

ESG Policy for Sustainability

Doing the right things – because it matters!

3VC partners up with teams that have the determination to drive humanity forward. With big ideas come change and responsibility. We actively evaluate and measure the impact of our work and of the companies we partner with by applying ESG principles with regard to Environmental, Social, and Governance (ESG) matters. Together, we take action creating sustainable value, and taking care of our future. Because our future matters!

I. Scope

Environmental

We protect our climate and strive to reduce our emissions to combat climate change. We strongly encourage our founders to act as well and work towards sustainable operations.

We are eager to back founders that make a positive impact on our environment while building a solid and growing business.

Social

We create an inclusive and diverse community and welcoming environment. We do not tolerate discrimination, harassment, and other unaccepted behavior and retaliation.

We foster and encourage diversity and female leadership within 3VC and our portfolio companies.

Our code of conduct guides not only our internal interactions but also the interaction with third parties, such as company founders, advisors, other investors.

Governance

We set high standards in terms of business ethics, company leadership, risk controls and shareholder rights – for ourselves and the partners we work with.

We strive for transparency.

We value independence and build a safe place where everyone can share opposing and controversial opinions.

We adhere to strict conflict of interest and anti-money laundering (AML) policies.

We are a registered AIFM domiciled in Austria and EuVECA domiciled in Austria.

II. Implementation

We implement our mission regarding ESG along with our investment process as well as within our internal organization (processes, hiring, values).

External (Fund Investments):

As part of the investment process and our due diligence, we monitor ESG-related matters internally and with target companies using the below framework of qualitative and quantitative questions and KPIs (see III. Methodology)

We address the ESG matters in our investment memorandum. We are actively tracking the diversity in our deal-flow and actively engage with the community to improve the diversity when sourcing new deals. We have regular (annual) conversations with the management teams of our companies using the below framework, discussing ESG-related issues, priorities, activities, and processes in place. We will provide annual ESG-related training to our companies.

Internal (Fund)

We use the same framework to evaluate our work and we are re-assessing our policies and doing internal training and workshops on an annual basis. We are committed to achieving Scope 1 to Scope 3 carbon neutrality working together with [LFCA](#) and [Climate Partner](#). We have joined the [#MovingForward initiative](#) to support the tech industry's efforts in creating diverse and inclusive environments. Our internal processes and policies, such as conflict management, detailed reporting to Limited Partners, ensure we are held accountable as individuals and as a firm.

Overview of our ESG related actions for each stage (internal and external):

Pre-investment (external):

- Negative screening excluding specific sectors
- Quick scorecard evaluation as part of the scouting process focusing on sustainability, diversity, and governance; if there are yellow to red flags, we initiate an early discussion addressing the issues
- ESG clause included in the term sheet
- A framework to be filled out by the teams after the TS (pre-closing)

Fund Investments (external):

- An annual or bi-annual ESG-focused conversation using our framework that includes a questionnaire, KPIs as seen below, and a discussion of ongoing activities and focus
- Launching ESG focused workshops/training

Fund Management (internal):

- Relevant policies and processes in place (code of conduct, AML, conflict of interest)
- Part of [#MovingForward](#), promoting the creation of external anti-harassment and anti-discrimination policies and clear reporting channels by investors
- Aiming for scope 1, 2, 3 neutrality, we focus on reduction, the remainder is offset, we are part of [LFCA](#) and [Climate Partner](#)
- Internal training (ESG focused workshops/training)
- Supporting and contributing to initiatives that promote and support diversity
- Detailed reporting to LPs

III. Methodology

We are using a pre-investment questionnaire in the pre-investment stage as part of our internal review and DD process (before term sheet).

We are using a detailed framework to monitor ESG principles across all fund processes from due diligence to portfolio management using the below metrics in a framework of qualitative and quantitative questions and KPIs (kicking off after signing the TS, then annually after investment).

3VC is an active member of the [European ESG for VC initiative](#) started by GMG Ventures and Houghton Street Ventures. Our framework is based on the industry-standard that is currently being developed by this initiative. The below metrics and framework are currently being developed and will evolve over time (thus subject to continuous updates and change).

A. Pre-Investment Questionnaire and Review Metrics

Pre-investment Questionnaire

1. Does the solution today and in the future impact the environment or society in a negative way?
2. Is the team aware of the importance of ESG factors and do they act on those?
3. What are the risks associated with the company's future?
4. Do we trust the team? Have there been any legal actions taken against the team or the company in the past?
5. What is the leadership style and culture of the company? Why do people join and stay?
6. What are the company values?

Ongoing review metrics (for Investment and Fund Management)

Diversity & inclusion

1. % of employees from underrepresented groups (e.g. female, BAME, first generation to go to university in their family) across: founders, senior management, board, advisors, full employees
2. Does the company have any policies relating to anti-discrimination, diversity and equal opportunity? When were they last reviewed?

Team & working environment

3. Equity pay gap - gender, ethnicity
4. Does the company have someone responsible for HR/talent?
5. Does the company measure employee happiness/engagement/mental health? If yes, latest score
6. Latest turnover, as % of total employees

Environmental impact

7. If tracked, environmental footprint (scopes 1-3)

8. What initiatives does each company have in place to improve environmental performance?

Supply chain

9. What social and environmental factors do you take on board when evaluating your suppliers?
10. What initiatives does each company have in place to monitor and improve its supply chain? When was this last reviewed?

Data privacy & security

11. Is there a dedicated member of staff in charge of data security/privacy?
12. Do you have a data management policy? When was it last reviewed?

Responsible product design

13. Do you have an ethics statement or responsible tech policy? When was it last reviewed?
14. Who are each company's key stakeholders and what are the possible direct or indirect negative impacts of the company's product on them? Does the company document then?
15. Does each company have processes in place to monitor and mitigate unintended consequences of its product/service?

Legal & regulatory

16. List of clients wouldn't work with, or sectors wouldn't do business with

Governance

17. Do you have independent members on your governing body?
18. What kind of policies and processes are in place? (e.g. a conflict of interest policy and reporting process, AML policy, etc).

B. Framework

We are planning to use a detailed framework that is being developed by the [European ESG for VC initiative](#) to monitor ESG principles across all fund processes from due diligence to portfolio management. The framework monitors the above metrics using qualitative and quantitative questions and KPIs for detailed review (kicking off after signing the TS, then annually after investment).

Until further notice from the EU legislator on the details of the SFDR framework (expected by end of Q2 2021) we are measuring the ESG criteria on a smaller scope within our portfolio (soft launch) and adapt it in line with ongoing feedback from the 3VC community.

Link: [3VC ESG framework](#)