2023

Benefit Corporation Report

Equilibrium™

Certified B Corporation

Best for the World 2022 Customers

Best for the World 2022 Governance

Introduction

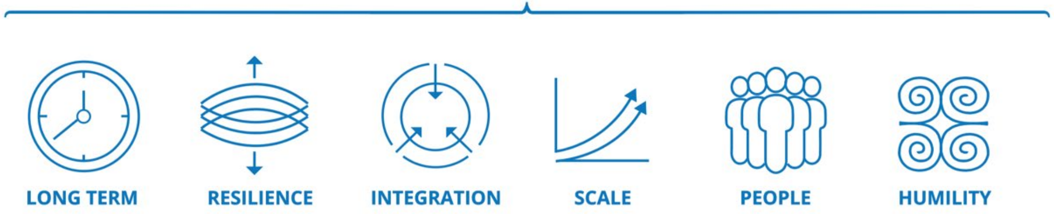
Equilibrium was founded in 2008, with a mission to transform our planet into shared sustainable prosperity through capital markets.

About Us

Equilibrium works in sectors affected by resource constraints and increasing global consumption, focused on long-lived real asset types: controlled environment agricultural facilities and renewable energy and water facilities and installations. We also have a history in urban buildings and the communities they create and enable.

Management values of stewardship, alignment and scale, and learning, improving, and adapting to meet demand currently and for the foreseeable future, underpin asset value.

We are governed by the following pillars that we believe are core to our value creation:



We have 44 full-time employees with the majority based in Portland, Oregon and San Francisco, California.

In 2022, we managed through the transition out of the pandemic. We balanced a flexible workplace offering with a strong in-person culture that we believe is key to productivity and innovation.

We were delighted to hire two key roles, Chief People Officer and Director of Sustainability. Both add strength to our ability to identify, deliver, and measure Equilibrium's impacts internally and externally.

Net Zero Commitment

- **Net zero across all of Equilibrium's corporate operations by 2025**
- **Net zero across all of Equilibrium's real asset operations on an aggregate basis by 2030**
- **Net zero overall by 2050**

Equilibrium is a Benefit Corporation and a Certified B Corp. To be a Certified B Corp, a company must score a minimum of 80 out of 200 points on B Lab's Impact Assessment. The score from our most recent assessment was 156, which qualified us in the top 10% of over 7,000 B Corps worldwide, earning us Best for World recognition in several categories.

Our Work

Our proprietary research drives our product development decisions and teaches us the difference between market enthusiasm and investable substance.

Controlled Environment Foods (CEF)

Our CEF strategy invests in advanced greenhouse facilities and other controlled environment agriculture (CEA) infrastructure. We use established technologies to grow and process fresh foods that address the demand for a cost-effective, predictable supply. We expect CEA methods to expand over time as food production technology changes how we feed a growing population.

Equilibrium has raised over $1.5 billion of institutional capital (including co-investment) to address this strategy.

The ability to control the growing environment helps mitigate the effects of climate change on our food production. CEA de-risks supply chains and adds resiliency. Workers in these facilities are more likely to benefit from full-time living wage jobs and ergonomically safer, more physically sustainable environments.

Carbon Transition Infrastructure (CTI)

Our CTI strategy invests in distributed infrastructure to unlock value from agricultural, municipal, and food waste streams. Our projects accelerate the decarbonization of industries and provides a transition from fossil-based carbon. They qualify for benefits under the Inflation Reduction Act (IRA). We have raised over $330 million for the CTI strategy since 2014.

A key component of this portfolio is renewable natural gas (RNG) production. RNG generates returns based on how it reduces atmospheric carbon and replaces fossil fuels.

Innovation Partnerships

We scale sustainability through project-level learning and market experience, driving innovation and our corporate value of community building.

We joined forces with Priva to develop an integrated climate management solution for next generation horticulture.

We are members of the Resource Innovation Institute (RII), with representation on their Board of Directors and Advisory Councils. In collaboration with producers, researchers, governments, utilities and the design and construction sector, we are furthering CEA best practices, resource efficiency and standardized metrics.

We are a founder and sponsor of the Kellogg-Morgan Stanley Sustainable Investing Challenge, a global competition inspiring future leaders to address social and environmental issues by developing innovative financial vehicles.

We are a sponsor and judge of the Moskowitz Prize, recognizing the financial implications of responsible business practices in capital markets.

We collaborate to develop the next generation of business and finance leaders, sharing new developments and research, through the Kellogg School of Management's Impact and Sustainable Finance Faculty Consortium.

PRIVA

Impact & Sustainable Finance
FACULTY CONSORTIUM

THE MOSKOWITZ PRIZE

RESOURCE INNOVATION INSTITUTE

Kellogg-Morgan Stanley
Sustainable Investing Challenge

Advancing Sustainability in our Portfolio

In 2022, Equilibrium materially expanded its portfolios and its positive footprint.

- We invested in Perfection Fresh, one of the largest CEA operators, located in the southern hemisphere which experiences stresses from high temperatures
- We built a greenhouse strategically located to support a rapidly-growing population with locally-grown, nutritious leafy greens
- We completed a California greenhouse renovation and brought it to full production
- We exited two RNG assets that together avoided 83.5K metric tons of greenhouse gas emissions in 2022

Active Ownership
We create opportunities to engage with our assets to align our expected economic, social and environmental outcomes and improve upon them.

DATA COLLECTION
The evolution of sustainability has highlighted the need for data to support quantitative analyses. Data quality varies from asset to asset, and our leverage often depends on our stake in the investment. Requesting sustainability data may be viewed as an unnecessary distraction, and we're challenged to get consistency and timely data. To relieve this burden while meeting investors' increased data expectations, we're focusing on streamlining the collection process and requesting sustainability and financial data at the same time.

OPERATIONAL IMPROVEMENTS
We visit facilities regularly to connect the data to actual operations and look for efficiencies. Last year we commissioned LED lighting installations and energy efficient fan retrofits at two greenhouses to increase energy efficiency. We also installed a high-pressure misting system installation to cost-effectively cool the greenhouse, improving the climate for workers and plants.

Private Equity International

Equilibrium was recognized by Private Equity International as one of the **top 30 largest managers of impact capital** in the private markets

Key Performance Indicators

Key performance metrics that have material environmental and social benefits help us to better understand and compare differences in performance.

CAPITAL DEPLOYED

Measuring deployed capital is one way to test whether we are scaling our impact.

	CEF			CTI			EQ		
	2020	2021	2022	2020	2021	2022	2020	2021	2022
CAPITOL DEPLOYED CUMULATIVE ($ MILLION)	$497.5	$801.0	$850.1	$334.2	$362.8	$362.8	$1,135.3	$1,212.9	$1,212.9

Equilibrium proprietary project data.

JOBS

Jobs are a measure of the degree to which sustainable prosperity is, in fact, being shared.

Please note the CTI Fund jobs are employed by operating companies.

	CEF			CTI			EQ		
	2020	2021	2022	2020	2021	2022	2020	2021	2022
JOBS (FTE)	1,844	1,292	1,440	69	60	77	1,913	1,352	1,517

Equilibrium proprietary project data.

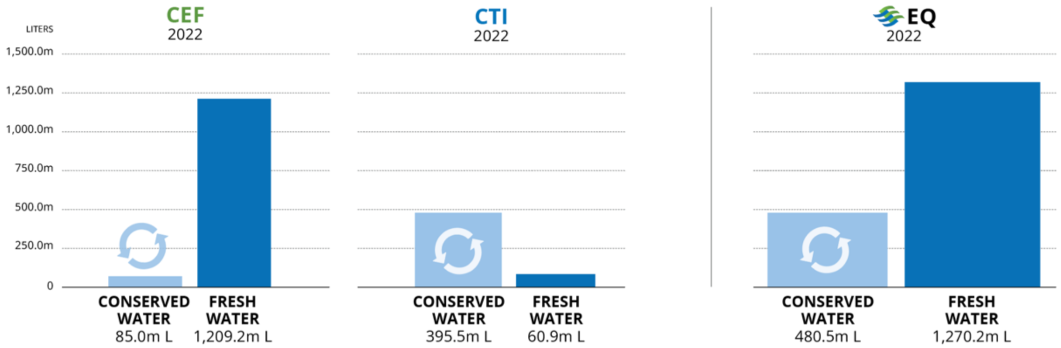
Due to the nature of the investments and limitations in data availability, not all investments contribute to every performance metric and projects reported within each category have changed over time. We expect data availability to continue to change, improve and become more refined going forward.

Key Performance Indicators

WATER USED IN OPERATIONS

The graphs show the balance of fresh or municipal water use and recirculated water reused, in millions of liters (m L).

Most of the water used in our portfolios' operations is by CEF. Controlled environment agriculture's recirculation strategies use 90% less water than traditional agriculture, and we work with our CEF operating to reduce water use further.

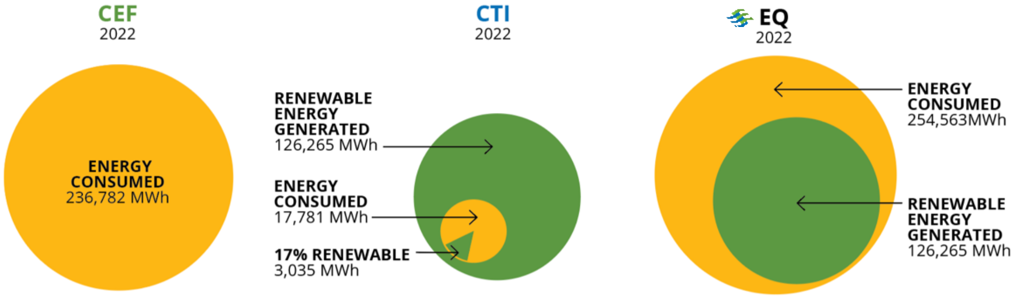


Equilibrium proprietary project data.

ENERGY USED IN OPERATIONS

The graphics show energy consumed, portion that is renewable, and renewable energy generated, in thousands of megawatt hours (MWh). Purchased electricity that is renewable - 45% - is excluded.

CTI's renewable energy production is 7 times the energy consumed in operations, and effectively offsets CEF's energy use.



Equilibrium proprietary project data.

Key Performance Indicators

CARBON GENERATED AND AVOIDED BY OPERATIONS

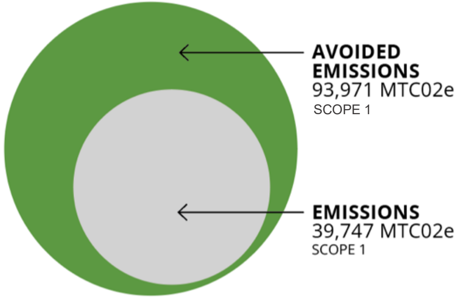
We track direct (scope 1) and indirect (scope 2) greenhouse gas (GHG) emissions from each asset at the investment and portfolio levels. 45% of all purchased electricity used is renewable.

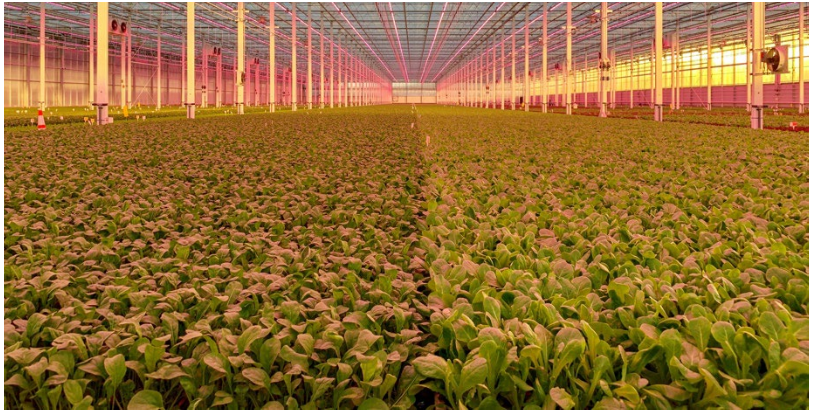
CTI generates renewable energy that replaces fossil fuel, avoiding the generation of significant GHG emissions.

EMISSIONS	CEF	CTI	EQ
SCOPE 1	31,786	7,961	**39,747**
SCOPE 2	20,762	1,286	**22,048**

MTC02e = metric tons of carbon dioxide equivalent

Equilibrium proprietary project data.





Challenges

Investing within an ESG framework has become increasingly mainstream. Today every major investment platform claims the ability to deliver sustainable portfolios. Claiming sustainable virtue is no longer a differentiator, leading to a dfined sets of metrics and regulations to prevent greenwashing.

While “being sustainable” may no longer differentiate us from many others, our founding conviction – that sustainability, properly understood and deployed, drives long-term scalable returns and is our major source of value - still sets us apart.

Data Collection & Analysis

Operational data from our investments is analyzed and used to identify improvements, consider the risks and opportunities of climate change on our assets, and develop mitigation strategies. A key challenge has been finding an easy way to collect consistent and comparable data from all assets.

Our new Director of Sustainability is focused on this, but many of our assets do not have dedicated sustainability departments. Operational data collection and efficiency initiatives are instead executed by senior management and deal teams.

We are streamlining data collection by integrating requests for sustainability and financial data at the same time, looking for speed and cost efficiencies, with good early results.

Challenges

Scope 3 Emissions

We are beginning to address indirect Scope 3 greenhouse gas emissions. Most come from business travel and products and services used. They are terribly difficult to measure comprehensively, for us and for virtually everyone else.

Today we are using the U.S. Environmentally-Extended Input-Output (USEEOO) model, a form of lifecycle assessment, to estimate emissions using dollars spent on goods and services. This methodology requires a high level of effort for a result that leaves room for inaccuracies and overcounting of emissions, but it is the best we have right now.

We recognize the magnitude of these emissions and our influence in decreasing them and will continue to seek specific emission factors to replace modeled assumptions.

Standardizing Sustainability Disclosure

It takes a significant amount of time to work through the data collection and analysis previously discussed. Investors request different data in different formats, analyzed in different ways. All of this is made more complicated by the rapidly changing landscape of reporting rules.

Fortunately, IFRS has forged a path to standardize sustainability disclosure and harmonize it with financial disclosure. We will use their International Sustainability Standards Board (ISSB) Sustainability Disclosure Standards, supported by the Sustainable Accounting Standards Board (SASB) standards for materiality. We already use the Task Force on Climate-related Financial Disclosure (TCFD) framework to analyze the risks and opportunities of climate change at the asset and portfolio level. The Partnership for Carbon Accounting Financials (PCAF) Global GHG Reporting and Accounting Standard for the Financial Industry guides us to calculate financed emissions.

Use of these standards is intended to avoid duplication of efforts, provide complete GHG carbon accounting, ensure regulatory compliance of our current practices, and prepare us for ongoing quantitative analyses of the implications of climate change.

We also work with investors to develop collective shareholder requests and alleviate the burden of our own data requests.

Extreme Weather

Last year continued a long-term warming trend and 2022 tied for the 5th warmest year on record. The drought that has affected the Western U.S. in recent years is now a major threat to food production across the Northern Hemisphere. While this is not an outcome we celebrate, some of that production will move into controlled environment over time, which provides Equilibrium with opportunities within the CEF Funds.

Warming was not our only extreme weather challenge last year: high winds resulted in the partial collapse of a greenhouse under construction. Fortunately, there were no injuries, but it underscores the need to identify, mitigate and properly insure against these risks. Insurance premiums have increased substantially as a result.

Higher and lower outside temperatures both require more energy to control growing conditions in our greenhouses, which drive up operational costs and GHG emissions. We will continue finding ways to increase efficiency in natural resources and use renewable energy generation.

We use models to identify current and future physical and transitional climate risks, using the TCFD framework (2021 results can be found here).

Challenges

Labor shortages

Part of the CEF fund strategy is to create a significant number of skilled labor and "green collar" jobs, acknowledging the importance of guest worker programs in de-risking broader facility operations.

While there was uptick in jobs in the U.S. labor market, the greenhouses have experienced a shortage of workers. Skilled manager-level jobs tend to remain filled, however unskilled labor jobs have a high turnover rate even though they pay above the minimum wage. 71% of CEFF's reporting assets in the U.S. pay a living wage[1]. Many greenhouse managers have found themselves relying on temporary nonimmigrant workers.

The ability to support long.-term family-wage jobs is an important source of risk mitigation. In an era of tighter and more expensive agricultural labor and politicized immigration debates, as we believe steady family-wage jobs stabilize the workforce. We continue to track and monitor the number of hourly and salaried workers and are finding ways to ensure the well-being of guest workers.

Perhaps the biggest challenge will be the same for years:

Entire industries need to shift to support the low-carbon transition, and that requires shifting human behavioral habits.

1 We use MIT's Living Wage calculator by county for two adults, both working, with two children.

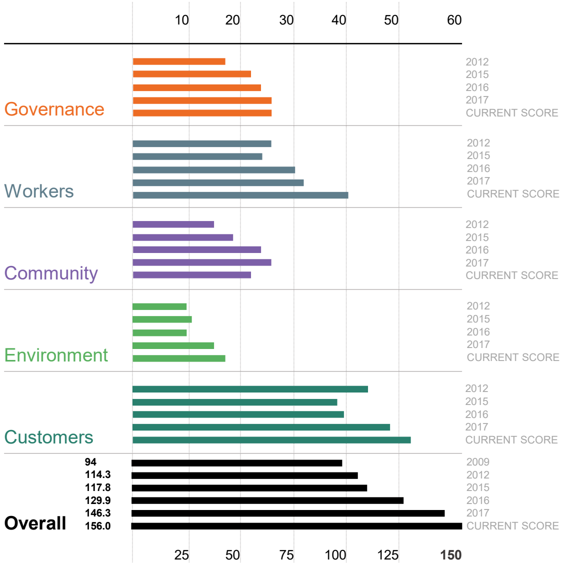
Appendix

We regard our methodology as a work-in-progress, incorporating feedback from relevant stakeholders, including our limited partners, portfolio companies and applicable reporting standards and guidelines.

Our status as a benefit company imposes duties on our board and our management to consider particular interests as we make our decisions. The Oregon Benefit Company Act describes these interests in ORS 60.760(1):

> …In determining the best interests of the benefit company, the governor shall consider how an action of the governor or of the benefit company, or a decision not to act, will affect:
>
> **(a)** The shareholders or members of the benefit company;
> **(b)** The employees and work force of the benefit company and ...[of its] subsidiaries and suppliers;
> **(c)** The benefit company's subsidiaries and suppliers;
> **(d)** The interests the benefit company's customers have in receiving a portion of the general public benefit or specific public benefit that the benefit company provides;
> **(e)** The communities that the benefit company's activities affect ...;
> **(f)** The local and global environment;
> **(g)** The short-term and long-term interests of the benefit company...; and
> **(h)** The benefit company's ability to fulfill the benefit company's general public benefit purpose ...

EQUILIBRIUM'S HISTORICAL B CORP CERTIFICATION SCORES



In 2017, 2018, 2019, 2021 and 2022 Equilibrium was recognized for leadership and impact by B Corp's "Best for the World" Program, a ranking that put us in the top 10% of all B Corps in general, and the top 5%in some or all of the impact categories of Changemakers, Workers, Governance, Customers, and Overall. The Program was discontinued in 2023.

Our reporting was measured and independently verified by third parties Global Impact Investing Rating System in 2012 and B Lab in 2015, 2016, 2017 and 2019. Our next certification is due in 2025.

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