

# The art of comparison: Analysis highlights growing impact of ESG standards in venture

*Annual research from ESG\_VC and BVCA analyses data from almost 600 start-ups backed by leading venture capital firms.*

Temps de lecture : minute

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5 June 2024

Sometimes, comparison can be helpful.

Even though this first sentence goes against the gazillions of motivational posts shared by entrepreneurs on LinkedIn, one has to compare themselves to others in order to improve.

But comparison doesn't have to come with self-hatred while praising other people's feats. A successful person might be this way because they dared to act, because their drive got them where they are, because the countless hours they spent on their craft, idea, vision led them there.

By looking at the journeys of "those who made it big", we can learn from their experience and what made them who they are. Even if easier said than done, the key to unlock positive comparison is to transform feelings of jealousy and self-loathing into inspiration and learning.

By looking at other companies' successes and accomplishments, startups can improve themselves and the way they work.

Because every startup is a great achievement but also a work in progress, ESG\_VC, the industry initiative enabling start-ups and their investors to improve ESG performance, today publishes analysis of ESG data collected

from 587 start-ups backed by leading venture capital firms including *Atomico*, *Molten*, *Beringea*, *Oxford Science Enterprises*, and *Astanor*.

## Key findings: Significant progress on net zero balanced by challenges in leadership diversity

This year's research shows a near doubling in the proportion of start-ups measuring their carbon footprint (2022 to 2023) increasing from 16% to 28%. Building on this, 8% of start-ups now have a net zero policy in place - an uplift from 5% in 2022 - while a further 17% of those surveyed expect to set a net zero target in 2024.

Diversity in leadership is still an area that needs greater focus, as 41% of the start-up participants do not have a woman on their board, while the proportion of companies with no women in senior management roles has increased to 20% from 15% in 2022.

The data highlights, however, that start-ups are investing heavily in alternative sources of skills and talent, as they grapple with constrained budgets and a competitive recruitment market. 57% of start-ups analysed are providing study support to their employees - up from 40% in the prior year - while almost half (47%) offer an internship, apprenticeship, or trainee programme, increasing from 35% in 2022.

## UK versus Europe: European start-ups lead on net zero and responsible AI

Companies participating in the research based in Europe were found to be outperforming their UK peers on net zero, with 35% of European start-ups measuring their carbon footprint versus 24% in the UK. Europe also leads the UK on the adoption of responsible AI, with 34% of European start-ups

offering staff training or codes of conduct on the responsible use of AI versus 30% of UK start-ups.

In contrast, UK companies were found to lead on issues such as diversity and inclusion, with 45% of UK start-ups providing equality, diversity, and inclusion training for their staff, compared with 25% of European companies. UK start-ups were also found to have greater focus on data security and privacy, with 70% reporting that they have processes in place to comply with data regulation compared to 57% in Europe.

## Sector benchmarking: SaaS struggles with boardroom diversity matched by strengths in AI

Diversity within specific tech sectors revealed that healthtech and biotech start-ups lead the way, with only 26% of businesses having no women on their board, compared to 45% of SaaS start-ups failing to appoint a woman to their board of directors. However, 37% of SaaS companies offer training or codes of conduct on responsible AI ahead of healthtech and biotech (21%) and other sectors (31%).

Now in its third year, the research has been published in partnership with the British Private Equity and Venture Capital Association (BVCA) and Marriott Harrison, the leading independent legal venture and growth specialist. It analyses performance against standardised metrics spanning environmental, social, and governance issues within start-ups. It also provides benchmarking of performance by sector and geography, as outlined below.

"The third edition of ESG\_VC's annual research - analysing data from almost 600 start-ups - offers a vital snapshot of ESG across the venture ecosystem." says *Henry Philipson*, Co-Founder and President of ESG\_VC

*"As an industry, we have made notable strides in the race to net zero, but diversity in start-up boardrooms is not improving fast enough."*

"We must now maintain momentum and focus on the challenges that remain. To do this, ESG\_VC has built a much-needed roadmap for ESG in start-ups that reflects the findings of this research." adds Henry.

The research analyses performance of start-ups against 56 metrics included in the ESG\_VC Measurement Framework, a free tool for benchmarking ESG performance in start-ups used by more than 100 VC firms globally. This provides the world's largest dataset for understanding ESG in start-ups and builds on two years of prior research. This enables ESG\_VC and the BVCA to conduct detailed trend analysis, and benchmarking of performance across the industry.

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