



BUILDING RESILIENCE



CLEAN YIELD
ASSET MANAGEMENT

Dear Friends,

The world has changed so much since our last report, printed in February 2019, that in many ways it feels unrecognizable. We named that publication “Building Resilience” because of the challenges we saw in our tumultuous environmental, political, and social worlds. During the past year, those challenges have become urgent tests of our systems—revealing the deep scars of racial injustice, economic inequality, social isolation, environmental devastation, and political dysfunction. People have shown tremendous resilience during this time, and we know that there is so much more to learn and do.

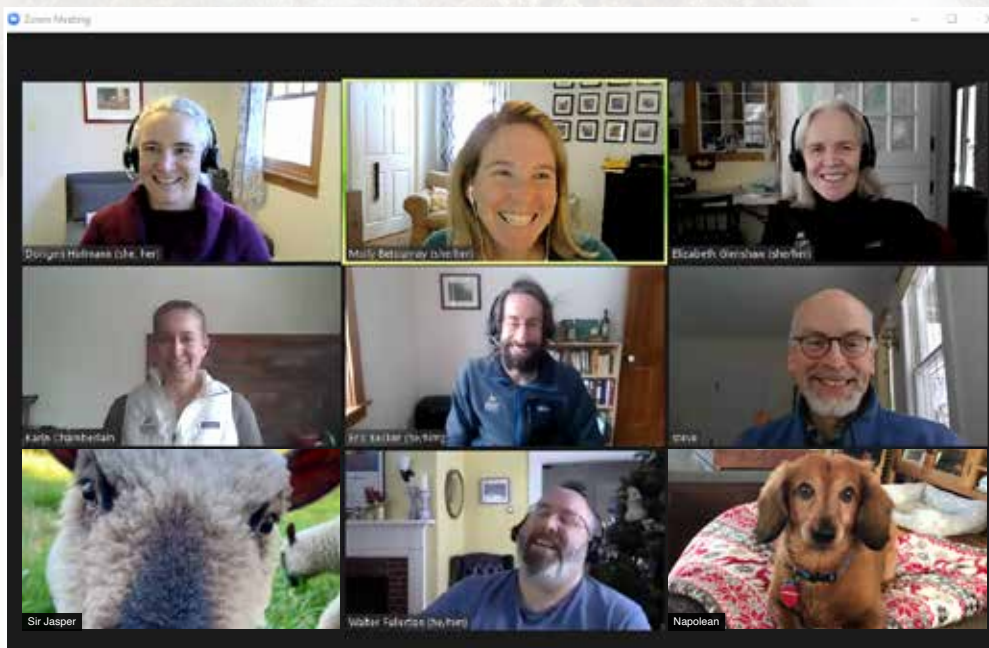
To that end, this year we are highlighting some recent bright spots and reporting on our own environmental footprint. Much of this work in 2020 was related to raising our own consciousness, tackling issues around equality, and striving to become an anti-racist business during a year overwhelmed by COVID-19. In addition, we have been looking for ways to help curb the impact of climate change on vulnerable populations.

We hope that talking about this work in print will amplify our thoughts and encourage our readers to take further action. We appreciate that many in our community have years of experience with these topics and hope that they will join us in deepening our knowledge and finding solutions. Whether by directing investment dollars, calling out unjust policies, or actively seeking more regenerative systems, we hope our work will have meaningful impact.

While the last year has been one of challenges, it has deepened our relationships with each other, our clients, and our community—and improved our ability to laugh at ourselves! We are grateful to you and welcome your feedback and thoughts on our work.

Warmly,

The Clean Yield Team



Getting Started on Diversity, Equity, and Inclusion

A few years ago, Clean Yield published a print report for clients for the first time in nearly 10 years. We were proud of the finished product, but the process of creating the report surfaced a hard truth that we simply could not gloss over: The Vermont aesthetic that imbues our materials and website lacks racial diversity. Further, it frequently portrays white privilege, which is at odds with the just, inclusive economy we seek. This realization inspired us to examine not just our look, but how we live and act.

Since that report, we have committed to working on diversity, equity, and inclusion (DEI). We started our journey by participating in the 21-Day Racial Equity Challenge hosted by Food Solutions New England. We then organized and participated in community-based cultural competency training called We All Belong throughout Vermont, led by CQ Strategies. Expanding the circle, we reached out to a few local businesses, fellow B Corps, and another like-minded group and asked if they would join us. Shortly thereafter, we had the CEOs and senior leadership teams from some of the Upper Valley's most influential businesses in a room for three full days over three months.

Coming out of We All Belong, Clean Yield developed a DEI plan focused on addressing racism within our spheres of influence. Early in 2020, we decided to focus on developing impact investments aimed at providing capital to companies and funds led by or supporting people of color. We then committed to adding racial equity and justice criteria to our screening and advocacy program. Perhaps most importantly, we decided to invite our clients into the work.

We invited a group of Clean Yield clients to join our team for a five-week series aimed at understanding bias racism, building cultural competence, and identifying ways to become change agents. Going forward, this group is poised to identify ways that we can use our power and privilege to chip away at racism—at the individual, institutional, and systems levels. We look forward to going deeper and inviting more clients into this critical work soon, and we encourage you to reach out to us to learn more.

We know that there is much more work to be done and certainly don't claim to have this figured out yet, but we have a place to begin and we are committed to continuing the hard work of making our communities and economy more just and inclusive.

King Arthur Baking, Mascoma Bank, and the Lyme Timber Company were just a few of the regional businesses that joined the Clean Yield team and CQ Strategies for three days of We All Belong cultural competency training last winter.



2020 Engagement Update

At Clean Yield, we believe in the power—and the privilege—of active stock ownership. The power allows us to elevate different perspectives to spark lasting changes that serve long-term shareholders and stakeholders. This privilege carries responsibilities, including informed proxy voting. We believe that helping companies identify and address environmental and social issues is both morally right and in our clients’—and companies’—best interests.

This past year, Clean Yield focused its engagements in three areas: **workplace equity and inclusion, climate change, and healthy democracy**. Our engagements with Wells Fargo and Mid-America Apartment Communities exemplify Clean Yield’s advocacy program.

Wells Fargo

In recent years, we have pressed companies on their workplace practices, specifically their employment clauses related to workplace harassment and discrimination. Given the long

histories of harassment and discrimination at the big banks and their stated commitments to workplace diversity and inclusion, and their interest in leadership on these issues, we saw an opportunity to focus on them. Previous work on pay equity reporting also indicated that leadership can have a ripple effect: When one bank elevates a new best practice in an area, the others may follow suit.

On February 12, 2020, in response to Clean Yield’s shareholder proposal, Wells Fargo announced it would stop using mandatory arbitration for workplace sexual harassment claims going forward. As the first major national bank to take this step, Wells Fargo both took the lead and joined the ranks of companies that have ended the use of mandatory arbitration for workplace sexual harassment claims, including Microsoft, Facebook, and Google. Clean Yield and other shareholders are now working on filing proposals at other banks asking them to review similar clauses.



Mid-America Apartment Communities

According to the Alliance to Save Energy, buildings use 70% of the country's electricity and account for more than a third of the country's greenhouse gas emissions. Increasing building efficiency represents a significant opportunity to reduce greenhouse gas emissions—as well as reap cost savings. In response to Clean Yield's request, Mid-America Apartment Communities published its first sustainability report, complete with greenhouse gas emissions figures and reduction goals, as well as plans to reduce its environmental impacts across the organization.

Shareholder pressure on companies is the key to unlocking changes like these. Clean Yield and other shareholders have filed proposals at several companies asking them to review their climate change policies and goals and move forward to a more equitable and low-carbon future.

CURRENT CLEAN YIELD ENGAGEMENT THEMES

Reduce toxic chemicals
in consumer products

Improve workplace practices
in response to COVID-19

Reduce pesticides in the
agricultural supply chain

Oppose drilling in ANWR

Eliminate fossil fuel
financing

Remove racist names
from NFL teams

Racial Equity and Justice

Clean Yield has a long history of holding companies accountable on diversity, equity, and inclusion, which includes extending protections for LGBTQ employees, disclosing workforce diversity data, and promoting board diversity. This year, Clean Yield is sharpening its focus on racial equity and justice. Beginning in 2021, Clean Yield will vote against slates of directors that lack racial and ethnic minorities, building on Clean Yield's tradition of voting against boards that lack gender diversity.



Investing for High Impact

Since early 2020, we have focused more of our impact investment program on identifying opportunities to invest in organizations working toward racial justice. We are fortunate to have found some outstanding organizations that think systemically about the intersection of racial equity, economic opportunity, and climate justice. We continue to seek out more vehicles to direct our clients' capital into these critical areas. Here are two examples of organizations in which we are proud investors.



Climate protestors on the lawn in front of the Vermont State House. Photo by Jim Mendell.

We take a particular focus on opportunities that support farmers who are adapting to the changing climate and investing in the health of their soil, and those that provide equitable access to underserved communities in support of a just transition. This year we want to highlight two such engagements.

Sunwealth

While solar installations are booming across the United States, marginalized communities have lagged behind in taking advantage of solar energy. That is despite low-income communities and

communities of color being disproportionately threatened by the effects of climate change. While most solar investments focus on environmental impact and job creation, Sunwealth, a clean energy investment firm specializing in commercial-scale solar projects, is one of the few that focuses on social and racial justice. Sunwealth's mission is to democratize solar by financing commercial solar projects in underserved markets. By identifying partners who can take advantage of tax credits and applying standardized processes and procedures,

Sunwealth has found efficiencies that make small-scale commercial solar projects viable. Thanks to advocacy efforts by Sunwealth and other solar justice advocates, the 2020 expansion of the Solar Massachusetts Renewable Target (SMART) program included a focus on projects that benefit low-income communities and small and medium commercial solar projects.

Most recently, Sunwealth developed the largest solar installation at a house of worship in Massachusetts: 302-kilowatts. The project will fully offset the congregation's electricity usage and provide affordable community solar

power for 15 low-income households. With diversity in both management and communities served, Sunwealth is a leader in addressing racial injustice and systemic racism in the renewable energy sector.

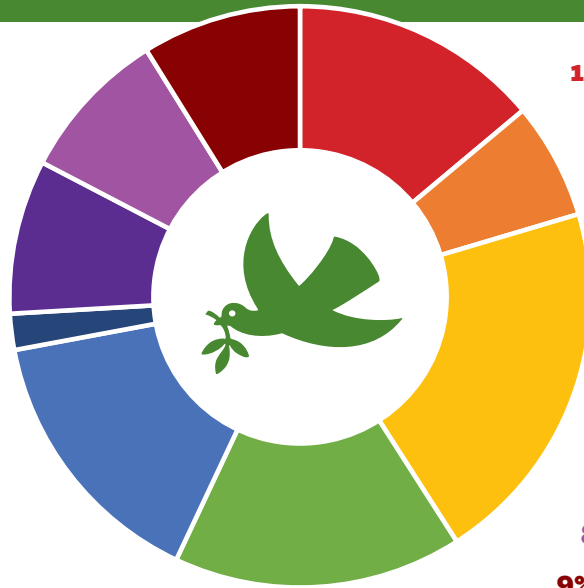
Boston Impact Initiative

According to the Brookings Institution, Boston is the number one city in the U.S. for income inequality. The Boston Impact Initiative Fund (BII Fund) believes that there will not be any change in the fundamental conditions that contribute to persistent poverty and injustice unless and until there are more

opportunities for people to own and control their futures. It is estimated that the average cost for getting a start-up business off the ground is between \$30K and \$50K. Many entrepreneurs rely on some form of “bootstrapping” for initial growth through a combination of their own savings and credit, along with support from friends and family. This type of reliance on family and community support for early financial investment is nearly impossible when the asset base in the entrepreneur’s neighborhood is essentially nonexistent. The BII Fund is addressing this structural economic inequality by facilitating investment of integrated capital in enterprises founded by those most oppressed or abandoned under the current economic system, thereby improving the productive capacity of communities of color. Several of the fund’s companies are thriving during the COVID-19 pandemic, including MeetCaregivers, an online homecare matchmaker specifically for eldercare, and CareAcademy, which provides training for home

health aides, non-medical caregivers, and personal care aides. **MeetCaregivers** pivoted from serving clients whose parents lived at home with them to serving nursing homes whose staff have been hard hit by COVID-19. **CareAcademy** created a special COVID-19 training program and had over 90,000 views of its free webinar.

2020 IMPACT INVESTING PERCENTAGES BY THEME



- 14% Affordable Housing**
- 6% Cooperatives**
- 20% Food/Regenerative Agriculture**
- 16% Renewable Energy**
- 15% Social Justice**
- 2% Racial Equity/
Focus on Minority
Entrepreneurs**
- 9% Focus on Women
Entrepreneurs**
- 8% Sustainable Forestry**
- 9% Other**

Ask us about similar investments:

- Iroquois Valley Farms REIT
- SunCommon
- Calvert Impact Capital
- High Mowing
- Self-Help CU
- Root Capital



Josefina Luna, founder and CFO of CERO, a worker-owned cooperative focused on commercial composting, stands with the CERO team by green CERO collection bins. Clean Yield clients invest in CERO through the Boston Impact Initiative, where it is a portfolio company. Photo Courtesy of CERO.



We Invite You to Join Us at Night School

We started inviting our clients to “Night School” in a column in the Clean Yield newsletter in the 1980s. From our perspective, the more educated an investor is, the better we can help them make the wise choices that result in a positive impact. If you are going to pick a path that veers from the conventional wisdom, it is important to make smart decisions and be confident in the reasoning behind those choices. While some of our clients did study quite a bit of economics in school or may have deep experience managing their own investments, many are less comfortable in those areas, so we offer the opportunity to fill in some of those gaps at Night School. We share these lessons on CleanYield.com and invite people to reach out if they have more questions.

This past year, we touched on these topics, among others.

Asset Allocation

Asset allocation is the mix of different types of investments in a portfolio. It provides risk reduction through diversification and requires initial and

ongoing decisions based on an investor’s goals, circumstances, and changing market conditions. It’s the “don’t put all your eggs in one basket” approach to investing. In Night School, we cover asset allocation from the basics through explaining and defining different components such as stocks, bonds, and cash holdings.

We also discuss more complex vehicles, including real estate investment trusts (REITs) which are real estate companies whose shares are traded on stock exchanges, and American Depositary Receipts (ADRs), which give U.S. investors a convenient way to invest in foreign stocks without having to convert to foreign currencies and trade on foreign exchanges.

The bottom line is diversification matters, and choosing the right mix of assets—not just the right stocks—can materially impact performance. Dividing those eggs between baskets can make all the difference. At Clean Yield, we develop customized investment policies for our clients that reflect their specific financial goals, risk tolerance, income needs, and social values.



Bond Basics

At Clean Yield, we manage many balanced portfolios, which include both stocks and bonds. Though stocks usually grab the headlines, bonds also play a critical role as the ballast in many portfolios. We start our Night School lesson by explaining what exactly a bond is, including “coupon” rates of interest and why bonds are called “fixed income” securities. Then we dive into Bond Math and explain why a bond’s price in the bond market fluctuates based on supply and demand. We offer a primer on Credit Quality and Credit Ratings (AAA to AA+, AA, and so on). Then we give an overview of bond investment strategies, including Clean Yield’s approach.

We typically ladder a bond portfolio with U.S. government agency (or municipal or corporate) bonds that come due within five to seven years. U.S. government obligations are considered “risk free,” because the government can “print” more money if needed to repay maturing bonds. This strategy reduces market fluctuations and ensures maturity at face value.

Modern Monetary Theory (MMT)

Why, you might ask, is Clean Yield writing about an arcane economic theory in the midst of a pandemic and economic implosion? We were already planning to write about it due to its emergence as part of the progressive agenda to pay for Medicare for All and the Green New Deal. Now, with the Federal Reserve injecting trillions of dollars into the economy via asset purchases and the federal government spending trillions more to prop up the economy, it’s more important than ever to consider alternatives to conventional economic theory.

The essence of MMT is that a government that borrows in its own currency can never have too much debt. The government spends to implement its policies, then simply prints enough money to pay for them. This is enticing, especially now that the U.S. government has the most debt relative to the size of the economy since the end of World War II. And more debt is piling up, as the government is already spending several trillion dollars to try to bail out key sectors of the economy.

We encourage you to visit CleanYield.com to read the whole story of these and many other topics.



Our Footprint

Clean Yield is incorporated as a Vermont Benefit Corp and is a certified B Corp. We are committed to lessening our environmental impacts and being a force for good within our communities, as an employer, and in relationships with our clients.

Our biggest environmental impacts are our electricity usage (which includes heating and cooling our Norwich office), employee commuting, and business travel. While we have seen significant pandemic-related reductions in our environmental impact, we are mindful that we still must lessen our environmental impacts as we emerge. Clean Yield purchases our electricity through Green Mountain Power's CowPower program and offsets the balance of our GHGs with NativeEnergy.

Clean Yield's Electricity Use (kWh)

| Year | Total Electricity Use |
|------|-----------------------|
| 2018 | 16,969 |
| 2019 | 20,468 |
| 2020 | 14,717 |

Clean Yield's Greenhouse Gas Emissions (tonnes CO₂e)

| Year | Total Gas Emissions |
|------|---------------------|
| 2018 | 27 |
| 2019 | 21 |
| 2020 | 7 |

We offer a generous health and benefits package, which earned us the honor of "Best for Workers" from B Corp for several years. In an industry where the pay multiple between CEOs and median workers can top 150 to one, we're proud that the ratio of our highest-paid, full-time salary to our lowest-paid is four to one.

We volunteer our time and expertise and support local organizations with philanthropic capital. The firm contributes 1% of revenue to charitable organizations annually. Each employee is given \$2,000 to donate to the charity of their choice. Clean Yield employees serve on a number of boards, including Vermont Public Radio, Sterling College, municipal boards, local conservation commissions, and education committees. While our volunteer activities were slightly scaled back in recent years, we look forward to increasing our volunteer activities as we emerge from the pandemic. In 2020, we estimated that we volunteered nearly 4% of our time to these and other organizations.

Clean Yield's Volunteer Hours

| Year | Total Hours Volunteered |
|------|-------------------------|
| 2017 | 601 |
| 2018 | 640 |
| 2019 | 586 |
| 2020 | 487 |

We seek to increase the racial and ethnic diversity of our team, our supplier base, and within our investments. Our company is two-thirds women-owned. Over the past year, we have offered our clients the opportunity to join us in a series called Race, Power, Privilege and Being a Change Agent. We believe that each of us has a responsibility to address systemic racism within our spheres of influence and we are deeply committed to doing our part. We look forward to engaging more clients in this important work in the years ahead.

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Giving for Maximum Impact: Universal School Meals

A few years ago, Clean Yield committed to aligning its philanthropic giving to try to move the needle on a certain issue: making Vermont the first state in the country to feed all children, regardless of need, breakfast and lunch at school. Earlier this year, our partners at Hunger Free Vermont introduced a universal school meals bill for the State. The pandemic paused the bill's progress, but universal school meals took a giant leap forward on the national stage. How? As part of COVID-relief legislation, Congress enabled the USDA to waive eligibility requirements for school meals programs. Every child could have school lunch free of charge. And it worked! Vermont, along with the rest of the country, fed any kids who wanted food, and in doing so, helped meet kids' most basic needs, worked to keep them ready to learn, and relieved one stressor for families. As the federal programs roll off, we are keeping our focus on universal school meals in Vermont.

As we begin a new legislative session in Vermont, the pieces are in place. We have a bill, we have the cost analysis, we have detailed materials, and we have a real-life experiment to draw from. Watch this space.



