HV CAPITAL

DEMYSTIFYING ESG

A GUIDE
TO DECODING ESG
FOR STARTUPS

In a world facing unprecedented challenges, our role in shaping a sustainable future is more crucial than ever. At HV Capital, we recognize this and, therefore, have integrated an ESG (Environmental, Social, and Governance) strategy into the heart of our operations.

ESG isn‘t just an ethical choice; it makes sound business sense as it forms part of companies’ core culture and growth. Although ESG, in the context of venture capitalism, has a long journey ahead, we are continuously striving to learn and grow. By supporting visionary founders and businesses that share these values, we aim to drive a sustainable and equitable future.

We invite the whole ecosystem to join the journey to learn, question, and grow. Let‘s not just adapt to ESG principles; let‘s champion them and set new benchmarks.

Marie Bos
VP ESG at HV Capital

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ESG FOR STARTUPS

ESG considerations are becoming a crucial differentiator for startups, driving innovation and fostering a positive societal impact while enhancing long-term business sustainability. Yet founders may struggle to get started, seeking guidance and resources to launch their ESG journey.

At HV Capital, we are acutely aware of the importance of ESG and its potential for value creation. We hope that this guide will help you to gain a better understanding of the topic by explaining why it matters to all startups – no matter what stage they're at.

We encourage you to think of ESG as the essential toolkit that will help you to forge your company culture.

Let your ESG journey begin!

BEFORE TAKEOFF: UNDERSTANDING ESG

WHAT IS ESG?

ESG STANDS FOR:

- **Environment:**
  The environmental sustainability of your operations and products.
- **Social:**
  The social responsibility that you have towards your employees, suppliers, and customers.
- **Governance:**
  The way you manage the company to achieve transparency, accountability, and sustainability practices.

By integrating ESG into everything you do, you will build a business that operates ethically, responsibly, and sustainably. The way to achieve that is to create policies and processes that are supported by concrete initiatives. They will underpin how you run your business and provide a framework for you to grow responsibly.

Our partner, VentureESG defines ESG across ten areas linked to E, S, and G respectively.

1. Environment:

a. Considering the direct impact that your company has on the environment, for example through the emission of greenhouse gases (this is known as Scope 1).

b. Considering the indirect impact, for example in areas such as energy, electricity and waste (Scope 2).

c. Considering the impact caused by upstream and downstream activities. This could include business travel, transporting your products and the energy that your customers use. (Scope 3).

Measure and set targets for each category and, most importantly, take steps to reduce the impact across the board.

2. Social:

a. Diversity, Equity & Inclusion (DEI): Integrating diverse and inclusive practices across all areas of the business, including hiring.

b. Team and working environment: Building a strong company culture and striving to be a conscientious employer, for example by addressing issues such as the pay gap, parental leave, and a living wage).

c. Responsible product design: Designing and building products that take into consideration the ethical and human implications for the end-user and society.

d. Supply chain: Working towards an ethical and environmentally resilient supply chain (including a Supplier Code of Conduct embracing the UN's Global Compact).

3. Governance:

a. Legal and regulatory: Keeping up and aligning to the latest laws, regulations and compliance standards, for example GDPR (and equivalent), UN Guiding Principles of Business and Human Rights, and the eight core ILO conventions. The founding team and board of directors should maintain oversight of these issues.

b. Governance: Having appropriate governance structures in place, according to the company's stage of development (e.g. board structure, shareholder structure); writing out a code of conduct (committing the company to high ethical standards); adopting a whistle-blower policy.

c. Data privacy and security: instilling a strong culture of trust, responsibility and best practice (e.g. with internal systems) around data.

ESG is not the same as impact. Some impact startups are terrible at ESG. Conversely, a conventional startup can be an ESG trailblazer (there are many of these in our portfolio, some of which are featured in this guide). Being an impact startup means that you intend to contribute positively toward an environmental or social problem in a manner that can be measured and where, without your solution, change would not take place. In other words, impact is about the outcome. **ESG, on the other hand, is about your internal processes and how you conduct your business.**

WHY DOES ESG MATTER?

Why should you implement ESG? Because it is a value driver for long term growth and success.

Against the backdrop of the climate crisis and the inequalities associated with it, HV Capital supports the idea that every individual has a role to play in building a more sustainable, diverse, and equitable future.

But that's not the only reason; ESG is also good for business. Treating your employees in a socially responsible manner will help to increase their job satisfaction and lead to higher retention levels. That, in turn, will enhance your company's reputation as an attractive employer.

Improving the environmental sustainability of your company's operations and products means that it will use fewer resources, making you more efficient. That will have a direct impact on your bottom line.

Ensuring that your suppliers treat their staff well and do not harm the environment will reduce the risk of disrupting your supply chain. It will also help you control your costs and protect the reputation of your brand.

More and more customers are choosing to consume responsibly and will prefer a brand that meaningfully reduces its environmental footprint and cares for its stakeholders.

Finally, investors are increasingly focusing on this crucial issue as they acknowledge the value that ESG brings. But don't take our word for it. This recent study by Bain & Company and Ecovadis [1] draws a clear link between ESG and strong business performance.

It is also worth saying that there are considerable downsides to ignoring ESG. Apart from the issues mentioned above, there are some major regulatory risks (upcoming legislation will make ESG an integral part of your business) and the threat of being boycotted by environmentally conscious consumers.
In other words, it really does pay to embrace ESG.

BEFORE TAKEOFF: UNDERSTANDING ESG

THE 3 GOLDEN RULES OF ESG FOR STARTUPS

START EARLY

It is far simpler to integrate ESG principles into a company's values, goals, and activities in the early stages of development. A company's vision specified as part of its ESG proposition can define its culture while altering an established culture is extremely difficult. ESG is a journey that takes time, so it is better to start now even if you start small.

PRIORITIZE

Using the ESG lens to improve how you do business is a real opportunity to learn and grow sustainably. However, as a startup, it can be overwhelming or feel superfluous considering everything you want to accomplish. This is why it is important to prioritize by beginning your ESG journey with a materiality assessment (see below our guide on how to do a materiality assessment).

ITERATE

The integration of ESG into your operations and your solutions should be incremental and regularly reviewed. With each step of your development, as the complexity of your organization and the number of stakeholders grows, it is important to reassess your ESG status and either recalibrate or decide on the next level of integration. As a guiding principle, refer to our ESG roadmap, which highlights some key actions startups at different stages of their development may consider taking. But don't forget, focus on what is material to you!

By following these 3 rules, you will see that ESG will naturally be integrated into your decision-making processes and will not feel like an extra burden but provide an additional viewpoint on your mission-critical decisions.

B

FIRST THINGS FIRST: LAUNCHING THE ESG JOURNEY

APPOINT AN ESG TRAILBLAZER

Ultimately, your entire team should drive ESG efforts. But to get started, someone needs to be in the driver's seat to ensure accountability and signal commitment. Who should that be? There is no perfect answer, but consider the following factors:

- Committed leadership is essential if you are going to develop a successful ESG strategy. With that in mind, try to involve a member of senior management.
- Choose someone who can dedicate some time to ESG. In the early days, expect to spend two to three hours a week developing and implementing an ESG strategy. This will increase as the company matures and ESG is integrated into different roles and departments.
- You may want to consider splitting the role between two people to start with, before slowly assembling your ESG taskforce. ESG could be integrated into internal processes that sit within Finance, Legal, and Human Resources, while ESG linked to your product or service could be handled by the Product team. There is no magic formula. Just make sure that all the team members have roles at the company that enable them to understand and serve your ESG priorities.
- Finally choose someone who is interested in ESG and wants to learn more.

FIRST THINGS FIRST: LAUNCHING THE ESG JOURNEY

CONDUCT A MATERIALITY ASSESSMENT

Key Takeaways

Stage of development: Any company beginning their ESG journey should carry out a materiality assessment, regardless of whether it's a pre-seed or a Series G startup preparing for an IPO.

Resources: One member of staff needs to own and drive the process. Representatives from each key department and the company's management need to be consulted and presented with the results.

Timeframe: This depends on the maturity of the company and the complexity of its business model. It could take as little as a few days if you start early.

Cost: Nothing. All the tools mentioned below are free.

The main purpose of a materiality assessment is to define the social and environmental areas that are most financially valuable to your company and its stakeholders. Identifying the opportunities and risks that the company should prioritize (i.e., that are the most “material”) is critical because it will provide a blueprint for your organization's ESG strategy.

Some ESG topics may concern externalities, such as how they affect your business, or how your operations affect the environment and people around you. This is called ‘double materiality’ [2] – a concept that the EU Commission has integrated into the new Sustainability Reporting Directive (CSRD) that will apply to companies of all sizes from 2025 (reporting year: 2024).

So, you'd better get started early because it is coming your way!

COMPILE A LIST OF POTENTIAL ESG TOPICS

The ESG topics that are relevant to your company will depend on the nature of your business. So, start by compiling a list of ESG factors that are likely to have the biggest financial impact. To make this easier, you may want to use the SASB materiality finder[3]. As a startup, you are likely to be operating in more than one sector. Start by identifying your primary and secondary sectors and then overlay the material categories proposed by SASB to help you prioritize. Other useful tools are Ethical OS[4] or Ethical Explorer[5], which are designed to help tech startups to anticipate ethical challenges.

For growth startups, you can choose to follow the process recommended by the Global Reporting Initiative (GRI)[6]. It proposes a more extensive list of material topics as well as industry standards. This can be particularly helpful as you prepare your first voluntary ESG report, for which you will need to choose an internationally recognized framework.

It is recommended that early-stage startups aim to have a list of five to seven topics while growth should have no more than 10 to 12.

Here's a short list to set the wheels in motion, based on SASB's material topics for a company in the IT software industry:

ENVIRONMENT	SOCIAL	GOVERNANCE
• Environmental Footprint of Hardware Infrastructure	• Data Privacy & Freedom of Expression • Data Security • Recruiting & Managing a Global, Diverse & Skilled Workforce • AI Ethics (not included in SASB)	• Intellectual Property Protection & Competitive Behavior • Managing Systemic Risks from Technology Disruptions

Note:

`Often ESG is only associated with environmental factors. You can see in this example how the relevant material subjects are connected to the core business of software development.`

IDENTIFY & ENGAGE WITH STAKEHOLDERS

It is important to get a clear picture of both the internal and external perspectives to make the assessment. To do this, consider all the countries and business lines you operate in to ensure that all stakeholders are included.

INTERNAL	EXTERNAL
Founders	Investors
Employees	Customers
Board of Directors (if applicable)	Suppliers
	Regulators
	Local Communities (if applicable)

As an early-stage startup, it makes sense to draw up the list of topics based on what you think is material to your key stakeholders. From series C onwards, consider engaging with stakeholders through employee surveys, and interviews with the company's most important external stakeholders. It is essential that you collect feedback in an inclusive way. That will increase the likelihood that all the participants will buy into your ESG strategy when you roll it out.

PRIORITIZE

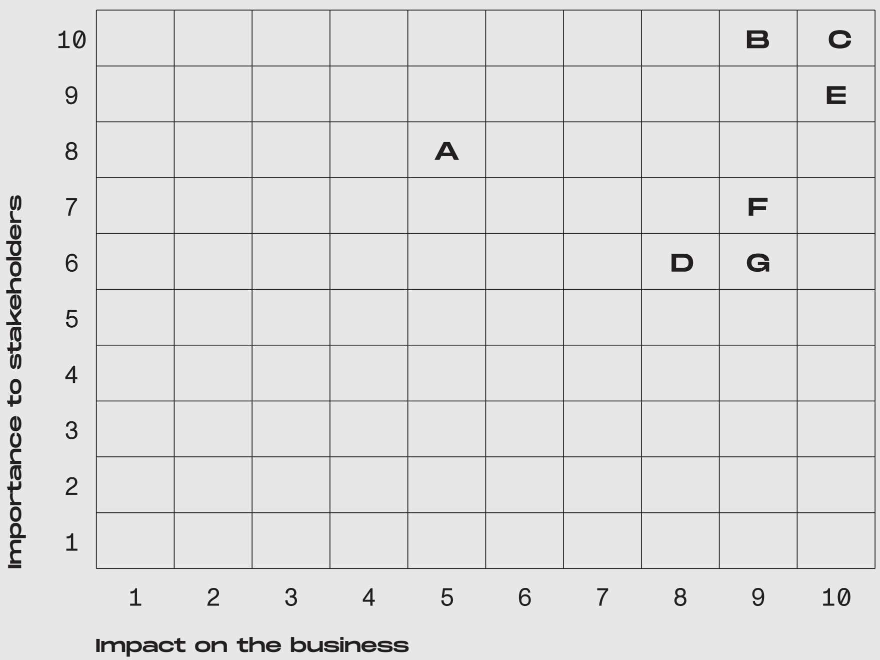
Assess both the short and long-term impact that each issue may have on the company and your key stakeholders. To do this, you should consider the following questions:

> If we fail to act on this issue, will this put our company's operations, financial health, and/or reputation at risk? If so, to what degree?
>
> Can creating a plan to evaluate this topic create value for our company now or in the future (e.g., attract investors, bring in new clients, add revenue, etc.)? If so, to what degree?

Responding "YES" to one or both questions would imply a higher rating for the issue.

You can now rank the ESG issues according to their importance to your company and to your stakeholders. Rank the issues with "1" for the least important/lowest impact and "10" for the most important/highest impact. You can simply list these issues, or consider using a 10×10 matrix, where the x-axis is "importance to stakeholders" and the y-axis is "impact on the business." The axes should be on a scale that reflects the rankings. Prioritization is key: the number of issues will vary depending on the stage of your company. Early-stage startups will have three to five priorities, while those at a later stage will have six to eight.

Here is a fictional example for a company active in the IT Software industry, as per SASB:



A Environmental Footprint of Hardware Infrastructure | **B** Data Privacy & Freedom of Expression | **C** Data Security | **D** Recruiting & Managing a Global, Diverse & Skilled Workforce | **E** AI Ethics | **F** Intellectual Property Protection & Competitive Behavior | **G** Managing Systemic Risks from Technology Disruptions

FIRST THINGS FIRST: LAUNCHING THE ESG JOURNEY

APPROVAL & REVIEW

Discuss the findings of the materiality assessment within the leadership and with the team. Review the matrix at least once every two years or after a material change to your business operations. Don't forget to update your list of topics and rankings if new trends or regulations emerge.

Tips on how to do a Materiality Assessment from Thermondo:

Tip 1:
Form a working group from different parts of the business instead of making it a one-person job. This will ensure that you include a range of opinions and perspectives.

Tip 2:
To achieve the best results, make sure that the leadership team is well informed and supportive of the initiative from the get-go.

Tip 3:
Make sure you document the whole process meticulously. You will need the paperwork for the reporting process and it will be helpful next time you carry out the exercise.

SETTING THE STAGE: CRAFTING YOUR ESG STRATEGY

Key Takeaways

Stage of development: Any company that has carried out an ESG materiality assessment should define its strategy.

Resources: One member of staff needs to own and drive the process. Representatives from each key department and the management team need to be consulted and own the outcomes.

Timeframe: This depends on the maturity of the company and the complexity of its business model. It could take as little as a few days if you start early.

Cost: Nothing.

WHAT IS AN ESG STRATEGY?

Once you have completed the materiality assessment, you can start to develop an ESG strategy. This is a plan to implement and achieve the ESG goals you have set for yourself, based on your material topics. You will need to outline how you will work on your material issues and develop metrics to track your progress.

HOW DOES IT ADD VALUE?

An ESG strategy will allow you to integrate ESG into your overall business strategy, ensuring that it becomes embedded in the decision-making process. This includes incorporating ESG into your mission statement, core values, and strategic planning. Incorporating ESG into your overall strategy, policies, and processes can improve long-term financial performance, enhance your reputation, reduce risks, and positively impact society and the environment.

HOW DO YOU WRITE AN ESG STRATEGY?

Your very first ESG strategy doesn't need to be a long or complex document. It is essentially a roadmap that will allow you to keep track of your progress and continuously improve your ESG performance within a set timeframe. While the ESG strategy is primarily an internal document, it will also form the basis of your annual ESG report.

The Key Performance Indicators for each ESG material topic that you have decided to prioritize need to be clear, quantifiable, and have a timeframe. If you choose to use the SASB's standards, you can download Sustainability Disclosure Topics & Metrics for each industry (see the table on the next page – remember to pick the KPIs that are the most relevant to you and the easiest to measure, which should improve accuracy).

To get started, it may help to refer to the Future Fit Business Benchmark[6] for a library of KPIs. Be sure to assign responsibilities for the achievement of each of the KPIs.

To achieve your KPIs, you can use several levers such as policies, certifications, or initiatives you choose to implement in line with your priorities. Some of these are described in the next section titled Time for Action: Implementing ESG Practices.

An ESG strategy is usually developed collectively with the backing of senior management and ideally should be approved, by the board of directors. It should be reviewed with the same frequency as your materiality assessment and on the same basis.

YOU MAY WANT TO STRUCTURE YOUR ESG STRATEGY AS FOLLOWS:

→ **STATEMENT OF PURPOSE:** This is an opportunity to describe your long-term vision for implementing ESG at your company and its importance to the business.

→ **SCOPE OF THE DOCUMENT:** Describe the objective of this strategy, and who and what it affects. In our view, the goal is to develop an ESG strategy that is easily integrated into the overall business strategy.

→ **ESG IMPLEMENTATION:**

- Include your ESG Materiality Assessment results to highlight the relevance of the goals you selected.
- Describe your goals and share the assigned metrics you will track to monitor progress. Do not forget to state a clear timeline.
- Describe how you plan to fulfil these goals by developing the appropriate policies and corresponding processes and initiatives.
- Describe how you plan to track progress and how you will communicate this information.

TOPIC	METRIC	CATEGORY	UNIT OF MEASURE	CODE
ENVIRONMENTAL FOOTPRINT OF HARDWARE INFRASTRUCTURE	(1) Total energy consumed, (2) percentage grid electricity and (3) percentage renewable	Quantitative	Gigajoules (G)), Percentage (%)	TC-SI-130a.1
	(1) Total water withdrawn, (2) total water consumed; percentage of each in regions with High or Extremely High Baseline Water Stress	Quantitative	Thousand cubic metres (m3), Percentage (%)	TC-SI-130a.2
	Discussion of the integration of environmental considerations into strategic planning for data centre needs	Discussion and Analysis	n/a	TC-SI-130a.3
DATA PRIVACY & FREEDOM OF EXPRESSION	Description of policies and practices relating to behavioural advertising and user privacy	Discussion and Analysis	n/a	TC-S1-220a.1
	Number of users whose information is used for secondary purposes	Quantitative	Number	TC-S1-220a.2
	Total amount of monetary losses as a result of legal proceedings associated with user privacy	Quantitative	Presentation currency	TC-S1-220a.3
	(1) Number of law enforcement requests for user information, (2) number of users whose information was requested, (3) percentage resulting in disclosure	Quantitative	Number, Percentage (%)	TC-S1-220a.4
	List of countries where core products or services are subject to government-required monitoring, blocking, content filtering, or censoring	Discussion and Analysis	n/a	TC-S1-220a.5

Spotlight on HV Capital portfolio company: Solaris SE

Solaris SE

In 2023, Solaris SE released its first Sustainability Report based on an internal strategy developed the previous year. The report was built around three pillars that related to the company's core business. Solaris set targets for each key topic and then tracked its progress towards those goals. The company revised its ambitions for 2023.

Solaris SE's tips on how to write an ESG strategy:

Tip 1:
Start by asking yourself why the company is in business and how it plans to achieve sustainability. Connect those aspirations with the company's Vision, Mission and Values (if they have already been set out). A sustainability strategy should be unique to your company and should reflect its culture. At Solaris, we created the Nature, People, Business (NPB) Strategy and Framework because we want to achieve something that is bigger, disruptive, long-lasting and unique.

Tip 2:
Listen, collaborate, collect feedback. Engage with your stakeholders and conduct a materiality assessment (see above) to identify the topics that matter most to your company. You can adapt the scope and format to your needs. In the process, be inclusive and try to set up a diverse team so that everyone can bounce ideas off each other.

Tip 3:
Give it time. Don't feel that you need to develop a perfect sustainability strategy right away. It might be quite tricky at the beginning. You can back it up with targets and KPIs when you have collected data. Then develop a governance structure to review and embed the strategy into your operations step by step.

Tip 4:
Assess. Understand where your company stands in terms of ESG and identify a roadmap to reach your goals. There are many free self-assessments out there you can use, such as the B Impact Assessment.

Tip 5:
Communicate clearly and repeat the message. It could take a few iterations for the strategy to sink in with your stakeholders. Select your communication channels and use clear and straightforward language when you launch. And remember to update your stakeholders regularly on your progress. At Solaris, we launched "Let's Talk NPB", a monthly internal discussion to share updates and invite experts to talk on sustainability topics.

Disclaimer: Solaris SE is a Series E company. This level of complexity and the relatively high number of issues that they track would not be expected before Series C.

TIME FOR ACTION: IMPLEMENTING ESG PRACTICES

You can use different levers to implement your ESG strategy and reach your goals. This is a non-exhaustive and indicative list:

LEVERS	ENVIRONMENTAL	SOCIAL	GOVERNANCE
POLICIES	• Environmental policy • Environmental management system • Supplier code of conduct	• Code of conduct • DEI policy • Employee education policy • Supplier code of conduct	• ESG policy • Anti-corruption & anti-bribery policy • Data security policy • Data privacy policy • Responsible AI policy
PROCESSES	• Carbon accounting • Carbon offsetting • Climate risk assessment	• Fair and inclusive hiring processes • Training program • Benefits for emp-loyees	• Compliance training • Regular data security and privacy testings • Board meetings
INITIATIVES	• Public and/or green transportation benefits • Office and electronic waste recycling	• Pay equity analysis • Creation of a wider network for candida-te sourcing • Employee resource groups & events	• Annual ESG report • Relevant ISO certifi-cations or B Corp

Tips on how to choose your carbon accounting software from Plan A:

Tip 1:
Scopes 1, 2, 3 emissions coverage: It is critical that a carbon accounting platform allows businesses to efficiently and accurately calculate their emissions across scopes 1,2 and 3. Given that the vast majority of emissions are from scope 3, it is critical that carbon accounting software accurately tracks and calculates emissions across the full supply chain of a business.

Tip 2:
Data-driven: Data collection does not need to be tedious, and an effective carbon accounting software should allow organisations to consolidate their data in one secure platform to ensure they can gain immediate visibility on the company's carbon footprint. Carbon accounting software that harnesses a data-driven approach ensures that users receive an accurate carbon footprint assessment, enabling them to identify emissions hotspots and gain a deep understanding of their scope 1,2 and 3 emissions.

Tip 3:
Make sure you meticulously document the whole process - you will need it for the reporting and it will be helpful when the exercise is repeated in future.

To foster diversity at your company, start with your recruitment policy. You can find a wealth of tips on this in HV Capital's Inclusion Card Deck. Get in touch with us to receive your copy.

In our view, the policies we describe after are must-haves. They should be developed in stages, as their relevance to your business increases. As with many easy wins in your ESG journey, these steps do not require you to have a dedicated budget, you simply need to identify your ESG trailblazer(s) to drive an inclusive process.

HOW DO YOU WRITE AN ESG POLICY?

WHAT IS AN ESG POLICY?

An ESG policy is a concise “rulebook” that formalizes your commitment to sustainable and responsible business practices. It does this by outlining the framework you and your colleagues use to conduct business. Think of the document as a supplement to your company’s mission statement, highlighting how your goals can be achieved through an ESG lens. The document is primarily for internal use, to help guide decision-making. It is a dynamic document.

HOW DOES IT ADD VALUE?

An ESG policy signals your commitment to responsible business practices and spearheads transparency – both internally and externally. It makes your company values explicit, clarifies expectations, and helps employees make better decisions with these values in mind. By doing so, it enhances the reputation of your company.

HOW TO WRITE AN ESG POLICY?

AN ESG POLICY COULD BE ARTICULATED ALONG THE FOLLOWING POINTS:

→ **STATEMENT OF PURPOSE:** Take this opportunity to define what ESG means for your company and why it matters.

→ **SCOPE OF THE POLICY:** Describe the objective of this policy and who and what it affects.

→ **ESG COMMITMENT:** Using the results of your materiality assessment, state your priority ESG topics and describe your ambitions in these areas.

→ **ESG GOVERNANCE:** Briefly describe your ESG governance and your commitment to including ESG topics in C-level and/ or board meetings.

The length of an ESG statement depends on your specific business and its maturity. The statement should be concise and focused, while highlighting the most important ESG factors relevant to your business. One or two pages should be sufficient.

HOW DO YOU WRITE A CODE OF CONDUCT?

WHAT IS A CODE OF CONDUCT?

A code of conduct is a set of rules or guidelines that define acceptable behavior and ethical standards for all members of staff while they are at work or attending business events. The goal is to promote a positive and inclusive environment, prevent conflicts of interest, and ensure that all individuals are treated fairly and respectfully. This document will require thoughtful consideration and should be kept with your other founding documents.

HOW DOES IT ADD VALUE?

A code of conduct is not a silver bullet signifying an inclusive workplace. Like other policies, it needs to be supported by processes (e.g., fair and inclusive hiring) and actionable initiatives (e.g., a whistleblowing tool) to ensure that the values are practiced. Only then will it start to add value. This does not just apply to more mature startups. If you work at an early-stage company, a code of conduct is also helpful, as it will form an important part of the culture that you are trying to create.

HOW TO WRITE A CODE OF CONDUCT?

As with your other policies, your code of conduct should be straightforward and easy to understand. Use people-first language to emphasize the empathetic treatment of employees and avoid using jargon or complicated language. Aim to communicate the key points concisely.

THE DOCUMENT COULD HAVE THE FOLLOWING STRUCTURE:

→ **STATEMENT OF PURPOSE:** A clear and concise declaration outlining the code’s primary objectives and guiding principles. It emphasizes your commitment to ethical behavior and integrity and reaffirms values that will guide your company’s behavior and success.

→ **SCOPE OF THE POLICY:** Explicitly state who and what types of behavior the policy covers. Define clearly and address essential topics such as:

- Respectful behavior: treat all individuals with respect, dignity, and honesty.
- Non-discrimination: emphasize that your startup does not tolerate discrimination based on race, gender, age, religion, etc.

- Anti-harassment: emphasize that the company does not tolerate any form of unwelcome or offensive behavior directed at an individual or a group, with the intention of creating a hostile, intimidating, or uncomfortable environment within the company as well as at outside events.
- Retaliation: Make it clear that no retaliation will ever be tolerated.
- Specify who is covered: describe the diversity desired in the company, recognizing groups targeted for exclusion. Include classes of individuals protected from discrimination under the law and beyond.

→ **SCOPE OF THE POLICY:** Explicitly state who and what types of behavior the policy covers. Define clearly and address essential topics such as:

- Respectful behavior: treat all individuals with respect, dignity, and honesty.
- Non-discrimination: emphasize that your startup does not tolerate discrimination based on race, gender, age, religion, etc.

→ **ENFORCEMENT:** Describe how and when code of conduct violations will be handled, and who will be involved in addressing them. Give explicit examples of unacceptable behavior and situations.

- Provide multiple options for incident reporting, including anonymous reporting to prevent fear of retaliation.
- Offer both formal and informal resolution channels. Clearly define reporting channels and steps, including alternative routes in case of conflicts of interest.
- Inform employees about expected timelines and potential consequences for different actions.

→ **IMPLEMENT AND COMMUNICATE:** Once the code of conduct is ready, communicate it to all employees, and ensure that they understand its importance. Incorporate it into your onboarding process for new hires. You could also post it on your website.

Note that you may want to involve legal counsel to review your code of conduct and ensure that it aligns with all relevant laws and regulations. This is, however, not expected of early startups.

HOW DO YOU WRITE A DEI POLICY?

WHAT IS A DEI POLICY?

A DEI policy promotes diversity, equity, and inclusion within your company. Diversity emphasizes the representation of different groups, while equity focuses on fairness and equal opportunities for everyone, regardless of their background or characteristics. Inclusion creates a workplace where all feel welcomed. A DEI policy that is not backed by any processes (e.g.: fair and inclusive hiring processes) or initiatives (e.g.: pay equity analysis) and does not contribute to an overarching goal (e.g.: We will achieve 40% representation of women in management by 2025), is not worth the paper it's written on.

HOW DOES IT ADD VALUE?

Having a DEI policy adds significant value to a startup by creating an inclusive, innovative, and forward-thinking work culture. It attracts top talent and enhances decision-making, problem-solving, and productivity, leading to improved overall performance and sustainability. If you are not convinced, bear in mind that the EU Pay Transparency Directive[7] will be implemented in member states within the next three years. The aim of the directive is to combat discrimination and help close the gender pay gap in the region. Heavy fines are likely to be applied when not respected. It is therefore crucial to adopt best practices from the start.

HOW DO YOU WRITE A DEI POLICY?

Writing a DEI policy requires thoughtful consideration and a commitment to fostering a diverse, equitable, and inclusive workplace. Some of the issues covered in a Code of Conduct will likely overlap with a DEI policy, so you may choose to merge them. Here are some steps that will help you to create a strong DEI policy:

→ **STATEMENT OF PURPOSE:** A concise and clear declaration outlining the policy's primary objectives and guiding principles. Clearly define why the policy is essential for your startup, and how it aligns with your company's values and mission.

→ **SCOPE OF THE POLICY:** Define clearly what diversity, equity, and inclusion mean to your company.

→ **COMMITMENT:** Describe your commitment to supporting your values, such as the processes and initiatives you intend to implement. You can reference the goals you may have set for yourself as part of your ESG strategy development.

→ **IMPLEMENT AND COMMUNICATE:** Once the policy is ready, communicate it to all employees and ensure they understand its importance. Incorporate it into your onboarding process, and any other relevant processes and policies. If you choose to, you can share it on your website too.

HOW DO YOU WRITE AN ENVIRONMENTAL POLICY?

WHAT IS AN ENVIRONMENTAL POLICY?

An environmental policy is a formal statement or document that outlines an organization's commitment to responsibly manage the environmental impact of its operations and, if necessary, its supply chain. Typically, the policy reflects the organization's commitment to conducting its operations in an environmentally responsible and sustainable manner.

HOW DOES IT ADD VALUE?

Writing an environmental policy is more than a symbolic gesture; it represents a commitment to responsible environmental stewardship. It can bring several tangible benefits, such as improved resource management; compliance with regulations (especially if you intend to obtain an Environmental Management System certification); and enhanced stakeholder relationships. It can also help an organization to become a leader in sustainability within its industry.

HOW DO YOU WRITE AN ENVIRONMENTAL POLICY?

One of our partners, Leader for Climate Action, recommends that you include the following elements in your environmental policy:

→ **STATEMENT OF PURPOSE:** A clear and concise statement expressing the organization's commitment to environmental protection and sustainable practices.

→ **SCOPE OF THE POLICY:** Describe your business mission and provide information about your operations such as your activities, products, and services covered by the policy, as well as the geographical locations where applicable.

COMMITMENT:
STATE YOUR INTENTION TO:

- Continually improve your environmental performance.
- Effectively manage your significant environmental impacts.
- Share your expectations in relation to external parties such as suppliers and contractors.
- Comply with relevant environmental legislation.
- Train and educate employees on environmental issues and the environmental effects of their activities.
- Monitor progress and review environmental performance against targets on a regular basis.
- Communicate business' environmental objectives to all staff, as well as to customers, investors, and other external stakeholders.

IMPLEMENT AND COMMUNICATE: Once the policy is ready, communicate it to all employees, and ensure that they understand its importance. Incorporate it into your onboarding process. If you choose to, you can also publish it on your website. Consider sending a copy to your suppliers and customers and explain to them why the policy matters to win their support.

Note 1:

Once the policy is ready, communicate it to all employees, and ensure that they understand its importance. Incorporate it into your onboarding process. If you choose to, you can also publish it on your website. Consider sending a copy to your suppliers and customers and explain to them why the policy matters to win their support.

Note 2:

Such a policy requires a certain amount of expertise that is likely to reside in the sustainability team. As with any policy, it's essential that you win the support of the leadership and get them involved.

E

AT LAST: COMMUNICATING ESG ACHIEVEMENTS

Key Takeaways

Stage of development: Realistically, only growth startups with an established ESG taskforce/sustainability team are expected to publish an ESG report. All companies can, however, put together a short report to review progress and build on year-by-year.

Resources: The company's ESG taskforce/sustainability team will drive the process in consultation with management and key departments.

Timeframe: Three to six months for late-stage companies.

Cost: A detailed report will require a professional design, as well as potentially the support of consultants if your team is not familiar with international reporting frameworks.

WHAT IS AN ESG REPORT?

When you are ready, you can start sharing your progress with others! You don't need to overcomplicate your report. Simply describe your achievements in this area over the past year by using facts, figures, and anecdotes. Initially, you may want to use the report for internal purposes only. You could also disclose it to your investors, so they can keep track of the company's ESG progress.

The decision to publish an ESG report depends on the startup's values, growth trajectory, industry, and stakeholder demands. Although early-stage startups should not be shy to share their accomplishments, it is not expected of them. Depending on the industry, some growth startups may choose to use the report to showcase their values to key stakeholders. A full-fledged ESG report, based on international reporting frameworks, is expected from more mature companies that have had an ESG strategy in place for at least two years.

An ESG report includes data and metrics on the company's ESG performance, as well as information on its related policies, processes, and initiatives. It may be developed in accordance with international reporting frameworks, such as the Global Reporting Initiative (GRI), the Sustainability Accounting Standards Board (SASB), or the Taskforce for Climate-related Financial Disclosure (TCFD)[8]. Choose one or more of these, depending on what makes most sense for you and your readership, so that you are aligned with upcoming regulations such as the Corporate Sustainability Reporting Directive (CSRD[9] - see Annex I for more information). To fulfill CSRD's reporting requirement, you will need to follow ESRS standards. You can find some educational videos on how to go about it on EFRAG's website.

AT LAST: COMMUNICATING ESG ACHIEVEMENTS

HOW DOES IT ADD VALUE?

Writing an ESG report will allow you to take stock of your progress and identify areas where more attention might be needed going forward. You can then update your materiality assessment to reflect that.

Publishing the report is essential for promoting transparency, accountability, and stakeholder engagement while driving performance improvements and sustainable business practices. At the same time it positions companies as responsible corporate citizens, contributing to their long-term success and positive impact on society and the environment. It is also set to become a regulatory requirement that will affect thousands of companies in the EU alone (CSRD).

Following the publication of their first ESG report, some of HV Capital's portfolio companies noticed a change of mindset. It introduced a new focus on sustainability efforts internally and an additional set of priorities. The report also led to further discussions with ESG partners and the industry.

Note:

HV Capital will ask all startups to report on some ESG-related KPIs on an annual basis, and these could be part of your report. However, the report should be more reflective of past achievements and future goals.

HOW DO YOU WRITE AN ESG REPORT?

AN ESG REPORT NORMALLY INCLUDES AT LEAST SOME OF THE FOLLOWING ELEMENTS:

- **EXECUTIVE SUMMARY**
- **INTRODUCTION AND COMPANY PROFILE:** A brief introduction to the company and its business model. This section is an opportunity to explain the company's purpose, vision, and strategy related to ESG issues and reiterate its commitment.
- **MATERIALITY ASSESSMENT:** A description of the process used to identify and prioritize the ESG issues that are most significant to the company and its stakeholders.
- **GOVERNANCE:** Information about the company's corporate governance structure, board composition, independence, and practices that promote accountability and ethical decision-making. This section is optional for early-stage startups or can be limited to mentioning the person or taskforce responsible for ESG.
- **ESG PERFORMANCE:** Presentation of quantitative and qualitative data related to the company's ESG performance. This may include KPIs, targets, benchmarks, and trends over time. It should also provide context and explain data collection and measurement methodologies. Early-stage startups can limit this section to a set of key KPIs and a qualitative description of key policies, processes, and initiatives that have been put in place. Do not hesitate to keep it light and mention your main achievements.
- **OUTLOOK:** A discussion of the company's ESG goals, targets, and initiatives, including ongoing and planned actions to improve performance and mitigate risks. It should also address long-term sustainability strategies and how ESG considerations are integrated into the company's overall business strategy. Early-stage startups may also keep this section short.

AT LAST: COMMUNICATING ESG ACHIEVEMENTS

- **ASSURANCE AND VERIFICATION:** Disclosure of any external assurance or verification processes conducted on the report's content to enhance credibility and reliability. This section may include details about the assurance provider and the scope of the assurance engagement. This section is optional for early-stage startups.
- **REFERENCES AND REPORTING FRAMEWORKS:** Acknowledgment of the reporting frameworks, standards, and guidelines followed in preparing the report. Common frameworks include the Global Reporting Initiative (GRI)[10], the Sustainability Accounting Standards Board (SASB)[11], and the Task Force on Climate-related Financial Disclosures (TCFD)[12]. This section is optional for early-stage startups.

Spotlight on one of our own: Flix

In 2023, Flix released their first Sustainability Report. Flix's tips on how to write an ESG report:

Tip 1:
Think about your readership: who is your main target and what interests them.

Tip 2:
Define your building blocks: choose your technical frameworks, define your value creation story, and include your ESG goals.

Tip 3:
Set up your KPI club: identify your allies at all levels, engage with them, and educate them to collect the KPIs you need. Do not bad KPI-shame!

Scan to discover more

Disclaimer: Flix is a Series E company. This level of complexity and the quantity of issues tracked would not be expected before Series C.

DEMYSTIFYING ESG

This guide is a starter kit to set you off on your ESG journey. We have tried to keep it as succinct as possible, rather than exploring every corner of the ESG universe. It is meant to be adapted to fit your company's needs and priorities and should be treated as a living document.

If there's one thing to take away from this guide, it is to focus on what is material to you. Drawing up and implementing an ESG strategy can be challenging. This is why it is critical to start with your ESG materiality assessment and progress from there.

By doing so, you will find it much easier to decide on the policies, processes, and initiatives you will put in place to integrate ESG into everything you do. That is how you create an enduring company culture that employees, customers, and investors will be happy to be associated with.

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ANNEX & FOOTNOTES

(EU) Regulatory Watch

The list below provides an overview of the existing and upcoming ESG regulations within the EU that may affect your company. It is not exhaustive and does not serve as legal advice.

CORPORATE SUSTAINABILITY REPORTING DIRECTIVE (CSRD)[1]:

Eligibility:

Companies established in the EU, Iceland, Liechtenstein, and Norway with net turnover of more than €40m, a balance sheet total of over €20m; and employing at least 250 people. Non-EU companies generating a net turnover of more than €150m and having EU operations generating over €40m net turnover.

Summary:

CSRD is a proposed EU regulation aimed at improving and standardizing sustainability reporting by companies operating within the region. It will impose more comprehensive reporting requirements on companies, including larger businesses and certain listed companies, to disclose non-financial and sustainability-related information.
CSRD mandates reporting both how business activities affect sustainability and how sustainability impacts business, known as „double materiality,“ using prospective, retrospective, qualitative, and quantitative data. This data must also be audited for accuracy.
CSRD will be rolled out in four stages, starting in 2025 (reporting year 2024!).

Relevance:

CSRD is expected to affect startups in two ways. Some may find themselves as primary suppliers for some large customers who will request this data from you. As you mature, others will be directly affected by it due to increases in revenue and/ or the number of employees. This is a lot of data to collect, so it is best to start early. Be mindful that the data will need to be collected according to the new ESRS guidelines that will be finalized until late 2023.

AI EU ACT[2]:

Eligibility:

Any company using or developing an AI tool as well as those processes masses of data.

Summary:

The EU AI Act is the most prominent effort to regulate AI and is expected to pass into law soon. Act divides AI applications into risk categories and defines rules for each category. First, applications and systems that create an unacceptable risk -- such as government-run social scoring of the type used in China -- are banned. Second, high-risk applications, such as a CV-scanning tool that ranks job applicants, are subject to specific legal requirements. Lastly, applications that are not explicitly banned or listed as high-risk

[1] https://finance.ec.europa.eu/capital-markets-union-and-financial-markets/company-reporting-and-auditing/company-reporting/corporate-sustainability-reporting_en
[2] https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52021PC0206

tend to be left unregulated. The proposal could come into force as early as mid-2024.

Relevance:

It is important to monitor the developments of the draft law to understand the types of disclosures and safeguards that may be required from your company.

OECD GUIDELINES FOR MULTINATIONAL ENTERPRISES ON RESPONSIBLE BUSINESS PRACTICES[3]:

Eligibility:

The OECD Guidelines for Multinational Enterprises (MNEs) are recommendations issued by governments to multinational enterprises operating in or from adhering countries.

Summary:

The guidelines encourage MNEs to adopt policies and practices in the following key areas:

General Policies: MNEs are encouraged to have clear and transparent policies that promote responsible business conduct throughout their global operations.
Human Rights: MNEs should respect and support internationally recognized human rights, as outlined in the Universal Declaration of Human Rights and other relevant international instruments.
Employment and Industrial Relations: Companies should uphold labor rights, provide fair working conditions, and promote effective employee engagement and communication.
Environment: MNEs are encouraged to adopt environmentally sustainable practices, reduce environmental impacts, and support conservation efforts.
Anti-Corruption: Companies should implement anti-corruption measures, promote integrity, and work against bribery in all its forms.
Consumer Interests: MNEs should ensure that their products and services meet high safety and quality standards while respecting consumer rights and privacy.
Science and Technology: MNEs are encouraged to support research and development efforts and collaborate with local stakeholders in the field of science and technology.
Competition: Companies should respect fair competition principles and comply with antitrust laws in their countries.
Taxation: MNEs should comply with tax laws and regulations in an ethical and transparent manner.

Relevance:

The OECD Guidelines are a standard adopted by the EU Commission to assess the commitment of companies to responsible business practices. Having mechanisms and processes that promote responsible business practices as per the guidelines is one of the KPIs requested of startups in the context of SFDR reporting. For a law-abiding European-based startup, this is an easy KPI to fulfill.

[3]https://www.oecd-ilibrary.org/docserver/81f92357-en.pdf?expires=1690987114&id=id&accname=guest&checksum=A2D-B5904374CB55C81A3AB5C721F622B

UN GLOBAL COMPACT[4]:

Eligibility:

On a voluntary basis.

Summary:

The United Nations Global Compact is a voluntary initiative launched by the UN in 2000 to encourage businesses and organizations to adopt sustainable and socially responsible policies and practices. The initiative's goal is to mobilize the global business community to advance sustainable development and contribute positively to society, while promoting environmental protection and respect for human rights.
The UN Global Compact is based on 10 principles that cover four main areas: Human Rights, Labor, Environment, and Anti-Corruption.

Relevance:

The United Nations Global Compact is a voluntary initiative launched by the UN in 2000 to encourage businesses and organizations to adopt sustainable and socially responsible policies and practices. The initiative's goal is to mobilize the global business community to advance sustainable development and contribute positively to society, while promoting environmental protection and respect for human rights.
The UN Global Compact is based on 10 principles that cover four main areas: Human Rights, Labor, Environment, and Anti-Corruption.

CORPORATE SUSTAINABILITY DUE DILIGENCE DIRECTIVE (CSDDD)[5]:

Eligibility:

All EU limited liability companies with more than500 employees and over €150m in worldwide net turnover. Limited liability companies operating in defined high-impact sectors, including mining and extractives, agriculture, and textiles, with more than 250 employees and a net turnover of over €40m.

Summary:

The proposal introduces mandatory environmental and human rights due diligence requirements. It applies to all companies based and/or in the EU. It is expected to come into force in 2026.

Relevance:

CSDDD will become relevant to those with a supply chain.

[4]https://unglobalcompact.org/what-is-gc/mission/principles
[5]https://ec.europa.eu/commission/presscorner/detail/en/ip_22_1145

SUSTAINABLE FINANCE DISCLOSURE REGULATION (SFDR)[6]:

Eligibility:

Financial market players.

Summary:

This is a regulatory framework introduced by the EU to enhance the transparency and disclosure requirements for financial products and services with regard to sustainability factors. SFDR requires financial market participants -- such as asset managers, investment advisors, and other financial institutions -- to provide clear and standardized information about how sustainability factors are integrated into their investment processes and decision-making. It also mandates specific disclosure requirements for financial products that claim to have sustainable or ESG characteristics.

Relevance:

VCs, banks, and PE firms are all affected by SFDR. As a result, they need to publish a report annually. As such, they might request some data from their portfolio (Principal Adverse Impacts – PAIs).

EU TAXONOMY[7]:

Eligibility:

Financial market players and all companies affected by CSRD.

Summary:

The EU Taxonomy (also known as the EU Sustainable Finance Taxonomy), is a classification system introduced by the EU to define and categorize economic activities that can be considered environmentally sustainable. It is a key component of the EU's efforts to promote sustainable finance and support the transition to a low-carbon, resource-efficient, and environmentally friendly economy. The main objective of the EU Taxonomy is to provide a common language and set of criteria for identifying and classifying activities that contribute to environmental objectives. Companies and financial institutions that want to claim that their activities or investments are environmentally sustainable must align with the criteria defined in the EU Taxonomy. This alignment is particularly relevant for financial products and services that fall under the scope of SFDR.

Relevance:

As with to SFDR, investors might request data from their portfolio to prove alignment with the Taxonomy.

Keep an eye on other regulatory developments. These include the upcoming EU Green Claims Directive to combat greenwashing in marketing materials and the Directive. The Taskforce on Nature-related Financial Disclosures (TNFD) and the Carbon Border Adjustment Mechanism (CBAM) are also in the pipeline. You can track any other regulations that are material to you here.

[6]https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32019R2088
[7]https://ec.europa.eu/sustainable-finance-taxonomy/

ESG Certifications

Mature startups may seek ESG or sustainability certifications to give credibility to their efforts and claims. It is important to consider how essential it is to undergo such a process, given that it tends to require considerable time and resources. Consider which stakeholders are requesting or would benefit from your acquiring this certification, how important it is for them, and how impactful this relationship is to your business.
The list below gives an overview of the most reputable certifications internationally. It is not exhaustive. Please remember to choose the most relevant certification to you and your business goals.

B—CORP:

Summary:

B Corp certification, also known as „Benefit Corporation" certification, is a type of certification granted to companies that meet specific social and environmental performance standards. B Corps, or Certified B Corporations, are businesses that have demonstrated a commitment to balancing profit-making with creating positive impacts on society, the environment, and their employees.
The nonprofit organization B Lab manages the certification process, which verifies a company's performance against a set of standards and criteria. These criteria cover areas such as:
Governance: Companies need to consider the interests of various stakeholders, including employees, communities, and the environment, rather than solely focusing on shareholders' financial interests.
Workers: Companies are assessed based on their employee policies and practices, including compensation, benefits, training, and overall workplace culture.
Community: B Corps are expected to actively engage with and contribute positively to the communities in which they operate.
Environment: Companies are evaluated on their environmental practices, resource usage, and efforts to reduce their ecological footprint.
Customers: B Corps must consider the impact of their products and services on customers' well-being and society.
Transparency and Accountability: B Corps are required to provide transparent reporting of their social and environmental performance.
By obtaining B Corp certification, a company demonstrates its social and environmental commitment. It signifies that the company's operations align with values beyond maximizing profits, and it helps consumers and investors identify businesses dedicated to making a positive impact.
B Corp certification is available to companies of various legal structures and is recognized globally as a symbol of ethical business practices.

Benefits:

Becoming a B Corp-certified startup can offer many benefits beyond traditional business success. Here are some potential advantages:
Attracting Purpose-Driven Customers: B Corp certification showcases your startup's commitment to social and environmental responsibility, attracting a customer base that values ethical and sustainable practices.
Differentiation: A recognizable and reputable label signals your dedication to more than just profits, giving you an edge over your competitors.
Access to Impact Investment and Funding: B Corps often attracts impact investors, venture capitalists, and other funders who prioritize both financial returns and positive societal impact.
Talent Attraction and Retention: Many employees, especially from younger generations, want to work for companies that are making a positive impact.
Operational Efficiency: The B Corp assessment process encourages you to evaluate and improve various aspects of your startup's operations, leading to increased efficiency and reduced waste.

However, it is important to note that becoming a B Corp requires a commitment to meeting and maintaining the rigorous standards set by B Lab. The certification process can be thorough and may require changes to your startup's operations. Additionally, while there are many benefits, the process can also come with costs and challenges. Therefore, consider carefully whether B Corp certification aligns with your startup's mission and goals before pursuing it.
Some of our portfolio companies have successfully obtained their B-Corp certification. Find out more about Plan A's journey here.

ISO CERTIFICATIONS:

Summary:

ISO certifications refer to a series of international standards developed by the International Organization for Standardization. These standards cover various aspects of quality, safety, environmental management, and other business processes. These certifications are often audited by third-party certification bodies to ensure compliance.
Some (but not all) relevant ISO certifications are:
ISO 9001: Quality Management System (QMS): ISO 9001 sets the standard for quality management systems. It focuses on ensuring that an organization consistently delivers products or services that meet customer and regulatory requirements while striving for continuous improvement.
ISO 14001: Environmental Management System (EMS): ISO 14001 provides a framework for organizations to manage and reduce their environmental impact. It covers areas such as waste management, energy efficiency, and compliance with environmental regulations.
ISO 45001: Occupational Health and Safety Management System (OH&S MS): ISO 45001 helps organizations establish a system to manage occupational health and safety risks, reduce workplace accidents, and improve employee well-being.
ISO 27001: Information Security Management System (ISMS): ISO 27001 sets standards for managing information security risks. It helps organizations protect sensitive information, manage cybersecurity threats, and ensure the confidentiality, integrity, and availability of data.
ISO 22301: Business Continuity Management System (BCMS): ISO 22301 outlines requirements for establishing a business continuity management system to minimize the impact of disruptive incidents.
ISO 37001: Anti-Bribery Management System (ABMS): ISO 37001 helps organizations establish, implement, maintain, and improve an anti-bribery management system.

Benefits:

ISO certifications are widely recognized and provide a framework for organizations to demonstrate their commitment to best practices and continuous improvement in these areas. The main benefits to obtaining an ISO certification extend to improving efficiency, reducing risks, enhancing customer satisfaction, and increasing market competitiveness.
However, achieving and maintaining the certifications requires dedication, resources, and ongoing commitment. Organizations must continually monitor and improve their processes to maximize the advantages of ISO certification. Additionally, the specific benefits may vary, depending on the ISO standard relevant to your industry and business goals.

FOOTNOTES

[1] *Bain & Company and Ecovadis (p.10)*
https://www.bain.com/insights/do-esg-efforts-create-value/#:~:text=Not%20every%20analysis%20yielded%20a,revenue%20growth%20and%20EBITDA%20margins.

[2] *double materiality (p.13)*
https://www.efrag.org/Assets/Download?asseturl=/sites/webpublishing/Meeting%20Documents/2307280747599961/06-02%20Materiality%20Assessment%20SRB%20230823.pdf

[3] *SASB materiality finder (p.14)*
https://sasb.org/standards/materiality-finder/

[4] *Ethical OS (p.14)*
https://ethicalos.org/

[5] *Ethical Explorer (p.14)*
https://ethicalexplorer.org/

[6] *Future Fit Business Benchmark (p.19)*
https://futurefitbusiness.org/explore-the-benchmark-and-key-concepts/

[7] *EU Pay Transparency Directive (p.25)*
https://www.consilium.europa.eu/en/press/press-releases/2023/04/24/gender-pay-gap-council-adopts-new-rules-on-pay-transparency/

[8] *Taskforce for Climate-related Financial Disclosure (TCFD) (p.32)*
https://www.fsb-tcfd.org/

[9] *Corporate Sustainability Reporting Directive (CSRD) (p.32)*
https://finance.ec.europa.eu/capital-markets-union-and-financial-markets/company-reporting-and-auditing/company-reporting/corporate-sustainability-reporting_en

[10] *GRI (p.35)*
https://www.globalreporting.org/

[11] *SASB (p.35)*
https://sasb.org/standards/materiality-finder/find/

[12] *TCFD (p.35)*
https://watershed.com/en-GB/product/climate-disclosures?alt=101&gclid=Cj0KCQjw8NilBhDOARIsAHzpbLAY7GZN6udcmutPxtb4EF8XRd2QCMc1hj65agt87sArp9kM05Cf8TcaAp-4EALw_wcB&utm_medium=ppc&utm_term=142991862418&utm_content=664973643586&utm_source=google&utm_campaign=17936399499

ESG ROADMAP: FOR SOFTWARE TECH STARTUPS

It all begins with a materiality assessment that needs to be reviewed regularly

RED — Most material topics for software tech startup

• — Possible actions to consider

	SEED	SERIES A&B	SERIES C+
E	CONSIDERATION OF IMPROVEMENTS TO ENVIRONMENTAL PERFORMANCE (Seed – Series A&B) • Light environmental footprint assessment	• Footprint reductions • Environmental policy	FULL ENVIRONMENTAL FOOTPRINT ASSESSEMENT • Scope 1,2 & 3 measurement • Consideration of emissions reduction targets
S	POSITIVE CULTURE (Seed – Series C+) • Regular team meetings	• Code of conduct (incl. DEI, anti-harassment and anti-discrimination policy) • Employee satisfaction survey • Track staff turnover & reasons	• Employee resource groups
S	RESPONSIBLE PRODUCT DEVELOPMENT (Seed – Series C+) • Responsible AI concept • Evaluation of possible negative consequences	• Responsible AI policy • Monitoring negative consequences	• AI explainability • Mitigating negative consequences
S	TEAM COMPOSITION • Diversity in hiring	FAIR REMUNERATION • Unadjusted gender pay gap calculations	TEAM PERFORMANCE • Diversity strategy & targets
S	LABOR PRACTICES • ESOP pool	GRIEVANCE MECHANISM • Whistleblowing policy & tool	HR BEST PRACTICES • HR process professionalization
G	CORPORATE GOVERNANCE DEVELOPMENT • Governance structure, creation and documentation • Diverse and independent board creation	GOVERNANCE PROCESSES & BEST PRACTICE (Series A&B – Series C+) • Anti-corruption and anti-bribery policies • ESG topics in board meetings	• Expansion of board capacity and capabilities • ESG governance & achievements disclosure
G	DATA MANAGEMENT GOVERNANCE DEVELOPMENT • Data security & privacy policies • Technical data management & security processes	DATA MANAGEMENT IMPLEMENTATION • 'DPO as a service' • Cyber security protection program	DATA MANAGEMENT IMPLEMENTATION • DPO (and CISO if needed) hire • Full technical data management & security processes
For startups with supply chain	RESILIENCE (Seed – Series C+) • Simple supply chain risks assessment	• Supply chain monitoring • Supplier code of conduct (incl. human rights policy)	• ESG (incident) supply chain screening • Supplier engagement & audits • Life Cycle Assessment of main products

HV CAPITAL

BACKING THOSE WHO DARE

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