One Earth ETF

HOLD the MARKET, VOTE for CHANGE

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WHY AREN’T WE CREATING IMPACT IN PUBLIC MARKETS?

TRADITIONAL INVESTORS

Short-term focus ignores long-term risks

ESG PRODUCTS

Divestment fails to influence poor performers

THE FIRM

Foregoes resilience; Sacrifices long-term value
Don’t divest.

Engage.

OneEarth ETF

A passive fund that engages our largest companies to increase value and create sustainable impact.

HOLD the MARKET, VOTE for CHANGE
OneEarth ETF

1. VEHICLE
2. IMPACT
3. SCALE
THE VEHICLE
THE VEHICLE

1. PRODUCT OVERVIEW
   A passively managed index fund to track market returns.
   
   - **Vehicle**: Exchange Traded Fund
   - **Ticker**: ONEE
   - **Target Fund Size**: $1,000,000,000
   - **Asset Class**: U.S. Public Equities
   - **Benchmark**: S&P500
   - **Number of Holdings**: 505
   - **Expense Ratio**: .10%

2. A PASSIVELY MANAGED FUND
   Capitalizing on the trend toward passive investing.

3. COMPETITIVE FEE STRUCTURE
   Average annual fees for U.S. stock mutual funds.

   - **Passively managed**
     - 0.10%
   - **OneEarth ETF**
     - 0.10%
   - **Actively managed**
     - 0.77%

4. RETURNS THE MARKET
   Tracks the returns of the S&P500.

<table>
<thead>
<tr>
<th></th>
<th>1 Year</th>
<th>3 Year</th>
<th>5 Year</th>
<th>10 Year</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>11.96%</strong></td>
<td><strong>8.87%</strong></td>
<td><strong>14.66%</strong></td>
<td><strong>6.95%</strong></td>
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**IMPACT GOALS**

1. **MEASUREMENT**
   What gets measured, gets managed.
   - Measure financially-material ESG factors
   - SASB accounting practices in 10-K filings
   - Increase accessibility and transparency of ESG data

2. **PERFORMANCE**
   Meet companies where they are.
   - Benchmark material ESG performance for long-term value
   - Set targets based on sub-sector metrics
   - Publish requests and drive transparent engagement
MEASURABLE CHANGE

Five-step process to drive measurable impact in public markets.

STEP 1. MEASURE reporting and behavior

STEP 2. BENCHMARK to set targets

STEP 3. PUBLISH requests to companies

STEP 4. ENGAGE with management

STEP 5. VOTE PROXIES when practical

EXAMPLE – ELECTRIC UTILITIES

<table>
<thead>
<tr>
<th>Duke (DUK)</th>
<th>Southern (SO)</th>
<th>NextEra (NEE)</th>
<th>Exelon (EXC)</th>
<th>American (AEP)</th>
</tr>
</thead>
<tbody>
<tr>
<td>% with Sustainability Reports</td>
<td>100%</td>
<td>% in SASB compliance</td>
<td>0%</td>
<td>Average Bloomberg Disclosure Score (out of 100)</td>
</tr>
</tbody>
</table>

MEASURE

BENCHMARK

Emission Rates (lbs/MWh)

Megawatt hours (MWh)

Source: CERES Benchmarking
Air Emissions, 2016
HARNESSING EXISTING TRENDS

- Proxy Voting
- SASB Materiality
- Companies Adopting Standards
- Passive Investing
- ESG Investing
- Institutional Investors
- One Earth ETF

VEHICLE IMPACT SCALE
TARGETING LONG-TERM INVESTORS

1. INSTITUTIONAL INVESTORS
Focus on pensions, endowments, & foundations.

- $500 billion flowed into passive investment vehicles last year
- Long investment horizon with ESG risk exposure
- Mitigating reputational risks and conflicts of interest

2. MILLENNIALS
Building into retail channels for scale.

- Projections show $30 trillion of wealth transfer
- Values-based investing that align with their ideals
- Benefits of market returns for portfolio growth
MEASURING SUCCESS

**FUND**
- $ Assets under management
- % Growth YoY
- # Shareholders

**COMPANIES**
- % Reporting SASB
- # Successful engagements
- % Improvement on target materiality metrics

**COMMUNITY**
- $ External capital leveraged
- # Field-building materials published
- & ONEE shareholder voice and participation
A passively managed exchange-traded fund (ETF) that achieves risk-adjusted market-rate returns while using shareholder engagement and proxy voting to change the behavior of the largest companies in the public market.
MATERIALITY, NOT MORALITY

MATERIALITY
Extent to which information in financial statements is considered to have an impact on users’ decision making.

MATERIALITY OF ESG
Growing body of evidence that demonstrates the materiality of environmental, social, and governance factors.

ENVIRONMENTAL
- carbon emissions
- renewable energy sourcing
- water & wastewater management

SOCIAL
- employee satisfaction
- employee health & safety
- supply chain labor standards

GOVERNANCE
- board diversity & female directors
- bribery and ethics
- long-term orientation

**Materiality Map**

<table>
<thead>
<tr>
<th>Environment</th>
<th>Health Care</th>
<th>Financials</th>
<th>Technology &amp; Comms</th>
<th>Non-Renewable Resources</th>
</tr>
</thead>
<tbody>
<tr>
<td>GHG emissions</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Air quality</td>
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<td></td>
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<tr>
<td>Energy management</td>
<td></td>
<td></td>
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<tr>
<td>Fuel management</td>
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<tr>
<td>Water and wastewater</td>
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<td></td>
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<td></td>
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<tr>
<td>Waste and hazardous materials</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Biodiversity impacts</td>
<td></td>
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`Dark Green`: Issue likely to be material for more than 50% of industries in sector
`Light Green`: Issue likely to be material for less than 50% of industries in the sector

©2017 SASB™ Materiality Map™
EVIDENCE OF APPETITE

1. ESG

Bank of America estimates that $20 trillion will flow into U.S.-based ESG funds over the next few decades.
   - WSJ

Global sustainable investment strategy assets now total $22.89 trillion dollars.
   - Global Sustainable Investment Alliance

Over 200 investors representing $2.56 trillion in assets have filed resolutions on ESG issues.
   - U.S. SIF

2. FIRMS

81% of S&P500 firms published sustainability reports in 2015.
   - G&A Report

Only 10% of companies are integrating sustainability metrics into financial filings.
   - SASB

Companies like Nestlé, Ford, and Tata Chemicals are using materiality maps in determining which sustainable investments to make.

3. INVESTORS

89% of global institutional investors will request sustainability information directly from companies.
   - SASB

New ESG investment policies at CalPERS, CalSTRS and NYS Common.

BlackRock and State Street request climate disclosures from portfolio companies.

State Street pushing for female board representation.
ESG MATERIALLY & DATA SOURCES

1. EVIDENCE OF MATERIALITY

Growing body of evidence that demonstrates the materiality of certain ESG factors.


2. DATA SOURCES

Varied and important sources of data for guiding decision making and benchmarking.

A. Sustainability Reports

B. Third-Party Providers
   - MSCI
   - RepRisk
   - TruCost
   - Sustainalytics
   - CDP
   - Bloomberg
   - Thomson Reuters
OPERATIONAL BUDGET & GROWTH

<table>
<thead>
<tr>
<th></th>
<th>Phase 1</th>
<th>Phase 2</th>
<th>Phase 3</th>
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<tbody>
<tr>
<td><strong>Size of Fund</strong></td>
<td>1,000,000,000</td>
<td>2,000,000,000</td>
<td>5,000,000,000</td>
</tr>
<tr>
<td><strong>Fee</strong></td>
<td>0.10%</td>
<td>0.10%</td>
<td>0.10%</td>
</tr>
<tr>
<td><strong>Total Fees</strong></td>
<td>$ 1,000,000</td>
<td>$ 2,000,000</td>
<td>$ 5,000,000</td>
</tr>
<tr>
<td><strong>Salaries</strong></td>
<td>500,000</td>
<td>1,250,000</td>
<td>3,500,000</td>
</tr>
<tr>
<td><strong>Operations</strong></td>
<td>100,000</td>
<td>400,000</td>
<td>500,000</td>
</tr>
<tr>
<td><strong>Launching the Fund</strong></td>
<td>300,000</td>
<td>-</td>
<td>500,000</td>
</tr>
<tr>
<td><strong>Marketing &amp; Outreach</strong></td>
<td>50,000</td>
<td>150,000</td>
<td>400,000</td>
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<tr>
<td><strong>Legal fees</strong></td>
<td>50,000</td>
<td>200,000</td>
<td>600,000</td>
</tr>
<tr>
<td><strong>Total Costs</strong></td>
<td>$ 1,000,000</td>
<td>$ 2,000,000</td>
<td>$ 5,000,000</td>
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Additional scenario includes an initial .25% expense ratio targeting first movers to cover expenses.

The majority of expenses will be allocated for salaries. As the fund size increases, the team will grow from 3 to 6 to 10.
# RISKS AND MITIGANTS

<table>
<thead>
<tr>
<th>RISK FACTORS</th>
<th>MITIGATION / FEASIBILITY</th>
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</table>
| ONEE fails to scale to the proportions necessary for engagement and impact | Appeal to:  
- Long-term investor demographics  
- Focus on environmental risks and universal ownership  
Focus on:  
- Building alliances to facilitate voting blocs  
- Benefits of diversification and low-cost, passive investing  
- Ability to actively engage with “screened out” firms |
| Cannibalization of existing ESG |  
- ONEE has greatest appeal to passive index investors (Vanguard, Blackrock, etc.)  
- ONEE is distinct alternative to typical ESG: separate and complementary |
| Reputational Risk for Institutional Investors |  
- ONEE is a standalone product  
- Platforms not directly exercising shareholder activism, and not directly challenging firm management |
SHAREHOLDER PROXY VOTING

“Proxy voting is the sleeping giant of the investment world: an enormously powerful tool if used thoughtfully to shape corporate behavior.”

- Julie Fox Gorte, PaxWorld

- Key aspect of corporate governance, **but is often underutilized by mutual funds**
- *Any shareholder* can introduce resolutions.
- Managers **often negotiate** to implement proposed changes in exchange for withdrawal of resolution.
- Votes often prompt a response from management **when support is > 10%-20%**.
- Organizations and services like *Ceres, Proxy Impact*, and *As You Sow* are demystifying the voting process and empowering individual investors.
- **There has not been an organized, comprehensive push to scale an impact fund that leverages proxy voting.**

Millennials are poised to inherit wealth and invest that wealth in a way that aligns with their values. 
- **92 million** millennial investors are anticipated to inherit up to **$30 trillion** in the next 30-40 years 
- **84%** of millennials are interested in sustainable investing 
- Millennials are **twice as likely** as other cohorts to invest in companies and funds that target specific social and environmental outcomes

OneEarth ETF will access millennial investing through brokerage services and other retail channels, including:
- Vanguard 
- Blackrock 
- State Street 
- Charles Schwab 
- TD Ameritrade 
- Fidelity 
- E-Trade

Sources: Morgan Stanley, “Sustainable Signals”; Goldman Sachs, “Our Thinking”