Mustard Seed Impact in Action

Winnow Case Study

Updated: September 2015
Our Approach to Impact Measurement and Management

Mustard Seed does not accept the traditional dichotomy between profit and purpose. Rather, in a world that increasingly values positive impact and transparency, we see a mutually-reinforcing relationship between financial and social/environmental returns. We only invest in companies whose products or services inherently contribute to impact goals. Therefore, scaling profit necessarily implies scaling purpose.
Our Approach to Impact Measurement and Management

We know that early stage companies must be ruthless in their priorities and their allocation of resources. We approach metrics from the perspective of entrepreneurs who need to ensure company survival, while building long-term value.

**We do not:**

- Take an academic approach to measuring impact
- Focus on applying a one sized fits all set of metrics
- Ask our investee companies to report on anything that would only be used by us (i.e. which is not useful to them)

**We do:**

- Take an “entrepreneurs-first” approach – We work collaboratively with entrepreneurs who themselves drive the development of specific metrics for the company; metrics are (1) central to company operations; (2) indicative of company success/survival; (3) limited in number; and (4) useful to the team’s ongoing understanding of company performance
- Use a comparable metric for each Action Area – We use just 1 cross-cutting metric to logically compare companies within each of our 5 Action Areas
- Help CEOs align stakeholders – We help our companies develop metrics for right key levers, and align board members and others around those levers
Our Approach to Impact Measurement and Management

We start with helping entrepreneurs have the right company-level metrics, onto which we layer important comparable metrics and financial metrics.

**Company Level Metrics**

These are metrics which are **meaningful for this specific company**, and which may or may not necessarily be the right measures to compare with other companies in that sector. These measures should drive tangible results and long-term value. Teams should find these measures critical in assessing company operations.

**Comparable Metrics**

These are metrics which allow for comparison between companies in the same Action Area (described below), through the use of just **one or two metrics relevant to all companies**. Example: In healthcare, we measure healthy days of life created. Comparable metrics also drive our investment decisions, and allocation of capital to maximize returns.

**Financial Metrics**

Rounding out the metrics for quarterly reporting, the financial metrics help with **cash, resource, and fundraising management**. They drive additional action around company survival. For example, the Business Development Pipeline indicates both customer traction and forecasted cash flows.¹

¹ Companies report financial metrics as part of overall investor updates, delivered monthly or quarterly. Mustard Seed selectively publishes these results, with permission from our companies.
“Our impact metrics and reporting are not an academic exercise. These are core KPIs that drive our business growth and correlate to our success.”

Marc Zornes, Co-Founder, Winnow Solutions

*A Mustard Seed Portfolio Company*
Mission Mustard Seed

Mustard Seed invests across five Action Areas, through which we expect to generate significant positive outcomes over the next decade

**Action Areas and Ten-Year Aspirational Targets**

1. **Economic Inclusion – Empowering People Economically**
   - 100m People Receiving “Game Changing” Opportunities

2. **Education – Improved Learning Outcomes**
   - 28m Academic Years Created (2.2m Entire Education Spans)\(^2\)

3. **Environment – Reduced Emission and Increased Resource Efficiency**
   - 7.5m Tons of CO\(_2\)e Reduced (350m Trees)

4. **Family & Community – Creating Meaningful and Enduring Relations Between Individuals**
   - 30m Meaningful New Relationships Created

5. **Health – Improvement in Quality Days of Life**
   - 150m Human Life Days Improved (5,000 Equivalent Lives\(^3\))

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1 An explanation of our thinking and rational can be found in the Appendix
2 Assumes one academic year impact per child and an entire education of 12 years
3 Based on an average life expectancy of 75
Overview and outcome opportunity

Overview
• Winnow helps chefs reduce unnecessary food waste through smart scale IOT devices providing analytics to drive change

Outcome opportunity
• Facilitate massive food waste reduction
• In the UK alone, the hospitality sector wastes around £2.5bn worth of food every year

Reinforcing outcome / financial model

Revenue model
• Income is driven by system sales and food saved for customers

Outcome model
• Successful waste reduction helps the environment while boosting client economics

Mustard Seed involvement

- Board member with relevant experience
- Strategic / operational support
- Introductions to global catering chains and hotel groups
- Follow on funding strategy

Founder and key management roles

Marc Zornes
• Co-founder
• Former management consultant with McKinsey. Co-authored the Global Institute Report called Resource Revolution
• MBA from INSEAD (met co-founder there)

Kevin Duffy
• Co-founder
• Former management consultant in London and commodities investment banker in New York
• MBA from INSEAD (met co-founder there)
Winnow Solutions - Impact Metrics and Results as of Summer 2015

### Company-Level Metrics
Designed to be actionable, simple, and core to business

<table>
<thead>
<tr>
<th>Quarterly Indicators</th>
<th>Values</th>
<th>Implementation</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Total Live Winnow System Units</td>
<td>Undisclosed</td>
<td></td>
</tr>
<tr>
<td>• Number of Systems Installed in Last Period</td>
<td>Undisclosed</td>
<td></td>
</tr>
<tr>
<td>• Annualized Tons of Food Saved</td>
<td>Undisclosed</td>
<td></td>
</tr>
<tr>
<td>• Website Traffic</td>
<td>Pending 3</td>
<td></td>
</tr>
<tr>
<td>• Social Media Reach</td>
<td>Pending 3</td>
<td></td>
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</tbody>
</table>

### Comparable Metrics
Metrics to compare across companies and sector

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>• Tons of Co2E reduced (annualized); measured against baseline measure</td>
<td>3,000</td>
<td></td>
</tr>
<tr>
<td>• £ of Resource Saved (annualized)</td>
<td>£1.75m</td>
<td></td>
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### Financial Metrics
Meaningful to company survival

<p>| | | |</p>
<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>• Revenue in £ (last FY)</td>
<td>Undisclosed</td>
<td></td>
</tr>
<tr>
<td>• Projected Runway with Current Funding</td>
<td>Undisclosed</td>
<td></td>
</tr>
<tr>
<td>• Business Development Pipeline</td>
<td>Undisclosed</td>
<td></td>
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1 Value as of end of Q3 2015. Source: Winnow monthly report  
2 Reported privately to investors per regular company updates  
3 Not yet a focus area for the company based on current phase
Winnow Solutions – Next Steps

1. Continue to Align Business Development Efforts with Outcomes Potential
   Winnow is looking for the highest-leverage partnerships to grow food waste reduction and thereby grow financial returns.

2. Determine Correlation Between Website Hits (Visibility) & Company Success
   Does increasing public attention of Winnow and publications around food waste issues indicate meaningful Winnow traction and market share?

3. Explore ways to Measure Staff Satisfaction Around Company Culture & Leadership
   Winnow has expressed interest in quarterly monitoring to provide insight to leadership

4. Leverage Winnow’s Leadership in its Outcomes Approach to Support Other Companies in the Mustard Seed Portfolio
Mustard Seed Impact Framework
Appendix

Updated: September 2015
# Thinking Behind our 10-Year Aspirational Goals and Targets

<table>
<thead>
<tr>
<th>Impact Area</th>
<th>Goal</th>
<th>Rationale for Goal</th>
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<tbody>
<tr>
<td>Economic Inclusion</td>
<td>x people to receive “game changing” opportunities</td>
<td>While striving for this goal only works with rigorous application (and debate around) what constitutes a “game-changing” opportunity, we have found that it 1) works well for companies in this space, whose motivations are to change people’s life circumstances, and 2) forces the right debates on our Investment Committee. We experimented with dollars of income increased for target communities but quickly realized that this metric was not operationally helpful for most start-ups. We also cannot assume that more money in a community always equals better life outcomes.</td>
</tr>
<tr>
<td>Education</td>
<td>x academic years to be created</td>
<td>We aim to measure learning in concrete terms, leveraging national education standards. Standards allow any individual to be determined as being at a particular grade level in a particular subject, according to his or her level of knowledge. We aim to capture the difference between where students performed previously and the value-added difference of educational interventions. Sometimes we will need to use proxies to assess impact.</td>
</tr>
<tr>
<td>Environment</td>
<td>x tons of CO2 to be reduced</td>
<td>We will look at both dollars of resources saved and savings of CO2E. The methodology for CO2E reductions will be borrowed from widely accepted climate change scientists.</td>
</tr>
<tr>
<td>Family &amp; Community</td>
<td>x meaningful new relationships to be created</td>
<td>Humans are hard-wired for connection. Research shows that human connection drives mental and physical health and, conversely, lack of connection drives the opposite. Human connection builds community and can cause significant positive side-effects, such as reducing conflict, more efficiently resolving issues, and generating a more balanced and positive overall environment. Our Investment Committee rigorously debates each venture’s ability to create meaningful relationships, to address well-documented issues.</td>
</tr>
<tr>
<td>Health</td>
<td>x quality days of human life created</td>
<td>Ventures in the health space must improve the number of <em>quality</em> days of life that people live. Some ventures will add days of healthy life by curing life-threatening illnesses. Others will convert days of suffering to days that are pain-free, through more efficient or new ways to reduce the impact of disease.</td>
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1 Targets for each area were set by assuming 1 blockbuster success per year (over 10 years) in each area, estimating annual impact returns for a blockbuster success, and making relevant calculations.
### Impact Framework Process for New Ventures

<table>
<thead>
<tr>
<th>Pre-investment process</th>
<th>Post-investment</th>
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</thead>
<tbody>
<tr>
<td><strong>Pitch deck</strong></td>
<td><strong>Testing</strong></td>
</tr>
<tr>
<td><strong>Negotiations</strong></td>
<td><strong>Production</strong></td>
</tr>
<tr>
<td><strong>Longer term</strong></td>
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#### Impact area
- Entrepreneur frames her idea within our action areas
- First articulation of interlocking model
- Refined interlocking model proposition
- First presentation/discussion of proposed KPIs
- Final KPIs agreed for investment with MS
- Continuous improvement and refinement
- Financial KPIs / baseline for operating metrics. In place; early indicators of success
- Operational and impact KPIs measurement
- KPIs drive business decisions
- KPIs drive business decisions
- Process: 2-3 weeks typically
- Could be very long for health
- 6 months – 1 year
- > 1.5 years