



2020 IMPACT REPORT

SUMMARY

The Working Capital Innovation Fund was established in 2017 with a unique mission and a highly differentiated thesis about how to support systemic improvements in the protection of labor rights.

Supply chains are rife with labor risk, including widespread forced and child labor, underpayment of wages, unsafe workplaces and restrictions on worker organizing. The private sector faces increasing pressure to understand and address these risks in their direct operations and extended supply chains, largely driven by tightening legal requirements in the US and Europe. At the same time the toolkit available to brands, retailers and their suppliers is inadequate to this task. Social audits are the intervention most frequently arrayed at a large scale, yet they suffer from serious credibility and efficacy questions.

THE WORKING CAPITAL FUND IS UNIQUELY SUITED TO OFFER AN ALTERNATIVE, AS IT INVESTS IN COMPANIES THAT PROVIDE TOOLS THAT ENABLE BRANDS, RETAILERS AND SUPPLIERS TO SOURCE RESPONSIBLY, AND WHICH WORKERS CAN USE TO THEIR BENEFIT.

It is early in the Fund's ten-year term, but we see evidence that our investments are having traction. The availability of our investment capital and post-investment support has led our nine portfolio companies to a deeper and more effective engagement with labor rights than they otherwise would have undertaken. We have supported experimentation and innovation in a field that urgently needs alternatives to the status quo.

Our North Star remains a deep commitment to impact which is predicated on commercial success and the scaled adoption of the products and services in which we invest. We recognize that our work is only one part of a complex and challenging system of opaque and globally distributed production that enables the exploitation of vulnerable workers. Stronger government policies, better enforcement of existing labor laws, and the removal of restrictions on the activities of trade unions and labor NGOs are required to address the problem. But improved corporate practice has been, and can and must be, part of any meaningful sustained and scaled solution. The Fund's investments will enable corporate actions within their supply chains to be less exploitative and more equitable, ultimately benefitting hundreds of millions of workers.



While we are pleased with the Fund’s progress since its inception, it is essential to recognize the tremendous uncertainty that engulfed the world in 2020 due to the global pandemic. We remain optimistic about the longer-term prospects for our scalable, digital portfolio companies to achieve sustained commercial success and significant impact against the long-standing risks workers face in global supply chains.

WE SEEK TO ACCOMPLISH THREE THINGS WITH THIS REPORT:

- **OUTLINE OUR PROCESS FOR IMPACT MANAGEMENT AND MEASUREMENT**
 - **REFLECT ON PROGRESS BY INVESTEEES AND ACROSS THE PORTFOLIO TO DATE**
 - **SHARE LESSONS ON OUR APPROACH, INCLUDING OPPORTUNITIES AND CHALLENGES.**
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We note that we are constrained in some cases by confidentiality and are not able to share all relevant programmatic and financial details.

HIGHLIGHTS OF OUR LEARNING SO FAR INCLUDE:

We have demonstrated the value of bringing together a [coalition of committed parties](#) who bring capital as well as expertise in impact investing (Open Society Foundations, Dolby Family Ventures), human and labor rights (Humanity United, the Children’s Investment Fund Foundation, Stardust Equity, and the Laudes Foundation) and global supply chains and responsible sourcing (Walmart Foundation, Apple, the Walt Disney Company and Zalando). We are grateful to these institutions for their generosity and partnership.

The Fund has evaluated over 400 separate potential deals, the largest set of market-based labor rights intervention of which we know. The size of this pipeline illustrates that there is significant interest among entrepreneurs in generating solutions to labor rights problems. There is particularly robust deal flow in supply chain traceability and transparency.

Our [portfolio companies](#) are making progress in addressing some of the persistent long-term challenges in the supply chain labor rights space, including:

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- **HOW AND WHERE CAN TECHNOLOGY USED BY WORKERS LEAD TO IMPACT?**
 - **WHAT IS THE IMPACT OF CONSUMERS IN DRIVING LABOR IMPROVEMENTS?**



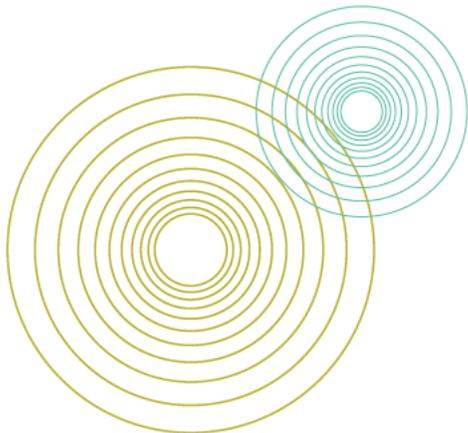
- HOW CAN WE ENHANCE THE AVAILABILITY OF DATA THAT ACCURATELY DESCRIBES LABOR RIGHTS AND WORKING CONDITIONS AT THE VAST NUMBER OF WORKPLACES IN SUPPLY CHAINS, ENSURING THAT WORKERS BENEFIT AND THAT THEIR PRIVACY IS PROTECTED?
 - WHAT ROLE CAN EMERGING TECHNOLOGIES LIKE BLOCKCHAIN, THE INTERNET OF THINGS, AND ARTIFICIAL INTELLIGENCE/MACHINE LEARNING PLAY?
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With such a diverse portfolio -- one that includes solutions used directly by workers and those that operate at the highest levels within corporate procurement and risk management - impact management and measurement is a challenge and resists easy quantification. We benefit from the support and expertise of an external team of [Developmental Evaluators](#) funded by the Laudes Foundation who help us learn.

We are committed to applying a gender lens and have demonstrated that we can find and invest in successful women-led businesses (five of our nine companies are founded and/or led by women). Yet portfolio companies are not seeing a 'pull' from their clients for gender-targeted efforts or data.

WE HOPE THAT THIS REPORT INITIATES A BROADER CONVERSATION ABOUT OUR WORK AND WHAT WE HAVE ACHIEVED, AND WE WELCOME INQUIRIES AND FEEDBACK.

~ The Working Capital Team



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