

Enabling Start-ups to Measure and Improve ESG Performance



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Social Value Portal

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Invested in a better future

LAKE
STAR

par equity

Introducing ESG_VC

We help early-stage companies and their investors to understand, measure, and improve their ESG performance.

How does it work?

Measurement Framework

A tool for entrepreneurs to benchmark ESG performance and create a roadmap for making progress against key metrics

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Events & Resources

Annual programme of workshops and training sessions, as well as policies and templates for portfolio companies

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Enabling start-ups to measure and improve their ESG performance.

How does ESG_VC help start-ups?

As an early-stage company, we provide you with a free tool for benchmarking your ESG performance, and resources for improving on this performance in the future. We host training sessions for start-ups throughout the year on key issues such as carbon measurement, how to implement DEI best practices, or the responsible use of technology.

How does ESG_VC help investors?

Our measurement framework can help you to evaluate the ESG performance of your portfolio companies. The data this generates can help to inform your ESG reporting as a firm as well as the resources that you would like to provide to your portfolio companies in areas such as sustainability, diversity, and corporate governance. We also provide our VC members and their portfolio companies with free access to our events across the year.

Why is ESG_VC publishing this report?

We want to provide companies and investors with useful data on how to think about ESG within start-ups. We hope the insights that you find in this report will help you to consider how you are performing alongside your peers, the areas you would like to be tackling in 2022, and how you can collaborate with the industry to embed ESG practices.

How can you get involved in ESG_VC?

Our resources and events are entirely free, so sign up via [our website](#), [follow us on LinkedIn](#), or [get in touch with us over email](#) to learn more about how you can work with us directly.



Enabling Start-ups to Measure & Improve ESG Performance

A letter from the Chair



Karen McCormick
Chief Investment Officer
Beringea

Welcome to our first research into the state of ESG performance within Europe's start-up ecosystem. What started out as a handful of funds thinking about how to help their portfolio companies to improve their sustainability, diversity, and corporate governance has snowballed into ESG_VC, a movement that has brought together more than 125 leading VC firms across the U.K. and Europe.

This network is united around a simple goal of helping early-stage companies to do a little better. Better for the world, better for society, better for the economy.

We believe that through helping venture-backed businesses to understand, measure and improve their ESG performance, we can make an impact upon the climate crisis, social injustices, inequality, and the push for business to become a force for good. But this will only happen through empowering start-ups.

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...wherever you are on the journey, start somewhere – even if it's only one or two policies.

This doesn't mean overhauling companies, products, and teams. It's about simple, achievable changes, and encouraging entrepreneurs to take steps in the right direction. Wherever you are on the journey, start somewhere - even if it's only one or two policies that you change, it will make a difference.

And this can also have an important impact on the start-up ecosystem. We believe that companies that embrace this approach will recruit and retain better, build better relationships with partners and customers, and prepare themselves for future scrutiny from investors and regulators.

This is simply a starting point. What we have built today will evolve and scale as ESG becomes a cornerstone of start-up success. We look forward to reporting back in years to come as we help early-stage companies to grow with ESG as a driving force.

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...helping portfolio companies to improve their sustainability, diversity and corporate governance.

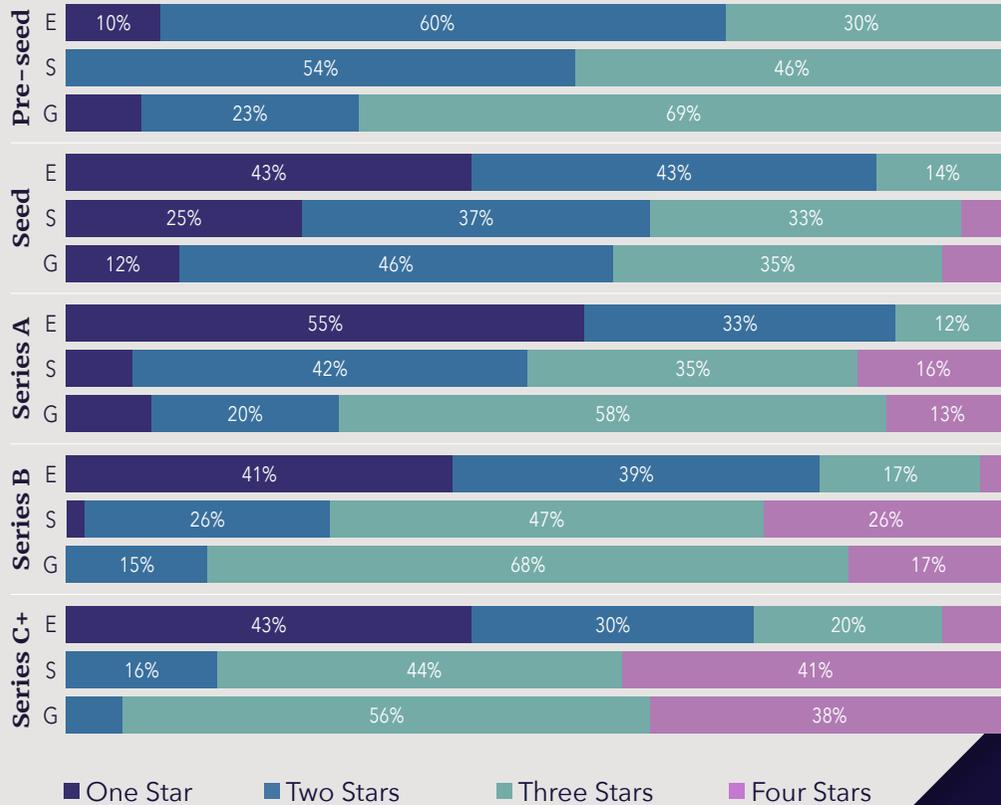


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The Pilot Phase Results

Analysing ESG data from 225 companies from Pre-Seed to Series C+

ESG Performance Range by Stage



← We find that the ESG performance of early-stage companies tends to improve as they scale.

Star Performance		Portfolio Company Distribution			
Pillar	Average	★☆☆	★★★	★★★	★★★
E	1.4	81	69	27	3
S	2.6	24	78	83	39
G	2.7	18	56	116	33

↑ On average, companies perform significantly better across social and governance metrics than environmental measures.

Strengths

57% of companies will provide DEI training in 2022

58% of respondents offer mental health support

Weaknesses

11% of companies measure their carbon footprint

7% of start-ups have a net zero strategy in place

ESG_VC: Investor Perspectives

Antonia Whitecourt
CFO
Seedcamp



At Seedcamp, we believe passionately in backing founders who are building impactful businesses that have the potential to drastically improve the world we live in for the better.

We encourage our portfolio companies, although very early in their journeys, to build diverse teams who operate responsibly and embed the highest environmental, social, and governance standards from the get-go.

Building a sustainable business takes time, diligence, and resources. Our role as investors is to cut through the noise and help our founders to focus on implementing relevant practices and values from the earliest stage.

The ESG_VC Measurement Framework is meant to do exactly that. Provide a simple and standardised tool to help founders on their ESG journey, track their progress, and benchmark against similar stage companies. This is in addition to the training sessions that are provided throughout the year.

Natalie Neuman
COO & General Counsel
Lakestar



Over the past 24 months, Lakestar has seen an ever-increasing focus on ESG from its Limited Partners (LPs). Our engagement has ranged from ad-hoc questions on the topic through to lengthy due diligence questionnaires. LPs want to understand and gain comfort that their investments are not just profitable, but also responsible and sustainable.

In responding to this challenge, Lakestar has worked with the ESG_VC Steering Group to design a framework that aims to benchmark portfolio companies on their ESG performance, which can be tailored from Seed to Growth across a range of B2B and B2C sectors.

We also believe we have a duty to help our companies improve on this benchmark. The ESG_VC Measurement Framework therefore not only assists us in reporting at a company and at a fund level, but it also allows us to tailor resources and guidance to our companies to help them progress against their ESG targets.

We've seen that these insights and level of granularity are valuable to our LPs. With other VCs adopting the framework, Lakestar's work with ESG_VC also moves us towards uniformity in ESG data reporting between portfolio companies, VC firms, and their LPs.

Andrew Noble
Partner
Par Equity



We're delighted to support the launch and development of the ESG_VC Measurement Framework across the early-stage investment ecosystem.

At Par Equity, we've always sought to help management teams build better companies, and ESG has become an increasingly important lever to achieve this. Our portfolio companies recognise this too and, over the last two years, they've been more engaged on ESG than ever before and at a much earlier stage. Having a robust approach to ESG is very much part of their value creation strategy.

With the introduction of ESG_VC's framework, we finally have a tool which is fit-for-purpose. Not only do we use it for an annual assessment of the portfolio, but it's now part of our pre-investment diligence, setting a baseline ESG score and helping management teams drive the ESG agenda from day one. Furthermore, through the ESG_VC community, we can access free resources to help tackle the most important ESG initiatives our portfolio is working on.



Enabling Start-ups to Measure & Improve ESG Performance

Performance by Stage: ESG Improves With Scale

Key insights

VC-backed companies embrace ESG as they scale, with a clear progression on the metrics as they move through funding rounds.

Only 12% of Series A companies score 3 or 4 stars on environmental metrics, compared to 27% of companies at Series C+.

51% of Series A companies score 3 or 4 stars on social metrics, compared to 84% at Series C+.

Nearly 25% of businesses in the initial sample are looking to put in place a plan to achieve net zero carbon.



Annie Aveyard
Co-Founder and CEO
Plank Hardware

Stage Series A
Sector E-commerce
Investor Beringea

"Having created our benchmark, we know we want to complete the ESG_VC Measurement Framework annually - the key is to keep it consistent and track performance over time. This is now informing our conversations with our board and helping shape our long-term sustainability agenda - ESG will be integral to our next board meeting, and the ESG_VC data will be key to this discussion."



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What are the most common scores by stage?

Seed	E	★☆☆	Series A	E	★☆☆
	S	★★☆☆		S	★★☆☆
	G	★★☆☆		G	★★☆☆
Series B	E	★☆☆	Series C+	E	★☆☆
	S	★★★☆☆		S	★★★☆☆
	G	★★★☆☆		G	★★★☆☆

How have companies used these benchmarks to make changes?

Added a KPI for diversity in the senior team (across gender and ethnicity) to quarterly board meetings.

Used carbon offset platforms, quickly followed by a commitment to reduce rather than simply offset.

Started a mandatory office recycling policy, and removal of single-use plastic bottles from the office.

Reduced the number of in-person internal meetings in order to minimise long-haul flights.

Offered on-demand mental wellness programme from providers such as Unmind or Sanctus.

Provided 2 days per year for employees to volunteer in the local community.

Performance by Sector: Environmental Challenges for SaaS

Key insights

While the sample sizes are small, it appears that SaaS and fintech companies perform poorly on environmental issues, particularly when compared with similar e-commerce businesses.

65% of SaaS companies scored only 1 star out of 4 on environmental.

In contrast, only 19% of e-commerce companies scored 1 star, with most of these businesses scoring 2 or 3 stars.

Manufacturing and life sciences businesses face challenges tackling social issues, with 55% and 47% of these companies respectively scoring 2 stars.



Nina Zellweger
CSR Specialist
Nexthink

Stage Series D
Sector SaaS
Investors Highland,
Permira, Index, Forestay

"Climate change is here, the digital impact is vast, and demand from investors and stakeholders is only continuing to grow. The ESG_VC Measurement Framework, which we received from our investors at Highland, was useful in capturing our practices across a range of different metrics, pushing forward our environmental agenda and highlighting new goals for the future."



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How does performance differ by sector?

Sector	Pillar	☆☆☆	☆☆	☆	☆☆☆☆
Ecommerce	E	19%	38%	38%	6%
	S	0%	19%	50%	31%
	G	0%	25%	56%	19%
SaaS	E	65%	19%	14%	3%
	S	6%	27%	46%	21%
	G	2%	21%	60%	17%
Fintech	E	57%	36%	7%	0%
	S	11%	32%	47%	11%
	G	11%	16%	58%	16%
Healthcare	E	44%	38%	19%	0%
	S	15%	35%	35%	15%
	G	0%	25%	70%	5%
Manufacturing	E	27%	55%	9%	9%
	S	0%	55%	36%	9%
	G	0%	0%	82%	18%
Life Sciences	E	50%	44%	6%	0%
	S	12%	46%	27%	15%
	G	8%	27%	62%	4%

What ESG targets are start-ups setting for 2022?

Below are the metrics that companies most commonly identified as areas they intend to tackle in 2022.

Environmental	Social	Governance
Measure our carbon footprint	Measure and report the time spent volunteering with community projects	Calculate our gender pay gap
Measure the percentage of our suppliers screened for carbon efficiency	Provide equality, diversity and inclusion training for our staff	Put an ESG or social value policy in place
Put a policy or programme in place to achieve net zero carbon	Measure percentage of ethnic minority representation in our team	Conduct an annual diversity and inclusion survey

Alan Murray
CFO, Speech Graphics



Stage Series A

Sector SaaS

Investors Par Equity, Scottish Investment Bank, Archangels & Sands Capital Ventures

"The effort required to complete the framework was easily justified - we're not having to do a bunch of new analysis, and it gave us a good picture of how we're performing against a core set of ESG metrics. Whereas we might have previously struggled to provide rigorous answers on issues like sustainability and diversity, the ESG_VC Measurement Framework has enabled me to understand our performance and articulate our story to investors."



Enabling Start-ups to Measure & Improve ESG Performance

Events: Learn with ESG_VC in 2022

Events from 2021

Net Zero & Measuring D+I
Head to [our YouTube channel](#) to find our sessions from 2021 on net zero and D&I surveys.

February

Talis

Pay gaps
[Watch back](#) our session on gender pay gap reporting hosted by Talis and Fair HQ.

March

par equity

Carbon emissions
[Watch Par Equity's session](#) to learn how to reduce, measure and offset your emissions.

April

INSEAD
The Business School for the World®

Responsible AI
INSEAD will host a session with AI experts looking at how to responsibly use data in AI.

May

ASTANOR

How to use LCAs
Join Astanor to learn about life-cycle assessments for products and services.

June

LAKE STAR

Diversity and inclusion
Lakestar will share experiences of driving DEI throughout all levels of a company.

July

SUMMER BREAK

August

SUMMER BREAK

September

atomico

Governance
Join Atomico for a session on governance within early-stage companies.

October

Seedcamp

Sustainability and growth
Seedcamp will examine how sustainability can be used as a driver of growth in start-ups.

November

BERINGEA

Parental leave
Beringea will examine how to tailor parental leave within start-ups to drive inclusion.

December

Social Value Portal

Developing ESG policies
Join SVP for a session on crafting ESG and social value policies for start-ups.

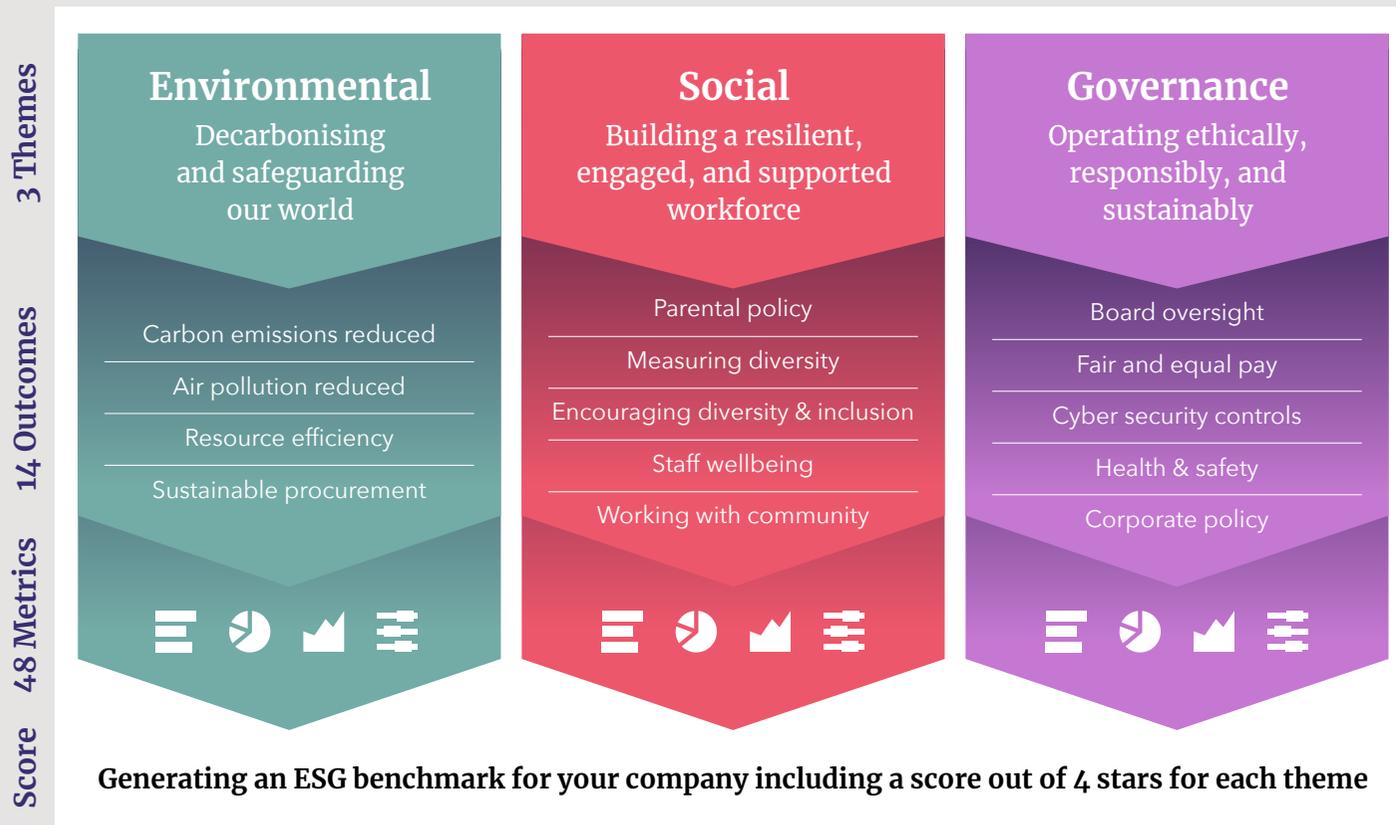


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The ESG_VC Measurement Framework

How does it work?

Our framework for benchmarking ESG performance in start-ups was built in partnership with Social Value Portal, and it learns from standards including SASB, the UN SDGs, and B Corp. As you'll see below, companies respond to 48 metrics, which track against 14 outcomes that we are looking to drive. This then gives a score out of 4 stars across our 3 core themes of Environmental, Social, and Governance.



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A few words on methodology

The data in this report comes from submissions of the ESG_VC Measurement Framework sent to the BVCA by 11 participating venture capital firms. The data was reviewed and, where possible, duplicate investments were removed, giving 225 companies in the sample. We aggregated the results by business development stage and across key business sectors to provide the statistics in this report. Note that not all companies were able to respond to all questions, and the business sector analysis shows the results for key sectors only.

Only the BVCA research team has access to the underlying data.



Suzi Gillespie
Head of Research
BVCA



As the trade association for private capital in the UK, we are keen to promote and encourage initiatives such as ESG_VC. Providing practical guidance on how to make improvements in environmental impact, diversity of workforce, and governance at the early stages of a business lifecycle is a key part of the groundwork for robust and successful businesses. The ability to benchmark progress against others and over time will enable us to demonstrate how progress is being made.

Our key partners

The progress that we have made has been enabled by our partners across the industry. Thank you to these organisations for their support as we've developed our initiative.

