

New report by ESG_VC reveals ESG performance of 450 startups

ESG_VC, the industry initiative enabling startups to measure and improve their ESG performance, and the BVCA have today published analysis of environmental, social, and governance (ESG) data provided by 450 startups backed by leading venture capital firms including Lakestar, Balderton Molten, Highland, Beringea, and MMC.

ESG_VC was created in response to an increasing number of companies asking investors for help in measuring their carbon footprint, building an inclusive work culture, and finding solutions to the ethical implications of artificial intelligence. It now exists to help early-stage companies and their investors to measure and improve their ESG performance.

The annual report contains data collected by 16 venture capital firms using the ESG_VC Measurement Framework and is analysed by the BVCA research team. It features the submissions of 450 companies, twice as many as featured in their previous report. And, in an effort to support early-stage companies, identifies common areas of strength and weakness in the integration of ESG factors into business models.

Looking at the data, companies require greater support in implementing net-

zero agendas and dealing with the ethical consequences of artificial intelligence; however, early-stage companies succeed on social issues such as mental health and inclusion. Some of the key findings on each element of ESG include:

‘Environmental’

16% of early-stage companies measure their carbon footprint

11% of early-stage companies use offsetting tools or initiatives

5% of early-stage companies have a net-zero target and strategy in place

‘Social’

60% of startups have a policy to support staff with their mental-health and well-being

33% of startups provide DEI training

39% of startups have a recruitment programme designed to reach people from diverse backgrounds

‘Governance’

21% of early-stage companies have adopted a formal ESG policy

19% of early-stage companies currently have sustainability as a regular item on their board agenda

61% of early-stage companies have a corporate code of ethics in place

ESG_VC aims to simplify the road toward a greater integration of ESG principles into the business plans of early-stage companies. The ESG_VC ‘Roadmap’ proposes a three-step process to help the modern founder or investor better visualise the process.

They have also partnered with academics and professionals to deliver bespoke webinars on topics such as ‘Carbon accounting’, ‘Tackling gender pay gaps’, and ‘Using artificial intelligence responsibly’. These webinars, listed throughout *the report*, offer deep dives into tricky subject areas.

Speaking to Henry Philipson, co-founder of ESG_VC, he reiterated “the increasing importance of artificial intelligence. The number of companies

adopting codes of conduct and training programmes around AI needs to increase. Currently only 21% of companies offer relevant training on AI.”

Henry also emphasised the “problematic” diversity stats in this year’s report. “Companies are wanting to put good intentions into practice, but it isn’t having a demonstrable impact on the diversity of leadership teams.”

That said, it was Henry’s opinion that the onus of responsibility should not fall solely onto founders, who are often stretched, financially and practically, in the early-stages of business. Instead, the effort to better integrate ESG factors into company business plans is “also the responsibility of investors, many of whom are taking part in ESG_VC.”

“I’m probably a bit of an optimist about this,” Henry ends. “Companies are genuinely trying to engage, but some of these issues aren’t quick fixes. The reality, for example in building diverse leadership teams, is that it takes time.”

Read the 2023 ESG_VC report [here](#).

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