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Son en Capital is a dedicated investment management firm deeply committed to the development of the impact investment field. Our name is derived from Social and Environmental investing, and reflects our values and our conviction that investing to generate financial returns and lasting social and environmental impact are not only compatible, but also mutually reinforcing objectives.
# Impact Investing Defined

<table>
<thead>
<tr>
<th>Traditional Investing</th>
<th>Responsible Impact Investing</th>
<th>Sustainable Impact Investing</th>
<th>Thematic Impact Investing</th>
<th>Impact First Investing</th>
<th>Philanthropy</th>
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<tbody>
<tr>
<td><strong>Competitive Returns</strong></td>
<td><strong>ESG Risk Management</strong></td>
<td><strong>ESG Opportunities</strong></td>
<td><strong>Maximum-Impact Solutions</strong></td>
<td></td>
<td></td>
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<tr>
<td>Seeks financial returns regardless of Environmental, Social or Governance (ESG) factors</td>
<td>Investments are screened out based on ESG risk</td>
<td>Sustainability factors and financial returns drive investment selection</td>
<td>Targeted themes and financial returns drive investment selection</td>
<td>Social and environmental considerations take precedence over financial returns</td>
<td>Financial returns disregarded in favor of social and environmental solutions</td>
</tr>
</tbody>
</table>

**Negative Screens:**
- Tobacco
- Alcohol
- Weapons
- Gambling
- Pornography
- Nuclear Energy

**Factors Considered:**
- Carbon footprint
- Resource use
- Waste reduction
- Compensation
- Product safety
- Gender equality

**Solutions For:**
- Climate change
- Population growth
- Urbanization
- Water scarcity
- Food systems

**Support For:**
- Innovation & Risk Taking
- Proof of Concept/Pilots
- Enabling Environments
- Commercial Capital Leverage
Impact – The Opportunity

» Sustainably-managed assets growing faster than the financial industry at large.

» Catalyzing this growth is the view that private assets, not just government and philanthropy, are needed to solve global challenges.

» Studies have shown that social impact is important to 92% of high-net-worth individuals.


2. Chart source: US SIF Foundation

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Sonnen Impact Methodology

**Develop Strategy and Framework**
- Identify social & environmental objectives
- Develop aligned framework for impact
- Identify key indicators
- Identify industry and sector benchmarks

**Implement Impact Strategy**
- Integrate impact with investment process
- Develop assessment methodologies
- Train impact managers on best practices
- Management of systems and processes

**Monitor & Report**
- Dashboards for portfolio impact performance
- Deep dive performance analyses, quantitative and qualitative reporting
- Impact relative to sector benchmarks
- Shareholder advocacy related to ESG improvement
Shareholder Engagement & Advocacy
## Sonen Shareholder Engagement & Advocacy

### Climate
- **Portfolio Decarbonisation Coalition** (UN Climate Summit)
- CERES, **Investors Network on Climate Risk** (INCR)
- CDP Forests Program
- SPX Corporation – Dialogue and agreement on targets towards sustainability and carbon disclosures
- Investor Statement in Support on Limiting Methane Emissions from the Oil and Gas Industry
- **CDP (Carbon Disclosure Project)** letters sent to non compliant companies

### Human, Environmental & Animal Health
- **Chemical Footprint Benchmarking Project**
- **Farm Animal Investment Risk & Return** (FAIRR)
- **The Business Benchmark on Farm Animal Welfare** (BFAW)
- Letter to companies around antibiotics overuse in livestock supply chains
- Letter regarding labor rights in cotton farming

### Transparency & Governance
- **Certified B Corporation**
- GIIRS Rated Platinum – (score: 128)
- Thirty Percent Coalition
- **Investors Initiative on Sustainable Stock Exchanges** (IISE)
- Covanta – Dialogue and agreement on political transparency disclosures
- Letter to Department of Labor Secretary Tom Perez regarding Shareholder Guidance
Sonen 2015 Shareholder Engagement

**Sonen’s Corporate Engagement**

Sonen’s shareholder advocacy and corporate engagement efforts are focused on improving the sustainability performance of the companies in which our strategies invest.

While corporate policy changes are incremental in nature, we believe that over time such shifts can result in sustainability at scale, and further reflect investor intentionality.

An explicit interest in ESG issues on the part of shareholders sends a clear and important message to corporate management that it is accountable to investor expectations around sustainability performance and disclosure.

<table>
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<tr>
<th>Company</th>
<th>Shareholder Engagement Summary and Outcomes</th>
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<tr>
<td>SPX Corporation*</td>
<td>Sonen filed and withdrew a shareholder proposal requesting the SPX Corporation issue a comprehensive annual sustainability report addressing sustainability risks and opportunities. The Company agreed to disclose agreed upon sustainability information on a set timeline, beginning with a preliminary sustainability report including data on waste, water, emissions and energy.</td>
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Chemical Regulation and Investor Risk

- “Innocent until proven guilty”

- Regulation & risk

- Proxy for strong ESG program, corporate governance, supply chain MGMT

- Cost of externalities

- Investor interest and future disclosure requirements:
  - Chemical Footprint Project endorsed by investors w assets totaling over $2.1 trillion

Chemical Regulation and Investor Opportunity

- **Trend towards health & well being**
  - ~40% of global consumers want environmentally friendly benefits and no harsh chemicals from their cleaning products. (Nielsen)

- **Market opportunities / new investments**
  - Green chemistry market expected to increase to $100B by 2020. (2)

- **Regulation and compliance:**
  - Increased requirement from major distribution channels to comply with chemical disclosure i.e. Walmart, Target, etc.

- **Growth opportunity for brands who focus on human and environmental health:**
  - Established food co’s have acquired 89 organic food brands since 2000. Of the 38 which published values, total was $24.1B. (3)

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1. Nielsen, April, 2016: “Consumers Come Clean – About Cleaning Product Preferences”
3. Safer Made research

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- Growing stakeholder and consumer concern
- Insight into chemical management and supply chain management
- Proxy for strong supply chain management, awareness of ESG risks and strong corporate governance
- Engagement – those that do not address the issue can find themselves a target
- Investment decision ideas
- CFP as a roadmap for improvement