COMMON GOOD
MARKETPLACE

A NEW MARKETPLACE FOR THE COMMON GOOD

Using the $200 billion carbon markets as a model, a marketplace for the "common good" is emerging that turns proven social impacts into transferable assets with clear economic value.

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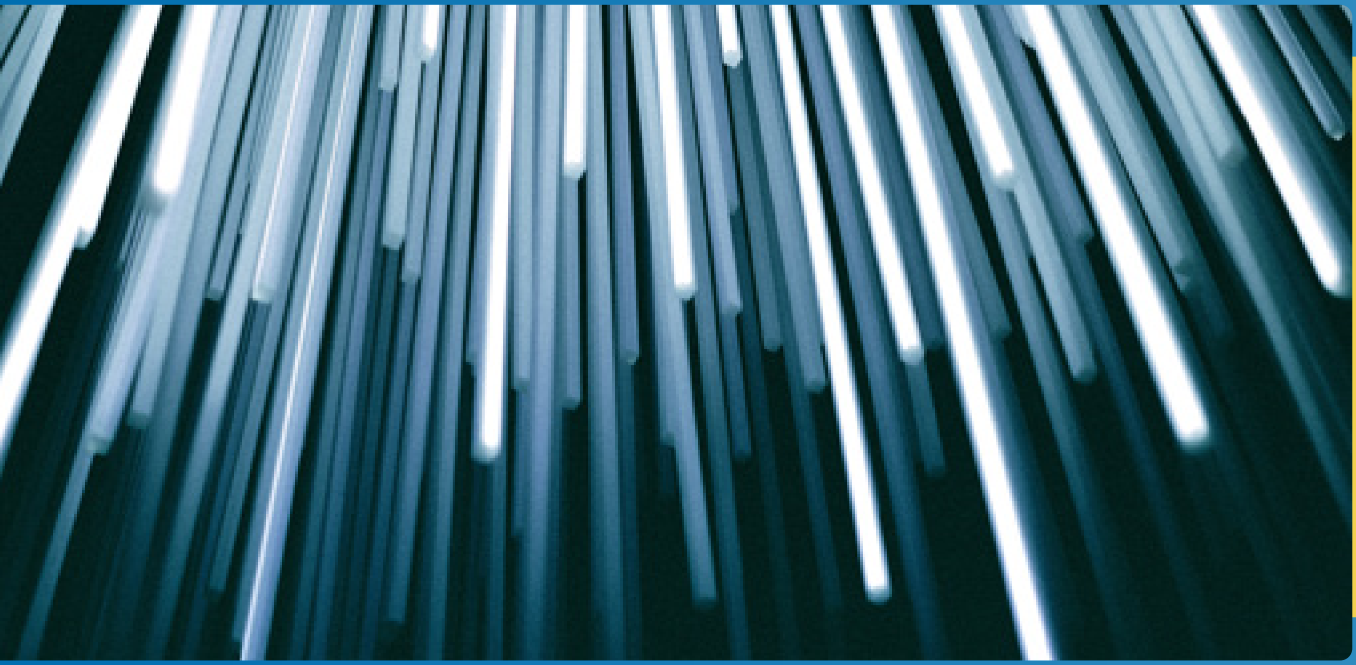
THE NEXT DIGITAL MARKET

For at least the last two decades there has been an ever-growing awareness of individual and collective responsibility for social impacts and environmental stewardship. Corporations and investors are increasingly compelled to not just consider “stakeholder capitalism”, but to meaningfully demonstrate sustainability as part of their core strategy. But the current impact identification, quantification and even the nascent verification trends fail to adequately address the markets’ failure to properly recognize and economically value these outcomes, which therefore remain “external” to both commercial transactions and philanthropic investments.

Despite this, the components of a fully functioning marketplace to economically value and trade social and environmental impacts is emerging much like the environmental marketplace for carbon offsets that emerged in North America in the late 1990’s, and is now a global industry. The primary differences between what happened to address climate change at the turn of the century and the pressure for sustainable growth is the speed, scope of asset type, and size at which this impact marketplace will develop. The carbon markets grew from $10 billion in 2005 to $215 billion in 2019[1].

This new marketplace, with pressure from consumers and stakeholders on corporate brands, investment funds and institutions to be more sustainable and stakeholder-value driven, could become a trillion-dollar market, eventually matching the funding gap required to achieve the UN’s 17 “Sustainable Development Goals” (SDGs) by 2030. These broad stakeholder pressures for greater sustainability, accentuated by the global pandemic, reached an all-time high in 2020, and this movement to create greater resiliency can no longer be ignored. So, the question is not whether, but how, these dynamics will affect global markets and investments, and who will participate in this “first-mover” opportunity to materially contribute to the development of this new marketplace.



1 *Review of Carbon Markets in 2019*, Refinitiv, January 22, 2020.

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– Larry Fink, Chairman and CEO of BlackRock

THE RELEVANCE OF SUSTAINABILITY PERFORMANCE

The recent shocks to the energy, airline and hospitality industries, extreme stock market volatility, and stubbornly high long-term unemployment resulting from the COVID-19 pandemic demonstrates that corporate sustainability performance is more important than ever. While sustainability can be difficult to monitor, quantify and develop, once measured and viewed through the lens of ESG performance, it can more easily be identified and improved.

Evidence from sustainability ratings on corporate performance demonstrates that investing in environmental sustainability through the purchase of environmental assets increases performance of the environmental component of ESG. We believe a similar thesis exists for using social assets: companies will increasingly invest in internal, supply-chain, and external third-party verified social impacts to improve their ESG performance. Or characterized as the “A,B,C’s” by the Impact Management Project, an organization should seek to “Avoid harm, Benefit Stakeholders, and Contribute to solutions.” The result is greater long-term resilience.

Larry Fink, Chairman and CEO of BlackRock, recently stated, “In the near future – and sooner than most anticipate – there will be a significant reallocation of capital. (...) a company cannot achieve long-term profits without embracing purpose and considering the needs of a broad range of stakeholders.” Capital allocation has been shifting in the last few years and will continue to move towards assets that drive value for all stakeholders, not just shareholders. The Common Good Marketplace will provide an efficient, targeted and stakeholder-value-driven investment vehicle for forward looking capital.

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THE UNRECOGNIZED ECONOMIC VALUE OF IMPACT

The vast majority of social impacts, even when accurately characterized and quantified, remain significantly undervalued by investors, development institutions, and foundations, while being completely unrecognized by commercial markets. A study of 1,800 companies found that when environmental and social impact was economically valued, the true value of a firm and its profit (EBITDA) was grossly mischaracterized. The study found that 15% of the companies evaluated would be unprofitable and 32% of companies would see a 25% reduction in their profits if their environmental impact was considered. Conversely, the study found that Intel created $3.6 billion of positive social impact value in 2018 through job creation and wages paid in highly unemployed areas which was not reflected in its financial performance.[2]

While the Global Impact Investing Market has increased significantly since 2000 to an estimated $715 billion[3], and the AUM of "ESG" investments has tripled in the last 8 years to more than $50t, such investments are typically either not considered at all by traditional financial analyses, or simply "mapped" to the SDGs, and at best paired with targets for future performance which are difficult to verify and not correlated to financial performance.

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2 *How to Measure a Company's Real Impact*, Sir Ronald Cohen and George Serafeim, September 3, 2020.
3 *2020 Annual Impact Investor Survey*, Global Impact Investing Network.

WE HAVE PAINFUL EVIDENCE OF THE MARKET'S "FAILURE" TO RECOGNIZE VALUE EXISTS FROM OUR OWN EXPERIENCE.

After launching and operating several for-profit social ventures through The Paradigm Project and *EzyLife* in East Africa over the last decade, we consistently sold the emission reduction benefits (carbon offsets) produced by our clean burning cookstoves into sophisticated carbon offset markets whose end buyers were some of the largest sustainable corporate and tech companies in the world, but we received little or no value for the far greater social impacts created by the same activities. We pushed the boundaries of social impact quantification by developing our own methodologies to measure social impacts like gender equality, employment, and health benefits.

OVER THE SPAN OF 10 YEARS, PARADIGM AND EZYLIFE ADVANCED THE SUSTAINABLE DEVELOPMENT GOALS

1 NO POVERTY

We impacted the lives of **1,121,331** people and they saved **$22,511,001** by using our products.

Energy poverty is a key indicator in addressing the systemic problems of poverty. The Paradigm Project's mission from day one was to target lowincome communities with access to sources of clean energyparticularly for cooking. Paradigm impacted SDG 1 by measuring and verifying customer-reported financial savings from purchasing fuel in annual monitoring and evaluation surveys. Many customers reported 2030x cash-on-cash returns.

3 GOOD HEALTH AND WELL-BEING

Improved indoor air quality in **180,448** homes.

Use of solid fuels and inefficient cooking technologies are the number one cause of indoor air pollution. This exposure contributes to 20,000-50,000 deaths a year in countries that Paradigm operated in. Multiple third party studies show that cookstoves distributed by Paradigm perform up to Performance Tier 4 (out of 5 total tiers). Our stoves' emissions performance directly impacts SDG 3.

5 GENDER EQUALITY

Empowered women with **31,805,044** hours; 54% of our workforce were women.

Women saved time collecting wood and cooking with Paradigm cookstoves, enabling them to generate other sources of income or advance their education. The Paradigm Project promoted gender equality in the workplace with equal pay, employment, and promotions, and held itself and its operating companies to national and international employment standards. By reducing gender inequities for customers and employees, Paradigm quantified advancement of SDG 5 through time saving for women and gender-disaggregated employment data.

8 DECENT WORK AND ECONOMIC GROWTH

Created 96 full time, local jobs and paid **$1,017,691** in wages.

The Paradigm Project's operations created meaningful jobs for nationals across the value chain, as well as paid more than 2.5 times the national minimum wage for entry level positions. Paradigm's progress on SDG 8 is quantified through jobs created and wages paid in our employee data.

13 CLIMATE ACTION

Reduced **1,129,569** metric tons of CO2e.

Paradigm cookstoves reduced approximately 2.5 metric tons of CO2e (carbon dioxide emissions) per household per year above a baseline of traditional cookstoves. To report on progress toward SDG 13, Paradigm quantified the amount of CO2e emissions reduced by the project's cookstoves, since the first was distributed in 2010.

15 LIFE ON LAND

Saved **3,156,406** trees from deforestation.

Between 2001 and 2009 East Africa lost over 9% of its natural forest. The Paradigm Project advanced SDG 15 by reducing solid fuel demand from cooking and simultaneously reducing pressure on forests. This is quantified by trees saved through the reduction of firewood used for cooking.

7 AFFORDABLE AND CLEAN ENERGY

Financed access to **180,448** clean cookstoves and solar products.

Offering households that rely on solid fuels access to clean cooking technologies and solar products at a price they can afford is a direct contribution to SDG 7 and tracked through our sales database.

Note: the quantitative numbers included on this page were audited only in Ethiopia for 2017, and Kenya in 2018 - April 2020 by independent, accredited auditors, economists, and forestry experts. All CO2e tons reduced were verified and issued under Gold Standard or Verra.

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To verify these impacts, carbon standard-accredited auditors completed randomized field inspections to confirm the impacts were accurately quantified and real. However, we consistently received only a modest - if any - premium from the sale of carbon offsets bundled with these additional, and clearly material, social and environmental impacts.

If there is any good news in this failure, it may be that such unrecognized externalities mimic the conditions surrounding the emergence of the carbon markets in North America in the late 1990s and early 2000s. Working with large emitters who anticipated upcoming climate change regulations and needed to respond to growing stakeholder concerns, Bluesource[4] was among the first to develop diverse sources and types of emission reduction projects required to create previously unrecognized "carbon" assets. Ultimately, many of these project methodologies evolved into standards adopted by both commercial and regulatory bodies, ultimately becoming part of the framework of what is now a thriving, global industry to reduce carbon emissions and the effects of climate change.

While a few impressive organizations[4] are developing high quality, comprehensive bottom up and top-down methodologies for economically valuing social impacts, what we have not observed are any attempts following economic valuation to independently certify such impacts for the purpose of treating them as transferable assets. This seems a logical next step in the evolution of this marketplace if it follows the development of the carbon markets.

4 A co-founder of the Common Good Marketplace, J Greg Spencer, is the co-founder and a current director of Bluesource.

We believe an exchange designed to register and trade verified SDG-characterized assets, where market forces determine their true economic value, would function as a "Common Good Marketplace"

A NEW MARKETPLACE FOR GOOD

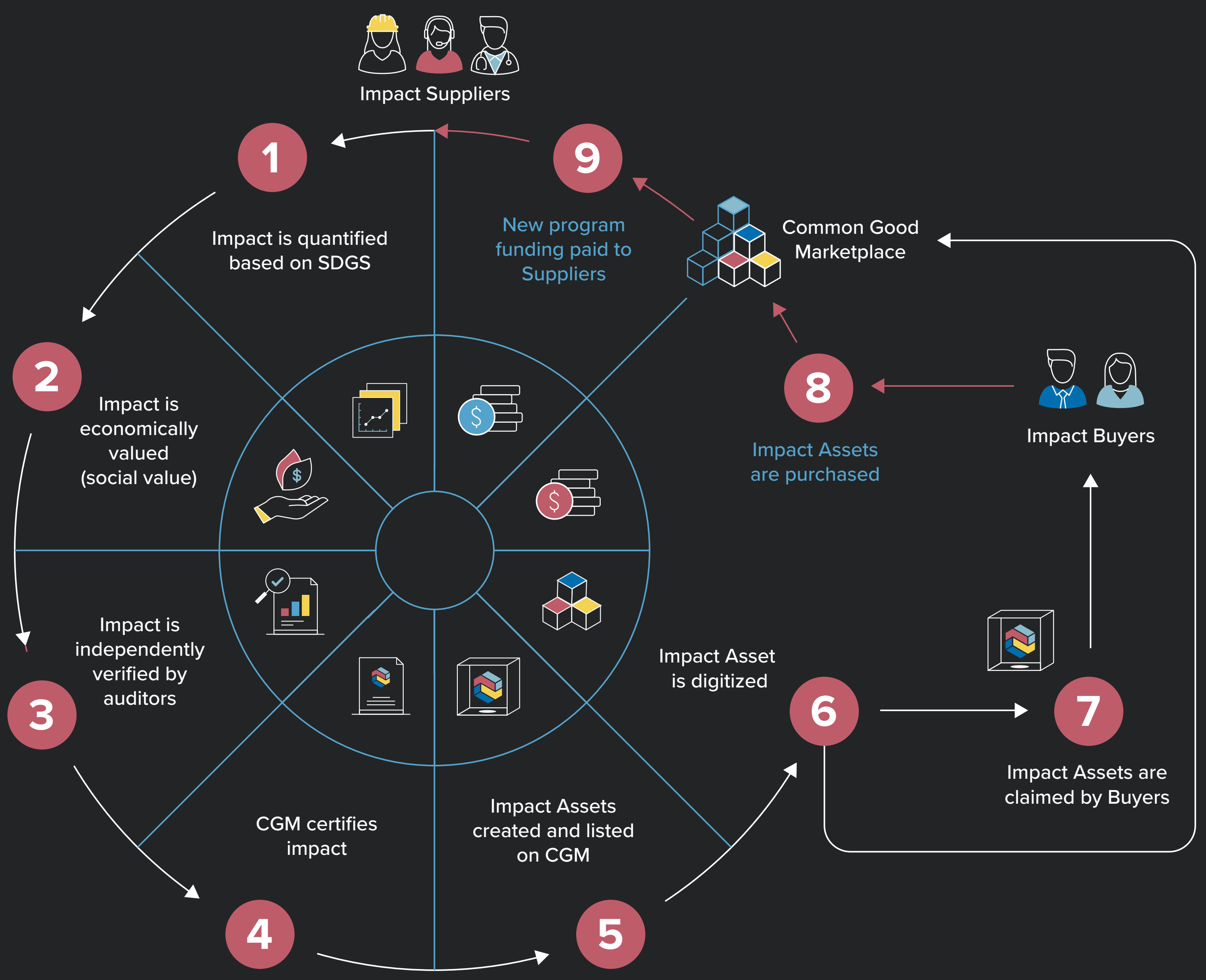
If impacts can be quantified, verified, and economically valued, and pressures are mounting to reflect the net value in an organization's financial statements[5], is there any reason they should not be treated as assets? And if these impacts are assets with economic value, can they also be sold to create new streams of profit for social ventures and implementing organizations, ultimately improving conditions for both people and planet? We believe an exchange designed to register and trade verified SDG-characterized assets, where market forces determine their true economic value, would function as a "Common Good Marketplace", a digital platform to independently value and transfer previously unrecognized values. This Marketplace might well emerge following a development process similar to the voluntary carbon markets, and there are numerous early indications the necessary infrastructure is already evolving. Broad and growing coalitions of consultants, scientists, nonprofits, foundations, social enterprises and project developers are collaborating to create new SDG-specific impact standards and methodologies, with the goal of more accurately identifying and measuring social impacts. The Impact Management Project, Impact Weighted Accounts Initiative, SDG Impact, Value Reporting Foundation (SASB and IIRC), and the Value Balancing Alliance are but a few examples of the many coalitions forming around impact quantification and valuation.

This Common Good Marketplace would operate in much the same way as the Carbon Markets, but would build on the already impressive impact quantification and valuation work of some of the organizations and coalitions mentioned above rather than attempting to recreate the wheel. Quality is assured through a rigorous, but transparent framework to verify, certify and estimate the economic value of all types of impact across the SDGs, ultimately creating uniquely identified, securely stored, transferable assets to be traded between suppliers and buyers of impact.

5 See Harvard's Impact Weighted Accounts Initiative, Social Value International, and Impact Management Project's discussions around Impact Monetization.

HOW DOES IT WORK?

The CGM mimics the carbon market structure with the added transparency of blockchain. SDG-based Impact is generated, quantified, and economically valued; that impact is independently audited, issued transparently to a secure database, and finally sold to the end buyer who purchases certified impacts.



WHY BUY SDG ASSETS?

But why would corporates, investors and philanthropists want to buy SDG "assets"? Ninety percent of companies with higher Environmental, Social and Governance ("ESG", or sustainability more broadly) performance produce higher earnings than their peers, on average deliver two times the growth in their stock price, are less likely to experience bankruptcy, and are more resilient in general.[6]

Trading SDG Assets creates a clear, extraordinarily efficient and measurable path to increased sustainability and improved ESG performance, and solves what 47% of the $50 trillion of AUM in sustainable investments explained as the problem for why they haven't taken more direct action in seeking to achieve better ESG performance: "[because] investment in the SDGs is too difficult to measure."[7]

Furthermore, purchasing SDG Assets directs capital to assured outcomes rather than continuing to fund inputs. The market for development spending on impact outcomes such as "Results Based Financing", and funding for Impact Bonds has grown to over $25 billion of development spending[8]. Now, for example, rather than broadly funding clean water wells, SDG Asset purchasers can direct their capital across individual or multiple impacts associated with clean water project outcomes while effectively establishing the project's market-based economic value.

Finally, purchasing previously unrecognized and undervalued SDG Assets accelerates our ability to achieve the Sustainable Development Goals by 2030, which is good for business, people and the planet, which could create 380 million new jobs and $12 trillion of value each year[9].

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6 According to Oxford University's Robert Eccles and his report *Investor Revolution*, "Firms with a better ESG record than their peers produced higher three-year returns, were more likely to become high-quality stocks, were less likely to have large price declines, and were less likely to go bankrupt". He was specifically citing the Bank of America Merrill Lynch ESG study completed in 2018.
7 *The $50 Trillion Question* Report by Standard Chartered interviewed the world's top 300 investment firms with $50 trillion of AUM in August and July of 2020 on why the SDGs are not receiving investment needed to achieve the 2030 targets.
8 https://www.worldbank.org/en/news/feature/2019/06/28/banking-on-impact-what-you-need-to-know-about-results-based-financing. Accessed December 30, 2020.
9 *Better Business, Better World* report by the Business & Sustainable Development Commission.

CAN WE ELIMINATE "IMPACT WASHING"?

The framework of the Common Good Marketplace would account for both positive and negative outcomes, ensuring that only the net positive economic value created by the implementing (asset supplier) organization would be transferable (as would also be the case in evaluating the reporting (purchaser) organizations). SDG Assets[10] would not be designed to "offset" social or environmental deficiencies and liabilities, but rather purchased to enhance an organization's ESG performance, sustainability and resilience by benefitting a broad range of stakeholders while also contributing to the achievement of the SDGs.

Therefore, concerns of "Impact Washing" would be eliminated because each asset would be unique, independently verified in both quantity and quality, and transparently transferred to each buyer claiming the impact(s). While implementing organizations would continue to be able to report the impacts created in the field to their stakeholders (and in most cases do so more accurately and quantitatively), only one party could claim or ultimately own an SDG asset.

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10 Other than emission reductions determined under SDG 13: Climate Action.

WHAT HAPPENS NEXT?

In any market, suppliers, buyers, technical experts, capital, and infrastructure are needed. A marketplace for SDG assets will likely only grow when there is reasonably consistent supply and demand for the products and services provided. Therefore, the first step toward creation of such a market must be a much broader awareness that impacts can be quantified, economically valued and verified for the purpose of being converted into assets.

Asset quality would be assured by qualified, independent verification of both quantitative operating data (netted against any relevant negative outcomes and then compared to established "baselines" to assure positive, above average impacts) and the underlying project methodology consistent with the Framework requirements of the Marketplace discussed below.

The Common Good Marketplace would offer a unique platform for impact suppliers, buyers and service providers to trade valued and verified SDG-based Assets. The platform would primarily serve corporates, impact investors and philanthropists, but the emphasis on quantifying specific, net impacts would also greatly benefit the non-profits, social enterprises, and other development organizations that create SDG impacts in their respective fields because additional funding would be tied to the requirement for specific, measurable outcomes. Impact measurement and valuation experts, auditors, social economists and registries (certifiers of and repositories for impact) are already collaborating to develop both the technical expertise required to quantify and qualify impact standards and methodologies, and there is a growing consensus required for the broad adoption of these standards. The Marketplace is developing a "Framework" to recognize the best of these standards, compliance with which would be a condition to listing on the exchange.

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In conclusion, we believe access to this new asset class would encourage fund managers, corporate sustainability departments and philanthropists to adjust, and increase their current investments in uncertain social inputs to purchase quantified, verified outcomes, demonstrably improving the "S" in their ESG and portfolio sustainability, and ultimately their financial performance. And for those who decline to act in response to investor and stakeholder demands, there is a strong likelihood they will need to do so when regulations requiring such performance are adopted[11]. Add to all of this the broad recognition that we are collectively $2.5 trillion short of the annual funding required to meet the SDGs by 2030, and the Marketplace requirement that a majority of the revenue from the sale of these assets must go to the implementing partner to create additional program funding, and the potential size of this "Common Good Marketplace" seems limitless.

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11 https://www.nasdaq.com/press-release/nasdaq-to-advance-diversity-through-new-proposed-listing-requirements-2020-12-01. Accessed December 30, 2020.
UK's Government response to the recommendations of the Global Resource Initiative, Published November 11, 2020.

A marketplace for social impacts is coming, and we intend to be the primary interface between impact suppliers and buyers for all types of impacts. We're looking for technical partners and value-aligned investors to help us advance our mission.

How will you contribute to its future?