PROJECT
FRAME

https://www.worldfund.vc/

Investor Profile: WORLDFUND
Expert: Daniel Valenzuela
Last edited: 04 February 2023

Organization Overview	**Setting Fund Strategy & Impact Assessment Workflow**	**Impact Assessment: Pre-investment**	**Impact Assessment: Post-Investment/Exit**	**Lessons & Plans**
Impact Theory of Change and Characteristics of Overall Practice	What, When, & Why Impact Goals Drive Decisions at All Stages	What, When, & How Impact Assessment is Conducted To Make Investments	What, When, & How Impact is Managed After Investments are Made	Lessons Learned, Realized Impact and/or Plans to Improve Processes

WORLDFUND

Assessment Dashboard

WORLDFUND

Impact Strategy

- **Investment type/ asset class**: Venture Capital
- **Stage**: Multi-stage (Seed to Series B)
- **Geography:** Europe
- **Sector:** Climate Tech
- **Sub-sectors:** Energy, Transportation, Buildings, Industry & Manufacturing and Food, Ag & Land Use (FALU)
- **Organization type:** German partnership structure
- **Relationship with the companies/ technologies being assessed:** Diligence to potentially invest
- **Impact assessment capacity**: In-house competence with scientific advisory board across the leading European institutions
- **Assets under management/tied to impact**: 100% / €350m
- **Strategies to steer towards impact after investment:** Impact targets & monitoring, reporting, carry tied to impact performance

Frameworks/Methodology

- **Does an existing methodology align with yours? If so, which one(s)?** Parts of World Fund's methodology are closely aligned with Prime's NYSERDA ERP framework
- **Time horizon of assessment:** until 2030 and 2040
- **How interdependent technologies are considered in analysis:** Prioritized by limiting factors
- **Fractionalize share of impact as an investor?** No, the investor impact is not considered
- **Metrics tracked:** CO_2e reduction plus other tech-dependent on a per-company basis
- **How realized impact is/will be tracked:** In yearly reporting against impact targets set in assessment
- **Alignment with Project Frame's values and principles?** Yes
- **How often (if at all) is your reporting audited?** The assessment is revised by scientific advisors.
- **Do you tie remuneration to impact?** Yes - carry linked to impact
- **Other assessment or Investment- decision making characteristics you're proud of:** Additionality as well as a comparative analysis to reduce lock-in risks and identify winners of the transformation. More: worldfund.vc/cpp

PROJECT FRAME

Theory of Change, Mission & Programs

WORLDFUND

Path to emissions reduction

The majority of global GDP has pledged to go net zero but are lacking solutions & speed, and fear cannibalization of their own products. The scale of the upcoming climate transformation is massive. If we can learn anything from the internet transformation, it's that VC-backed startups will drive the speed and disruption that our fossil-based economy needs to decarbonize.

Barrier or challenge

Decarbonizing solutions exist, but are still at pilot or early stages after significant R&D spend, particularly in Europe. However, they require capital that allows scaling them to make a megatonne dent in global net zero pledges as soon as possible. Particularly in Europe, we lack the growth capital to do this. Further, there are no instruments to steer the growth capital which risks climate opportunity cost and lock-in effects due to low market efficiencies.

Strategy or solution

World Fund invests in tech with a climate performance potential of avoiding >100 Mt of CO_2e on a yearly basis by 2040. We do this through multi-stage investments from Seed to Series B with significant follow-on investments, focused on European technologies. We de-risk companies to make them attractive for lower risk investments such as project finance. Besides, we participate in investor impact accountability efforts to improve evidence-driven decisions and market dynamics across the field.

PROJECT FRAME

Organizational/Relationship Structures

WORLDFUND

The ultimate programs flowing from our theory of change are shaped by — and shape — our capacity, resources, influence in capital decisions, and assets.

Capacity

- Investment team and 1 impact professional work on individual assessments for every company.
- 1-2 scientific advisors are involved in assessment, w/ additional experts as fit.
- Our team includes mechanical engineers, chemical engineers, nuclear physicists, mathematicians, and economists

Resources

Assessment needs for each individual investment vary, but takes roughly 60 hrs on average of 1 impact professional's time, excluding hours of collaboration from the investment team

Investment size

- World Fund's first fund totals €350m
- €1-10m per initial investment
- Ability to make follow on investments of €15-25m for high impact performance portfolio companies
- Investments are typically co-lead with sector experts

Compensation + Impact

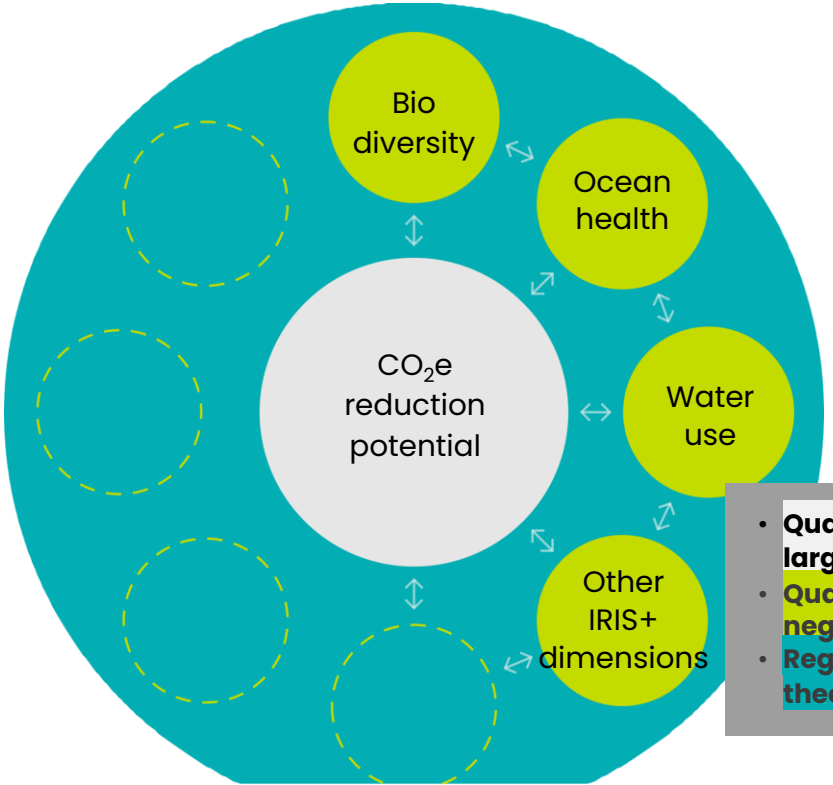
- 30% of carried interest is tied to impact performance
- Impact performance is measured against targets on portfolio level with capital weights
- In case impact targets are not fully achieved, delta goes to climate effective 3rd party orgs to preserve incentive aligning nature of carry

Investment Strategy

WORLDFUND

Definition: Climate Performance Potential (CPP)
As climate performance we define the combined impact of emissions reduction potential (quant.) and other environmental and social dimensions (qual.) organized into one theory of change.

Our strategy revolves around our thesis that CPP identifies the most valuable services of the upcoming climate transformation.



- **Quantitative large impact**
- **Qualitative non-negative impact**
- **Regenerative theory of change**

PROJECT FRAME

Investment Strategy

WORLDFUND

We invest in companies whose technology can reduce CO_2e emissions by at least 100 Mt CO_2e/ year by 2040 compared to the "business-as-usual" baseline. We define impact targets for the next 5 years, and our carry is tied to the achievement of these goals.

Pre-Investment	Post-Investment	At Exit
Climate performance potential assessment Including quantified GHG reduction potential in collaboration with scientific advisory board. GHG reduction potential must meet the 100 Mt threshold. This assessment defines fund's impact targets.	**Monitoring & reporting of impact** We monitor portfolio company reported KPIs on impact performance. We report to our LPs impact and impact carry relevant data on a yearly basis.	**Impact multiple** As part of an exit we evaluate the potential influence on the impact projections of an exit, early exits only considered if impact is very high Impact multiple is calculated to determine impact-dependent carry

Investment Strategy

WORLDFUND

We invest in companies whose technology can reduce CO_2e emissions by at least 100 Mt CO_2e/ year by 2040 compared to the "business-as-usual" baseline. We define impact targets for the next 5 years, and our carry is tied to the achievement of these goals.

Making Investments via Fund

Pre-Investment Climate performance potential (CPP) assessment includes quantified GHG reduction potential in collaboration with scientific advisory board. GHG reduction potential must meet the 100 Mt threshold. This assessment defines fund's impact targets.					**Post-Investment** Monitor portfolio company reported KPIs on impact performance; report to our LPs impact and impact carry relevant data on a yearly basis.	**Exit** Evaluate potential influence on impact projections of an exit. Early exits only considered if impact is very high. Impact multiple is calculated to determine impact-dependent carry
Deal screening (thesis-driven)	Meet the founders	Pre-due diligence (CPP 1pager)	Term sheet & DD (full CPP)	Closing (CPP targets)	Impact measurement & management	Impact carry can be reconsidered depending on the exit scenario
					Optimize outcomes	
					Transparency & reporting	

PROJECT FRAME

Impact Assessment: Pre-Investment

WORLDFUND

Pre-Investment, we conduct an in-depth climate performance potential (CPP) assessment in collaboration with our scientific advisory board.

Deal screening	Meet the founders	Pre-due diligence	Term sheet & DD	Closing
Apply filtering instruments: • Investment thesis of focus sectors • Continuous deep dive creation for new opportunity areas • Perform back-of-the- envelope GHG reduction potential calculations or fit with investment theses	• Create conviction on impact thesis and theory of change • Check mission-alignment with founders	• Impact thesis one- pager with signoff of Head of Impact as gate to term sheet	• Conduct full-fledged climate performance potential (CPP) assessment with quantified GHG reduction potential by 2030 & 2040 and qualitative analysis of other dimensions • Assess risks regarding reaching GHG reduction potential • Scientific advisory board review process for conducted CPP assessment	• Define up to 5 Impact- KPIs crucial to CPP with short-term targets on realized impact • Weigh Impact-Performance KPIs for impact carry calculation. • Map CPP assessment to compliance with EU SFDR & taxonomy • Capture ESG snapshot and create ESG action plan for company

Pre-Due Diligence: CPP assessment

WORLDFUND

The CPP consists of assessing **quantitatively**…

1. Potential for impact, including GHG projection of incumbent market
2. Climate performance of technology which means analyzing its impact along the life cycle:
   a. Technology needs an additionality to BAU
   b. Comparison to incumbent tech per phase
   c. Aim to triangulate peer-reviewed LCAs and primary data/LCI-based footprint to develop a unit impact footprint
3. Climate performance potential of technology
   a. Potential impact with consistent assumptions across assessments and parametrization of S-curve on technology level granularity
   b. Energy footprint contribution includes IEA's stated policy scenario for grid GHG factor
   c. Sensitivity analysis of input factors on CPP

…and **qualitatively**

4. Impact on environmental & social dimensions
   a. Relevant dimensions motivated by IRIS+
   b. Needs to embed into our vision of a regenerative world based on 4 pillars
      - Renewable energy
      - Full material circularity
      - Regenerative systems
      - Climate & social equity
5. Counterfactual scenarios
   a. Company-level additionality
   b. Competing pathways analysis
6. Risks to to not achieving the climate performance potential
7. Setting up to 5 KPIs with targets for realized impact
8. EU SFDR & taxonomy compliance

PROJECT FRAME

Planet A Foods; CPP in Practice

WORLDFUND

Demonstration of how a company analysis lines up and reflects the steps mentioned:

- Unit impact based on LCAs of mass-market cocoa vs. Planet A Foods ⇒ 94% carbon improvement
- Impact potential: 159 Mt CO_2e in 2040
  - If alt-cocoa picks up, we assume an S-curve distribution converging to 50% of share of the mass market, while the mass market declines to 60% of the total market
  - Sensitivity analysis resulted in market size & penetration as primary impact driver
- Additionality & competing pathways
  - Regenerative practices need to dominate
  - Contributes to full circularity

Post-Investment Assessment

WORLDFUND

Post-Investment	Exit
Impact measurement & management	Impact carry can be reconsidered depending on the exit scenario
Optimize outcomes	
Transparency & reporting	

Collect Data & Monitor Progress How is the company performing against their impact targets? How are identified impact risks evolving? Is the company leveraging ESG opportunities and mitigating ESG risks?	**Evolve processes** Have market best practices developed that need to be incorporated in our CPP methodology? How can we contribute towards building a standard and accountability in impact investing?
• WF collects portfolio data on relevant impact metrics and risks • Yearly ESG data is collected • Yearly ESG action plan is derived & agreed upon • Discuss and integrate strategic impact levers, potentially negotiate side letters to ensure alignment	• Participation in impact VC working groups for resource generation and case discussions • Documenting impact findings & working with startups to leverage them • Educating LPs on their impact DDs & levers, as well as impact as a financial opportunity

Post-Investment Assessment

WORLDFUND

Post-Investment	Exit
Impact measurement & management	Impact carry can be reconsidered depending on the exit scenario
Optimize outcomes	
Transparency & reporting	

Optimize Outcomes
How can WF contribute to an impact focused strategy? How can the WF portfolio ensure a sustained high impact?

- Carry distribution to all employees, tied to impact performance
- ESG action plans with high-impact recommendation on yearly basis
- Impact sparring with founders and setting up founder resources
- Value-add platform with >200 LPs and >20 leading climate science advisors

Post-Investment Assessment

WORLDFUND

Post-Investment	Exit
Impact measurement & management	Impact carry can be reconsidered depending on the exit scenario
Optimize outcomes	
Transparency & reporting	

Report & Disclose

How are you proactively fostering transparency — in your methodology, your portfolio's impact outcomes, the impact outcomes among individual companies, and how you are improving processes?

	TRANSPARENCY	FREQUENCY
METHODOLOGY	Website & Public Resources	*Continuous*
INVESTMENT ASSESSMENTS	Website (sanitized)*	*Continuous*
FUND	Public Impact Reports*	*Annually*
PORTFOLIO	Investor reporting & webinars	*Quarterly*
COMPANY	SFDR Reporting	*Quarterly*