IMPACT INVESTING IN ALASKA

Presentation to the Alaska Society of American Foresters

April 13, 2018
IT IS HARD TO FAIL, BUT IT IS WORSE NEVER TO HAVE TRIED TO SUCCEED.

Theodore Roosevelt
HYPOTHESIS

Business and capital markets can be a tremendous force for positive social change.

Consider

• We face challenges of poverty, marine and terrestrial degradation, climate change, health, poverty – in Alaska, the U.S., and around the world.
• Neither government nor philanthropy are equipped to solve these issues alone
• Entrepreneurship and business are powerful, creative forces.
• Private capital markets reward scalable models that sustain growth, attract talent and drive cash flows

The Case Foundation
Definition

- “Impact investments are investments made into companies, organizations and funds with the intention to generate measurable social and environmental impact alongside a financial return.”

Global Impact Investing Network (GIIN)
A Little History

- Term first coined in 2007 by the Rockefeller Foundation as it explored ways to build a worldwide industry for investing for social and environmental impact
- Took root in foundation, family-office and philanthropic communities
- Business schools tapped into student enthusiasm
- The transfer of wealth in industrialized countries to a generation of high net worth individuals seeking to embed their values in the allocation of their capital
- Now global
- Gone mainstream!
## IMPACT INVESTING

### Table: Traditional vs. Impact Investing

<table>
<thead>
<tr>
<th></th>
<th>Traditional investing</th>
<th>Impact investing</th>
<th>Philanthropy</th>
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</thead>
<tbody>
<tr>
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<td><strong>Screening</strong></td>
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<td><strong>ESG Integration</strong></td>
<td>Seeking maximum financial return in addition to financial return, looks to make sure investment isn't part of “excluded” sectors</td>
<td>Sees the investment as an area that can deliver returns while also addressing social/environmental problem</td>
<td>As a grant to cover expenses that deliver some impact but can not be covered by Fund</td>
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<td><strong>Blended returns</strong></td>
<td>Sees social and/or environmental trends that means investment could deliver greater return</td>
<td>Conducts both financial and “impact” due diligence. Asks how investment delivers financial and social/environmental returns</td>
<td>Determines impact that it wants, looks at how investment helps meet that impact, then conducts financial analysis</td>
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<td><strong>Impact-first</strong></td>
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| **Seeking maximum financial return** | Not a public equity, so not applicable, but generally would invest because we the fund “do no harm” | Sees the investment as an area that can deliver returns while also addressing social/environmental problem | Sees the investment as the best way of delivering impact |
| **Traditionally**         | In addition to financial return, looks to make sure investment isn’t part of “excluded” sectors | Looks at financial performance, but also sees how investment fits into broader social/environmental trends | Determines impact that it wants, looks at how investment helps meet that impact, then conducts financial analysis |
| **Only monitors financial performance** | Only monitors financial performance | Only monitors financial performance | Monitors impact performance first (through reports, etc.) Then looks at financial returns |
| **Monitors financial performance** | Only monitors financial performance | Only monitors financial performance | Reports, site visits, etc. from grantees on impact performance |

*Impact investing* is a philosophy of investing that seeks to combine financial returns with positive social and environmental outcomes.
# IMPACT INVESTING

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**IMPACT INVESTING**
### What Counts?

**Impact Motivated**
- Focus on financial returns
- Desire for positive impact
- Consistency with values

**Impact Committed**
- Demonstrates intent to have social impact
- Commits to measure against targeted set of metrics
- Commits to transparency/regular reporting to investors

**Impact Certified**
- Measurement against comprehensive set of third-party metrics
- Third-party validation
- Minimum score required
- Additional requirements feasible (e.g. change of corporate form)

*The Case Foundation*
A SOLUTIONS INVESTMENT APPROACH
Investments that align financial and impact objectives to solve problems and generate attractive risk adjusted returns

GUIDING PRINCIPLES

• Take a systemic approach to uncover investment strategies where the profit and the impact are inextricably linked

• Target large problems where scalable solutions can be achieved with commercial business models and rigor

• Leverage in-house expertise and thematic research capabilities to develop investment strategies and pipeline

• Build a community of stakeholders to help solve a problem, thereby mitigating execution risk

• Create a diversified portfolio of impact investment opportunities for investors that contribute to the UN Sustainable Development Goals
IMPAKT INVESTING OPPORTUNITIES

Illustrative Sectors

• Health and wellness
• Housing
• Natural resources and conservation
• Renewable energy and climate change
• Sustainable agriculture and development
• Community development
• Micro finance and financial inclusion
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BALANCING ACT

Risk

Financial Return

Impact
SOME OF THE PLAYERS?

The Nature Conservancy

OMIDYAR NETWORK

The Walton Family Foundation

KKR

Rockefeller Foundation

RISE Fund

JPMorgan Chase & Co.

encourage capital

NAUTILUS IMPACT INVESTING
ENCOURAGE CAPITAL AND ENVIRONMENTAL ATTRIBUTES ADVISORS

- Mission: Impact
- Focus on Environmental and Social Impact
- Deep Roots in Alaska Native Community
- Desire to Build Capacity in Alaskan Communities
Our Values Are Aligned with SAF Founder, Gifford Pinchot

- Two-fold goal: balance the demands of business (timber, mining, fishing and other extraction industries) with the need to conserve resources for the future of the nation.

- A middle path, allowing American industry to flourish but not to over-harvest, to the benefit of future generations.

The Theodore Roosevelt Center
**ENVIRONMENTAL IMPACT OF EKO GREEN CARBON FUND**

EKO Green Carbon Fund has invested in forestry projects covering 250,000 acres of forested land, catalyzing the generation of over 8 million California Air Resources Board Carbon Offsets (“CCOs”)

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<td>Native American Tribe, Arizona</td>
<td>89,000 acres in size &lt;br&gt; One of the largest offset project to date in the California market; about 3.7 million offsets issued &lt;br&gt; Continued responsible management of FSC certified timber while generating an additional revenue stream for the Tribe</td>
</tr>
<tr>
<td>TIMO, West Virginia</td>
<td>~90,000 acres in size &lt;br&gt; &gt;3.5 million carbon offsets expected &lt;br&gt; Hunting leases provide recreational value &lt;br&gt; Optimized use of land for carbon sequestration and sustainable timber harvest</td>
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<td>Pvt. Landowner, Arkansas</td>
<td>~6,000 acres of biodiversity rich land on an oxbow lake &lt;br&gt; Provides habitat for the bald eagle and the American black bear – both iconic species &lt;br&gt; Habitat for endangered Ivory billed woodpecker and other 75 other bird species &lt;br&gt; Hunting permissible with leases</td>
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<td>Conservation Project, California</td>
<td>&gt;20,000 acres in size &lt;br&gt; &gt;75,000 carbon credits annually, which includes voluntary tons &lt;br&gt; Projects protects the land from development encroachment and improves water quality in the river watershed &lt;br&gt; Habitat for northern spotted owl and Coho salmon</td>
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EKO Green Carbon Fund has saved the atmosphere from 8 million tons of carbon, the equivalent of:

- The CO$_2$ emissions of one driver driving all roads in America over 4,000 times.
- The CO$_2$ emissions of the entire city of New York in five months.
- The CO$_2$ emissions of 850,000 households in America in a year.
WHITE MOUNTAIN APACHE CARBON OFFSET PROJECT
Encourage Capital financed, developed and commercialized one of the largest carbon offset projects in the U.S. to date

WHITE MOUNTAIN APACHE TRIBE ("WMAT")

- WMAT’s tribal lands include the Fort Apache Indian Reservation in east-central Arizona covering 1,681,030 acres (2,600 square miles), an area about the size of Delaware
- We invested in the development of the carbon project to monetize the Tribe’s conservation-oriented stewardship of its forest land
- The project generated over $30 million in revenue for the Tribe
- The project also ensured the conservation and protection of 89,000 acres of forest for 100 years
- This project is one of the largest forest carbon projects to date in the U.S.
Encourage Capital

Environmental Attributes Advisors

Otho Kerr
Uti Agarwal
Denise Farrell
Debbie Atuk