

## SIX GUIDING PRINCIPLES BEHIND SUSTAINABILITY INVESTING (4.25.21)

*Inspired by Bob Benia, RET Fund*

### #1 — Ensure Extreme Focus of Target Company.

Zero-in on its Core or Minimal Viable Product. Does business plan of target company have extreme focus and the necessary resources tied to their roadmap to achieve its objectives?

### #2 — Vet Storage Technologies Carefully and Closely.

In addition to a thorough Due Diligence, below are six categories of questions to ask of a renewable energy technology company:

- **Revenue Certainty** — Evaluate customer pipeline to determine reliability of future revenues. Will its customers enter into a multi-year service agreement or license? **Ask to see the sales documents past, present, and future. Don't trust, verify!**
- **ESG Awareness** — What is the **ESG consciousness** of the target company? Evaluate the degree the target company is practicing or applying Environmental, Social and Governance principles in its business activities and supply chain.
- **Technology Advantage** — Engage independent experts in advanced material sciences to evaluate technology and performance claims of target investment vs competitor's? What is status, quality and strength of its patents? Get permission to talk to their patent engineers and lawyers. Is management team capable of advancing and maintaining technology edge and strategy?
- **Warranty Strength** — How strong is investee's balance sheet to fund warranty obligations to customers?
- **Creditworthy Counterparties** — Validate serious buyers' financial capability to complete the deal before they come to the table? Do a security and background check on the management team.
- **Scalability** — Can you grow the opportunity big enough to be worth your time and your investors money?

### **#3 — Evaluate from a Contrarian Point of View.**

If the markets are in love with the target company, maybe you should start thinking in the contrary. Beware of the investment activity that produces hype and overvaluation. The smarter moves usually wait for the pullback, valuations to return to sensible metrics to the overall market or sector, and to act without publicity.

### **#4 — Compete Against the Giants with Your Eyes Wide Open.**

If the storage tech plans to oust its lithium-ion peers from their top dog storage spot, then they better go niche: For example, find lithium's weak spot, excel on that same attribute, and get laser-focused on one customer segment in one geography with a specific problem that keeps buyers awake at night in a pool of sweat. Focus on the road less travelled and more nuanced - long duration, reliable and affordable energy storage.

### **#5 — Partner with Strategic Investors.**

Co-investors can provide validation ("Follow the smart money") of the business model and may also serve as major customers for the target company's technology. Mitigate risk by not investing alone; always co-invest with someone bigger and smarter than you.

### **#6 — Prioritize Capital-Light Business Models.**

If the target company plans to use lots of venture capital to build lab prototypes and factories, please run away. Far away. Instead, explore creative lines of credit, project finance, secured convertible debt, contract manufacturing, and motivated supply chain partners. Look for investment opportunities in the "brains" of the storage system: grid software solutions, intellectual property, smart metering, machine learning and artificial intelligence.