An inside look at our first year

2022

Walden Mutual Bank

ANNUAL REPORT

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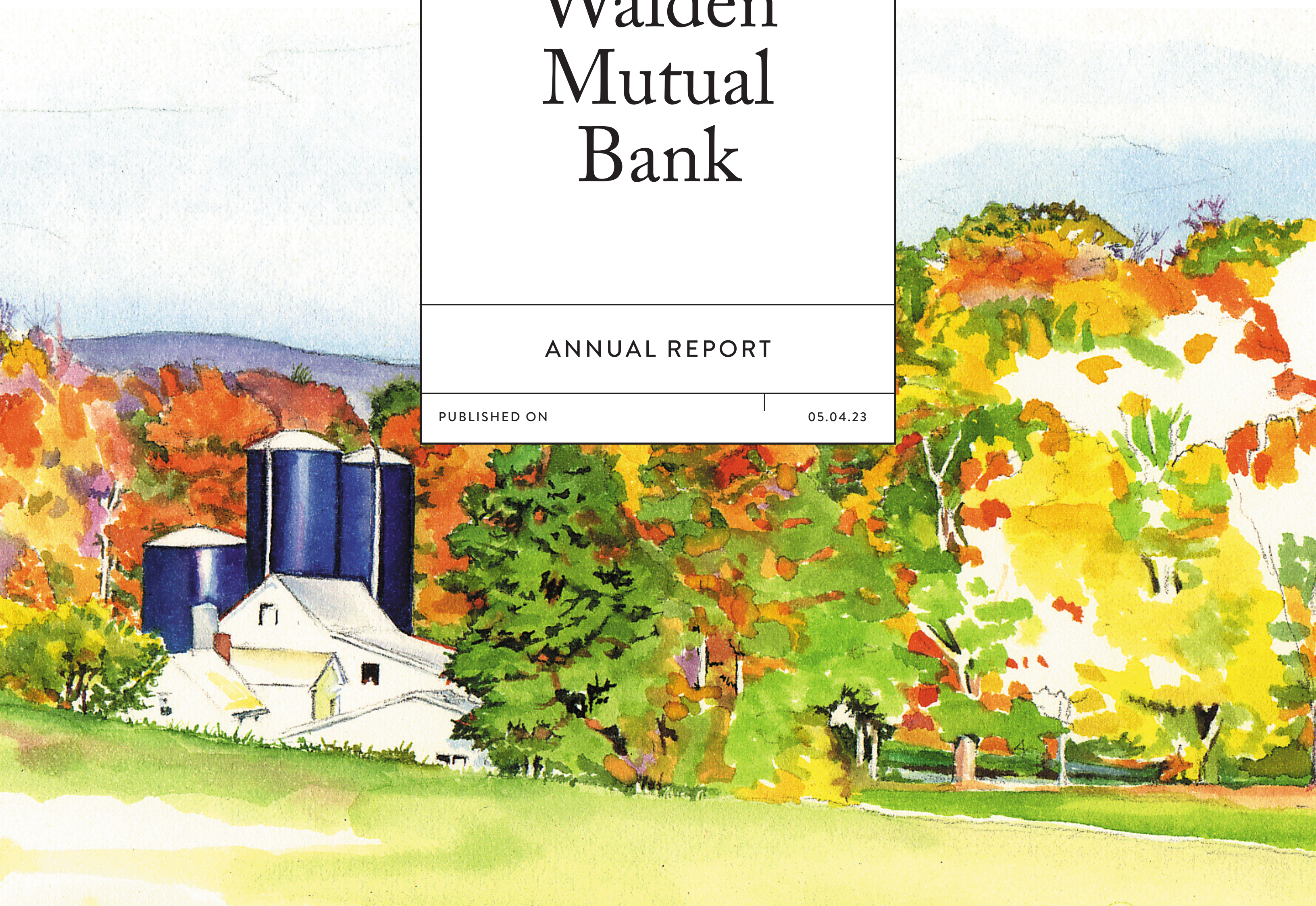

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Reflecting On Our 2022

Dear Partners:

What an interesting time to have opened a new bank. The recent industry turmoil has awoken many to the importance of where they choose to bank, providing us with a once-a-decade opportunity to explain how what we do is different and why it matters.

In my view, the issues with Silicon Valley Bank and other financial institutions have deeper roots than a decision to purchase long-dated treasuries. One of them is the public markets' overwhelming focus on shareholder value above all else. This is now unfortunately the dominant paradigm of modern management: all that matters is the stock price.

Stepping back in history for a moment… when management emerged as a profession in the early 20th century, this was not the case. "Manager" was initially synonymous with "administrator." As more businesses grew to a scale that required analytical professional management apart from owners themselves, business schools were established to train these administrators. These schools were supported by entrepreneurs and academics who "saw the need for creating a managerial class that would run America's large corporations in a way that served the broader interests of society rather than the narrowly defined ones of capital or labor."[1]

In New England at that time, 80% of deposits were held by mutual banks. The region had over 650 mutual institutions serving more than 8 million depositors in 1914 (vs. just 9 commercial banks). Notably, these early mutual banks largely avoided failure during periods of cyclical financial upheavals. Only four mutual banks closed their doors during the panic of 1893 and one closed in 1907. In fact, in 44 years, from 1870-1914, three out of every four state banks were closed. Only 28% of mutuals closed over the same period.

With results like that, why aren't all banks today mutuals? The mutual model certainly took a hit in 1951 when it lost tax-exempt status. But it was Milton Friedman's 1970 essay declaring "the only social responsibility of business is to increase its profits," that made the mutual model feel quaint and outdated.

Shareholder value has been the dominant teaching in American business schools ever since. Mutual banks - which by definition have a cooperative governance structure that explicitly prioritizes all *stakeholders* of the bank[2] – went from bastions of safety and soundness and service in community banking to practical obsolescence.

So why on earth did we start a new one, some 50 years later? *Because mutuality meets this moment.*

In the investment world a few decades ago, some investors began to apply negative screens to their portfolios - excluding guns or fossil fuels or tobacco, for example. Endowments and foundations were often criticized for having a mission espousing one thing and an investment portfolio expressing quite another. When 5% of funds were allocated in support of the mission and 95% of the portfolio looked like that of any other asset manager... critics had a point.[3] Impact investment emerged as an asset class, and it is now a several trillion-dollar market.

Of course, with that kind of growth always comes excess. Enter ESG ETFs (Environmental, Social, Governance Exchange Traded Funds) - for example, the

1
For the definitive history of management as a profession and how we got here, read: Rakesh Khurana's From Higher Aims to Hired Hands: *The Social Transformation of Americas Business Schools and the Unfulfilled Promise of Management as a Profession*, 2007.

2
This is not to say that we – and other mutuals – do not care about profit. Quite the contrary - profit is long-term viability. And herein lies what feels quaint and outdated. The nuance of shareholder value 2.0 is more accurately described as growth – rather than profit – above all else. In the modern era, growth has become the primary driver of valuations in private markets; this is true to a large extent in a large swath of public markets as well. Despite the recent slight change of tune in the venture capital world, profit has not been "cool" for quite some time.

3
Leading these rebel critics was none other than one our fearless corporators, Clara Miller, then head of the Heron Foundation.

iShares ESG Aware ETF, which includes as core components Exxon Mobil, Chevron, ConocoPhillips, DuPont, Dow Chemical… essentially the very same companies you see in any other mutual fund. Companies with the business model of "we'll plant a tree every time you do [x]!" have thrived. There is even now a neobank that says in their advertising: "You can solve climate change just by buying a pizza!"[4]

But peel away all of the riff raff, and the picture that emerges is a real desire amongst a large and growing segment of the population to align their assets and activities with a set of values they want to see in the world. Those values may have different emphases - progressive objectives like addressing income inequality or climate change, or traditionally conservative causes like promoting local economic development or healthy families - but the desire to achieve local, tangible and specific impact with our dollars is truly universal.

Mitt Romney once infamously declared that "corporations are people." Arguably it was the moment that ended his campaign, a rare unscripted exchange that illustrated his detachment from the common man. But I had a soft spot for Mitt at the time, because he was so obviously right, and was misunderstood on this point. Corporations are, in fact, by definition, nothing more than a group of people that unite behind a common goal. One may not agree with the priorities of some enterprises – that is, how they allocate their resources and energies across shareholders, employees, the environment, customers, and other stakeholders. But they are nevertheless no more than a group of people who have pooled their resources and agreed to act as one in support of a shared goal.

Mutuals are a special breed of enterprise, committed to delivering *stakeholder* value. Critics say this is more complicated or difficult than focusing on shareholders alone… and even that it "undermines the basis of a free society"[5]. And while there is not enough room to take on the entire Friedman doctrine here, suffice it to say that while it is certainly more complex to balance a set of varied interests, this approach is nothing new. Many organizations large and small - from our little Concord Food Co-op to the American Red Cross to virtually every private university and the remaining 350 or so mutual banks in the US – have been finding their way through this apparent darkness for many decades. And there are increasingly innovative organizational forms emerging at the intersection of for-profit and non-profit that seek to further enable this balance.[6]

A month or so ago, a friend of mine competed in an obscure ski race in Jackson, New Hampshire called Last Skier Standing. Skiers must complete one round-trip run each hour on the hour, hiking up and skiing down a roughly 1-mile slope of about 1,000 vertical feet…until they can no longer do so. As the name implies, the winner is simply the person who completes the last lap alone. The record? 61 hours. That's three full days and two nights without stopping. As one can imagine, any fans who are not blood relatives in attendance at the start of the race are long gone by the end of day one, let alone night two. Previous winners describe their pyrrhic victory as a bizarre combination of exhaustion, bewilderment, and pride.

Our team felt much of the same in October of last year as we got our charter over the finish line, some 20 months after we had begun. Shortly thereafter, we confirmed investments in our Special Deposit Shares of $24.4 million from 250 investors. I am happy to say our little Bank is now open for business, in the midst of a rare tailwind.

In future years, we will use this space to analyze our prior year's results and build a shared understanding of our financial position, impact, and strategy. Since last year only included a short "stub" period after the issuance of our banking charter, this report focuses more on our general approach to impact and how to measure it.

We had not yet opened for deposits in 2022, but have amassed over $22 million in the first quarter of 2023, with roughly a third of this

4
No, you cannot.

5
Friedman, again.

6
Light reading on this topic: *https://www.newyorker.com/business/currency/can-companies-force-themselves-to-do-good*

coming from businesses, and two-thirds from consumers. This is great validation that there is indeed a significant consumer segment that sees value aligning their deposit dollars with impact – the same as we have seen in virtually every other consumer category, from clothing to cleaning products. One lesson learned, which could've been anticipated, is that the consumer sales cycle is long. Opening a new bank account is just step one, while funding and using it are separate journeys. It can take many weeks to move someone to action. That being said, the current crisis has provided significant incentive to overcome this "switching cost"; it is a timely opportunity to argue that where you bank matters.[7]

On the loan side, after just a quarter in business, we are fortunate to be partners to some of the most impactful and innovative farms and companies in the region.
Some examples:

- Polka Dog bakery, a notable Boston brand that "upcycles" farm and fishery waste products into premium dog treats in Massachusetts
- Dharma Lea, a marquee farm in the region and one of the pioneers of the grass-fed dairy movement in New York
- 88 Acres, an innovative producer of seed-based granolas, butters and bars in Massachusetts (look for them on your next JetBlue flight!)
- Farmer Ground Flour, a leading fresh organic stoneground flour in New York
- Mike's Organic, a farm- and sustainability-centric local produce retailer in Connecticut
- Dunk's Mushrooms, a distinguished wholesale mushroom grower in New Hampshire
- Rustic Crust/American Flatbread, a prominent manufacturer of branded and private-label wood-fired frozen pizzas in New Hampshire

And more than a dozen different production farms across the region, from berry growers to grain, eggs, chicken, livestock, and other crops.

At many companies, sustainability and impact reporting is owned by the marketing department. These impact reports often tell wonderful stories and serve as highlight reels for a few ancillary activities (the adopt-a-highway flower garden) while missing the company's core activities (clear cutting the Amazon rainforest). We are eager to set a different example. While you will find some highlights of our work here, our core impact reporting is owned by our CFO, and looks like a financial statement, with consistent metrics and footnotes. We lean upon the commonly accepted B Corp standard, with a few additional metrics relevant to our business. If there is a silver bullet to climate change, it is not direct carbon capture or nuclear fission (although those may help!) – *it is accounting*. What is measured is what is managed, as it is often said, so we support standardization in this regard.

The impact metrics we are most focused on are those related to our borrower businesses. The impact of our lending portfolio far exceeds any impact we could have individually, and we will monitor our progress by tracking change over time. In addition to borrower impact, we also vigorously track our own B Impact Assessment results. We certainly have more work to do across many categories – most notably, in continuing to build diversity of all stripes by proactively seeking underserved populations.

Our opening quarter here has been an exhilarating one, and we are excited about the year ahead. Thank you for joining us as a partner, for placing your trust in our team, and for embracing our mission to enable anyone to make positive and lasting change to our local food ecosystem.

Please stop in to say hello if you find yourself in Concord!

Sincerely,

Charley

Charley Cummings
PRESIDENT & CEO

7
Did you know that $125,000 in one of the four largest banks in this country is equivalent to an entire year's worth of the average Americans carbon footprint? That's 365 days of driving, flying, eating, buying, everything. This is because these banks are the single largest funders of fossil fuel development in the world – to the tune of $1.2 trillion since 2015. See Bill McKibben and Kat Taylor's recent article in the LA Times: https://www.latimes.com/opinion/story/2023-01-18/fossil-fuel-expansion-bank-financed-emissions

Our Business

[ONE]

Who We Are

Walden Mutual Bank is an online bank for everyone who eats/makes/grows/cooks/loves local food.

The decision we each make about where our money spends the night has huge implications for the world we live in, and we are working to provide a better alternative. By concentrating our lending on mission-aligned businesses, the people who entrust us with their savings can take confidence in the indirect impact they are creating.

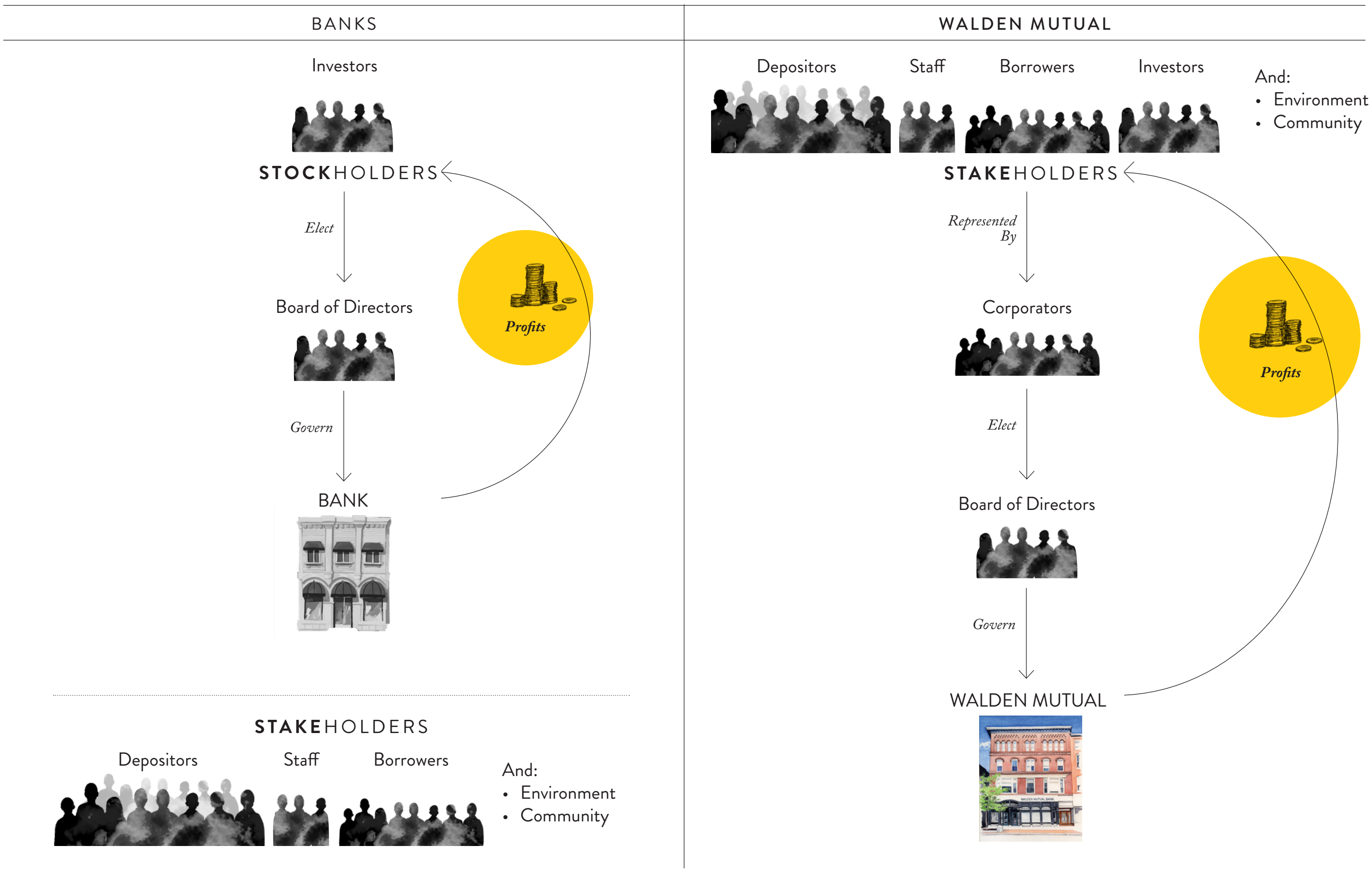
Our specific focus is on lending to local food and agriculture businesses in New England and New York, where our management and board have deep experience and expertise. We are in the midst of a renaissance in food and agriculture in the region, with some $16 billion in venture investments in non-farming food-related enterprises across 600+ organizations since 2010.

Given our focus on sustainable food products and related natural resources, and the rigorous social and environmental criteria we apply to our lending activities, we have built a purpose-driven digital brand for our partners (individuals and businesses that deposit money with us) that appeals to those looking to make a positive impact with their deposit dollars. We have initially positioned our Grow Local accounts as digital secondary accounts, allowing us to cover a broader geographic area than a community bank might otherwise. There is a large and growing segment of the population that bank entirely online, and we are working to serve them with best-in-class technology.

And the "mutual" part of our name is central to our strategy. The mutual structure holds us accountable to our long-term commitments and provides incentives for us to serve a more holistic community of stakeholders – versus the shareholders that occupy the most privileged position in many businesses.

The Mutual Model

HOW DOES IT WORK?



In short, "mutual" means cooperative, and there are several characters in our story: First, our team – which manages the day-to-day from opening a new account to putting together this report; our board, which oversees the strategic direction of the Bank; corporators, who steward us for the long-term by electing our board and representing our community; Special Deposit investors, who pledged their long-term savings to build our starting capital; and you – whether you fit into one of the previous groups or not, being an account holder makes you a part owner too.

Starting any bank requires initial capital – this funds early loans, business operations, and more until deposits provide long-term momentum. In more common stock banks, those funds generally come from a few large-dollar investors. For us, our initial $24M was provided by a group of 250 investors writing checks for amounts as small as $5,000. Their investment provides them "Special Deposit Shares" - a novel form of investment uniquely suited to engaging as much of our community as possible. Unlike other types of seed capital, these shares do not come with a specified maturity date or the promise of future speculative value; when the Bank reaches profitability, these folks will receive a portion of our profits as a dividend.

As a mutual, any profits generated by the Bank are repaid to the community of owners – either as the dividends paid to those with Special Deposit Shares, lower fees for partners, richer account benefits or higher interest rates paid on deposits, lower rates for borrowers and reinvestment in the technology and infrastructure that enables us to improve the end user experience.

And we are designed for the long run. Other banks are structured for future sale from the start (most frequently to another larger bank), but the mutual structure offered us permanence in a way that a stock structure did not, which gives our team the opportunity to build a bank not for the short-term, but the next century.

To sum it all up: *We have been designed from the beginning in service of our mission to enable anyone to affect positive and lasting change to our local food ecosystem.* We are governed by our community, funded by investors with a bias towards the long-term, motivated to return value to our partners, and engineered to endure the test of time.

An Introduction to Impact at Walden Mutual

[TWO]

MISSION STATEMENT

We exist to enable anyone to make positive and lasting change to our local food ecosystem.

OUR PRIMARY TOOLS

1

Capital and financial services, because of their capacity to drive change at the systemic level

2

Our mutual (or cooperative) governance model, which holds us accountable to our long-term commitments

3

Our role as a connective bridge between the ecosystem's many participants.

OUR VALUES

Our values — stewardship, bridge building, simplicity, and levity — guide everything we do, starting with our relationships with each other and emanating outwards. Systemic shifts like the ones we hope inspire start locally, with individual relationships and communities.

Stakeholders

Our "Stakeholders" are the people, organizations, institutions, and natural resources that our business interacts with. Specifically, we are working to create programs and products to manage impact in our relationships with:

OUR PARTNER-DEPOSITORS

As a mutual, our partner account holders are our foremost stakeholder. Our mutual structure incentivizes us to generate as much value – financial and otherwise – for them as possible. This is because our partners are also generally inclusive of all other stakeholders (e.g. borrowers).

OUR PARTNER-BORROWERS

Per our mission, we exist to promote positive and lasting change to our local food ecosystem – starting with the businesses from that ecosystem that we lend to.

WALDEN MUTUAL BANK

STAFF

Lasting change starts with the standard that we hold ourselves to. The structures and programs that determine the way we make decisions, operate, and treat employees are critical to understanding our impact footprint.

COMMUNITY

Among other things, we are members of the communities that we operate in – and are working to promote positive outcomes for our neighbors.

ENVIRONMENT

Businesses have a responsibility to manage their relationships with the natural world, and we are no exception.

Meet Our Team

OUR STAFF (LEFT TO RIGHT IN PHOTO)

Charley Cummings – *Founder and Chief Executive Officer*
Christina Johantgen – *Head of Marketing and Creative*
Jackie Charron – *Chief Operating Officer*
Leslie Fincke – *Partner Experience Manager*
Joe York – *Vice President of Product and Impact Strategy*
Alejandro Scelfo – *Commercial Associate*
Victor Ranfos – *Credit Analyst*
Christine Bascetta-Gath – *Senior Vice President of Lending*
Jean Conklin – *Senior Agricultural Lender*
Chloe Wingerter – *Business Development Officer*
Debbie Morin – *Chief Financial Officer*

Our Board of Directors

Vince Siciliano*
Board Chair

Charley Cummings*

Bob Burke*

Mike Claflin

Radhika Dholakia-Lipton

Susan LeDuc*

Alexandra Lunt*

Dulcie Madden Lipoma

Paul Nardone*

Anthony Poore*

Stephen Taylor

Ethan Wingfield

Sherry Young*
Vice Chair

** Members of the Impact Committee of our Board of Directors*

The Impact Committee of our Board of Directors is composed of leaders from the intersection of banking, food, sustainability, and community development – and oversees our social and environmental performance, holding us accountable to our commitments.

The Committee regularly reviews our impact results, and ensures the Bank meets the commitments laid out in our Impact Policy. The Impact Policy describes a range of ongoing activities and outcomes, including:

→ Tri-annual recertification of our status as a B Corp

→ Paying all employees a living wage as defined by the MIT Living Wage Calculator

→ Capping CEO compensation at 20x the lowest paid employee

→ Disclosing compensation ranges on all public job postings.

Board-level accountability ensures that our impact-focused aspirations do not get lost amidst the ups and downs of day-to-day operations. As we grow, it provides a formidable counterweight to the drive to maximize profit at all costs.

Understanding Our Partner-Borrowers' Impact

Our effect on the businesses we serve is the most significant impact opportunity in front of us. Our strategy for supporting their social and environmental progress addresses three core areas:

#1: VALUES ALIGNMENT

Prior to underwriting, potential borrowers answer a series of yes/no questions that help us understand their fit with our values. This ensures that we are only lending to businesses that are adequately aligned with our mission. There is no set formula; some businesses may answer "yes" to only two or three questions - while others may answer "yes" to nearly all. Those questions include:

- Is the business owner-operated? ✓
- Does the business have a local or regional focus? ✓
- Does the business have specific sustainability-related certifications (e.g. Regenerative, Grass Fed, Organic, etc.)? ✓
- Is the business's core business model inherently renewable or sustainable? ✓
- Is the business owned and/or operated by individuals from a historically underrepresented community (e.g. BIPOC, LGBTQIA+, a person with a disability, etc.)? ✓
- Is the business's central reason for existing related to social or environmental responsibility? ✓
- Does the business serve and/or operate within a disadvantaged (e.g. Low income or economically depressed) geographic area? ✓
- Can the business confirm that they are not actively causing harm to their immediate stakeholders? ✓
- Does the business have aspirations of future improvement to their social and environmental responsibility programs? ✓

#2: TRACKING PROGRESS OVER TIME

The Walden Impact Assessment is the primary tool we use to facilitate ongoing conversations about impact with the businesses to which we lend. Patterned after the B Impact Assessment – the evaluation that any business that aspires to B Corp certification must complete – it is a dynamic evaluation that uses questions that are tailored by industry (ex. Farms receive different questions than food retail businesses). The questions cover the business's governance structures, their treatment of their workers, the ways they engage with their community, their efforts to promote positive outcomes for customers, and their environmental responsibility programs. Based on the provided answers, businesses receive scores that shine light on areas of strength and opportunities for improvement. We administer the Assessment during underwriting on every loan to set a baseline and readminister it year after year for each partner-borrower, so we can track improvements or identify new areas of opportunity.

Going forward, we aspire to make the Assessment even more flexible. Today, it is tailored by industry – regardless of the type of relationship we have with the business. In the same way that larger loans deserve more attention to understand business risks, the size of our relationship has obvious implications for the depth of our conversation about impact.

We also aspire to expand the Assessment's usage. As we gather more results, it will allow us to paint a more nuanced picture of our borrower community – such that we could consider using prospective borrowers' scores to inform more of our lending process.

#3: AMPLIFYING STANDOUTS

The Assessment also allows us to identify the businesses that are already among the best at what they do. In those situations, we want to 1) provide them with tools to continue growing, 2) identify their best practices and promote sharing across our community, and 3) leverage our marketing platform to celebrate their excellence. In the future, we plan to offer tactical toolkits on writing mission statements, setting up corporate recycling programs, and other easy-to-implement initiatives based on the Assessment's results. We also aspire to provide our partner-borrowers with access to consultants and coaches that specialize in B Corp certification so they can more easily graduate from our Assessment to the B Impact Assessment.

Our Results from the Past Year

[THREE]

Unaudited Financial Results

Financial statements as of 12/31/2022

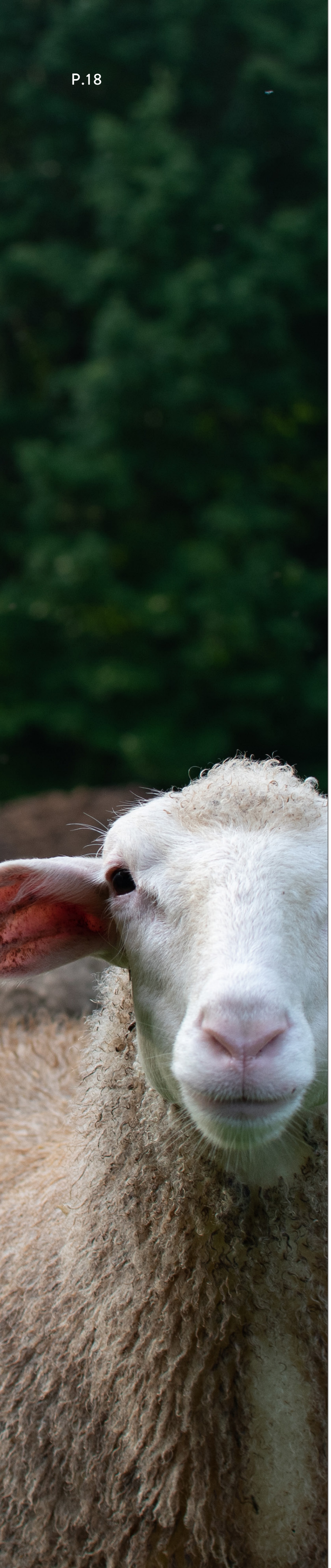
We are still in the process of completing our first independent audit of our financial results. In the meantime, we are presenting unaudited financial results for your consideration. In future years, expect to see audited totals in this report.

BALANCE SHEET

		AS OF 12/31/2022
Assets		
	Cash	$ 567,520
	Investments	16,079,485
	Net Loans	4,675,287
	Other	1,332,477
	Total Assets	**$ 22,654,768**
Liabilities and Equity		
	Deposits	$ 524,865
	Other Liabilities	640,744
	Equity	24,374,510
	Retained Earnings	(1,089,797)
	Current Year Earnings	(1,795,554)
	Total Liabilities & Equity	**$ 22,654,768**

INCOME STATEMENT

		FISCAL YEAR 2022
Interest Income/Expense		
	Interest Income	$ 283,961
	Interest Expense	440
Provision for Loan Losses		51,140
Other Income		96
Other Expense		
	Salaries & Benefits	$ 1,335,350
	Legal Fees	60,547
	Occupancy & Equipment	117,634
	Other Professional Fees	199,295
	Marketing	60,666
	Systems & Processing	140,063
	Other	114,476
	Total Expense	$ 2,028,031
Net Income (Loss)		**$ (1,795,554)**



B Impact Assessment Results

B Corp certification is one of the foremost standards for assuring the social and environmental performance of for-profit companies. Managed by B Lab, a global nonprofit, the certification is dependent upon the results of an intensive web-based evaluation – the B Impact Assessment. The B Impact Assessment turns a company's programs and outcomes in five impact areas (Governance, Workers, Environment, Community, and Customers) into a quantitative score, which allows for comparison across companies and for the tracking of progress over time.

An average score on the B Impact Assessment is 50, while B Corp certified businesses must score at least 80 points. In January of 2022, we completed our initial submission – scoring 91.3 points out of a possible 240, qualifying as a "Pending B Corp" (a designation reserved for companies with less than 12 months of operations). In March of 2023, we resubmitted for full B Corp certification – with a tentative score of 116.2. Our results are pending a full verification by B Lab reviewers, but we are excited about this milestone in our impact journey.

B IMPACT ASSESSMENT RESULTS

As of May 1, 2023. Pending B Lab verification.

Section	January 2022	March 2023	Max Possible	Benchmark*
Governance	19.3	17.0	25	8.3
Workers	26.3	32.3	50	22.2
Community	19.2	19.2	50	14.7
Environment	4.6	4.7	50	10.7
Customers	21.6	42.6	65	22.7
Total	91.3	116.2	240	80.9

**Other banks that applied for B Corp Certification*

COMMENTARY

As companies grow, the B Impact Assessment evolves. For example, with more employees, there are higher expectations for the policies and procedures that are established – which drove a dip in our Governance score. The Environment section for a business of our type is largely about waste monitoring and reduction programs, which we are still growing into. As we mature as an organization, expect those scores to increase.

On the other hand, more scale also means more customer impact, which is observable in the significant improvement in our Customers section score.

Our Impact *Metrics*

We want to be intentional about measuring our impact on each of our major stakeholders – including our partners (i.e. depositors), the businesses we serve, and our own employees. For each of those stakeholder segments, we have chosen a limited set of initial metrics that are specific, measurable, and significant.

INDIVIDUALS

	Result
Summer Farm Dividend Redemption	Coming in FY2023
Why It Is Included: Reinforces connection between individuals and local famers and food businesses (through provision of a $100 credit)	
How It Is Calculated: # of Dividend recipients/all individual partners	
Special Deposit Dividend Rate	0%
Why: Measures return of value to our community (specifically our Special Deposit investors)	
How: $ of profit returned to Special Deposit investors/total Special Deposit balances	
Interest Paid Relative to Market	6.7x
Why: Another measure of return of value to our community of owners – one of our highest priorities as a mutual	
How: Average Grow Local interest rate versus FDIC's average savings interest rate – expressed as a ratio	
Financial Health Survey Results	Coming in FY2023
Why: Benchmarks the emotional health of our partners' relationships with their finances	
How: Scored results of Consumer Financial Protection Bureau's Financial Health Survey	

PARTNER-BORROWERS

	Result
Walden Impact Assessment Year-Over-Year Change	Coming in FY2023[1]
Why: An aggregate measure of our portfolio's progress over time on social and environmental responsibility	
How: The average change in a business's Walden Impact Assessment score year over year	
Number of Loans in Portfolio Allocated to:	
Black, Indigenous, or People of Color	4%
People with Disabilities	0%
Members of the LGBTQIA+ Community	8%
Women	25%

1
At the time of this report's publishing, only one loan had undergone its annual review (where the Impact Assessment would be readministered). Expect a full result in next year's Annual Report.

Our Impact *Metrics*

PARTNER-BORROWERS (CONT.)

Number of Loans in Portfolio Allocated to Specific Communities (Cont.)	**Result**
Why: A measure of equity – ensuring that we meet communities facing structural or historical disadvantages where they are	
How: % of closed loans allocated to businesses owned by people from specified communities (based on submitted survey data)[2]	
Number of Loans in Portfolio Allocated to:	
Small Farms	41%
Low Income Areas	13%
Why: The Community Reinvestment Act stipulates that we specifically track this part of our portfolio as a measure of community impact	
How: % of closed loans allocated to small farms % of closed loans organizations located in low-income areas	
Loans Where We Are the Only Offer	33%
Why: Helps to define our differentiated impact - what the region might look like without us	
How: % of closed loans where we were the only offer from a bank (based on submitted survey data)[2]	
Acres of Farmland Funded	2,826
Why: Ties our impact back to our area's bio-region	
How: Sum of farm acreage associated with closed farm loans	

OURSELVES

	Result
Non-Lender Staff Site Visits	11 across 4 visits
Why: Ensures we bring more awareness to our individual and collective relationship with the food system	
How: # of non-lending staff visits to partner-borrower businesses	
Staff Satisfaction Data	Coming in FY2023
Why: If we are successfully living out our mission, this should be a satisfying place to work!	
How: Average scores resulting from staff satisfaction survey	

2
All of our results for this metric are based on self-reported data provided by our partner-borrowers.

Carbon Emission Benchmarking

We worked with the University of New Hampshire's Carbon Clinic to benchmark our carbon emissions from 2022, with an eye towards someday providing our partner-businesses with the requisite tools to do the same. Molly Norton, Max Schoenfeld, and Brett Schultz – all consultants at the Carbon Clinic – assisted in the compilation and analysis of the necessary data, as well as identifying potential mitigation strategies.

WHY DO THIS?

- Our immediate carbon footprint is minimal (utilities and employee commutes for the most part), but our ability to affect change with the businesses we work with is substantial.
- By completing our own emissions benchmark, we are working to lay the groundwork so that we can help our partner-businesses do something similar in the future.

COMMENTARY

Like many digital businesses (with more technology investment and less direct production), our emissions are primarily concentrated in Scope 3. Much of that impact is attributable to our initial set-up costs and is unlikely to recur in subsequent years. Conversely, as our staff grows, so will our footprint. In the coming year, we will look at more programs that would allow us to mitigate our impact – potentially including employee incentives for biking/walking/using public transit, credits for electric vehicles or other low emission alternatives, and expanded use of hybrid/remote work arrangements.

DID YOU KNOW?

209.3 metric tons of carbon emissions (our total carbon footprint in 2022) is roughly equivalent to driving a Honda Odyssey minivan around the circumference of the Earth 21 times.

CARBON EMISSIONS

	Walden Mutual	Comparable Mid-Sized Bank
TOTAL EMISSIONS	209.3 Metric Tons	1,428 Metric Tons
Scope 1 - Sources Controlled or Owned by Us	**5.8% of total**	**30.7% of total**
This is mostly composed of the emissions generated by operating our office in Concord, NH (excluding the purchase of utilities)		
Scope 2 - Indirect Emissions from Purchased Energy	**2.1%**	**20.9%**
This covers all the emissions from our purchase of utilities for the operation of our office		
Scope 3 - Indirect Emissions Affecting Value Chain	**92.2%**	**48.5%**
Construction improvements to our office, one-time set-up fees associated with software purchases, and other capital goods	53.2%	
Employee commutes	20.0%	
The recurring fees we pay on the software we license, normal office supplies, and other purchased goods and services	15.6%	
Business travel	1.0%	
Everything else	2.4%	

Into the Future

[FOUR]

The Year *Ahead*

Our strategy for the year ahead is simple: continuing to build and develop a best-in-class team, to grow an engaged and passionate set of partner-depositors, and to become the partner of choice for our region's food, farm and natural resource businesses. If we do this well, profit will follow. From an impact perspective, the coming year will present many real-world tests, where our effectiveness will be measured in tangible results instead of good intentions.

Specifically our main points of emphasis in the coming year include:

IMPACT RESULTS AT SCALE

While you have seen preliminary results on some of our key impact metrics, we have only been open publicly for three months. With an additional year of operations, we will have better benchmarks established for our complete set of impact metrics, financial results, and B Impact Assessment score – such that we can finetune our strategies for expanding our impact.

DIVERSITY IN HIRING

Building a best-in-class team means seeking diversity in all forms. Although we have successfully built a diverse team in terms of age, nationality, and professional experience, we have been long on good intentions on racial diversity – but short on results. This has become among our highest talent priorities – alongside technical expertise and values alignment. We have implemented processes and policies to push our postings to the widest possible network and hold ourselves open to candidates from nontraditional backgrounds (relative to those common elsewhere in the banking industry). We have expanded availability of remote and hybrid work arrangements to appeal to a geographically wider pool of candidates. We have committed to interviewing three or more candidates of color for every posted role, and our Impact Committee of our Board of Directors holds us accountable to those commitments. Our business and internal culture suffers when we do not incorporate the perspectives of staff with different lived experiences, so the year ahead – which will include multiple new full-time hires – needs to deliver measurable progress.

THE PARTNER OF CHOICE - FOR EVERYONE

Being the partner of choice for this ecosystem means offering more than just loans. Over the year ahead, we will build out our strategy of connecting our depositors and borrowers in meaningful ways. We will also continue to build resilience in our loan portfolio through diversification - across geography, industries, value chain position, size and ownership, while also ensuring a balance of loan types and maturities. Our intention is to build practice areas, one subsector at a time, in which we can develop thought leadership to support specific movements in local food. Our first - local grain - has long been overlooked in the region, but is in the midst of an inspiring renassaince across growing, processing, brewing, marketing and recycling various grains.

Lending is also our business activity that creates the largest social and environmental impact ripple effects. While supporting a continued renaissance in our local food and agriculture ecosystem is a worthwhile mission, we also want to ask deeper questions about who gets to participate in that renaissance – and what are the drivers of exclusion that have historically prevented specific communities from playing a part.

As a new entrant with a limited track record, we view our role as partner, coming alongside the embedded organizations who have been working towards the cause of justice, equity, diversity, and inclusion in our regional food ecosystem over the long haul. In the next 12 months, we are prioritizing development of those types of partnerships, including testing co-designed loan products that are built to achieve specific social objectives for the communities they serve.

The path we are charting is a long one that will take patience and perseverance, but we could not think of better partners in the journey than you.

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