

BUILDING RESILIENCE

2022 Benefit Report



Building Resilience

Dear friends,

Our team at Clean Yield has more than 100 years of collective experience as social investment practitioners, yet we still regularly ask ourselves the question of whether we are making enough of a difference in the world. Faced with the existential crisis of climate change and the glaring social inequities that persist around the globe, our work can feel utterly insufficient. And, of course, it is insufficient on its own. There are two important things to remember: 1) Our work does make a tangible difference in people's lives, and 2) we are not alone. Social investing is one tool in the change-making toolbox. Real impact is made through the work of a broad array of advocates using a wide variety of approaches to push in a common direction. And it works.

There are at least four ways that social investors have meaningful impact:

- 1. Shareholder advocacy and proxy voting.** There is a long track record of companies adopting more-progressive policies in response to shareholder engagement efforts.
- 2. Policy advocacy.** The social investment community has played a key role in advocating for regulators to require greater corporate transparency on a range of issues, from climate risk to political contributions.
- 3. Impact investing.** Community loan funds direct low-cost capital to support affordable housing, child care, and small businesses in communities where capital is hard to access due to historical redlining and discrimination. Other impact investments provide crucial capital to emerging mission-based businesses that offer solutions to societal and environmental challenges.
- 4. Social and environmental screening.** Many corporate managers want their companies to be viewed as good corporate citizens and aim to be included in indexes or portfolios of sustainable or socially responsible stocks. Many companies have improved their policies and disclosures in order to do so.

In this report, you will find stories about how Clean Yield has put these approaches into practice over the past two years, particularly in our focus areas of **Equity and Inclusion, Climate and Environment, and Political Involvement and Democracy.**

This report also provides an update on our company’s Diversity, Equity, and Inclusion work, which we have been engaged in since early 2019. We have come a long way as a team in our understanding and our actions around racial justice, but we know that we’re early on a journey that doesn’t have an end—there will always be more to do.

We have also included an update on our philanthropic efforts to support our partners at Hunger Free Vermont in their campaign to make Vermont one of the first states to provide breakfast and lunch to all students, free of charge, every day.

We’re proud of the work we do pushing for a more just and regenerative world, but we’re also humble in our knowledge that ours is but one of countless efforts with similar aims.

Thank you for your interest and support.

The Clean Yield Team ■



Left to right: Eric Becker, Jenny Ly, Dorigen Hofmann, Elizabeth Glenshaw, Steve Lehman, Karin Chamberlain, Mary Lou Robinson, Molly Betournay, Walter Fullerton





Shareholder Advocacy

In 1928, Calvin Coolidge coined the term “brave little state” in reference to his home state of Vermont. As a company founded in Vermont’s Northeast Kingdom, we have long embraced this motto in our aim to have outsized impact. This commitment is apparent in Clean Yield’s shareholder advocacy program, where we use our time, energy, and resources—coupled with the rights and responsibilities afforded shareholders—to drive environmental and social progress in a way that protects and enhances shareholder value.

From the first shareholder proposal that Clean Yield filed in the early 1990s to today, our commitment to sparking positive change has not wavered, though the landscape around us has shifted dramatically. At that time, there were a small number of firms that were active in shareholder advocacy. Since then, there has been significant growth in sustainable and values-aligned investing, which has correlated with more investors filing shareholder proposals and supporting environmental and social proposals in their proxy voting. We are thrilled to see this new wave of engaged investors and think that this growth validates the importance of shareholder advocacy and proactive proxy voting—as well as sound corporate management of environmental and social risks.

As the context for shareholder advocacy has changed, we have refined our approach to focus on three key issue areas:

- ▶ **Advocating for equity and inclusion (including reproductive rights)**
- ▶ **Promoting a healthy democracy**
- ▶ **Addressing climate change and other environmental risks**

In each of these areas, our work aims to strengthen shareholder value while also benefiting broader stakeholders.

We have also focused in areas where we see unaddressed or under-addressed risk among the companies on our buy list, particularly small and midsize U.S.-based companies. With this approach, we aim to have the greatest impact on the companies our clients hold broadly—and on the issues that we think need a spotlight and that might not otherwise get it. This approach is a nod to the emerging concept of double materiality—i.e., we focus on the issues that present material risk or impact on the companies we hold, AND we focus on the issues where our work can have a material impact on an issue.

Equity & Inclusion

Clean Yield expresses its commitment to equity and inclusion through its shareholder advocacy.

We have filed or co-filed proposals seeking diversity data disclosure, racial equity audits, reports on the risks related to the use of mandatory arbitration and concealment clauses, and information on risks related to decreased access to reproductive care.

- 1) We co-filed a proposal at Johnson & Johnson asking the board to hire a third party to perform a racial equity audit of the company. **The proposal raised particular concern about how the company allegedly marketed unsafe talc products to Black and brown women.** Our proposal earned 62% support from J&J shareholders, and in August, J&J announced that it would voluntarily end the sale of its talc-based products globally.
- 2) In 2018, ProPublica and *Mother Jones* published a report detailing **age discrimination** at IBM. There were also indications that **laid-off workers were required to agree to concealment clauses in order to receive their severance.** Concealment clauses, including confidentiality agreements, nondisparagement clauses, and mandatory arbitration provisions, are tools that companies use to mask workplace harassment and discrimination. Our proposal asking IBM to report on use of concealment clauses earned 64% support in 2022.
- 3) Due to concerns about rail company CSX's ties to slavery, **we filed a request asking the company to report on alignment between its anti-racism commitments, political involvement, and ties to slavery.** The company published a report late last year in which it acknowledged profiting from rails built by people who were enslaved and outlined how its commitment to equity and inclusion shows up in its political engagement.
- 4) We also **co-filed a diversity data disclosure proposal** at Home Depot. The company has since started reporting workforce diversity data.
- 5) We filed a proposal at Walmart asking the company to **report on how the raft of enacted and proposed state laws affecting reproductive rights and care could impact its workforce and thus shareholder value.** We continue to stay at the table with Walmart on this important issue.
- 6) We also exchanged letters with Procter & Gamble about how it ensures that employees have **access to comprehensive reproductive health care services.** The good news is that Procter & Gamble has relatively strong programs in place, but we see some areas for continued improvement.

▶ Political Involvement and Democracy

Corporations have significant influence in our democracy. Companies that choose to engage in politics invite increased legal and reputational risks (which can harm shareholder value) and thus should have robust systems and reporting in place to ensure that their contributions are aligned with corporate and shareholder interests. **A key area of focus for Clean Yield is encouraging companies to be transparent in their political activities and to identify and reduce misalignment between corporate values and political contributions.**

- 1) We filed a proposal at FedEx asking them to report on **misalignment between the company's commitment to supporting women in the workplace while funding anti-choice politicians and committing to address climate change while funding groups fighting climate legislation.**
- 2) A similar proposal that we filed at Cigna earned 46% support last year. We continue to engage with Cigna on this important issue.
- 3) In response to receiving a Clean Yield proposal three consecutive years, Loews Corporation (the holding company, not the DIY chain) agreed to **improve disclosure of its political involvement.**
- 4) We co-filed a similar proposal at ExxonMobil, and the proposal earned 31% of the vote.
- 5) Clean Yield also engaged with the Charles Schwab Corporation to raise **concerns about risks stemming from political involvement.**

The Attack on ESG

One clear indicator of the effectiveness of social investing is the pushback it has garnered recently. Republicans have launched a coordinated attack at both the state and federal levels on Environmental, Social, and Governance (ESG) investing. Right-wing politicians in states like Florida and Texas have yanked pension assets from the big firms like Blackrock that offer ESG funds. Even the governor of New Hampshire is getting in on the act. In addition, Republicans in Congress recently passed a bill that would limit the ability of pension funds to consider ESG factors when they make investment decisions. Thankfully, President Biden vetoed the bill. Meanwhile, attorneys general from several states and Republicans in Congress are threatening anti-trust legal action against ESG practitioners. While the legal grounds for any such case are extremely thin, these politicians have the investigative powers to make life very difficult for ESG firms.

We are mindful that the anti-ESG campaign is likely in its early stages. Currently, anti-ESG legislation is under consideration in many states. Should the GOP increase political control, there could be efforts to thwart ESG investing and shareholder advocacy through Securities and Exchange Commission rulemaking—rules that can be exceedingly difficult to challenge once finalized. Clean Yield is committed to providing investors with the opportunity to align their investments with their values. Through our membership in the Shareholder Rights Group, Clean Yield will continue to stand up for what we believe is a prudent and sound way to invest.



► Climate Change and Environmental Impact

Where we used to press for transparency around corporate carbon footprints and political involvement, we now look for companies to set and report on their science-based greenhouse gas reduction targets. We also engage companies around issues related to environmental health and toxic chemicals.

- 1) We were pleased to withdraw a proposal that we filed at Hain Celestial when the company agreed to **set a science-based greenhouse gas reduction target.**
- 2) We engaged with Tractor Supply Company about setting science-based greenhouse gas reduction targets.
- 3) We engaged with our real estate investment trust (REIT) holdings about reducing their climate impact, including Mid-America Apartment Communities, which we have been engaging with over a period of years. In that time, the company has expanded its emissions reporting and started setting goals.
- 4) We also had productive conversations with Walgreens and Ahold about **reducing pesticides in their agricultural supply chain.**





Check out the full list of proposals filed and co-filed by Clean Yield in 2022 and 2021:

2022

Company	Issue	Role	Result
CSX Corporation	Anti-racism and political alignment	Co-lead	Withdrawn for agreement
International Business Machines	Report on concealment clauses	Lead	64%
Johnson & Johnson	Racial equity audit	Co-filer	62%
Walmart	Reproductive care access	Lead	13%
Cigna Corporation	Political alignment	Lead	46%
FedEx Corporation	Political alignment	Lead	36%
Tractor Supply Company	GHG goals	Co-filer	Withdrawn for agreement
Charles Schwab Corporation	Lobbying disclosure	Co-filer	35%

2021

Company	Issue	Role	Result
Hain Celestial	Net-zero goal	Co-lead	Withdrawn for agreement
FedEx Corporation	Political incongruencies	Lead	37%
Walmart	Political incongruencies	Lead	Omitted by SEC
Tesla	Diversity	Co-lead	Withdrawn for agreement
Home Depot	Diversity	Co-filer	36%
Johnson & Johnson	Civil rights/racial equity audit	Co-filer	34%
Loews Corporation	Political	Lead	31%
ExxonMobil	Political	Co-filer	31%

You can view Clean Yield's proxy voting record for the 2022 proxy season at our website, www.cleanyield.com.

Racial Equity & Justice

Over the past two years, Clean Yield has continued the racial equity and justice journey that we set out on in early 2019. Clean Yield condemns racism in all its forms and is committed to using its tools and influence to end racism and promote equity and justice. We acknowledge the role that the financial services industry has played in profiting from slavery and exacerbating the racial wealth gap, and we realize that our organization hasn't done nearly enough to address this history or current inequities.

Here's what we've done since publishing our last impact report in early 2021.

Led by our colleagues at CQ Strategies, we convened a group of Clean Yield clients and staff over several months in 2021 to explore the history and elements of reparations. We looked at how we as individual wealth-holders and as a financial services firm have benefited from white supremacy, and we explored ways we could take action to begin to repair the wrongs from which we have benefited. **We concluded our work together by choosing to collectively make reparations payments to two Vermont-based BIPOC organizations.**

In 2021, our investment committee added specific racial equity criteria to our social screening process for publicly traded securities, excluding companies and sectors that benefit from or contribute to racism. We also made it explicit that we will favor companies that embrace equity and inclusion and those that provide quality products and services to people who are BIPOC.

Late in 2021, we adopted a policy to waive our management fee on new investments in catalytic below-market-rate impact investments that benefit BIPOC communities and businesses. Our intent is to increase the flow of low-cost capital to these investments by removing a barrier that might otherwise prevent our clients from investing. **We have approved three such investments to date, Oweesta Corporation, Black Farmer Fund 2.0, and Boston Impact Initiative Fund II, and we continue to seek others.** ■



Think Again Training and Consulting

In addition to finding ways that Clean Yield could press for racial justice externally, we recognize that we also need to reflect on who we are as an organization and how we can evolve into a more inclusive company. This past year, we commissioned Think Again Training and Consulting to perform a racial equity audit on our organization. **We are now engaging the entire Clean Yield team in ongoing workshops with Think Again, with the aspiration to become an inclusive, anti-racist, multicultural organization.** As a company that has historically had an all-white staff and almost all-white client base, we know we are very early in our journey. We are committed to putting the time and resources into ensuring that we continue to move forward in a meaningful way.



Impact Investing

Over the past two years, Clean Yield's impact investment portfolio has continued to grow along with our clients' interest in activating their wealth for positive change. Our clients' impact investments stood at nearly \$32 million as of the end of 2022, about 6.7% of our assets under management.

During this time, we have focused our efforts on identifying and directing capital to investment vehicles that benefit BIPOC entrepreneurs, businesses, and communities. Clean Yield acknowledges the role that the financial services industry has played in profiting from slavery and exacerbating the racial wealth gap via redlining and other forms of discrimination. Our impact investment initiative is part of our commitment to use our power and voice to push back against racism and promote equity and justice. As part of this process, we are waiving our management fees on catalytic community investments that benefit BIPOC communities and businesses. Oweesta Corporation and Boston Impact Initiative Fund II are two investments for which we waive our fee.



Oweesta Corporation—a certified Native Community Development Financial Institution (CDFI)—is a lending intermediary offering financial products and development services exclusively to Native CDFIs and Native communities. Oweesta, whose name was derived from the Mohawk word for money, was established in 1986 to address the lack of capital and financial infrastructure holding back economic development in Native communities. Oweesta serves Indigenous peoples living in persistent poverty zones and in some of the most rural locations in the United States, as well as Native American populations in several urban areas.

Maine-based Oweesta borrower NDN Fund provided seed funding for the Indian Township Enterprise to buy equity in American Unagi, the only eel aquaculture center in the U.S. Eels are a traditional food source of the Passamaquoddy Tribe of Maine, and more than half of community members harvest baby eels each spring. However, the community has faced financial exploitation over their harvests and challenges in integrating themselves in the eel value chain despite centuries of expertise. With their equity stake in American Unagi, the Tribe aims to gain more value for the eels its members catch and raise.

The mission of the Boston Impact Initiative Fund II (BII Fund II) is to build a future where entrepreneurs of color and their communities have the financial, social, and political power to create a sustainable, inclusive, and equitable economy for generations to come.

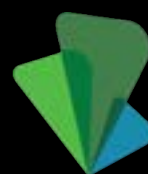
Institutional racism and discriminatory policies such as redlining and segregation have systematically denied communities of color the access and opportunity to build generational wealth. According to a 2020 Brookings Institution policy paper, the median net worth of a white family is eight times that of a Black family and five times that of a Latino or Hispanic family. According to the 2021 Color of the Capital Gap report, Black and Latino entrepreneurs in Massachusetts have an unmet capital demand of over half a billion dollars a year, 25% of which is for equity capital. And just 2.4% of venture capital in the U.S. is invested in Black and Latino founders.



To accelerate the reduction of the racial wealth gap, BII Fund II uses an innovative model that flips traditional risk-and-return ideals and reinvests excess returns into the communities where the businesses that generated those returns operate. Using an integrated approach, BII Fund II applies a mix of financial, knowledge, social, and political capital to accelerate entrepreneurial growth and wealth creation and build economic, social, and political power for communities of color by investing in regenerative local enterprises owned and controlled by entrepreneurs of color. BII Fund II also invests in communities experiencing housing and business displacement, with a goal of strengthening such communities, including investments that allow communities to own and control the real-estate assets in their communities.

Clean Yield has made a variety of other investments that direct capital to BIPOC entrepreneurs and businesses and that benefit BIPOC communities.

1) **Reinventure Capital** is a traditionally structured venture capital fund that invests exclusively in companies led and controlled by BIPOC and/or female founders.



**REINVENTURE
CAPITAL**

Radical innovation. Solid returns.


2) In 2021, the **Vermont Community Loan Fund launched the Justice Forward Fund**, a new financing and business assistance resource that serves Vermonters who have been traditionally, systemically, and generationally excluded from financial markets and services, including BIPOC Vermonters and new Americans. ►




Nothing contained in this document should be considered investment advice, and the profiles of impact investments are not recommendations. All investments contain a risk of loss and should be discussed with your investment advisor or other financial professional to determine whether they are appropriate.



Impact Investing

3) In January 2022, **the New Hampshire Community Loan Fund, alongside the Manchester, NH, NAACP, launched the Community-Driven Economic Empowerment (C-DEE) program** to provide lending and technical assistance to businesses owned by people of color. To support its new Minority-Owned Business Lending Initiative, NHCLF opened a new office in Manchester, NH. 



4) Over 20 years ago, **Coastal Enterprises (CEI) in Maine launched the StartSmart program** to help immigrants and refugees start and grow businesses. It provides capital in the form of microloans and a Sharia-compliant loan product—the only one in Maine. 





Philanthropy

Several years ago, Clean Yield decided to refocus our corporate philanthropy with the goal of having a greater impact. **We began directing our philanthropic efforts to support our partners at Hunger Free Vermont (HFVT) and their campaign to make Vermont the first state in the country to feed all children breakfast and lunch at school.** With the support of Clean Yield and a handful of other organizations, HFVT introduced Vermont's first universal school meals bill before the pandemic.



The pandemic gave universal school meals an unexpected lift. As part of COVID-relief legislation, Congress enabled the USDA to waive eligibility requirements for school meals programs. During the pandemic, all children could get access to free meals. The challenge for the team at HFVT was convincing lawmakers to keep the programs in place once the federal funding lapsed. In the 2022 session, Vermont lawmakers passed universal school meals for one year, to study the cost of the program. This new session is the must-pass session for universal school meals in Vermont. The past few years have shown that universal school meals have been a success in Vermont at relatively low cost for the state. We are hoping that universal school meals become permanent this year.

As we come to the end of the universal school meals campaign, we have begun reflecting on our more targeted approach to philanthropy. We will review what worked and what didn't and use that to inform how we continue to work to elevate the impact of our philanthropy.

In addition to our strategically focused philanthropy, **Clean Yield also allocates \$2,000 for each staff member to make contributions to the nonprofit organizations of their choice, resulting in support for a broad array of initiatives.**





Our Footprint

Clean Yield became a certified B Corp and incorporated as a Vermont Benefit Corp in 2011 but has been committed to being a force for good since our founding in 1984. We aim to use our resources to have a positive impact in relation to our communities, employees, clients, and the companies we invest in. We are also committed to reducing the resources we use. **In this section, we outline our efforts to reduce our environmental impacts, support and enrich our employees, engage with our community, and underscore the benefits we seek to create through our B Corp certification and our formal Benefit Report.**

Certified



Corporation™

What is a B Corp?

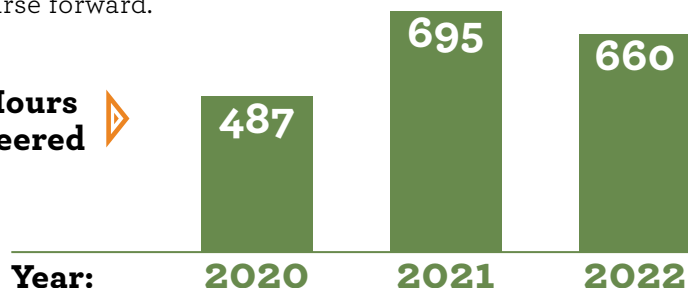
B Corp Certification indicates that a business meets high standards of verified performance, accountability, and transparency in how it treats workers, engages with its communities, cares for clients, and reduces its impact on the environment.

bcorporation.net/en-us/certification

Community Engagement

The Clean Yield team volunteers time and expertise and supports local organizations with philanthropic capital. Each employee can choose the organizations they wish to support through their volunteering (Clean Yield provides employees 8 hours per month for volunteering) and by directing \$2,000 of Clean Yield contributions per year. The firm contributes 1% of revenue to charitable organizations annually. During 2021 and 2022, Clean Yield employees served on a number of boards, including Vermont Public Radio, Sterling College, municipal boards, local conservation commissions, and education committees. Our employees have volunteered for local ski clubs, trail maintenance crews, the Girl Scouts, hunger relief programs, and local school programs. While our volunteer activities were slightly scaled back during the pandemic, they have rebounded in the last two years as the various organizations we support chart their course forward.

Total Hours Volunteered ▶



Employee Engagement

Clean Yield is committed to being an employer of choice. We offer generous benefits that aim to support employee health and well-being. These benefits include generous health insurance coverage (with zero cost to employees), fitness expense reimbursement, retirement contributions (that don't require employees to match), short- and long-term disability benefits, and profit-sharing. To support continued employee development, we offer tuition reimbursement and 1:1 professional development coaching. In addition, all employees participate in anti-bias and inclusion training.

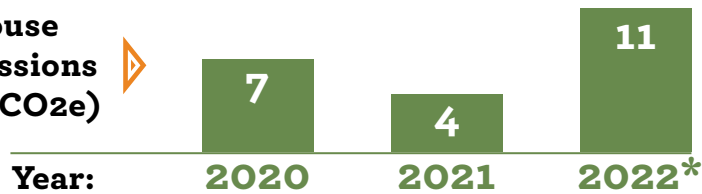


Environmental Impact

The largest contributor to Clean Yield's greenhouse gas emissions is electricity usage and travel. In 2022, Clean Yield determined that employees could continue to work from home with the agreement that we would meet for an in-person gathering quarterly. As such, in 2022, we began including estimates for employee home office energy use. This shift from working office to the majority of the team working from home has resulted in bumpy emissions data. We expect to improve our Scope 3 emissions data collection in 2023.



Greenhouse Gas Emissions (tonnes CO2e)



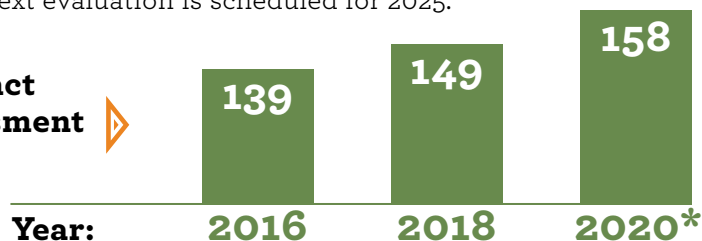
*Increase in 2022 due to accounting for home office emissions

B Impact Assessment

As a certified B Corp, Clean Yield submits to regular assessments through B Lab's B Impact Assessment. This process has helped us focus on continually strengthening our environmental and social programs. During the pandemic, B Labs delayed assessments for many organizations, including Clean Yield. The chart below shows how Clean Yield's B Impact Assessment score has changed over time. Our 2020 score was verified in 2022 due to delays in the verification at B Lab. Our next evaluation is scheduled for 2025.



B Impact Assessment Score



*2020 assessment verified in 2022 due to backlog at B Lab

Benefit Statement

Clean Yield is a Vermont Benefit Corp and a close corporation, meaning that it does not have a board of directors. The powers, duties, and rights of a board of directors rest with the three Clean Yield partners: Dorigen Hofmann, Eric Becker, and Elizabeth Glenshaw. Together, they share ownership of the firm and responsibility for and oversight of Clean Yield's commitment to having a public benefit and a positive social and environmental impact.

It is my opinion, in my role as Clean Yield's Benefit Officer, that Clean Yield has operated in alignment with its commitment to having a public benefit in accordance with the Vermont Benefit Corporations Act. Evidence of this alignment can be found in Clean Yield's 2021-2022 Impact Report.

Elizabeth Glenshaw

Clean Yield President and Benefit Officer

Vermont Benefit Report Table

1A Statement of specific goals or outcomes	See Shareholder Advocacy, Impact Investing, and Philanthropy sections on pages 3, 9, and 12.
1B Description of actions taken	See Shareholder Advocacy and Philanthropy sections on pages 3 and 12.
1C Description of circumstances that hindered attainment of goals or outcomes	Not addressed.
1D Specific actions org could take to improve environmental or social performance	See Environmental Impact section on page 14.
2 Assessment in alignment with third-party standard	See B Impact Assessment Score on page 14.
3 Statement of specific goals or outcomes approved by shareholders	N/A - Clean Yield does not have shareholders. See 1A for information about Clean Yield's goals.
4 Name of benefit director or officer and compensation (if any)	Clean Yield's President serves as Clean Yield's Benefit Officer. Clean Yield is a close corp and does not have a board of directors.
5 Compensation paid to directors	Clean Yield is a close corp and does not have a board of directors.
6 Name of each person who owns 5% or more of the benefit corporation	Clean Yield's owners are named in the partner letter found on page 15 and the Benefit Statement on page 15.
7 Statement of benefit director	See Benefit Statement on page 15.
7e Describe person(s) who exercises powers, duties, and rights of board of directors and benefit director.	See Benefit Statement on page 15.



Photo Credits

pg 9 ▶ Second photo courtesy of the Boston Mayor's Office.
Third photo: Luis Hernandez.

pg 10 ▶ Photo courtesy of Global Village Foods.

pg 11 ▶ Background photo courtesy of Rwanda Bean.

Top photo courtesy of New Hampshire Community
Loan Fund.

Bottom photo: Sean Alonzo Harris.

pg 12 ▶ Second photo courtesy of Hunger Free Vermont.



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