

Balderton.

**SUSTAINABLE  
INVESTMENT  
POLICY**

*This policy is intended to provide information about the policies of Balderton Capital (UK) LLP (“Balderton”) on the integration of sustainability risks in its investment decision-making process, in compliance with Article 3 of the EU Sustainable Finance Disclosure Regulation (Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019) (“SFDR”).*

*Further disclosures are required under Article 10 of SFDR, including a description of the environmental or social characteristics of the Balderton Funds, along with information on the methodologies used to access, measure and monitor such characteristics. This information is available on request.*

*At the current time, Balderton does not use principle adverse impact (PAI) indicators to consider the adverse impacts of portfolio company activities on sustainability factors. This is principally because of the lack of consistent, accessible and accurate data from portfolio companies on PAIs, given their early-stage, tech start-up activities. Instead, we use our annual SFG survey to capture portfolio company performance and trend against our ten SFGs.*

## **INTRODUCTION**

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. This was driven by both a moral imperative and clear business case.

### **The moral imperative**

From climate change and biodiversity loss, to economic uncertainty, human rights violations, social unrest and growing inequalities, we cannot ignore the significant global crises we’re collectively facing. We all have a responsibility to contribute towards building a better, brighter future - and at Balderton, we believe the best way to change the world is to build a business.

### **The business case**

Environmental, social and governance (ESG) and sustainability risks relating to our investee companies may emerge from internal issues or external sources. The inadequate management and mitigation of those risks can lead to portfolio value destruction, be it from operational or reputational damage. Conversely, in a world embarked on a sustainable transition, there is much value to be captured from aligning with a sustainable future.

## **INVESTMENT 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 have developed our 10 SFGs based on the UN's 17 Sustainable Development Goals ("SDGs"), while focusing on those that are most relevant for Balderton as a European venture capital firm. They collectively cover key environmental, social and governance topics including:

- Climate change (SFG 1), responsible consumption (SFG 2), nature and biodiversity (SFG 3 and 4),
- Key aspects of human rights and social responsibility such as fairness and equality (SFG 5), diversity and inclusion (SFG 6), health and safety (SFG 7), lifelong learning (SFG 8) and data privacy (SFG 10)
- Business ethics and governance (SFG 9)

We leverage these thematic 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.

In line with our investment philosophy, Balderton has been a signatory to the UN PRI since January 2021. Our first report is due in 2024.

# SUSTAINABILITY RISKS AND FACTORS IN THE INVESTMENT LIFECYCLE

We bring to bear our SFGs at every stage of the investment lifecycle.

## I - Sourcing and diligence

Material sustainability risks and opportunities are considered as part of the thematic and sector specific deep-dives which inform our sourcing. For example, we performed a climate tech sector deep-dive in Q2 2023 to refresh our investment thesis in this fast-evolving space.

At the early founder engagement and in-depth company research phase, the investment team considers the social and environmental impact of opportunities. These considerations are summarised in the SFG section of the Investment Memorandum that is presented to the Investment Committee (see section "II - decision-making"). This SFG section summarises the positive and negative impact considerations of the investment opportunity, at two levels:

1. The products and services that the business is building
  - a. *For example: Is it underpinned by a social or environmental mission? If not, do we believe the product is neutral for society? Are there potential unintended negative impacts against the SFGs?*
2. How the business is set up and operates
  - a. *For example: Is the leadership team diverse? Are they nurturing an inclusive culture? Are considerations of environmental sustainability built into operations?*

It also covers the extent to which founder(s) and/or management team's attitudes and broader thinking around environmental sustainability and social responsibility influence their approach to building their business. This is something that we are keen to test early as a preamble to our engagement work.

This first phase of SFG analysis is led by the investment team, supported by guidance from our Head of Impact and ESG. In particular, we developed a list of potential adverse impacts against our SFGs which can be found in Appendix III to frame and stimulate thinking.

With a view of strengthening our due diligence process, we engaged a climate consultancy to perform an inaugural climate risk assessment on our portfolio and develop a climate due diligence tool to strengthen our analysis of climate transition and physical risks going forward.

Our Head of Impact and ESG is also piloting the use of the Venture ESG Materiality Assessment for VC Whitepaper and Materiality Tool to check for any blind spots or topics that should be raised with the founding team early on.

We also perform negative screening; for each of our funds, we identify a number of sectors and industries that we won't invest in such as tobacco, oil and gas exploration, and illegal economic activity.

## II - Decision making

All the considerations documented during the sourcing and diligence phase are taken into account at the point of investment decision-making to ensure that no investment is in conflict with our SFGs.

Should a particular ESG-related risk or attitude be deemed to be unacceptable to Balderton as a firm, we will not proceed with the investment. Historically these have almost always pertained to business-model related sustainability issues or founder attitude and behaviour, as opposed to internal ESG processes and practices. Given we typically invest at early-stage, we believe that we can engage and support the business to put internal practices in place.

Conversely, where we do see positive impact and ESG-related opportunities, these will be considered alongside commercial factors. While we don't measure or set targets for making more impact-driven investments, we have conviction that the best entrepreneurs and young companies of today are similarly motivated to further these sustainable future goals either in their operations or through the products and services they develop. We interpret alignment with our goals as positive signals for future value creation.

## III - Portfolio engagement and reporting

We commit to promote ESG practices and sustainability outcomes during our ownership of the company through a number of channels and initiatives, including:

- Requiring the company to establish an ESG Policy within twelve months of closing as part of our term sheet and long form
- Offering ESG and Sustainability services as part of our Value Creation platform (advice and access to resources);
- Running a Balderton Portfolio Sustainability Community (peer learning and knowledge sharing platform);

- Using our board seats and interactions with founders and management teams to influence and promote progress on social and environmental performance and outcomes; and
- Running an annual ESG data collection exercise, our SFG survey (annual benchmarking of portfolio SFG/ESG performance).

The companies in our portfolio are typically young businesses, and some might be limited in both time and resources at different points in their maturity. The goals need to reflect that reality, by being ambitious, while also achievable.

As a minority shareholder we are often in a position of influence but not of control. We have outlined how we can still use that influence, however we acknowledge there may be instances where a portfolio company fails to adhere adequately to the goals. In such instances, we will engage directly with senior executives at the particular company to work on a plan and steps that will resolve the matter and address any underlying root causes.

We run an annual measurement and reporting exercise to track and publicly report on our SFG progress and areas for further improvement. We set SFG OKRs for ourselves as a firm and for our portfolio companies at the start of the calendar year, alongside the firm OKR setting process. Our OKRs for 2023 can be found here. We collect ESG data from our funds through our annual SFG survey. Participation rate was 75% in 2022 giving us our largest data sample yet.

We publish an annual SFG report to set out which OKRs we have and haven't achieved with some further context and insight into our ongoing efforts. These can be downloaded directly from our [SFG page](#) on our website.

#### IV - Exit

Balderton wants to ensure that our portfolio companies are actioning and promoting ESG best practices prior to, during and beyond our ownership of the company. This involves ensuring that the company has the foundations for a sustainable future well beyond our period of ownership. These factors are, therefore, part of our considerations as we own the business with a view to exit when the time comes.

## **RESPONSIBILITIES AND OVERSIGHT**

Balderton takes a 'whole firm' approach to our SFG / ESG programme, however, these efforts are principally driven by Balderton's SFG Committee which comprises members of the Balderton team from across the Firm's functions:

- Bernard Liautaud (Managing Partner);
- Adrian Rainey (Operating Partner);
- Elodie Broad (Head of Impact and ESG)
- Caye Hurtado (Chief of Staff);
- Colin Hanna (Partner, Investment Team); and
- Magda Lukaszewicz (Principal, Investment Team).

The Balderton partnership has ultimate oversight and accountability for responsible investment, supported by the SFG Committee.

## MEMBERSHIPS AND INDUSTRY COLLABORATIONS

We launched our SFGs in 2020 to make a public statement on sustainability as a leading venture capital firm, in the hope of setting a positive example for the industry as a whole. We continue to contribute to the important topic of responsible investing through our membership with UNPRI and the BVCA. We are members of the UNPRI VC working group which co-developed the UN PRI Venture Capital Due Diligence Questionnaire.

We are also active members of the two leading venture capital industry groups collaborating on ESG:

- *Venture ESG*: a global community of 300 VC funds and 90 LPs driving the adoption of ESG in the venture capital industry; and
- *Impact VC*: a community of VC funds accelerating impact within venture.

We strongly believe that sustainability is a team sport and welcome the opportunity to collaborate with our investors, the founders and operators from across our portfolio, and partner organisations in the tech ecosystem, so that we can all do better, together.

## APPENDIX I: SUSTAINABLE FUTURE GOALS

Balderton's Sustainable Future Goals (SFGs) were inspired by the United Nation's [Sustainable Development Goals](#), while focusing on those that are most relevant for European tech venture investors and enterprises.

The ten goals are listed below:

### Environmental

1. **Urgent climate action.** Reduce carbon emissions and compensate for existing emissions. (UN SDG #13: Climate Action and UN SDG #7: Affordable and Clean Energy)
2. **Responsible consumption.** Uphold best standards for responsible consumption and production and avoid waste. (UN SDG #12: Responsible consumption and production and UN SDG #2: Zero Hunger)
3. **Green cities.** Help make cities more breathable, liveable and sustainable. (UN SDG: #11: Sustainable Cities and Communities)
4. **Thriving natural world.** Protect and regenerate nature and biodiversity. (UN SDG #15: Protecting Life on Land and UN SDG #14: Protecting Life below Water).

### Social

5. **Fairness and equal opportunities.** Enable fair reward and equal opportunities in the workplace as we and the companies in our portfolio grow and thrive. Contribute to improving the lives of vulnerable groups. (UN SDG #1: No Poverty UN SDG #8: Decent Work and Economic Growth, UN SDG #10: Reduced Inequalities).
6. **Diversity and inclusion.** Celebrate and promote diversity in all its forms, foster inclusive working environments with a zero-tolerance approach to discrimination of any kind. (UN SDG #5: Gender Equality)
7. **Good health and well being.** Ensure good health and wellbeing in the workplace. (UN SDG #3: Good Health and Well Being)
8. **Lifelong learning.** Encourage vocational training and lifelong learning for employees. (UN SDG #4: Quality Education)

### Governance

9. **Highest ethical and governance standards.** Display transparency and strong ethics in all decision-making. Stand firm against corruption and unethical behaviour and ensure compliance with all relevant regulatory bodies. (UN SDG #16: Peace, Justice and Strong Institutions)
10. **Data rights are human rights.** Treat personal data and the privacy of customers and users with respect. (UN SDG #16: Peace, Justice and Strong Institutions)

## APPENDIX II: ADVERSE IMPACTS CHECKLIST

SFG	Potential Adverse Impacts
<b>Urgent climate action</b>	<ul style="list-style-type: none"> <li>• High (non-renewable) energy intensity</li> <li>• Reliance on hard to abate sectors</li> <li>• Climate deniers</li> </ul>
<b>Responsible consumption</b>	<ul style="list-style-type: none"> <li>• Production of/ reliance on petroleum-based products (plastics)</li> <li>• Increase in “fast”/ “single-use” consumption / consumerism</li> <li>• Non circular model (i.e. significant waste to landfill)</li> <li>• Hazardous waste</li> </ul>
<b>Green cities</b>	<ul style="list-style-type: none"> <li>• Increase in air pollution</li> <li>• Increase in road congestion</li> </ul>
<b>Thriving natural world</b>	<ul style="list-style-type: none"> <li>• Unsustainable/ irresponsible use of natural resources (e.g. water waste, water pollution, deforestation, land contamination, fracking)</li> <li>• Negatively affecting natural ecosystems/ biodiversity sensitive areas</li> </ul>
<b>Fairness &amp; equal opportunities</b>	<ul style="list-style-type: none"> <li>• Human rights and modern slavery risks</li> <li>• Reinforcing social inequalities</li> <li>• Eroding social cohesion</li> <li>• Nepotism risks</li> </ul>
<b>Gender equality, diversity &amp; inclusion</b>	<ul style="list-style-type: none"> <li>• Lack of leadership/management diversity</li> <li>• Lack of Board diversity</li> <li>• Discrimination risks</li> </ul>
<b>Good health &amp; wellbeing</b>	<ul style="list-style-type: none"> <li>• Potential to compromise personal safety / health &amp; safety issues of products</li> <li>• Potential to drive unhealthy addictive/ abusive behaviour</li> <li>• Potential for bullying/ harassment</li> </ul>
<b>Lifelong learning</b>	<ul style="list-style-type: none"> <li>• Lack of investment in talent development</li> <li>• Misinformation risks</li> </ul>
<b>Highest ethical &amp; governance standards</b>	<ul style="list-style-type: none"> <li>• Insufficient governance and risk management processes</li> <li>• Ethical concerns</li> <li>• Honesty and integrity concerns</li> <li>• Reputational concerns</li> </ul>
<b>Data rights are human rights</b>	<ul style="list-style-type: none"> <li>• High risk of data privacy breach</li> <li>• Unethical data monetisation</li> </ul>

## APPENDIX III – EXISTING PORTFOLIO

### CHAMPIONING THE SFGS

As of today, we are proud of the founders and start-ups that we have backed, representing or working towards our various Balderton Sustainable Future Goals (list as at March 2024)

<b>SFG 1. Urgent Climate Action.</b>	<p><b>Sweep:</b> a powerful tool for measuring your carbon emissions</p> <p><b>Tibber:</b> using digital technology to make energy consumption greener and smarter</p> <p><b>Fuse:</b> delivering clean, cheap electricity to consumers to help solve climate change</p> <p><b>Sylvera:</b> leading carbon data provider for carbon credits and other climate action investments</p> <p><b>Trawa:</b> renewable commercial and industrial energy supplier</p>
<b>SFG 2. Responsible Consumption.</b>	<p><b>Vestiaire Collective:</b> the global marketplace for luxury, pre-owned fashion products</p> <p><b>smol:</b> a revolution in laundry, powerful and eco-friendly detergent, dishwashing tablets, and fabric conditioner. Delivered through your front door</p> <p><b>Delli:</b> a community-focused platform that brings together food lovers and makers in the local community</p> <p><b>Better Origin:</b> fixing the broken food chain by helping farmers grow insects locally and sustainably</p> <p><b>Uncommon:</b> nurturing world health with creative cell science</p>
<b>SFG 3. Green Cities.</b>	<p><b>Voi Technology:</b> electric scooter and bike sharing across Europe</p> <p><b>Virtuo:</b> on a mission to provide the best car hire experience that makes owning a car completely redundant</p>
<b>SFG 4. Thriving Natural World.</b>	<p>n/a</p>
<b>SFG 5. Fairness and Equal Opportunities.</b>	<p><b>Wagestream:</b> fair financial services that give, not take</p> <p><b>Cleo:</b> an intelligent assistant for your money on a mission to improve the world's financial health</p> <p><b>TestGorilla:</b> pre-employment screening tests that identify the best candidates, making hiring decisions faster, easier and bias-free</p> <p><b>Prodigy Finance:</b> borderless graduate student loans to allow international students to attend top higher education institutions worldwide</p> <p><b>Brigad:</b> making work attractive and accessible to all by connecting skilled self-employed talents to healthcare and hospitality opportunities for short-term jobs</p>

	<p><b>TapTap Send:</b> enabling rapid and secure cross-border remittances, at a fraction of the cost, with a vision to reduce global inequality</p>
<p><b>SFG 6. Diversity and Inclusion.</b></p>	<p>n/a</p>
<p><b>SFG 7. Good health and wellbeing.</b></p>	<p><b>Avi Medical:</b> elevating the patient experience by combining technology with a human touch</p> <p><b>Clue:</b> science-backed leader in femtech and most trusted brand in menstrual and reproductive health</p> <p><b>Healx:</b> accelerating treatments for rare diseases</p> <p><b>Kaia Health:</b> clinically validated digital therapeutics</p> <p><b>ZOE:</b> understand how your body responds to food so you can take back control of your health and weight</p> <p><b>Sava:</b> reinventing health monitoring with a novel biosensing platform enabling real-time, affordable, and painless molecular monitoring.</p>
<p><b>SFG 8. Lifelong learning.</b></p>	<p><b>Labster:</b> dedicated to the development of pioneering online tools for teaching science globally</p> <p><b>Grasp:</b> delivering hyper-personalised learning experiences through the internet</p>
<p><b>SFG 9. Highest ethical and governance standards.</b></p>	<p><b>ComplyAdvantage:</b> next generation AML screening and monitoring technology to build the world's only AI-driven risk database</p>
<p><b>SFG 10. Data rights are Human rights.</b></p>	<p><b>GitGuardian:</b> a developers-first solution scanning GitHub activity in real-time to Discover vulnerabilities early and collaboratively, then harness rapid remediation</p> <p><b>Ory:</b> open source identity platform to 10x your security, user experience, and PII compliance</p> <p><b>Coro:</b> all-in-one cutting edge cyber security that protects your entire business</p> <p><b>Detectify:</b> automated vulnerability platform service to help developers and security teams keep up with threats</p> <p><b>Violet:</b> privacy preserving, reusable on-chain compliance</p>

**Policy subject to annual review. Last updated: July 2024.**