



2016 IMPACT REPORT

SJF's Impact Journey

HOW DO WE SCALE SOCIAL AND ENVIRONMENTAL IMPACTS THROUGH INVESTMENTS INTO EMERGING BUSINESSES?

For 17 years, SJF has been exploring this question and refining its model based on the institutional knowledge gained through 52 investments. Our first fund, Sustainable Jobs Fund I (1999), invested in companies providing critical, entry-level employment in sustainable industries. In 2001, we rebranded to SJF Ventures, expanded our mission to a broader set of sectors, and focused our strategy on high growth companies in which impacts inherently scale alongside core business growth. This link between progression of businesses and scale of impact allows SJF to compete with market returns generated by the venture capital asset class, while building on our deep commitment to driving social and environmental progress. In addition to producing impacts stemming from companies' core businesses, SJF also advances our mission by introducing impact innovations to our portfolio companies and the broader investment industry.

This report shares stories and statistics illustrating the ways in which SJF and its portfolio companies are fighting climate change, serving low income communities, enhancing health and education, reforming food systems, reducing waste and creating employment opportunities. Since 1999, we have produced impact reports and have more recently enlivened our reporting with an impact website: www.sjfventures.com/impact. We also are a GIIRS Pioneer Fund and have supported the work of the GIIN and B Lab in developing an industry standard for impact reporting.

As we launch our fourth fund, we have decided to publish this report to summarize our impacts to date concisely, with links to more in-depth research and case studies. Also, for the first time, this report summarizes a climate impact assessment across our portfolio with some surprising results.

In 17 years, we have made progress in creating a healthier, smarter and cleaner future and in helping to build the impact investing field, but we are keenly aware of how much we have yet to do. We look forward to working with you to accelerate our work and use venture capital as a means to create a new generation of companies that will bring prosperity not only to entrepreneurs, employees and shareholders, but also to communities, the natural world and those marginalized in our society.

This Report

THE 2016 IMPACT REPORT IS ORGANIZED AROUND THE SIX SECTORS WHERE WE ARE INVESTING TO DRIVE POSITIVE CHANGE:

- 1 Clean Energy & Efficiency
- 2 Re-Use & Asset Recovery
- 3 Food & Sustainable Agriculture
- 4 Education
- 5 Health & Wellness
- 6 Workforce & Economic Access

We believe that each of these sectors has vibrant entrepreneurial ecosystems and opportunities for high-growth businesses to profit by solving real problems. For each of these sectors, we articulate the challenge, share impact statistics on our portfolio companies addressing the challenge, and provide a case study.

We invite you to dive deeper into the information available on our impact website from links from the PDF version of this report. Data in this report is gathered from our regular interactions with our companies' management teams as well as an annual, in-depth assessment as part of the GIIRS ratings process.



OUR IMPACT: MITIGATING CLIMATE CHANGE

WITHOUT A SIGNIFICANT REDUCTION IN GLOBAL GHG EMISSIONS BY 2031, THE WORLD WILL LOCK IN 2 DEGREES CELSIUS OF WARMING—A WIDELY ACCEPTED THRESHOLD AT WHICH THE WORLD EXPERIENCES [CONCERNING] FEEDBACK LOOPS AND ACCELERATING ECONOMIC AND ENVIRONMENTAL DAMAGES. – SCIENTIFIC AMERICAN ¹

SJF is accelerating the transition from fossil fuels to clean energy sources, particularly solar energy, and driving efficiency across multiple sectors of the economy. SJF focuses on companies helping to drive down the cost of solar power in order to make this renewable energy source more price competitive. Furthermore, to reduce energy waste, we focus on companies utilizing software and Internet connectivity innovations to drive efficiency in energy usage and transportation. Creating smarter solutions for the ways communities and industries operate represents a meaningful opportunity to reduce pollution, drive carbon reduction and increase affordability.



4 GW

solar project trackers shipped by *NEXTracker*



10-30%

energy savings for restaurants & retail stores by *EnTouch Controls*



>1000 MW

solar & wind facilities developed and constructed by *Community Energy*



>73 Million

public transit rides enabled for over 955,000 monthly active riders by *TransLoc*



NEXTRACKER'S IMPACT INVESTMENT SUCCESS STORY

NEXTracker designs and manufactures technologies that enable solar panels to track the sun's movement, enabling greater sunlight capture over the course of a day. The company's solutions are used in utility-scale and distributed generation solar projects around the world. NEXTracker's product offers a significant breakthrough in horizontal tracking, with lower costs, better performance and more flexibility for project design, resulting in an approximately 9% decreased levelized cost of electricity (LCOE) from solar power.

In December 2014 SJF Ventures led the company's Series B financing. Just nine months later, NEXTracker was acquired by global manufacturer Flextronics for up to \$330 million. This outcome not only generated a strong return for shareholders, but also gave NEXTracker a large manufacturing platform to leverage as it expands to become the global market leader for solar tracking systems.

NEXTracker has now shipped trackers for more than 4GW of solar projects around the world. These projects produce enough clean energy to avoid CO2 emissions equivalent to powering 347,000 US homes or taking 800,000 cars off the road. As NEXTracker stated:

"By harnessing the power of the sun, we're helping to secure clean, reliable, emissions-free electricity. Our tracking systems can be found in some of the most advanced PV power plants on the planet, providing safe, reliable solar power for generations."

Read the full impact case study, including a video on Nextracker, at: www.sjfventures.com/impact



SJF PORTFOLIO CARBON IMPACT STUDY

In 2016 SJF Ventures undertook a project to better understand the climate change impact of its portfolio. With the recent Paris Agreement signed in April 2016 by 181 nations, the global community has prioritized greenhouse gas emission mitigation to fight climate change. To assess this critical aspect of investment impact, we worked with a team from the Center for the Advancement of Social Entrepreneurship (CASE) at Duke’s Fuqua School of Business, along with its partners and reviewers at the Duke Carbon Offset Initiative and the Environmental Capital Group, to create a dynamic model illustrating how and where our portfolio companies reduce carbon emissions. With this report, SJF’s annual carbon mitigation impacts are now being quantified and aggregated at the fund level, and we are proud to be one of the first venture capital firms to study and report on the carbon impact of its portfolio.

The project team worked with each portfolio company to determine its primary contributions to carbon mitigation through its efforts to deploy alternatives to fossil fuels, reduce fossil fuel usage through efficiencies, and lower waste through recycling and reuse. Then we developed a model to take company-specific input data related to a company’s primary business function (e.g., kilowatts renewable energy output, tons of waste diverted from landfill, amount of materials conserved from source reduction) and use calculations from the EPA and other third-party scientific studies to calculate equivalent tons of CO₂ emissions mitigated.

The project team standardized carbon impact across the portfolio and calculated that SJF Ventures portfolio companies helped mitigate over 341,000 metric tons of CO₂ in 2015. That mitigation is equivalent to removing 71,000 cars from the road or planting 8.7 million trees. Clean energy and

efficiency companies accounted for 51% of the total SJF Ventures portfolio measured carbon savings in 2015. And once completed, renewable energy projects are used on an ongoing basis, thus also offsetting CO₂ emissions each year of continued use.

The carbon emission mitigation of recycling and reuse is less well known but is nonetheless substantial. Reuse and recycling carbon impacts derive from three potential avenues: source reduction from avoided new manufacturing, emissions from waste in landfills or incineration, and reduced transportation of materials. The model identified the carbon mitigation from SJF’s asset recovery companies to be 49% of the 2015 portfolio total. The SJF Ventures team, as well as the companies themselves, were surprised but pleased to note the significant carbon emissions mitigation from asset recovery. We hope to further study these impacts in the years ahead.

	2015 CO ₂ Mitigation (Metric Tons)
SJF II CO ₂ Mitigation	68,322
SJF III CO ₂ Mitigation	272,749
Total SJF CO₂ Mitigation	341,071
Equivalent to:	
Tree seedlings grown for 10 years	8,745,399
Acres of U.S. forests storing carbon for 1 year	279,566
Cars taken off the road for 1 year	71,804

Read more on SJF’s carbon impact model in the case study on our impact site at: www.sjfventures.com/impact.



OUR IMPACT: CONSERVING NATURAL RESOURCES

THE U.S. GENERATES MORE THAN 220 MILLION TONS OF SOLID WASTE EACH YEAR AND 75% IS RECYCLABLE.²

SJF is enabling the reuse, remanufacturing, recycling and composting of goods and therefore reducing the negative environmental impacts from mining and manufacturing of new products and waste streams sent to landfill or incineration. Reuse is seen as the ultimate form of recycling, and SJF has invested in companies unlocking the residual value in reusing products, including cell phones, product returns, vehicle parts, computers, biotech laboratory equipment, and even underground power cables. SJF companies in the recycling space have included leaders in innovative sustainable solid waste and recycling collection programs and in composting and organic material products.



>1 Million

pounds of organic waste composted in 2015 by *Living Earth*



>2,200

pieces of lab equipment reused in 2015 by *BioSurplus*



>1.9 Million

used items resold in 2015 by *Optoro*



>39 Million

used wireless devices collected for reuse and recycling to date by *HYLA Mobile*



NOVINIUM EXTENDS UNDERGROUND POWER CABLE LIFE BY 20-40 YEARS AND CREATES QUALITY JOBS

In the United States, over five billion feet of underground electrical power cables were laid since the 1960s. These cables have a useful life of approximately 20-40 years, meaning a significant portion of the cable laid in the 1960s-1990s is degraded and/or failing. Utilities have traditionally had few response options when this happens and consequently needed to purchase new cable, dig up the old lines and install new cables underground as replacements.

Novinium now offers a radical alternative to this problem. Its proprietary cable rejuvenation injection process can be administered in situ, i.e. without digging up and removing old cable. The results repairs and extend the useful life of underground power cable by 20-40 years—doubling useful life.

Novinium's technology creates significant environmental resource savings as well as meaningful transportation and other cost savings. Since its founding, Novinium has enabled over 150 million feet of power cable for reuse, saving almost 10,000 tons of aluminum, 24,000 tons of copper, 48,000 tons of plastic, and 50 million gallons of diesel fuel.

Novinium has also created a positive impact on its community and workforce. Its headquarters is located in a low-income economic hot zone where its tract income level is only 40.1% of median area income. The company has created 275 quality jobs, of which 186 are hourly workers with an average wage of \$31.28 per hour and robust benefits. Novinium was named as one of Seattle's 2013 Best Places to Work.

Read the full impact case study, including a video on Novinium, at:
www.sjfventures.com/impact



OUR IMPACT:
**INCREASING NUTRITIOUS FOOD
 AND SUSTAINABLE AGRICULTURE**

CLOSE TO A BILLION POUNDS OF TOXIC CHEMICALS IN THE FORM OF PESTICIDES AND HERBICIDES ARE INTENTIONALLY INTRODUCED INTO THE ENVIRONMENT AND OUR FOOD SUPPLY EACH YEAR.³

SJF is fostering new models for sustainable and nutritious food production. While we have historically made select investments in innovative natural and organic brands with unique value propositions, our focus has evolved towards enabling technologies and processes for creating cleaner, healthier, and safer food products and agriculture systems with less waste. These include ethical farming models protecting animal welfare, proprietary nutrition protection food processing innovations, food safety technologies, and more efficient farming and irrigation systems.



120 Million

pasture-raised eggs sold in 2015 by *Vital Farms*



95% +

retention of food nutrients in *Aseptia* technology



#1

U.S. national brand of organic and all-natural pizza crusts in *Rustic Crust*



**VITAL FARMS HEALTHY
 HENS AND HAPPY FARMERS**

Vital Farms' core mission is to bring ethically produced food to the table by coordinating a network of family farms to operate with a well-defined set of sustainable agricultural practices that include the humane treatment of farm animals as a central tenet. The company upholds a strict standard of ensuring all supplier farms provide at least 108 square feet per bird of year-round vegetative land for chickens to graze. By marketing the superior nature of the products, Vital Farms encourages consumers to

migrate from their traditional egg choices to a more nutritious product, and by so doing create opportunities for more family farms to shed their ties to less profitable, more harmful industrial practices.

Vital Farms provides an example of sustainable agriculture at its finest because it seeks to positively impact all of its stakeholders:

- Small-scale family farms can often earn more income producing eggs for Vital Farms with far fewer chickens than running a traditional large-scale chicken farm.
- Happy, healthy chickens run around outdoors, eating grass and insects as part of a more diverse diet—in sharp contrast to

large-scale chicken farming where chickens are confined in pens often without room to walk around or access to sunshine and are fed large amounts of grain.

- Consumers benefit from a more nutritious and superior tasting pasture-raised egg.
- Positive environmental practices include natural food systems, rotated pasture land to ensure recovery time, and no fertilizer, pesticide or herbicide use.

Read the full impact case study, including a video on Vital Farms, at:
www.sjfventures.com/impact



OUR IMPACT: IMPROVING EDUCATION ACCESS AND OUTCOMES

OVER THE PAST TWO DECADES, THE COST OF FOUR-YEAR COLLEGE HAS INCREASED BY 45%⁴ IN CONSTANT DOLLARS. THE PERCENTAGE OF HIGH SCHOOL GRADUATES FROM LOW-INCOME FAMILIES ATTENDING COLLEGE HAS DECLINED BY 10 PERCENTAGE POINTS SINCE 2008, TO 46%.⁵

SJF is enhancing the quality, accessibility and affordability of educational institutions. We seek investment opportunities in education across the learning spectrum: PreK-12, post-secondary, workplace, and life-long learning. Each of these verticals faces significant challenges, creating strong demand for innovative solutions that address these problems and simultaneously drive meaningful impact in areas like improved learning outcomes, higher graduation rates, affordability of higher education, quality job placement, and career satisfaction. SJF has developed a significant network of thought leaders and practitioners in education and organizes quarterly EdLinks events in New York City to help move the field forward.



2.5 Million

students served by *Civitas Learning* to reduce drop out rates



1 Billion

math problems completed by students last school year with *Think Through Learning*



200 Thousand

students from low-income high schools earning an average of \$19k in scholarships on *Raise.me* platform

raise.me

RAISE.ME TACKLES UNEQUAL ACCESS TO FUNDING HIGHER EDUCATION

The average annual cost of a four-year private college in the U.S. is \$43,921. It is \$19,548 for in-state and \$34,031 for out-of-state attendance at a public college (College Board.org). Higher education is expensive and becoming increasingly difficult to afford. Moreover, the current financial aid system is broken, particularly for the students who need it most. Most scholarships, grants and aid packages today are awarded at the

very end of high school, too late to influence students' college search, ambitions and application process. As a result, many talented students check out early in high school or don't apply to selective colleges despite the aid that might be available to them.

Raise.me has set out to alleviate the problem of unequal access to higher education. It empowers students to earn "micro-scholarships" throughout high school for their individual achievements—everything from getting an A in Biology to making the JV basketball team or being elected Vice-President of the Glee Club—and students can start as early as 9th grade. The platform creates a more transparent and

motivational process while enabling the students to see the guaranteed minimum amount of aid they'll receive from an institution long before they apply.

Nearly 60% of the 200,000 students who have signed up for Raise.me are from low-income high schools. To date over 100 institutions across the country have partnered with Raise to provide millions of dollars in grant aid to help students achieve their college goals.

Read the full impact case study, including a video on Raise.me, at:
www.sjfventures.com/impact



OUR IMPACT: ENHANCING HEALTH AND WELLNESS

29 MILLION AMERICANS HAVE TYPE II DIABETES AND AN ADDITIONAL 86 MILLION (1 IN 3) AMERICANS ARE PRE-DIABETIC. U.S. LATINO AND AFRICAN AMERICAN POPULATION RATES OF DIABETES ARE RESPECTIVELY ALMOST 2 AND 1.7 TIMES THOSE OF THE WHITE POPULATION.⁶



>10 Million

health plan members have access to 100% covered diabetes-prevention benefit enabled through *Solera Health*



>1.7 Million

users in >50 countries enabled digital health access by *Validic*



>11 Thousand

diabetes patients coached by *Fit4D* in 2015



VALIDIC

VALIDIC BRIDGES THE HEALTHCARE MOBILE DATA INTEROPERABILITY GAP

An 11-year-old girl with Crohn's Disease named Sara was waking almost hourly with severe gastrointestinal pain. Sara's physician at Cincinnati Children's Hospital asked her to use an app that would track every time she got up at night. The physician reviewed the data and noticed a seven-day period with no incidents. An examination of Sara's health records revealed that a different physician had prescribed a seven-day course of antibiotics for an unrelated infection. This insight led to

a new study to see if a non-digestible antibiotic can be used to treat the symptoms of Crohn's Disease.

The breakthrough came about because the data collected by the patient outside of a physician's office was made available to her physician. A better outcome for the girl was achieved, and a new study affecting millions was launched. This example demonstrates the impact of mobile health data.

But most digital health apps, wearables and in-home medical devices are separated from traditional healthcare providers including physicians, nurses and care providers, a problem described as a "Digital Health Di-

vide." Validic is addressing this challenge by connecting more than 290 digital health apps and devices in order to deliver actionable data into the healthcare system through one simple API. Validic's solution has already been deployed by over 150 healthcare customers and has a potential reach of more than 250 million covered lives.

Read the full impact case study, including a video on Validic, at: www.sjventures.com/impact



OUR IMPACT: ENABLING GREATER ECONOMIC ACCESS AND QUALITY JOB CREATION

AMERICA'S LOWER-INCOME FAMILIES HAVE A MEDIAN NET WORTH THAT IS 1/70TH THAT OF THE COUNTRY'S HIGHER-INCOME FAMILIES—THE WIDEST WEALTH GAP IN 30 YEARS.⁶

SJF is helping to empower workers and small businesses and building pathways for increased income and workforce opportunity. We seek software-enhanced businesses providing positive impacts on the well-being of employees and society. A number of these companies historically have provided jobs in low-or-moderate-income areas, enhanced the work environment of individuals, and enabled great income opportunities for workers and small business owners.



10,346

individuals employed by SJF portfolio companies



8,080

jobs created by SJF portfolio companies



>\$5 Million

bonuses generated for entry-level employees with *Easy Metrics*



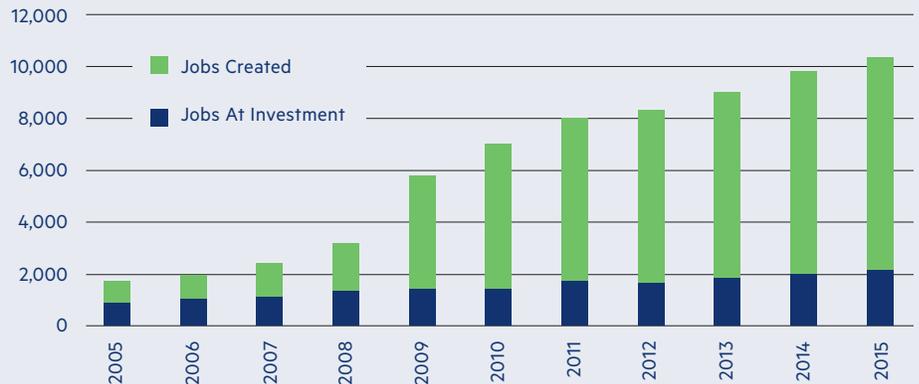
>600

remote workers around the world from underemployed groups such as refugees and U.S. veterans contracted with *LeadGenius*

HIGHLIGHT QUALITY JOB CREATION

SJF portfolio companies are creating quality employment opportunities while providing impactful products and services. Across its first three funds, all SJF portfolio companies employed 10,346 individuals at year end 2015, with 78% of these jobs created after SJF's investment. As of the end of 2015, SJF Ventures III portfolio companies employed 1,386 individuals, with 695 of those jobs created since SJF's investment. 40% of SJF Ventures II companies and 44% of SJF Ventures III companies have one or more company facilities located in low-income areas.

SJF I, II, & III CUMULATIVE JOB CREATION AND RETENTION SUMMARY DATA



'Jobs At Investment' are the cumulative employees retained at the company since the time of investment and 'Jobs Created' are the cumulative new jobs created after SJF investment, including jobs created up until the time of SJF exit for exited companies

ACCELERATING IMPACT

In addition to driving impact through companies' core businesses, SJF evaluates, supports and introduces positive impact practices in other portfolio company impact areas including governance practices, employee compensation and benefits, employee engagement, supply chain considerations, diversity, local community initiatives, charitable giving and internal environmental practices.

Our support for impact innovations are informed in part by the annual GIIRS assessment conducted with each company. Impact assessment results have helped motivate portfolio companies to improve employee benefits, provide broad-based stock options, initiate civic engagement programs, and implement employee feedback systems. In 2015 SJF was proud to have Vital Farms become a certified B Corp. SJF introduced the company to the B Impact Assessment after SJF's 2013 investment and supported its decision to pursue the B Corp certification.

POLICY INITIATIVES

SJF advocates policies, often in partnership with its portfolio companies, which help foster a more sustainable and just economy. For example, SJF has advocated for renewables, energy efficiency and net metering policies in North Carolina, California, and Virginia in partnership with portfolio companies Community Energy and NEXTracker. We have advocated for the Community Development Financial Institution (CDFI) and Impact SBIC programs to leverage more capital to benefit low-income citizens and communities. As the first national Impact Investment SBIC, SJF also recently provided detailed comments to the Small Business Administration to help improve the program for other new funds.

INDUSTRY AND THOUGHT LEADERSHIP

SJF helps to create positive developments in its target industries. In the education field, we organize quarterly EdLinks events to foster innovation in education. These events have hosted industry-leading experts from the private, public and non-profit sectors and have attracted hundreds of attendees. In the clean energy field, SJF recently published a piece entitled "100% Clean Energy, the New Zero Waste" to promote aspirational goals that move companies, industries and societies forward. This op-ed piece follows years of advocacy for cleantech entrepreneurship and policies, including past SJF Cleantech CEO Panels, CleanLinks and Green Economy events.

SJF Ventures has been recognized as an industry leader by various third-party associations. SJF's management company is a certified B Corp and a member of the Global Impact Investing Network (GIIN). SJF Ventures II and III are GIIRS Pioneer Funds.

Overall as a fund, SJF Ventures III earned GIIRS Environment Platinum recognition (the highest recognition for impact models), Governance Gold, Consumer Silver and Community Silver in its latest GIIRS Fund Rating. SJF has also been named to the ImpactAssets 50 impact funds list each year since the list's inception.

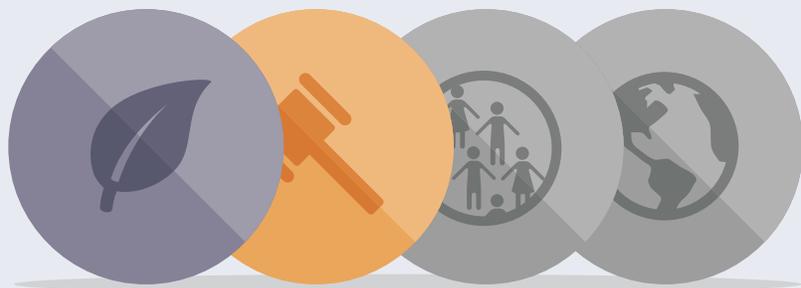
INVESTORS' CIRCLE: FOSTERING EARLY STAGE IMPACT INVESTING



INVESTORS' CIRCLE

In 2001, the SJF team formed a separate, allied nonprofit, which became the SJF Institute. The goal of the Institute was to extend the positive workforce and sustainable impacts across the economy, informed by the SJF Ventures' portfolio activities. After a decade of promoting impact and cleantech entrepreneurship, a green jobs economy, and workforce innovation, the SJF Institute merged with Investors' Circle in 2011 to focus and deepen its impacts with early-stage entrepreneurs. Bonny Moellenbrock, formerly with SJF Ventures and Executive Director of the SJF Institute, became the Executive Director of Investors' Circle. SJF Ventures became a founding Nexus Member of Investors' Circle.

Since the merger, Investors' Circle, now headquartered in Durham, is thriving and is now the largest and most active early-stage impact investing network in the U.S. IC has helped leverage nearly \$200 million into over 300 early-stage impact companies. Investors' Circle also hosts the Patient Capital Collaborative, which helps catalyze early-stage financings.



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