

## Sustainability Investment (SUI) Evaluator

**Investment Name:** Generation

**Investment Amount Considered:** \$500,000

**Investment Due Diligence by:** Raúl Pomares

**Signature:** \_\_\_\_\_

**Date:** 10/01/07\_\_\_\_\_

**Mission Due Diligence by:** Lisa Kleissner

**Signature:** \_\_\_\_\_

**Date:** 10/01/07\_\_\_\_\_

### Summary Description of Investment:

Generation is an independent, private, employee-owned partnership dedicated to the principles of long-term investing, integrated sustainability research and client alignment. Using a very rigorous evaluation process, Generation focuses on high quality businesses and management teams for their investment portfolio. Their sustainability research focuses on long-term environmental, social and governance challenges, breaking down the complexity of these issues and integrating this research into their investment process.

### Main Contacts:

Generation Investment Management LLP  
4 Cork Street  
W1S 3LG  
UK

### Supporting Documents:

Generation provided various supporting research and marketing materials.



KL Felicitas Foundation

KL Felicitas Foundation Post Office Box 37 Los Gatos, California 95031-0037 USA [www.kfelicitasfoundation.org](http://www.kfelicitasfoundation.org)

## Sustainability Investment (SUI) Evaluator

Focus Area & Questions	Other Considerations	Score -1 0 +1
<b>Investment &amp; Sustainability Due Diligence (Investment Advisor)</b>		
<b>Investment Structure &amp; Portfolio Implications</b>		
<b>Question 1:</b> What investment due diligence process will be required to assess the financial viability of this opportunity?	Foundation's Investment Advisor responsible for performing financial due diligence process.	+1
<b>Response 1:</b> Comprehensive quantitative and qualitative due diligence was conducted by the investment advisor.		
<b>Question 2:</b> What is the structure of the investment under consideration?	Direct public or private, Fund or Fund of Funds. Consider structure's ability to offer sufficient or appropriate diversification to mitigate risk. Consider investment cost structure's implication on Sustainability.	+1
<b>Response 2:</b> Generation IM Global Equity Fund LLC, is a comingled fund which invests in Global All Cap Equities. Generation believes Sustainability issues can impact a company's ability to generate returns and therefore must be fully integrated with rigorous fundamental equity analysis to achieve optimal long-term investment results. Generation buys high quality businesses and management teams whose securities are sufficiently attractively priced to deliver excess returns over the long-term.		
<b>Question 3:</b> What is the asset class? a. Does the investment fall outside the currently established asset allocation targets of the Foundation? b. If so, has the appropriate analysis been completed to evaluate a change in targets? c. Has this change been accepted and adopted under the investment policy guidelines of the Foundation?	While it is the intent of the Foundation to pursue SUIs, there is also a firm commitment to remain within the established investment policy guidelines and risk budget.	+1
<b>Response 3:</b> Global All Cap Equity, which under normal conditions is typically at least 70% invested in Global Large Cap companies. a. No b. NA c. NA		
<b>Investment Monitoring &amp; Reporting</b>		
<b>Question 4:</b> What is the financial benchmark that will be used to evaluate this investment? a. Over what period(s) of time will we measure the investment performance?	Investment benchmarks are established by the investment due diligence process. Similar to investments made without regard to Sustainability, investment performance is reported when available and as appropriate for the investment structures and/or asset class.	+1

## Sustainability Investment (SUI) Evaluator

Focus Area & Questions	Other Considerations	Score -1 0 +1
<p><b>Response 4:</b>                      MSCI World Index will be the benchmark for this investment.                      a. Fund performance will be reviewed on a quarterly basis.</p>		
<b>Sustainability Due Diligence (Foundation Directors and Philanthropic Advisors)</b>		
<b>Sustainability Alignment</b>		
<p><b>Question 5:</b>                      How does this investment align with the Sustainability Policy of the Foundation?                      a. In what area(s) does the Foundation believe this investment will contribute the greatest degree of impact on Sustainability?</p>		+1
<p><b>Response 5:</b>                      Generation's holistic approach to vetting their investments is aligned with the way we think about sustainability. We applaud their willingness to attempt to dissect the complexity of global challenges - Climate Change, Pandemics, Real Needs at the Base of the Economic Pyramid, Real Needs at the Peak of the Economic Pyramid, and Water - by applying a fresh research lens. This investment aligns well with the values of our Foundation and our Sustainability Policy.                      a. Generation's approach to research, sector analysis and innovative ideas about investment opportunities within those sectors will most certainly have an impact on the investment community and its approach. We believe their long-term success will influence other investment firms in the market place to pursue a similar, more sustainable approach to investment.</p>		
<p><b>Question 6:</b>                      Are there any elements of this investment which are contrary to any value(s) of the Foundation?                      a. If so, how is this being addressed?</p>	Evaluate potential tradeoffs.	+1
<p><b>Response 6:</b>                      No.                      a. NA</p>		
<b>Relationship &amp; Reputation</b>		
<p><b>Question 7:</b>                      How well does the Foundation know the investment and/or strategy?                      a. What is the nature and duration of this relationship?                      b. Have members of the Foundation made site visit(s)?</p>	Document personal and direct understanding of the investment strategy by the Foundation.	+1
<p><b>Response 7:</b>                      The Foundation has a long history of investing in global equities. Foundation Directors enjoyed reading the supporting research analysis and articles</p>		

## Sustainability Investment (SUI) Evaluator

Focus Area & Questions	Other Considerations	Score -1 0 +1
<p>for the investment, especially because the process outlined is very much in concert with their way of thinking about these challenges and opportunities.</p> <p>a. The Directors do not have a relationship with any of the principals of the fund. The firm's Chairman is known to the Foundation Directors, through his public life.</p> <p>b. No site visit has been made.</p>		
<p><b>Question 8:</b> Have other foundations or investors recognized this as an SUI or social investment?</p> <p>a. Do other respected partners of the Foundation have a relationship with or experience with this investment?</p>	<p>Capture any peer or trusted partner knowledge on the investment.</p>	+1
<p><b>Response 8:</b> Yes, many public and private organizations have invested in Generation, recognizing it for its focus on Sustainability.</p> <p>a. Yes, respected partners of the Foundation have direct relationships and highly favorable opinions of this firm.</p>		
<p><b>Question 9:</b> How integral to the success of the investment is Sustainability?</p> <p>a. How much personal financial capital have the investment principals and/or founders committed to the investment?</p>	<p>Identify alignment of interest by investment principals and/or founders.</p>	+1
<p><b>Response 9:</b> Sustainability is completely integral to this business proposition.</p> <p>a. Three of the founding principals have 100% of their equity exposure in the fund. Every employee has an interest in the fund. All Directors have an equity ownership interest in the firm.</p>		
<p><b>Mission Impact Monitoring &amp; Reporting</b></p>		
<p><b>Question 10:</b> What approach will be used to evaluate the Sustainability of this investment?</p> <p>a. What is the proposed nature and scale of the Sustainable aspects of this investment, e.g. in 1 year, 3 years, long-term?</p>	<p>Pre-established metrics and evaluation intervals for Sustainability should be requested or developed.</p>	+1
<p><b>Response 10:</b> Fund performance relative to its benchmark will be the best measure to evaluate the success Generation integrating Sustainability factors into equity analysis.</p> <p>a. Generation believes investment results for long-only equity strategies are maximized by taking a long-term investment horizon because a majority of a company's value is determined by its long-run performance. Furthermore, sustainability issues can impact a company's ability to generate returns and therefore must be fully integrated with rigorous fundamental equity analysis to achieve optimal long-term investment results. Based on this, although investment performance will be reviewed on a quarterly basis, impact on Sustainability will be reviewed every 3 years.</p>		
<p><b>Question 11:</b> Will the Investment Manager provide Sustainability related reporting?</p>	<p>Once Sustainability indicators are identified it is important to communicate with the Investment Manager and</p>	+1

## Sustainability Investment (SUI) Evaluator

Focus Area & Questions	Other Considerations	Score -1 0 +1
	determine if the indicators can be tracked.	
<b>Response 11:</b> The investment manager at times may make available various research reports on Sustainability topics.		
<b>Question 12:</b>		
Does the investment scale, accelerate, support or re-enforce other SMSIs in the investment or grant portfolios?	Identify those that will be impacted and evaluate excess or leveraged Mission or Program Impact.	+1
<b>Response 12:</b> With Generation leading by example, there is the possibility that their methodology and research could impact the investment community resulting in more SMSI opportunities.		
<b>Additional Comments or Observations</b>		