



BENEFIT COMPANY REPORT

FOR YEAR 2015

Introduction

Equilibrium became a certified B Corporation in 2009. We proudly became a Benefit Company in Oregon at the start of 2014, on the first day it was possible to do so. We have been active in helping build the vibrant and growing community of B Corps.

Benefit Companies, by statute, have the purpose of providing a general public benefit. The statute defines a General Public Benefit as: “A material positive impact on society and the environment, taken as a whole, from the business and operations of a benefit company.”

This statutory report describes our progress toward that purpose in 2015, how we go about it, and the challenges we face. It also includes an assessment of “the extent to which we met or exceeded a third-party standard” (in our case, GIIRS), and information about that standard.

Who We Are

1



Equilibrium is a research led organization that creates and manages sustainability-driven real asset investment strategies and products for institutional investors.

Sustainability is the strategic long-term management of resources. We believe sustainability drives economic value, promotes alpha returns, and positively impacts our environment and community. Each of our real assets investment strategies and portfolios builds on these macro-trends and economic advantages.

We build proprietary Equilibrium real asset strategies in three sectors:

- ▶ Agriculture & Food
- ▶ Renewable Resources
- ▶ Sustainable Real Estate

Our objective is to deliver institutional quality returns and sustainable alpha through our investment manager-operator portfolio teams. We construct teams to combine sophisticated asset management capabilities with the on-the-ground experience of world-class operators. We believe long term, the investment manager-operator teaming in real assets, delivers both superior risk management and returns.

Equilibrium is organized around four functions:

- ▶ **Innovate** unique investment products
- ▶ **Manage and operate** portfolios of productive real assets
- ▶ **Administer and structure** our portfolio to deliver transparency and value
- ▶ **Raise and scale** capital from institutional investors

We serve investors globally from offices in San Francisco, Portland, and London.

Progress Toward the Purpose: 2015

2



Young hazelnut plantings in Oregon

EQUILIBRIUM AGRICULTURE AND FOOD GROUP

We closed our ACM Permanent Crops, LLC fund at \$250,000,000 plus our own investment. The capital was used to develop several Oregon blueberry and hazelnut properties, and to acquire citrus and other acreage, as well as major midstream capability (packing plants and other assets) in California's central valley. ACM now employs hundreds of people across its packing operations and farms. At year end, we reorganized ACM into an affiliated, rather than a directly managed structure.

2015 also saw advance on Bio-Logical Capital's Hana Ranch project, proving out a multi-crop stewardship model of agriculture in Hawaii.

2015 saw the decision by the major investor to divest itself of the Australian pastoral holdings the Australian Pastoral Fund represented.



Biodigester

EQUILIBRIUM RENEWABLE RESOURCES GROUP

Wastewater Opportunity Fund. 2015 saw us close \$138M in capital into our Wastewater Opportunity Fund. The Fund will primarily invest in bio-digesters located near industrial food and beverage sites, agricultural operations, municipal wastewater plants and other large organic wastewater sources. These produce energy (biogas used as a fuel or used to generate electricity on site) and organic fertilizer, while improving adjacent watersheds and air sheds and reducing greenhouse gas impact.

Development Work. 2015 saw continued work on new strategies for utility-scale renewable assets managed sustainably for extended yield. We found the market to be in transition, as YieldCos were hot, then not, and large institutional investors experimented with direct teams. Our work in distributed energy solutions continued as well, with considerable policy work in California and New York on advanced forms of market-financed and performance-transacted distributed energy resources (including energy efficiency).

EQUILIBRIUM SUSTAINABLE REAL ESTATE

In 2015, GEDI Inc.(Gerding Edlen Development), continued its raise of its third Fund. GED I is in its harvest phase, with good results, and GED II is almost fully invested.

Progress Toward the Purpose: 2015

3

OUR INTERNAL SUSTAINABILITY REPORT CARD

In 2015, we tracked our internal report card through Q3.

EQUILIBRIUM CROSS-PLATFORM SUSTAINABILITY METRICS, Q3 2015^{a)}

CATEGORIES	UNITS	DEFINITIONS
Communities served	26 Communities	Cities having offices or sites, end of period.
Acres under sustainable management	389,717 Acres	Total acreage, end of period
Quality employment footprint^{b)}	306 FTE	Full-time equivalent labor, end of period
Water saved, reused, or recovered^{c)}	39,175,140 Gal.	Gallons, savings in quarter over typical use
Energy saved or cleanly generated^{d)}	4,841,643 MWH	Generated or savings over baseline, MWH, in quarter
Capital markets influenced^{e)}	\$1,045 MM	Proprietary and influenced investment (end of period)

Notes:

- All figures include affiliate numbers where available or can be estimated. (Affiliates are companies in which Equilibrium holds an investment interest, such as Gerding Edlen Development, Australia Pastoral Funds Management, Revolution Energy Solutions, EnergyRM, and BioLogical Capital.)
- Hourly employment has been translated to full time equivalent (FTE) positions by dividing total hours paid in the time period by hours that would represent full time work. Thus 40 hrs in 1 wk payroll = 1 FTE; 500 hours in a calendar quarter = 1 FTE, 1000 hours in a calendar half = 1 FTE, and 2000 hours in a year = 1 FTE. Q3 2015 incorporates farm labor hours from Cal. operations.
- Water saved: data in this period adds GED information to Oregon farm operations. Estimated based on standard or current widely used alternative. Some affiliates have not reported data.
- Energy saved/generated: data Q3 includes major plant operations in California agriculture. Some affiliates have not reported data.
- AUM includes proprietary and affiliate-managed committed capital (capital at work). Influenced also will include harvested value less committed capital returned; currently developing that data.

Our Sustainability Core

4

MISSION & VALUES

Our mission is to create and operate a market driven investment platform that catalyzes a significant part of the planet into sustainable prosperity. We address this mission sustained by six values:

- ▶ We
- ▶ Sustainability at our core
- ▶ Innovation
- ▶ Sustained Excellence
- ▶ Community builders
- ▶ Do the right thing

SUSTAINABILITY PRINCIPLES

We believe sustainable capital markets solutions require understanding that wealth, and social and ecosystem health, create, sustain, and enable each other. Five principles frame our sustainable capital markets structures, solutions, and products:

- ▶ Operating assets for long-term productivity
- ▶ Building resilience
- ▶ Accessing efficiencies through appropriate integration
- ▶ Purpose needs scale
- ▶ Humility

ESG POLICY

In our view, our ecosystem and our communities, neither of which can be owned, form the frame that delivers and defines all the value we can create. They are in our charge. Their health and productivity is wealth.

Environmental. We measure our effect on the earth, its soils, waters, air sheds, and renewable value. We work to improve what and how we measure. We seek, measure, strengthen, and invest behind the correlation between environmental well-being and our yields, long-term value, and financial results. We are good stewards of the bounty of the earth: its productivity, its beauty, its diversity, and its health.

Social. We seek, measure, strengthen, and invest behind the correlation between social well-being and our yields, long-term value, and financial results. We are responsible for our people – those we employ, and those we do business with, and those we affect – and we treat each other well, and with respect.

Governance. We drive our sustainability principles into the structures of our governance and hold ourselves accountable for doing so. We deploy best governance practices: a board that is majority independent; compensation systems that guard against self-dealing, and sound reporting, financial, compliance, transparency, and accounting solutions. We consider these stakeholder interests in our board decisions and our discretionary management decisions:

Our Sustainability Core

5

- ▶ Our shareholders and investors, and the people they serve
- ▶ Our employees and contractors
- ▶ Our subsidiaries and suppliers – and their employees or contractors
- ▶ Our customers' interest in our products and in our general public purpose
- ▶ Our communities, both where we are located and where our effects are felt
- ▶ Our environment, locally and globally
- ▶ Our company, and its ability best to fulfill its purpose

INDEPENDENT ACCOUNTABILITY & TRAINING

We hold ourselves accountable against an independent third party standard, the GIRS rating system, and hold the goal of rating in the top ten percent of all certified B-corporations. We train and manage our workforce (including ourselves) through our purpose, mission, values, and principles, and build them into our compliance and training function.

Challenges

6

SCALE

The impact task we have adopted is to achieve scale. In 2015, we made strides toward that, as each of our major strategy areas added meaningful capital to their deployment base. Our challenge will be to grow that scale in 2016 and years ahead.

OPERATIONS

Our largest operational challenge in 2015 from a benefit company perspective has been to drive our sustainable practices thesis all the way to the ground in the management of our assets. We made progress in that regard with our metrics in agriculture, green buildings, and our wastewater strategies, but realize this is an ongoing journey.

CAPITAL MARKETS

Entering 2016, our challenge will be to continue to scale capital into our three major strategy areas. In 2015 our investor network team's experience strengthened and our network increased; this is a process we look forward to continuing in 2016.

METRICS

We expect to continue to see demand for our sustainability metrics in the capital markets. Rearrangements in the organization of our agricultural offerings will require us to rebuild our central metrics capability in 2016, and our challenge there will be bandwidth.

Reporting Against Third Party Standard

7

OUR STANDARD

We assess our overall environmental and social performance under the **Global Impact Investor Rating System (GIIRS)**. GIIRS was developed by B Lab as **the rating system used by B Lab to certify Benefit Corporations**. GIIRS is a widely recognized “third-party standard” for the purposes of benefit company laws.¹

MINIMUM RATING TO MEET GIIRS STANDARD

GIIRS operates on a 200 point scale. B Lab does not define a “passing grade,” but it does establish a minimum score – 80 points – as the score that must be achieved to earn the Certified B Corp qualification.

EQUILIBRIUM’S SCORING

Equilibrium has the goal of being in the top ten percent of all Certified B-Corporations under the GIIRS standard. We have been a Certified B Corp since February 2009. As we’ve grown and established stronger employee support and institutionalized our values better, our scores have been increasing.

Our progress can be seen in the charts below. Our current score, certified for this report through a certification process undertaken in 2016 is **130**. That score would have **met our top ten percent goal**, based on B-Labs 2015 year ending scores. We will not know until B-Labs publishes the top scores certified in 2016 whether it places us in the category against all 2016 score.



In 2009, these categories were called "Environment, Employees, Consumers, Community, and Accountability." They may not be directly comparable with later years. Sums may be inexact due to rounding.

¹ The third-party standard, by statute, tests how well we serve interests listed under “Governance” above except for a), our shareholders and investors. The GIIRS standard, therefore, does not rate the financial health of an enterprise, or how well it has kept faith with its capital suppliers. Any benefit company, to succeed, must also deliver excellent financial results, or it will not attract the capital necessary to serve its general public purpose.

Reporting Against Third Party Standard

8

COMPLIANCE WITH BENEFIT COMPANY REQUIREMENTS

The Benefit Company law requires that the third-party standard we select be developed by an organization not under our control, which has information publicly available concerning the criteria the standard uses to measure social and environmental performance, the process by which the standard is developed and revised, and enough information to establish the organization's own independence from us. GIIRS meets these requirements.

Conclusion

9

We are very pleased with the progress that Equilibrium has made during the year. We are well positioned through our efforts to bring positive change at scale as measured across a variety of important indices. We hope that through our own success as well as our example, we can scale better ways of bringing the capital to bring sustainable wealth to support a sustainable world.

Respectfully reported,

William C. Campbell

Magi Oriah Nock

Structures and Sustainability, Equilibrium Group