



Registered Investment Advisor in the States of CA, WA, and IL www.HIPinvestor.com

“HIP CHECK” Scorecard

An Evaluation Tool for Measuring Sustainability, Business Performance, and Financial Potential

(Co-created with Meyer Family Enterprises [LLC](#))

*The HIP Check is a tool for measuring sustainability, business performance and financial potential. When applied by the **investor**, all sections are filled out by the investor. When completed by a **company**, the sections “**Overview**” “**How HIP**” and “**How Sound**” should be answered, and the section “**Portfolio Fit**” is optional, but can be helpful in understanding how investors evaluate your organization relative to their entire portfolio.*

INTRO: INVESTMENT OVERVIEW

1. Name of Company: _____
2. Number of Employees: _____
3. Locations
(HQ/offices/plants/sites): _____
4. Revenue: 2011 (estimated) \$ _____
2010 \$ _____ 2009 \$ _____ 2008 \$ _____
5. Industry / Sector: _____

SECTION I: “How HIP Is This Investment? (*HIP = Human Impact + Profit?*)”

I-A: What measurable human, social and environmental impact results from the products and services of the organization? *Please write a brief description of your products & services that solves one or more of the following five human needs, its quantifiable impact and revenue share.*

<i>Human Impact</i>	<i>Products & Services</i>	<i>Quantifiable Impact</i>	<i>Revenue Share</i>
Health			
Wealth			
Earth			
Equality			
Trust			

HEALTH: How do the products or services advance physical, mental, emotional, or spiritual health?

WEALTH: How do the products or services increase net income or net assets among stakeholders?

EARTH: How do the products or services enable more net-positive environmental impact?

EQUALITY: How do the products or services support diversity representative of the global community?

TRUST: How do the products or services work to increase transparency and openness?

I-B: How is sustainability embedded in the *management practices* and decision-making of the organization? Please choose the statement that best describes the practices of your company. The following sections are multiple-choice A=1, B=2, C=3, D=4 and E=5; please total your score.

1. VISION: How defined is your company's vision and timeline to realize both Human Impact and Profit?

- (a) "We have financial goals in our Vision, but *what is human impact?*"
- (b) "Our financial targets are primary, and we are *starting to examine* the social and environmental benefits of our business to incorporate in our Vision."
- (c) "We are *testing how shareholder value is linked* to Human Impact."
- (d) "We have *comprehensive goals, measures and timelines* to deliver both human impact and profit." (e.g.: 'We will be carbon neutral by 2020 and deliver strong profits.')
- (e) "Our vision *fully incorporates clear timelines and reinforces how* our success advances health, increases wealth, regenerates the earth, fosters equality, and supports trust that naturally deliver higher investor returns."

2. METRICS: How does your company track Human Impact?

- (a) "We do not currently track human, social, or environmental impacts"
- (b) "We have some measures of the *inputs* to our business"
- (c) "We track mostly *processes* within our business and *inputs* to our business"
- (d) "We can quantify all *outcomes* and results of the impact of our business"
- (e) "We understand the *correlation (and causation)* of human impact and how it drives profit."

3. FINANCIALS: How much revenue (or profit) is related to Human Impact?

- (a) "We *have not* attributed any revenue or profit to human impact"
- (b) "There are some *anecdotal* stories and data to attribute cost savings to reducing the negative impact of our business"
- (c) "We can *quantify* at least a quarter (25%) of financial results to positive human impact"
- (d) "*More than half* (50%) of our financial results is driven by positive human impact"
- (e) "The *super-majority of the financial performance* (greater than 75%) results from having a positive human impact on the planet and society, while delivering for shareholders as well"

4. ACCOUNTABILITY: At what level is there accountability for Human Impact and Profit?

- (a) "We *do not require* any accountability for human impact within the company"
- (b) "Staff leaders or leaders of *pilot projects* may be accountable for measuring impact"
- (c) "Our *managers* have projects and initiatives that test the impact-to-profit link"
- (d) "The *Executive* team is accountable for integrating impact and profit"
- (e) "The *Board and CEO* mandate human impact and profit." (e.g. linking bonuses to achieving financial and environmental performance goals.)

5. DECISION MAKING: How do new products, projects or decisions integrate HIP?"

- (a) "We *do not require* positive human impact criteria for any initiatives"
- (b) "It is *nice to have* positive impact but is not required for approval"
- (c) "We are *required* to assess the risks of the *negative* impacts of a new product or project"
- (d) "We are *required* to show how the *positive* impact of the decision will drive profit"
- (e) "We only approve those products and projects with the *highest positive and least negative impacts*, which also tend to be financially attractive"

TOTAL SCORE FOR I-B, HIP Management Practices: _____ (of 25 maximum)

I-C: Which operating metrics internally and in the supply chain drive Human Impact + Profit?

Human Impact Quantitative Metrics: Please answer to assess the impact of your business.

Please choose the statement that best describes the practices of your company. The following sections are multiple-choice A=1, B=2, C=3, D=4 and E=5; please total your score. (A more detailed HIP Scorecard tracks 55 leading quantitative metrics of HIP performance – contact Paul@HIPinvestor.com if interested.)

1. HEALTH: Please add up your customer and employee satisfaction scores (Max = 200%)

- (a) We do not measure employee or customer satisfaction; or below 40% combined
- (b) From 40% to 79% combined score
- (c) From 80% to 119% combined score
- (d) From 120% to 159% combined score
- (e) Over 160% to 200% combined score

2. WEALTH: What is the ratio of total CEO Compensation to Average Employee Total Pay?

- (a) Over 100 times (CEO makes 100+ times the average employee compensation)
- (b) Between 71 and 100 times average employee total compensation
- (c) Between 41 and 70 times average employee total compensation
- (d) Between 11 and 40 times average employee total compensation
- (e) Less than 10 times average employee total compensation

3. EARTH: What percentage of your energy use – including manufacturing and transportation – is provided from renewable sources?

- (a) “We do not use renewable energy” (e.g., solar, wind, hydro, biomass, etc.)
- (b) “We support public transportation, biking, and telecommuting to lower our footprint”
- (c) “1%-15% of our energy is from renewables”
- (d) “16%-30% of our energy is from renewables”
- (e) “We get over 30% of our energy from renewable sources”

4. EQUALITY: What is the percentage of white male employees – not women, ethnic or international citizens - of the total number of employees?

- (a) 100%
- (b) 80-99%
- (c) 60-79%
- (d) 40-59%
- (e) Less than 40% (closest to society demographics for gender and ethnicity)

5. TRUST: What percentage of product or service revenue is certified by third-party organizations on quality, eco-performance or other sustainability criteria?

- (a) Greater than 70%
- (b) Between 50-69%
- (c) Between 30-49%
- (d) Between 10-29%
- (e) Less than 10%

TOTAL SCORE FOR I-C, HIP Metrics: _____ (of 25 maximum)

I-D: How does **Profit** map to Human Impact? *(In a detailed HIP Scorecard, the CFO completes a short survey of Profit metrics to evaluate the current financial drivers linked to higher impact.) Please answer the following questions to assess the financial performance of your organization.*

1. What percentage of revenue is derived from products with a positive human, social or environmental impact?
2. What percentage of revenue is earned internationally?
3. How do the profit margins of your products and services that drive human impact and profit compare to those that do not?
4. What is the return on invested capital each of the last three years?

I-E: How does the **Capital Structure** drive Human Impact? *Please answer the following about your capital structure design and plans.*

1. What share of total capital is owned by employees (includes equity, options, debt or notes, and other vehicles)?
2. What is the size of the employee option pool (granted and un-granted) expressed as a percentage of fully diluted equity?
3. What is your debt-to-equity ratio compared to your ratios of job growth and profit growth?

I-E. What are the **Risk** factors associated with **Scenarios** of the future? *Describe the strategic and operational readiness of the organization to cope with changes in the market, competition, access to talent and scarcity of natural scarcity.*

I-F. Is there any other aspect of Environmental, Social or Human Impact you would like to share relative to your organization – either current or future, relating to Opportunities or Risks?

SECTION II: “How Sound Are The Fundamentals?”

II-A. Market Risk of the Products and Services – For your new product launches and expansion, please estimate the Total Addressable Market (TAM), and:

- | | | |
|---|-----|----|
| * <i>Least Risk</i> : Are you launching an Existing Product/Service into a New Market? | YES | NO |
| * <i>Moderate Risk</i> : Are you launching a New Product/Service into an Existing Market? | YES | NO |
| * <i>Intermediate Risk</i> : Are you launching a New Product/Service into a New Market? | YES | NO |
| * <i>High Risk</i> : Are you launching an Existing Product/Service into an Existing Market? | YES | NO |

II-B. Quality of Management Team and Board – rates entrepreneurial experience, relevant industry experience and the size and stage of companies worked as well as experience working together in the past.

1. What is the tenure of each management team member?
2. Is their experience in a market or capability that is relevant to the new venture?
3. Do they have track record in growing similar stage org’s with successful exits?
4. Which organizations are the Board of Directors and Advisers connected to?
5. Who has worked together before, for how long, and what were the results?

II-C. Competitive Analysis – positioning of competitors and market share, intellectual property and barriers to entry.

1. Is there Proprietary Intellectual Property?		
YES	NO	
	2. Is there a need for Proprietary IP?	
	NO	YES
3. How steep is the barrier to entry?		
Moderate	Low	High
	4a. How is the org. prepared for inevitable competition because of a low barrier to entry?	4b. How is the organization prepared for capital needs associated with a high barrier to entry?

5. What is the size of the Total Addressable Market (TAM) of all your offerings?
6. List the current competitors, their revenue and market share, and capital partners.
7. Forecast future competitors – and evaluate how you might partner with them.

II-D. Funding Requirements – shows the expected funding required over the next five years. Also compares to existing portfolio’s current capital commitments.

1. How much total capital will this org. require before becoming self-sustaining?
2. What is the expected valuation at each future round of investment (equity or debt)?
3. What is the approximate timing of future rounds to be successful?

II-E. Liquidity Timeline – compares the liquidity levels and expectations of the current portfolio with the impact of the investment’s potential return & timing.

1. Estimated duration in years to Liquidity

1-3 years // 3-5 years // 5-7 years // 7-10 years // Greater than 10 years

2. What are the potential liquidity events for the company – by whom? (M&A, IPO, MBO)

II-F. Is there any other aspect of ***Business Fundamentals*** you would like to share relative to your organization – either current or future, relating to Opportunities or Risks?

THE INVESTOR PERSPECTIVE:

PHASE III – “How Does This Investment Fit the Investor’s Portfolio?”

Self-Selected Criteria: Determines if the investment is aligned with the values & goals of the investor.

III-A. Level of Involvement: Human, Financial, Value-Add – match with overall portfolio.

Ability to Add Value to Investee: High Medium Low

Level of Board Involvement:

a. Available capacity/expertise
to contribute to the Board?

YES

NO

b. Type of role

Director

Observer

Type of Investment Role:

Lead

Follow / Participate

III-B. Which Type of capital is appropriate at this Stage – and its match with the portfolio.

Diversification across **STAGE** -- (how does this compare to the overall portfolio?)

	<i>D (stable; lower risk)</i>	<i>C (maturing)</i>	<i>B (growth)</i>	<i>A (validation)</i>	<i>Angel (test; launch)</i>	<i>Seed (idea; highest risk)</i>
<i>Firm</i>						
<i>Portfolio</i>						

Diversification across **ASSET TYPE** -- (how does this compare to the overall portfolio?)

These investment types are sequenced from lower risk/return potential on left, to higher risk/return potential on the right.

	<i>Grant (only tax deduction)</i>	<i>Debt (or PRI)</i>	<i>Convertible Note</i>	<i>Warrant</i>	<i>Preferred Stock</i>	<i>Common Stock</i>
<i>Firm</i>						
<i>Portfolio</i>						

III-C. What community is served by the investment prospect? – **geographic** region preference.

Diversification across **GEOGRAPHY** -- (how does this compare to overall portfolio?)

	<i>Local (lesser reach, lower risk)</i>	<i>Regional</i>	<i>National</i>	<i>Continental</i>	<i>Global (more reach, higher risk)</i>
<i>Firm</i>					
<i>Portfolio</i>					

III-D. Values and Culture

1. Do you want to “share a drink” with the founders? Management team? Co-investors?
2. How do you feel about being delayed in an airport with the founder? Team? Co-investors?
3. What can you co-create together – or collaborate on – with the founder? Team? Co-investors?

III-E. Is there any other aspect of **Portfolio Fit** you would like to share relative to your organization – either current or future?

* * *

To learn more about the HIP Scorecard methodology for companies and investors to measure sustainability, business performance and financial potential, read 'The HIP Investor' book:
www.bit.ly/HIPinvestorBook

For competitive benchmarking, a more detailed HIP Scorecard, or more information on the HIP CHECK and Scorecards, or to learn more about HIP Investor Inc., contact:

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