VentureESG

Unlocking ESG value

27 Case Studies of Hands-On Collaboration Between VCs and Their Portfolios

September 2024

Does ESG integration make any sense for VC-backed companies?
The short answer is: we simply don't have the long-term quantitative data. However, we do have case studies.

Our VC community has been working on all parts of material ESG integration, from internal fund management and investment decisions to value-add portfolio work. Over the last two years, our portfolio support working group has been one of the most active parts of our community exploring what best practice post-investment can look like. Together, we produced not only a very comprehensive and powerful tool matching the Universe of ESG issues with hundreds of fit-for-purpose resources; we also encouraged each other to test and experiment with processes and practices.

In this booklet, we've collected 27 case studies on how value-add portfolio work can be done. We cover a large variety of geographies, stages and maturity levels; the result is a comprehensive 'business case' for portfolio and platform work around ESG.

The goal of this booklet is to share developing best practices and encourage other VC funds to follow suit; identifying material ESG issues — ideally during the diligence phase — and working with your portfolio companies on improving on those challenges makes financial sense. Whether it's preparing for the next raise, exit, IPO, or for a B2B sale, ESG plays an increasingly important role. ESG also helps produce a more flexible, resilient, and well-governed company.

This booklet is the culmination of years of work among our community; while we are waiting for big studies, what we have put together here makes a very strong case that ESG indeed produces value-add and has a positive financial impact for companies and VC investors alike.

We'd like to give a big thank you to all of the contributing funds across our membership — you are the protagonists in making this magic happen. We'd also like to thank Liz Broderick (formerly a VentureESG steering committee member at Kindred Capital, now our board member) and Oliver Nixon, VentureESG's lead research fellow; Liz started the whole movement and co-led our portfolio support working group for a long time and Oliver tirelessly helped procure and edit all the case studies for this booklet.

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Overview.
Contents

2150

Part 1.
Fund Overview

Author
Gemma Shepherd and Peter Hirsch

INVESTMENT SCOPE

- Founded in 2021, Fund I size of €268 million
- Series A (Late-Seed to Series B) investor
- Urban sustainability focus
- Based in London, Copenhagen and Munich, investing globally
- Lead or co-lead investments, generally take a board seat though not a requirement
- Reserve funds for Series A, B, and C follow-on investments

PORTFOLIO

- As of August 2024, 2150 has made 22 investments.
- Stage distribution of 85% Early Stage and 15% Growth.
- 45% of portfolio companies are headquartered in North America, 40% in Europe, and 15% in other geographies.
- Sectoral distribution of 75% industry and building decarbonisation, 15% nature tech and ESG data services, and 10% mobility.

TEAM

- As of 2024, the 2150 team size was 21, split between London, Copenhagen and Munich. The team comprises a mix of diverse and complementary backgrounds, covering 12 nationalities and speaking 16 languages.

ESG

- ESG at 2150 is led by Peter Hirsch, VP of Sustainability & Policy, and supported by the Sustainability Team.
- 2150 is regulated as an Article 9 fund under the EU SFDR.

Part 2.
Fund ESG Philosophy

- At 2150 we use the term 'ESG' to describe a comprehensive set of environmental, social and governance matters impacting both our fund and our portfolio. We put these concerns at the core of our operations, alongside our Impact Framework and in line with our objective to identify the game-changers and sustainable investments that will enable a future where technology and innovation in the Urban Stack reverse cities' negative impacts on the planet and promote sustainability and prosperity.
- We shape our ESG engagement around both regulation and international standards. As an Article 9 fund under SFDR, we ensure all companies meet Minimum Safeguards and draw from the Principal Adverse Impact indicators to assess performance. For climate-related ESG matters specifically, 2150 builds from the framework of the Venture Climate Alliance, where we are a founding member, which sets out best practices for companies.
- 2150 has a dedicated Sustainability Team that organises and oversees much of this work. The Sustainability Team coordinates ESG efforts internally so all team members — and particularly those seated on boards — are championing the specific ESG efforts prioritised for each company. Such an approach ensures that ESG is integrated into our common engagement with portfolio companies.

- During the due diligence process, the 2150 Sustainability Team develops full sustainability due diligence, including an analysis of current ESG performance and ESG-related risks, and records recommendations for improvement.

- In the investment process, 2150 embeds sustainability commitments including impact monitoring and reporting, net zero commitments and ESG in term sheets. 2150 also assesses co-investors' alignment with companies' and 2150's goals and ensures legal agreements include sustainability actions.

- During monitoring & value-add, 2150 engages closely with our portfolio to bring in best practices on ESG concerns, focusing on opportunities to increase competitiveness and address risks. Our approach prioritises efforts that reflect companies' maturity while identifying the specific ESG needs of a company.

- Our approach fits into three areas of ESG engagement:

1. ESG Onboarding and Establishing Governance:
We provide onboarding sessions for all portfolio companies that cover the ESG commitments companies endorsed through terms sheets and legal agreements, and identify a lead point of engagement. Following these sessions, 2150 asks companies to adopt i) an ESG Policy, ii) a Supplier Code of Conduct, and iii) a Diversity & Inclusion Policy. We provide templates for all such policies as guidance.

2. Managing Climate Performance:
We support all companies to onboard best climate practices from an early stage. These include measuring all Scope 1–3 GHG emissions, supported through an initial year's subscription to Normative – an emissions measurement and management support tool. Companies also establish an early climate strategy to discuss climate risks and opportunities. 2150, as a fund, runs a climate risk assessment of the portfolio annually, with results shared with portfolio companies.

3. Continuous Engagement and Assessment:
Our approach includes continuous engagement to support companies' ESG growth and maintain a vision of risks and opportunities. We regularly assess ESG performance, with results shown in our annual Impact Report. On a more bespoke basis, 2150 works with companies on specific regulatory needs related to ESG factors, as well as new or growing risks that may be identified.

The Sustainability Team coordinates ESG efforts internally so all team members — and particularly those seated on boards — are championing the specific ESG efforts prioritised for each company.

- 2150 supports portfolio companies with policy preparation and alignment. One example is the Sustainability Team's ongoing work with a portfolio company to ensure they have adequate product declarations in line with regulations requiring a full carbon footprint declaration. The Sustainability Team helped review internal life cycle analysis (LCA) documentation and provide support and guidance for future LCA developments.

- 2150 supports portfolio companies with implementing good governance structures and access to ESG experts in our network. One example is organising an expert session with a specialist on corporate governance requirements in order to help a portfolio company develop their supplier code of conduct and sourcing strategies.

- 2150 supports portfolio companies to identify and mitigate climate risks. After an internal analysis of the entire portfolio's exposure to physical and transition climate risks, 2150 engages in follow-up conversations with the portfolio to build strategies to avoid these risks. 2150 also encourages companies to designate a senior member of staff to lead climate risk analysis and hold at least annual discussions on climate risk and opportunities with the board.

- For multiple companies, 2150 has helped build impact models to regularly report on the realised impact on both company websites and regular board reports. This involves working closely with portfolio companies to set up the data collection methods needed to determine realised unit impacts.

Amplifica Capital

Part 1.
Fund Overview

Author
Anna Raptis and Andrea Ojeda Valle

INVESTMENT SCOPE

- Founded in 2021
- Fund I size of $11 million USD
- Early stage tech companies. Pre-seed and Seed with 25 investments to date.
- Sector Agnostic
- Gender lens, meaning at least one woman founder.

PORTFOLIO

- As of August 2024, Amplifica Capital has 25 portfolio companies
- 96% have at least one female founder
- 60% of portfolio companies provide solutions that promote digital inclusion and 40% provide solutions that mitigate climate change impacts.
- 60% of portfolio companies are headquartered in Mexico, 25% in the US and 15% in the different countries of Latin America.

TEAM

- Team size: 4

ESG

- ESG is led by Andrea Ojeda, Head of ESG and Impact, and supported by the GP and team.

Part 2.
Fund ESG Philosophy

We have been taking a proactive approach to implementing ESG considerations at a fund and portfolio level. At the portfolio company level, we use the term 'ESG' to describe both the risks and opportunities connected to the company's business operations, practices and policies that relate to environmental, social and governance factors. In simple terms, these are all non-financial aspects that could influence the performance of any company. We have a separate framework that we use for impact based on the Impact Management Project that we use to evaluate, manage and monitor impact.

These factors can be viewed from an inside-out perspective (how the company's operations impact the environment and society at large) or an outside-in perspective (how ESG issues can affect the company's standing). We believe additional value is created when a company integrates these factors into its daily operations and decision-making processes. We emphasize our commitment by aligning our impact and ESG strategies to global standards and frameworks.

ESG does not only apply to how we invest and help our portfolio companies flourish and grow, but it is also part and parcel of how we internally manage our fund. We apply the same ESG and impact considerations and the same standards we measure our portfolio with to ourselves. We identified the ESG issues material to us, resulting in developing our ESG Policy and Code of Conduct.

"At Amplifica Capital we believe that being intentional about impact and ESG will drive better technology outcomes, superior business opportunities and financial results. What gets measured matters, so this has been the goal of collecting impact and ESG data: we know where our starting point is and how we can improve."

— Anna Raptis

Part 3.
ESG in the investment Process

Due Diligence:

- When considering investing in a company, we evaluate the ESG risks associated with their product and supply chain, assess their approach to ESG and ensure they align with our ESG exclusion list (loosely modelled on the IFC's exclusion list).
- The results obtained are integrated into the Investment Memos and are reviewed and considered before reaching a final investment decision.

Moment of investment:

- We require that founders sign our Commitment Letter, which includes ESG, Impact and Diversity topics. The objective is to provide clarity of the expectations and the internal evaluations that we carry out each year.
- At the time of investment, we conduct a questionnaire to understand the ESG-related risks and opportunities from the entrepreneurs' point of view.

Post-Investment:

- We developed our ESG Assessment, an annual questionnaire that provides a clear baseline of where our portfolio companies are at in terms of ESG practices and processes. We collaborate with the teams to define diversity and ESG objectives.
- The goal is not only to measure but also to provide support through our ESG Dashboard, a tool with specific actions and resources related to each different pillar, so they can reach their objectives and continue to improve these relevant practices over time.
- We continue engaging with companies throughout the year, following up on their ESG objectives and providing assistance on specific ESG-related needs and newly identified risks or opportunities.
- We support our portfolio companies to identify their potential impacts across our two investment themes: Digital Inclusion and Climate Action. We have worked to map their impact across the 17 UN SDGs, helping them identify relevant metrics to measure and use as a differentiator to demonstrate their real impact.
- We have supported our portfolio companies to continue strengthening their processes and policies. We developed an ESG Dashboard, a tool with specific actions and resources related to each different pillar. After the ESG Assessment, we provide access to it to give them a clear starting point. Companies have used this tool to develop their own policies, Codes of Conduct, and other resources.
- We monitor gender data quarterly for each portfolio company. By encouraging them to track this, companies can identify any gaps or opportunities to take action. We offer resources to develop their own hiring and recruitment policies, to make the language they use more inclusive, and to improve on building culture and retention. So far, 58% of the direct jobs created through portfolio companies are held by women.
- We actively look to connect our portfolio companies with technical assistance to strengthen their ESG and impact. We have connected companies to experts on different ESG themes to provide support and guidance on best practices relevant to their stage and development.

Part 4.
Case Studies

Kolors

Kolors, a Mexico-based smart-bus platform that aims to disrupt intercity and intracity mobility services, is one of the first investments of Amplifica Fund I. Amplifica has supported their impact journey from the beginning, understanding the importance and value of showcasing the real impact their alternative mode of transportation was having.

As they continued to grow and develop their business side, they needed to focus on better communicating their impact, not only on the social side, but more focused on their environmental impact. With that in mind, and understanding that there is less public information and benchmarks around these topics available in Latin American markets, Amplifica shared international frameworks, best practices and examples of other reports to help them build their own measurement framework and encourage them to become leaders in this space.

Kolors now has a more established framework to measure their environmental impact. They reported that they have replaced +200K car trips as well as +30K flight passengers saving +10K(t) of CO_2 emissions; or 71% of CO_2 emissions that would have been generated using other modes of transportation. Developing this has allowed Kolors to access different sources of funding, making them more attractive and accessible to investors focused on climate change, and strengthening their image as one of the key players driving a cleaner and more comfortable intercity bus industry in Latin America.

Avify

Amplifica supports their portfolio companies in identifying their potential impact and relevant metrics to measure and use as a differentiator. Avify, a SaaS platform that helps SMBs automate inventory tracking and updates across all sales channels, was interested since their early stages in measuring the impact they were having on their clients and community, but they focused on too many things at the same time trying to show this.

Working with Avify, Amplifica helped them identify the main three themes of their impact: digital inclusion, education, and impact on gender. Avify has since been working on developing the most important and relevant metrics to showcase the impact they are having. One of their founders has been accepted into an impact acceleration program, Kinesis, part of the USAID Catalyze APEP Accelerator, where she has weekly sessions to apply impact frameworks within the company and community.

So far this has demonstrated the social impact Avify has on their community and with their clients. They have provided education to more than 1000 clients on how to grow their e-commerce business and 60% of the SMBs they work with are led by a woman. Avify is still working on having more specific metrics and deepening their impact, by integrating their impact to their business model and communicating it in a way that adds value and supports their growth.

Antler

Part 1.
Fund Overview

Author
Rosalind Bazany

INVESTMENT SCOPE

- Founded in 2017, with our first investment in 2018, Antler is a global venture capital firm investing from pre-seed to Series C.
- We operate across various sectors with offices in 30 cities spanning six continents, managing both regional and global funds.
- We often provide the first institutional check post-Antler residency. While we do not lead rounds, we have a global follow-on investment vehicle and may take board seats.

PORTFOLIO

- Each early-stage regional fund typically supports over 100 portfolio companies. Since inception, we have invested in more than 1,200 companies.
- Currently, the majority of our investments are at Pre-seed and Seed stages, but we can invest up to Series C.
- By 2030, Antler aims to have built or invested in over 6,000 companies, leveraging a strong ESG and impact mindset to transform businesses and industries.

TEAM

- Our team comprises over 260 permanent employees, typically with two General Partners per office, varying by location. Additionally, we have a global support team, including portfolio services and sustainability experts.

ESG

- The Head of ESG and Impact at Antler, with 17 years of investment industry experience, leads our ESG strategy, overseen by Antler's Chief Strategy Officer.
- Our global presence necessitates compliance with various regulations, including SFDR Article 8 for relevant funds.
- Antler became a UN PRI signatory in 2020.
- The latest ESG and Impact Policy is available on the Antler website (www.antler.co/esg-impact). The Policy sets out the approach we take to apply responsible investment principles across Antler offices globally. We expect our approach to ESG and Impact will continue to evolve and develop as we grow. The Policy is reviewed and updated annually.

Part 2.
Fund ESG Philosophy

ESG represents the core aspects of a business—the intangible assets—that significantly influence a company's trajectory and performance. We focus on five key business areas: workplace culture and employment practices, responsible product design, data privacy and security, environmental effects, and supply chain management.

ESG is not merely about risk mitigation; it opens doors to new markets, enhances operational efficiency and resilience, and boosts workforce productivity. It can also support a company's brand and reputation, building confidence and, more importantly, trust with stakeholders.

At Antler, we see sustainability and innovation as a powerful alliance. Sustainability is more than being green—it's about strategic foresight, problem-solving, and seizing growth opportunities.

To facilitate this, we have developed the "3i Framework" to accelerate action and drive progress in sustainability:

1. Internal: Aligning Antler's mission and operations with best business practices

2. Investment decision-making process: Making investment decisions to direct capital toward sustainable businesses, and delivering innovation in vital areas.

3. Influence: Partnering with stakeholders to build awareness and set intentions.

We provide annual workforce training covering ESG fundamentals, investment integration, founder resources, unconscious bias mitigation, impact evaluation, responsible AI, and climate risk in startups. Furthermore, in 2024, we launched the Antler Sustainability Heroes Learning and Development Program to deepen sustainability understanding across functional teams, supported by global specialists. Sustainability topics are additionally included in Antler management strategy meetings and board discussions.

Part 3.
ESG in the investment Process

Antler's "day zero investing" approach supports founders from the very inception of their entrepreneurial journey, allowing for thorough due diligence and instilling sustainability awareness early on. We conduct ESG and impact workshops and masterclasses before making investment decisions.

We introduce ESG and impact topics early in founder conversations, ensuring they understand the benefits, prioritisation, and future trends. Through multiple engagement points and providing useful tools and resources, we incorporate ESG and impact understanding throughout a company's journey.

Before any initial investment, founders must endorse a document outlining our sustainability expectations, including legal compliance, company culture transparency, workplace well-being, diversity respect, information protection, and environmental and social impact commitment. Companies reaffirm these principles annually.

Our term sheets and shareholder agreements include ESG information expectations. For follow-on investments from seed stage onwards, we implement comprehensive ESG and impact due diligence questionnaires covering data privacy, cybersecurity, stakeholder management, employment practices, company culture, macro risks, supply chain, and environmental effects. These assessments provide ESG and impact scorecards included in the investment memo for further evaluation.

In the current macro environment, considering ESG-related risks is critical for portfolio companies and VCs alike. Our investment process is shared below with further details in our ESG and impact policy, including our firm-wide exclusion list.

As part of our ongoing portfolio monitoring, we conduct an annual Antler Sustainability Health Check, assessing the sustainability alignment of active portfolio companies with personalised feedback and scoring mechanisms. The Antler Sustainability Toolkit complements this, offering actionable steps, best practices, case studies, metrics, investor questions, and materiality guidance, available as an open-source resource for the broader industry.

Part 4.
Case Studies

"We have seen firsthand that when ESG is integrated early and with intention, it becomes a powerful lever for success. Founders juggle countless, often competing, priorities, and our portfolio work is about cutting through the noise, guiding them to prioritise what truly matters, when it matters most. We emphasise the true value of sustainability, helping founders bring their vision to life — not just for today, but for the long term."

— Rosalind Bazany

Our tools not only educate founders on best practices but also serve as vital engagement mechanisms for us as investors. Take, for instance, a Seed stage company that scored unexpectedly low in the supply chain management section of their health check. The initial feedback email provided guidance and links to relevant sections within the toolkit. However, the company requested a follow-up call to discuss their results in more detail.

During the follow-up discussion, we delved deeper into the company's challenges. The health check responses revealed that the company had identified vulnerabilities in their supply chain choices and had made significant trade-offs with their partners, compromising on sustainability standards due to a lack of suitable options.

Through our discussion, we explored potential solutions, aligned with their health check feedback suggestions. We developed a plan to consider an alternative local supply chain partner that, while not immediately implementable, would become viable as the company scaled. This partner would better align with the company's sustainability goals and mitigate the identified vulnerabilities.

This engagement allowed us, as investors, to better understand potential risks and to develop a supportive plan for the company's operational needs. It also highlighted the value of our health check process in identifying areas for improvement and facilitating meaningful support for our portfolio companies. Ultimately, this proactive approach not only addressed immediate supply chain issues but also positioned the company for sustainable growth, reinforcing the critical role health checks play in promoting long-term success and resilience.

There is no quick fix for implementing a sustainability strategy; it evolves with the company. Founders must understand the benefits and start early. Our aim is to prepare founders for future expectations from customers, investors, employees, and regulators. We share progress, learnings, and goals in an annual report on our website.

Atomico

Part 1.
Fund Overview

Author
Ashleigh Brown

INVESTMENT SCOPE

- Founded in 2006
- Early stage (late Seed to Series B) and Growth investor (Series C+)
- Sector agnostic
- Based in London, Paris, Stockholm, and Berlin, investing across Europe
- Lead or co-lead investments, generally take a board seat

PORTFOLIO

- ~90 portfolio companies
- 70% headquartered in Europe, 25% in North America, 5% in other geographies
- 55% enterprise & consumer software, 20% health tech, 10% mobility, 5% climate tech, 10% other sectors

TEAM

- ~65 team members (45% female)
- 19 Investment team members (42% female)
- 9 Investment partners (56% female)

ESG

- ESG is led by Kasit Rochankorn, General Counsel and Ashleigh Brown, Sustainability Manager
- The latest funds, Atomico Venture VI & Atomico Growth VI, are regulated as Article 8 funds under the EU SFDR.

Part 2.
Fund ESG Philosophy

- ESG is at the core of Atomico's sustainability strategy, investment philosophy, mission and values, and is integrated under the banner of Conscious Scaling. We recognise the integral role that ESG factors can have on both the success of our own firm and the companies we partner with. We want both Atomico and the businesses we invest in to be genuinely focused on doing well for all stakeholders including their own employees, customers, suppliers, shareholders, the environment and the wider world at large. We firmly believe that responsible business practices help generate superior long-term performance.
- ESG within our portfolio is the responsibility of investment leads. ESG as a firm is the responsibility of our management committee. ESG efforts are led and executed by the Sustainability Manager.
- Atomico has implemented ESG term sheet clauses for rounds we lead:
  - Ensuring a DEI policy and ESG policy within 3 months post-close
  - Implementing a DEI strategy within 6 months post-close
  - Measuring emissions within 12 months post-close
  - Appointing a member of the management team responsible for ESG
- Atomico's approach to ESG integration and implementation within the portfolio is personalised and based on material factors and needs affecting each individual company according to stage, size, sector, product, and geography.

Part 3.
ESG in the investment Process

- Pre-investment screening: As part of our screening process, Atomico's investment teams assess a company's ESG-related risks and related factors and present their findings to our Investment Committee (IC) at a preliminary investment review.

- Pre-investment ESG due diligence (DD): Once a potential investment reaches confirmatory DD, our Sustainability team run a robust ESG DD process with the portfolio company where we ask the founder to complete a detailed ESG questionnaire designed to identify potential ESG issues, risks and opportunities material to the company, and the existing business processes the company has in place to address them. The Sustainability team then follows up with an in-person (where possible) conversation with the founder to discuss the company's understanding of the risks & issues identified and their long-term approach to ESG. The output of the questionnaire and conversation with the founder is presented to the firm's IC at the final investment review. Where appropriate or deemed necessary, Atomico will also instruct external experts to perform additional ESG DD on potential portfolio companies. If the IC concludes that the ESG risks related to a potential investment are too great and/or cannot be appropriately mitigated in a reasonable timeframe, no investment is made.

- Post-close Conscious Scaling: 'Conscious Scaling' refers to the programme of initiatives and tools we have developed to help the companies we partner with integrate ESG best practise into their business operations. Our Conscious Scaling roadmap helps companies understand what initiatives they should have in place when it comes to ESG according to their size and stage, and helps them to identify what initiatives they should look to introduce next. Post-close, we hold a workshop with each new investment to take them through the roadmap and help them identify and prioritise where to focus their efforts over the next 6-12 months. Atomico also provides portfolio companies with access to materials and policy templates, plus a network of sustainability experts and specialist consultancies for them to access.

- Monitoring and engagement: Atomico annually surveys its entire active portfolio on ESG KPIs and metrics so we can track and monitor their ESG performance. This helps us to identify companies that may need our help and support. The partners and investment teams at Atomico take an active interest in how our portfolio companies manage ESG issues and in their capacity as board members actively encourage, support and stretch our portfolio companies to strive for the very best ESG standards.

- Follow-on investment: At the point of follow-on investments, an update is provided to IC on the company's implementation of its ESG term sheet clauses. Where a company is non-compliant, the Sustainability team will work with them to implement the necessary changes as soon as possible within a set time period. If the company is still non-compliant within the relevant time period, no follow-on investment will be made.

Part 4.
Case Studies

- Atomico supports portfolio companies with access to ESG experts, consultancies, and platform providers in our network. One example was tendering for and putting in place an ESG consultancy to work with a company on defining its ESG strategy as they approached their next funding round. Another was connecting a company to three potential carbon measurement platforms with access at pre-negotiated rates.

- Atomico has developed tools to help guide its portfolio on ways they can implement ESG. One recent example is our guide "How to approach CSRD" which aims to help companies understand whether they are in the scope of the regulation and suggests ways in which they can approach it. Several companies were identified as in scope and we have since engaged with them on the topic, connected them with assurers and regulatory experts, and in addition have connected the companies with each other so they can share knowledge and best practices and potentially look at resource pooling opportunities.

- Atomico supports portfolio companies with policy preparation. We have open-sourced ESG policy templates on our website which many of our portfolio companies use as a starting point to draft their policies. Upon request, the Sustainability team reviews the draft policies and suggests ways the companies can add to / strengthen their ESG initiatives.

Balderton Capital

Part 1.
Fund Overview

Author
Elodie Broad

INVESTMENT SCOPE	• Founded in 2000 • Dedicated early-stage and growth funds, allowing us to invest from seed to IPO. • Tech sector generalists, with proven track record investing in AI, fintech, B2B SaaS, digital health, mobility, gaming, and marketplaces. • $1.3B to invest in each cycle, allowing us to write checks from $1M to $60M per round. • We often lead on funding rounds and obtain a board seat.
TEAM	• 60+ team members across Europe (London HQ), of which 22 investors (including GPs). • Dedicated portfolio services team and EIRs who lend sector expertise in areas like tech, product, finance, legal, talent, ESG, and marketing.
PORTFOLIO	• We back European founders. • Concentration of companies in the UK, France, Germany, Nordic countries, and the US • 125+ active companies in the portfolio
ESG	• We launched our Sustainable Future Goals ("SFGs") in 2020 to make a strong public statement on our attitudes to ESG and sustainability as a venture capital firm and investor in some of Europe's top technology companies. • Head of Impact and SFG hired in 2022 to drive the programme internally and for the portfolio, working collaboratively with investment and functional teams. • SFDR: Recently announced new funds (Growth II and Early IX) are Article 8 funds.

Part 2.
Fund ESG Philosophy

Balderton is not an impact-oriented fund, but we are fully supportive of sustainable value creation and believe that responsible investing is the best way to create long-term value and returns for our investors. We recognise the importance of considering and promoting all pertinent ESG factors through our investment decision-making process and as responsible minority investors. We believe that it is insufficient to simply avoid operations and behaviours with negative ESG consequences. Rather, we have an opportunity and a responsibility to promote positive business values, behaviours and characteristics. We developed our SFGs as a framework for promoting and implementing these behaviours across our investment product lifecycle.

We use our SFGs as:

- A due diligence framework in our investment decision-making process;
- An engagement framework and blueprint for sustainable growth with our portfolio companies; and
- A reporting framework for our annual ESG disclosures and associated data collection activities.

Balderton takes a 'whole firm' approach to our SFG programme, however, these efforts are principally driven by Balderton's SFG Committee which is chaired by our Head of Impact and SFG. The Committee comprises Balderton's Managing Partner, Chief of Staff, Operating Partner, an Investment Partner, and an Investment Principal. The Balderton partnership has ultimate oversight and accountability for responsible investment, supported by the SFG Committee.

We bring to bear our SFGs at every stage of the investment lifecycle, the full details of which can be found in our sustainable investment policy.

"Growing as a responsible, environmentally conscious company with strong ethics has never been more important. But the longer you wait, the harder it gets. As early-stage investors, we see it both as our opportunity and responsibility to help start-up founders and operators navigate the world of ESG and embark on their sustainable growth and impact journey."

— Elodie Broad

Our ESG support to the portfolio is led by our Head of Impact and SFG. As a former sustainability consultant, they often describe themselves as a "mini in-house sustainability consultant" to the portfolio. Their responsibility spans the hosting of events, development of resources, making connections and introductions, and responding to any ad hoc requests. We have highlighted below what we believe have been our four most significant and effective interventions to date:

- **Helping the company write its first ESG Policy.** We require companies to establish an ESG Policy within twelve months of closing as part of our term sheet and long form. We see this as an effective conversation starter on ESG. Our Head of Impact and SFG will discuss this as part of their introductory meeting with founders and/or appointed ESG owners for the business. We frame this exercise as a "stocktake" of all things that they are already doing without necessarily having identified it as 'ESG". We also use it as a "fact-finding" exercise for ourselves, to understand how they're thinking about and how advanced they are on their material ESG topics. We often encourage them to add some commitments at the end of their policy, which turns into their action plan for the year. We have seen companies realise that they need to do more through this exercise and ask us to help them find an external advisor who could help them.

- **Creating a portfolio sustainability leaders community.** We believe that one of the most significant ways in which we can help companies is to create the forum for them to help each other. The Balderton communities include 700+ executives who are in leadership positions across our portfolio, most of whom are based in Europe. These communities provide access to events, shared resources, and peer support from others who are also building high-growth tech businesses. And the sustainability community is no different, bar the sheer diversity of its membership compared to other (majoritarily functional "CXO") communities. While the community is a virtual-first community, we have started running informal quarterly breakfasts for London-based sustainability leaders as people often find in-person interactions the most valuable. We also brought the community together last year for the launch of our Start-up Guide to ESG. Key benefits of this community that we've seen include:

    - Being the catalyst for the business to nominate a clear ESG owner
    - Safe, non-competitive spaces for peer-to-peer knowledge sharing, asking questions, and opening up on challenges
    - Informing our Head of Impact's work — making our ESG platform services as user-centric as possible
    - Sourcing case studies and success stories from the portfolio to inspire others (see our Start-up Guide to ESG for some examples).

- **Elevating ESG as a board-level discussion.** This is still a work in progress (as is everything else), but our Head of Impact and ESG sits down bi-annually with each partner to review their portfolio of companies, most of whom they will hold board member responsibility for. These reviews are two-way conversations where the Head of Impact provides an update on the company's progress (informed by survey results and/or material ESG-related developments and interactions), and proposes areas for further improvement. The partner can provide additional context which can nuance the picture (e.g. change in leadership, focus on next round of fundraising, Board/leadership awareness of certain shortfalls already (e.g. Board diversity)). Together, they agree on whether this company should be a focus for ESG engagement over the next six months, and if so, whether it is best to engage the company through the partner/ Board, partner/CEO, or Head of Impact/ ESG owner nexus. The Head of Impact is currently working to better equip partners to instigate and engineer a board-level ESG conversation.

- **Portfolio carbon footprinting campaign**. As asset managers, we have a responsibility to understand our financed emissions and to manage them towards a net zero target. We have also introduced an OKR of 50% of the portfolio measuring their carbon emissions as we believe that we should educate and encourage the companies in our portfolio to start measuring their carbon emissions. This inspired us to launch a portfolio carbon footprinting campaign powered by Sweep (a carbon and ESG data management platform that we are invested in), giving all the companies in our portfolio the opportunity to calculate their scope 1, 2 and select scope 3 GHG emissions using a trusted, quality platform, for free. The campaign uptake was lower than anticipated due to a range of factors including timing, resourcing, and competing priorities, and we have had to significantly rely on sector estimates to estimate our financed emissions. In 2024, we are running a similar campaign and have stepped up the support by offering companies access to a carbon expert to support them with the carbon survey itself and to provide them with tailored recommendations upon completion.

Base10

Part 1.
Fund Overview

Author
Laura Weidman Powers

INVESTMENT SCOPE

- Founding year - 2017
- Seed through series B; automation for the real economy (focus on business in a box, function in a box, logistics, food automation, and environmental software).
- Lead rounds, high conviction / high ownership investments, we take a board seat.
- In 2021, we did some follow-on checks in large rounds of companies series C and beyond, so we still have some of those portfolio companies and relationships, but we no longer do that.

PORTFOLIO

- ~100 portfolio companies
- Stage split - 75% seed/series A, 25% series B and beyond
- Location split - 70% US, 15% LatAm, 15% Europe

TEAM

- 26 people split across investing and operations / back office.
- Firm HQ is in San Francisco, we have one office.

ESG

- Operating Partner leads ESG

Part 2.
Fund ESG Philosophy

We view ESG fluency and implementation as a value creation tool, and a differentiator for us as a US venture firm. Our Operating Partner drives and the finance and IR teams as well as investors are responsible for implementation. We use the Base10 Governance Maturity Index to assess companies. We have an ESG policy that covers internal fund ESG as well as guidance for the investment process.

"Working with our portfolio companies on governance, transparency, sustainability, and inclusivity has helped us to build more resilient companies that are better positioned to win customers, retain employees, and sustain growth. We believe as fiduciaries of capital it's imperative for us to have a clear view on not just financial performance but the resiliency and maturity of our companies."

— Laura Weidman Powers

Part 3.
ESG in the investment Process

We leverage the Base10 Governance Maturity Index, our fit-for-purpose ESG framework that focuses on high-impact initiatives that venture-backed software companies can take to build the transparency and maturity of their company. We use this framework as a scoring and discussion tool in investment and as an assessment and monitoring tool annually thereafter. We report on company and fund scores to our limited partners.

In the early days of our exploration of ESG as a value creation tool, we had a number of conversations about ESG with one of our more mature portfolio companies that was looking ahead to prepare for IPO. There was some traction but not a lot of action.

Then one day we got an email from the CEO saying that they had been in conversation with a potential customer – their largest potential customer to date – for many months and it was going really well. And then they got the RFP to submit and there was a whole section on ESG in it. They weren't sure how to answer it and it was due in just a few days. He reached out to us because he thought we might be able to help.

We took a look at what the RFP was asking and realized that the company was actually really well positioned to respond to the ESG section based on some of the value propositions of the product and the way that they were thinking about their growth – but they hadn't done the work to formalize their ESG stances and commitments because it never seemed like the most urgent thing to tackle. Now with revenue on the line, it was urgent.

Luckily we had worked with them earlier that year as part of the ESG Data Convergence Initiative to measure their scope 1 and 2 carbon emissions for the first time. Because they had this data they could report on some of their climate impact in a way that would enable their potential customer to use their carbon emissions data in their supply chain analysis, which was a requirement of the RFP. The customer also had a net zero target and they were looking for suppliers who would go down a carbon reduction path alongside them and would contribute to their ability to hit net zero. We worked with the CEO to understand

what it would take to set his own net zero target, and he realized that it was good for the climate and also good for his business to do so.

The portfolio company's software was used by trucking fleets, and we helped the company tell the story of how their product itself could help the buyer reduce their emissions. In addition, we helped the portfolio company see that their software's ability to reduce risk amongst workers and to reduce injuries and fatalities was also an ESG asset that would contribute to the customer's ability to meet their own ESG goals.

A few weeks later, we heard back from the CEO that they won this RFP, and that it ended up coming in at double their projections: $10 million ARR. This success catalyzed further work with the portfolio company.

We connected directly with the sales team to help them understand how to tell the ESG story in conversations with buyers who had ESG components in the RFP and to put together a database of answers to ESG RFP questions. We also worked with this portfolio company on their first sustainability report. We helped them with the structure and the narrative so that they could proactively put themselves forward as a sustainable company with a strong ESG muscle, enabling them to showcase themselves as well-positioned to collaborate and coordinate with customers for whom ESG was important.

After the experience of working with this portfolio company, it was really clear to us that ESG – when done as a value-creation exercise, not a box-ticking exercise – could have a meaningful positive impact on the business. This sent us down the path of understanding the various components of ESG that translate well into value-creation opportunities for venture software companies that are still private. And this is the backbone of our ESG portfolio support today.

blisce/

Part 1.
Fund Overview

Author
Clara Cohade

INVESTMENT SCOPE

- Founding year: 2014
- With a mandate to invest in B2C start-ups from Europe and the US, the vehicle focuses on sustainable e-commerce, health consumerism, edtech, fair finance and the future of work. We invest at growth stage (early growth to pre-IPO).
- blisce/ is typically a lead investor and takes a board seat.

PORTFOLIO

- ~30 portfolio companies
- 44% of companies are headquartered in the US, 44% in France, and 12% in the rest of Europe.

TEAM

- International team of 22 based in Paris and New York City.
- Entrepreneur-led with decades of experience scaling businesses between US and EU.
- No attribution on investments, working together on every company.
- Pledge to have 25%+ women and diverse leaders in senior investment positions by 2030.

ESG

- The COO is responsible for ESG integration into management company operations and fund strategies, as well as the review of ESG & Impact due diligence.
- Portfolio Impact team (Sr. Director of Portfolio Impact & Strategy and Impact Specialist) is responsible for ESG & Impact strategy integration into portfolio company operations and due diligence oversight.
- Scope of regulation: SFDR under Article 8 with 80% of the portfolio taking into account E&S characteristics and an aim of 30% sustainable investment.

Part 2.
Fund ESG Philosophy

- As investors, we are convinced that enabling businesses to protect and focus on their mission by aligning stakeholders around a clearly articulated long-term impact is a critical driver of performance, which is why we integrate ESG across our operations including the investment process, portfolio support, and fund management; and work with our portfolio founders on their long-term intended impact.
- We have a team focussed exclusively on supporting portfolio companies on climate and impact matters. Fund-related compliance and regulations are managed by our Finance & Operations team, so that the Portfolio Impact team can dedicate more time to support our founders.
- Each member of blisce/'s team donates 20% of their carried interest to the Epic Foundation (a global foundation that exists to empower and protect children, youth and our planet) and has the opportunity to dedicate 5% of their time volunteering with a charity of their choice.

blisce/ was the 1st VC growth fund in continental Europe to be B-Corp certified in 2020.

- Our investment team is trained on performing a preliminary impact screening, before the portfolio impact team starts an in-depth analysis.
- We developed a proprietary Climate & Impact Analysis that is part of every due diligence process and performed by the Portfolio Impact team in conjunction with our investment team.
- We validate our findings with an external assessment tool—the B Corp Impact Assessment (BIA)—which we believe is the most internationally recognized certification bearing the highest standards regarding a company's commitment to social and environmental performance.
- Our term sheets include five mission protective provisions including setting mission-related KPIs, integration of management objectives, board reporting, and diversity consideration for executive and board positions.
- In addition to the areas of improvement we identify during the due diligence process, we tailor our portfolio company support roadmap according to a company's maturity stage. To define this, we developed a proprietary blisce/ Company Lifecycle Framework detailing key focus areas to work on at each growth stage.
- Post-investment support on climate and impact is typically rolled out following three key steps: 1) Mission Planning by defining a measurable mission, 2) Progress Measurement across priority stakeholders and 3) Monitoring impact objectives in line with business strategy and effectively communicating on impact (internally and externally).

blisce/ worked with a portfolio company on mission planning, refining its intended impact at scale using a framework that distinguishes different levels of impact to clarify founder/CEOs ambitions and priorities for the medium and long term.

We worked on:

- **The business' core activity impact**, derived from rolling out its mission on its stakeholders;
- The **impact it wants to have on its industry**, influencing other leaders to integrate mission further into their business;
- And the **impact it wants to have on society at large**, inspiring leaders to raise the bar on business with impact.

To do this, we leveraged a reversed theory of change model, following these steps:

1. We first defined mission and long-term intended impact, by addressing questions like: what is the situation or problem you want to address? How is your business providing a solution? What impact do you want your business to have? What would the world look like if your solution was no longer needed?
2. We then defined middle-term goals to achieve this mission (5-10 year horizon)
3. Finally, we worked backwards to set key initiatives (programs, products, services) to achieve goals (1-2 year horizon)

Once the mission was set and measurable with clear KPIs, we helped the company apply this mission framework to their key stakeholders and define needed initiatives / resource investments to achieve the mission and reinforce business objectives.

Cusp Capital

Part 1.
Fund Overview

Authors
Dr. Carolin Althoff and Laura Gelheut

INVESTMENT SCOPE

- Founded in 2021
- Early-stage technology investor (Seed/Series A)
- Sector-agnostic
- Based in Essen and Berlin, investing in Continental Europe
- Preferably acting as lead investor
- Initial investment €2-7m and follow-on investments of ca. €30m per company

PORTFOLIO

- 15 portfolio companies
- 50% have their HQ in DACH and 50% in the rest of Continental Europe

TEAM

- Team of 18 (investment team and operational specialists in HR, ESG, Finance, Legal and Communications)

ESG

- Led by GP, Investor and Head of ESG, Dr. Carolin Althoff, in addition to individual investment managers on their investments with further support from operations team and especially the finance team.
- Scope of Regulation: Cusp Capital Fund 2021 is an Article 8 Fund according to SFDR

Part 2.
Fund ESG Philosophy

- We view ESG (proper ESG processes within a firm) as a financial opportunity and therefore, seek founders' ESG awareness in early-stage conversations.
- The lead of the deal and Head of ESG jointly assess founders ESG awareness and the companies' ESG status quo and verbalise the key findings in the investment memo.
- ESG is not only at the heart of our investment strategy but also our internal processes, as it is integrated across the different investment phases: Sourcing & Execution, Management & Governance, as well as Reporting & Monitoring with every investment manager responsible for pushing the respective ESG topics (especially as a board member).
- As a fund, we're aware of our impact on society and the planet. That's why we actively seek out companies that will bring about positive change across the board.

"We take a proactive approach in empowering our portfolio companies to establish effective ESG processes, recognizing them as essential drivers of sustainable growth that significantly enhance market valuation and ensure long-term success. Starting early with building proper ESG processes provides a competitive advantage in subsequent funding rounds. Especially as larger funds are increasingly demanding them."

— Dr. Carolin Althoff

Part 3.
ESG in the investment Process

The investment strategy is part of the overall ESG approach of Cusp Capital. The following three-step ESG approach substantiates Cusp Capital's overall investment strategy and describes how it contributes to the fulfilment of the environmental and social characteristics:

1. (Pre-) Investment phase
As part of the deal sourcing, an initial review takes place to determine whether a potential portfolio company meets Cusp Capital's investment criteria or violates Cusp Capital's exclusion criteria . Every company that violates the exclusion criteria is not even considered as a potential investment.

When evaluating a potential investment, Cusp Capital's investment professionals and ESG experts identify and assess material risks and opportunities related to ESG matters. An ESG Questionnaire is conducted and based on the Sustainability Accounting Standards Board (SASB) Materiality Assessment, a first materiality analysis is performed followed by an impact assessment. Reasonable steps are taken to mitigate ESG-related risks.

Cusp Capital is focusing on early-stage investments in companies leading this decade of software and sustainability redefining every industry. Therefore, we include ESG specific clauses in all agreements with portfolio companies dealing inter alia with the introduction of an ESG policy as well as measuring and tracking selected ESG KPIs on a regular basis within a reasonable time after signing. Cusp Capital's investment professionals and ESG experts support the founders with the recommended frameworks to establish an ESG policy.

2. Ownership phase
During investment in the portfolio company, Cusp Capital's investment professionals and ESG experts assist the portfolio company's board of directors and management in developing a plan to mitigate ESG risks and capitalise on ESG opportunities. In an initial ESG workshop, Cusp Capital sets out clear expectations (based on Cusp Capital's ESG Framework) for portfolio companies that are designed to ensure that (i) material ESG risks and opportunities are being addressed, and (ii) that material ESG topics and corresponding measures are being implemented and monitored.

While the board of directors is ultimately responsible for developing the portfolio company's ESG strategy and ensuring its implementation, Cusp Capital provides guidance (through workshops and coaching) to help the company to achieve its strategic aims, and to meet its expectations regarding the ESG characteristics mentioned above.

3. Exit Phase
Cusp Capital believes that ESG improvements contribute to the exit value of a portfolio company. Therefore, in preparation for the exit phase of an investment, reasonable steps are taken to ensure the portfolio company is positioned to continuously improve its ESG performance.

Part 4.
Case Studies

ESG Kickstarter: Get started with the ESG journey early on and keep in mind that it's all about concentrating on the material ESG issues for your company!

Our Head of ESG is continuously developing our portfolio companies' ESG processes and is looking at ways for them to turn ESG challenges into opportunities. As sustainability has become non-negotiable when it comes to growing a business, we help our portfolio companies not just talk the talk but walk the walk by:

1. Introducing & sensitising to the ESG topic (Introductory ESG Workshop)
2. Defining an ESG roadmap (Strategy Session/s),
3. Navigating the complex regulatory landscape(Regulatory Session/s),
4. Defining and measuring material ESG metrics (Materiality Session/s),
5. Establishing ESG reporting, monitoring and analyses (Tool Introduction and Reporting Session/s),
6. And implementing governance structures allowing the company to scale (Governance Session/s).

Following completion of our ESG due diligence checks, our in-house experts offer tailored advice to founders.

It all starts with an (1) **Introductory ESG Workshop** sensitizing them to the importance and implications of ESG considerations. This is where we set out the first steps on their ESG journey and offer insight, expertise and a suite of helpful resources. These include policy templates, monitoring and reporting tools, and deep-dive frameworks. As a wrap-up, they're equipped with an ESG booklet summarizing key learnings and offering further reading materials.

Following this, we facilitate (2) **Strategy Sessions**, supporting them to define a clear and effective ESG roadmap tailored to the specific needs and goals of each company. These sessions serve to align ESG initiatives with broader business strategies.

Navigating the complex regulatory landscape can be challenging, so our in-house experts provide ongoing coaching and mentoring as portfolio companies grow. Through dedicated (3) **Regulatory Sessions**, we give guidance on the constantly evolving rules and regulations around ESG. We help companies understand and comply with laws and standards while also identifying opportunities for proactive engagement.

In (4) **Materiality Sessions**, we focus on the identification, measurement, and monitoring of material ESG metrics enabling them to prioritise actions that generate meaningful impact and value.

Through (5) **Tool Introduction and Reporting Sessions**, we assist companies in developing effective reporting frameworks and leveraging adequate reporting tools to streamline data collection, analysis, and communication, enhancing their ability to track progress and communicate their ESG performance effectively. For example, we collect portfolio companies' diversity data, including gender and ethnicity information for their boards, management teams, and full staff. This data allows for sensitization to the topic and identifying gaps across the portfolio and within specific companies.

In (6) **Governance Sessions**, we set up a proper ESG Governance with respective roles and responsibilities and work with companies to establish governance frameworks that integrate ESG considerations into decision-making processes and allow the company to scale.

In addition to our ESG expert's support, we assist portfolio companies in achieving their ESG goals through our various portfolio support functions. For example, our Communications expert helps align communication strategies with ESG considerations, finance experts offer guidance when it comes to ESG reporting and carbon accounting, and our HR expert assists in diversifying talent acquisition processes for inclusive hiring.

Finally, we offer inspiration and a look to the future, by connecting our portfolio companies with other businesses that have already taken huge steps in their ESG transformation journey establishing an ESG community among portfolio companies.

daphni

Part 1.
Fund Overview

Authors
Damien Didier

INVESTMENT SCOPE

- Founding year: 2015
- Seed to Series A. The average ticket size is between €500k-5m.
- Mostly lead or co-lead investments with a board seat, not required when a small follower ticket.
- Sector agnostic but tech for good focused
- Based in France, invest across Europe with opportunistic deals outside Europe

PORTFOLIO

- €500m AUM
- ~60 portfolio companies
- 75% France, 15% US & UK, 10% EU.

TEAM

- Team of 25
- More than half of the team is dedicated to platform functions (Legal, ESG, IR, Tech, Finance, Community, Acceleration.)

ESG

- A dedicated Head of Sustainability in charge of ESG
- Affected by SFDR and LEC29 (French Law)

Part 2.
Fund ESG Philosophy

- daphni's commitment to ESG has been deeply rooted in its values since its inception 8 years ago. Our purpose and status as a mission-driven company, along with our B Corp Certification guide and guarantee our dedication to a more sustainable world. This commitment is not just a marketing slogan, but a core principle that drives every aspect of our business as a VC.
- As a mission-driven company since 2021, daphni's mission is set out in our by-laws: "Due to our responsibility to future generations, daphni's "raison d'être" is to invest in technology that contributes to a better and more sustainable world."
- To achieve this mission, daphni pursues social and environmental objectives:
    - #1. Empower and accompany our portfolio companies in transitioning to a more responsible world.
    - #2. Actively apply the environmental and social standards that underpin our raison d'être.
    - #3. Communicate and share our ethical, social and environmental values with our stakeholders and communities.
- These three objectives are achieved through the implementation of tangible actions within our communities and towards our stakeholders while strengthening our responsible investment practices. Our aim is to generate a positive and significant impact on society, communities and the environment in the exercise of our activities, through the companies we decide to support.

Part 3.
ESG in the investment Process

When a potential deal is identified by our investment team, we begin with what we call the "ESG gut feeling". This informal yet crucial step involves our investors initially assessing the project from an ESG/impact perspective using the initial info they have, primarily the pitch deck and the first call with the founding team. At this stage, we evaluate the externalities of the project's core service or product, categorizing them intuitively into three levels: positive, neutral, and negative. Our Head of ESG then reviews the company during the "hot deals" weekly meeting, using available materials and investor notes to identify any early red flags (for example, a project focused on increasing conversion rates for children would be considered unsustainable due to its high negative externalities). This proactive approach allows us to start ESG discussions with our investment team as early as possible, reducing ESG risks related to our investments; it is also a great way to sensibilize the investment team on ESG topics more widely. By integrating this process, we have observed a shift towards more sustainable projects proposed by the team. Consequently, the most unsustainable projects are often dismissed before requiring intervention from our ESG team.

After collective investors' discussion, a deal progresses to the next step: the Investment Committee (IC), before issuing any term sheet. Prior to the IC, we conduct a quick ESG analysis, which is incorporated into the investment memo. This section includes discussions with the investment team, a review of the memo to identify any new red flags, and most importantly, the completion of our proprietary ESG scoring. This scoring system, which is open-source and adapted from the IMP framework, evaluates how an investment opportunity addresses the Sustainable Development Goals (SDGs).

While we strive to make our scoring as objective as possible, it can't be entirely objective at the seed stage, as deals are built on conviction. Our investors are accountable for completing this scoring, and our Head of ESG reviews and challenges the inputs and associated scores. This process ensures that the IC has all the necessary ESG information to make an informed decision.

To maintain a focus on sustainability, we include two clauses within the shareholder agreement: one focused on climate and the other on diversity and inclusion (D&I). These clauses structure and nurture discussions about sustainability throughout the company's tenure in our portfolio. Given that we invest at an early stage, we recognize that many of the companies we invest in may have minimal existing ESG practices. This is acceptable as long as we believe the founders are aligned with our ESG intentions, knowing that we can encourage and support further ESG initiatives after investment.

This process is reviewed and renewed annually with the goal of continually enhancing the ESG aspect of our due diligence.

Part 4.
Case Studies

Working closely with one of our scale-up portfolio companies, we embarked on a journey to enhance its awareness and implementation of ESG strategy. Over several months, we addressed the key question our portfolio companies often ask: "Where do I start?" From initial awareness to actionable steps, we laid the foundation for long-term ESG integration.

Our journey began with several one-on-one discussions. We started by requesting the company's carbon footprint data and offering our assistance with ESG initiatives. These conversations helped us understand the company's unique challenges and aspirations regarding ESG, laying the groundwork for a tailored approach that aligned with their specific needs.

We identified trusted suppliers to conduct a comprehensive CSR/ESG audit of the company's practices. This provided a clear picture of their ESG maturity, highlighting strengths and areas for improvement.

We capitalized on our annual end-of-year ESG campaign, which involved collecting key ESG KPIs from our portfolio companies. The management team appreciated how the reported data was valued and operationalized, underscoring the strategic importance of sustainability in both management and future fundraising efforts, beyond just reporting to our LPs. To reinforce our findings, we collected a sample of benchmark data from our portfolio, showing the company's relative position in the industry. This comparative analysis provided additional insights and motivated the company to strive for improvements by learning from peers.

We organized a one-hour workshop with a member of the executive committee and team members responsible for operationalizing ESG practices. During this session, we presented our vision of a sound ESG strategy and outlined the next steps tailored to the company's context. Key topics included Diversity & Inclusion in key positions, the environmental impact of services, and data privacy. This customized exercise illuminated crucial areas for the company's future growth and sustainability.

The next step involves embedding a continuous improvement approach within the company, aiming for year-on-year enhancement in ESG performance based on its materiality.

Our collaboration with this scale-up portfolio company exemplifies how increasing ESG awareness and providing structured support can lead to meaningful progress. This journey highlights the importance of listening to the company's needs, leveraging data-driven insights, and fostering a culture of continuous improvement. By transforming the annual ESG campaign from a burdensome task into a strategic and managerial opportunity, we shifted the perception of ESG reporting. Although this process is not yet fully industrialized, it marks the beginning of an exciting journey toward creating a scalable ESG framework for all our portfolio companies.

Energize Capital

Part 1.
Fund Overview

Author
Lauren Densham

INVESTMENT SCOPE

- Founding year: 2016
- Stage, sectors, location: Series A+, Climate solutions in the US and Europe
- Deal dynamics: Prefer to lead and take a board seat

PORTFOLIO

- 24 active portfolio companies

TEAM

- As of June 2024 - 22 people, headquartered in Chicago

ESG

- Lauren Densham - Head of Portfolio Services, Impact and ESG

Part 2.
Fund ESG Philosophy

Energize believes that businesses which prioritize material ESG considerations can deliver enhanced value, not only to investors, customers, and suppliers, but also to employees and communities. In addition, we believe that the observance of sound ESG strategies is essential for building strong brands and safeguarding reputation, which in turn are vital for long-term success.

Part 3.
ESG in the investment Process

Energize's post-investment ESG support builds on the incorporation of ESG in our diligence progress.

This includes identifying material ESG issues for the company in early diligence, establishing ESG commitments in our term sheet, and a dedicated session with founders during confirmatory diligence. The purpose of these steps is to align with portfolio company leadership on the ESG topics most relevant to their business from the lens of both risk mitigation and value creation, laying the foundation for post-investment engagement.

Key engagement activities following investment include:

- On-boarding: Post-investment, Energize hosts an Impact and ESG onboarding session with portfolio companies to review the findings of our diligence and agree on reporting expectations going forward. In this session, we identify any key engagement priorities for the next 6 – 12 months as part of broader value creation plans. Finally, we share available ESG tools and support from Energize, including our portfolio resource page which includes ESG playbooks and best practice guidance.

- Ongoing Engagement: We offer ongoing portfolio support in relation to ESG based on the unique risks and engagement needs of each portfolio company. This support includes a proprietary ESG desktop assessment review, which can be completed to assess portfolio company ESG maturity relative to stage. Energize seeks out board and board observer seats on all new investments and can use this position, where relevant, to elevate key ESG issues to the board and leadership team and identify engagement opportunities.

- Reporting and Benchmarking: Our portfolio companies are asked to report on a selection of ESG metrics on an annual basis through a third-party software tool. Required metrics are reviewed annually, aiming to broadly align with key frameworks such as the ESG Data Convergence Initiative (EDCI) and SASB metrics relevant to software. Tools provided to companies include a free carbon calculator and access to the Patch platform to take action against their carbon footprint. We leverage this reporting to identify opportunities for engagement and also share anonymized benchmarking reports back with our portfolio companies to allow them to see how they compare to peers.

- DEI Working Group: In 2022, we established a working group for DEI leaders within our portfolio companies. This group meets every other month to discuss common challenges and best practices for DEI initiatives within their companies, often bringing in external experts for sessions.

Context: The company had strong ESG foundations, but lacked a coordinated ESG strategy to identify and manage ESG topics centrally within the organization. The company had also recently made an acquisition which created new complexities as well as an opportunity to incorporate these topics into integration plans.

Project Overview
In 2023, Energize completed an "outside-in" ESG assessment, which kick-started the development of an ESG strategy for the company, allowing them to quickly drive progress and focus on the ESG issues most material to their business.

Project Detail
- Identified key ESG issues relevant to the company's business model, cutting through the noise of complex ESG frameworks.
- Assessed the company's maturity on these topics relative to their stage.
- The assessment was based on Energize's experience as long-standing board members, eliminating the need for lengthy consultation within the company.
- Outputs provided an ESG foundation and framework the company could build on to accelerate progress.
- Established alignment on priorities and next steps with senior leadership and the board.

Outcomes / Progress
- Created 5-year ESG strategy to de-risk material ESG issues for the company and build on existing strengths
- Catalyzed the creation of a senior ESG lead and cross-functional ESG stakeholder team which meets quarterly to review agreed-upon OKRs.
- Established Ethical Conduct Policy

Extantia

Part 1.
Fund Overview

Author
Tess Dury

INVESTMENT SCOPE

- Founded in 2019 with the Pledge Fund (€13M), closed Flagship Fund II at €200M in May 2024
- Seed/Series A (occasionally Series B), Climate tech hardware (TRL 5-8), sector agnostic with a minimum carbon abatement potential threshold.
- Lead preferably, but 30% follow-on tickets. Board seat when leading.
- We also have a climate tech Fund of Funds called Allstars.

TEAM

- 15 people. 5 GPs with varied professional backgrounds, all male. Remaining investment team is gender diverse and works between Berlin and London.
- In operations: a Head of ESG, a Marketing Director, a Head of Carbon Math (Impact), an ESG & data analyst, and a Head of Offtakes & Partnerships.
- The gender split is currently 40% female.

PORTFOLIO

- 16 portfolio companies (9 in Pledge Fund, 7 in Flagship Fund). We look at Technology Readiness Level (TRL) rather than stage, focusing on TRL 5-8 (little to no science risk, but rather an engineering risk to overcome).
- 44% non-EU (mostly North America), 55% EU
- Sectors: energy, biofuel, e-fuels, carbon capture, biotech (recycling), textiles, heat/cooling, etc.

ESG

- ESG is led by Tess Dury, Head of ESG. Extantia also has a part-time Head of Carbon Math, Francesco Pomponi, who leads impact measurements and a recent ESG & Data analyst, Jaisal Singh Shergill.
- Extantia's Flagship Fund II is regulated as an Article 9 fund under SFDR.

Part 2.
Fund ESG Philosophy

Extantia's ESG approach is central to its general impact philosophy and an integral part of the work with Portfolio companies. The Fund's ESG Policy is part of its wider Climate Impact Methodology "EPIC" (Extantia Projected Impact Calculation"). The EPIC methodology is Extantia's process of assessing the greenhouse gas reductions that a specific technology can achieve over time. It also includes our ESG policy, including extensive ESG due diligence, a "do no harm" assessment, regular portfolio engagement, the Flagship Fund's Impact Carry policy and the SFDR disclosures of Extantia and its investment vehicles. To ensure transparency and contribute to the harmonisation of ESG standards and best practices within private markets investing, we have open-sourced our EPIC framework and made it accessible on our website.

The Fund has a vision of backing companies with a demonstrated ability to "move the needle" to tackle the climate crisis, as well as unicorn potential. This is done by investing in innovative technologies in hard-to-abate industries, leading to high decarbonisation rates, as companies are expected to meet a minimum threshold of 100 Mt carbon reduction annually by 2050. This investment strategy is anchored in strong market trends towards Net Zero targets across public and private markets that make the outsized decarbonisation potential of a company a strong predictor of its commercial success. As a result, appropriate Climate Impact and ESG measurement is of the utmost importance to capture the decarbonisation and sustainability potential of a technology. Our EPIC methodology outlines our approach, by shedding light on how we integrate sustainability into each step of the investment process, from rigorous data collection to Climate Impact & ESG measurement and reporting.

Extantia's Head of ESG, Tess Dury, monitors overall firm-wide compliance with our ESG policy and evaluates its efficacy and continual improvement over time as industry best practices and standards evolve. She carries out due diligence assessments pre-investment and engages proactively with portfolio companies to support them with the development and integration of their own ESG policies. She is also in charge of LP and regulatory reporting, and works together with Francesco Pomponi, Extantia's Head of Carbon Math, on impact measurement and projections. Tess sits as a non-voting member of the Investment Committee (IC), in order to bring the ESG perspective. The portfolio company engagement and impact projections are overseen and approved by Yair Reem, Investment and Co-founding partner. The reporting is overseen by Oliver Schwarzer, CFO.

During the due diligence phase, the investment team uses preliminary carbon math to screen potential investments and determine whether the company meets the initial carbon reduction threshold. Once this is established, the ESG & impact team carries out a preliminary review on other environmental and technical issues such as use cases for the tech, material use, waste, energy consumption, etc. If there are no exclusionary red flags, the company will move into the deep dive phase (Phase 2), where an extensive ESG questionnaire is sent to the company and a full-scale carbon math (Whole Life Carbon assessment) is carried out by the respective Heads. This also includes an initial call with the founder(s) on these topics and an introduction to Extantia's ESG and Impact processes.

If the decision is made to hand in a term sheet, we ensure that the company fully understands the extensive ESG requirements section, and is committed to integrating a climate policy and ESG best practices within their business. This includes creating an ESG or sustainability policy, a diversity, equity, and inclusion (DEI) policy, an anti-bribery and corruption policy and regularly bringing up ESG issues at the board level.

After the deal is finalised, we onboard the company with a bespoke ESG Action Plan according to their stage and ESG assessment during due diligence and key ESG KPIs, such as carbon footprint, diversity, and employee satisfaction, and ESG incidents are regularly monitored. Other suggested actions, depending on stage, include implementing a supplier code of conduct, health and safety policy, and other governance actions. An annual ESG questionnaire is sent around to all portfolio companies, which includes the mandatory Principle Adverse Indicators, used to monitor doing no significant harm, as well as many other ESG indicators. The results of the questionnaire are also used to check progress against individual ESG action plans and create new ones for the following year.

Extantia also has an Impact Carry policy. As part of the onboarding, we engage in a discussion to develop ambitious impact KPIs that are to be achieved within the lifetime of the fund. Specifically, we define four Impact Carry KPIs: one for the environmental sphere (GHG emissions reduction potential) and three for social impact (gender diversity at three levels: supervisory board, C-level and team). These are based on Y1-Y5 targets. The Impact Carry KPIs of each company feed into an impact assessment score for our whole portfolio which we tie to 30% of our carry (i.e. if we don't achieve our impact goals, we will waive 30% of our carry).

- Extantia supports portfolio companies with basic good governance principles, ensuring that they have a solid governance structure in place. We provide templates for a whole range of policies across the ESG spectrum and discuss with the companies to find the right processes to implement them. Often, the companies use our ESG policy template and our DEI template to get them started on their ESG journey. We also encourage the portfolio companies to integrate regular ESG reporting at the board level and are in the process of refining a board update template & guidelines to be used by the companies.

- Extantia places a high emphasis on gender diversity in the portfolio companies, at all three levels: team, c-level/management/founding team, and supervisory board. We ensure that the company fully understands the importance of diverse recruitment and equitable benefits. We legally require the company to implement an "inclusion rule" in their governance processes which means at least one woman and/or member of a population currently underrepresented in the company is formally interviewed for key C-level, supervisory board, and senior roles. We have also provided bespoke recruitment support in order to help a company find a diverse candidate for a key C-level position.

- Given our focus on decarbonisation, the fund supports portfolio companies to start tracking their carbon footprint. This includes scope 1, 2, and 3 emissions, which most often has not been tracked before. Extantia covers the cost of the first year of carbon footprinting through its ESG software provider, which helps the companies get a clear picture of their emissions, and we provide suggestions on where to realistically reduce them, given their early stage.

- Due to the hardware nature of investments, Extantia places a high emphasis on employee health and safety. Once created, we review the health and safety policies in place and offer suggestions on how to improve, including introducing a health & safety officer, reporting procedures, mitigation plans, etc. We also require quarterly reports on ESG incidents and have created guidelines to standardise across the portfolio, including a severity matrix which helps companies track and classify their ESG incidents.

Frog Capital Ltd

Part 1.
Fund Overview

Author
Beth Adamson

INVESTMENT SCOPE	• 2014 first institutional fund FEG I • Growth Stage, software, UK and Europe • Deal dynamics: we always lead the round, usually a minority investor and rarely a majority investor with a co-investor, a board seat is essential and we usually have observer rights as well.
TEAM	• 5-person deal origination team supplemented by active use of operating partners from early in the process. The total team including operating partners and NXDs is 20 people.
PORTFOLIO	• 16 companies across FEG I and II, 7 exited • All growth stage • 50:50 UK and Europe. Germany is the second largest market. • Sector focus on disruptive business-critical software.
ESG	• ESG is driven by senior partners as an embedded part of culture and values. • Head of Finance leads on ESG reporting and accountability • FEG III will be SFDR article 8

Part 2.
Fund ESG Philosophy

ESG brings together and builds upon the pre-existing values and best practice processes within Frog activities, including internal operations. The Frog Scale-up methodology for value creation has added new language to reflect the focus on ESG but in essence, the elements were already embodied in our approach. What has significantly developed is the consistency of ESG indicator measurement and peer benchmarking across ESG criteria.

The approach to ESG is that it should not be “one size fits all” and should be tailored to the company’s values to ensure it is genuinely embedded throughout the business and not seen as a tick-box exercise. ESG best practices are also constantly changing, so it’s about learning from different individuals in the industry and across our portfolio to constantly search for how we can improve and make meaningful change across our portfolio and the industry.

Part 3.
ESG in the investment Process

ESG assessment starts from the first paper submitted for the team of new deals and is followed up through each stage of the process.

We have a separate checklist for responsible investing but this is spread across all the due diligence streams so the answers come from broadly across the business in relation to what is actually happening, not just a top-down assertion of what the aspiration is.

Key to our assessment is not so much the progress to date but the alignment of values with the leadership to improve in a relevant but meaningful way as the company scales – helping CEOs scale without compromising values is a key mantra.

Ownership of the project by the company is key to sustainable progress so creating the correct board reporting and ensuring it is discussed is a key component of the responsibility for each Frog board representative at portfolio companies.

Part 4.
Case Studies

In Q2 2022, Frog initiated the collection of key ESG data points from our portfolio companies. Initially, one of our portfolio companies had limited data availability, particularly on diversity metrics such as ethnicity. Additionally, none of the three key policies we inquired about were implemented (Environmental Policy, Anti-Discrimination Policy and Diversity & Inclusion Policy).

We engaged with all portfolio companies to clarify our data collection goals and highlight that we were there to support them on their ESG journey. This one company made quick progress in some key areas:

- Policy implementation: we developed some best practice templates from the policies available within the portfolio and offered the company support to align them to their culture and values. All were implemented within 6 months.
- HR System: The HR lead was in the process of implementing a new HR system and ensured this system had capabilities to collect diversity data, which resulted in improved data availability within a quarter.

More recently, they reached out for further assistance to develop an ESG policy, as it was becoming a requirement in some customer tender processes, particularly for the public sector. Rather than providing them with a policy template, we provided them with a series of guiding questions as a starting point to develop an ESG framework. We felt providing them with a policy template would feel like a "tick-box" solution, whereas offering support building a relevant and adaptable ESG framework would be more valuable and relevant.

The first section focussed on "the Why" (i.e. What is the motivation? What value do you expect it to have for the business? And who is the audience?) which we considered a critical part of the process to ensure it aligned with the core values of the company meaning it will resonate better with the key stakeholders. The questions also encouraged the framework owners to see this as a dynamic document that will evolve through various stages of business growth.

By doing this exercise, the company was able to determine the ESG factors that were most material and relevant to their business and develop an ESG road map with targets across social and environmental factors, as well as the governance required to reach these targets. This not only addressed the policy requirements for customer tender processes but also provided them with a tool to advance their internal ESG agenda.

Our key takeaways from this case study are the importance of:

- Incorporating the data request into our due diligence process so it can be integrated into our 100-day plan post-investment.
- Recognising that the needs of each portfolio company will vary based on their activities, customer base, and specific ESG risks; and providing tailored support to help them develop their own ESG strategies is essential.

HV Capital

Part 1.
Fund Overview

Author
Marie Bos

INVESTMENT SCOPE

- Founding year: 2000
- Multi-stage investor with an early team focusing on Seed, Series A deals and a Growth team investing from Series B onwards. Sector agnostic tech investor that has invested in around 225 internet and technology companies.
- Lead or co-lead with board seat
- The 9th generation fund currently being deployed is an SFDR Article 8 fund

PORTFOLIO

- €2.8 Bn under management / around 120 portfolio companies
- From Seed onwards
- Based in Germany (Munich & Berlin) focused on European markets, particularly Germany, France and the UK
- Focus on Consumer, B2B SaaS, Fintech, Marketplace, Crypto, Climate tech and Deep tech

TEAM

- Around 20 investment professionals split between early and growth teams

ESG

- ESG is led by our VP ESG
- Scope of regulation: SFDR Article 8

Part 2.
Fund ESG Philosophy

HV Capital began its ESG journey in 2019. We have evolved our practice to embrace ESG-by-Design. This approach is based on our conviction that all companies that want to grow significantly will have to take responsibility for their actions.

Embracing ESG-by-Design means bringing about a culture shift that cannot be reversed. For this flywheel of change to turn faster, it is essential that we constantly learn by sharing ideas and experiences across all levels. This is why HV Capital strives to embed ESG in everything that we do at the same time, enabling the exchange of best practices within the portfolio and the ecosystem.

For more information about our approach to ESG, please see our first ESG Annual Report.

"ESG is a proxy for good management. As such, engaging early with the portfolio and encouraging them to focus on material ESG topics aligned with their business strategy is key to building enduring companies."

— Marie Bos

Part 3.
ESG in the investment Process

Integrating ESG factors into the investment process involves several key steps to ensure responsible and sustainable investing. First, we maintain an exclusion list based on the International Financial Corporation's guidelines, which helps us avoid investing in sectors that do not align with our ESG goals. We also use positive screening as part of our strategy, especially for our SFDR Article 8 fund, Fund IX Venture & Growth, allowing us to explore new markets. Before making any investment, we conduct thorough ESG due diligence, following industry best practices. This process involves assessing common ESG criteria and identifying risks specific to each industry and business model. By incorporating these steps, we aim to make investment decisions that are both financially sound and socially responsible.

Part 4.
Case Studies

Case Study 1. A digital learning platform in Germany, with 2 million users per month, has been transforming education for schoolchildren and vocational trainees.

Initially featuring a single male avatar, the platform introduced a female counterpart, marking the beginning of a more diverse cast of characters. This change was immediately noticed by users, as reflected in their reviews. The introduction of diverse characters aimed to consciously break down gender stereotypes and resonated strongly with the platform's audience. By promoting realistic and inclusive representation, the platform fosters greater identification among a diverse user base, enhancing engagement and learning outcomes. This approach sets a new standard for educational platforms by prioritizing diversity and inclusivity, inspiring other companies to adopt similar practices. As the platform continues to evolve, it remains committed to creating an environment where all users can see themselves represented, contributing to a more inclusive and equitable educational experience.

Case study 2.
A leading talent development platform is empowering organizations to implement personalized, measurable, and scalable coaching programs for their workforce, integrating ESG principles into its operations. The company addresses ESG-related topics such as environmental concerns, and compliance. By delivering coaching programs virtually, it minimizes environmental impact and promotes sustainability. The company has implemented a whistleblowing process to uphold ethical standards. This confidential system allows employees and third parties to report misconduct, ensuring a safe and inclusive workplace. The company's governance framework which is validated by a number of reliable certifications such as ISO, emphasizes compliance and integrity, fostering a culture of trust. Its commitment to ESG principles not only enhances its reputation but also

sets a benchmark in the industry. As the company grows, it remains dedicated to its founding principle of doing well while doing good, inspiring others to pursue a sustainable and equitable future.

Case study 3.
A company specializing in AI-powered solutions for procurement professionals is driving better business outcomes by providing companies with actionable insights to improve their supply base and advance strategic initiatives like risk management, ESG, and innovation. Believing that inclusive teams enhance business performance, the company has increased the proportion of women in leadership roles from 18% to 45% in just 18 months. To facilitate this change, the company introduced an internal initiative called the "Female Table," a safe and supportive space for open discussion and empowerment. This initiative includes partnerships with specialized recruitment agencies to promote women in tech and leadership roles and supports female employees applying for positions traditionally dominated by men. The goal is to create a more balanced pipeline and focus on decision-making processes among leaders and hiring teams. The company believes that combating their most material ESG factors begins with an intention and shared belief in the power of inclusion. Achieving this requires time, patience, and persistence to ensure that the inclusion of diverse backgrounds and perspectives extends beyond hiring and is reflected in daily decision-making. This commitment sets a new standard for diversity and inclusion, inspiring other organizations to adopt similar practices.

Jenson Funding Partners

Part 1.
Fund Overview

Author
Sarah Barber

INVESTMENT SCOPE

- Founding year: 2012
- Very early stage (pre-seed to seed)
- Sector Agnostic
- Whole of UK
- Deal dynamics: We would initially lead/co-lead, and at follow-on, we are happy to sit as a minority.
- We have board observer rights and the ability to have a board seat.
- Evergreen fund

PORTFOLIO

- 143 investments made with c. 40 follow-on investments
- SEIS with EIS follow-on
- Whole of UK
- Sector agnostic

TEAM

- Diverse team of 7

ESG

- B Corp certified
- No head of ESG; it is down to the portfolio team to ensure ESG considerations form part of support.

Part 2.
Fund ESG Philosophy

Given the very early stage of investment, the fund takes a proportionate approach to ESG ensuring that this is something that is seen as being embedded into the business from an early stage avoiding the notion that ESG is a tick-box exercise.

Part 3.
ESG in the investment Process

ESG is considered at the investment stage of the business, in a proportionate manner to the investment. At this stage the key criteria for us is that founders understand that embedding ESG principles will create long-term value in the business, and therefore that this is a part of the business and not an add-on.

Post-investment, we hold monthly support calls with founders where we are able to proportionately discuss issues pertaining to ESG. Given the very early stage nature of the businesses, this is very much tailored to the individual business.

As a B Corp-certified organisation, we've gained insights into navigating the complexities of the B Corp certification process. This experience allows us to offer guidance to other companies embarking on their own B Corp journey. Our support includes helping businesses understand the assessment process, which evaluates a company's impact on governance, workers, community, environment, and customers. We are able to assist in developing the necessary policies and procedures that align with B Corp standards, ensuring that companies are well-prepared for the certification process as well as understanding the legal requirements which are necessary to become a B Corp.

We ask all companies to complete an annual ESG questionnaire gathering data on current ESG practices and challenges. By collecting this information at an early stage, we can track progress over time and identify trends or gaps in ESG performance. The insights gained from these questionnaires not only inform our ongoing support and guidance but also help companies establish a baseline for their ESG efforts. This approach ensures that ESG considerations are integrated into the company's strategic planning from the outset.

Our support calls with investees are a critical component of our ongoing engagement and commitment to fostering robust practices. During

these conversations, we delve into various aspects of ESG, such as the composition and diversity of the board, the development of customer policies that reflect ethical standards, and the implementation of environmental sustainability initiatives. These discussions are tailored to the unique needs and challenges of each investee, ensuring that the guidance provided is relevant and actionable. By addressing specific ESG areas, we help companies identify where additional policies may be needed and encourage them to adopt best practices that align with their business objectives.

Here are some examples of how we have worked with our companies:

- We have spoken with three companies to help with B Corp assessment understanding.
- Policy recommendations: we had one company looking to sell their product to a Chinese oil and gas company; whilst this is not an issue per se, we suggested that they put a customer policy in place so that they understand the businesses that they are selling to.
- Board advisory: we have advised a number of companies on their board construction and ensured that they are considering and implementing diversity within their boards.

Kindred

Part 1.
Fund Overview

Author
Liz Broderick

INVESTMENT SCOPE	• Pre-seed and seed fund • Lead or co-lead investments, generally take a board seat though not a requirement • Reserve funds for follow-on investments at A and B • Sector agnostic • Based in London, invest across Europe and Israel
PORTFOLIO	• ~60 portfolio companies • 40% of companies are headquartered in the UK, 35% in the rest of Europe, 10% in Israel, and 15% have moved to the US. • Sector agnostic
TEAM	• Team of 10 • Investment team is GP-only and an equal partnership. All investors are former operators.
ESG	• ESG is led by CFO • Scope of Regulation: SFDR evaluation in progress

Part 2.
Fund ESG Philosophy

- The team agrees that good ESG is synonymous with long-term value creation — reducing risk, offering strategic advantages, and resulting in stronger fundamentals.
- ESG topics are integrated into ongoing conversations around key early-stage business issues.
- ESG is the responsibility of all investors leading relationships with portfolio companies, supported by the Platform and FinOps team.
- Focus in the early stage is on governance, board ops, and team building; in the later stage, this expands into product and tech focus.
- Decided to be selective and personalised in support of companies as they grow at different rates and with different needs based on their business models, products, team structures, geographies, etc. The approach is not a universal application across the portfolio, nor perfect coverage. At the early stage, we see greater value in integrating ESG topics into ongoing conversations, so founders believe good ESG is part of building a strong business, not just investor admin.

- Deal lead assesses "founder intent" and reports in the Investment Memo (IM) with observations/evidence.
- Flag key ESG risks and include them in the IM.
- Investor sense checks "unintended consequences" with the Kindred team and/or with the founding team.
- Once onboarded, we establish intentional working practices for each board. There is an option to bring in a coach to set ways of working and facilitate the initial board meeting.
- At the point of follow-on investments, update IMs with an assessment of founder intent and updated ESG risks.

Kindred has been running management training courses for rising leaders within early-stage portfolio companies, heavily subsidised by Kindred, for 4 years.

A one-day cross-company course equips individuals with the skills they need to be effective managers and leaders in fast-growth startups; these skills are otherwise not taught or role-modelled within startups until they reach scale and have resources to run training internally, and often they still aren't done. The training improves employee engagement, which leads to productivity, inclusion and retention, and improves governance and problem-solving as managers learn how to have difficult conversations upwards and downwards. The training has improved the culture within companies, especially when multiple people from the same company attend the training and bring valuable skills, language and ideas back to the team. Over 120 employees from ~20 companies have participated in the programme with 9.2/10 average feedback and over 60% of companies have sent employees to more than 2 cohorts.

Kindred requests high-level diversity data from portfolio companies periodically, which includes gender and ethnicity data for the board, management team, and full team. The data helps identify gaps across the entire portfolio and within certain companies. Kindred can then support with direct help from the team, advisors (Tech / People Leaders), and workshops. As the companies track this data for themselves, they can identify any current or potential issues and take action to make necessary process improvements. With one particular portfolio company, the exercise flagged a significant lack of gender diversity — as the founder dug into the issue, they realised that female candidates (tech) had previously dropped out of interview processes because of the lack of diversity on the company website and LinkedIn. Kindred Partners and the Platform team worked directly with the founder to understand the scale of the issue, help revamp their talent assessment processes, and improve talent branding materials. The founder understood how the existing processes to evaluate candidates potentially restricted the success of diverse candidates which could in turn create challenges for the growth of the firm, and they now view diversity within a small early-stage team differently.

Kindred works with functional advisers as well as external experts to deliver workshops on topics that are most relevant to early-stage startups, at no cost to the portfolio company. In particular, Kindred held three workshops with two different tech advisers to help founders, technical leaders, and people/talent leaders to develop inclusive hiring practices. In one instance, Kindred hosted a 'topgrading' workshop to educate founders on this method of interviewing; one Seed stage company found the format particularly effective and organised subsequent 1-1 workshops and sessions with the Kindred adviser. By adopting the topgrading process for interviews, the company ended up with a very high-performing engineering team with an exceptional engagement score, and 5/6 of the engineers were women. Improving gender diversity hadn't been the original goal, but it demonstrated that a new process — identifying clear needs for the team and then changing the evaluation processes — meant that different candidates could be successful in the process.

Kinnevik

Part 1.
Fund Overview

Author
Rebecka Elming Saidac

INVESTMENT SCOPE

- Founded in 1936 our journey began with strategic investments in the bedrock of Sweden's industries including iron, paper and woodworking.
- We partner from early-stage to growth phase and focus on healthcare, software, marketplaces and climate tech. We are based in Stockholm and London and invest mainly in the US and Europe/ the Nordics.
- We lead and co-lead investments and prefer to take minority stakes (around 7-10%) with a board seat, although this is not always a requirement.
- We are a listed investment company with permanent capital making us unrestricted by investment constraints and fund maturities.

PORTFOLIO

- In total, we currently have 30+ investments.
- Geographical distribution: 57% US, 26% Europe, 15% Nordics, and 2% Other
- Sectorial distribution in terms of share of value: 37% Health & Bio, 28% Software, 17% Marketplaces, 9% Climate Tech, and 8% Other.

TEAM

- The investment team of 15 people is split across London and Stockholm and is made up of 62% women and 77% employees of diverse backgrounds in terms of nationality/ethnicity. Our investment professionals also have different professional backgrounds including engineering, consulting, banking, and life sciences.
- Full team of 40+ people

ESG

- The Board is ultimately responsible for Kinnevik's sustainability strategy. The work is overseen by our Audit & Sustainability Committee and run by our Sustainability Team who reports to our CEO and Director of Corporate Communications in this regard. The Sustainability team comprises of Rebecka Elming Saidac (Company Secretary & Sustainability Manager) and Mikaela Kramer (Communications & Sustainability Manager) who work closely with the investment team.

- Being a listed investment company with permanent capital we are not subject to the usual ESG regulations many of our co-investors will be. We are however covered by the CSRD and report on the TCFD.

Part 2.
Fund ESG Philosophy

We believe that to be a long-term successful company, you need to contribute to making the world a better place. Companies that integrate sustainability into their core operating models, and make it into a competitive advantage, will be better placed to meet the demands of more conscious customers, get better access to financing, and attract the most talented employees. We want to create a significant positive impact by being active owners and allocating capital towards solving the most pressing challenges globally.

For Kinnevik, sustainability encompasses both ESG and impact. While the emphasis of our Sustainability Report is on describing environmental, social and governance processes and performance, both on a Kinnevik and a portfolio level, we also work actively to maximise the positive impacts generated by our portfolio companies.

Kinnevik has influence over our investee companies through capital allocation, board representation, and ongoing operational support. We work in close collaboration with our companies in setting bold strategic visions and targets for building long-term sustainable and successful businesses. To structure and follow up on this work, we have developed a proprietary ESG assessment framework: the Kinnevik Standards. However, we do not have any strict requirements when it comes to ESG in terms of making an investment. Our only requirement is that all our companies actively work to develop their own company-specific strategy and approach to ESG to ensure they understand how sustainability/ESG can drive business value and uphold their social licenses.

Our internal sustainability team oversees and executes our sustainability strategy that covers both the Kinnevik and portfolio levels of our operations. This focuses on our material topics which reflect where we can have the most significant impact:

1. Active ownership - Maximise positive impact and implement ambitious ESG strategies across the portfolio
2. Climate impact - Meaningfully reduce our greenhouse gas emissions and contribute to global net zero
3. DEI - Contribute to a more diverse, equitable and inclusive world
4. Corporate governance - Ensure sound business conduct structures and strong financial robustness

These have been identified through interactive stakeholder dialogues, Board and management discussions, peer benchmarking and industry best practices and all have sustainability targets linked to the remuneration of our teams.

Part 3.
ESG in the investment Process

Sustainability is an integral part of Kinnevik's investment and value-creation process. It's part of our sourcing and assessment of new investment opportunities, and we have a structured and bespoke engagement model with the companies post-investment.

Kinnevik's sustainability team is represented at each stage of the investment process, and only companies that fit our investment ethos and share our values are brought to the Executive Investment Committee ("EIC"). In connection with the EIC, we assess a company's sustainability structures and progress across environmental, social and governance aspects, its positive and negative impacts in accordance with the Impact Management Norms, its sustainability risks and opportunities, and its alignment with a low-carbon future. Companies that move on from stage two of the EIC are subject to a thorough sustainability due diligence process, alongside other due diligence workstreams.

In the sustainability due diligence, companies are evaluated on their approach and structures in relation to ESG, and a more thorough analysis of the key sustainability risks and opportunities is made. The main objectives are to understand the tone at the top, to assess the company's culture and values, and to identify a base from which we can build. This is further supplemented by the people and culture due diligence where we evaluate leadership and values including the ability to build inclusive cultures and organisations. The basis for the sustainability due diligence is the Kinnevik Standards, tailored to the specific sector and development stage of the company.

After investment, we have a structured and bespoke approach to sustainability. We support the companies with a double materiality analysis to identify their key sustainability topics, align priorities internally, and determine how sustainability can add business value. As appropriate, we also help articulate and measure their positive impact on the world. This lays the foundation for a holistic sustainability strategy including visions, targets and a concrete roadmap. We base our efforts on each company's unique business case, maturity, and resources available. A successful sustainability strategy is dependent on buy-in throughout the organisation and Kinnevik's sustainability team works in close cooperation with the company's Board of Directors and management team. As the companies grow and mature, we continuously follow up and evaluate their ability to maximise positive impact, manage externalities and execute in line with their sustainability strategy. All companies' progress is evaluated at Kinnevik's bi-annual reviews, and again if they seek additional funding.

Part 4.
Case Studies

How our experience in building broad and impact-focused ESG strategies is of great value to climate tech businesses.

For our climate tech businesses, their main mission is to decarbonize a certain industry. Hence, their ability to define and communicate impact is of great importance and will have a significant effect on their future success. That said, very often they are yet to build out the internal experience needed to drive and articulate impact across other aspects than decarbonization, and are instead, as they should be, laser-focused on their product.

To help them broaden this, Kinnevik will at the due diligence stage, set the foundation for working with and developing these companies' approach to impact by building a broader ESG and impact strategy covering not only their core products' potential impact but also other relevant externalities related to their operations and mission.

We support them in articulating a clear ESG and impact strategy, including a materiality assessment guiding their efforts and communications going forward to ensure credibility and ability to meet various reporting and impact expectations of their sustainability-conscious clients who themselves will want to confirm and communicate the impact of buying these lower carbon products. This would not be possible if we had not developed internal capabilities and expertise in how to articulate and communicate around ESG and impact, mainly by doing it ourselves at a corporate Kinnevik level.

An example of how we need to be patient and flexible in our portfolio support work:

We believe in taking a bespoke and individual approach to sustainability when it comes to our portfolio companies. Sustainability does not and should not mean the same thing to every company, it has to be personalized. That said, we still believe there is a sustainability case to be made for every company. That is not always something our companies agree with. A number of our portfolio companies have always only engaged on a very limited basis as their focus has been elsewhere and they have not seen a strong business case for ESG.

However, as these companies grow, their employees, as well as customers, will start questioning the lack of engagement. Not to mention regulatory requirements piling up. Recently, we have even seen companies lose deals due to the lack of an active stance on sustainability. Thanks to our bespoke, but also patient approach which means that we focus on offering bespoke and hands-on sustainability support, we have been able to reengage with these companies at the exact right timing with extraordinary results.

Identifying the specific strategic rationale of sustainability for a certain company over driving portfolio-wide strategies

One of our first success stories in sustainability was a hands-on project where our close collaboration with the company and the support from our own board representative kicked off an ambitious journey that put our portfolio company on the map as sustainability leaders.

At the time, the company had no allocated internal resources or processes in place. However, after nudges from the Kinnevik team, they realized they did have both engaged employees and support from the board. And together we began to explore how sustainability could become a competitive advantage for the company. We supported the team in conducting their first GHG measurement, both with consultants and financially, and measuring emissions per product sold. This quickly became a much-loved shop feature. Their former Sustainability Director frequently applauds our engagement as a deciding factor for what they managed to achieve in the early years. With this as a starting point, they continued to build a strong sustainability narrative into everything they do, giving them a unique position in the market.

Setting a sustainability strategy step by step and joining forces with our co-investors

The first and one of the most important things in our sustainability support work is helping our companies define their own version of a sustainability approach to ensure they are focusing on what will also drive business value. One of the ways we do this is by hosting and facilitating materiality assessment workshops with our companies. A materiality assessment helps companies identify their key areas of impact. This is done by 1) assessing their sustainability superpowers and weaknesses, 2) identifying the key stakeholders and their expectations, and 3) translating the first two steps into the company's material topics. The materiality assessment is the first step in setting a sustainability strategy which should be integrated into and supportive of the company's business strategy.

If possible, we prefer to do this together with our co-investors to ensure alignment on the board but also to help our companies avoid double work from different investors. We offer to lead the effort to coordinate the group of investors with the aim of developing a well-anchored and value-adding sustainability strategy for the company.

Lightrock

Part 1.
Fund Overview

Author
Mehdi Lichani

INVESTMENT SCOPE	• Global impact investment platform with a focus on growth capital that backs purpose-driven entrepreneurs tackling the world's biggest challenges • Invests in companies that pursue scalable and tech-driven business models (mainly targeting Series B to pre-IPO) • Lead, co-lead or follow investments. When lead/co-lead, usually seek to take a board or an observer seat though not a requirement • Reserve funds for follow-on investments where appropriate • 2 impact strategies: Diversified (global) and Climate (Europe & US) • HQ in London, 6 offices across Europe, India, Africa and Latin America
PORTFOLIO	• 90+ portfolio companies
TEAM	• A team of 120 and growing
ESG	• ESG is led by the central Impact & ESG team • Relevant regulations/frameworks: SFDR (Article 9 funds), OPIM signatory, B-Corp

Part 2.
Fund ESG Philosophy

- At Lightrock, we believe that by integrating Environmental, Social and Governance (ESG) considerations into the management of our portfolio companies we can deliver enhanced value for all stakeholders. We take the view that environmental/social and financial returns can be mutually reinforcing supported by the flow of talent, capital, brand loyalty and other factors to businesses that are driving environmental/social change.

- Lightrock developed a bespoke ESG Management System based on industry best practices and our business principles. The Global Impact & ESG team is responsible for the coordination of its implementation across the Lightrock platform (internal) and across the investment process.

- Clear roles and responsibilities have been defined and distributed across the organisation to ensure that internal and external ESG matters are assessed and adequately considered (from the Lightrock Board to the Investment Committees and the associated investment teams).

- Given our wide investment activities across different regions, markets, and company stages, our ESG requirements may vary across investments and/or portfolios.

- While recognizing that not every business may comply with our ESG objectives and policies at the time of investment, our investment teams collaborate with each company to develop action plans aimed at achieving compliance within reasonable time frames. These plans consider the risks, opportunities, size, and resources of the business. To ensure sponsor commitment to our ESG policies and standards, we strive to integrate standardized ESG terms and warranties into the investment legal documentation, considering the specific dynamics of each deal.

- During our holding period, we expect companies to develop internal capacity to implement and maintain a formal ESG management approach suitable to their business nature, development stage, and operations. This approach should continuously assess and manage related risks, impacts, and opportunities, including those that may arise during and beyond our investment period.

- In support of our approach, the Lightrock investment teams provide continuous guidance and support, monitoring implementation and progress. They assist portfolio companies in reviewing and updating action plans, considering regulatory and market developments as well as changes in business activities.

- ESG is formally integrated at each step of the investment process and incorporated into investment decision-making
- We undertake ESG DD on all new investments
- For each stage of the process, standard ESG activities supported by a toolkit are defined and outputs are factored into the decision-making process and management of investments. Investment teams are responsible for these activities with the support of our dedicated Impact and ESG team.

Pre-Screening (Check for ESG red flags):
- Exclusion list check
- Assign inherent E&S Risk Rating
- Identify material ESG issues

Due Diligence (Assess ESG risks and opportunities):
- Assess material ESG risks and opportunities and their management
- Corrective actions and value creation initiatives defined and agreed

Portfolio Management (Monitor and support ESG initiatives):
- Regular company updates on action plan implementation
- Active engagement and support by investment teams

Reporting (Report ESG achievements and performance)
- Standardised periodic ESG reporting on relevance indicators and activities
- Ad-hoc ESG incident reporting

"ESG value creation opportunities are the key to transforming challenges into catalysts for positive change. By strategically integrating ESG into our portfolio company operating models, we unlock new pathways for growth that benefit both our stakeholders and the environment, driving long-term sustainability and success."

— Mehdi Lichani

Lightrock supports its portfolio companies in achieving compliance with our ESG standards post-investment.

- Lightrock continues its involvement with portfolio companies through frequent field visits to assess operational standards. For example, Lightrock worked with an Indian Agri-tech start-up to improve employee health and safety in its warehouses and distribution centres (numbering over 300) and establish an Environmental and Social Management System.
- Lightrock helps its portfolio companies design their ESG functions. Lightrock recently assisted a European tech scale-up to understand the scope of the ESG function today and in the future, how it will interact with other functions, and decide where it should sit and who should lead it. In India, most of Lightrock's growth and late-stage portfolio companies are encouraged to appoint an ESG sub-committee of the Board of Directors (inclusive of a Lightrock representative), in addition to appointment of an ESG officer who has dedicated oversight over the company's ESG functions. Also recently in the Africa portfolio, Lightrock helped one of its tech scale-ups establish its ESG Committee and has taken the Chair role. In another recent example, Lightrock helped a European climate tech company hire and onboard its ESG lead.
- Lightrock supports its portfolio companies in developing their first ESG strategy. Lightrock recently supported a European tech scale-up going through this journey. Lightrock's assistance started with helping the company assess their business case for ESG (risks and opportunities) and scoping the project. Lightrock supported the company in selecting effective and suitable ESG advisors, ensuring a successful project delivery. In another example, Lightrock helped a portfolio company deliver its ESG strategy in-house through an ongoing engagement with the ESG Lead.
- More recently, Lightrock has been supporting several European portfolio companies to prepare for the upcoming CSRD regulation. Rather than a simple box-ticking exercise, Lightrock collaborates with companies to develop a comprehensive ESG strategy that not only achieves regulatory compliance but also creates value for the company and its stakeholders.
- Lightrock actively promotes potential ESG synergies between portfolio companies. This is done by facilitating introductory meetings between ESG leads at portfolio companies and by encouraging collaboration between companies on ESG initiatives. For example, in India, Lightrock facilitated introductions between an energy grid company with a supply chain-focused company for improved tracking of energy usage and between two India-based Agri-tech companies to share learnings on supply chain management.
- Lightrock maintains a list of generalist and specialised ESG advisors who can be recommended to companies to assist them on ESG initiatives whenever they need additional support (ex.: ESG strategy, CO2 emissions calculations, AI ethics). In a recent example, Lightrock helped one of its African portfolio companies select an ESG advisor to assess its processes and assess its impact on specific segments of the economy.

Maki.vc

Part 1.
Fund Overview

Author
Mona Saurén

INVESTMENT SCOPE

- Founded 2018, pre-seed and seed stage fund
- Sector agnostic with a sweet spot for deep tech and brand-driven companies
- Primary geographical investment focus is in the Nordics, but we make selective investments across Europe
- Lead or co-lead investments, generally taking a board seat
- Reserve 2/3 of funds for follow-on investments
- Based in Helsinki, Finland

PORTFOLIO

- Around 50 investments, with around 60% in Finland, 20% in other Nordic countries and the rest in Europe

TEAM

- Team of 12

ESG

- Lead ESG responsible is Mona Saurén, ESG responsible partner is Pauliina Martikainen
- All funds under SFDR, where the latest falls under Article 8 and promotes set E/S characteristics

Part 2.
Fund ESG Philosophy

- ESG is a commonly agreed topic for long-term business success in early-stage companies. ESG matters are integrated as part of the work with the portfolio on all levels.
- The ESG lead will carry the responsibility of building the premises of best-practice ESG work for portfolio and fund, which then flows through the rest of the team in interactions with the companies.
- Early on, our specific focus is on team structure and company culture, as well as good governance practices. Through maturing companies, our focus is expanded to more company-, industry-, or product-related matters such as emissions or impact.

ESG-specific DD with mapping of ESG-related risks and opportunities as well as assessment of the overall ESG maturity of the company.

ESG onboarding includes a discussion of identified risks and opportunities as well as planning a roadmap for the future based on these. Discussion on the "basics" of ESG and sharing theme-specific resources and knowledge.

ESG is integrated as part of the board agenda and theme-specific help is offered by the investment firm on a systematic basis.

An annual ESG survey is conducted for all portfolio companies, serving as a tool to understand the overall status of ESG topics within the firms and to identify gaps in these areas. The results of the questionnaire are shared with the companies, and action points are drafted to support them in addressing the identified gaps.

Maki.vc offers ad-hoc help to companies on questions and projects related to more sustainable business practices.

While part of this involves connecting companies with the right support, we also extend our own resources and expertise. For instance, a company in our portfolio pivoted towards a circular business model and wanted to measure the impact of their operations both today and in the future through scale. Leveraging Maki.vc's resources and expertise, we jointly compiled an impact study for the firm.

We occasionally survey our founders on topics or issues they wish to learn more about. One key topic that emerged was understanding the appropriate salary levels as well as remuneration for different team members. In response, we conducted a portfolio-wide study on salary levels, which now serves as a benchmark for new companies to set proportional compensation policies for their teams.

Maki.vc has developed "Maki House", a place where experts, former entrepreneurs, and advisors support founders in future-proofing their companies. We host monthly sessions with leading experts on topics ranging from attracting international talent and scaling personnel to starting out with ESG practices and building more sustainable business models. This setting also fosters peer-to-peer ideas exchange and sparring. Although there isn't a clear metric to measure the impact of these sessions, we receive direct feedback from companies and observe their effects in raising awareness in discussions with the founders.

Maki.vc conducts an annual portfolio-level survey, including questions on gender diversity at the board, management, and employee levels. The data helps identify gaps across the entire portfolio and enables Maki.vc to provide targeted support. For example, one company active in the technology industry identified a significant gap in team diversity and hiring processes. Using Maki's resources, the team established a more robust recruitment process from job description and candidate pooling to screening and onboarding, resulting in the recruitment of their first female employee.

Molten

Part 1.
Fund Overview

Author
Grace Savage

INVESTMENT SCOPE	• Founded in 2006 • Focus on Series A and beyond • Molten is headquartered in London and is one of the most active VC firms in Europe. • Lead or co-lead investments, generally take a board seat though not a requirement
PORTFOLIO	• 110+ portfolio companies • 64% Core, 39% Emerging • 45% Enterprise Tech, 25% Consumer Tech, 19% Hardware and Deeptech, 11% Digital Health and Wellness
TEAM	• 65 full-time employees
ESG	• ESG is managed by our ESG Lead, ESG Working Group, and ESG Committee of the Board • We report against TCFD, CDP, SECR, PRI, UN SDGs and the Investing in Women Code

Part 2.
Fund ESG Philosophy

- Our greatest influence is to educate and upskill our portfolio companies to assist them in realising ESG-related commercial opportunities and mitigating associated risks.
- There is no 'one size fits all' and we proactively seek 1:1 engagements with portfolio companies to provide tailored support which is relevant, material, and able to evolve with the business.
- By actively supporting and nurturing companies in their ESG efforts we aim to enhance operational efficiency, drive long-term value creation and bolster the resilience and competitiveness of our portfolio.

- Pre-screening: We are mindful of the general themes surrounding ESG and our role as a responsible investor when considering potential investments.
- Screening: We screen all prospective portfolio companies against our ESG Exclusion List, which contains various assets we will not invest in.
- Due diligence: We distribute our ESG Framework to identify risks as part of the diligence process. The output of this Framework is used to help inform our investment decision and significant ESG risks are flagged and escalated to General Counsel.
- Investment Committee: We outline ESG risks and opportunities as part of a qualitative assessment in the Investment Committee paper. Relevant ESG topics are explored as part of the investment Committee discussion and decision-making process.
- Ownership: We monitor portfolio companies' performance through the annual distribution of our ESG Framework and deliver bespoke ESG events to help with the integration of ESG strategies.
- Exit: We aim to capture the nature of ESG progress made through the lifetime of the investment by collation of historic monitoring and reporting data obtained during the investment.

ICEYE, a Finnish space tech company, uses a constellation of miniature radar imaging satellites to provide high-resolution Earth observation data. This data empowers various sectors including disaster management, infrastructure monitoring, and maritime security. Recognising the environmental and socio-economic challenges faced globally due to climate change, ICEYE integrates sustainability efforts into their operations and one of the use cases is to leverage their technology for positive environmental impact.

We have engaged with ICEYE to explore ways that they can increase the accuracy and robustness of their supply chain emissions footprint as well as augment the company's understanding of what is required to set and implement a credible Net Zero commitment.

In addition to this, ICEYE has explored how it can augment its existing understanding of transition planning as a mechanism to drive greater integration of climate considerations into its wider business strategy. As a result, ICEYE plans to conduct a double materiality assessment; undertake a full carbon footprint calculation; and establish a climate transition plan with short- and long-term targets by the end of FY25.

Form3 is a leading provider of cloud-based solutions for the financial services industry. They empower banks and other financial institutions to operate more efficiently and securely, providing a contribution to a more sustainable financial system. Form3 leverages data centres using 100% renewable energy, along with other sustainable technologies including evaporative cooling and LED lighting, for their cloud-based platform.

We engaged with Form3 to support them in identifying areas to strengthen their climate maturity, including exploration of opportunities to increase their CDP score and developing an understanding of the processes involved in identifying, assessing, managing, and monitoring climate-related risks and opportunities. Additionally, Form3 has reviewed practical steps they can take to decarbonise their supply chain emissions, including ways to augment data quality and coverage through supplier engagement activities.

Thought Machine builds core banking and payment technology for banks and financial institutions. It aims to be a sustainable and responsible business, incorporating environmental and social elements of their product offering. This includes minimising their and their clients' environmental footprint by offering an energy-efficient alternative to always-on in-house infrastructure.

We have engaged with Thought Machine to support them in identifying ways to enhance transparency across its sustainability reporting and appraise the value of identifying and measuring the climate-related opportunities and benefits that the company's products and services represent for its customers. While Thought Machine's direct emissions (Scope 1 and 2) are a smaller portion of their overall footprint, they are also exploring opportunities to craft educative disclosures that evidence how they are taking responsibility for the management of their operational climate impact while articulating to stakeholders some of the critical limitations that restrict Thought Machine's power to influence decarbonisation activity across a number of their material emission sources, such as data centres.

MPower Partners

Part 1.
Fund Overview

Author
Yuna Sakuma

INVESTMENT SCOPE	• Founded in 2021 • Series A onwards • Sector agnostic • Tokyo, Japan-based team, investing globally
PORTFOLIO	• ~20 companies • Series A through pre-IPO • 60% Japan, 40% overseas • Investing across software and deep-tech
TEAM	• Team of 10, led by 3 co-founders and general partners – Kathy Matsui, Yumiko Murakami, and Miwa Seki
ESG	• Investment team owns ESG processes

Part 2.
Fund ESG Philosophy

- Long before ESG investing became mainstream in financial markets, the founding general partners of MPower have championed non-financial factors, such as diversity and governance, in economic and financial analysis. We believe that the thoughtful consideration and integration of Environmental, Social, and Governance (ESG) factors into companies, including startups, provides them with a core lever for long-term value creation.

- We are committed to integrating the highest standards of ESG in all aspects of our own fund operations in order to achieve our mission of empowering bold, globally-minded entrepreneurs providing tech-enabled solutions to societal challenges; helping innovative companies drive sustainable growth through ESG integration; and revolutionizing Japan's venture ecosystem via greater globalization, diversity, and innovation. Through our activities, we will promote ESG-integrated investing in the venture capital industry.

Part 3.
ESG in the investment Process

We invest in companies that promote sustainable living through technology, led by management teams that proactively manage ESG risks and opportunities.

Alongside our fundamental assessment of a business, we conduct a high-level ESG evaluation, to understand a company's ESG maturity, where ESG risks may lie, and how we can help add value to a company's ESG integration process.

To ensure that the founders are committed to integrating ESG principles, we ask them to sign a standard ESG Memorandum of Understanding (MOU) prior to making an investment. It outlines how we expect a company to engage with us after investment regarding ESG issues and a cadence for ESG-related meetings for the duration of our investment.

Post-investment, we provide hands-on support for each of our portfolio companies to create an ESG roadmap, which includes providing them with:

- a proposal for monthly actions;
- a start-up ESG playbook – the what and why of ESG integration for start-ups, and step-by-step guidance on developing an ESG roadmap – and other resources to get started;
- guidance on what we consider to be material ESG factors; and
- guidance through monthly check-ins or by participating in ESG team meetings.

We maintain an ongoing dialogue with each company regarding their roadmaps and closely monitor their progress.

Part 4.
Case Studies

Supporting WOVN's mission to create a more inclusive web. WOVN Technologies provides localisation services for websites and applications, reducing the cost and time of developing and managing multilingual websites, and expanding the reach of large enterprises and municipal governments.

WOVN's mission – to "create a world where all people can access all data in their native language" – goes hand-in-hand with embracing and improving diversity and inclusion, which it believes is key to its business growth.

With representatives from over 25 countries, WOVN's employee base is not typical of its peers – fewer than 10% of employees hold non-Japanese nationality at the majority of Japanese start-ups, according to a joint MPower and Boston Consulting Group survey of 50 companies conducted from June to July 2022.

WOVN raised JPY5.4 billion in July 2021, and we participated in that funding round. Following our investment, WOVN formed a cross-functional team to link its mission and vision to ESG principles, developed a list of material ESG factors, and oversaw the implementation of ESG-related actions and commitments, to deliver on the ESG roadmap outlined in our MOU.

WOVN's materialities and commitments include:

Environment
Combat climate change: We will measure and reduce greenhouse gas emissions. In order to make more efficient use of energy, in the office, use air conditioning efficiently by setting the thermostat to a reasonable temperature and encourage business casual and casual wear. In addition to installing efficient LED lighting workspaces and meeting rooms, we will raise awareness of climate issues by setting up lighting appropriate to the area and time of day and installing auto-off switches.

Social
Co-create a multilingual world with stakeholders: We cannot realize the "multilingual world" without collaboration with our stakeholders. In addition to empowering more companies to localize with WOVN, we will form a community with our clients and language service providers. This is to further underscore the need for a multilingual world and provide the expertise to make it happen.

Governance
Promote diversity in the management team: We believe that incorporating diverse perspectives and values in management-level decisions promotes innovation, is important for good governance, and leads to sustainable corporate growth. To further strengthen diversity, we will encourage the appointment of women and non-Japanese directors.

We have supported the team by providing:

- case studies and other resources that demonstrate best practices for identifying materialities and mobilising stakeholders, drawn from public companies rather than unlisted peers, and start-ups outside of Japan, as ESG integration in private companies is still very nascent here;
- guidance and input during monthly meetings; and
- close support in shaping publicly-facing content, such as WOVN's ESG website.

While many Japanese companies embark on ESG activities ahead of an IPO, WOVN realised that it is advantageous to start early, as it can take time for results from initiatives to materialise.

In the next phase of our support, we will help WOVN to define appropriate ESG metrics and work through any hurdles the company may face in carrying out their ESG commitments and goals.

Northzone

Part 1.
Fund Overview

Author
Sanna Blomkvist

INVESTMENT SCOPE	• Nordic origin, founded in 1996 • Multi-stage generalist fund • Investing in seed to growth across Europe and the US • Latest fundraise at €1.1bn (2022)
PORTFOLIO	• ~100 portfolio companies across Europe and the US • Sector agnostic
TEAM	• Team of 40 (including 9 partners) split across London, Stockholm, New York, Oslo, Berlin & Amsterdam
ESG	• ESG led by Sustainability Lead in close collaboration with platform, finance and deal team. • Currently not subject to SFDR, although we voluntarily align our practices with those of an Article 8 fund.

Part 2.
Fund ESG Philosophy

Sustainability stands at the core of our operational ethos, and how we choose to invest our funds is key not only to our financial performance but also for the overall development of Northzone.

As a generalist investor, we have the opportunity to inspire entrepreneurs to consider how their companies—regardless of industry or stage—can contribute to a more regenerative economy. By investing early, we aim to make sustainability and responsible scaling integral to company growth, rather than an afterthought.

Our experience and position within the ecosystem provide us with a platform to share insights, promote sustainable practices, and foster collaboration.

Part 3.
ESG in the investment Process

We believe that linking ESG and impact to commercial viability enhances our understanding of potential and prepares companies for a resilient future.

Our Responsible Investment framework spans the entire investment process—from sourcing to exit—and is adapted to each company's stage, sector, and maturity.

Pre-investment, we assess risks, opportunities, founder attitudes, and our own additionality, presenting findings to the Investment Committee. After a term sheet is signed, we ask founders to complete a DDQ covering ESG factors and company views on material risks and opportunities, with follow-up discussions as needed.

Post-investment, we promote responsible scaling by tailoring our support to each company's specific needs and timeline.

Part 4.
Case Studies

During the fall of 2022, we conducted a strategic review to set the stage for our upcoming sustainability work. A significant part of this review involved engaging with our portfolio companies to ensure that we develop a framework that benefits them as much as possible.

We conducted in-depth discussions with companies that have dedicated heads of sustainability, asking what more we could have done throughout their journeys and what their next steps are. Similarly, we focused on earlier-stage companies to understand how we can help them get started. The most common request was for insights into how they can contribute to solutions and for concrete, on-demand support to take their first steps at their own pace.

With this in mind, we have structured our responsible scaling support around the following principles:

1. We want to initiate responsible scaling during the due diligence process, linking DD assessments to future portfolio support.

   Example: As part of our investment process, we ask founders to complete a DDQ via our sustainability platform. This gives them access and insight into the tools which we have co-developed with Apiday, including sector-specific materiality maps, an ESG maturity assessment, and tailored sustainability roadmaps. This process also links to our annual impact & ESG survey.

2. We help companies recognize how they contribute to problems and how they can be part of the solution, making responsible scaling a natural part of their culture.

   Example: To facilitate the identification of relevant issues for each of our portfolio companies, we have developed sector-specific materiality maps. These are incorporated in our own assessment but also shared with companies at the time of investment.

3. We do not believe in a "one size fits all" approach. Our portfolio support is tailored to be on-demand, catering to each company's pace.

   Example 1: Sustainability is integrated into our platform offering and can be requested on-demand, tailored to each company's needs. We've recently collaborated with portfolio companies on positive impact communication, establishing sustainability reporting frameworks, and diverse hiring (leveraging our external network to form strategic partnerships with communities and non-profits such as Witsend which enables us to diversify portfolio talent).

   Example 2: We have created a dedicated Notion page for our portfolio companies, providing guidance and practical steps to begin their sustainability journey. Through Apiday, we offer additional tools such as a template library and a carbon footprint module.

4. We leverage our collective portfolio experience to inspire and enable the sharing of best practices.

   Example 1: Our annual ESG & Impact survey is based on our portfolio materiality assessment (a weighted compilation of the most important ESG areas in the industries that we invest in) ensuring that our metrics remain relevant to our portfolio. Each year, we share an interactive dashboard of survey results filtered by stage, along with individual benchmarking data across similar-stage companies.

   Example 2: We regularly host Operator Sessions to provide portfolio companies with key takeaways rooted in peer experiences. Previous sessions have included How to start your sustainability journey, Technology Risk & Gender Pay Gap.

Oxford Science Enterprises

Part 1.
Fund Overview

Author
Emily Matthews

INVESTMENT SCOPE

- Founded in 2015
- Stage: We are venture builders, we are typically the first cheque in at the pre-seed and seed stage, and we will follow our winners all the way to exit.
- Sectors: We invest in science and technology spinouts from the Oxford cluster, focused on three key sectors: Life Sciences, Health Tech, and Deep Tech.
- Deal dynamics: We lead or co-lead in earlier rounds and generally take a Board Seat.
- Fund dynamics: OSE is structured as a company rather than a fund.

PORTFOLIO

- Size: OSE's partnership with the University means we receive an automatic stake in all spinouts from the science departments – hence the portfolio is large with c.135 companies, however 90% of our time and investment is focused on 40-45 core companies where we are typically the lead investor.
- Sector split: By cash invested, c.40% Life Sciences, 40% Deep Tech, and 20% Health Tech.
- Location split: >95% HQ in UK (remainder US/Europe).

TEAM

- OSE has c.60 team members split between the investment teams (Life Sciences, Health Tech, and Deep Tech) and the central team, who provide portfolio companies support across areas including talent, fundraising, communications, property, and sustainability. The team has a mix of investment, scientific, operational, and specialist backgrounds.

ESG

- The CFO leads ESG at the Board level. We have a dedicated ESG resource responsible for developing and rolling out the strategy, who works closely with both the investment teams and the central team to ensure ESG is owned and integrated across the business.
- What ESG regulation affects the fund: N/A, as OSE is structured as a company rather than a fund. However, OSE voluntarily reports against TCFD.

Part 2.
Fund ESG Philosophy

OSE's mission is to leverage Oxford science to build companies solving the world's greatest challenges. OSE considers ESG issues as fundamental to successfully building the next generation of transformational businesses, and so we strive to embed sustainability not only across our investment and portfolio management processes, but also within our own operations.

OSE's Responsible Investment & ESG Manager leads on OSE's sustainability strategy, working with a cross-functional ESG Committee. This committee is made up of representatives from the Executive Team, Investment Committee, and key central functions and meets regularly. It involves two working groups: one focused on OSE's internal sustainability strategy and performance, and the other on ensuring ESG is integrated across the portfolio through our investment strategy.

We recognise sustainability progress cannot be achieved alone: collaboration is necessary. In addition to the cross-functional ESG Committee, OSE engages with shareholders, co-investors, portfolio companies, industry groups (e.g. VentureESG, ESG_VC, DiversityVC, ImpactVC, Investing in Women Code), and local initiatives (Oxfordshire Inclusive Economy Partnership, Oxford's IDEA initiative) to ensure we share and collaborate on best practice.

Materiality and proportionality are key principles that underpin OSE's responsible investment approach. We recognise that each company's sustainability approach will, and should, vary by stage and sector. So, while there are portfolio-wide focus areas, on topics such as climate and diversity, we aim to approach sustainability as we do any other area in venture building, in a tailored, supportive manner, led by each company's specific aims.

Part 3.
ESG in the investment Process

OSE integrates sustainability considerations throughout the investment process – primarily through due diligence and engagement.

Pre-investment: Given the early stage we invest, including pre-company formation, our ESG due diligence is a qualitative assessment focusing on five key areas:

1. the management/founding team's mindset and experience as it relates to sustainability;
2. relevant sustainability regulation;
3. potentially materially sector-specific ESG topics;
4. operational ESG matters;
5. and climate-related risks and opportunities.

For follow-on investments, where companies have already responded to OSE's requests for ESG data, these insights will also be used to inform our ESG assessment, particularly focused on whether progress has been made towards the company's sustainability commitments. Following the decision to invest, OSE includes ESG requirements in term sheets and shareholder agreements for new investments where we lead or co-lead.

Engagement: For new investments, we host ESG and impact workshops, which are intended to facilitate an ongoing dialogue on sustainability. We work with the company to identify what sustainability topics should be prioritised, measured, and reported, and ultimately aim to identify how OSE can support the company on its sustainability journey. Another way in which we engage with companies is via annual ESG data collection, based on the ESG_VC framework. To ensure data collection is value-additive, we use this as an opportunity to offer support and guide portfolio companies. We also aim to leverage our Board seat positions to monitor and drive sustainability at the board-level.

Part 4.
Case Studies

The ESG support we provide to companies varies across the portfolio, depending on the company's stage, sector, and aims. Examples of support we have provided include:

Strategy: We work closely with company leadership from day one, supporting companies in developing their business models. This enables sustainability to be integrated from the start, with examples ranging from OSE hosting a sustainability session in a company's kick-off strategy day, to working with the company and other co-investors and/or Board members to evaluate the sustainability-related risks and opportunities of potential markets.

Benchmarking: Results from our annual ESG data collection have been used to support benchmarking, such as providing a company with insights on parental leave by stage of company. We will continue to use these insights to provide companies with guidance and recommendations.

Connections: During workshops, our portfolio companies often ask us for advice on where to find industry guidance and information, or recommendations on specialised providers or consultants who can help in specific subject areas. This has ranged from recommending LCA and emissions measurement providers, to industry organisations and local initiatives, to diversity & inclusion training providers. Moreover, enabling peer-to-peer connections across the portfolio is a growing area of support.

Materials: We support portfolio companies in developing and reviewing sustainability-related policies and materials. This has ranged from helping review a seed-stage company's first ESG policy, to the sustainability information to be included on their website ahead of launch, to the sustainability-materials to be included in a growth stage company's data room during their fundraise.

Governance: We have developed a good governance guidance note and checklist for portfolio companies, offering all new portfolio companies a workshop on good governance, setting high standards on governance from the point of company creation.

Pitango

Part 1.
Fund Overview

Author
Cecile Blilious

INVESTMENT SCOPE

- Founding year: 1993
- Stage: All stages across a platform of funds: Early Stage, Growth and Healthtech
- Sector: Sector agnostic. Building category leaders and supporting companies through their growth

PORTFOLIO

- Number of companies - 90
- AUM - $3bn
- Geographies: Investing mostly in Israeli or Israeli-related startups

TEAM

- Size & geography: Team of 45 based in Israel

ESG

- ESG team: Impact & Sustainability professional

Part 2.
Fund ESG Philosophy

As we navigate the ever-changing global landscape and challenges presented to us, we are reminded of the resilience, adaptability, and innovative spirit that have become hallmarks of Israel's high-tech industry that is shaping a better future for all.

At Pitango, we are acutely aware that the world we live in demands bold solutions and an unwavering commitment to driving positive change. It is our firm belief that companies that serve a higher purpose, rooted in strong environmental, social, and governance (ESG) principles, are better equipped to weather storms and emerge stronger on the other side.

Our structured approach ensures that ESG principles are deeply integrated into the operations of our portfolio companies, driving both sustainable growth and long-term value creation. Where relevant, we also help our companies identify and integrate impact created through their products, assisting in defining impact targets and how their product outcomes relate to the UN Sustainable Development Goals.

"As investors, we are committed to supporting our portfolio companies in all aspects, including Environmental, Social, and Governance (ESG) considerations. We believe that implementing robust ESG standards and identifying impact opportunities not only enhances our companies' business outcomes but also contributes to a more sustainable and equitable world. Our dedication to ESG goes beyond compliance; it's about fostering innovation, resilience, and responsible business practices. We take pride in supporting our companies throughout their growth journey and are encouraged by the tangible value that emerges from our ESG initiatives."

— Cecile Blilious

1. We start at the Due Diligence phase
Our journey begins at the due diligence stage, where we screen each company for ESG-related risks and opportunities, and research potential impact that can be created through their products. This analysis is added to the investment memo, considered by Pitango's investment committee and carries into the post-investment onboarding and portfolio support.

At the term sheet stage, we incorporate a clause that highlights our mutual commitment to improving ESG performance, focusing mostly on diversity, equity, and inclusion (DEI) and GHG emissions. This foundational step sets the tone for a partnership dedicated to sustainability from the outset. The purpose of this clause is to emphasize our mutual commitment to promoting ESG into the company operations through providing guidance alongside the company's commitment to create and execute an ESG strategy.

2. ESG Management - guidance and data collection.
Upon investment, we guide our companies through the building of an ESG strategy and the purpose of data collection. We also introduce our portfolio companies to ESGGo, a comprehensive ESG management system through which they can upload their data, calculate emissions and use a dashboard for internal management.

3. Conducting a Materiality Assessment and Gap Analysis
To identify areas for improvement, we develop a detailed gap analysis with the company. This analysis helps pinpoint specific ESG aspects that need attention, allowing us to tailor our support effectively.

4. Setting Key Performance Indicators (KPIs)
Based on the gap analysis and the company's priorities, we work with our portfolio companies to set relevant KPIs. These indicators are crucial for measuring progress and ensuring accountability in their ESG initiatives. However, it is important to recognize that due to the agile nature of start-up companies that need to be flexible with their business models until they find the right product-market fit, KPIs may need to be adapted accordingly. For companies with an impact potential, we guide them through our "impact migration" process.

5. Continuous Support and Improvement
Our support extends throughout the lifecycle of our investment, ensuring continuous improvement in ESG performance. This process includes:

Designing an ESG/Impact Strategy: Collaborating with companies to craft a strategic plan that aligns with their unique product, business models and ESG goals, and integrate impact targets where relevant.

Assisting Implementation: Providing hands-on support to implement the ESG strategies, from policy development, to mentoring, conducting externally-led inclusion activities, recruitment assistance, training, and more. This is especially important as the world of regulation and customer demand grows in ESG-related disclosures and commitments. We believe that it is our duty to help companies be prepared for ESG market imperatives and adopt the best business practices that will help them be competitive and thrive.

Reviewing Progress and Reporting: Regularly reviewing progress and offering guidance to address any challenges. We also support companies in their reporting efforts, ensuring transparency and accountability.

Our commitment to ESG is not just about compliance, but about creating real, positive change and providing tangible business value. Without having strong business outcomes deriving from the integration of ESG/impact there will be no real incentive by companies to adopt ESG. By integrating ESG principles into our investment strategy and actively supporting our portfolio companies, we aim to drive sustainable growth that benefits not only our companies and investors, but also society and the environment.

We look forward to continuing this journey with our partners and seeing the tangible impacts of our efforts in building a more sustainable future.

Finout is a cloud cost management and optimization platform.
The leadership team learned from Pitango that laying the foundation for ESG integration early will make efforts easier over time and will help them design their company culture from scratch. The team recognized developing an ESG Policy and goals at the outset would ensure they would not have to retool later. Pitango has been critical in raising awareness in the most material areas. As a result, Finout has been particularly focused on diversity, prioritising a healthy, high-trust diverse culture with Pitango's guidance on best-practices. In every board meeting the team reviews the percentage minority resumes for top of the funnel candidates. In working with recruiters, the company makes their targets for representation clear, and the company has established an equal pay commitment. As a result of these efforts, 40% of the company are from underrepresented backgrounds based on their local geography.

Via provides a software platform to municipalities and operators that enables a more efficient, equitable, and sustainable transit system.
In 2019, Via assembled a cross-functional ESG Task Force, including individuals across product innovation and partnerships, legal, data science, operations, policy, marketing, and strategy. The Task Force focused both on developing internal ESG efforts and better tracking and explaining the intrinsic positive impacts of Via's products. The Pitango team assisted Via's Task Force in defining, quantifying, and communicating their impact. Pitango encouraged Via to set a small number of core KPIs, and to measure them longitudinally over time, tracking their progress. The Pitango team offered thought partnership, introductions, and inspiration to continue the work.

Via's ESG and impact efforts have resulted in several additional benefits. First, Via's core customers are largely public entities, which often have ESG requirements and therefore inquire about these factors from their suppliers and vendors. Via's ESG efforts have further aligned the Company's goals with customer goals. Second, Via's ESG and impact-related efforts have been a driver for recruitment — employees want to work for a responsible, cutting edge tech company with an impact-focused mission.

More case studies of portfolio companies implementing ESG and impact in various stages and industries can be found in our inaugural ESG report.

Project A

Part 1.
Fund Overview

Author
Paola Tatay

INVESTMENT SCOPE

- Founding year: 2012
- Generalist but focused on four verticals: Logistics, Resilience, FinTech and Climate & Energy.
- Pre-seed to Series A, we also have a specialised PE Buy-Out vehicle where we invest as a minority investor.
- HQ in Berlin with an office in London.
- Lead or co-lead investments, generally take a board seat though not a requirement.

TEAM

- 5 GPs, 3 Partners and 8 additional investors.
- ~80 companies; €1bn AUM
- Pre-Seed (Studio) to PE ownership
- Pan-European (Germany, UK, Denmark, Finland, France and Italy).
- Sector agnostic

ESG

- Paola Compes Tatay, Head of ESG and Platform
- SFDR Article 8

Part 2.
Fund ESG Philosophy

The fund sees ESG in an analogous way to how public markets have used it for over a decade: an analysis tool of the risks and opportunities deriving from environmental and social factors, also known as financial materiality. This is our primary driver for taking ESG into consideration through our investment process. We believe that having a broader assessment of our investments both at the time of investment and during our portfolio management, provides a richer picture of the performance of the company.

In addition, we also discuss sustainability and ethical questions – especially within the resilience segment – on a deal-by-deal basis depending on the profile of the venture. In this way, we follow the Principles of Responsible Investment by the UN and use them as a guide for our decisions.

ESG is fully integrated into the deal flow process. An initial ESG DD is mandatory to be included as part of the main body of our investment memo, highlighting the 2–4 most material issues that this company may encounter in the short- and medium-term.

To this end, not only the Head of ESG is part of the process but the investment team is regularly trained to understand and identify these independently. Once the term sheet has been signed, where appropriate to the stage and maturity of the company, a more horizontal and detailed ESG DD is done to identify the presence of policies, initiatives, as well as plans of the company within the next 12-24 months.

ESG metrics continue to be analysed on a yearly basis through a questionnaire sent to portfolio companies which is adapted to their stage and size. Feedback is provided on a voluntary basis and materials are produced and published after identifying cross-cutting challenges in the portfolio (e.g. calculating the pay gap, how to write your first environmental policy, etc).

Project A has been actively supporting a venture focused on career development by creating a comprehensive career development framework.

This framework is designed with core competencies that are closely aligned with the company's values, ensuring a consistent culture across the organization. By providing employees with a clear understanding of their path forward and well-defined development goals that facilitate career progression, this initiative has led to a significant 18% increase in employee satisfaction, as recorded in the latest engagement survey. The structured approach not only helps employees visualize their growth within the company but also reinforces their commitment, enhancing overall productivity, retention, and cultural cohesion.

Project A has played a key role in promoting equal opportunity in recruiting efforts by implementing a process where all job descriptions are run through a gender decoder. This ensures that the language used is neutral or female-coded, encouraging more female applications. As a result of this initiative, there has been a 13% increase in female applications, reflecting a more inclusive and diverse candidate pool. By addressing gender bias in job postings, the project is fostering a more equitable hiring process, contributing to a balanced and diverse workforce that aligns with the company's commitment to inclusivity and equal opportunity.

Last but not least, Project A has been educating portfolio companies on ESG materiality and how to perform a double materiality analysis in preparation for the CSRD. In cooperation with a local sustainability consulting company, Project A hosted 5 portfolio companies at our headquarters for a half-day session where ventures were instructed to come with at least two team members of different departments in order to engage in discussion and ascertain how different stakeholders and roles within a company interpret the relevance of key ESG metrics such as employee retention, working environment, resource management and other governance topics. Within 6 months, 60% of the companies had implemented an ESG policy based on their materiality analysis.

Revaia

Part 1.
Fund Overview

Author
Anaïs Blarel

INVESTMENT SCOPE	• Management company founded in 2018 • 2 funds: Growth equity investing in companies from Series B and beyond • Minority investor, lead or co-lead with an access to the board • B2B SaaS specialist investing in sustainable innovation
PORTFOLIO	• 15 portfolio companies • B2B SaaS business models mainly addressing the digitalisation of businesses, the future of work, the decarbonisation of the Tech industry, or having an environmental/social impact • Investees' headquarters are mostly located in France and Europe, and opportunistically outside of Europe (USA, Israel)
TEAM	• Team of 17 • Offices located in Paris, Berlin and London, and a local presence in the US to help our companies grow • Diverse backgrounds: seasoned investors, ex-founders, strategic consultants, ESG specialists
ESG	• Full-time dedicated team of 2 seasoned ESG specialists • BCorp certified • Scope of Regulation: SFDR Art. 8

Part 2.
Fund ESG Philosophy

Responsible investment matters to Revaia: our philosophy has been enshrined in our DNA since our creation and is based on 3 convictions:

- We believe in the power of collaboration to drive change. This belief led us to co-author the Responsible Investing in Technology Charter in 2020, prior to the enforcement of SFDR. This Charter assists entrepreneurs and investors in the tech sector in evaluating a company's environmental impact. Its analysis framework is based on 3 pillars: Tech For Good (Positive Impact Business Models); Good in Tech (Best in Class ESG practices) and Improvement Enablers (Intentionality to pursue continuous improvement). We continue to collaborate with our ecosystem to address sustainability challenges.

- We believe companies implementing sustainable practices are "future-proofing" themselves from any shift in stakeholders' values (such as regulation, evolving customers' demand, etc.).

- We believe that companies addressing major societal and environmental challenges will benefit from a powerful lever that is able to drive value creation in the long term.

We are therefore targeting the most virtuous business models—from a financial and an extra-financial point of view—and encourage our portfolio companies to implement the best business and governance practices.

At Revaia, ESG and Impact analysis criteria are embedded in our investment process, at all stages of the investment funnel. This can be divided into four steps:

Step 1: ESG criteria are embedded very early in the dealflow process. We deploy three approaches to select opportunities that will feed the dealflow: (i) excluding the companies that conflict with our exclusion list, (ii) identifying opportunities meeting our financial criteria, and (iii) performing a positive screening. This last category consists of actively seeking opportunities through thematic deep dive analyses, which includes a dedicated ESG section designed to identify players with the best sustainable practices.

Step 2: Once an opportunity is presented at the dealflow meeting, a preliminary ESG and Impact analysis is systematically conducted. This preliminary analysis enables the ESG team to categorise the opportunity according to (i) its positive contribution to an environmental and/or social issue using the UN SDGs and the IRIS+ standards, and (ii) according to the level of concerns or risks within the industry it addresses. It is a top-down approach that is based on the sector's characteristics, discussions with founders, and on public or, if available, initial data room information. This preliminary analysis enables the team to complete the "Pre-LOI ESG Scoring" which uses a set of key ESG indicators relevant to the company's business model and internal practices. The pre-LOI scoring serves as a quantitative benchmark and allows us to give a 'GO' or 'NO GO' on potential opportunities, ensuring they align with our ESG criteria and providing an early insight into their sustainability performance.

Step 3: Following the acceptance of the non-binding LOI terms by the founders, we undertake a thorough and comprehensive ESG due diligence process for selected opportunities (alongside the financial, legal, and social due diligence). This in-depth analysis goes beyond a quantitative score and involves a qualitative assessment of the risks and potential impacts a company may have, considering both the financial and ESG aspects through the double materiality lens. The outcomes of these analyses are crucial inputs for informed decision-making and transparent reporting on our ESG and Impact practices at Revaia. ESG due diligence outcomes are systematically addressed at the Investment Committee, which the Head of Sustainability attends.

Step 4: Leveraging our ESG and Impact due diligence findings, we work closely with the founders to translate the outcomes into legal clauses in the shareholders' agreements (or side letters). These clauses encompass environmental goals, social responsibility commitments, and governance enhancements.
The inclusion of these clauses reflects our commitment to promoting positive change and aligning investments with sustainable practices.

Revaia supports its portfolio companies through various initiatives aimed at enhancing their ESG performance and impact

Our ESG and Impact Toolbox, hosted on Notion, serves as a comprehensive resource hub for ESG project managers, offering tailored tools and resources to develop and implement robust strategies covering areas such as carbon footprint, governance, and diversity. Additionally, we conduct Climate Fresk workshops to raise climate awareness and facilitate actionable steps for carbon emission mitigation within portfolio companies. Furthermore, our Impact Measurement Workshops emphasise the significance of quantifying and enhancing positive social and environmental contributions.

As part of these initiatives, Revaia supported one of its portfolio companies, Hublo, a start-up which improves the health system by addressing shortages of medical personnel, in their impact measurement project. It appeared that merely counting the number of vacant jobs in medical institutions was insufficient to fully grasp the social impact of Hublo.

With that objective in mind, Revaia helped Hublo figure out what kind of methodology they needed to use and introduced them to impact strategy agencies to help them define the granularity of the analyses they wanted to implement.

"Impact measurement is something that is not yet very codified," Maxime, Hublo's Head of Strategy said. "There are many different ways of approaching it, and so together we thought about which measurements to choose." We then designed a study which surveyed all key stakeholders and analysed much more than its basic indicators to define and quantify its broader impact.

This Hublo impact study highlighted that 88% of managers of healthcare organisations said Hublo helped them save time, an average of 2.5 hours per day in the management of replacements, thus freeing them the time necessary to concentrate on patient care. The study also pinpointed an improvement in the nursing staff's working conditions according to 73% of the solution's users.

Hublo was thus able to demonstrate that it was not just a tool to fill vacancies within healthcare establishments, but that it was a key tool contributing to the well-being of healthcare staff and helping to build the hospital of the future.

The results of this study are now used as a tool for the sales team to demonstrate the added value creation of the solution, and by hospitals to better communicate their employer benefits towards external staff.

Serena

Part 1.
Fund Overview

Author
Jérémy Rasori

INVESTMENT SCOPE	• Founded in 2008 • Pre-seed to Series A, generalist fund with an impact vertical • Based in France with investments across Europe and USA • Lead or co-lead investments, generally take a board seat though not a requirement
TEAM	• 30 people • 50% investment, 25% operating and 25% operations
PORTFOLIO	• 60 portfolio companies • 33% pre-seed / seed, 36% Series A, 31% Series B+ • 82% of companies headquartered in France, 13% in the US, 5% rest of Europe, • Preferred sectors include AI, SaaS, Climate Tech, Internet infrastructure, and Impact
ESG	• ESG is led by the CFO and the Head of Sustainability • Scope of Regulation: SFDR

Part 2.
Fund ESG Philosophy

At Serena, we understand that thoughtful investment has the power to reshape our economy for the better. By backing companies and equipping them with the right resources, we empower them to drive meaningful, positive change. Our goal is to be a trusted partner in ESG initiatives, demonstrating how social and environmental impact can go hand in hand with strong economic performance.

Our ESG efforts are guided by a dedicated Sustainability Committee, comprised of 8 members — about a quarter of Serena's team — from investment, operations, investor relations, finance, and communication. With 75% of the committee members being partners, this group plays a crucial role in shaping our firm's strategy and underscores the importance we place on ESG as a core part of our mission.

Part 3.
ESG in the investment Process

When we consider investing in a company, Serena conducts thorough ESG screening and due diligence to exclude investments that do not align with our values and to identify key sustainability risks and opportunities. The sustainability journey then starts with the inclusion of ESG, DEI, and Climate clauses in our shareholder agreements.

During the ownership period, we see transformation as our priority. Serena's team continues to identify ESG risks and opportunities within the portfolio and takes action accordingly. From the initial onboarding of new portfolio companies to our annual ESG reporting campaign and the development of an ESG action plan, we work alongside our portfolio companies to build their capacity to address their most pressing ESG issues. Everyone at Serena is committed to helping our portfolio companies grow in their sustainability efforts.

Part 4.
Case Studies

At Serena, we customize our approach to working with each company based on their stage of growth and sustainability goals.

For seed-stage startups, our focus is on raising ESG awareness, laying the groundwork for more sophisticated initiatives as they scale. Across our portfolio, we emphasize Climate and Diversity, Equity, and Inclusion (DEI). For impact-driven startups, we take a more hands-on approach, helping them define their mission and identify key impact metrics. Below are two examples of how we've empowered our portfolio companies to integrate ESG and Impact practices.

1: Strengthening Climate Awareness and Inclusive Leadership
Serena worked closely with a fast-growing startup to boost their ESG efforts, starting with a "Fresque du Climat" session - an immersive training session that helped the entire team gain a deeper understanding of climate change and its implications. This was a key step in making environmental awareness a fundamental part of the company's culture.

Recognizing the importance of diverse leadership, we also guided one of their executives through "PALM," a six-month mentorship program we designed to empower women leaders with the skills and resources they need to succeed. Our Talent Acquisition Manager further strengthened the leadership team by recruiting another female C-level executive, which helped create a more inclusive and dynamic team.

To ensure a lasting impact, our investment partner made sure the ESG roadmap became a regular item on the board meeting agenda. This ongoing commitment allowed for continuous feedback, progress tracking, and necessary adjustments, firmly embedding sustainability into the company's governance.

2: Advancing Impact Measurement and Purpose-Driven Communication
Serena collaborated with an impact-native startup to help them better define and measure their positive impact, while also solidifying their mission. We kicked things off with a workshop that covered mission-driven business models, B Corp certification, and how to integrate social purpose into their operations.

Understanding the power of branding, we connected them with an expert in purpose-driven communication to help them express their mission more authentically. We also encouraged them to take part in a sector advocacy workshop, empowering them to drive industry-wide changes and strengthen their leadership position in their field.

To make sure their impact was both measurable and transparent, we held a workshop on impact indicators, working closely with leadership to refine data collection methods and create a clear action plan. These metrics are now a key part of their business strategy, regularly reviewed at board meetings, and highlighted in the fund's annual impact report.

The Westly Group

Part 1.
Fund Overview

Author
Shaun Chaudhuri

INVESTMENT SCOPE

- Founding year: 2007, raised 5 funds, $700M AUM
- Stage, sectors, location: Climate tech, energy, mobility, industrials, and water
- HQ: Silicon Valley/San Francisco
- Deal dynamics: Lead and Minority with board seat

PORTFOLIO

- Size: 30 Active portfolio companies
- Stage split: Seed – Series B
- Location split: Global (60% North America, 30% Europe, 8% Asia 2% ROW)
- Sector: Climate tech, energy, mobility, industrials, and water

TEAM

- Total team is 15 (8 investors)
- Background is mostly operators and expertise in energy and technology.

ESG

- Who leads ESG: ESG is the responsibility of every investor as we have integrated it into the due diligence process. Shaun Chaudhuri (Principal on Investments team) has taken the lead on creating the strategy with support from Tim Wang (Managing Partner) & Jen Gunn (our CFO).
- What ESG regulation affects the fund: Article 8 (in progress)

Part 2.
Fund ESG Philosophy

We see ESG as a source of value creation for our portfolio companies. We focus on 2-3 key metrics across the E, S, and G that we think are crucial for creating a long-term sustainable business model. The majority of our ESG metrics focus on good governance (policies, board structure, board independence, etc).

“Good governance is the backbone of a startup’s ability to achieve long term sustained growth. We have seen millions of market cap erased for public companies due to bad governance practices and we view ESG strategy as a mechanism to capture market value and avoid unintended consequences.”

— Shaun Chaudhuri

Part 3.
ESG in the investment Process

We seek to apply ESG to the entire investment process from sourcing and screening to due diligence and portfolio management.

Sourcing: We are committed to ensuring accessibility and diversity as core principles in the sourcing and pipeline management of our deals. To this end, we instated an open application process: to counteract the need for a 'warm introduction', we installed a simple typeform on our website for founders to send us their pitch documentation. All applications are screened by at least one, ideally two members of the investment team.

Screening & exclusions: There are certain business models and sectors we do not invest in which include companies engaged in (adapted from the IFC's exclusion list):

- the production or trade of products or services deemed illegal under host country laws or regulations or international conventions and agreements.
- drilling of fossil fuels, including unconventional extraction of fossil fuels, such as oil sands and deep-sea drilling, unless the company is explicitly reducing the environmental footprint of that operation in a manner that contributes materially to the energy transition.

We will also seek to exclude companies whose / who:

- founder/member of the senior team is involved or has in the past been involved in cases of harassment, discrimination or bullying, as 1) evident by publicly available and independently verifiable information, or 2) verified by a neutral and authoritative third party
- do not comply with international standards and conventions regarding human rights, the environment, anti-corruption or labor laws

Due diligence: In the process of screening and conducting due diligence we use an ESG due diligence checklist to probe the founding team's thinking around ESG. This checklist seeks to establish 1) whether there are any obvious red flags, and 2) how ESG considerations might impact the viability of the business model. This is not a checklist we send to a founder but rather sits with the investment committee member leading the deal.

Post-investment portfolio support: Post investment we have:

- Annual ESG Data Reporting to help track and measure progress on ESG targets
- Regular milestone meetings: work with portfolio companies to develop ESG strategy and review progress in select board meetings

Part 4.
Case Studies

At the Westly Group, we work with portfolio companies to help establish their ESG strategy and data collection.

Here are tangible examples of how we work with portfolio companies on ESG topics:

Annual ESG report: We work with each company to provide company-level ESG reporting on an annual basis. Our goal is to reduce the amount of manual work in the reporting process, and we provide a portfolio service that takes raw data inputs for hard to calculate metrics such as GHG emissions. We also work with companies to provide benchmark data for stage and size of business so companies can see how they compare to their peer set.

DEI term sheet clause: To set the expectation that our new portfolio companies should prioritise diversity early in their lifecycles, we created a diversity and equity term sheet clause (co-authored with VentureESG & Diversity VC) to highlight the importance of advancing equity efforts in C-level roles and at the board level through commitment to equal opportunity in the hiring processes.

Driving ESG at the board level discussion: Our long-term goal is to have ESG be a board agenda item once a year for all of our companies. We have worked with several of our companies to assess material ESG topics at the board level. One of our companies wanted to focus on the Scope 1-3 GHG emissions calculation and we worked with them to ensure methodology. Another company spent time to ensure they had the right governance policies in place (Family Medical Leave, Anti Discrimination, etc) and we worked with them by sharing best practices and templates.

Data Security: We have been spending more time with portfolio companies to assess their cybersecurity protection and to have clear reporting on any data security incidents to their stakeholders and customers.

VentureESG

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