated Sustainable Water Management Project for Brazil**

Sonen's Global Fixed Income strategy consistently invests in various World Bank Green Bonds (such bonds comprise 2.3% of the Fixed Income strategy). Proceeds from such bonds underwrite projects across multiple sectors in order to adapt to, and mitigate the effects of, climate change. The Espirito Santo Integrated Sustainable Water Management Project is located in Brazil and focuses on water and water

infrastructure for Brazil's Espirito Santo state in the southeast of the country. The development objectives of the Espirito Santo Integrated Sustainable Water Management Project are to improve sustainable water resources management, and increase access to sanitation in the region.

This project will focus on improving the management of water resources, increasing the population's access to sanitation by expanding capacity to collect and treat sewage, and reinforcing the State's capacity to cope with natural disasters. The Project will support improved drinking and coastal water quality in the State's capital and the river basins of the broader metropolitan area, which will include restoration of

forest cover and improved watershed management.<sup>17</sup>

Specific impact targets for the project include:

1. Removal of 1,590 tons of pollution from waterways annually.
2. Improved sanitation services for more than 164,000 people.
3. 2.6 million total project beneficiaries, half of which will be women.
4. 2,000 hectares reforested with ongoing sustainable land management practices.
5. Nearly 33,000 new sewer connections.



**A** growing availability and diversity of non-financial data is steadily enabling more detailed analysis of how publicly traded companies are creating positive social, economic and environmental impacts. While impact investing in public equity, as opposed to fixed income investing as previously described, does not provide as clear a connection between invested resources and specific impact results, a growing availability and diversity of non-financial data is steadily enabling more detailed analysis of how publicly traded companies are creating positive social, economic and environmental impacts.

This new information describes not only how companies are pursuing greater sustainability through operations (via ESG data), but also how products and services provide demonstrable and measurable contributions to specific social or environmental challenges. Sonen continues to broaden its efforts to capture such non-financial performance, and to illustrate the strong potential that investing in public equity has to advance the global sustainability agenda.

# GLOBAL PUBLIC EQUITY



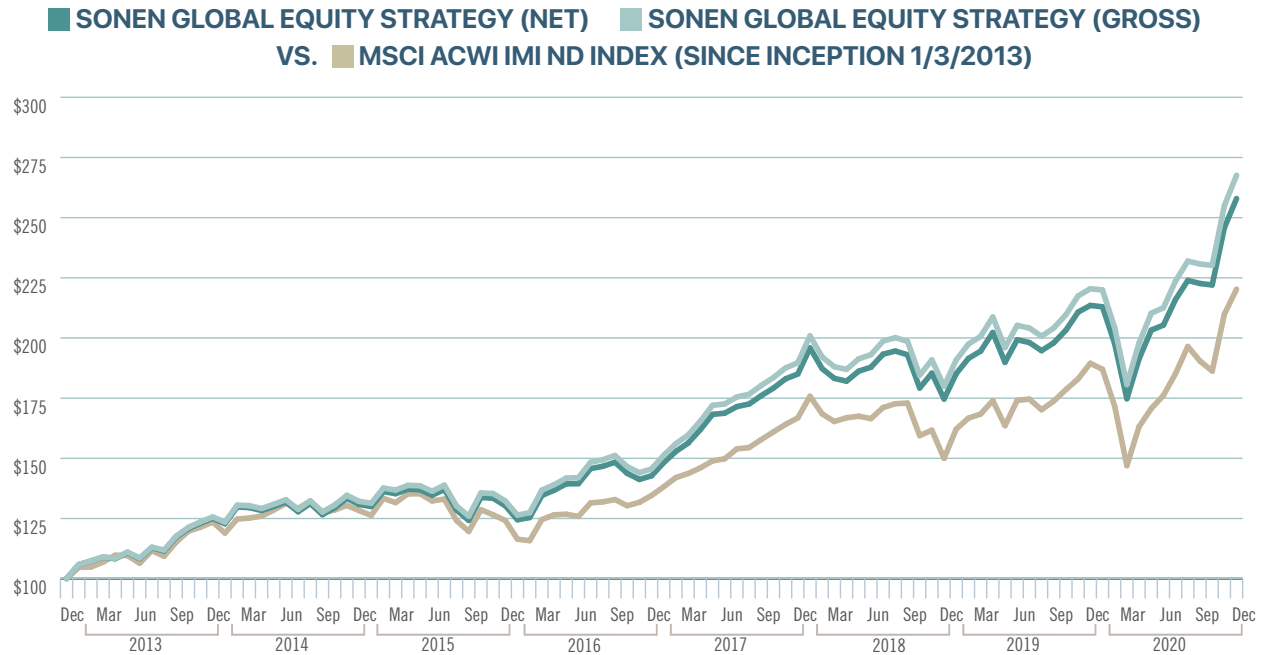


The Sonen Global Equity strategy (Sonen GPE) seeks to produce competitive risk-adjusted returns while providing clear, meaningful and measurable social and environmental impact. Nearly 52% of the strategy is classified as Sustainable: global companies with Environmental, Social and Governance (ESG) leadership qualities. Approximately 40% of the strategy is classified as Thematic i.e., delivering specific impacts along defined social and environmental themes. The balance, 8.7%, is held in cash or highly liquid positions.

2020 was certainly the most remarkable period since the 2008/2009 Financial Crisis, with some of the most significant, world-changing events of the 20th century. By late March, once much of the world had almost completely stopped functioning, markets were in free fall.

Sonen GPE outperformed the MSCI ACWI IMI in the first quarter, as an overweight to essential Consumer Staples buoyed the fund. We also benefited from

## Sonen Global Public Equity Financial Performance



underweights to Financials and Energy. In the second quarter, markets rallied strongly as news brightened, and Sonen GPE underperformed as a result of an overweight to Healthcare (which underperformed the market).

In the third quarter, security selection in both Industrials and Healthcare contributed to outperformance relative to the benchmark.

Finally, in the fourth quarter, the fund outperformed again as a result security selection in Information Technology and in Financials and Industrials. In 2020, Sonen GPE returned 20.79% versus the MSCI ACWI IMI return of 16.25% and since inception the fund has returned 12.57% annualized versus 10.52% for the benchmark, net of fees.



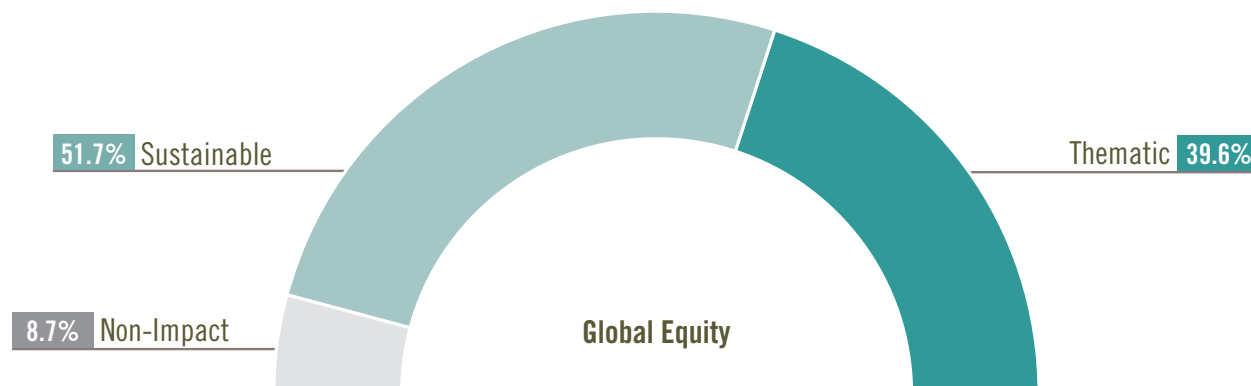
## Impact Evaluation: Sonen's Approach

Sonen's approach to evaluating the social and environmental impacts within its global equity strategy is similar to the approach we employ in fixed income. Specifically, our impact evaluation process includes:

- A. Classifying underlying securities as either Responsible, Sustainable or Thematic;
- B. Comparing the strategy's relative performance with its market benchmark (the MSCI ACWI) on specific Environmental, Social and Governance (ESG) key performance indicators;
- C. Detailing key impact themes across the strategy (such as energy, water or economic development)
- D. Evaluating how Sonen's own impact objectives intersect with the United Nations Sustainable Development Goals, and how our global equity strategy makes definitive contributions to both the UN's and Sonen's impact intentions.

## Impact Classification

The chart below illustrates the proportion of Responsible, Sustainable, and Thematic holdings in Sonen Global Public Equity strategy as of 12/31/2020.



### Impact: Analysis

As noted previously, the growing availability and detail of non-financial data allows for direct comparisons between companies, portfolios and market benchmarks along specific Environmental, Social and Governance dimensions. This report marks the eighth consecutive year that Sonen aggregates and compares such performance data across its public equity strategy, and its market benchmark, the MSCI All Country World Investable Market Index (MSCI ACWI).

We believe that companies that exhibit higher performance on various ESG dimensions are simply better investments, reflecting strong management quality and proactive business practices that enhance business sustainability. Focusing investments on

companies with positive ESG performance also results in specific social and environmental benefits over time: ESG policy choices within corporations can have far-reaching and durable impacts. Companies in Sonen's public equity strategy, for example, exhibit far lower carbon emissions than the market benchmark – often as a result of proactive choices to reduce the environmental impact of company operations. Similarly, companies that proactively pursue improved health and safety in the workforce, or greater workforce diversity, can show long-term benefits to worker safety and encouraging greater opportunities for historically underrepresented populations.

As forward-looking and sustainably-oriented corporate policy choices are implemented, companies can create significant long-term social and environmental

benefits. The following ESG analysis compares the sustainability performance of Sonen’s global equity strategy to that of the MSCI ACWI benchmark along eight separate ESG indicators. Sonen includes performance analysis from previous years in order to illustrate longitudinal sustainability performance.

## Highlights on ESG Performance: Environment

Sonen evaluates environmental performance through four indicators germane to climate change and natural resource use. In both cases, Sonen’s investment strategy outperforms the market benchmark considerably.

### Climate

Sonen evaluates climate performance using two key performance indicators: Total Weighted Carbon Emissions (tons of CO<sub>2</sub>) and Average Carbon Intensity (tons of CO<sub>2</sub>/\$M sales). The chart on the right illustrates both indicator’s performance for Sonen’s GPE and the MSCI ACWI.

## Total Weighted Carbon Emissions

In FY 2019, Sonen’s strategy released only 17% of total carbon emissions, on a weighted basis, as emitted by the companies in the MSCI ACWI (733,365 tons vs 4,379,234 tons). (For reference – the ACWI’s total weighted emissions (4.4M tons) are equivalent to the annual emissions of an average coal-fired power plant).

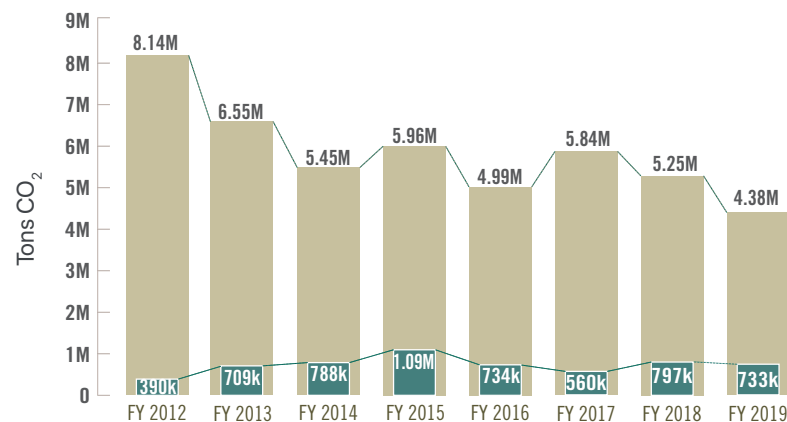
## Average Carbon Intensity

Carbon intensity helps compare the environmental efficiency between companies, communicated as the amount of carbon released per unit of sales. In FY 2019, Sonen’s average carbon intensity was 59% lower than the benchmark’s average carbon intensity. That is, for every dollar of sales across the companies within Sonen’s public equity strategy, only 98 tons of carbon were emitted compared to 236 tons emitted by the companies in the ACWI benchmark.

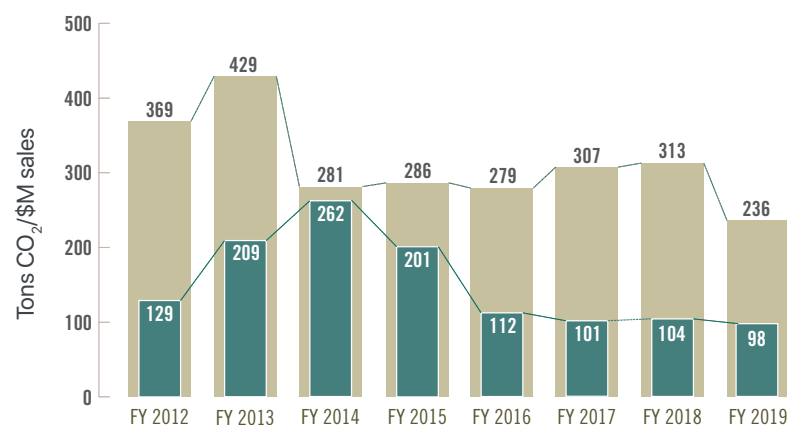
Sonen’s global equity strategy continues to outperform the market benchmark on both measures and has done so since we began tracking these measurements in our 2013 Annual Impact Report.

■ SONEN GLOBAL EQUITY STRATEGY  
■ MSCI ACWI IMI INDEX

TOTAL WEIGHTED CARBON EMISSIONS  
FY2012 - FY2019



AVERAGE CARBON INTENSITY  
FY2012 - FY2019



**CHART DATA:** MSCI ESG Research 12/31/2020. Measuring and comparing intensity allows for a comparison between companies with significantly different scales of operations and/or market capitalizations. At the time of publishing FY2019 represents the latest available year of data from MSCI ESG Research. Not every company included in these indices report on carbon emissions, toxic emissions, water withdrawal or other ESG data. Each of these charts reflects available data for the portfolio and its respective benchmark.



# Water

In addition to evaluating Sonen’s climate performance via carbon emissions, we also evaluate portfolio-level water use and water efficiency. Globally, approximately 19% of total water withdrawals are used for industrial purposes.<sup>18</sup> Due to population growth and resource use, the world is projected to face a 40% global water deficit by 2030.<sup>19</sup>

Sonen evaluates water sustainability by measuring Average Weighted Water Withdrawals (in cubic meters) and Average Water Withdrawal Intensity (cubic meters per unit of sales). The chart on the right below compares relative performance for both indicators between Sonen’s global equity strategy and the MSCI ACWI Index.

## Total weighted water withdrawals

Total Weighted Water Withdrawals illustrate the total amount of annual water consumption by companies on a weighted basis.

## Average water withdrawal intensity

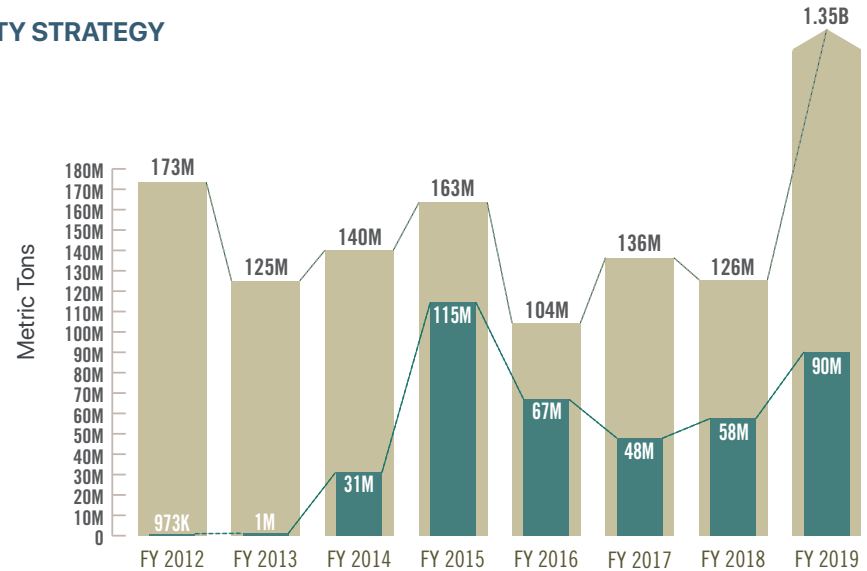
Average Water Withdrawal Intensity illustrates water withdrawals relative to total sales, which allows for water use efficiency comparisons between companies regardless of their size or scale of operations.

In both cases, Sonen’s strategy reflects lower total water use and lower rates of water use intensity every year since 2012 (with the exception of water withdrawal intensity for FY2016). Several large power producers and water utilities in the MSCI ACWI

benchmark reported water usage data for FY19, but not for FY18, accounting for the large increase in water use for the most recent year. Fluctuations in water usage from year to year are attributable to the timing of data availability.

■ SONEN GLOBAL EQUITY STRATEGY  
■ MSCI ACWI IMI INDEX

TOTAL WEIGHTED WATER WITHDRAWAL  
FY2012 - FY2019



TOTAL WEIGHTED WITHDRAWAL INTENSITY  
FY2012 - FY2019

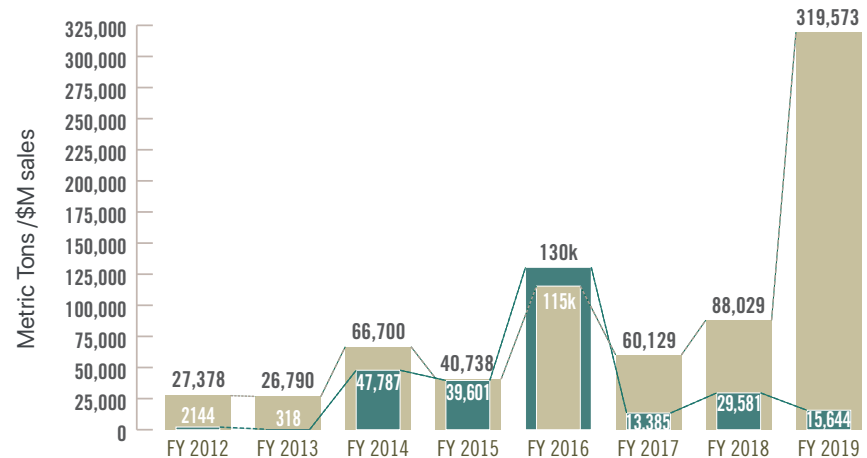


CHART DATA: MSCI ESG Research 12/31/2020. Measuring and comparing intensity allows for a comparison between companies with significantly different scales of operations and/or market capitalizations. At the time of publishing FY2019 represents the latest available year of data from MSCI ESG Research. Not every company included in these indices report on carbon emissions, toxic emissions, water withdrawal or other ESG data. Each of these charts reflects available data for the portfolio and its respective benchmark.

## Highlights on ESG Performance: Social

Sonen evaluates social performance along three key performance indicators which we believe are most relevant to impact investors and are important proxies for gauging the overall workforce wellbeing across large and complex supply chains. These indicators include:

- › **Workforce Health and Safety** (i.e. managing workplace risk of injury)
- › **Labor Management** (reflecting workforce satisfaction and benefits, for example); and
- › **Controversial Sourcing** (the degree to which companies rely on raw materials that originate from regions with human rights or labor abuses, or whose sourcing may actually encourage such conflicts).

The following charts illustrate the percentage of companies in the global equity strategy that earn higher ratings than the average benchmark score for 2020 (as well as previous years' scores from earlier impact reports). For 2020, a larger proportion of securities in Sonen's global equity strategy earn scores that exceed the average benchmark score for each social key performance indicator. In some previous years, Sonen slightly underperformed in Labor Management and Controversial Sourcing.

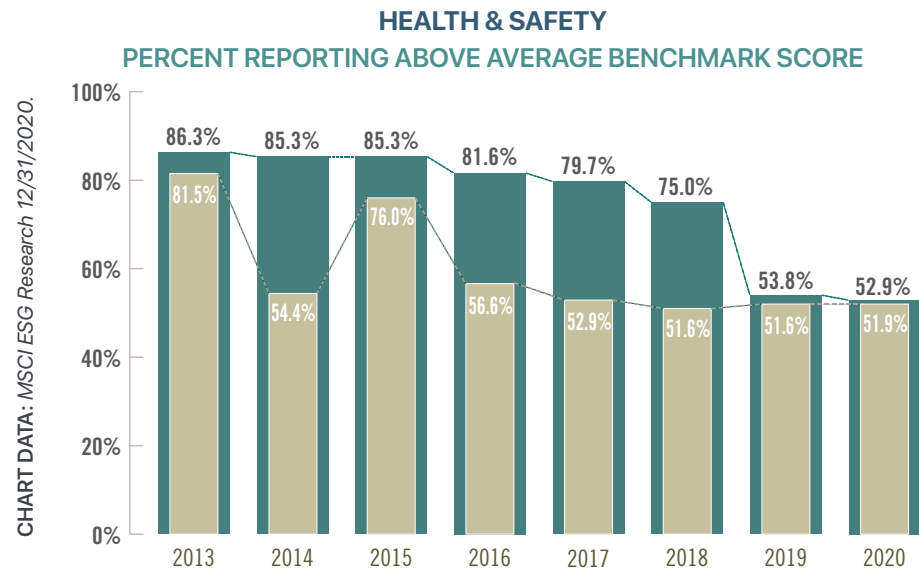
## Health & Safety

Higher rankings for Health and Safety are attributable to comprehensive policies to mitigate safety risks, training, operational audits, and improvement targets.



The McCormick Place Convention Center as the Ferguson team was helping convert it into a temporary hospital to help in the battle against COVID-19.

### SONEN GLOBAL EQUITY STRATEGY MSCI ACWI IMI INDEX



## Example: Ferguson PLC

Ferguson PLC is a plumbing and heating equipment distribution business.

- › The company leads its peers in implementing health and safety policies and programs to mitigate risks related to workplace injuries or fatalities. (MSCI) Over 2020, the company's recordable injury rate improved by 35 per cent compared to the previous year.<sup>20</sup>
- › Ferguson's lost time rate (if an employee is absent more than one day due to injury) improved by 32% compared to the previous year.<sup>21</sup>
- › The company maintains a strong level of engagement on health and safety issues, including a senior leadership commitment and engagement from all management levels.<sup>22</sup>



## Labor Management

Higher rankings for Labor Management are attributable to providing competitive compensation, benefits or performance incentives, and efforts to develop formal communications channels with employees.

### Example: Alfa Laval

Alfa Laval is a Swedish company that manufactures industrial equipment such as heat exchangers and fluid handling equipment such as pumps and valves for the food and pharmaceutical and marine industries.

- Alfa Laval maintains strong employee development efforts compared to industry peers, with extensive training and development programs.<sup>23</sup>
- Awarded "World's Best Employers" in 2019 by Forbes. Won awards in Sweden in 2017 and 2018 as one of the country's best employers.<sup>24</sup>
- 49% of workforce covered by trade unions or collective agreements.<sup>25</sup>

Alfa Laval Testing & Training Center in Aalborg, Denmark.



## Controversial Sourcing

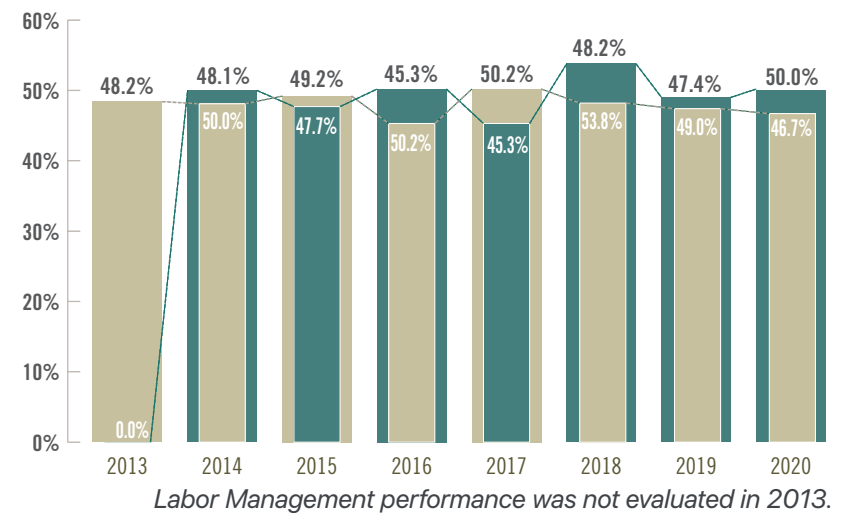
Higher rankings for this indicator are attributable to companies able to trace the origin of their raw materials and certify that they were obtained in a way that minimizes social harm (e.g., slave labor, funding for groups engaged in human rights violations).

### Example: Infineon Technologies

Infineon Technologies is a German semiconductor manufacturer. Semiconductors have a high reliance on minerals that often originate in regions where they fuel armed conflict, human rights violations and environmental abuses.

- Infineon does not source conflict minerals directly from mines or smelters and relies on direct suppliers for materials. The company sets targets and requirements for its supply chain in its publicly available Conflict Minerals Policy and the company's Supplier Code concerning the Responsible Sourcing of Conflict Minerals.<sup>26</sup>
- To comply with the company's own FY2020 target, 100% of

## LABOR MANAGEMENT PERCENT REPORTING ABOVE AVERAGE BENCHMARK SCORE



■ SONEN GLOBAL EQUITY STRATEGY  
■ MSCI ACWI IMI INDEX

## CONTROVERSIAL SOURCING PERCENT REPORTING ABOVE AVERAGE BENCHMARK SCORE

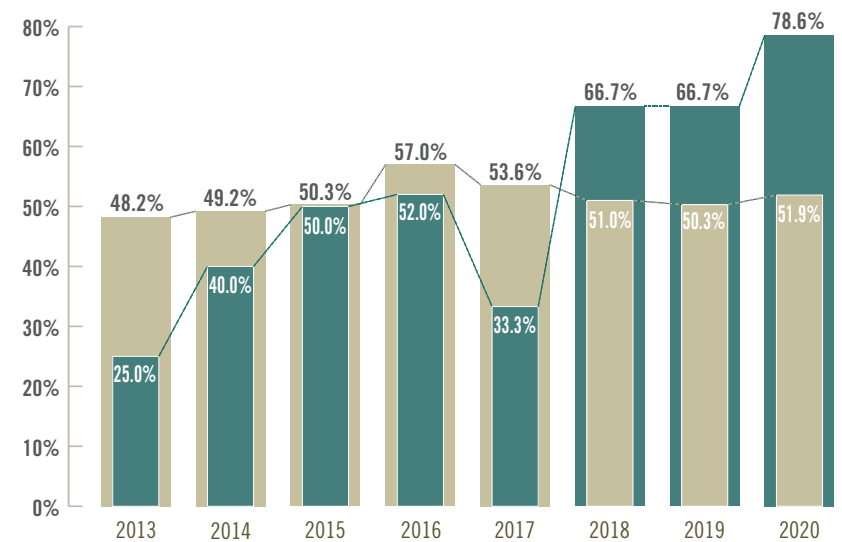


CHART DATA: MSCI ESG Research 12/31/2020.

the company's suppliers were evaluated and confirmed to have maintained a conflict-free supply chain.<sup>27</sup>

- › Member of the Responsible Minerals Initiative.

## Highlights on ESG Performance: Governance

Sonen evaluates three indicators on corporate-level governance that we believe reflect best practices.

These indicators include:

1. **Gender Diversity on Corporate Boards**, apart from the principle of corporate boards that should better reflect the population at large, Sonen takes note that corporations with more gender diverse boards may exhibit improved financial performance. A 2017 study by McKinsey found that companies in the top quartile for gender diversity on executive teams were 21% more likely to experience above-average profitability than companies in the fourth quartile.<sup>28</sup>
2. **Board Ethics and Fraud Rankings**, reflecting a company's exposure to insider trading or ongoing litigation that may reflect poor judgment and corporate leadership; and
3. **Board Independence**, which evaluates the proportion of board members that are independent of corporate management, which we consider to be best practice.

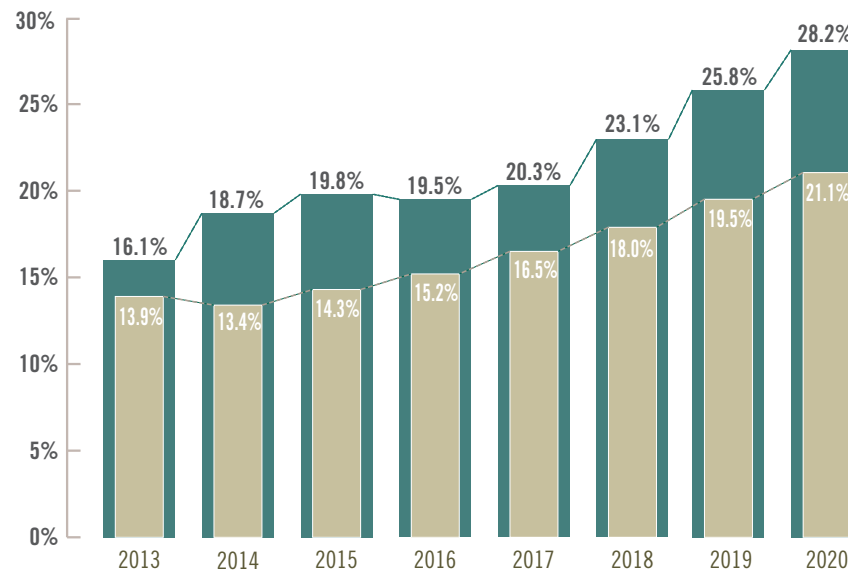
## Gender Diversity on Corporate Boards

The chart to the right illustrates the average percentage of women on corporate boards as well as the percent of each strategy that reports zero women on corporate boards.

Since we began tracking this indicator in 2013, Sonen's global equity strategy has maintained a higher average representation of women on corporate boards as compared to its benchmark.

SONEN GLOBAL EQUITY STRATEGY  
MSCI ACWI IMI INDEX

AVERAGE PERCENTAGE OF WOMEN ON CORPORATE BOARDS  
GENDER DIVERSITY ON CORPORATE BOARDS



COMPANIES REPORTING ZERO WOMEN ON CORPORATE BOARDS  
GENDER DIVERSITY ON CORPORATE BOARDS

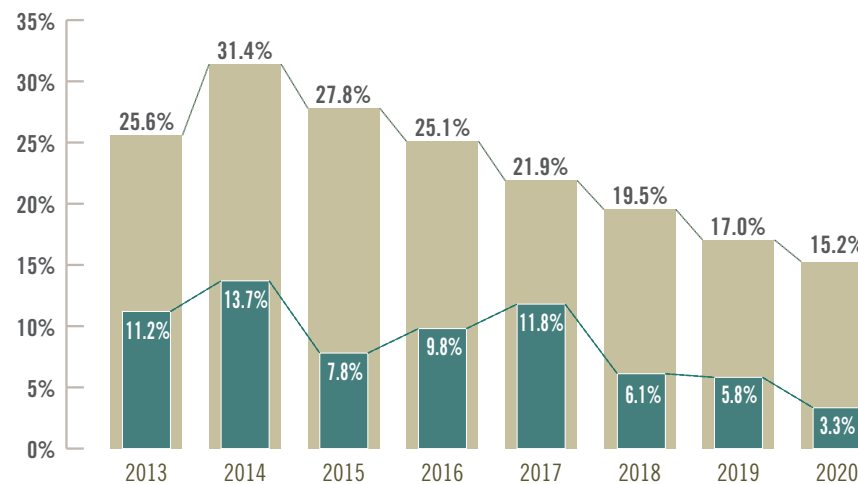


CHART DATA: MSCI ESG Research 12/31/2020.



## Business Ethics & Fraud

With the exception of 2016 and 2017, Sonen's global equity strategy has consistently maintained a higher proportion of companies with better ratings for managing risks of business ethics and fraud.

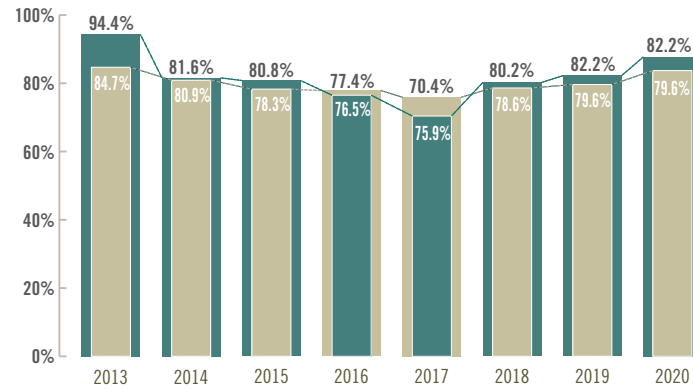
## Independent Corporate Board Members

For this indicator, Sonen reflects a consistently higher percentage of independent board members (i.e., those members not a part of a company's management) which we believe exhibits corporate governance best practices.

## Highlights on ESG Performance: ESG Profile

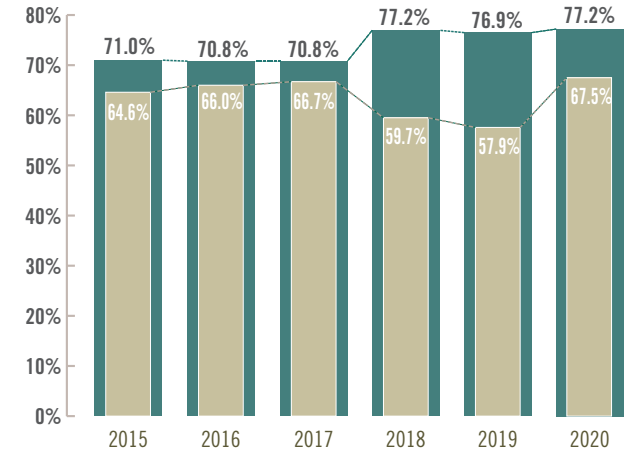
The chart to the right illustrates the distribution of overall ESG rankings for Sonen's global equity strategy compared to the ACWI benchmark. Such rankings are a composite score that reflects a comprehensive view of overall ESG performance and related risks. The data demonstrates a greater proportion of higher-rated companies (AAA) among Sonen's Global Equity strategy as compared to the benchmark, which is consistent with our focus and process to hold what we believe are the best-in-class ESG performers among global equities

**BUSINESS ETHICS AND FRAUD RANKINGS**  
PERCENT REPORTING ABOVE AVERAGE  
BENCHMARK SCORE



■ SONEN GLOBAL EQUITY STRATEGY  
■ MSCI ACWI IMI INDEX

**INDEPENDENT CORPORATE BOARD MEMBERS**  
PERCENT REPORTING ABOVE AVERAGE  
BENCHMARK SCORE



**ESG PROFILE**

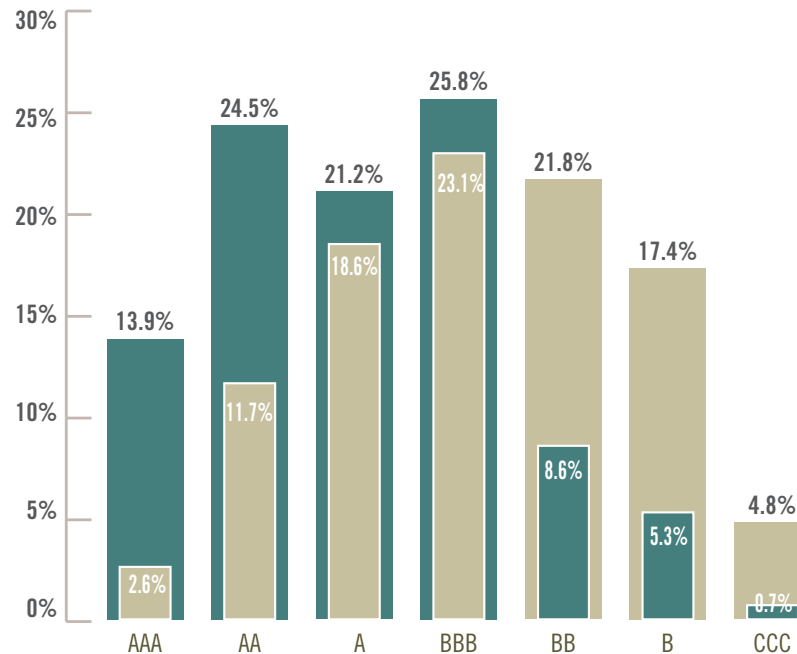


CHART DATA:  
MSCI ESG Research  
12/31/2020.

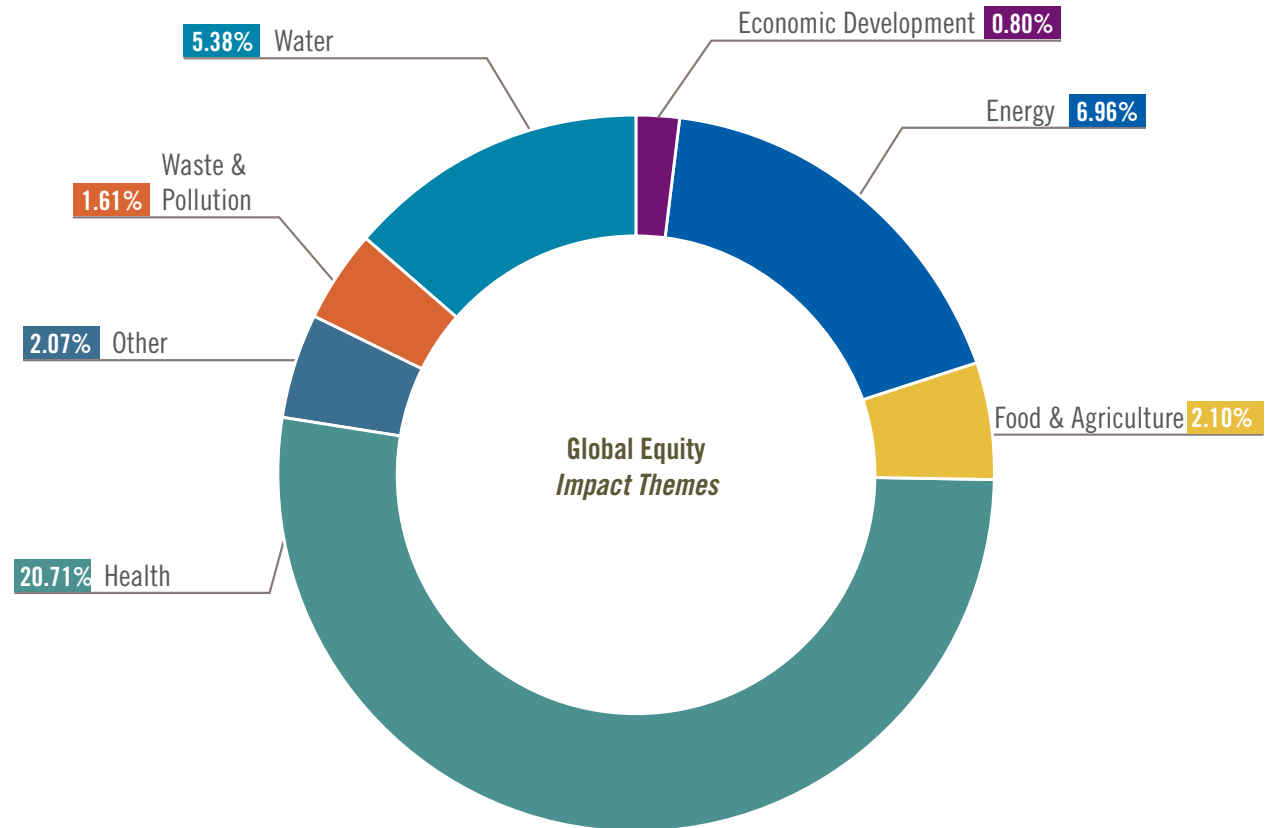
# IMPACT THEMES

As explained in our Global Fixed Income strategy, Thematic investments offer investors a more direct connection to the products, services or business activities that relate to a specific social or environmental challenge. Similar to our process in fixed income, Thematic equity securities are evaluated by the extent to which business activities align with specific social or environmental themes or challenges. Sonen's Thematic global equity investments are intended to provide diverse, complementary and highly targeted impact exposures that address key sustainability issues, such as climate change, resource scarcity and economic development through infrastructure.

In this year's annual impact report, we illustrate how Sonen's investment strategies are complementary to the SDG agenda. In the following thematic analysis, we identify our own specific impact objectives derived from various Sonen Impact Frameworks, and then show how these objectives are highly aligned and supportive of the Sustainable Development Goals and underlying impact targets. For each specific impact theme, we also identify how specific investments and investment activities within our investment strategies contribute to multiple objectives shared by Sonen and the UN SDGs.

Sonen's eight impact frameworks focus on individual impact themes and articulate the specific social and environmental outcomes

## Key Impact Themes in Sonen Global Public Equity Thematic Total: 39.6%



that we wish to achieve as a result of our investing activities. Our impact frameworks are publicly available for download at our web site [here](#).

Themes in Sonen's GPE strategy for 2020 include:

- › Economic Development
- › Education
- › Energy
- › Health
- › Waste and Pollution
- › Water
- › Other (multi-sector)



## KEY IMPACT THEMES AND INVESTMENT EXAMPLES

IMPACT THEME	THEMATIC EXAMPLE	KEY IMPACT ACTIVITY
Economic Development	Kotak Mahindra Bank	Kotak Mahindra Bank is an Indian bank offering banking products and financial services to corporate and retail customers in the areas of personal finance, investment banking, life insurance and wealth management. The bank notably provides inclusive digital banking services and small-scale loans to underserved rural communities. <sup>29</sup>
Energy	Alfen	Alfen provides smart energy solutions including smart grids, energy storage systems, and electric vehicle charging equipment. In 2020, the firm supplied 142,000 households with renewable energy and prevented 1.4 million tons of CO <sub>2</sub> emissions with electric vehicle charging stations. <sup>30</sup>
Food and Agriculture	Trimble Navigation	Trimble Inc. provides technology solutions including geographic information systems and precision agriculture applications that contribute up to 30% increased crop yield and 20% increased water efficiency. <sup>31</sup>
Health	Novo Nordisk	Novo Nordisk manufactures and markets diabetes medications and devices, with an emphasis on low-cost insulin. The firm has reduced the ceiling price of human insulin from USD4 to USD3 per vial in 76 low- and middle-income countries. <sup>32</sup>
Other (Multi-Sector)	Halma	Halma is a global company that provides services for urban safety, environmental analysis and health. The company's largest source of revenue is from infrastructure services, including transportation and building safety (fire suppression, communications). The company's environmental analysis unit includes hazardous materials detection, and air and water quality testing. <sup>33</sup>
Waste and Pollution	Johnson Matthey	Johnson Matthey is a global science and specialty chemicals company with dominant business lines in emissions treatment (catalysts for motor vehicles), emissions control in industrial applications and fuel cell technologies for the automotive industry. The company reports that in the latest year it removed nearly three million tons of particulate air pollutants (through vehicles); removed nearly 10 million tons of GHGs from the atmosphere (from industrial customers); and avoided an estimated 225,000 tons of CO <sub>2</sub> emissions from its fuel cell technologies. <sup>34</sup>
Water	Xylem	Xylem Inc. designs, manufactures, and services engineered products and solutions for water and wastewater applications. In 2019 Xylem treated 400 million cubic meters of water for reuse, prevented over 1.25 billion cubic meters of polluted water from flooding communities or entering local waterways, and provided clean water and sanitation solutions to 640,000 people. <sup>35</sup>

## ECONOMIC DEVELOPMENT

WEIGHT:

0.8%

NUMBER OF INVESTMENTS:

2

UNSDG:



### RELEVANT OBJECTIVES FROM SONEN IMPACT FRAMEWORKS

- ▶ [Sustainable Infrastructure](#)
- ▶ [Financial Inclusion](#)

- › Expand access and improve affordability of basic financial services
- › Increase products and services that cater specifically to the underserved
- › Improved social equity through access to modern infrastructure.

### IMPACT OBJECTIVES FROM UN SDGS

- ▶ SDG 7: End Poverty
- ▶ SDG 8: Decent Work for All
- ▶ SDG 9: Infrastructure and Inclusive Industrialization
- ▶ SDG 11: Sustainable Cities
- › Ensure the most vulnerable have access to economic resources and financial services
- › Encourage growth of small enterprises through access to financial services
- › Provide access to safe, accessible and sustainable transport

### ECONOMIC DEVELOPMENT IMPACT EXPOSURES IN SONEN GLOBAL PUBLIC EQUITY

- › Focus on large-scale infrastructure development including roadways and transportation.
- › Financial services through retail banking with specific efforts to reach underserved and underbanked populations.

### Economic Development Example: Kotak Mahindra Bank

Kotak Mahindra Bank is an Indian bank offering banking products and financial services to corporate and retail customers in the areas of personal finance, investment banking, life insurance and wealth management. The bank's financial inclusion initiative aims to deliver affordable banking services to large parts of India's disadvantaged and low-income populations, who rely on unorganized and costly moneylenders. Kotak Mahindra Bank has opened more than 773,000 Basic Savings Accounts in over 130 villages through the Initiative.<sup>36</sup>





# ENERGY

**WEIGHT:**

7.0%

**NUMBER OF INVESTMENTS:**

20

**UNSDG:**



## RELEVANT OBJECTIVES FROM SONEN IMPACT FRAMEWORKS

► [Energy](#)

- › Increase energy efficiency and conservation
- › Support low-carbon infrastructure
- › Invest in energy efficiency innovation
- › Increase energy equity through expanded global supply of renewable, affordable energy

## IMPACT OBJECTIVES FROM UN SDGS

► SDG 7: Affordable and Clean Energy

- › Universal access to affordable, reliable and modern energy services
- › Increase the share of renewable energy in global energy mix
- › Double the rate of global energy efficiency
- › Expand renewable energy infrastructure in developing economies

## ENERGY IMPACT EXPOSURES IN SONEN GLOBAL PUBLIC EQUITY

- › Renewable power generation and technology
- › Clean power transmission and distribution
- › Energy efficiency technologies (e.g., lighting, heating and building materials)



### Energy Example: *Alfen*

Alfen provides smart energy solutions including smart grids, energy storage systems, and electric vehicle charging equipment. In 2020, the firm supplied 142,000 households with renewable energy and prevented 1.4 million tons of CO<sub>2</sub> emissions with electric vehicle charging stations.<sup>37</sup>

# FOOD AND AGRICULTURE

WEIGHT:

2.1%

NUMBER OF INVESTMENTS:

5

UN SDG:



## RELEVANT OBJECTIVES FROM SONEN IMPACT FRAMEWORKS

► [Agriculture](#)

- › Improve environmental sustainability of agricultural production
- › Reduce water use
- › Proper use of agricultural nutrients

## IMPACT OBJECTIVES FROM UN SDGS

- SDG 2: Zero Hunger and Promote Sustainable Agriculture
  - SDG 6: Clean Water and Sanitation
- › Target sustainable food production systems and agricultural practices that increase productivity and soil quality
- › Increase water-use efficiency across all sectors

## FOOD AND AGRICULTURE IMPACT EXPOSURES IN SONEN GLOBAL PUBLIC EQUITY

- › On-farm technology for agricultural production (irrigation)
- › Food safety testing (allergens, microbiology)
- › Aquaculture
- › Probiotics and enzymes production

### Energy Example: *Trimble Navigation*

Trimble Navigation's precision agriculture portfolio enables farmers to increase efficiencies, enhance productivity, and improve crop performance, all while reducing costs and optimizing the use of inputs such as fertilizer. Precision applications from Trimble apply the right amount of water where the crop needs it to improve quality and yield, and optimizes the soil surface in preparation for optimal water application. Trimble reports that the use of its technologies can increase yields up to 30%, increase water use efficiency by up to 20% and can save agricultural producers 30% in related costs.<sup>38</sup>





# HEALTH

## WEIGHT:

20.7%

## NUMBER OF INVESTMENTS:

28

## UNSDG:



### RELEVANT OBJECTIVES FROM SONEN IMPACT FRAMEWORKS

#### ► [Health](#)

- › Increase access and affordability of healthcare systems
- › Reduce incidence of chronic illness and treatable diseases, particularly in developing economies
- › Reduce incidence of diseases caused by harmful environmental conditions (e.g., water/sanitation, nutrition, clean energy, safe housing)

### IMPACT OBJECTIVES FROM UN SDGS

#### ► SDG 3: Good Health and Well-Being

- › End AIDS, tuberculosis, malaria and neglected tropical diseases, and water-borne diseases
- › Ensure access to essential health-care services and access to medicines and vaccines
- › Reduce deaths due to hazardous chemicals, and reduce air, water and soil pollution and contamination

### HEALTH IMPACT EXPOSURES IN SONEN GLOBAL PUBLIC EQUITY

- › Healthcare diagnostics, pharmaceutical and vaccine development, healthcare equipment, diagnostics, eyecare, advanced therapies for disease, and imaging.
- › Three companies (Merck, Roche, and Novo Nordisk) are numbers 8, 9 and 10 in the [Access to Medicines Index](#), reflecting corporate efforts to expand availability of critical medicines in low- and middle-income countries.



### Health Example: **Roche Holdings**

In 2020, Roche began working with local NGOs to deliver reliable HPV and cancer screening tools in Sub-Saharan Africa.

Alongside 15 other companies, Roche emphasized its commitment to ensure that poorer countries can afford the products they need to enable access to Covid-19 therapies. The company's Global Access Program, started in 2014, provides testing for HIV, Hepatitis, and HPV for low and middle-income countries. Roche has an access-to-medicine strategy integrated into its corporate strategy and publicly discloses commitments and outcomes of its access-to-medicine activities.<sup>39</sup>

## OTHER (Multi-Sector)

WEIGHT:

2.1%

NUMBER OF INVESTMENTS:

4

UNSDG:



### RELEVANT OBJECTIVES FROM SONEN IMPACT FRAMEWORKS

► [Energy](#) ► [Green Real Estate](#) ► [Sustainable Infrastructure](#) ► [Water](#)

- › Increase social equity through improved access and affordability of modern infrastructure
- › Pursue low-carbon development strategies through updated infrastructure
- › Increase conservation of resources through more natural infrastructure
- › Support technological solutions that increase water efficiency and reduce waste

### IMPACT OBJECTIVES FROM UN SDGS

- SDG 3: Good Health and Well Being
- SDG 7: Affordable and Clean Energy
- SDG 11: Sustainable Cities and Communities
- SDG 12: Responsible Consumption and Production
- SDG 15: Life on Land
- › Expand sustainable energy infrastructure services
- › Increase access to safe, affordable, accessible and sustainable transport systems
- › Reduce deaths caused by disasters, including water-related disasters and transportation
- › Reduce waste generation through prevention, reduction, recycling and reuse
- › Protect freshwater ecosystems and reduce deforestation

### OTHER/MULTI-SECTOR IMPACT EXPOSURES IN SONEN GLOBAL PUBLIC EQUITY

- › Large-cap companies with a wide variety of business lines are classified as “other/multi-sector.” These companies focus on infrastructure development (water services, environmental design in urban planning; transportation), waste management, and environmental remediation

### Health Example: *Halma*

Halma is a global company that provides services for urban safety, environmental analysis and health. The company’s largest source of revenue is from infrastructure services, including transportation and building safety (fire suppression, communications).

The company’s environmental analysis unit includes hazardous materials

detection, and air and water quality testing. Halma’s products and services provide access to clean drinking water; provide wastewater treatment; and maintain water and wastewater networks that reduce losses due to leaks. Halma’s transportation-focused services help improve road safety and reduce related water and air pollution, explicit goals of SDG 3.





# WASTE AND POLLUTION

WEIGHT:

1.6%

NUMBER OF INVESTMENTS:

4

UNSDG:



## RELEVANT OBJECTIVES FROM SONEN IMPACT FRAMEWORKS

### ► [Sustainable Infrastructure](#)

- › Expand efficient waste management practices
- › Improve sustainability performance of infrastructure in the urban environment, where growth will be greatest
- › Expand availability of low-carbon transport
- › Transform waste into resources

## IMPACT OBJECTIVES FROM UN SDGS

- SDG 11: Sustainable Cities and Communities
- SDG 12: Responsible Consumption and Production
- › Reduce the adverse environmental impact of cities, particularly municipal and other waste
- › Reduce waste generation through prevention, reduction, recycling and reuse

## WASTE AND POLLUTION IMPACT EXPOSURES IN SONEN GLOBAL PUBLIC EQUITY

- › Municipal and industrial waste management
- › Recycling technologies
- › Energy recovery from waste
- › Emissions treatment technologies

Gasoline vehicles typically use a three-way catalyst (pictured here), so-called because it converts three-pollutants: Carbon Monoxide, Hydrocarbons, and Oxides from Nitrogen, 99% of the time, into Carbon Dioxide, Water and Nitrogen.

## Health Example: *Johnson Matthey*

Johnson Matthey is a global science and specialty chemicals company with dominant business lines in emissions treatment (catalysts for motor vehicles), emissions control in industrial applications and fuel cell technologies for the automotive industry. The company reports that in the latest year it removed nearly three million tons of particulate air pollutants (through vehicles); removed nearly 10 million tons of GHGs from the atmosphere (from industrial customers); and avoided an estimate 225,000 tons of CO<sub>2</sub> emissions from the use of its fuel cell technologies.<sup>40</sup>

# WATER

## WEIGHT:

5.4%

## NUMBER OF INVESTMENTS:

23

## UNSDG:



### RELEVANT OBJECTIVES FROM SONEN IMPACT FRAMEWORKS

#### ► [Water](#)

- › Increase water efficiency, water quality, and rates of re-use
- › Reduce water poverty
- › Resource water resources through natural ecological function

### IMPACT OBJECTIVES FROM UN SDGS

#### ► SDG 6: Water and Sanitation

- › Increase access to water and sanitation services
- › Improve water use efficiency
- › Improve water quality
- › Increase wastewater treatment, water recycling and water re-use

### WATER IMPACT EXPOSURES IN SONEN GLOBAL PUBLIC EQUITY

- › Focus on water utilities (municipal distribution and wastewater treatment)
- › Water infrastructure (large-scale distribution and treatment)
- › Water technologies (metering, leak detection, treatment and sanitation)

## Health Example: **Xylem**

Xylem Inc. designs, manufactures, and services engineered products and solutions for water and wastewater applications. In 2019 Xylem treated 400 million cubic meters of water for reuse, prevented over 1.25 billion cubic meters of polluted water from flooding communities or entering local waterways, and provided clean water and sanitation solutions to 640,000 people.<sup>41</sup>

*Xylem's uses ultraviolet disinfection and ozone oxidation systems as chemical-free and environmentally friendly ways to treat wastewater.*





SHAREHOLDER

**ADVOCACY**



## ENGAGEMENT

As we have noted in previous reports, Sonen believes that it is critical that the corporate world understands and acts upon issues of social and environmental sustainability – both across corporate operations as well as through goods and services provided as a result of business activity. Sonen supports improving ESG leadership, sustainability disclosure and transparency among the companies in our portfolio through a blend of dialogue, engagement on key issues and occasionally direct shareholder advocacy.

We consider shareholder advocacy a critical lever to express investor Intentionality (actively seeking improved corporate ESG performance) and Additionality (an incremental change in social or environmental performance as a result of such advocacy that may not have happened otherwise) in public markets. Please see Sonen’s AIMS framework for reference. Corporate adoption of forward-looking sustainability policies also expresses Intentionality at the company level. Sonen works to influence ESG performance through a number of activities:

### Public Advocacy: Industry Affiliations

Sonen regularly participates in initiatives aimed at elevating issues of sustainability into corporate policies and practices. We work alongside other like-minded asset managers, investors and organizations on a wide range of issues to increase social, economic and environmental sustainability within the corporate world. Typically, we combine our assets under management with other institutional investors, lending a powerful collective voice to issues such as reducing the climate impact of corporate operations; reducing hazardous chemicals across supply chains; animal welfare; gender diversity in corporate boardrooms; and overall corporate transparency. A summary of the organizations with whom we regularly collaborate is below.



**CERES: Investor Network on Climate Risk:** Represent \$20 trillion in assets from 175 institutional investors to advance investment practices, corporate engagement strategies and policy solutions to build an equitable, sustainable global economy and planet. CERES coordinates a wide array of investor actions, including proxy voting, climate emissions and water use.



### Portfolio Decarbonization

**Coalition:** Represent \$800 billion in assets across 32 investors with decarbonization commitments. PDC is a multi-stakeholder initiative that seeks to support and catalyze the transition to a low-carbon economy by encouraging and mobilizing institutional investors to decarbonize their investment portfolios.



**CDP:** Sonen is an investor signatory to CDP. CDP is a not-for-profit charity that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts. Sonen encourages companies it owns to participate in CDP’s annual surveys on carbon emissions, water use and deforestation-related matters.



### Chemical Footprint Project:

**Project:** Represents \$2.8 trillion in CFP Signatories’ assets (investors, retailers, large-scale purchasers, and NGOs) that encourage manufacturers and brands to participate by revealing chemicals of concern that exist within supply chains or products.





**FAIRR:** Sonen is a founding member. The FAIRR Initiative, consisting of 242 investors representing over \$25 trillion in assets, aims to ensure that investors understand the risks and opportunities that emerge from intensive livestock farming and poor animal welfare standards, and to support investors to assess these issues as part of their investment processes. Sonen’s position on sustainable agriculture and its related investment process is highlighted in a [2018 FAIRR case study](#).



**The Business Benchmark** is the first global measure of company performance on animal welfare and, since its inception in 2012 has established itself as a catalyst for influencing change in corporate practices on animal welfare management and reporting. BBFAW invites signatories to sign letters to consumer brands and lend voice and AUM from an investor in support of best practices. BBFAW’s investor collaboration now includes 30 institutional investors representing more than \$US3 billion.



**The Sustainable Stock Exchanges (SSE) Initiative** is a peer-to-peer learning platform for exploring how exchanges, in collaboration with investors, regulators, and companies, can enhance corporate transparency – and ultimately performance – on ESG issues and encourage sustainable investment. The SSE is [organized](#) by the UN Conference on Trade and Development (UNCTAD), the UN Global Compact, the UN Environment Program Finance Initiative (UNEP FI), and the Principles for Responsible Investment (PRI).

Signatory of:



**UNPRI:** Sonen is a signatory to the UNPRI. The PRI is the world’s leading proponent of responsible investment. It works to understand the investment implications of environmental, social and governance (ESG) factors and to support its international network of investor signatories in incorporating these factors into their investment and ownership decisions. The PRI acts in the long-term interests of its signatories, of the financial markets and economies in which they operate and ultimately of the environment and society as a whole. It encourages investors to use responsible investment to enhance returns and better manage risks.



**B Corps:** (2016, 2017, 2018, 2019 Best for the World recognitions). B Corp is to business what Fair Trade certification is to coffee or USDA Organic certification is to milk. B Corps are for-profit companies certified by the nonprofit B Lab to meet rigorous standards of social and environmental performance, accountability, and transparency.



**GIIRS Platinum Rating:** GIIRS Ratings are the emerging standard for impact measurement in impact investing. They are rigorous, comprehensive, and provide comparable ratings of a company or a fund’s social and environmental impact. The GIIRS Rating measures the overall impact of a business on all of its stakeholders. Sonen’s received the highest possible GIIRS Rating in its last assessment. See [Sonen GIIRS rating](#) for more details and to access the actual ratings report.

## Advocacy: Sonen's Public Participation in Sustainability Issues

During 2020, Sonen lent its voice in multiple different letter-writing campaigns alongside other institutional investors, nongovernment organizations and private sector companies expressing support for a wide range of sustainability issues including climate change, investor rights, human rights and animal welfare. A summary of such engagements is below, in chronological order:

**1** Farm Animal Investor Risk and Return's Global Investor Engagement on Meat Sourcing: Launched in January 2019, this initiative encourages the six largest fast food companies to de-risk their meat and dairy supply chains against climate and water risks by adopting strategic policies and targets based on forward-looking analyses.

**2** The Forest Climate Working Group's Trillion Trees Initiative: Launched at the World Economic Forum in 2019, the initiative aims to ensure the conservation and restoration of one trillion trees globally by 2030. Signatories include timber management organizations, nonprofit organizations and federal agencies.

**3** Investor Initiative for Sustainable Forests' Statement on Deforestation and Forest Fires in the Amazon: As cattle produc-

tion is one of the key drivers of land use change in the Amazon, this investor statement encourages major meat processors to ensure the traceability of their products to ensure that supply chains are deforestation free.

**4** Stewart Investors and UNPRI's investor statement on Micro-insurance: Inclusive protection at the Bottom of the Pyramid. Alongside 34 investors with a combined US\$1.4 trillion assets under management, Sonen Capital asked local insurance providers in Latin America, Asia and the Pacific to adopt best practices around the provision of micro-insurance products tailored for poor communities.

**5** CERES' Investor Statement supporting Strong Methane Regulations in Pennsylvania. Along with more than 50 institutional investors with \$4 trillion in assets, the statement calls on companies to support strong state-level methane regulations in Pennsylvania, the second largest gas producing state in the U.S.

**6** CERES' investor statement calling on financial regulators to account properly for the systemic risks of climate change. Sonen Capital signed the letter with 72 institutional investors representing \$1 trillion in assets.

**7** As You Sow's Workplace Equity Disclosure Statement. Supported by 125 signatories representing \$1.9 trillion in AUM,

the Statement calls for companies to release meaningful data on policies, practices and outcomes related to workforce composition, promotion, recruitment, and retention rates, as well as pay practices.

**8** Forest Climate Working Group's support for the bipartisan REPLANT Act, which would enable the US Forest Service to address the millions of acres of national forests in immediate need of reforestation. The proposed legislation enables the Forest Service to plant or naturally regenerate 1.2 billion trees on more than 4 million acres over the next decade, sequestering almost 758 million metric tons of carbon dioxide. (The bill ultimately did not receive a vote.)

**9** First Peoples Worldwide's letter to the Equator Principles Association urging financial institutions to adhere to the Equator Principles' risk review policies rather than more permissive host countries' policies related to large-scale development projects in emerging economies.

**10** Forest Climate Working Groups' letter urging US Congress to support a tax incentive that encourages carbon capture and storage for forest owners, framers and ranchers.



## Engagement: Proxy Voting

Over 2020, companies in Sonen’s GPE strategy were subject to 25 shareholder proposals. A summary of common themes among these proposals is below.

ESG Issue Areas Proposals in 2020		
Environment	Social	Governance
Request to align climate reporting with Task Force on Climate-related Financial Disclosures.	Prepare annual report on diversity and inclusion efforts	Disclosure on compensation practices
	Provide annual disclosures of employment data including race and gender.	Provide report on political expenditures
		Require an independent board chair
		Reduce ownership threshold to call a shareholders’ special meeting

## Resolutions: Lead-filing or Co-filing Shareholder Resolutions

Lead-filing or co-filing shareholder resolutions often can elicit a response from corporate management.

Sonen occasionally files shareholder resolutions in instances where we identify gaps within ESG leadership in our portfolios. In 2020, Sonen finalized an agreement on a shareholder resolution that it lead-filed in 2018 seeking greater transparency in corporate political spending. In this case, the company agreed to include public disclosures on political spending as well as related policies on the company web site. This marks the conclusion of four related shareholder resolutions that Sonen filed originally in 2018.



# SDG ANALYSIS

## SNEAK PEEK

**S**onen continues to explore how it can improve impact reporting and gain a more specific understanding of how our investments are contributing to the United Nations Sustainable Development Goals.

To date, such an analysis is difficult for a number of reasons, primarily due to a lack of consistency of reported data, as well as a general level of confusion among companies about what data is specifically relevant to respective SDGs.

Around 7% of Sonen's Global Public Equity Strategy consists of thematic holdings in the energy sector – including, but not limited to clean power generation, energy efficiency, and alternative energy technology. Among our various investments in the energy sector, our holdings make significant contributions to SDG 7: “to ensure access to affordable, reliable, sustainable, and modern energy for all by 2030.” In this example, we focus on SDG 7's second target (increasing the share of renewable energy in the global energy mix) and its related indicators (Percent renewable energy share in total final energy consumption).



**Alfen N.V.** (energy distribution infrastructure) and **Orsted A/S** (clean power generation) are two excellent examples that report quantitative contributions to SDG Target 7.2.



In 2020, Alfen avoided 1.4 million tons of CO<sub>2</sub>, supplied 142,000 households with renewable energy through smart grid technology, and installed 100,000 EV charge points across 25 European cities.

In 2020, Orsted avoided 13.1 million tons of CO<sub>2</sub> from green capacity, reached an installed capacity of 7,572 MW of offshore wind capacity across 15 countries, resulting in more than 13 million tons of CO<sub>2</sub> and is on track to entirely phase out the use of coal in its energy supply by 2023.

It is apparent that while each company makes highly relevant contributions to SDG 7, and target 7.2 specifically, reported impact indicators are not identical and are difficult to aggregate. Sonen will continue to explore how such impact reporting can be made more consistent and more aligned with the data that the United Nations wishes to measure progress on SDGs.





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## APPENDICES

Bloomberg Barclays Global Aggregate Bond Index – A broad-based measure of global Investment Grade fixed-rate debt investments. The index covers the most liquid portion of the global investment grade fixed-rate bond market, including government, credit, and collateralized securities. The liquidity constraint for all securities in the index is \$300 million. Securities included will have at least 1 year until final maturity and be denominated in one of 23 eligible currencies.

MSCI ACWI - The MSCI ACWI Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. The MSCI ACWI consists of 45 country indices comprising 24 developed and 21 emerging markets country indices. The developed market country indices included are: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom and the United States. The emerging markets country indices included are: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand and Turkey.

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