Good & Well's Impact Measurement & Management Framework:

A Step by Step Guide

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Introduction

When we began our journey to develop an impact measurement and management (IMM) framework, we could have benefited from a simple and practical step-by-step guide to measuring impact as an early-stage direct investor.

Not knowing where to start, we made a list of all of the methodologies and tools that our colleagues recommended, and evaluated the pros and cons of each one.

The impact measurement tools we considered in this process included guidelines set by development finance institutions, tools that seek to transfer accounting principles to impact, and methodologies to describe the impact created in monetary terms. However, we found many of these tools too complex and costly for early-stage companies; others did not apply to sector-agnostic firms investing in diverse businesses with impacts that are not easily compared or assigned a dollar value (see the report Our Approach to Impact Measurement and Management for a summary of things we tried that didn't work).

At the same time, however, we believe developing a global consensus on measuring, managing and reporting impact will strengthen our work as a sector. As such, we drew on concepts and methodologies from the Impact Management Project ("IMP") and the Sustainable Development Goals ("SDGs") to develop the blueprint for our IMM framework. IMP is a collaborative effort of over 2,000 organizations to agree on shared IMM fundamentals, and the SDGs still comprise the most significant IMM call to action in the world. They also are practical, adaptable and applicable to any industry and growth stage.

The uncertainty of designing a new process, especially when most of the tools are presented in isolation, can be daunting at times. We aim to provide a resource to help others to manage their impact more effectively. As stated before, our framework is not perfect and will continue to evolve. It is our hope that our experience can help fellow investors save time as they prepare for this journey.

In this Guide, You Will Find...

- A detailed methodology for G&W's IMM framework: Guidance on how we create Impact Assessment Maps and Theories of Change ("ToC"), select metrics, and monitor impact.
- A summary of the methodologies we use to understand ESG performance.

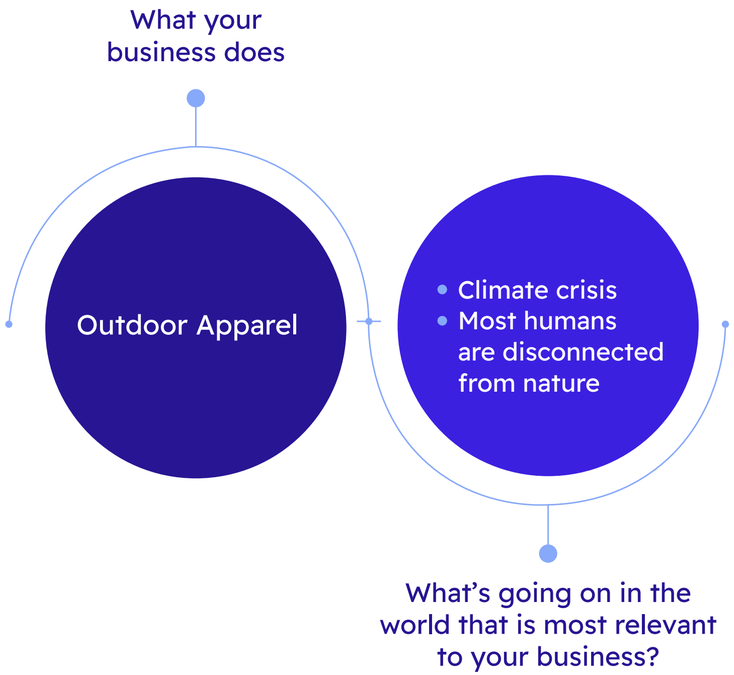
Thesus Outdoors ("Thesus"), a sustainable fashion brand and one of our investees, is used as a case study to illustrate the application of each step of the IMM framework to our portfolio companies. Thesus was selected because of the resourcefulness of their data collection method.

About Thesus Outdoors

Thesus Outdoors is an outdoor footwear brand for urban-centred people looking for versatile footwear that is socially and environmentally progressive. The company's purpose is to provide footwear and apparel that is respectful of nature while being of value to people who spend time outdoors.

Thesus aims to create a community of environmentally conscious consumers through their daily activities. The company is dedicated to high-quality production and pushing the boundaries of sustainability and ethical production by choosing materials and factories that are beneficial to both workers and the health of the planet.

Thesus's Approach



The company's founders have become experts in developing sustainable products by choosing materials that minimize water use and reliance on animal and petroleum-based inputs. To select suitable factories that uphold the highest sustainability standards, the founders locate to those geographies where they plan to manufacture their products and work hand-in-hand with the local suppliers. The Thesus team can co-created with the families who own the factories and be physically close to the workers by working alongside them on site.

Thesus currently has two principal production centres in Sri Lanka and Portugal, with additional components being sourced from Spain and Italy. Sri Lanka is a centre for fairly traded rubber production, while Portugal has become an innovation hub for sustainable materials and footwear production.

G&W's IMM Framework Methodology

While impact considerations are integrated throughout the investment lifecycle, this Guide focuses on our IMM work with portfolio companies during deal evaluation, onboarding and portfolio management.

Impact Management Integration into our Investment Process

1 Deal origination: Due diligence

- Assess intentionality:
  - Clarify impact objectives
  - Is the company aligned with G&W objectives?
  - Inquire about measurement practices, initiatives to understand the needs of the beneficiaries, commitment to managing impact

2 Deal evaluation: Investment committee

- Is impact integrated into the business model?
- Evaluate impact using IMP's five dimensions
  - What
  - Who
  - How much
  - Contribution
  - Risk
- Recommended site visit

3 Deal execution

- Integrate into the deal documents:
  - Approval rights over change in social purpose
  - Development of IMM framework
  - Operation according to ESG Principles
  - Information rights for impact measures

4 Onboarding

- Clarify intended impact using IMP's five dimensions
- Build or evaluate the Theory of Change (ToC)
- Define impact metrics - max 5
- Institute semi-annual reporting (poverty alleviation & behavioural change metrics > 1yr)

5 Portfolio management

- Review impact metrics and set targets annually
- Annual ESG assessment
- Review ESG progress and set targets

6 Exit

- Assure the impact management and ESG practices undertaken in a portfolio company continue under the new management

SECTION 1

Impact Measurement and Management Framework

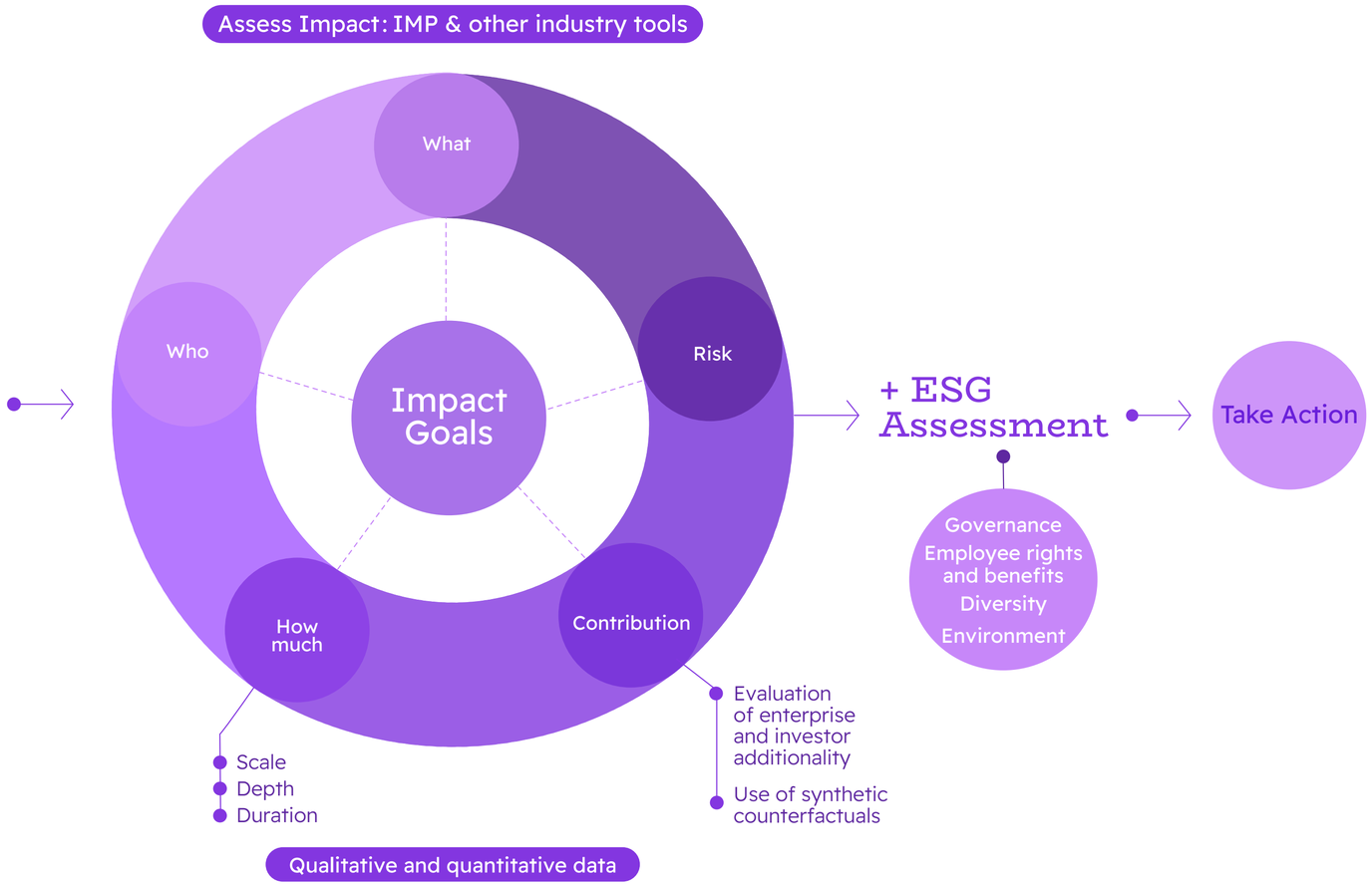
THESUS

Impact Measurement and Management Framework

We apply this framework to our portfolio companies, identifying specific metrics and targets for each company.

G&W's IMM Framework

1. Clarify and evalute intended impact - IMP's five dimensions
2. Develop Theory of Change (ToC)
3. Identify impact metrics
4. Monitor & learn
5. Adjust practices & set targets



1. Clarifying & Evaluating Impact

CREATING AN IMPACT ASSESSMENT MAP USING IMP'S FIVE DIMENSIONS OF IMPACT

The first step to managing a company's impact is to clarify its impact goals. We start the process by asking the founder about their intentionality, the ultimate impact goal and sub-impact goals (1-3 maximum). With this information, we create an Impact Assessment Map and assess each impact goal using IMP's Five Dimensions of Impact:

What

What are the outcomes and ultimate goal that the company is striving for?

How much

- How much of the effect occurs?
- For how many people?
- What is the depth of the impact?
- How quickly is the outcome expected to occur?
- How long will it last?

Who

Who are the beneficiaries experiencing the impact?

Contribution

How does the effect compare with what would occur normally?

- Is there a more efficient alternative for delivering the impact?
- Is there enterprise additionality?
- Can G&W provide additionality to enable the investee to deliver better outcomes?

Risk

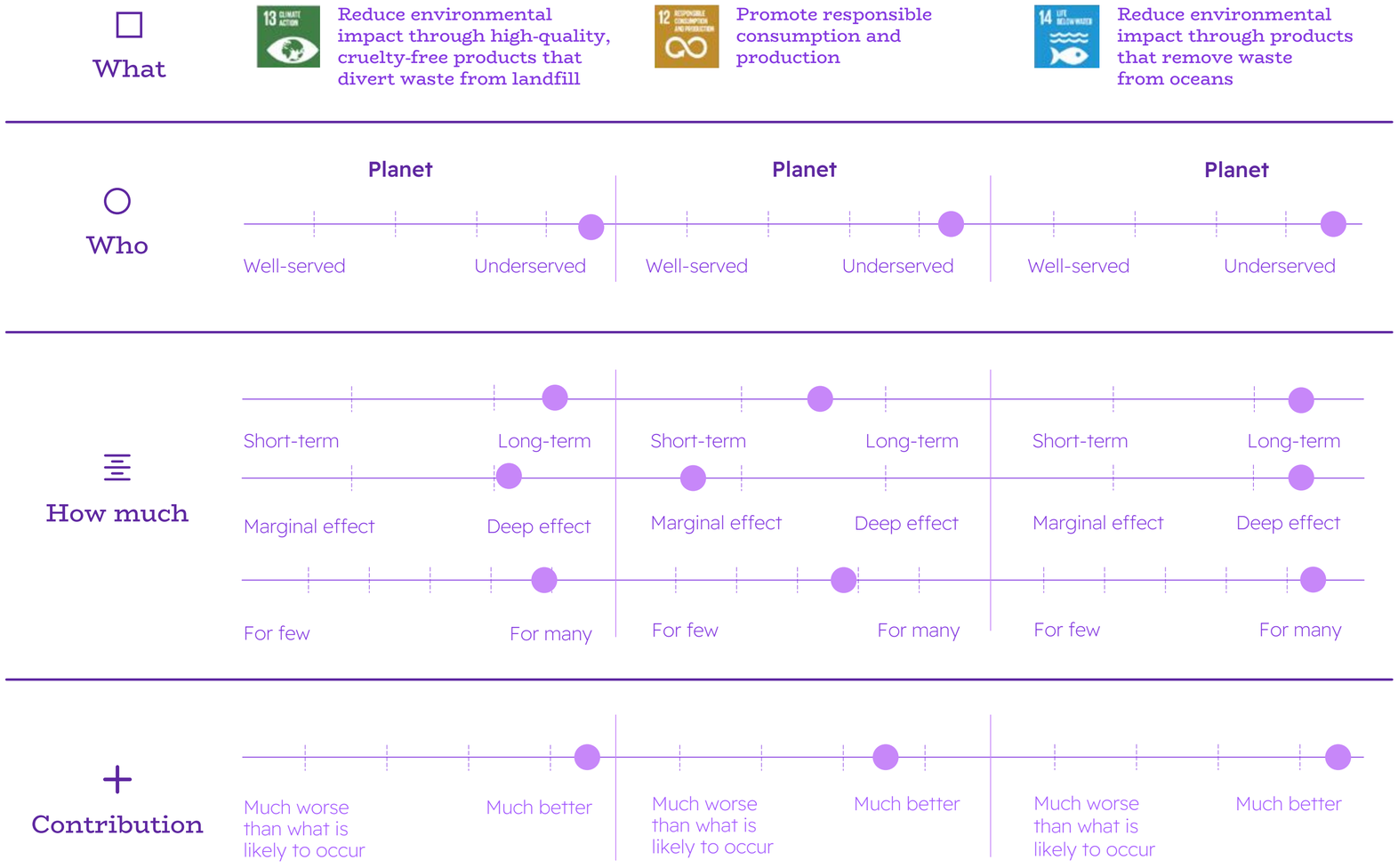
- What is the risk that the impact may not occur?
- Is there a risk that an unintended negative risk might occur?

We also identify the SDGs that each sub-impact goal supports to understand how the company contributes to the most widely recognized global development goals.

You can find in the Appendix how we have calibrated the five dimensions of impact.

The following example depicts an Impact Assessment Map for Thesus:

Thesus's Impact Assessment Map

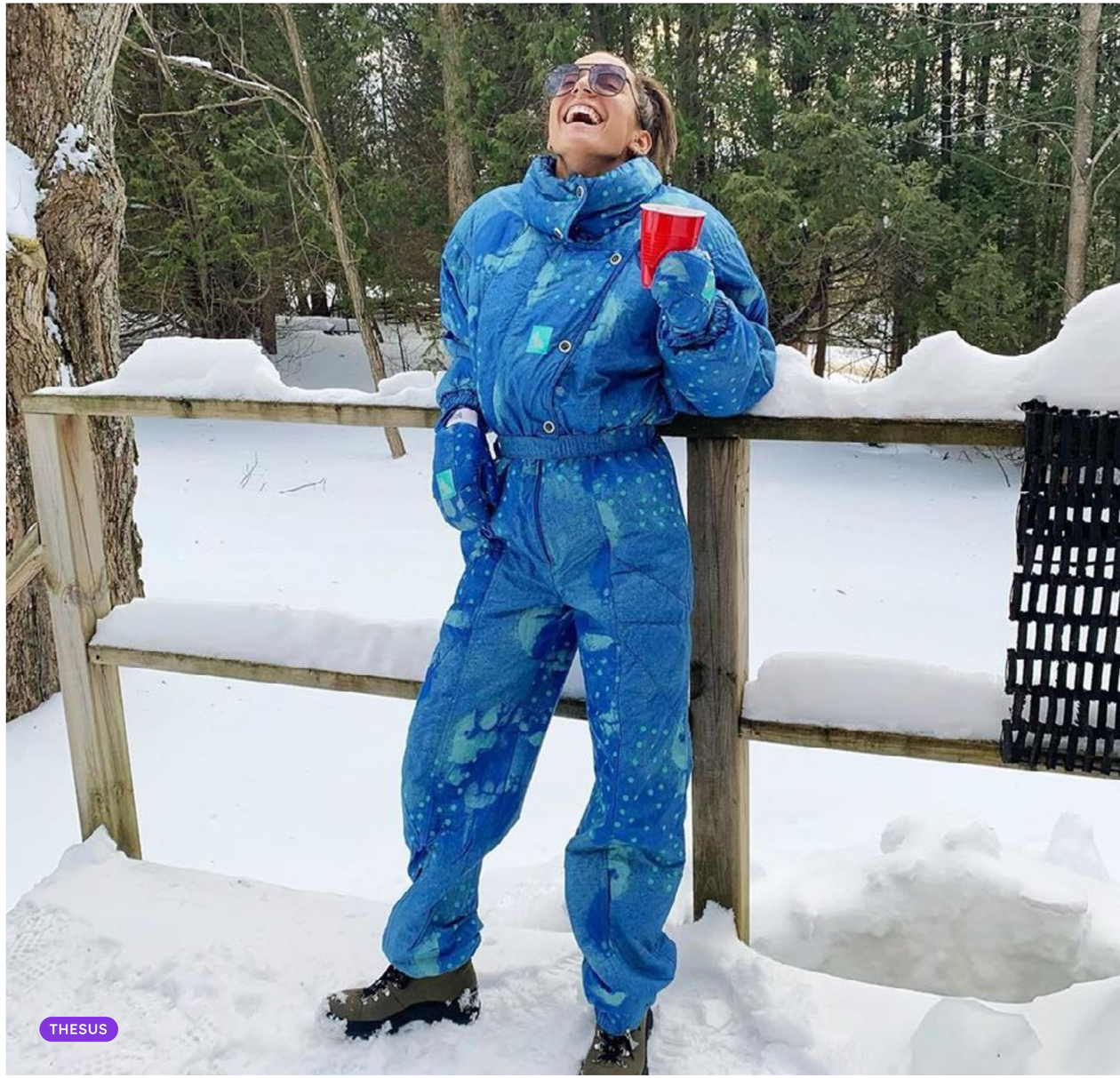


△ Risk

The Impact Management Project highlights nine types of impact risks. We classify the level of risk for each outcome as low, medium or high.

Impact Risks

Evidence Risk	The probability that insufficient high-quality data exist to know what impact is occuring
External Risk	The probability that external factors disrupt our ability to deliver the impact
Stakeholder Participation Risk	The probability that expectations or experience of stakeholders are misunderstood or not taken into account
Drop-off Risk	The probability that positive impact does not endure
Efficiency Risk	The probability that the impact could have been achieved with lower resources or at a lower cost
Execution Risk	The probability that the activities are not delivered as planned
Alignment Risk	The probability that the impact is not locked on the enterprise model
Endurance Risk	The probability that the required activities are not delivered for a long enough period
Unexpected Impact Risk	The probability that significant unexpected negative impact is delivered


THESUS

Thesus's Impact Risks

For Thesus, the highest impact risks are external, execution, and evidence. Fashion is still a fast-paced industry where trends are continuously changing, consumers have short attention spans and a desire for immediacy in everything. Even though the desirability for sustainable products is increasing, design preferences still prevail over ethics. Managing an ethical fashion brand requires greater control of the supply chain and more complex processes; however, there are limited options tailored to early-stage companies for measuring and managing social and environmental impact.

2. Developing A Theory of Change

We work with founders to develop their ToC, which maps out their plan for achieving their impact goals. It starts with the identified ultimate impact goal, then maps backwards the necessary pre-conditions and activities that need to occur to realize those goals. This process clarifies the inputs and actions needed to achieve impact and surface any underlying assumptions. Assumptions can then be tested, and progress tracked.

Thesus's Theory of Change

Inputs	Activities	Outputs	ST Outcomes	Impact
Human capital	Build an ethical supply chain	# workers getting a living wage % female workers	Monitored factories	Workers receive fair wages and access to optimal labour conditions
Contracts with manufacturers	Source raw materials that divert waste from landfill, remove plastic from oceans and are cruelty-free	% of materials by weight that are natural cruelty-free + recycled	Reduced use of water, animal and petroleum-based products	Reduced enviromental impact - water usage, forest preservation, less cruelty
Financial capital			Waste diverted from landfill and removed from oceans	
Creative team	Create a community of diverse people going outside and being more connected to nature	# of people from diverse backgrounds joining the Thesus community and getting outdoors	More conscious and active people who are connected to the outdoors	Cleaner oceans and landfill reduction
Online platform				A healthier and more conscious community
Content team	Create content that promotes awareness about climate change	Sales volume from partnerships # brands partnering	More brands exposed to, aware of and adopt sustainable manufacturing practices	Create a cleaner, fairer, clutterless world
	Build relations with reputable brands			

Assumptions:
- Supplier partners understand key needs of the communities and make the right decisions for the communities
- Supplier partners have good and open communication channels with the communities

3. Selecting Impact Metrics

We usually identify 1-2 metrics for each of the company's impact goals. When possible, metrics are related to outcomes and not outputs. Most metrics are customized given the unique nature of the companies, and only a few come from the IRIS+[1] catalogue.

We only want to track metrics that help the company to learn, so we ask how each one is being used before finalizing the metrics. We also look at ease of implementation and cost-effectiveness, prioritizing directionality over accuracy.

Thesus's Impact Metrics

Outcome	Metrics	Data Collection Method	Use
Reduce environmental impact through high-quality cruelty-free materials that divert waste from landfill and oceans	• Environmental impact of the materials • Cyclical Use Rate	• Material Rating System • Weight of recycled materials	• Adjust design of the products • Inform selection of new materials and providers
Build an ethical supply chain	• Supply Chain Transparency	• % of Tier I, Tier II, Tier III, Tier IV suppliers traced • Country ESG Risk Rating & Supplier ESG Assessment	• Selection of suppliers • Awareness of hot spots in the supply chain

1 IRIS+ is a generally accepted impact accounting system that leading impact investors use to measure, manage, and optimize their impact. IRIS+ gives investors an easy-to-use system, including sets of core metrics around certain key themes such as clean energy access, financial inclusion, health, and affordable housing.

4 & 5. Monitoring, Learning, Adjusting Practices and Setting Targets

G&W aims to collect impact metrics from companies every six months unless the metrics are related to behavioural change or changes in poverty levels, in which case, we collect data every two years. When we invest in a company, an impact reporting requirement is included in the deal documents to set expectations upfront. We have created a flexible reporting schedule to accommodate companies establishing data collection systems, such as an ERP or those needing to secure more resources to collect data feasibly. Data is collected using an Impact Dashboard (see snapshot of the dashboard on the right) that includes the impact metrics, data collection methodology, targets, ESG progress, and any customer insight results. We also include growth metrics that feed into G&W's impact metrics.

Thesus's Impact Dashboard

	A	B	C	D	E	F
1			Metric	Data Collection Methodology	2020 Actuals	2021 Targets
2	**Part 1: Theory of Change Metrics**					
3						
4	13 CLIMATE ACTION	**Reduced environmental impact through high-quality, cruelty-free, sustainable materials**	% "better" materials used	% "better" materials per item (by count) x # items sold		
5						
6			% "good" materials used	% "good" materials per item (by count) x # items sold		
7			Cyclical use rate	Weight of recycled materials		
8						
9	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	**Promote Responsible Consumption and production**	Supply chain transparency	% of suppliers identified		
10						
11	**Part 2. Financials and Growth**					
12			Revenues	Self reported		
13			Repeat rate: number of return customers/ total number of customers x 100%	Self reported		
14						
15	**Part 3. Reach**					
16			New customers B2C	Self reported		
17			New Partners B2B	Self reported		
18						

The progress and learnings are reviewed with the entrepreneurs, constantly assessing the utility of collecting data to optimize resource allocation. After the first year of data collection, we work with founders to set targets associated with each metric to evaluate progress. Together, we will review the Impact Assessment Map, ToC, metrics and targets annually, integrating learnings into the IMM process (i.e. assumptions, actions, metrics, targets) and related business practices.

DATA COLLECTION & ASSESSMENT CASE STUDY

To demonstrate outcome progress, we select data collection methods based on how cost-effective and practical the available options are.

The following is an in-depth study of the methodologies and tools we selected and considered for Thesus:

Considering that Thesus is an early-stage company with a limited budget for IMM, we decided on developing a low-cost, in-house evaluation with the founders and an environmental management specialist, to understand the path of progress towards achieving the materials goals and identifying any potential hotspots in the supply chain. The methodologies selected can be found below, while other options considered can be found at the end of this section.

1

Material Rating System:

An evaluation of the material selection to guide decision-making during product and design. The evaluation breaks down materials used in each product into four categories:

- Better material
- Good material
- Satisfactory material
- Not good material or Unknown

Thesus's 2020 Material Rating Results for their Weekend Boots

Let's consider two significant components of a boot: the upper and the outsole. Conventional leather boots with a thermoplastic polyurethane sole (e.g., Blundstones), would receive a "Not Good" material rating if there is no recycled content. In contrast, Thesus's Weekend Boots are made with a recycled ocean-plastic nylon upper and an outsole made from natural (and partially recycled) rubber.

Using this rating system, Thesus was able to identify areas for improving materials. Since their implementation of this impact tool, Thesus has replaced the threads and five elements of their Weekend Boot with recycled versions, some of which come from ocean plastics. This has improved their Weekend Boot rating from 90% Better Materials to 94% Better Materials by weight.

2

Cyclical Use Rate:

Weight of recycled materials used in the creation of its new products. By focusing on maintaining the value of materials resources and, ultimately, products, Thesus has a direct influence on the amount of waste generated. Over the longer term, this is a critical contribution in transitioning to a more circular economy.

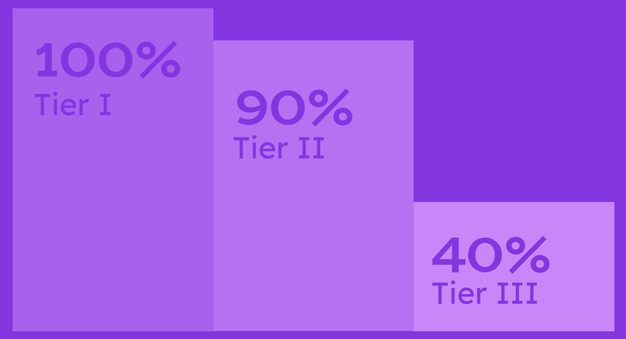
In 2020 Thesus calculated there were **1,527 g** of recycled content in its Weekend Boots. Over time, we can track the recycled content of the same product and, when multiplied by the numbers of pairs sold, understand the total volume of recycled materials used in the period. The detailed weight calculation is found in Appendix B.

3

Supply Chain Transparency:

After mapping each individual material and production process, Thesus can evaluate the percentage of Tier I, Tier II and Tier III suppliers traced.

In 2020, Thesus tracked:



Thesus anticipates they will be able to trace up to 95% of Tier II suppliers in 2022. They hope to get further into Tier III over time.

The availability of accessible supply chain data, as well as the cost of environmental data analysis, such as conducting a Life Cycle Assessment (LCA), are major barriers in beginning to calculate environmental impact. However, by working with what is available, initial insights can be gained that allow for meaningful improvement at any scale. As Thesus grows, the company can use this collected information to inform policies for new suppliers, plan social audits, or invest in data analysis such as an LCA. In 2022, G&W will work with Thesus to set impact targets based on their metrics as well as identify new metrics to better understand their ability to educate and influence customers in making more sustainable choices.

Other Methodologies We Considered for Thesus's Social and Enviromental Data Collection

Method	Benefits	Limitations
Life Cycle Assessment (LCA)	○ Quantifies water, GHG emissions, and other key environmental impacts for each material in a product ○ Allows for comparisons between materials ○ Can show environmental impact "hotspots" for a given material	○ Lengthy and expensive process - for a complete assessment of a pair of shoes, each material would need its own LCA ○ Requires extra details for accuracy - data collected from several points along the supply chain would be required for the most reliable LCA result
Higg Material Sustainability Index	○ Standard in the footwear industry – contains lots of industry data	Not provide a complete picture due to current phase of the tool: ○ Limited ability to customize each material ○ Limited selection of materials available for footwear
Social Audits	○ Collects quantitative information about working conditions at each factory and monitors progress	○ May be apparent improvements to be addressed before a full audit ○ Audits, while in-person, can miss out on actual working conditions during a non-audit day ○ Expensive to carry out
Social and/or Environmental Certifications	○ Ensures certain impact areas have been considered/verified for a given material, service or facility	○ One all-encompassing certification does not exist, and maintaining multiple certifications is costly ○ Thesus already sources materials with certifications (e.g., FSC, Fair Trade)

SECTION 2

Aggregating Portfolio Impact

THESUS

Aggregating Portfolio Impact

As a sector-agnostic investor with customized impact metrics for each investment, aggregating our portfolio impact is challenging.

We currently aggregate the impact of the portfolio based on the A, B, C classification that the IMP proposes, as well as the SDGs to assess the focus of our portfolio on impact and how it contributes to the SDGs.

A, B, C Classification to Aggregate Impact:

According to the IMP, there are five possible classifications for any underlying asset:

1. May Cause Harm

2. Does Cause Harm

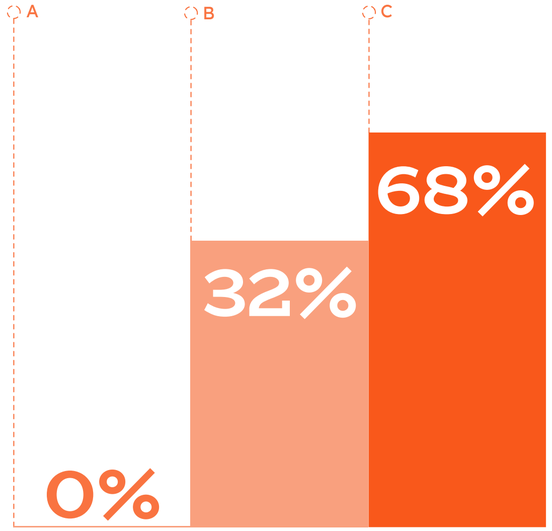
3. Act to Avoid Harm
The enterprise prevents or reduces significant effects on important negative outcomes for people and the planet.

4. Benefit Stakeholders
The enterprise not only acts to avoid harm, but also generates various effects on positive outcomes for people and the planet.

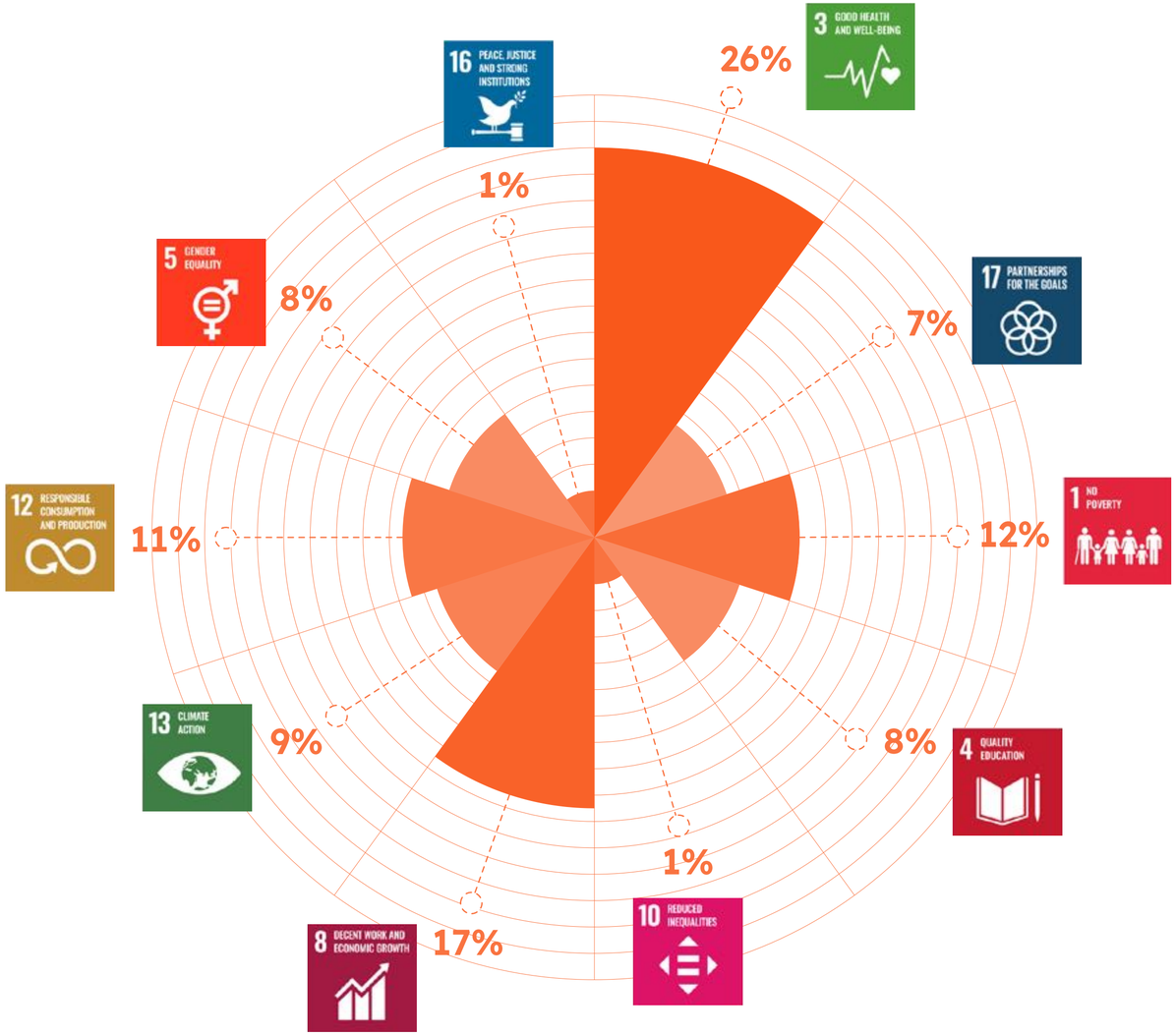
5. Contribute to Solutions
The enterprise not only acts to avoid harm, but also generates one or more significant effect(s) on positive outcomes for otherwise underserved people and the planet.

This diagram shows that all companies in the G&W portfolio create impactful solutions rather than only avoiding harm. However, some companies, including Thesus, Everist and Fresh City Farms, which serve the environment through better packaging, materials and supply chains are targeting well-served customers who may not have multiple ethical or sustainable options but can easily satisfy their practical needs. We allocated the impact of such companies as 50% B, and 50% C, resulting in 68% of G&W's AUM allocation towards the highest impact classification. This approach highlights the challenges of comparing impact on different beneficiaries, making it difficult to draw insights from the analysis.

G&W Portfolio by IMP's A, B, C, Impact Classification



G&W Portfolio by SDG



The main SDGs in the portfolio are: #3, Improving Good Health and Wellbeing (26%), followed by #8, Decent Work and Economic Growth (17%). Within SDG #3, the impact varies widely between the companies. For example, Lucky Iron Fish is improving iron deficiency, while Fresh City Farms provides access to fresh, organic and local food; at the same time, Everist reduces toxic ingredients and plastics in personal care products. The focus on SDG #8 reflects the number of investees who are working to improve transparency and working conditions in supply chains.

Aggregating the impact of the portfolio is a common practice for impact investors. However, as we noted in the report Our Approach to Impact Measurement and Management, this aggregation has not led to insights that have influenced our strategy or the strategy of our investees, or helped to inform our practices. Instead, we found that insights from individual companies were more useful when compared to aggregated percentages.

SECTION 3

Methodologies We Use to Understand ESG Performance

THESUS

Methodologies We Use to Understand ESG Performance

In addition to our impact, and the portfolio companies' intentions to contribute to solutions to global challenges, we believe it is necessary to screen and manage ESG risks to mitigate the risk of unintended consequences from our operations and those of our portfolio companies.

We currently consider four ESG impact areas based on materiality and relevance to our objectives: Environment, Employees Rights and Benefits, Diversity, and Governance. Diversity was explicitly included as distinct from Employee Rights and Benefits to draw attention to the importance of diverse founders and teams to achieving our objectives.

Below we describe our current process for assessing the ESG performance of, and risks in, our portfolio. Our next step is to develop a maturation model that will take into account the stage, size and business model of the ventures in the portfolio. It is important to recognize that start-ups have limited resources to implement all the best practices at once.

Additionally, early-stage companies have different risk profiles than large corporations and not all ESG issues considered by large corporations will apply to them. For example, a sole founder would not be expected to have an HR policy. However, it will be important to lay the foundation of best ESG practices that can be built upon as the company scales.

ESG Assessments

To assess ESG performance and the risks for each ESG impact area, we divided the portfolio into three groups:

- Companies that manufacture or source products
- Companies that provide a service
- Fund managers

We then defined three distinct ESG assessments:

1. **Corporate ESG Assessment**
   To identify key ESG areas of improvement across our venture partners and prioritize our portfolio support.

2. **Supply Chain Assessment**
   To provide a high-level understanding of hot spots in the supply chains.

3. **Fund Managers Assessment**
   To facilitate understanding of how fund managers build impact into their decisions and support the diversity of their founders.

The following assessments are used to understand ESG risks for each group of companies:

Corporate ESG Assessment

	Product	Service	Fund Manager
Corporate ESG Assessment	●	●	●
Supply Chain Assessment	●		
Fund Managers Assessment			●

THESUS FOUNDERS

1. Corporate ESG Assessment

Currently, we use a Corporate ESG Assessment with 67 questions that is informed by the BCorp Assessment and Common Objective Due Diligence questionnaires.

Here are some of the practices Thesus will implement in the short term, based on the areas of improvement that were identified through the assessment:

- Adopting an open book policy with their employees
- Offsetting GHG emissions from travelling
- Encouraging employees to use the training hours provided
- Adding parental leave to their full-time and part-time benefits
- Adopting a system for collecting anonymous grievances

These plans are included in the company's Impact Dashboard and monitored annually.

2. Supply Chain Assessment

For portfolio companies manufacturing or sourcing products, their supply chains pose a significant ESG risk, specifically to employees and the environment. We take the following steps to assist our investees in identifying ESG hot spots in their supply chains:

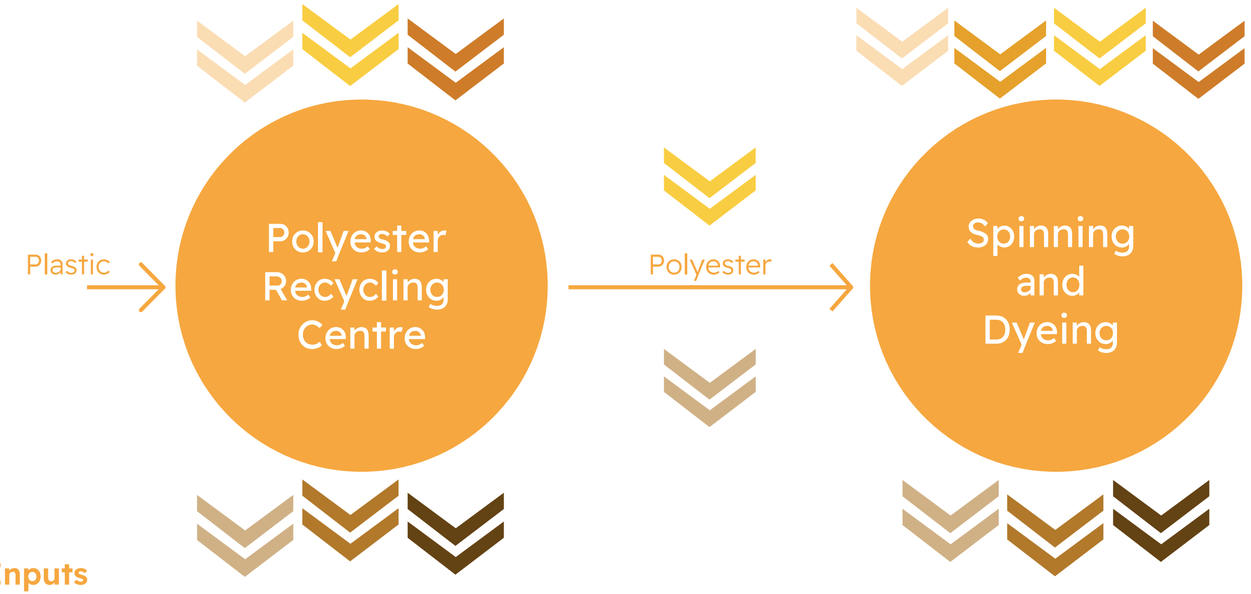
2.1. SUPPLY CHAIN MAPPING

Based on the information provided by founders about suppliers and raw materials, we create a basic flow chart to determine supply chain transparency, demonstrate material flow, types of suppliers and identify areas where environmental impact is likely to occur along the supply chain.

The supply chain map highlights which suppliers are known quantities and the depth of sourcing knowledge. For each stage, impact flows can be mapped to include inputs and outputs for each step of production, from raw material sourcing all the way to the customer, the waste produced during the spinning and dying processes, and the energy, emissions, and packaging associated with shipping a product. While the exact values are not known at this point, the impact sources become clearer.


THESUS

Excerpt from Thesus's Supply Chain Map



Inputs

- Water
- Energy
- Dye
- Misc. Chemicals

Outputs

- Emissions
- Wastewater
- Solid Waste

As an example, Thesus knows that their polyester comes from recycled ocean plastic. The polyester fibre is manufactured, spun and dyed in Spain and then cut in Portugal to make their product. There is a high level of transparency for their primary material. However, other product parts, such as zippers and buttons, may have a lower level of transparency. The source of the metal in zippers, for example, may be unknown. The arrows on the top of the diagram represent the inputs that go into the process, such as energy and water, and the arrows on the bottom represent waste and emissions from the process. This map helps Thesus understand potential risk areas in their supply chain.

2.2. COUNTRY ESG RISK RATING

As part of understanding supply chain risks, we also factor in geographical risk, as well as the environmental, social and employment regulations and incidents of each country involved in the production.

For each ESG risk, a country or region-level indicator can represent potential supplier risk. For example, the Global Slavery Index, the Animal Protection Index, and the World Resources Institute provide indicators related to regional social and environmental risk. Based on these regional indicators, each country may be given a risk rating. The results can be colour-coded for visual representation of high, low, or medium risk, allowing for a visual comparison between countries for each ESG risk area.

Thesus's Country ESG Risk Rating

The Country ESG Risk Rating analyses the main ESG areas for risks identified through the supply chain map in each country where Thesus suppliers operate. These impact areas are the result of background research from industry associations and organizations working in social and environmental sustainability and reporting, such as the Global Reporting Initiative (GRI), Higg Brand and Retail Module, and the International Labour Organisation (ILO).

This process informed some of the key questions added to the Supplier ESG Assessment questionnaire and highlighted areas of concern. The table to the right provides a sample of categories, indicators, and country ratings for Thesus.

The information gathered from the Country ESG Risk Rating is useful for understanding the geographical supply chain context. For example, if a supplier operates in a highly water-scarce country and does not track their water use or have a water management plan, then this risk is heightened. Conversely, if a supplier operates in a high fossil-fuel use country, but runs most of their operations on solar power, then this risk has been lessened.

Country Risk Assessment for Thesus

Note: 1 is low risk and 5 is high risk.

Category	Indicator	Portugal	Sri Lanka	Italy	Spain	Canada
Animal Welfare	Animal Proteccion Index Score	–	–	C	C	D
Decent Work	Workers' Rights Violations	2	3	1	3	2
	ILO Ratification	yes	yes	yes	yes	yes
Energy/Fossil Fuel Depletion	% energy from fossil fuel sources	54.27	50.44	64.4	44.44	20.76
Forced Labour or Human Trafficking	Goverment efforts against forced labour grade	2	5	2	2	2
	Vulnerability to modern slavery	1	2	2	1	1
	Estimated prevalence of modern slavery	2	2	2	2	1
GHG Emissions	Pledged Paris Agreement emissions reductions	yes	yes	yes	yes	yes
Worker Health and Safety	Work-related deaths (per 100,000/year)	3.54	1.27	2.42	1.79	1.81
Right to Health	Presence of universal healthcare	yes	yes	yes	yes	yes
Solid Waste	Waste Handling Score	75.48	–	32.28	70.74	51.19
Water Scarcity	Water scarcity in the country	4	2	4	4	1

Colours represent each country's score for the given metric on a scale of best to worst possible score. For some metrics, higher is better, and for others, lower is better; this has been normalized through colour coding each score. Green represents between 75% and 100% of the best score possible compared to the worst score possible, yellow between 75% and 50% of the best, orange between 25% and 50% of the best, and red between 0% and 25% of the best.

2.3. SUPPLIER ESG QUESTIONNAIRE

In addition to the Corporate ESG Assessment, where we collected information about Thesus's company ESG practices, we also prepared an ESG questionnaire for the suppliers. The categories and questions were drawn from risks common to the footwear and apparel industry, such as child labour, forced labour, water pollution and GHG emissions, and were informed by the risks highlighted in the Country ESG Risk Rating that we developed.

The goals in this step are:

1. To inform companies of impact areas of concern or identify specific products or facility types with high risk, for example, high prevalence of child labour in agriculture or dyeing facilities located in regions with poor environmental regulations.

2. To collect information about policies and practices of suppliers that may mitigate or manage these risk areas (age hiring policies, certified-low impact dyes), and bring attention to those suppliers who are not considering these risk areas.

The ESG Assessment questionnaires can be tailored to specific industries using a bank of questions developed from the ESG Key Performance Indicators, GRI, Higg Index Brand and Retail Module, International Labour Organisation guidelines, among others.

Thesus's Supplier ESG Questionnaire

The Supplier ESG Assessment was completed by the company's main supplier, located in Portugal. There were no major areas of concern, however, there are some areas for further inquiry: how they track employee diversity, how water use is managed, and the value of their GHG emissions. The assessment also revealed information about what kinds of waste are produced by the supplier. The global pandemic prevented Thesus from finalizing the assessment of their supplier in Sri Lanka. We expect this to be completed by 2022.

3. Fund Managers Assessment

The Fund Manager Assessment is used for fund managers investing in private companies with lean operations (i.e. Ordinary Holdings). It was developed by combining key questions from our Corporate ESG assessment (explained above) with a tool created by our investee Rally Assets. The assessment asks about the extent to which impact is considered throughout the investment life cycle, monitoring practices, and fund manager engagement. The assessment also collects diversity information of the founders in the portfolio.

SECTION 4

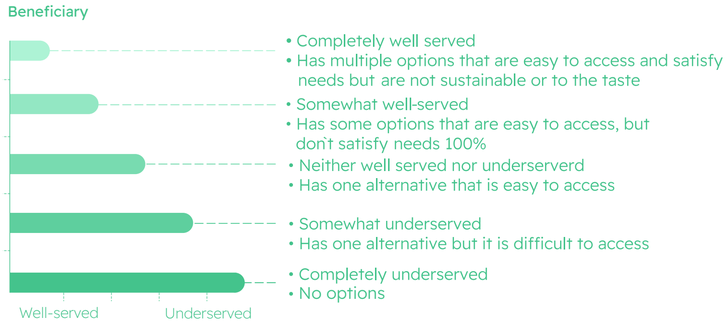
APPENDIX

Appendix A

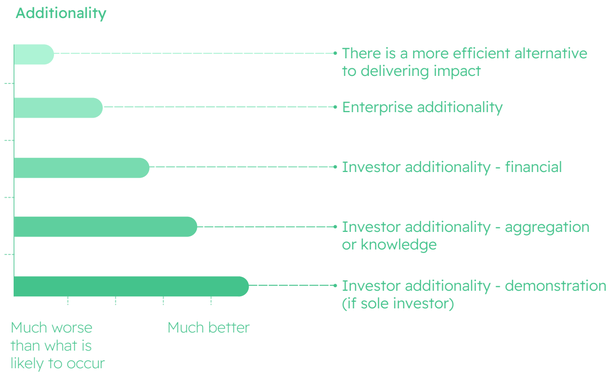
Calibrating the Five Dimensions of Impact

To make the impact evaluation less subjective, G&W has created a system intended to help compare the impact. Please note that it is a system we are currently testing and which will evolve as we gain a better understanding of the ranges.

Who

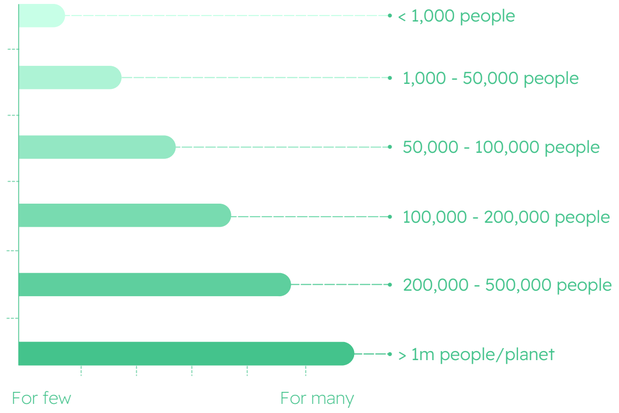


Contribution

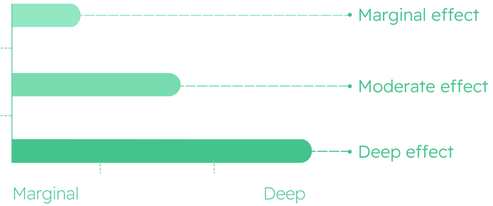


How much

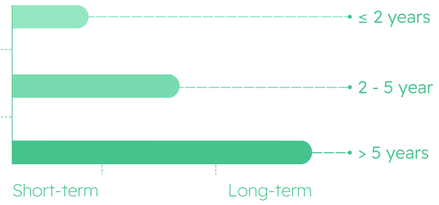
1 For how many



2 Effect variation



3 Duration



Appendix B

Detailed Description of the Material Rating System

The goals of this Material Rating System were to provide a guide to better materials sourcing and showcase the thought process that has already gone into Thesus's materials choices.

The rating of a material is based on thresholds for the percentage (%) content of the following kinds of materials: virgin petroleum-based (e.g., nylon), virgin mined (e.g., brass), recycled content (e.g., recycled polyester), renewable and recyclable or biodegradable materials (e.g., natural rubber). The rating method was designed to embody circular economy principles that minimize both the reliance on non-renewable resources and the creation of waste destined for landfill.

Considerations for chemicals such as pesticides and solvents were included for water-based glue and non-organic cotton. A similar method was used to score the packaging materials used by Thesus, which checked whether a material was made from recycled content and whether it was recyclable or compostable. For each material evaluated, Thesus will use the table on the right and match the material composition to the requirements to get its rating.

Rating	Requirements
Better Material	• 100% recycled content **OR** • 100% renewable and recyclable/biodegradable resources used **OR** • Combination of recycled and renewable if the blend is also either recyclable or biodegradable **AND** • No virgin fossil fuel inputs • No virgin mined inputs **OR** • Water-based adhesives
Good Material	• At least 50% recycled content **OR** • 50% renewable and recyclable/biodegradable resources used **OR** • At least 50% combination of both recycled content and renewable content **AND** • Less than 20% content virgin fossil fuel inputs or virgin mined inputs
Satisfactory Material	• Some recycled content or some renewable and recyclable/biodegradable resources used **AND** • Less than 50% content virgin fossil fuel inputs or virgin mined inputs
Not Good Material	• Mostly non-recycled material **OR** • High pesticide-use crop or high chemical-use material (e.g., non-organic cotton, conventional leather) **OR** • Virgin fossil fuel-based product **OR** • Virgin mined input-based product
Unknown	Not enough about the material is known to give a rating

Appendix C

Cyclical Use Rate Calculations

Item	Material	Weight per Pair
Upper	100% Recycled Plastic Collected From Oceans	30
Back Patch	100% Recycled Plastic Collected From Oceans	4
Mid Upper	100% Recycled PU Claimed From Car Dashboards	120
Lining	85% Recycled Nylon	2
Lining	100% Recycled Nylon	20
Collar	100% Recycled Plastic Collected From Oceans	2
Tongue	Vegan	2
Foam Tongue	100% Recycled Foam	8
Foam Collar	100% Recycled Foam	8
Loop	100% Recycled Nylon	4
Tongue	Certified Ink	0
Loop	Certified Ink	0
Tape	Certified Ink	2
Threads	100% Recycled Nylon	0.5

Item	Material	Weight per Pair
D Rings	Nickel Free	36
Hooks	Nickel Free	6
Toe Puff	74% Recycled Plastic	10
Heel Counter	62% Recycled Plastic	26
Insole	100% Recycled	64
Outsole	45% Recycled Natural Rubber	672
Treads	100% Recycled PET Bottles	0.5
Laces	100% Recycled PET Bottles	16
Info	Certified Ink	0
Footbead	85% Recycled	50
Footbead	Certified Ink	0
Wrapping Paper	100% Recycled	0.5
Inserts	100% Recycled	6
Box	100% Recycled	438

Request for Feedback

We hope that this Step by Step Guide will assist you on your IMM journey.


THESUS

G&W's framework will evolve as we continue to learn. If you have any feedback or comments about our IMM practices or you wish to share your experiences, we would like to hear from you. Please email us at **olga@goodandwell.ca** at your convenience.

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