

Research and trends

Insight to Impact:

A Roadmap for ESG
in Startups

20
24



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MARRIOTT
HARRISON

Our analysis at a glance



1

A leap forward in carbon accounting.

The proportion of companies measuring their carbon footprint has nearly doubled since our previous analysis – the figure leapt to 28% in 2023 compared with 16% in the prior year.

3

Responsible technology: is progress fast enough?

The proportion of companies providing staff with codes of conduct and training on the responsible use of artificial intelligence (AI) has increased from one in five to almost one in three - but is this keeping pace with the boom in generative AI?

5

Europe takes climate lead, while UK focuses on social and governance issues.

Only 24% of UK companies analysed in this report measured their carbon footprint, compared to 35% of European companies. And yet, UK companies outperformed their European counterparts on mental health and cyber security.

2

Skills and training rise up the agenda.

Start-ups battling for talent are grasping the value of training and apprenticeships – 57% now offer study support to existing staff, while 47% offer internships, apprenticeships, or trainee programmes.

4

Boardroom diversity requires greater focus.

While the proportion of companies with at least one female representative on their board increased from 55% to 59%, the venture ecosystem needs to strengthen its scrutiny and support for boardroom diversity.

6

Sector priorities emerging as SaaS knuckles down on AI while healthtech leads on diversity.

Start-ups operating in different sectors have different needs and priorities when it comes to ESG. SaaS start-ups are underperforming the wider market on issues such as net zero and diversity, while healthtech and biotech are proving slower to adopt focus on responsible AI.

753

Companies participated in ESG_VC research in 2024*

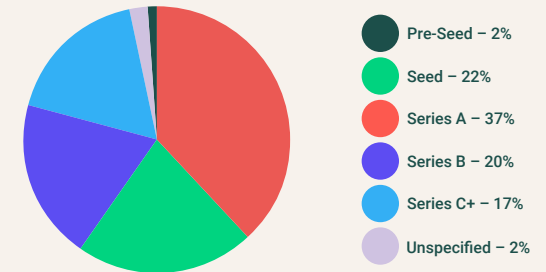
587

Companies analysed in this report

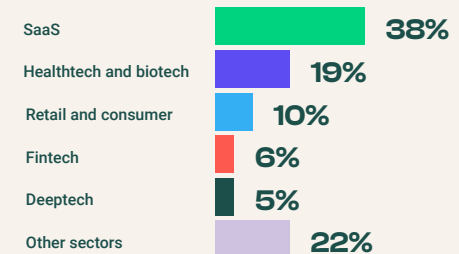
67%

Growth in data submitted globally

Breakdown of companies by stage



Breakdown of companies by sector**



* Companies submitting data across research in Europe, Australia and New Zealand.

** 'SaaS' includes companies reporting themselves as SaaS or software; 'Retail and consumer' also includes e-commerce, food and drink; and healthtech and biotech includes life sciences and pharmaceuticals.

ESG_VC is an initiative that relies on collaboration and action. Collaboration between venture capital firms, portfolio companies, limited partners, industry bodies, and regulators, and action across our network to build pragmatic resources that drive start-ups forward on their ESG journey.

At Beringea, the venture capital firm where I work, we saw an opportunity in 2021 to provide start-ups with practical support on ESG. Support that moved ESG away from complex language and theory towards tangible resources that solve problems.

Three years on, we are now seeing the significant impact of this approach. We see, for example, a marked uplift in companies embedding rigorous environmental initiatives. This will play a vital role in the race to net zero, if we maintain this momentum.

Looking to the future, our roadmap for ESG in start-ups is becoming clearer – through detailed analysis of data and pragmatic efforts in structuring support to portfolio companies, we are able to provide efficient and effective guidance on how start-ups can embed ESG as they scale.

We have designed this report to provide you with both the insights to inform your approach to ESG, and a guide to the impact that you can deliver through building your ESG roadmap. We hope that it offers a useful and simple solution for tackling ESG within your company or your portfolio.

I am immensely grateful for the ongoing support of the BVCA and the ESG_VC steering group, as well as our key ecosystem partners, such as Marriott Harrison, who helped develop this report.



BERINGEA

Henry Philipson
President and Co-Founder
ESG_VC

Join our community

ESG_VC is a growing community of start-ups and venture capital firms with members spanning the UK, Europe, Canada, the USA, Australia, New Zealand, and other venture hubs worldwide.

We offer a range of benefits to investors and companies, and we do not charge for the resources we make available to the industry.

For investors, becoming a member will enable you to access:

- ESG resources for portfolio management and data collection
- Support with regulatory compliance including SFDR and SDR
- Free workshops for your portfolio
- Support with LP reporting on ESG
- Networking with ESG specialists across the VC ecosystem
- Recommendations on advisers, platforms, and consultants

For companies, you can either sign up directly to access our events and resources or you can speak to your investors about becoming members.

We are also working with a range of corporate partners, so please get in touch if you would like to learn more about how we work with the wider ecosystem.



Website



LinkedIn



Email

Methodology



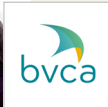
As the industry body representing private capital in the UK, we are delighted to support ESG_VC as its data and research partner. This third annual edition of the report highlights the positive contributions made by venture capital-backed businesses and presents a framework and specific recommendations to help these businesses work with their investors to strengthen their ESG performance.

This year's report builds on our 2023 approach, focusing on the performance of companies against detailed metrics. This provides a significant benchmark for both companies and investors and allows for tracking year-on-year progress and the evolution of ESG considerations among early-stage businesses.

It is encouraging also to see that the number of VC investors who submitted data on behalf of their portfolio companies has steadily increased over the past year.

We received 22 submissions, encompassing more than 580 portfolio companies primarily across the UK and Europe, but also from other parts of the world.

Please note that despite our best efforts to eliminate duplicate entries, there may still be instances of duplication within the data. Additionally, not all companies were able to respond to all metrics and to be included in the report analysis, we required responses to at least 20% of all metrics in the framework.



Suzi Gillespie
Head of Research
BVCA

Participating VC firms

Start-ups measuring their carbon footprint has almost doubled.

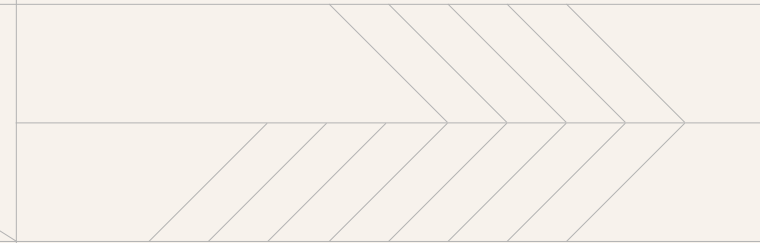
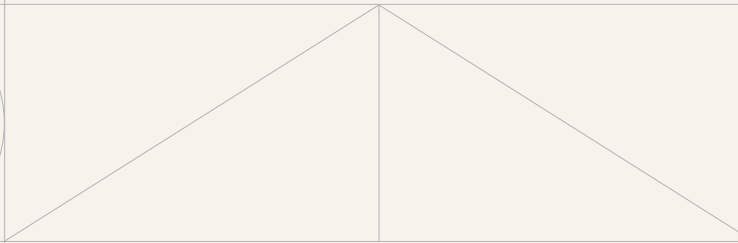
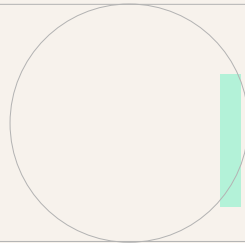
The pace of growth in start-ups undertaking carbon accounting has accelerated – a 12% uplift in this year’s data compares to a 5% increase in the prior year – providing encouraging signs of progress.

Growing numbers of companies are beginning to offset.

While offsetting can be an imperfect solution, its adoption by a growing cohort of start-ups demonstrates their focus on reducing emissions globally.

Net zero targets show the road ahead.

While last year’s research showed a decline in the proportion of companies with a net zero target – 5% in 2022 versus 7% in 2021 – this year’s trend returns to growth as companies make robust commitments.



Proportion of companies that report they have measured their carbon footprint:

▲ (+12%)

Proportion of companies that currently use offsetting tools or initiatives:

▲ (+3%)

Proportion of companies that have a net zero target and strategy in place:

▲ (+3%)

2022 16%

2023 28%

2022 11%

2023 14%

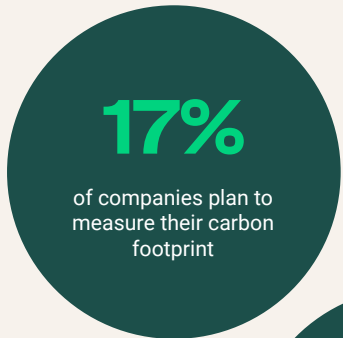
2022 5%

2023 8%

Ambitious targets show start-ups are eager for change and impact.

The drive to engage with the environmental agenda remains strong among venture-backed businesses.

Almost one in five companies reported that they intend to measure their carbon footprint and set a net zero target in 2024.



	Pre-Seed and Seed	Series A and Series B	Series C and beyond
	<p>Objectives</p> <ol style="list-style-type: none"> 1. Educate your team about sustainability. 2. Establish basic policies and processes. 	<p>Objectives</p> <ol style="list-style-type: none"> 1. Capture basic data on environmental impact. 2. Implement policies that mitigate your emissions. 	<p>Objectives</p> <ol style="list-style-type: none"> 1. Professionalise your sustainability strategy. 2. Manage risks in your supply chain.
	<p>Actions to take</p> <ul style="list-style-type: none"> ✓ Develop an ESG policy. ✓ Implement an annual review of sustainability or ESG at the board level. 	<p>Actions to take</p> <ul style="list-style-type: none"> ✓ Measure your carbon footprint. ✓ Consider leveraging carbon offsets. ✓ Design a corporate travel policy to reduce emissions. 	<p>Actions to take</p> <ul style="list-style-type: none"> ✓ Establish a net zero policy and programme. ✓ Measure and manage the carbon efficiency of your supply chains.
	<p>Resources</p> <ul style="list-style-type: none"> 📖 Read: Balderton's Start-up Guide to ESG. 📺 Watch: ESG_VC's webinar on developing an ESG policy. 	<p>Resources</p> <ul style="list-style-type: none"> 📺 Watch: ESG_VC's Carbon Accounting 101 webinar. 📖 Read: SME Climate Hub's Climate Fit programme. 	<p>Resources</p> <ul style="list-style-type: none"> 📖 Read: Tech Zero's net zero toolkit for start-ups. 📺 Watch: ESG_VC's webinar on carbon reduction strategies.

Start-ups recognise the value of nurturing talent through learning and development.

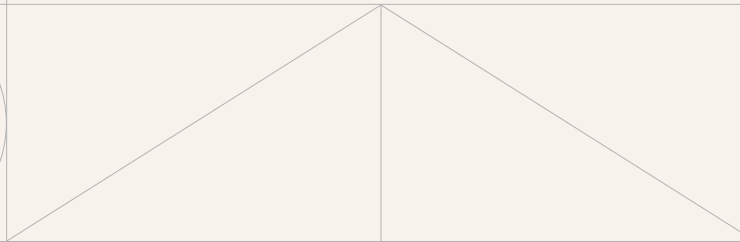
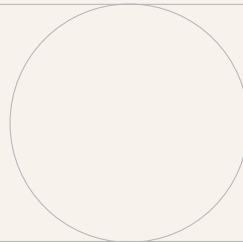
Companies that have spent several years battling for talent are investing greater time and resources in supporting their existing workforce to develop and upskill – almost 50% more start-ups provided study support in 2023 compared to 2022.

Companies are also investing heavily in apprenticeships and trainee programmes.

Almost half of the start-ups participating in this year's research offer an internship, apprenticeship, or trainee programme – demonstrating their focus on nurturing talent from alternative sources.

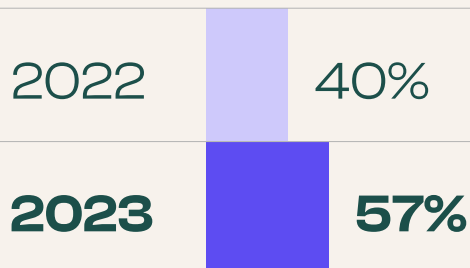
Support on mental health and DEI are prominent throughout the ecosystem.

More than two-thirds of start-ups reported having a policy or a strategy in place to provide support to staff around mental health and wellbeing, while 60% either currently provide or intend to provide training on diversity, equity, and inclusion.



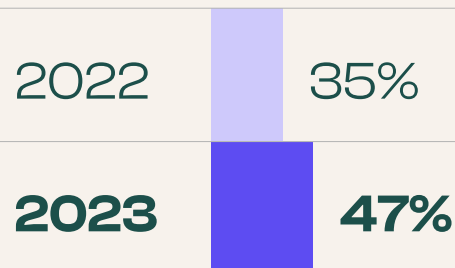
Proportion of companies offering learning support to staff through financial support, study leave or flexible working opportunities:

▲ (+17%)



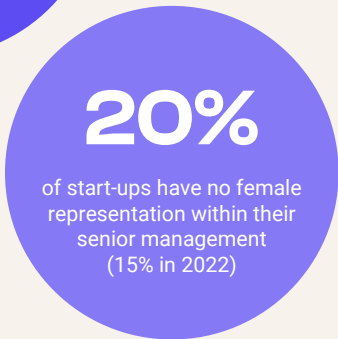
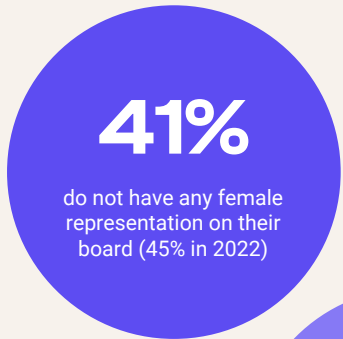
Proportion of companies offering internships, apprenticeships or trainee programmes:

▲ (+12%)



However, leadership diversity remains a challenge.

While start-ups are investing substantial time and resources in nurturing a broad base of talent throughout their organisation, progress on leadership diversity is lagging. More than 4 in 10 companies do not have any women on their board, while 1 in 5 have no women in their senior leadership team.

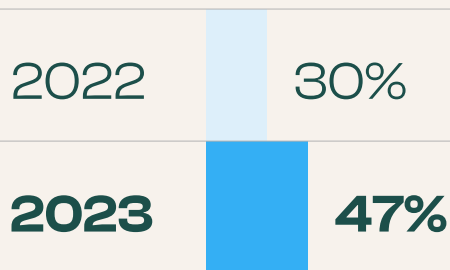


	Pre-Seed and Seed	Series A and Series B	Series C and beyond
	<p>Objectives</p> <ol style="list-style-type: none"> 1. Train your team on the basics of inclusion. 2. Develop your recruitment and HR processes. 	<p>Objectives</p> <ol style="list-style-type: none"> 1. Capture data on inclusion and diversity. 2. Engage your team with training and volunteering. 	<p>Objectives</p> <ol style="list-style-type: none"> 1. Measure and mitigate pay gaps in your team. 2. Retain talent through benefits and support.
	<p>Actions to take</p> <ul style="list-style-type: none"> ✓ Provide DEI training to your staff. ✓ Build a recruitment process to support under-represented groups (e.g., using blind CVs or specialist job boards). 	<p>Actions to take</p> <ul style="list-style-type: none"> ✓ Conduct an annual DEI survey ✓ Implement an approach to learning and development ✓ Make use of internships and apprenticeships. ✓ Offer volunteering programme. 	<p>Actions to take</p> <ul style="list-style-type: none"> ✓ Implement a supportive parental leave package. ✓ Consider health care benefits and mental health support. ✓ Measure the gender pay gap in your organisation.
	<p>Resources</p> <ul style="list-style-type: none"> 📖 Read: Atomico's guidebook on diversity and inclusion in tech. 📺 Watch: The Startup Hiring Guide from Workable. 	<p>Resources</p> <ul style="list-style-type: none"> 📺 Watch: ESG_VC's webinar on gathering diversity data. 📖 Learn: A start-up owner's guide to internships. 	<p>Resources</p> <ul style="list-style-type: none"> 📖 Read: ESG_VC's webinar on measuring pay gaps. 📺 Watch: ESG_VC's guide to parental leave in start-ups.

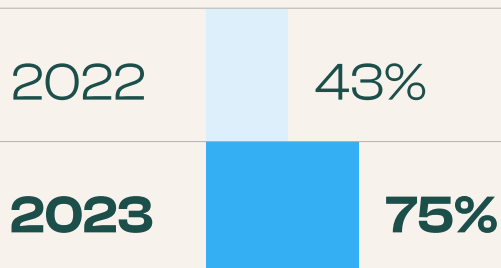
The majority of companies now have robust processes for cyber security.

A significant increase in the proportion of companies setting up cyber controls and providing cyber training to manage data risks reflects the threat to start-ups.

Proportion of companies providing cyber security training: ▲ (+17%)



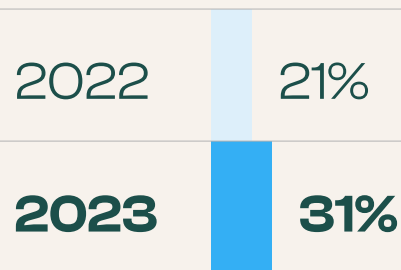
Proportion of companies with controls to monitor risks in their data infrastructure: ▲ (+32%)



However, the risks of generative AI are not reflected in corporate governance.

While most companies will now be leveraging generative AI in some capacity, less than a third of start-ups report having codes of conduct or training to enable staff to understand responsible deployment of the technology.

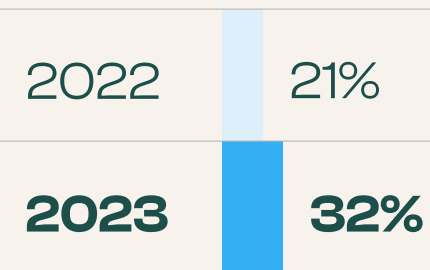
Proportion of companies offering staff codes of conduct and training to support responsible development of AI systems: ▲ (+10%)



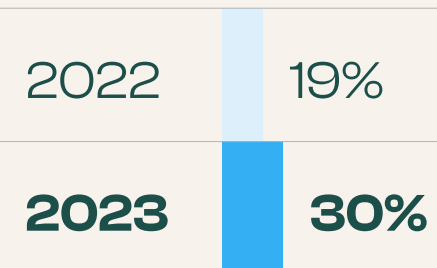
ESG and sustainability are increasingly corporate policy and leadership issues.

Almost a third of companies now have an ESG policy in place, while 3 in 10 companies now ensure that sustainability is regularly considered at the board level.

Proportion of companies with an ESG policy: ▲ (+11%)

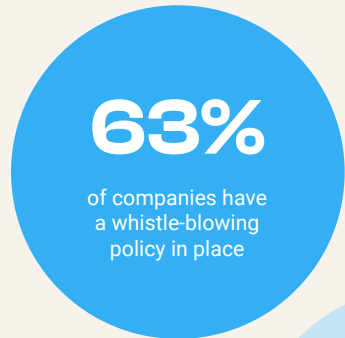


Proportion of companies where sustainability is a regular item on the board agenda: ▲ (+11%)



Snapshot of governance policies.

Corporate governance remains a critical lever for companies to pull when seeking to scale responsibly. Below is a snapshot of the key policies for start-ups to consider and their adoption across the ecosystem.



	Pre-Seed and Seed	Series A and Series B	Series C and beyond
	<p>Objectives</p> <ol style="list-style-type: none"> 1. Set up a board and basic corporate governance. 2. Develop processes for reporting on ESG. 	<p>Objectives</p> <ol style="list-style-type: none"> 1. Establish robust corporate policies 2. Refine the composition of your board. 	<p>Objectives</p> <ol style="list-style-type: none"> 1. Train your team on the responsible use of AI. 2. Consider an external audit of ESG.
	<p>Actions to take</p> <ul style="list-style-type: none"> ✓ Establish your board – ideally with an independent director. ✓ Set up an annual review of ESG and sustainability with your board. 	<p>Actions to take</p> <ul style="list-style-type: none"> ✓ Provide training to your staff on cyber security. ✓ Develop a policy handbook covering corporate ethics, anti-harassment, whistle-blowing and anti-bribery policies. ✓ Evaluate board diversity. 	<p>Actions to take</p> <ul style="list-style-type: none"> ✓ Use systems to monitor risks to your data infrastructure. ✓ Provide your team with training and codes of conduct on the responsible use of AI. ✓ Conduct external audits or certifications of ESG.
	<p>Resources</p> <ul style="list-style-type: none"> 📖 Read: SeedLegals' guide to startup boards. 📖 Read: A startup governance journey' from BII. 	<p>Resources</p> <ul style="list-style-type: none"> 📖 Read: British Business Bank's cyber security guide for SMEs. 📺 Watch: ESG_VC's webinar on ethnic diversity on boards. 	<p>Resources</p> <ul style="list-style-type: none"> 📖 Read: NVP's guide to ethical AI for startup founders. 📺 Watch: ESG_VC's webinar on B Corp Certification.

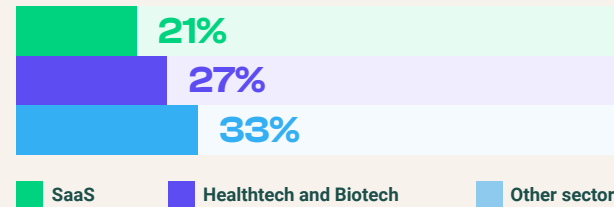
	Environmental	Social	Governance
Pre-Seed and Seed	<ul style="list-style-type: none"> ✓ Develop an ESG policy. ✓ Implement an annual review of sustainability or ESG at the board level. 	<ul style="list-style-type: none"> ✓ Provide DEI training to your staff. ✓ Build a recruitment process to support under-represented groups (e.g., using blind CVs or specialist job boards). 	<ul style="list-style-type: none"> ✓ Establish your board – ideally with an independent director. ✓ Set up an annual review of ESG and sustainability with your board.
Series A and Series B	<ul style="list-style-type: none"> ✓ Measure your carbon footprint. ✓ Consider leveraging carbon offsets. ✓ Design a corporate travel policy to reduce emissions. 	<ul style="list-style-type: none"> ✓ Conduct an annual DEI survey. ✓ Implement an approach to learning and development. ✓ Make use of internships and apprenticeships. ✓ Offer volunteering programme. 	<ul style="list-style-type: none"> ✓ Provide training to your staff on cyber security. ✓ Develop a policy handbook covering corporate ethics, anti-harassment, whistle-blowing and anti-bribery policies.
Series C and beyond	<ul style="list-style-type: none"> ✓ Establish a net zero policy and programme. ✓ Measure and manage the carbon efficiency of your supply chains. 	<ul style="list-style-type: none"> ✓ Implement a supportive parental leave package. ✓ Consider health care benefits and mental health support. ✓ Measure the gender pay gap in your organisation. 	<ul style="list-style-type: none"> ✓ Use systems to monitor risks to your data infrastructure. ✓ Provide your team with training and codes of conduct on the responsible use of AI. ✓ Conduct external audits or certifications of ESG.

As founders seek to develop an ESG roadmap, it is important to understand both how they perform against sector benchmarks, and where they may be able to learn from adjacent industries.

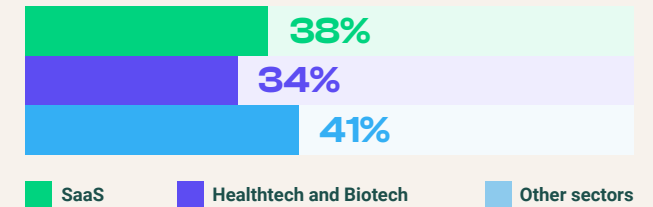
SaaS remains the largest sector in our data set. However, we are increasingly able to provide detailed analysis of performance across other key sectors within the European venture ecosystem, such as healthtech and biotech.

As shown in the charts on the right, we see that SaaS companies perform strongly on issues such as diversity and inclusion, learning and development, and cyber security. However, SaaS start-ups under-perform on environmental issues – only 22% of SaaS start-ups measure their carbon footprint, compared with 27% in healthtech and biotech and 30% across the remaining companies included in our analysis.

Proportion of companies measuring their carbon footprint:



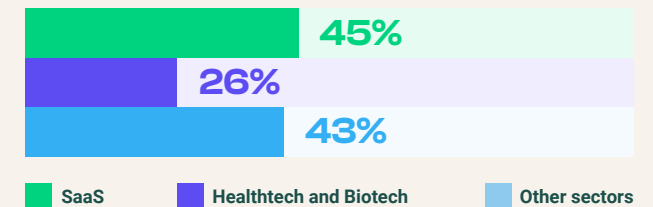
Proportion of companies with a programme to recruit talent from diverse backgrounds:



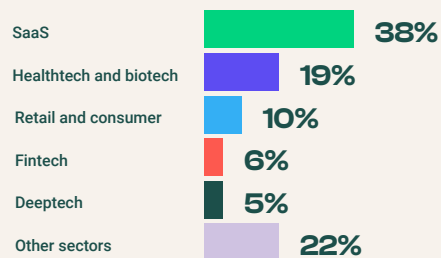
Proportion of companies with a net zero policy and programme in place:



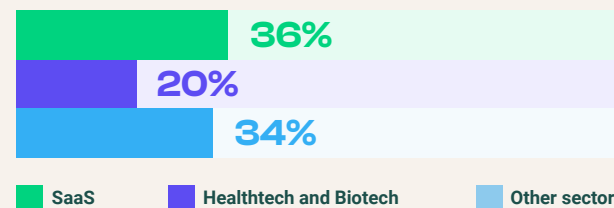
Proportion of start-ups without female representation on their board:



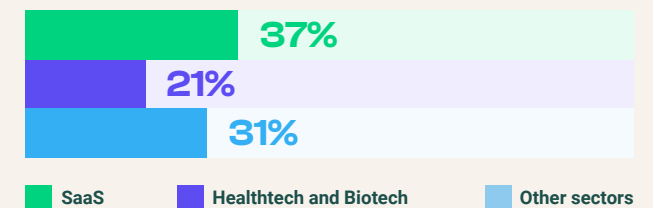
Breakdown of companies by sector*



Proportion of companies with an ESG policy:



Proportion of companies offering training or codes of conduct for responsible use of AI:



* 'SaaS' includes companies reporting themselves as SaaS or software; 'Retail and consumer' also includes e-commerce, food and drink; and healthtech and biotech includes life sciences and pharmaceuticals.

UK v Europe: The current picture



Comparing performance in the UK and Europe

As the two core markets served by ESG_VC today, the UK and Europe provide valuable benchmarking on how ESG performance may differ across geographies.

Notably, Europe – which has seen the introduction of landmark environmental regulation across its financial markets – is delivering faster progress on the adoption of climate-related initiatives such as carbon accounting. Europe also outperforms on adoption of policies relating to responsible AI.

In contrast, UK start-ups performed stronger on issues relating to diversity and inclusion, employee wellbeing, and cyber security. Similarly, UK-based start-ups report a greater focus on complying with data regulation - despite the focus from the European Union on key pieces of data legislation, such as GDPR.

Please note that the UK and European data sets have a different composition, which may impact their relative over- and under-performance on certain metrics. For example, a higher proportion of European start-ups analysed were at Series B or Series C+, and later-stage companies are more likely to have measured their carbon footprint. Similarly, the UK sample includes a higher proportion of healthtech and biotech start-ups, a sector that tends to underperform on its adoption of practices relating to responsible AI.

	UK	Europe
% of start-ups measuring their carbon footprint	24% ▼	35% ▲
% of start-ups providing equality, diversity and inclusion training for all staff	45% ▲	25% ▼
% of start-ups with a policy or strategy in place to support to staff with their mental health and wellbeing	75% ▲	51% ▼
% of start-ups offering study support to staff	66% ▲	41% ▼
% of start-ups paying the living wage	96% ▲	80% ▼
% of start-ups with an ESG policy	37% ▲	27% ▼
% of start-ups conducting an annual diversity and inclusion survey	26% ▲	19% ▼
% of start-ups with processes and procedures to ensure compliance with data regulation	70% ▲	57% ▼
% of start-ups offering staff relevant training or codes of conduct for responsible development of code and AI	30% ▼	34% ▲
% of start-ups with cyber security controls to monitor risks in the data infrastructure	80% ▲	67% ▼

Reflecting on our findings



Data is the bedrock on which future direction should be determined, so I am delighted to introduce this year's research report on the state of ESG within the venture capital industry, delivered by ESG_VC and the BVCA. This report has grown since its inception to become a vital tool for startups and their investors globally, as ESG frameworks continue to evolve.

The private markets have fallen under the regulatory spotlight in recent years, as a result of their continued growth and success, which in turn has brought ESG frameworks to the forefront of the minds of both founders and investors.

In the UK, greenwashing checks have been set at a higher bar compared to Europe, and in the US stricter rules are being put in place around what constitutes an ESG fund. All of which will impact the limited partners (LPs) of VCs, such as pension funds, endowments and big institutions. Therefore, the need for clearer ESG statistics from VCs - in order for them to continue to receive backing from those LPs - is why reports such as this are more important than ever.

ESG_VC now counts more than 250 firms amongst its members, spanning the globe from Sydney to Madrid, Toronto and London. This impressive reach incorporates thousands of innovative portfolio companies that benefit from this initiative.

Navigating the ever shifting world of environmental, social and corporate governance has - quite rightly - become a front and centre consideration for founders and their teams in recent years. We are continuing to see engagement in this space, with ESG_VC successfully engaging more than 650 founders, investors and limited partners through its events in 2023.

These events have provided specialist training on the crucial developments in ESG and the likely impact to founders as they continue to grow their businesses. For the 2024 report, I'm pleased to inform you that 22 VCs, on behalf of 587 companies, have contributed data or research. This is a testament to the ESG_VC team who have continued to keep their finger on the pulse of the community.

The ESG framework for venture-backed businesses does not yet have a 'swiss army knife' of tools that can be relied upon when addressing what is required from them, but ESG_VC is making promising steps in the journey to start addressing this.

It's important to remember that ESG is a living and continuously changing framework, and requires different approaches from VCs and the businesses they back within the various sectors and stages they operate in.

Nevertheless, they all have the common goal of capturing all the non-financial risks and opportunities inherent to a company's day to day activities. For scaling businesses, these risks will always be changing, which is why continuing to share data and research to produce benchmarking reports such as this will offer the critical fabric to inform affirmative action.



David Strong
Head of Venture Capital
and Emerging Companies,
Marriott Harrison

