



WORKING CAPITAL FUND

2022 Annual Report

OCTOBER 2023

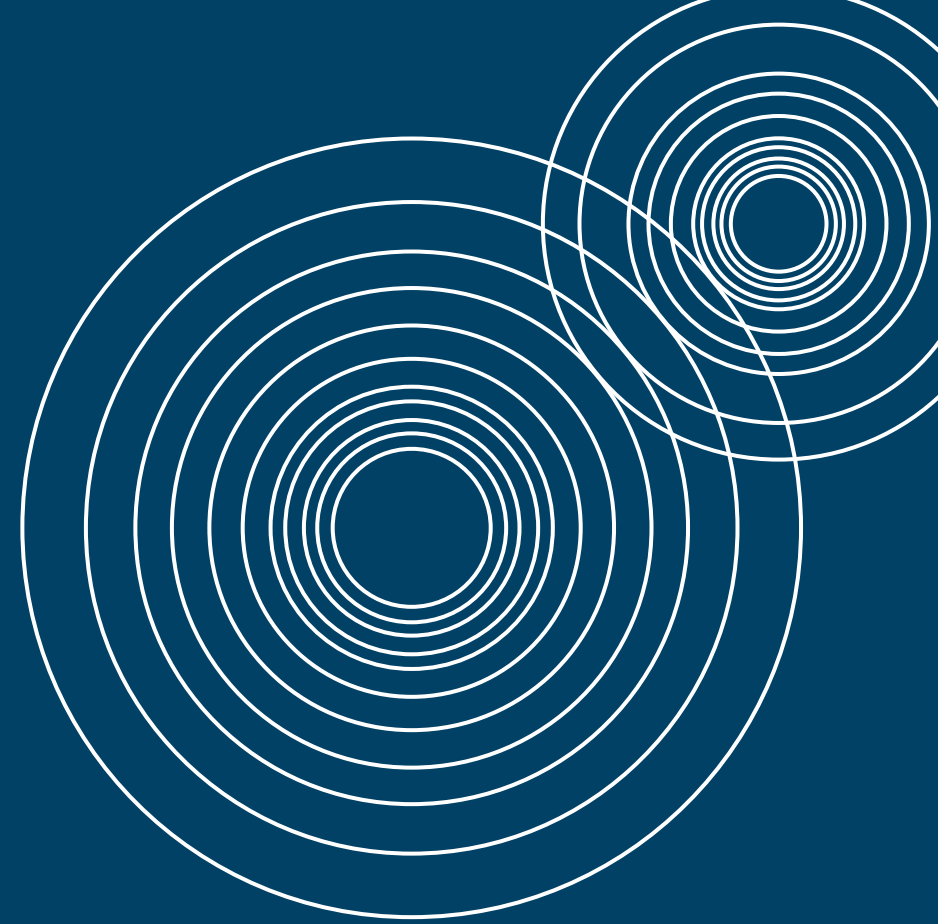


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Executive Summary

7th Annual Report



Our Portfolio has grown significantly. In 2022 we invested in four new companies for a total of \$8 million invested. We have invested in a total of 17 companies since inception in 2017, all of which are deeply focused on impact and aligned with the Fund's impact thesis. All Fund I companies are compliant with Program Related Investment obligations.



Demand for responsible sourcing tools has grown, driven by the introduction of new legislation with stronger requirements for corporations and investors, and the increasing technological sophistication of the tools themselves.



Our portfolio companies continue to engage with a diversity of actors across supply chains. These include workers at all tiers, brands, retailers, suppliers, government agencies (like customs), audit firms, unions, insurers, investors, recruiters, logistics companies, buyers, and consumers. Our reach into these groups has grown significantly.



Our portfolio is growing commercially. Twelve portfolio companies show year-on-year revenue increases (three were too early in our investment period to report).



The portfolio addresses concerns faced by marginalized workers, such as forced labor, child labor, and gender inequality. Five portfolio companies are also addressing the intersection of climate change with worker rights. Two companies focus on urgent health and safety risks. Forty-five percent of our invested capital has gone to companies founded or led by women.

Reflections on our results

There is increasing evidence to support our initial investment thesis: **an investible market exists where supply chains and social sustainability intersect, driven by market forces, regulation and technology.**

We have made investment decisions to answer specific impact questions and have gradually seen evidence to support our hypotheses.

We are seeing signs that the solutions and their impacts are scalable, but we will further examine progress towards commercial and impact scale.



We hypothesized that:

- **Companies seeking to improve their responsible sourcing efforts are willing to pay for innovation and new approaches.** Commercial adoption of the solutions we support provides evidence that this is true. We have not yet achieved the new procurement paradigm envisioned by the impact strategy (developed at Humanity United) which gave birth to the Fund, but we see progress in the way in which our portfolio companies leverage impact to achieve commercial success.
- **Emerging technologies offer a better way to address the lack of visibility and accountability for working conditions within supply chains.** We saw that there was value in applying big data analysis to supply chain mapping, assessment and improvement, particularly to understand and address forced labor risks. The commercial traction of the portfolio, particularly Altana, demonstrates that these emerging technologies are useful and of value to companies.
- **Portfolio companies can reach workers with high quality services in large numbers.** 'Reach' results confirm that we are on track to see scaled adoption.
- **Legislation will continue to tighten requirements on the private sector to account for labor and human rights in supply chains,** and it has.

Our Impact Measurement and Management processes are maturing, and providing value to the Fund and our portfolio companies. Reporting on impact at the worker and corporate levels remains challenging. Over this coming year we will take a deep dive into how workers and corporate decision makers are responding to portfolio company solutions.

Highlights of our 2022 activities and progress

Invested \$8M in 2022

Women-led companies make up half of our portfolio

Added four new investments for a total of 17 current portfolio companies

All companies **address dimensions of worker vulnerability and remain impact aligned**

We see evidence that our hypotheses about the intersection of technology, impact & investment are correct

Reached workers in **64 countries**

40% increase in workers reached directly in 2022 over 2021

Average revenue increase is significant for both **Fund I and Fund II companies.**

The total estimated value of the two portfolios is over **\$700M**

1. Who We Are

Our mission is to improve the lives of marginalized workers across global supply chains, catalyzing economic justice. We do this by finding and investing in start-ups whose work will address forced labor, child labor, and gender inequity; bring transparency to opaque parts of the supply chain; ensure worker and stakeholder engagement; and gather and analyze data about human rights risks.

Like other venture capitalists, we expect these startups to find product-market fit, expand their client base and achieve sustained revenue growth. Over two funds we have invested in 17 portfolio companies, each of which is tackling problems at the intersection of business and human rights.

Our Investment Thesis



Growing Market Demand

Introduction of supply chain diligence laws since 2017 (France, Germany, EU, UFLPA) and more in 2023 is boosting market demand.

With an estimated \$35 trillion in ESG-focused capital and increasing legislation, demand for improved 'S' data in complex supply chains is on the rise, supported by growing valuations and revenue of companies in the space.

+



Existing Tools are Broken

The social audit remains the only scaled responsible sourcing intervention, but the quality of the information gained through audits remains suspect, and often not actionable.

There is still an absence of end-to-end transparency. Multinationals face challenges in adopting fragmented transparency solutions, while verifiable data in the first mile of supply chains remains limited.

+



Emerging Tech Offers Disruptive Solutions

Emerging innovations are well-positioned to address pain points of multinationals and disrupt supply chains for the better.

The reach of mobile technology means visibility and engagement with workers and producers can scale.

=



Investment Opportunity

The landscape of ethical supply chain investment is crowded but WCF is still the only VC fund connecting technology to pain points in the supply chain with the goal of addressing labor rights.

Our Team



Back: Ed Marcum, Evan Okun, Dan Viederman, Martin Roeck
Front: Paarul Dudeja, Rebecca Wong

2. Our Portfolio

We are invested in **17 companies**, each of which is aligned with our theory of change and taking aim at the systemic problem of working conditions and labor rights across supply chains. In **2022**,

- Women-led companies made up half of our portfolio
- We added four new investments for a total of 17 current portfolio companies.
- Our direct reach to workers increased by 40% in 2022 over 2021.
- We invested \$8M in new investments and follow-ons
- The total estimated value of our two portfolios is over \$700M.

Portfolio Companies // Fund I



Altana is a data analytics company using machine learning and AI to illuminate global trade flows and actors within international trade, identifying risk and creating trusted networks.



Honest Jobs enables responsible recruitment in global supply chains and domestic work by investing in and supporting responsible firms in Southeast Asia.



HowGood is an independent research company that offers Latis, a SaaS-based product ingredient platform helping brands secure better ingredient sourcing data.



OpenSC uses blockchain and IoT to provide traceability and transparency in food and agriculture supply chains to corporate clients.



Provenance powers trusted sustainability claims at scale through a B2B2C SaaS platform connecting sustainability to every purchase.



QuizRR uses tablets and culturally relevant edutainment, providing workers with actionable information, and enables measurement of employment quality.



Kenzen is the premier physiological monitoring platform to keep industrial workers safe on the job, combining small wearable devices with real-time predictive analysis to prevent injuries due to heat stress, exertion, and fatigue.



SupplyShift offers supply chain mapping through cascading surveys and data analytics to demonstrate the relationships between all the actors in a client's supply chain.



Ulula is a worker engagement tool that amplifies worker and community voices to create more responsible supply chains.



Versed.AI offers a multi-tier knowledge graph of supplier networks helping businesses monitor, manage, and mitigate risks within their supply chains.

Portfolio Companies // Fund II

CompScience

CompScience is a computer vision company that uses the existing camera infrastructure of a facility to prevent workplace accidents, and lower insurance costs.

contingent

ContingentAI helps enterprises meet regulatory demands and manage vendor supplier risks in one platform, reducing silos and improving collaboration.

diginex

Diginex enables companies to collect, evaluate and share sustainability data through software, focused on labor and supply chains, ESG and climate.

twinco capital

Twinco Capital provides 'fair funding' for global trade, serving as the first sustainable supply chain solution that includes purchase order financing.

prewave

An AI platform for supplier monitoring, targeted at purchasing, sustainability and supply chain managers.

PROOF OF IMPACT

Proof delivers on-demand impact insights for businesses so they can use ESG and sustainability data to outperform the market.

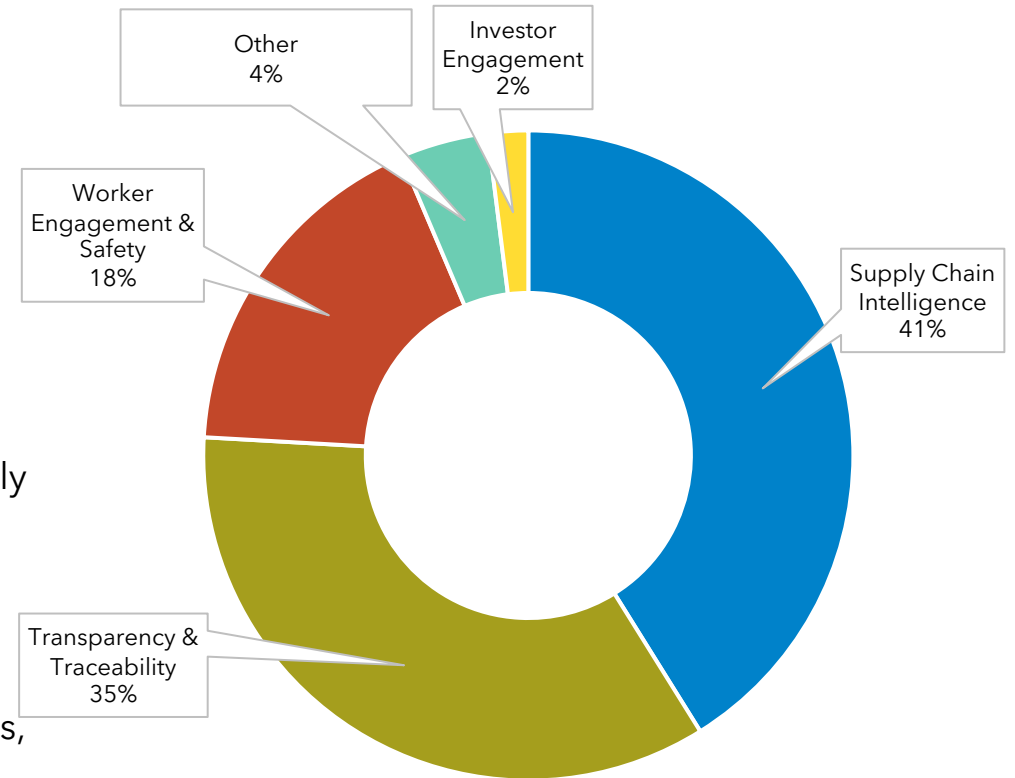
TOTHEMARKET

To The Market provides turnkey supply chain management to Fortune 500 companies, retailers, and brands, enabling responsible vendor compliance and management, digitized procurement, and automated impact reporting.

94%

of WCIF's investments to date have gone to three focal areas:

- Supply Chain Intelligence
 - Technologies that leverage big data, IoT and machine learning to identify and predict labor risks within supply chains
- Transparency & Traceability
 - Tools that enable buyers and brands to understand the extent, reach and impact of their supply chains, particularly in lower tiers, and to trace products.
- Worker Engagement and Safety
 - Tools that share information with, and facilitate feedback from, workers to enhance visibility into working conditions, increase worker agency, and improve employer engagement and job quality.



The WCF invests in startups whose products and services are used to identify, address and prevent labor and human rights violations.

Out of 17 portfolio companies,

include a specific focus on forced/child labor in their solutions.

14

2 focus on workers' exposure to physical risks

include a specific gender lens

(focusing on sectors and industries with higher female representation; working with women-founded and women-led suppliers; and developing support and empowerment programs for women or on gender in the workplace.)

10

4 focus on solutions that specifically target migrant workers

Migrant workers are one of the main worker groups identified by the International Labor Organization as vulnerable to workplace exploitation especially forced labor

5

Support workers during a Just Transition to a clean energy economy

We have invested in a significantly greater proportion of women-led companies than most venture capitalists.

Gender remains a key consideration in our investment decision-making and non-financial support for portfolio companies.

To date:

- We have invested in as many companies that are founded/led by women as companies that are founded/led by men;
- 45% of invested capital has gone to companies founded/led by women.

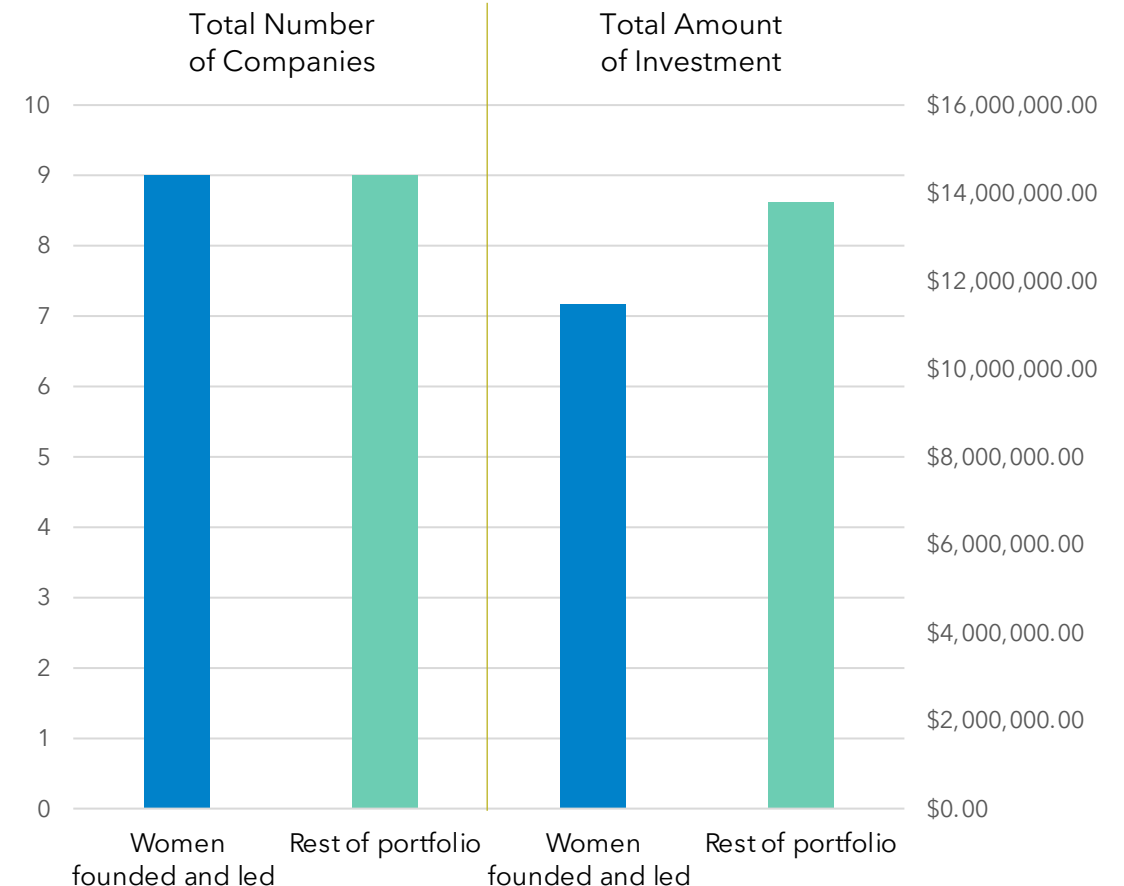
In 2022, WCIF invested in four new companies, one of which (**PreWave**) is founded and led by a woman.

Our level of investment in women founders is unusual in venture capital, where an estimated 2% of venture dollars go to women-led companies.

Slide 32 following shares more about how our portfolio companies support gender equity in workplaces.



Portfolio company leadership by gender



3.

CASE STUDY

CompScience

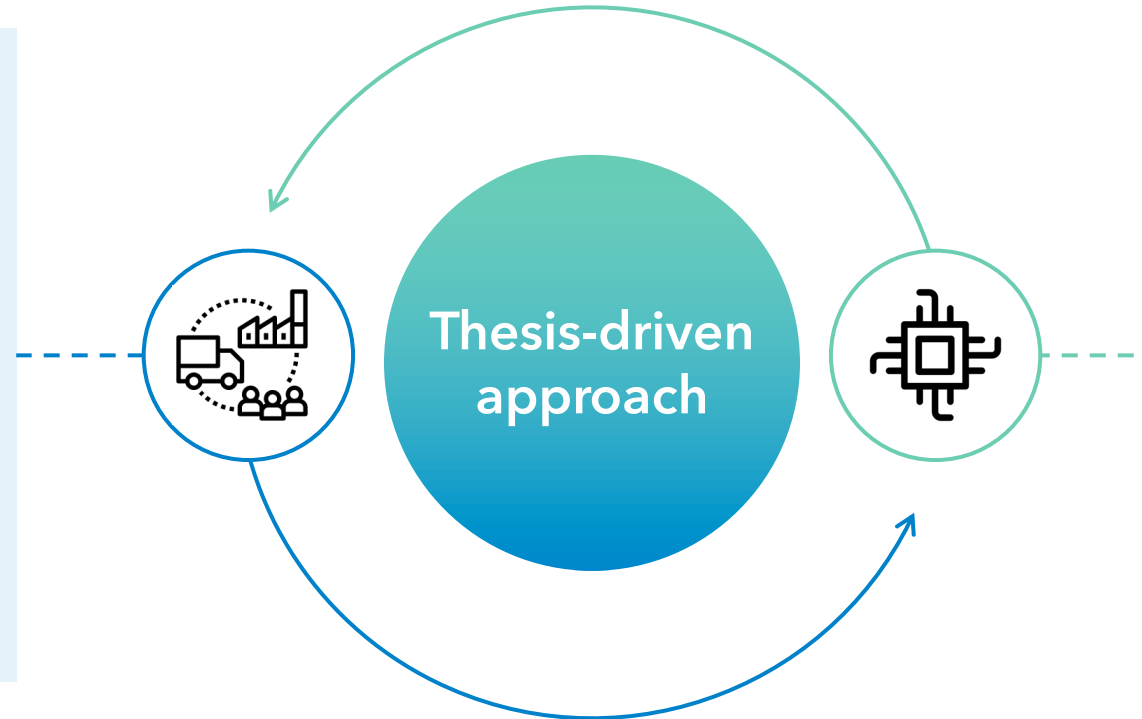
The Fund has hypothesized that specific emerging technologies can be applied to workplaces in a way that can reduce risk of labor violations and improve respect for labor rights.

What follows is a Case Study from our recent assessment of the Computer Vision (CV) space, which resulted in our investment in CompScience during 2022.

We began with a research-based investment thesis that hypothesized health and safety risks could be addressed by Computer Vision technology.

Target Impact Areas

Each investment thesis begins with extensive research into acute injustices facing marginalized workers in supply chains



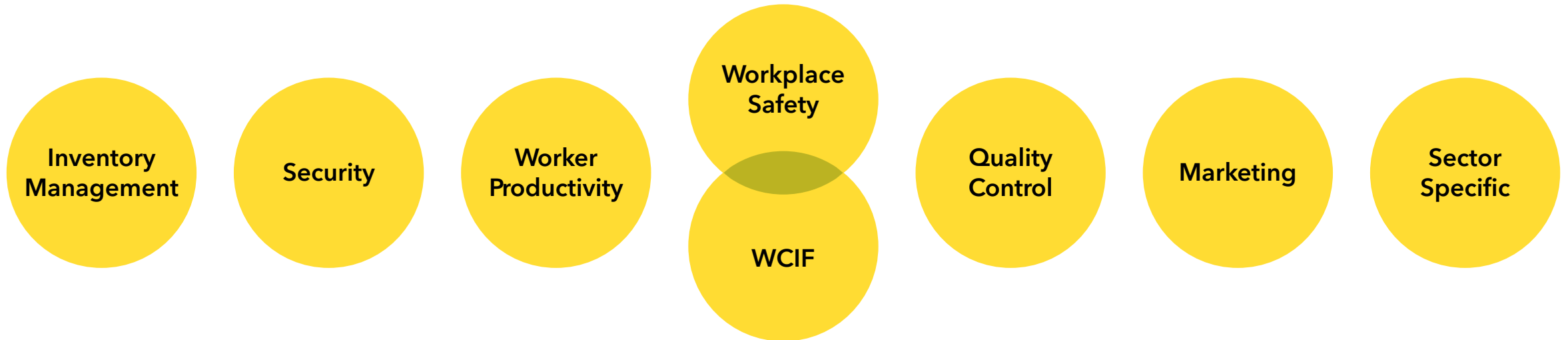
Apply Technology

Our team identifies relevant technologies and investigates how they might be applied to supply chain transformation

Business Functions of Computer Vision

Initial Question: Can recent advancements in computer vision reduce supply chain opacity by increasing visibility into working conditions?

Research: WCIF analysis of tech capabilities and market segments to develop of an informed point of view of most promising applications of Computer Vision to protect workers



Thesis: We began with an investment thesis -- after research into the space -- that hypothesized health and safety risks can be addressed by a Computer Vision technology.

WCIF landscaped the intersection of CV and safety

After segmenting the market, WCF reached out to dozens of founders globally who are applying computer vision to worker safety.



WCIF worked over **12 months** to find the right opportunity, guided by a clear thesis.

In June 2022, WCIF invested in CompScience - a seed stage company with deep Computer Vision expertise, a novel insurance-driven business model and a strong commitment to worker privacy.

CompScience

<https://www.compscience.com/>

- ✓ The right market segment/application
- ✓ The right business model
- ✓ The right stage
- ✓ The right entrepreneur
- ✓ The right ethics
- ✓ The right timing

4.
We see evidence that specific
hypotheses about
the intersection of impact
and markets are correct.

We have begun to see
evidence that ...

Technology enables
**direct engagement
with workers** on
issues that are
important to them.

- Ulula reached close to **700K** workers in 2022, and Diginex's Apprise Audit reached tens of thousands more. Ulula's grievance mechanism across 100+ Malaysian plantations and **20K workers** enabled over 2,000 grievances to be collected with a **90%+ resolution rate** supporting millions in reimbursement of recruitment fees.

We have begun to see
evidence that ...



The emergence of
**trust-based and
other technologies**
**helps facilitate
better chain of
custody** and more
reliable product
claims.

- Provenance's software solution is leading to improved consumer engagement and sales.
- Implementation of Provenance's solution for one major retailer has led to a **2.8x** increase in engagement at point of sale, a **27%** increase in conversion rates, and a **41%** higher add-to-basket rate.

We have begun to see
evidence that ...

Advances in **big
data analytics and
artificial
intelligence**

(among other tech)
can identify and
address supply
chain labor rights
risks.



- Altana documents a trusted network of actors across supply chains to facilitate trade relationships. Prewave, SupplyShift and VersedAI have created solutions that extrapolate risk from multiple sources and create maps of those risks.

We have begun to see
evidence that ...

CompScience

KENZEN™

Internet of Things
(IoT) and
wearables can
capture
meaningful
information about
working conditions,
to the benefit of
workers.

- Kenzen created a biometric wearable to monitor heat stress, reaching nearly **1000 workers**.
- CompScience used computer vision to generate predictive risk insight, and reducing workplace hazards incidents by **23-25%**.

5. Impact outcomes for our stakeholders



Workers

9 Portfolio Companies

Ulula's grievance mechanism resulted in 2,000 grievances collected with a 90%+ resolution rate, leading to millions in reimbursement of recruitment fees.

To The Market created 75,000 hours of fair wages, and added 45 new makers to their network.

CompScience's intelligent safety platform demonstrates a 23-25% reduction in workplace hazards incidents in trial.

Honest Jobs investments placed 329 workers in fair employment through safe migration, saving them an estimated cumulative US\$200,000

2022: 926,840
workers across
64 countries

2021: 661,205
in 40 countries

Reach

The portfolio companies have continued to demonstrate **worker impact** at scale, including worker rights, worker safety and wellbeing, and improved working conditions.

All portfolio company solutions have:

- Enabled brands to anticipate and address risks
- Enabled affordable and reliable corporate compliance with evolving legislation and regulation globally and through other major markets.
- Demonstrated return on impact for brands

Prewave's solution uses technology to allow companies to manage risks in a targeted manner.

**2022: 1208 customers
of which 317
enterprise customers**

2021: 561 customers
of which 116
enterprise customers

Reach

Lower Tier Suppliers

13 PCs

**2022: over 425 million
supply chain actors in
150 countries**

Includes suppliers,
logistics companies,
government agencies,
and more.

Reach

Through Fund II, To The
Market has increased
business to ethical,
responsible, and
sustainable suppliers.

VersedAI has generated
instantaneous mapping of
supply chain tiers with high
levels of accuracy, resulting
in comprehensive product
and supply chain risks.

Solutions have resulted in
reactive, pre-emptive, and
proactive engagement between
supply chain actors.

Human rights capacities have
expanded through education
and tools that monitor
production and produce worker
right insights.

Customers can increase engagement with ethical spending habits, consistent with recent consumer trends



Provenance facilitates brands' engagement with consumers to provide 12 fact-checked, worker-related proof points, of which four directly address forced or child labor.

Reach

2022: 1.6 million average impressions per month by customers

2021: 1 million average impressions per month

Customers
1 PC

6. Focus on Systemic Drivers of Risk

**Forced
and
Child
Labor**

**Gender
Injustice**

**Migrant
Workers**



Interventions in Forced and Child Labor

HonestJobs invests in fair recruitment and placement service startups for migrant workers in Asia to address debt bondage to recruitment agencies, a primary cause of forced labor.

Quizrr launched a global initiative to eradicate forced labor in supply chains through education. The interactive digital training tool promotes agency through educating workers, managers, and labor agents on their rights and responsibilities.

Altana uses its proprietary Atlas to map the ecosystem of businesses involved with forced labor, revealing nearly 1 million entities tied to forced labor in China.

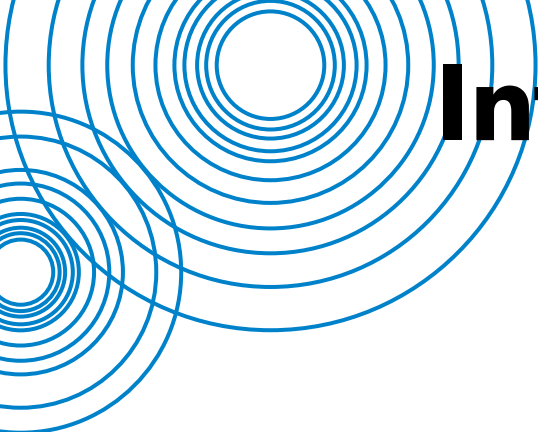
Diginex was used by brands to screen tens of thousands of workers for indicators of forced labor and child labor and to assess working conditions.

Prowave's AI sheds light on violations of labor law, unrest in the workforce, child labor, and discrimination in the workplace.

Versed AI only takes seconds to map entire supply chains for forced labor risks in high-risk regions and sectors, providing a level of insight previously inaccessible.

Ulula's grievance mechanism resulted in 2,000 grievances collected, enabling a 90%+ resolution rate, which led to millions in reimbursement of recruitment fees.

To The Market's platform includes eight certifications that demonstrate respect for labor rights. A substantial number of its suppliers are from areas of high-risk labor exploitation, including forced and child labor.



Interventions in Gender Injustice

HonestJobs invests in startups that are providing alternative fair recruitment and employment services to migrant workers in sectors dominated by women workers (domestic work).

Quizrr's educational model empowers female workers to express their interest in becoming leaders, line managers, and worker representatives.

Diginex implemented a gender module to help brands detect gender inequalities and identify the risk of gender-based violence and harassment in their supply chains. These identified risks contribute to providing actionable findings to improve working conditions.

The following companies incorporate gender aware metrics in their solutions for brands: **TTM, Quizrr, OpenSC, Provenance, Diginex, SupplyShift, Ulula.**

In 2022, about 60% of **To The Market**'s makers (factories or artisanal groups) are women owned and/or operated.

Provenance captures and promotes 43 products that highlight consumer-facing proof points labeled as Female Founded and 33 as Female Owned.

Proof tracks specific DEI metrics, including measuring female leadership, minority leadership, and female employees.

Interventions with Migrant Workers

Ulula launched a new app for migrant workers in Qatar during the World Cup in collaboration with two global trade unions.

Quizrr has training dedicated to migrant workers.

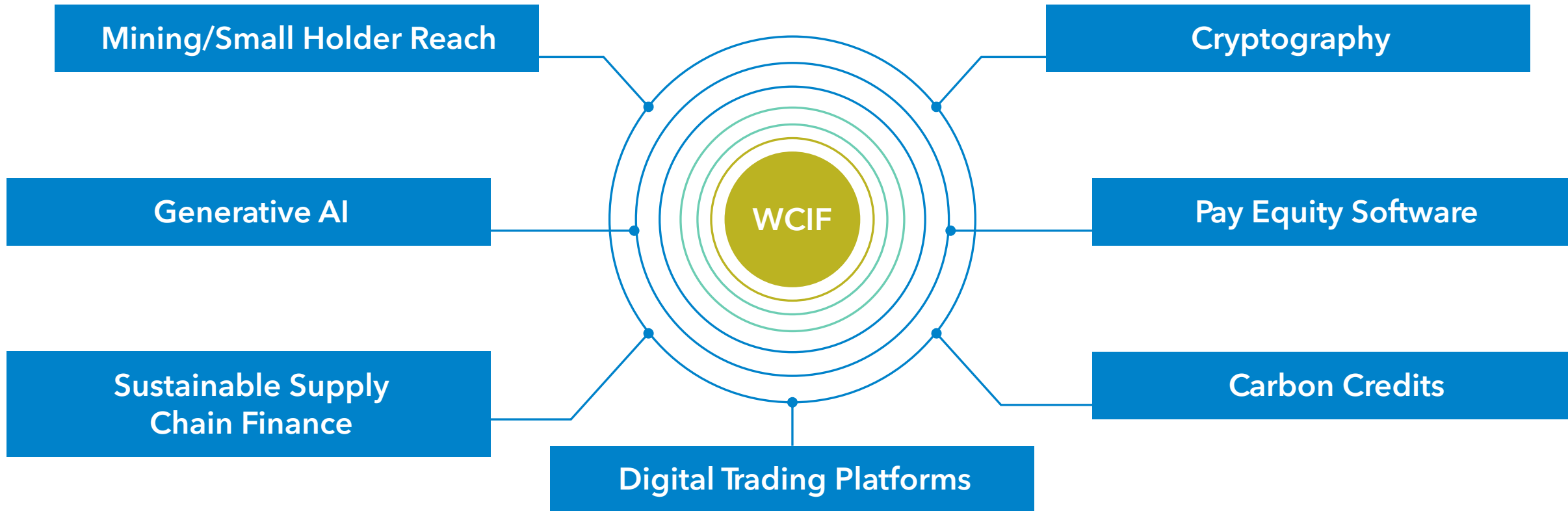
DiginexLUMEN assesses working conditions, triangulating supplier and recruiter self-disclosures against reports received from workers.

HonestJobs invests in startups that enable safe migration and recruitment for domestic workers in Asia.



7. What's next?

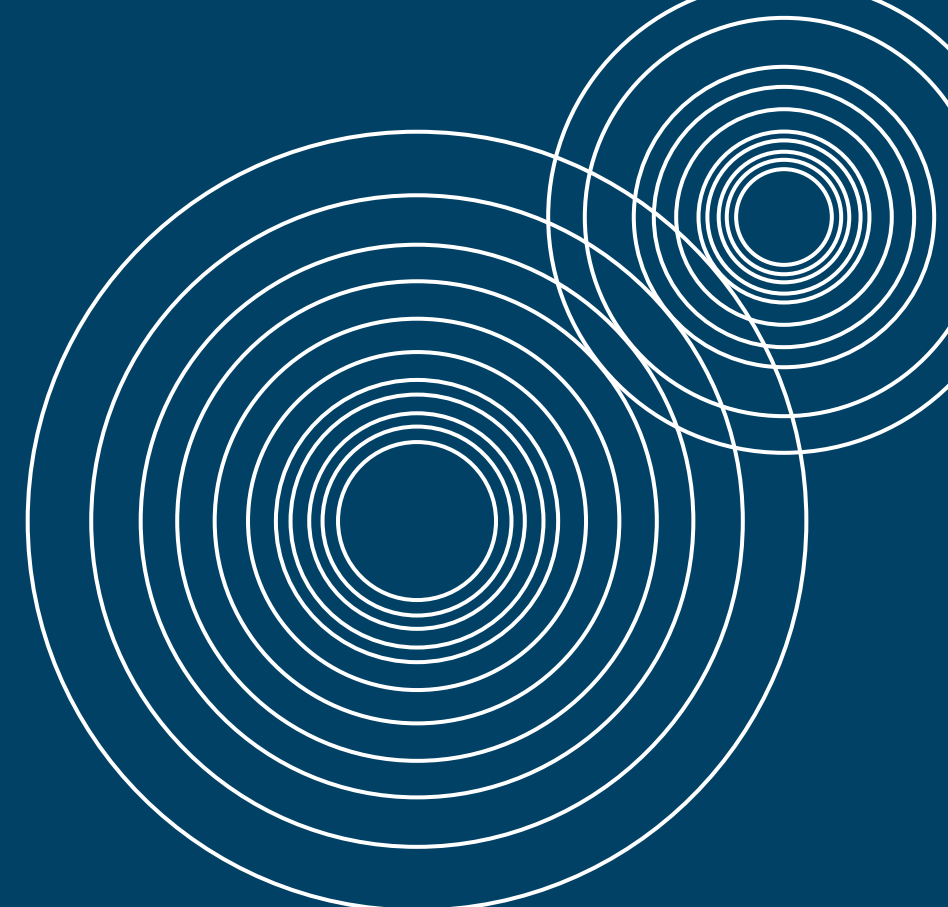
Going forward we continue to explore a range of target areas and technologies, maintaining our overall focus on scaling impact. Among the impact areas and technologies we will explore are:



“

Over the last 6 years, WCF have consistently addressed 'impact' in Impact Investing with the seriousness it deserves. For **there is no impact without evidence**. I have been consistently impressed by WCF's ability to put in place the necessary systems to gather evidence of impact, use evidence to inform their investment approach and decision-making, support their investees' impact journeys and provide the all-important feedback to investors on how well they are doing. This is what sets them apart from others who just talk about impact.

Lee Risby, *Laudes Foundation*



WCIF

Thank you. We welcome feedback
on this report.

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@WorkingCapFund



Working Capital Fund



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