PYMWYMIC IMPACT REPORT 2018

Period: 1st January to 31st December, 2018
WHY THIS REPORT

How to define impact is an ongoing topic of discussion. As with any growing industry, the field of impact investing is debating terminology, defining methods and developing standards. There exists a range of interpretations of ‘impact’: does an impact investment need to be intentionally creating a positive impact? Can an investment only be classified as impactful if it is additional? Should all impact investments be concessional (impact first, potentially sacrificing financial returns)? As the industry is moving from niche to mainstream, it requires scale. And scale requires standards.

With this report we share with you the impact methods and results we have implemented so far in 2018. To us, developing an impact methodology was not about the exact measurable numbers on itself. Instead, it has the goal to align the operations of a company with its actual impact mission and to bring a fact-based discussion about impact performance into the board room. It is meant to support and guide companies in making the most impact with their day-to-day decisions.

Ever since we started in 1994, we have been pushing frontiers. We were the first European venture fund for impact, first impact conference on the European continent, first B-Corp in the Netherlands, first co-owned impact investment vehicle in the Netherlands and first in the Netherlands with an official quality stamp as a professional impact fund (EuSEF).1 Walking unpaved roads is in our blood: we learn by doing and share what we learn.

We do not wish to claim we have all the answers, we can however provide you with our answers thus far. By this, we hope our answers will help you develop your own knowledge and expertise, showcase how it could work and eventually help really make the leap towards a more sustainable way of investing. And, maybe, someday, you might feel the need to help us to advance by giving us feedback or sharing your approach and learnings in return.

Rogier Pieterse
Managing Director of Pymwymic
We invite you to take advantage
As one of our objectives is to support the development of the impact investing industry, we wish to share what we have learnt so far. We hope our practical experience will add to the collective knowledge, contributing to the development of new industry standards and sparking new approaches, so that it becomes the new normal to invest with positive impact for people and planet. We invite you to take advantage of what you find valuable in this report and let it help you build your own way forward.

Where we stand today
Two years after launching the Pymwymic Investment Cooperative, we are ready to share our practices of measuring and managing impact. Heated debates, extensive desktop research and simply building on experience of day-to-day work, has brought us to the methods, standards and frameworks which we use today. We know how the conventional investment industry works, so we build on its standards. The question then is: how do we use the same rigour, level of professionalism and data-driven approach for impact as we do for finance? Counting money is pretty straightforward. But how do you weave impact into the conventional nuts and bolts of an investment organisation?

So, we started with our feet in the clay: which methodologies are already available? What is impact for us? How do we integrate impact into the standard operations of investment screening, due diligence and strategizing? How to secure that impact is ‘locked’ in the DNA of the company? How to measure whether or not we are on the right track and steer the organisation towards success?

In this report, we invite you to join us on our journey in developing and refining our impact methodology. We will take you through the following key elements:

1. Impact of the Pymwymic Ecosystem;
2. How we compare impact in our portfolio;
3. How we anchor impact in our portfolio companies;
4. Impact performance of our portfolio companies.

Gratitude
Fortunately, we did not have to start from scratch. We wish to express our gratitude to the many impact-driven organisations who have developed their thinking and shared their frameworks and approaches publicly for us to build upon. Amongst others, we have been inspired by: Acumen, Blue Haven Initiative, Effective Giving, Nesta, Omidyar Network, Skopos & Bridges, Social Impact Accelerator and the Stanford Social Innovation Review. Please see our reference list for full source of references, as well as appendix ‘How we define impact’ to learn how we grasp the concept of impact.
IMPACT OF THE PYMWYMIC ECOSYSTEM

Over the past two and a half decades, Pymwymic has taken several forms: we have been known to spread the word of impact investing throughout Europe and beyond, bring the global impact investing knowledge to the Netherlands through an annual conference, act as a matchmaker between private wealth and impact entrepreneurs and build a strong community of like-minded peer investors. Whatever we did, there was always one central objective: to support investors ‘put their money where their meaning is’. Or, as we would say in today’s words: to catalyse capital into impact investing.

As of 2017, we are a co-owned impact investment vehicle, built on the strength of our community. Our members co-steer ‘the ship’, learn from our day-to-day operations and meet like-minded peers in gatherings or through our member platform. All of our activities are built to stimulate the flow of capital to impact investing. We do this by investing through our own funds, however we aim also to inspire our investors and partners to invest elsewhere with impact. In the end, in order to accelerate the transition to a more sustainable economy, more capital needs to flow to impact entrepreneurs.

Pymwymic Healthy Ecosystems Impact Fund (PYMHEIF)

Our first subfund provides risk capital and hands-on support to early-to-growth-stage companies that are financially sustainable and scalable and who aim to conserve and restore our ecosystems. We focus on six sectors: (1) agriculture and food systems, (2) waste management, (3) water & sanitation, (4) forestry, (5) aquaculture and (6) eco-tourism.

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Figure 1. How we catalyse capital into impact

We invite private investors to become a member of our Cooperative, co-invest in our portfolio companies or donate seed-funding for our donor fund (directly catalysed capital). In addition, we hope to inspire and facilitate members of the Cooperative to not only invest in impact through Pymwymic, but also elsewhere, in different funds and assets classes (indirectly catalysed capital). We hope to support members to become ambassadors of impact investing towards friends, family and financial advisors.

Pymwymic Member

Put your money where your meaning is

Private Investors

Institutional Investors

Field

€12.7m committed to the Cooperative by members
€5.5m committed to PYMHEIF by institutional investors
€0.4m co-invested in portfolio companies by members
€20.8m co-invested in portfolio companies by other investors
€0.4m donated to donor fund for seed investment capital

Capital catalysed 2018

Our investment in the PYMHEIF enhanced our understanding of impact investing and thus contributed to the development of the impact investing services of Van Lanschot.

Andrew Mackay, Van Lanschot

By ‘open sourcing’ our learnings to the wider field of impact investing, we hope to contribute to more people being convinced of and committed to impact investing. We do this by producing content (publications, video’s etc.) and organising member events (indirectly catalysed capital). “I was able to develop a very clear vision for my impact strategy on public equities.” Fernando Russo, Impact Investor.

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Andrew Mackay, Van Lanschot
We aim to spark a new normal: to invest with positive impact for people and planet.
HOW WE COMPARE IMPACT IN OUR PORTFOLIO

While comparing financial results is straightforward, comparing impact results can be quite a challenge. In order to compare the impact of our portfolio companies, we developed our own approach to translate company- and industry-specific impact to something generic for all portfolio companies. We use this scoring method to compare opportunities, aiming to invest for maximum impact. We created an impact measurement method for our investments, consisting of the following key elements of impact: (1) the number of lives positively impacted, (2) the depth of impact, (3) the type of impact and (4) the enterprise additionality. Each element is scored and multiplied to get a generic impact outcome, which we call the impact score (see figure 3).

Scoring

Example

Pymwymic’s focus on impact made us realise how deeply environmental impact is embedded in everything we do.

Matej Stefancic, CEO Trapview

1

# Lives impacted: How many lives are positively influenced by the products or services offered?

Scoring

As an actual number. Together with our portfolio companies, we develop specific measurement methodologies for lives impacted, on which they report on a quarterly basis.

Example

An agricultural company that improves the working conditions and salaries of farmers will track the exact number of farmers being affected by its products and services, and multiply this by number with a verified average family size for the specific region in which it operates.

2

Depth of impact: Does the solution target individuals in the bottom of the pyramid, the ones who most need help?

Scoring

On a 0 to 100% scale, 100% being solutions that target the bottom of the pyramid, those individuals most in need of help and 0% being solutions that target the most privileged.

Example

An electrical bike company in a developed country like the Netherlands creates less depth in impact compared to a company developing a pay-as-you-go solar powered energy solutions in Kenya. The latter example will then receive a higher score than the former.

Type of impact: To what extent does the company try to address a systemic change in the industry in which it is operating?

Scoring

On a 100% to 200% scale, based on the assessment of impact over two axes. First, what kind of problem is being addressed: is it a straightforward problem, or a root cause that is interconnected with other social and environmental issues? Second, what is the approach of solving this problem: does it offer a one-off solution or is it trying to change a whole industry? The more complex the problem and systemic the approach, the more indirect your influence and metrics. We value the complex changes higher, as these require more patient and impact-motivated capital. See figure 2 for the range of options and scoring.

Example

A company providing one bowl of soup to a person in Rwanda creates a one-time lock-step change (score of 100%), while a company which is building its own supply chain of fair materials, disrupting a centuries-old production model based on fair labour and trying to influence deeply ingrained consumer habits of mobile phone users, is creating an entire ecosystem change (score 200%).
Example

A company operating in the renewable energy sector, which is already fairly mature, would not create as much additionality as the industry knowledge is already developed and the market is already pursuing this impact. While a company in the food industry that has developed proprietary technology how to develop new alternative proteins based on insects, which is currently not commonly used, has higher additionality.

Figure 3 shows us the impact scores of the 2018 portfolio companies. The impact score of Fairphone is substantially higher than the impact score of InspiraFarms. This is mostly driven by the number of lives Fairphone is able to positively influence as well as its ambition to be an industry changer.

Scoring

Based on a series of three closed-end questions. Each question results in a 0-point (‘no’) or 1-point (‘yes’) score, which are added together and form a multiplier for the impact score. The three questions are:

1. Would the knowledge / expertise be there without the company?
2. Would the market seek the impact without the company?
3. Would the market achieve the impact without the company?

Reflecting on our impact scoring methodology, we recognise that it is not an exact science and each figure of input is up for interpretation. However, translating mostly qualitative information into quantitative data, has helped us make more objective and better choices in the daily operations. Therefore, we use this method as an indicator to be able to compare different types of impact rather than as an exact measure of impact.
HOW WE ANCHOR IMPACT IN OUR PORTFOLIO COMPANIES

In order to anchor impact, we developed a tailor-made approach to include impact into every step of the traditional Venture Capital screening process, from initial screening to post-closing. In concrete: we add six elements to the traditional investment screening process and standards (see figure 4):

Figure 4. Anchoring impact in the investing screening process

1. **Screen for genuine impact**
   As part of our initial screening process, we assess the degree to which impact is truly part of the DNA of the company by using a checklist and a Go/No Go form. In the checklist, we check whether the company’s impact fits within the target SDG’s of our fund as well as make sure to exclude certain industries and practices such as arms and child labour (i.e. basic negative screening).6

   In the more detailed Go/No Go form, we screen and rate the impact on several topics, such as the impact alignment between commercial activities, the degree to which disadvantaged groups are included and our estimation of the commitment of management to impact objectives. Each category has then been assigned a certain weight, so eventually all categories are translated into one numerical score. Our EuSEF qualifications further strengthen the rigour with which impact screening takes place. It requires for example, that a company’s mission has been implemented in its articles of association.

2. **Determine the impact risk-return levels**
   Similar to comparing a company’s financial upside against its risk of failure, we further assess the investment opportunity by judging the impact potential as well as the involved risk. We use a risk-return tool to assess:
   - The depth of the intended results as well as the probability of success;
   - Our own additionality and ability to prevent mission drift;
   - The degree of long-term sustainability effect and risk of unintended consequences.

   The impact potential is then assessed through a series of questions that can be rated on a 3-point scale. The result is a so-called ‘impact radar’ which allows us to evaluate the relation between impact risk and return. This tool allows us to debate upon our expectations of risk-adjusted impact return and focuses our resources towards those companies with true potential to deliver impact. See figure 5 for the core questions we address and score in our impact risk-return framework.
After scoring an investment opportunity on all of the above points, the impact risk-return radar is created to illustrate the relationship between impact performance and impact risk. The radar allows us to compare one opportunity versus another with regards to their level of impact and risk.

Comparing the two examples, shows that the intended impact results for Fairphone are higher than for InspiraFarms, our added-value in both investments is similar and the sustainability of Fairphone is again higher. Furthermore, the impact risk is generally higher for InspiraFarms.
In our experience, a company is likely to have multiple desired outcomes, indicators and targets. We aim to set 3–5 targets per investment company and weigh these separately. Targets we set with our portfolio companies are approved by the Investment Advisory Committee, a governance body which has been specifically designed to safeguard impact realisation and continue to build on our impact approach.

For us it is essential that our mission runs in the DNA of the company we are building today, so it can benefit generations to come tomorrow.

Anne Pleun van Eijden, Founder Paper on the Rocks

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**3 Build a Theory of Change**

As soon as an investment opportunity enters the preliminary due diligence phase, we start to define a company’s Theory of Change (ToC). A ToC is a commonly used model in the impact investing industry, which helps you define your core impact strategy. We use the so-called Logic Model, which provides a simple structure to link your high-level mission to tangible outcomes, concrete activities and measurable indicators. The Logic Model takes us through a 5-step process with a series of top-down questions, which supports us and the company to focus on realising its mission and core impact objectives (see figure 6). The Logic Model invites us to establish concrete indicators, making impact measurable, and allows us to steer an organisation into the right direction. Developing a ToC is a lengthy and interactive process with management that often goes through several iterations before finalised, and even then may be adjusted with time.

**4 Set targets**

Once we have established a ToC, it is important for a company to set realistic impact targets. Similar to setting a financial budget, setting impact targets helps us to remain focused on what we are trying to achieve by our activities, steer our operations and measure our performance.

For us it is essential that our mission runs in the DNA of the company we are building today, so it can benefit generations to come tomorrow.

Anne Pleun van Eijden, Founder Paper on the Rocks

**5 Anchor impact into governance**

Before signing and closing of the investment, we aim to safeguard the mission of our portfolio companies, also beyond our life-span as an investor in this company. We aim to really anchor the impact for the long term. Therefore, we have developed a score card to assess the degree to which we expect to anchor impact into the governance. We use the following guidelines as means to anchor impact:

- Inclusion of impact mission in the Articles of Association;
- ToC, KPI’s and targets as a condition precedent to close the transaction;
- Inclusion of annual impact report in Shareholders Agreement;
- Inclusion of independent validation of the impact report in Shareholders Agreement;
- To have a board position to influence impact
matters OR have a board observer position with an impact vote;
- To include the possibility to exit the company if there is impact mission drift;
- To include that in case of an exit with an external party, the prospective purchaser shall be in alignment with the mission statement.

The point of this exercise is not to focus on the numbers as such, but to ensure alignment of impact in business activities and set a basis for discussion that guides companies in how best to move forward to create the most impact.

Having concrete indicators and targets allows for strategic discussion in board and management meetings and makes it easier to keep impact ‘on the table’ as a topic of debate. This process requires a degree of flexibility and means that KPI’s and targets may be adjusted on a yearly basis if there is convincing basis.

6 Monitor key performance indicators (KPI’s)
Establishing impact targets for our portfolio companies allows both the company’s management themselves as well as us as investors to monitor, assess and steer towards impact performance. Portfolio companies submit their actual impact performance every quarter and these performances are reviewed annually by an external impact advisor.

“Developing a ToC with Pymwymic led to more clarity in what we want to achieve and actually had us shift our resources to products which had far more impact than we initially realised.”

Willem-Jan Meulemeesters, CEO Coradis

“Monitor key performance indicators (KPI’s) is that they integrate business and impact. By measuring frequently we focus our day-to-day activities around both topics.”

Eva Gouwens, CEO Fairphone

80% of impact governance anchors in place
FAIRPHONE

Fairphone is a social enterprise, its mission is to establish a viable market for ethical consumer electronics, motivating the entire industry to act more responsibly. The company makes phones in a way that is better for people and the environment from the beginning to the end of the phone’s life cycle in order to create a fairer economy. By putting people first and focusing on sourcing 8 materials sustainably, Fairphone has made the world’s first ethical, modular smartphone created with fair materials, good working conditions, long-lasting design and easy repair mechanisms. The company is making a positive impact across the supply chain through research and development projects, transparent reporting, partnerships for better mining, modular design, manufacturing and post-consumer recycling, while expanding the market for sustainable electronics through public engagement at events and through the company’s forum and online platforms.

<table>
<thead>
<tr>
<th>Sector</th>
<th>Direct capital impact</th>
<th>Indirect capital impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumer electronics / mobile phones</td>
<td>€3.0m</td>
<td>€20.6m</td>
</tr>
<tr>
<td></td>
<td>Cumulatively invested through Pymwymic</td>
<td>Cumulatively invested through third parties</td>
</tr>
</tbody>
</table>

“Positive change doesn’t follow a linear path; sometimes it’s two steps forward, one step back. It’s the combination of small steps that lead to a large step forward.”

Eva Gouwens, CEO Fairphone

2018 IMPACT MILESTONES

- **€2.5m**
  fundraised through crowdfunding

- **Prizes**
  Global Economy & Schwab Foundation Social Entrepreneur

- **+2.5m people**
  reached through media to create awareness

- **Upgrade**
  to Android 7 to increase longevity

- **Children**
  programmes launched in cobalt & gold mines to address child labour

- **Employees**
  voice programs initiated at three different factories
MAIN IMPACT AREAS

Environmental Change

Reduce e-waste
Increase recycled material mix
Improve resource efficiency
Sustainable mining
Technology & tech transfer

Industry Change

Reduce greenhouse gasses
Circular economy / modularity
Sustainable innovation
Impact follow-on suppliers
Transparent reporting

2018 PERFORMANCE ON IMPACT TARGETS

Impact objectives
Establish market demand for ethical phones
Long lasting design and circular thinking
Re-use and recycling
Fair materials sourcing
Good working conditions for vulnerable people
Motivate industry to act more responsibly

SDG target
G09.4: Increase resource efficiency and adoption of clean and environmentally sound technologies and industrial processes
G12.5: Reduce waste generation through prevention, reduction, recycling and reuse
G12.4: Implement environmentally sound management of chemicals and all wastes throughout their life cycle
G10.4: Adopt policies, especially fiscal, wage and social protection policies, and progressively achieve greater equality
G08.5: Increase productive and decent employment for all, including minorities, and equal pay for work of equal value
G17.16: Increase global partnership for sustainable development that mobilizes and share knowledge, expertise, technology and financial resources

KPI's '18

<table>
<thead>
<tr>
<th>Objective</th>
<th>Target Met</th>
<th>2018 Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Phones sold</td>
<td>22k</td>
<td>70%</td>
</tr>
<tr>
<td>Phones in use</td>
<td>58%</td>
<td>84%</td>
</tr>
<tr>
<td>Phones recovered</td>
<td>1.6%</td>
<td>23%</td>
</tr>
<tr>
<td>Sustainably sourced materials</td>
<td>25%</td>
<td>70%</td>
</tr>
<tr>
<td>People benefiting</td>
<td>5,926</td>
<td>99%</td>
</tr>
<tr>
<td>Industry points</td>
<td>10</td>
<td>125%</td>
</tr>
</tbody>
</table>
Building a foundation for more responsible gold mining in Uganda
Creating transparency to invite debate about what’s truly fair in our production systems
INSPIRAFARMS

InspiraFarms was founded with the aim to improve market access for rural agricultural communities. They do this by providing cold storage and food processing solutions to smallholder farmers. The company has helped numerous farmers overcome the challenges of unreliable electricity supply, dependence on diesel generators and limited access to finance for the acquisition of equipment. Cold storage facilities are critical to deliver more and higher quality products, which in turn gives access to higher value markets. This leads to significant development of farmers, creating job opportunities for women and their families. By replacing traditional diesel generators with solar panels, the greenhouse gas footprint of smallholder is also reduced. To improve the access of smallholder farmers to higher quality, energy efficient equipment, InspiraFarms offers a financial construction for the acquisition of their units, while the reduction in energy expenses allows the farmers to actually recover the loans.

<table>
<thead>
<tr>
<th>Sector</th>
<th>Direct capital impact</th>
<th>Indirect capital impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture &amp; food systems</td>
<td>€1.2m</td>
<td>€1.9m</td>
</tr>
</tbody>
</table>

Cumulatively invested through Pymwymic

Cumulatively invested through third parties

"Our vision is for a global network of efficient first mile cold storage facilities, trading millions of kilograms of quality fresh produce, from the point of production to food markets around the world."

Tim Chambers, CEO InspiraFarms

2018 IMPACT MILESTONES

50% have greater access to high-quality equipment through financial assistance

Expansion into East and Southern Africa and exploration in South America and India

Upgrade the accuracy of food monitoring through live data feed

4th year since the first solar powered cooling units were sold
Main Impact Areas

Environmental Change
- Reduce food waste
- Increase food security
- Improve resource efficiency
- Technology & tech transfer

Social Change
- Increase developing world employment
- Increase financial inclusion
- Improve women empowerment
- Improve community empowerment

Impact Objectives
- Reduce post-harvest food loss
- Access to higher value markets
- Direct economic empowerment
- Indirectly improve lives
- Reduce post-harvest carbon footprint

SDG Target
- G12.3: Reduce global food waste at the retail and consumer levels and reduce food losses along production and supply chains
- G08.2: Increase economic productivity through diversification, technological upgrading and innovation
- G01.1: Reduce individuals living below $1.25 per day
- G10.2: Empower and promote the social, economic and political inclusion of all, including vulnerables and minorities
- G13.B: Promote mechanisms for raising capacity for effective climate change-related planning and management in least developed countries

2018 Performance on Impact Targets

<table>
<thead>
<tr>
<th>Impact Objective</th>
<th>KPI's '18</th>
<th>Targets met</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduce post-harvest food loss</td>
<td>14k Tons saved</td>
<td>206%</td>
</tr>
<tr>
<td>Access to higher value markets</td>
<td>10% Increase of income</td>
<td>100%</td>
</tr>
<tr>
<td>Direct economic empowerment</td>
<td>980 Jobs created</td>
<td>479%</td>
</tr>
<tr>
<td>Indirectly improve lives</td>
<td>4.9k Improved livelihoods</td>
<td>206%</td>
</tr>
<tr>
<td>Reduce post-harvest carbon footprint</td>
<td>29k Tons CO2 mitigated per unit</td>
<td>98%</td>
</tr>
</tbody>
</table>

SDG Targets met:
- 12 Responsible Consumption and Production
- 8 Decent Work and Economic Growth
- 1 No Poverty
- 10 Reduced Inequalities
- 13 Climate Action
Thanks to the cold storage facility our crops do not rot and stay fresh until we can sell them.
Access to high value markets supports development of rural communities.
As we gain further experience, we expect to amend and improve our methods and tools. Our experience over the past year has taught us that the process of developing a ToC and defining metrics together with the entrepreneurs is a timely process which requires much dialogue, debate and reflection. Most often, entrepreneurs are unfamiliar with such a process. On our side, we need to be careful that it is not hampering but stimulating daily operations. We have learned that it is essential to remain flexible to re-adjust targets once we gain more insights and not to focus on the numbers as such. The described methodology has helped both our own organisation as well as our portfolio companies to advance from discussions based on gut feeling to a more objective data-driven approach. We have seen how this process forces the well-known entrepreneurial eagerness to focus attention towards a limited amount of concrete goals that directly relate to their impact mission, rather than a broad range of vague goals, therefore increasing the actual likelihood of success.

We wish to thank
Together, we are creating a more sustainable economy in which business respects and adds value to people and planet. We wish to thank...

- the brave and hardworking entrepreneurs who dare to go against the crowd and build these companies which create positive impact. While it is much easier to do what has been done before, they choose the hard way because they believe in a cause. We have seen an extreme level of commitment and dedication in the entrepreneurs we work with and hope we cherish, challenge and stimulate them in reaching their impact missions;
- the members of Pymwymic who were bold enough to put their money where their meaning is and decided to join us as an investor of the Cooperative. This often silent group of private investors is disrupting an industry – the industry of investing – so we can make the leap towards a more sustainable way of investing;
- the institutional investors who participated in our first sub-fund, Van Lanschot-Kempen and a.s.r., who have invested their capital and trust to support our movement. We are excited to see their genuine interest and outspoken commitment towards impact investing;
- the members of our various governance bodies, the Board of Stichting Pymwymic Foundation, the Investment Committee, the Investment Advisory Committee and the Steering Committees, who invest their time, energy and support to safeguard our impact mission, execution and investment decisions.

An important next step for ourselves is to further develop and improve the ToC for Pymwymic as an ecosystem. In the meantime, we welcome you to experiment with our method and invite you to share your challenges and feedback. We look forward to share our next steps with you in a year’s time!
MEET THE TEAM

We are pioneers, change-makers, do-ers and entrepreneurs who are fanatically passionate about making a difference. We are (left to right, top to bottom): Maarten van Dam (Investor Relations), Monique Meulemans (Investments & Knowledge Centre), Pieter Vis (Investments & Finance), Adriana Cohen Henriquez (Impact Report), Rogier Pieterse (Managing Director), Isabel Mora (Members & Communications), Carolina Monaco (Investments & Pipeline) & Vincent Bogaart (Partners & Pipeline).

References
1. October 2018 the Pymwymic Investment Cooperative obtained a EuSEF passport (European Social Entrepreneurship Fund), an official regulation from the European Commission qualifying Pymwymic as a responsible social fund.
2. In addition, we also provide seed capital to start-up entrepreneurs too early for our fund, backed by philanthropic capital in our Donor Fund. These investments will not be covered in this report.
4. The Sustainable Development Goals (SDGs) consist of 17 explicit targets, which form the heart of the United Nations 2030 Agenda for Sustainable Development (adopted by Member States in 2015). This agenda provides a shared blueprint for peace and prosperity for people and the planet, now and into the future. See more information here.
5. For more information about various degrees of screening, see report ‘How to maximise impact when investing in public equities’ (page 4) by Pymwymic and Triodos IM.
7. There are many resources available which can give further background on how a Theory of Change works. One such resource is ‘Creating your Theory of Change’ by NPC.
8. The Investment Advisory Committee currently consists of representatives of both the cornerstone investor of the Pymwymic Healthy Ecosystems Fund, the Pymwymic Cooperative, and a.s.r.
9. Green are countries of production, and blue are countries of sales.
10. Green are countries of operations, light blue of operations and sales, and dark blue of sales.
12. Further reading on fund investing ‘Beyond Direct Deals’ by Pymwymic, Finance in Motion and Triodos IM.

Additional resources
2. ‘Across the Returns Continuum’ by Omidyar Network.

Photos by: InspiraFarms, Fairphone, public domain images (anonymous) and Ivan Bandura on Unsplash.
APPENDIX: HOW WE DEFINE IMPACT

To grasp the concept of impact, we consider three dimensions: enterprise impact, investment impact and nonmonetary impact. These dimensions are integrated in our processes and frameworks.

1. **Enterprise impact**

Enterprise impact is quite simply the impact created by an organisation's operations. A portfolio company can have enterprise impact in the following ways:

1. Through the products and services they provide (product impact). For example: a company which develops solar-powered lamps for developing regions;
2. Through the way the organisation is run (operational impact). For example: a company which specifically safeguards safe working conditions or fairly extracted raw materials.

The impact of a company increases even further when its influence goes beyond touching its direct customers and stakeholders, such as a frontrunner company which aims to influence an entire industry or community.

For **Pymwymic**, every investment should have enterprise impact, both product and operational. The depth of this impact may differ amongst portfolio companies, but if a company does not have enterprise impact, we will not invest in it.

2. **Investment impact (capital benefits)**

An investment is considered to have investment impact if the capital is what we call 'additional', meaning it would otherwise not have been provided. Capital is additional either when it is provided at more favourable terms than normal, or if it is provided to an organisation that would otherwise not receive this capital. To be more specific, there are six ways to consider whether capital is additional (see figure 7, the six P’s):

At **Pymwymic**, we strive to have an investment impact by providing more patient capital than market standard (investment term of 10 years), as well as focus on those opportunities which are not caught by other (conventional) investors. Would we be unable to be additional from a financial perspective, we ensure that we are able to offer nonmonetary impact on top of enterprise impact.

3. **Nonmonetary impact**

Nonmonetary impact reflects the added value a capital provider has, beyond just providing capital, on the company’s social and/or environmental impact. It can be achieved in the following ways:

1. **Improving the enabling environment for social enterprises**

   Rather than focusing solely on the company itself, one can invest and improve the social, political and

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**Figure 7. Overview of investment impact**

<table>
<thead>
<tr>
<th>Price</th>
<th>Pledge</th>
<th>Position</th>
<th>Patience</th>
<th>Purpose</th>
<th>Perspicacity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Providing capital at a lower market price than would normally be accepted for the degree of risk</td>
<td>Providing a guarantee on a loan to reduce the risk of creditors and thus increase available capital</td>
<td>Accepting a subordinated debt/equity position (i.e. more risk), therefore increase available capital</td>
<td>Supplying capital for longer terms than market-rate, allowing for more time to build unproven business models</td>
<td>Offering flexibility in adapting terms when the profile of an investment has been improved</td>
<td>Investing in those opportunities, in which conventional investors would not invest by accepting different risk-return profiles than traditional finance</td>
</tr>
</tbody>
</table>
regulatory environment the company operates in. This kind of market-building activity (e.g. developing sector data and standards) can largely accelerate the impact which is being pursued.

2. Finding and promoting impact investment opportunities
One of the challenges that has been identified by prior research on the impact investing industry, is an information gap for investors searching for investment opportunities. Capital providers and intermediaries can therefore play a critical role in matching supply and demand for impact capital.

3. Aggregating capital and providing other investment services
By pooling capital, investors and other intermediaries can create economies of scale, therefore reducing transaction costs. Funds can direct larger amounts of capital towards a specific impact objective and are therefore more likely to be able to bring about system changes.12

4. Providing technical & governance assistance to enterprises, and helping them build strategic relationships
Investors can provide access to specific expertise, knowledge of certain industries, general business acumen, fundraising experience, introductions to strategic partners and more. This all with the objective to help advance an impact company mature and succeed in their impact mission.

5. Gaining socially neutral investors
When respected (institutional) investors invest in certain impact companies, this signals to other investors that they should also consider to invest. This may be particularly important in attracting second round financing once product and market have been validated.

6. Securing and protecting the enterprise’s social mission
As a business grows and evolves, it is possible that the social or environmental mission becomes faded and financial returns dominate the discussion. This may be the case as a company scales up or when conventional (non-impact) investors come on board. An impact investor can then be additional by safeguarding realisation the impact mission, despite financial pressure.

At Pymwymic, we take our non-monetary impact very serious. Our scope of activities covers a range of initiatives addressing non-monetary impact, e.g.:
- We have implemented processes and methodology to anchor the impact mission in our investment process as well as the daily operations and governance of portfolio companies;
- We open our pipeline to members, so that they can make use of our investment analysis and cherry-pick investments of their personal preferences;
- Our community of over ~150 private investors bring a wealth of expertise, knowledge and network to support our portfolio companies;
- We have developed a framework to estimate and improve our value-add as an investor, which we use as an evaluation tool for our own value-add towards portfolio companies.
Interested to join our Cooperative or invest in our sub-funds?  
Contact us at info@pymwymic.com