



*The future of e-Business for the Third Millenium*

**BVCA ENVIRONMENTAL  
INVESTMENT SURVEY  
REPORT**

**April 22<sup>nd</sup> - 2001**

*Earth Day*

**Sponsored by WWF-UK**

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## 1.0 Executive Summary

This report is the result of a survey of the membership of the British Venture Capital Association, conducted by Ecsponent during January 2001. The report was commissioned by the World Wide Fund for Nature (WWF-UK), in order to identify to what extent this key sector of the UK financial services community is addressing its wider responsibility to the environment and the eco-systems in which it fosters economic growth. This survey has two main goals;

- ***To identify to what extent investment institutions are adopting a forward thinking approach to their investment portfolio, ensuring that the companies they invest in are adopting best practice principles from ecological perspectives, and that the investors are taking steps to qualify and quantify the environmental impacts of their investments.***
- ***To identify to what extent investment institutions that will proactively engage in early stage investments for environmental technology or services organisations.***

The UK is leading developments in Europe by using financial institutions as a key policy instrument to bring about sustainable development. The UK Insurance markets, Pension Fund Institutions, and Venture Capital companies have a key role to play in this fundamental responsibility to foster market based responses to the ecological challenges facing our people and planet.

Despite warm personal responses from the majority of key personnel contacted to take part in the survey, the report unearths some interesting trends at the organisational level. Overall there appears to be an 'institutional blind-spot' to the incorporation of environmental analysis into Venture Capital investment strategies.

In the first instance the information is not known, nor is it sought after. To be fair this is indicative of a much wider trend in the financial services sector in general, and is not confined solely to the Venture Capital industry. Secondly the knowledge regarding the economic benefits or otherwise of incorporating environmental analysis of business processes and investment strategies, the benefits of encouraging best practice, and at the least regulatory compliance are also highlighted as 'unknowns'.

On the upside all of the respondents agreed that they had a responsibility for the environmental impacts of their investment activity, mimicking the current trends in the insurance and pension fund industries. Time will tell to what extent the UK Venture Capital community responds to the challenge laid down by Kofi Annan, UN Secretary General, under the auspices of the Global Compact;

*"...let's choose to unite the powers of markets with the authority of universal ideals. Let us choose to reconcile the creative forces of private entrepreneurship with the needs of the disadvantaged and the requirements of future generations..."*

This survey in part was intended to identify a baseline from which to start a conversation with the British Venture Capital community. To discuss how VC's can foster economic growth via investment in early stage dynamic companies, whilst simultaneously reducing environmental impacts, and delivering tax efficient returns to their investors. We will be conducting an annual survey for the next decade. Over time we hope to witness positive trends regarding the integration of triple bottom line thinking within this fundamental sector for economic prosperity.

Ecsponent would like to take this opportunity thank all of those involved for their time and commitment, we look forward to working with you again in January 2002.

***Thank you.***

***Peter Spark – ECSPONENT – April 2001***

## 2.0 Company Details, Investment Geography

This initial section of the survey focussed on company details and investment geography. The specific identity of respondent companies will not be disclosed.

- **Total Funds Invested** = **£ 817 million**
- **Total Funds Managed / Advised** = **£3,751 million**

The total funds invested by respondents during the year was £817 million representing a significant amount of UK Venture Capital investment activity during the year 2000. The respondents ranged from early stage specialists, up to larger funds that not only make their own investments directly into companies, but also put significant funds into other VCT vehicles.

The number of portfolio companies each VC held, ranged from 2 to 80 with two distinct clusters at the mid-teens and early thirties.

- **Maximum funds invested in one company varied from £200,000 to £200 million.**
- **Minimum funds invested in one company ranged from £20,000 to £6.25 million.**

Overall the trend among the responding Venture Capital companies was that of primary majority investment by UK sources, and the subsequent primary majority investment into UK based companies.

European investors and investments played a significant secondary role in the geographic cash-flow of the respondents.

The overall indication is the movement of Investments from the UK VC community to Global sources, outside the UK and Europe.

The diversity of institutional investment sources is relatively evenly spread.

### Geographical Location of Investors

	Primary	Secondary
UK	86%	57%
European	0%	29%
Global	14%	14%

### Geographical Location of Portfolio Companies

	Primary	Secondary
UK	75%	57%
European	0%	14%
Global	25%	29%

### Source of Funds

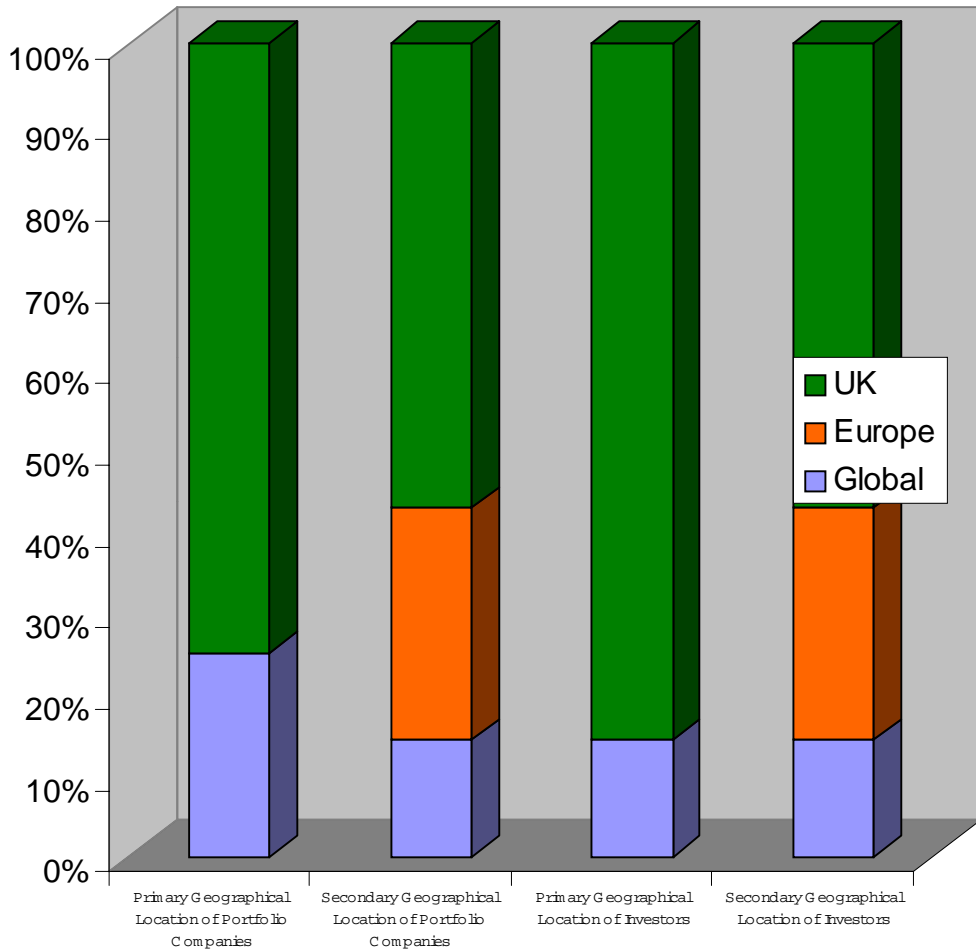
Investment Banks	27%
Insurance Companies	18%
Local Authorities	18%
Pension Funds	17%
Academic Institutions	11%
Private Equity	9%
Government	0%

## 2.1 Interpretation

Interpretation of this first part of the survey is covered in the section 'Sustainable Venture = Sustainable Profit' on page 10.

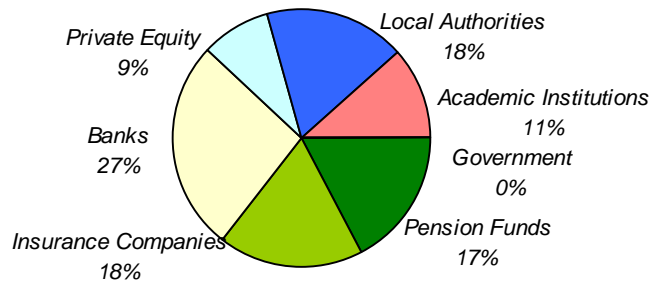
2.2

WWF VC Survey Part 1



2.3

Source of Funds



### 3.0 Environmental Assessment of Venture Capital Organisations

- 14% of responding Venture Capitalists **DID** produce statements or policies covering environmental, economic or social activities of the business.
- 86% of responding Venture Capitalists did **NOT** produce statements or policies covering environmental, economic or social activities of the business.
- 14% of responding Venture Capitalists confirmed that these statements **DID** cover ALL operations of the business.
- 86% of responding Venture Capitalists confirmed that these statements did **NOT** cover ALL operations of the business.
- 100% of responding Venture Capitalists have **NOT** become signatories to any voluntary initiatives or awards.
- 100% of responding Venture Capitalists have **NOT** gained any external standards or awards such as EMAS, ISO 14001 or SA8000.

#### 3.1 Interpretation

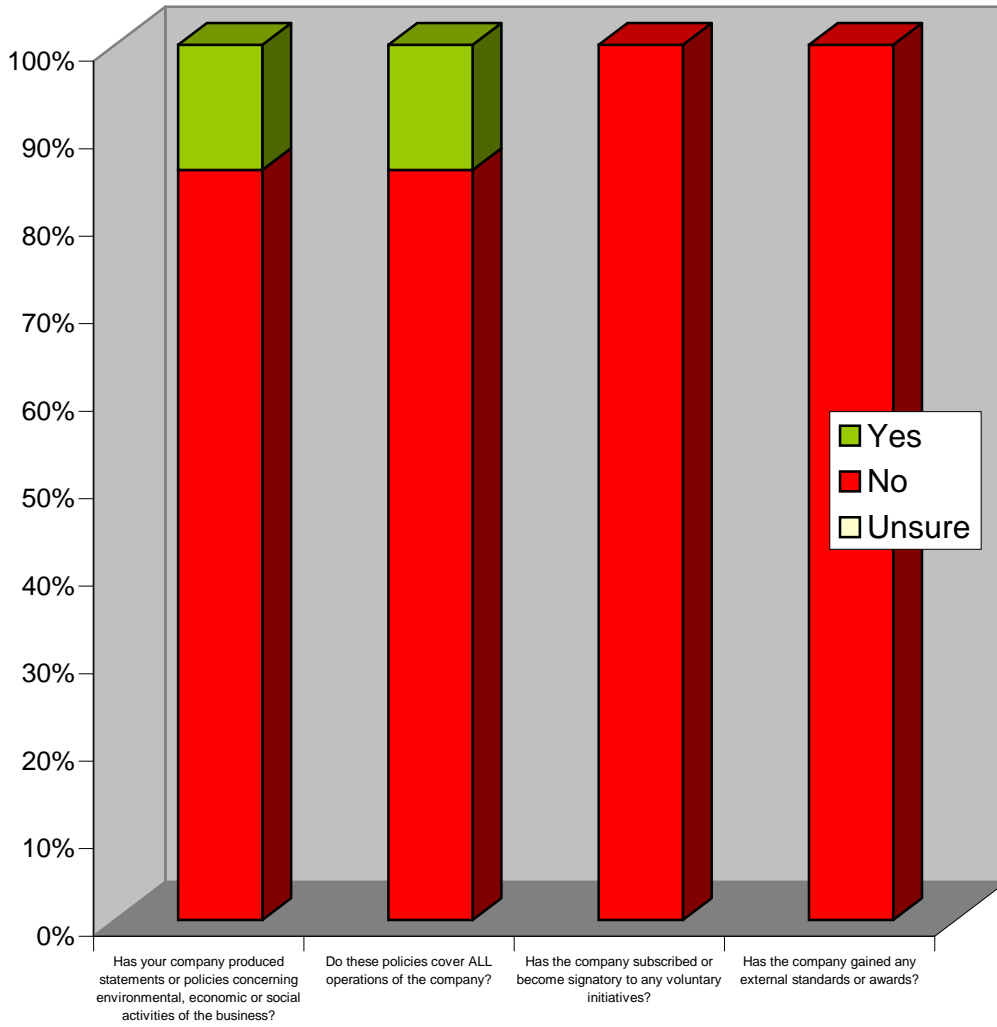
The fact that most responding VC's have not produced statements regarding the environmental, economic and social activities of their businesses, tallies with the total lack of commitment by the respondents to sign up to any of the voluntary initiatives, external standards or awards available to them to monitor the environmental impacts of their business activities.

During the survey verbal communication with participants confirmed a belief that as most Venture Capitalists are relatively small financial services firms, the environmental impact of their organisation was negligible and not worthy of management time or effort in addressing.

The fact that every organisation no matter how big or small, has an environmental impact, coupled with the widely expressed view that every company ought to make an effort to keep this impact as small as possible lies in stark contrast to the operational practices of the Venture Capitalists surveyed.

3.2

WWF VC Survey Part 2



## 4.0 Environmental Assessment of Venture Capital Investments

- 100% of responding Venture Capitalists did **NOT** require investee companies to produce statements or policies concerning environmental, economic or social activities of the business
- 38% of responding Venture Capitalists did **NOT** view environmental best practice processes as a source of competitive advantage for their investee companies.
- 13% of responding Venture Capitalists **DID** view environmental best practice processes as a source of competitive advantage for their investee companies. 49% were UNSURE
- 50% of responding Venture Capitalists stated that their investee organisations did **NOT** gain any external standards or awards. 50% were UNSURE
- 49% of responding Venture Capitalists did **NOT** encourage their investee companies to pursue environmental best practices.
- 38% of responding Venture Capitalists **DID** encourage their investee companies to pursue environmental best practices. 13% were UNSURE
- 25% of responding Venture Capitalists stated their investee companies did **NOT** subscribe or become signatory to any voluntary initiatives. 75% were UNSURE
- 29% of responding Venture Capitalists stated that they **DID** view environmental regulatory compliance as being of benefit maximising shareholder return. 71% were UNSURE

### 4.1 Interpretation

The fact that most responding VC's have not produced statements regarding the environmental, economic and social activities of their own businesses, is reflected in the fact that they do not require the companies in which the VC's place investments to report on their environmental, economic and social impacts.

During the survey verbal communication with participants confirmed a belief that as most investments occur in high technology or life science sectors, the environmental impact of their investments were insignificant and once again 'not worthy of management time or effort in addressing'.

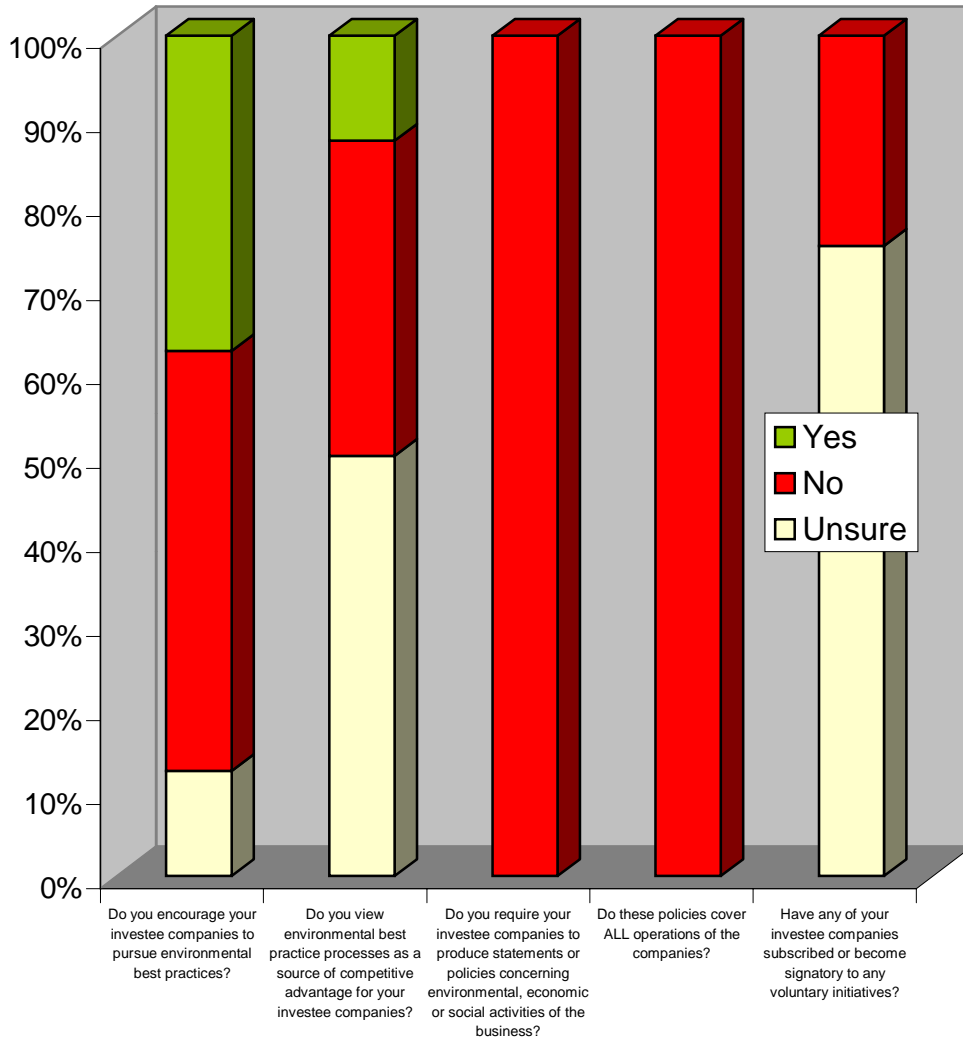
The main conclusion to draw from this part of the survey is one of lack of knowledge, and confusion. High percentages of respondents were simply 'unsure' as to the possible benefits of employing best practice environmental management principles, encouraging pursuit of environmental standards or initiatives, or exploring the benefits of regulatory compliance and the reduction in associated risk.

This knowledge gap, the lack of clarity regarding the benefits of encouraging 'sustainable economics' needs to be addressed by the BVCA membership as a whole.



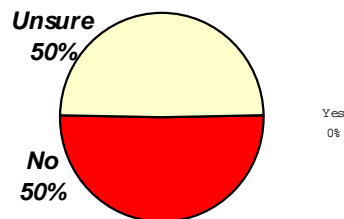
## WWF VC Survey Part 3

4.2



### Investee External Awards?

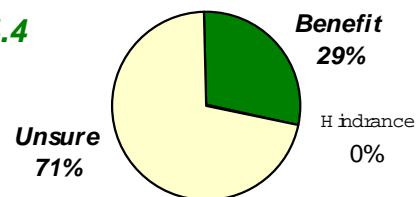
4.3



Yes No Unsure

### Environmental Compliance for Shareholder Value

4.4



Benefit Hindrance Unsure

## 5.0 Investment Opportunities and Strategies

100% of responding Venture Capitalists would **NOT** welcome Government regulation that required the assessment and reporting of economic, environmental and social reporting within UK Venture Capital investment strategies.

33% of responding Venture Capitalists would **NOT** be willing to take part in the establishment of a voluntary code of conduct for incorporating economic, environmental and social reporting into UK Venture Capital investment strategies.

67% were UNSURE

17% of responding Venture Capitalists were **NOT** interested in qualified deal flow from the NGO, Academic and Green Investment communities.

83% were UNSURE

25% of responding Venture Capitalists **DID** state that they would be willing to take part in a conference together with other stakeholders to explore the issues around 'sustainable profit' and venture capital investment strategies.

50% of responding Venture Capitalists stated that they would **NOT** be willing to take part in a conference together with other stakeholders to explore the issues around 'sustainable profit' and venture capital investment strategies.

25% were UNSURE

17% of responding Venture Capitalists **DID** state that they would be interested in services that provided objective environmental assessments of their investments.

33% of responding Venture Capitalists stated they would **NOT** be interested in services that provided objective environmental assessments of their investments.

50% were UNSURE

Of those 83% that **DID** want or were **UNSURE** about services that provided objective environmental assessments of their investments;

75% of responding Venture Capitalists felt that such assessment services would be best suited to both pre-investment and post-investment activities.

25% of responding Venture Capitalists felt that such assessment services would be best suited to just pre-investment activities.

Of **ALL** responding Venture Capitalists;

0% felt that the UK Venture Capital community has **NO** 'duty of care' or responsibility to ensure that its investments have as reduced an environment impact as possible.

33% felt that the UK Venture Capital community has **VERY MUCH** a 'duty of care' or responsibility to ensure that its investments have as reduced an environment impact as possible.

67% felt that the UK Venture Capital community has **SOME** 'duty of care' or responsibility to ensure that its investments have as reduced an environment impact as possible.

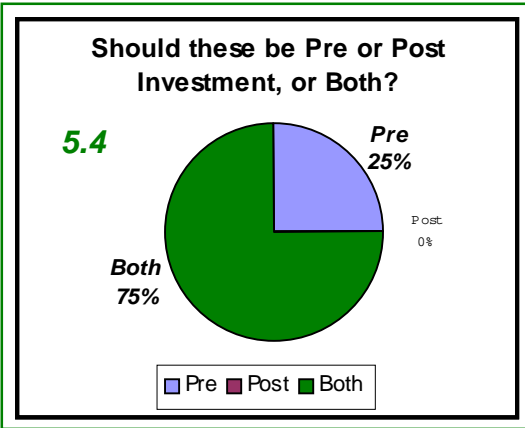
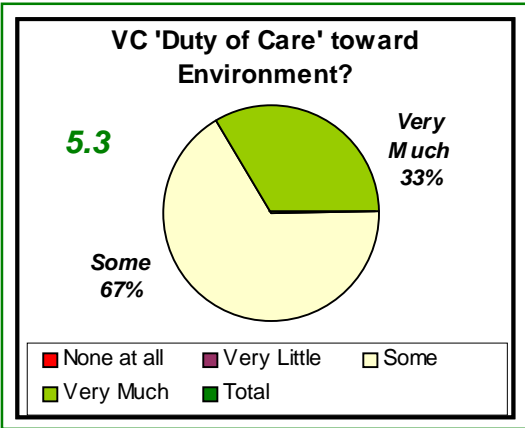
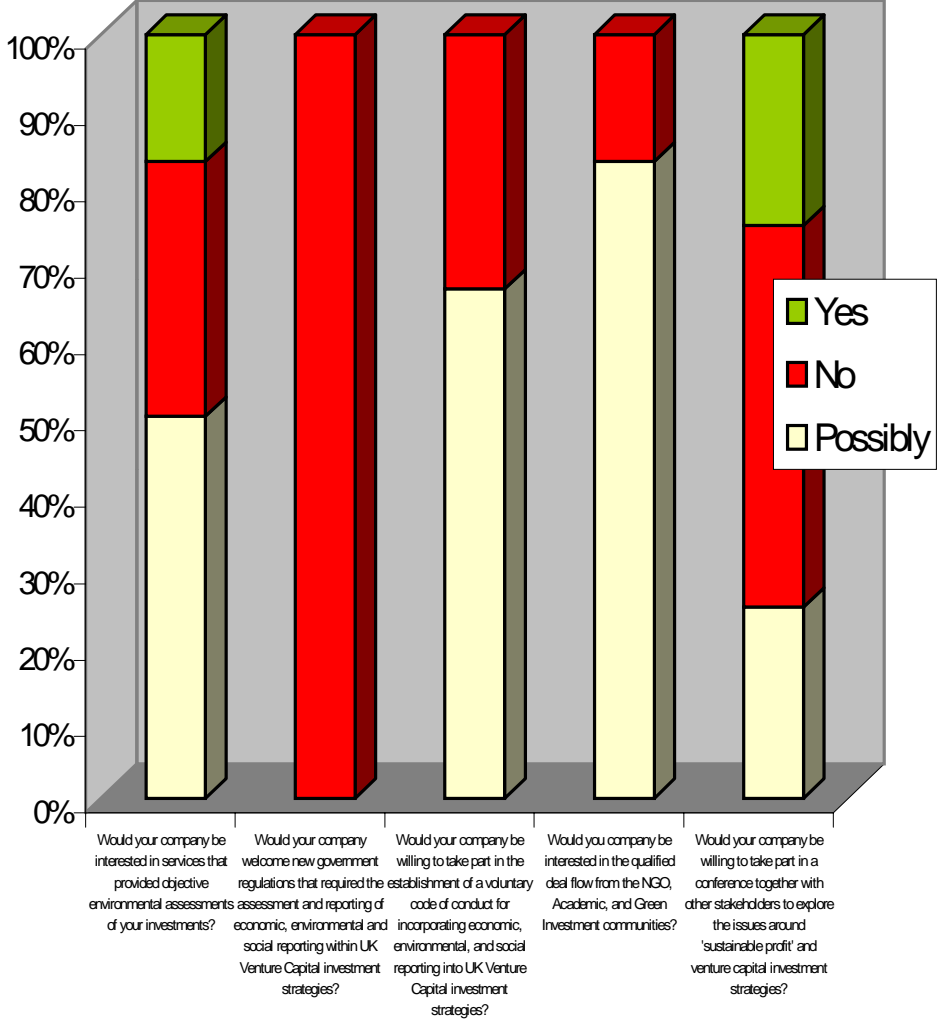
100% of responding Venture Capitalists felt some responsibility or 'duty of care' to the environmental impacts of investments

### 5.1 Interpretation

Interpretation of this first part of the survey is covered in the section 'Sustainable Venture = Sustainable Profit' on page 10.

# WWF VC Survey Part 4

## 5.2



## 6.0 Sustainable Ventures = Sustainable Profit

### 6.1 Interpretation and Commentary

The majority of responding Venture Capitalists to this survey not only raise the majority of their funds from UK sources, but also invest mainly in UK companies. According to the figures available from the British Venture Capital Association website (as of December 2000) the membership managed an aggregate of approximately £80 billion during the year 2000, our respondents managed £3.75 billion during the same period, thus representing 4.66% of the investment activity. The respondents in total managed to invest over £812 million during the year 2000.

The qualitative spread of investment sources identify the Venture Capital community as being very effective at engaging with the different communities that act as sources for finances. Investment Banks, Insurance companies, Pension Funds, Academic Institutions, and Private Equity routes are all represented.

Venture Capital is now playing a more central role in the funding of innovative technology and service companies in the UK. This coupled with the realisation by the corporate sector that corporate venturing units provide an increasingly important channel to innovation for mature market sectors, has resulted in the BVCA membership becoming very influential and effective in their Government lobbying. The recent Myners Review of Institutional Investment was greeted warmly by the industry as a whole. In the March 2001 Budget Gordon Brown included many of the recommendations of the Myners review, setting in train the legislative process to spur the flow of funds to the growing business of Venture Capital, therefore encouraging the spirit of entrepreneurship within the UK economy as a whole. In response to the 2001 Budget the BVCA speaking of behalf of its membership stated:

“...the BVCA still believes there is more that could be done. We welcome the extension of the scope of the Enterprise Incentive Scheme, Venture Capital Trust Schemes and Corporate Venturing Schemes but we will continue to push for a number of important changes designed to stimulate such activity. These include the simplification of the capital gains tax regime and a widening of the scope and use of approved and unapproved share option schemes.”

**Vincent O'Brien, BVCA Response to the Budget, 07 March 2001**

In light of this encouragement of Venture Capital activity by the UK Government, it is interesting to note the respondent Venture Capital companies for this survey have yet to address the issues surrounding the sustainability of the companies they invest in, or the environmental impacts of their economic activities. As identified in parts 2 and 3 of this survey, the VC community as a whole, does not assess its own activity, and either does not care about or is simply unaware of the competence of the companies it invests in, regarding environmental performance. The prevailing attitude it seems is one of 'Don't Know' or 'Don't Care'.

The UK has a long tradition of innovation and scientific and technological expertise, the Venture Capital industry is vital in the commercialisation of that innovation as a key element to economic growth. In lobbying to encourage a favourable climate for Venture Capital investment the BVCA membership have been successful in establishing the rights of the VC community to preferential tax incentives, to greater access to pension funds, and to the simplification of the regulatory environment in which VC's operate within the UK.

With rights however come responsibilities. Surely in order to create a more sustainable economy, in order to promote sustainable technologies and market based responses to the impacts of environmental issues such as climate change, the Venture Capital community as a whole needs to ensure they act as leaders not followers in tackling these key issues.

## 6.2 Voluntary Code of Conduct

100% of responding VC's stated they did not wish to be regulated by Government to incorporate triple bottom line criteria and reporting within their investment strategies. Yet 100% of responding VC's agree that they felt some responsibility or duty of care regarding the environmental impacts of their investments. Ecsponent believes the time has come for the industry as a whole to respond to the 'sustainability' challenge by adopting a voluntary code of practice.

When quizzed about establishing such a code 33% of respondents were not willing to take part, 67% were unsure. With regard to the proposal to invite members of the Venture Capital community to a conference to discuss the establishment of such a code, together with other stakeholders, Academics, NGO's and Government, 25% were interested, 25% were unsure, and 50% were not willing to participate.

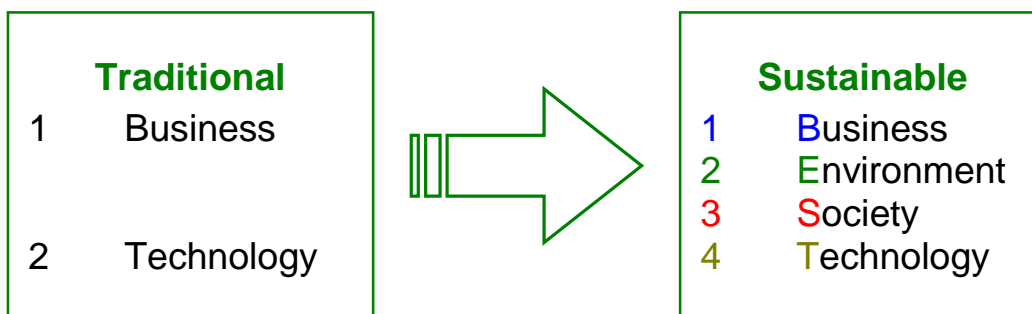
Ecsponent believe the establishment of such a voluntary code will be of greater benefit to fostering competition and innovation along 'sustainable' trajectories than a top down 'regulated' or legislative requirement. It would be interesting to explore the possibility of linking additional financial incentives directly to the explicit inclusion of sustainable reporting and assessment, and the achievement of 'sustainability targets'.

Ecsponent would like to propose a four-step programme for the assessment of investments. By establishing such an arrangement, we aim to help Venture Capital companies and the companies in which they invest, compete not purely on economic grounds but also according to sustainable criteria. We believe the systematic inclusion of these factors that have previously been considered externalities, can spur the acceptance of the doctrine that good management is inclusive of such factors as environmental and societal impact, and that this in turn is of benefit to economic growth, and superior shareholder return.

## 6.3 From BT to BEST

Typically investments require the assessment of a number of criteria, the quality of the management team, the business case, and the assessment of the technologies involved. The issues explored are primarily linked to what we term the 'BT' model of assessment, where by the business case is established, and the technological issues and competencies assessed.

In order to evolve this model to include the other two aspects of triple bottom line thinking into investment processes, Environmental and Societal impacts, we propose the four step Sustainable BEST Practice assessment process:



By aiding VC's in the establishment of this assessment exercise at the pre-investment stage, companies should be able to integrate sustainable management practices into their business plans at the design stage. By following this up with post-investment assessments investee companies can be assisted in capitalising on the operational cost savings, good management practices, reduced risk profiles, and increased access to markets that such a proposition facilitates.

## 6.4 Sustainable Futures

On March 6<sup>th</sup> the UK Prime Minister, Tony Blair, spelt out the commitment of the UK Government toward providing leadership in the area of sustainable economics;

"It starts from a broad principle of responsibility - the duty to care for the environment in which we live and to grow more prosperous in a way consistent with that duty..."

...But if we are to provide leadership, we have to show it here in Britain."

"In particular we need to put business, technology and environmental protection in harness together. Green technologies are on the verge of becoming one of the next waves in the knowledge economy revolution.

The global market for environmental goods and services is projected to rise to £440 billion by 2010. Shell estimates that 50% of the world's energy needs could be met by renewables by 2050. Wind power is already a £1.5 billion industry. By 2010 the global solar market could be worth up to £150 billion."

"More generally, we need vastly to improve our productive use of resources - do more with much less. It makes good economic and environmental sense. We will agree environmental productivity indicators and long-term resource use targets with business."

**Tony Blair, PM, March 6<sup>th</sup> 2001**

Following his speech made at the Green Alliance/CBI conference in October 24<sup>th</sup> 2000;

"Today I want to invite you, environmentalists and business, to join me in changing that. I want to push green issues back up the political agenda. Reawaken the challenge. And I want to do it in constructive partnership - government, business, the green movement and the public. A partnership not where we always agree - that would be an impossible demand, but where we have at least some common aims and understanding of each other's necessary contribution to them.

We might begin by agreeing a set of core principles:

- That we proceed according to science and a set of common values
- That we build a business case for the environment, working to harness clean technologies, seeing business as part of the answer rather as the problem
- That we acknowledge that technology alone will not fix things, and that there also has to be a framework, set by government, within which business works
- That we must seek global solutions to global problems, as we have done at the Climate Change summit in Kyoto
- And that we must find new ways for people to play their part individually in developing a common agenda to improve quality of life.

So let's move the debate on. We should not kid ourselves. There will be some areas of professional disagreement and others where there are hard choices between ideals and realism."

**Tony Blair, PM, October 24th 2000**

At the World Economic Forum, Davos, on 31 January 1999, UN Secretary-General Kofi Annan challenged world business leaders to "embrace and enact" the Global Compact, both in their individual corporate practices and by supporting appropriate public policies. These principles cover topics in human rights, labour and environment.

"...let's choose to unite the powers of markets with the authority of universal ideals. Let us choose to reconcile the creative forces of private entrepreneurship with the needs of the disadvantaged and the requirements of future generations..."

**Kofi Annan, UN Secretary General, January 31<sup>st</sup> 1999**

## 6.5 Sustainable Finance

Pension Fund, the Insurance Industry, Higher Education institutions, and other key sources of finances for the Venture Capital industry are all responding to this challenge. The Pensions Act 1995 now requires all pension funds to disclose if and how they take account of their investment activities from social, environmental and ethical perspectives, in the company 'Statement of Investment Principles'. The reaction from the pension fund industry as a whole has been mixed, what is clear is that increasingly the organisations are addressing these issues proactively with a variety of different investment strategies and stakeholder engagement policies. Socially Responsible Investment (SRI) funds have become an accelerating growth sector for the industry, SRI being embraced in a strong and convincing manner by the pension fund community, and in particular by the larger funds and the local authority funds.

The Insurance industry has also made progress in addressing the issues surrounding 'sustainable investment'.

"New ways and new instruments are needed to address environmental risks and to give enough incentives to business and society to use these instruments. Market-based instruments and voluntary commitments might be an appropriate way forward."

"Daily and at an unprecedented pace our world is becoming more and more interlinked in terms of technology, resource utilisation and finally also in social terms. We are talking about globalisation and are witnessing increased competition within and among business sectors and also between governments and nations. National or even international regulatory frameworks and agreements will soon reach their limits, leaving vast areas of common and global interest uncontrolled. UNEP is exploring new ways that allow businesses and industry sectors to act in a responsible and environmentally sound manner. Insurers although they seem to be latecomers have realised that only environmentally sustainable business will be successful business in the long run. Hence environment is much more than PR – it is simply a key to success."

**UNEP Insurance Industry Initiative (UNEP III), 1998**

There are various reasons why the insurance industry in particular has become so interested in environmental issues the main thrust stemming from the increasing losses that are being incurred due to climate change. Other factors identified by the industry;

- Insurance companies are insuring risks including environmental risks. The signals they send their clients about the relationship between environmentally sound management practices and economic activity is an important component of sustainable development.
- The Financial Services Sector is inextricably linked by lending and investment practices to the economic activities that affect the natural environment.
- Investment in the provision of environmental goods and services has become big business, because attractive returns are available, emerging environmental markets offer the highest expected growth rates, and governments and international organisations are offering support etc.
- The insurance industry has an interest in sustaining the biosphere's capability to regenerate life without which economic activity would be impossible.

According to Dow Jones, there is mounting evidence that companies that manage the standard economic factors and the environmental and social factors affecting their business show financial performance that is superior to those that do not "adequately, correctly and optimally manage these important factors".

Companies other than blue chips are also working diligently to improve their environmental and economic performance and share their results with their customers and consumers, shareholders, and investors. These companies also understand that there is a growing interest in the global marketplace to source goods and services from enterprises that can demonstrate due care toward the environment, and society as a whole.



## 6.6 Sustainable Knowledge

Organisations such as the World Wide Fund for Nature, GreenPeace, Forum for the Future Sustainability, the Natural Step and the World Resources Institute are open and willing to work with organisations to ensure that the environmental impacts of economic activity are taken into account by business. The current Kyoto Protocol negotiations, the United Nations programmes, and various national government initiatives such as the Sustainable Technology Initiative in the UK are all designed to help promote the commercialisation of a more 'natural capitalism' within our evolving economies.

Recent UK specific measures to encourage the development of sustainable economic practice:

- The Sustainable Technology Initiative  
£15 million of DTI funding to support commercial R&D in sustainable technology
- The domestic Carbon Emissions Trading Scheme  
£30 million available to kick start trading of emissions credits by 2003
- The Carbon Trust  
£100 million recycled from Climate Change Levy receipts to accelerate the take up of cost effective, low carbon technologies

One of the main highlights of this survey is the lack of knowledge respondent Venture Capital companies have with regard not only the sustainable impacts of their investments, but also the lack of knowledge as to the financial benefit of understanding and controlling those impacts. This ignorance needs to be addressed. A concerted effort is needed to investigate and communicate, hand in hand with the Venture Capital community, the issues surrounding sustainable economics and the inclusion of sustainable reporting within management information systems, and shareholder dialogue.

Just as the requirements for electronic product manufacturers in Europe to be held liable for the disposal of products at end of life, have resulted in the inclusion of life cycle analyses and sustainable design processes within company operations from the design stage. So too should Venture Capital companies consider the 'life cycle impacts' of their investments. Including 'sustainable economic' analyses at the business planning stage, thus fostering a more sustainable and environmentally preferable mode of economic growth, and reducing or mitigating any future liabilities stemming from those investments.

James Wilsdon chief architect and co-ordinator of Digital Futures, a Forum for the Future research programme looking at the junction of sustainable economics and e-business, neatly states the requirement;

"How will all these opportunities be realised?"

In part through policies and systems – through measuring, managing and reporting on environmental and social impacts. In part through learning from others in networks which allow ideas and experience to change hands. And in part through leadership of the most committed and the most influential, who set a standard for others to follow."

**James Wilsdon, dot-com ethics : e-business & sustainability, 2001**

Increasingly the corporate world, the investment community and the legal landscape are combining to require companies to pay heed to environmental and social criteria, to most this is simply viewed as a minimum requirement of business, a 'licence to operate'. By firmly placing environmental and social reporting issues at board level, by initiating a formal requirement on investee companies to include such factors in company operations from the outset, according to a pan-industry voluntary code of conduct. The Venture Capital community in the UK has the opportunity and duty to take a lead in pro-actively creating and assessing this 'sustainable knowledge'.



## 6.7 Final Thoughts

This survey in part was intended to identify a baseline from which to start a conversation with the British Venture Capital community. To discuss how VC's can foster economic growth via investment in early stage dynamic companies, whilst simultaneously reducing environmental impacts, and delivering tax efficient returns to their investors. We will be conducting an annual survey for the next decade. Over time we hope to witness positive trends regarding the integration of triple bottom line thinking within this fundamental sector involved in the advance of British economic prosperity.

The report is the result of a survey of the membership of the British Venture Capital Association in order to identify to what extent this key sector of the UK financial services community is addressing its wider responsibility to the environment and the eco-systems in which it fosters economic growth. This survey had two main goals;

- ***To identify to what extent investment institutions are adopting a forward thinking approach to their investment portfolio, ensuring that the companies they invest in are adopting best practice principles from ecological perspectives, and that the investors are taking steps to qualify and quantify the environmental impacts of their investments.***
- ***To identify to what extent investment institutions that will proactively engage in early stage investments for environmental technology or services organisations.***

Venture Capital companies have a key role to play in this fundamental responsibility to foster market based responses to the ecological challenges facing our people and planet.

Despite warm personal responses from the majority of key personnel contacted to take part in the survey, the report unearths some interesting trends at the organisational level. Overall there appears to be an 'institutional blind-spot' to the incorporation of environmental or sustainable analyses into Venture Capital investment strategies. This needs to be addressed, in one of two ways, either government led legislative reform, or via voluntary inclusion of sustainable reporting and accounting practices, championed by the Venture Capital community themselves.

Only by engaging with the companies that the UK Venture Capital community invests in, by proactively accepting and addressing their responsibility to understand the environmental and social consequences of their economic behaviour, can the BVCA membership generate the knowledge and expertise required to address the sustainability challenge.

Time will tell to what extent the UK Venture Capital responds to this opportunity for sustainable profit, by structured investment into sustainable ventures.

## Sustainable Ventures = Sustainable Profit

*Ecspenent would like to take this opportunity thank all of those involved for their time and commitment, we look forward to working with you again in January 2002.*

## 7.0 Appendices

### 7.1 Appendix 1

#### Useful Links

##### 7.1.1 Environmental / Sustainability Organisations

###### WWF

In four decades, WWF has become the world's largest and most respected independent conservation organisation, with 27 National Organisations (NOs) active in 96 countries. WWF have almost five million supporters on five continents, who raise money and take action to tackle issues from the survival of species and habitats to climate change, sustainable business and environmental education. Since 1985, WWF has invested over US\$1 billion in more than 11,000 projects in 130 countries.

<http://www.wwf-uk.org/action/business.htm>

###### Forum for the Future

Forum for the Future is playing a vital role in shifting the environmental agenda beyond stale confrontation, into positive, dynamic partnerships for lasting change. The Forum acts via a mix of consultancy, research, advocacy, education, media provision, and capacity building in the business, government and higher education sectors. By pursuing partnerships with key organisations, the Forum has developed several cutting-edge initiatives that are pushing forward the sustainability agenda in the UK.

[http://www.forumforthefuture.org.uk/new\\_website/index.html](http://www.forumforthefuture.org.uk/new_website/index.html)

###### AccountAbility

AccountAbility is committed to strengthening the social responsibility and ethical behaviour of the business community and non-profit organisations. It addresses this mission by promoting best practice social and ethical accounting, auditing and reporting; and developing standards and certification for professionals in the field. AccountAbility supports this growth by encouraging international affiliates and developing partnerships with associated organisations.

<http://www.accountability.org.uk/>

###### Centre for Sustainable Design

The Centre for Sustainable Design facilitates discussion and research on eco-design and broader sustainability considerations in product and service development. This is achieved through training, workshops, conferences, research, consultancy, publications, and the Internet. The Centre also acts as an information clearing house and a focus for innovative thinking on sustainable products and services. The Centre is an internationally recognised centre of excellence.

<http://www.cfsd.org.uk/index.html>

###### SustainAbility

Based in London and New York, SustainAbility specialize in business strategy and sustainable development (SD). From the outset, SustainAbility has been a hybrid: part award-winning strategic management consultancy, part world-class think-tank, and part energetic public-interest-group.

<http://www.sustainability.co.uk/>

###### The Sigma Project

SIGMA aims to increase the social, economic and environmental performance of organisations - irrespective of size or sector - to develop an integrated approach to managing sustainability. Phase 2 of the SIGMA Project is a two-year pilot to develop practical guidance and appropriate tools to help organisations manage sustainability - using existing best practice and developing new tools where required.

<http://www.projectsigma.com/>

## 7.1.2 General Environmental Information

### European Environment Agency

Gateway to environmental information, across the EU and country specific

[http://europa.eu.int/index\\_en.htm](http://europa.eu.int/index_en.htm)

### European Commission

Environmental legislation and policy development

<http://europa.eu.int/>

### European Environmental law homepage

Access to legal texts

[www.asser.nl/EEL/index4.htm](http://www.asser.nl/EEL/index4.htm)

### International Network for Environmental Management

Non-profit, non-partisan, world federation of national associations for environmental management and sustainable development. INEM aims to help companies improve their environmental and economic performance. The site provides best practice, case studies, indicators and benchmarks, and environmental management tools

[www.inem.org/](http://www.inem.org/)

### UK Department of Trade and Industry- Joint Environmental Markets Unit

Raises profile of the environment industry in UK and abroad. Encourages UK firms to invest overseas

[www.dti.gov.uk/jemu](http://www.dti.gov.uk/jemu)

## 7.1.3 Climate Change

### CADET

Energy efficiency information and products

[www.caddet-ee.org/](http://www.caddet-ee.org/)

### UK Government Best Practice Programme Environmental Technology

Free advice for UK businesses

[www.etbpp.gov.uk](http://www.etbpp.gov.uk)

### UK Department of Environment, Transport & Regions

Environmental Reporting: Guidelines for Company Reporting on Greenhouse Gas Emissions

[www.detr.gov.uk/environment/envrp/gas/index.htm](http://www.detr.gov.uk/environment/envrp/gas/index.htm)

### UK Department of Environment, Transport and the Regions

Information source for central government, environmental policy and strategy in the UK

[www.detr.gov.uk](http://www.detr.gov.uk)

### UK Environment Agency

Environmental news, information, research results, pollution inventory, guidance for business and industry

[www.environment-agency.gov.uk](http://www.environment-agency.gov.uk)

### US Environmental Protection Agency

Source of environmental data, legislation and guidance

[www.epa.gov](http://www.epa.gov)

### UN Global Compact

UN interaction with business partners

[www.unglobalcompact.org/](http://www.unglobalcompact.org/)

### United Nations Environment Programme

UNEP site with much environmental information

[www.unep.org](http://www.unep.org)

### World Resources Institute

Information on global resources

[www.wri.org](http://www.wri.org)

### United Nations Framework Convention on Climate Change

Description of the Convention and background

[www.unfccc.de/index.html](http://www.unfccc.de/index.html)

### US Environmental Protection Agency

Source of detailed US information on climate change

[www.epa.gov/oppeoee1/globalwarming/sitemap.html](http://www.epa.gov/oppeoee1/globalwarming/sitemap.html)

## 7.1.4 Environmental Legislation and other Standards

### Advisory Committee on Business and the Environment

Forum for strategic dialogue between business and government on environment and sustainable development issues. Mobilises the business community to demonstrate good environmental practice

[www.environment.detr.gov.uk/acbe/index.htm](http://www.environment.detr.gov.uk/acbe/index.htm)

### British Standards Institute

Standards for environmental auditing and reporting

[www.bsi.org.uk](http://www.bsi.org.uk)

### Building Research Establishment (UK)

Energy efficiency

[www.bre.co.uk](http://www.bre.co.uk)

### CADDET

Energy efficiency information and products

[www.caddet-ee.org/](http://www.caddet-ee.org/)

### European Commission

Environmental legislation and policy Eco-Management and Audit Scheme Council Regulation and other information

<http://europa.eu.int/comm/environment/em/as>

### European Environment Agency

Gateway to environmental information, across the EU and country Specific Waste minimisation guidelines

[www.eea.eu.int](http://www.eea.eu.int)

### European Environmental law homepage

Source of law

<http://www.asser.nl/EEL/index4.htm>

## 7.1.5 Sustainable Development and Eco-efficiency

### Dow Jones Sustainability Index

Global index of companies rated according to their perceived sustainability

[www.sustainability-index.com](http://www.sustainability-index.com)

### Forest Stewardship Council (FSC)

Certified timber production

[www.fsc-uk.demon.co.uk](http://www.fsc-uk.demon.co.uk)

### UK Department of the Environment, Transport & Regions – MACC

Making a Corporate Commitment Government Campaign to encourage resource efficiency and environmental performance on issues of national and international concern

### Global Reporting Initiative

Publish Sustainability Reporting Guidelines (March 1999 draft)

[www.globalreporting.org](http://www.globalreporting.org)

### International Standards Organization

ISO 14001 series on environmental management

[www.iso.ch](http://www.iso.ch)

### United Nations Environment Programme

UNEP Environment Legal Instruments

[www.unep.org/SEC/](http://www.unep.org/SEC/)

### UK Department of the Environment, Transport & Regions

White Papers and policy on integrated transport

[www.detr.gov.uk/itwp/index.htm](http://www.detr.gov.uk/itwp/index.htm)

### UK Department of Trade and Industry

Department of Trade and Industry, for copies of the Company Law consultation paper

[www.dti.gov.uk/cld/review.htm](http://www.dti.gov.uk/cld/review.htm)

### United Nations Environment Programme - Financial Institutions Initiative

Statement and signatory list for financial services environmental initiative

[www.unep.ch/etu/fin serv/fin\\_home.htm](http://www.unep.ch/etu/fin serv/fin_home.htm)

### UK Environment Agency

Guidance for business and industry on environment

[www.environment-agency.gov.uk](http://www.environment-agency.gov.uk)

[www.macc2.org.uk](http://www.macc2.org.uk)

### UK Department of the Environment, Transport & Regions – SD

UK sustainable development strategy and sustainable development indicators

[www.detr.gov.uk/environment/sustainable/index.htm](http://www.detr.gov.uk/environment/sustainable/index.htm)

### United Nations Environment Programme

UNEP Environment Legal Instruments and Initiatives

[www.unep.org/SEC/](http://www.unep.org/SEC/)

## 7.1.6 *Environmental auditing, management systems and reporting guidelines and Standards*

### **Association of Chartered Certified Accountants**

Publications and guidance on environmental and energy reporting

[http://www.acca.org.uk/soc\\_env.html](http://www.acca.org.uk/soc_env.html)

### **British Standards Institute**

Standards for environmental auditing and reporting

<http://www.bsi-global.com/group.xhtml>

### **Business in the Environment**

Publications and information including performance measurement and benchmarking. Published the Fourth Index of Corporate Engagement (1999-00) which compares the extent to which companies are engaged in environmental management and how companies assess and manage environmental performance in key areas

<http://www.business-in-environment.org.uk/bieframe.html>

### **Confederation of British Industry**

Provides CONTOUR, an environment, health and safety benchmarking tool, which can be used to establish what best practice is and enables organisations to measure themselves against it

[www.cbi.org.uk](http://www.cbi.org.uk)

### **European Commission**

Eco-Management and Audit Scheme Council Regulation and other information

<http://europa.eu.int/comm/environment/emas>

### **Global Reporting Initiative**

Publish Sustainability Reporting Guidelines (March 1999 draft)

[www.globalreporting.org](http://www.globalreporting.org)

### **The Institute of Chartered Accountants in England and Wales**

Published "Environmental Issues in Financial Reporting" 1996

[www.icaew.co.uk](http://www.icaew.co.uk)

### **Institute of Environmental Management and Assessment**

The UK Competent Body for EMAS, responsible for administering the scheme and maintaining a register of organisations that are participating

[www.emas.org.uk](http://www.emas.org.uk)

### **International Chamber of Commerce**

Publishes "ICC Guide to Effective Environmental Auditing", and UNEP/ICC/FIDIC Environmental Management System Resource Training Kit

[www.iccwbo.org/](http://www.iccwbo.org/)

### **International Network for Environmental Management**

Best practice, case studies, indicators and benchmarks, and environmental management tools, information on standards

<http://www.inem.org/>

### **International Organization for Standardization**

ISO 14001 series

[www.iso.ch](http://www.iso.ch)

### **Organisation for Economic Cooperation and Development**

Text of the OECD Guidelines for Multinational Enterprises, recommendations for companies to act in harmony with the policies of the countries in which they operate

[www.oecd.org/daf/investment/guidelines/mnetext.htm](http://www.oecd.org/daf/investment/guidelines/mnetext.htm)

### **Pensions Investment Research Consultants**

Publishes reports, trends, analysis and survey data on issues of corporate governance and corporate responsibility including "Environmental Reporting 2000: The PIRC Survey of the FTSE All Share Index (2000)"

[www.pirc.co.uk](http://www.pirc.co.uk)

### **UK Department of Environment, Transport & Regions**

Environmental Reporting: Getting Started

[www.detr.gov.uk/environment/envrp/report.htm](http://www.detr.gov.uk/environment/envrp/report.htm)

### **United Nations Environment Programme**

To order copies of "The Non-Reporting Report" 1998, UNEP and SustainAbility. Explores barriers to and opportunities for environmental reporting

[www.earthprint.com/cgi-bin/ncommerce3/ExecMacro/UNEP/searchsltd2w/report](http://www.earthprint.com/cgi-bin/ncommerce3/ExecMacro/UNEP/searchsltd2w/report)

## **7.2**      ***Appendix 2***

### **The 2001 VC - Survey**

**The ECSPONENT Year 2000**  
**BVCA Environmental Technology and Services**  
**Investment Survey**



**Sponsored by WWF-UK**

"...let's choose to unite the powers of markets with the authority of universal ideals. Let us choose to reconcile the creative forces of private entrepreneurship with the needs of the disadvantaged and the requirements of future generations..."

*Kofi Annan*

**Introduction**

At the World Economic Forum, Davos, on 31 January 1999, UN Secretary-General Kofi Annan challenged world business leaders to "embrace and enact" the Global Compact, both in their individual corporate practices and by supporting appropriate public policies. These principles cover topics in human rights, labour and environment:

WWF-UK have commissioned Ecsponent to conduct a survey of the membership of the British Venture Capital Association.

**This survey has two main goals**

- 1. To identify to what extent investment institutions are adopting a forward thinking approach to their investment portfolio, ensuring that the companies they invest in are adopting best practice principles from ecological perspectives, and that the investors are taking steps to qualify and quantify the environmental impacts of their investments.**
- 2. To identify to what extent investments for environmental technology or services organisations.**

The UK is leading developments in Europe by using financial institutions as a key policy instrument to bring about sustainable development. The UK Insurance markets, Pension Fund Institutions, and Venture Capital companies have a key role to play in this fundamental responsibility to foster market based responses to the ecological challenges facing our planet.

A recent survey carried out by the environmental consultancy ERM reveals that 21 out of the UK's 25 largest pension funds intend to implement Socially Responsible Investment (SRI) principles. Around 70% of the funds said they would implement SRI principles through active engagement rather than simply boycotting specific industry sectors such as tobacco and alcohol.

The recent survey of UK Pension Funds by the UK Social Investment Forum garnered impressive results;

- Overall, 59% of funds, representing 78% of assets, incorporate socially responsible investment (SRI) into their investment strategies either by engagement or by specific request to the fund manager.
- Of these, 48% of funds, representing 69% of assets, want fund managers to consider the financial impact of ethical, social and environmental issues.
- 71% of local authority pension funds mention "engagement" in their statements of investment principles compared with only 23% of company pension funds.

The UK Social Investment Forum study describes, for the first time, how the top 500 pension funds have responded to the new regulation requiring them to disclose how, if at all, they take account of ethical, social and environmental issues in their investment strategies. The regulation came into force on 3 July 2000.

At the Rio Declaration of the UN Conference on Environment and Development (1992)

The UN Secretary-General asked world business to:

- support a precautionary approach to environmental challenges;
- undertake initiatives to promote greater environmental responsibility;
- encourage the development and diffusion of environmentally friendly technologies.

**This survey aims to identify to what extent the UK Venture Capital community is responding to these challenges.**

*"As humanity edges, with cautious but renewed optimism, into the new millennium, we are learning to appreciate both the value and the vulnerability of our global environment. We are also increasingly aware of the fact that sustainable development requires a holistic understanding of global environmental change and the trends in population, urbanisation, consumption and technology that shape its course. In that context, effective environmental management cannot be considered a luxury. It is an imperative."*

Kofi Annan, UN Secretary General, June 1999

Notes:

Scope  
Please complete the survey to the best of your ability. The idea with this survey is environmental impact of investment activity by the UK Venture Capital Community for

Objectivity  
We realise that some of the questions will result in negative values, that is only to of objectivity please be honest, and try to complete the survey in full. We will be in January, overtime we hope to see a demonstrable improvement in relation to the technology and services organisations

Anonymity  
The specific details of individual Venture Capital company responses to the fo confidential. We are aiming for a 'quick and dirty' broad industry snapshot, nothing wish to include a public quotation or comment in the final report, please complete four.

If you have any queries at all regarding this survey please do not hesitate to conta

Mail: WWF-VC-Survey, ECSPONENT, CPTM,  
14 Queen Anne's Gate, London. SW1H 9AA  
Tel: 07951 985 566  
Fax: 0207 930 1543  
E-Mail: peter.spark@ecspONENT.org

Thank you in advance for your co-operation.

Peter Spark - ECSPONENT

## Part One - Company Details

### Contact Details

Company Name: \_\_\_\_\_  
Contact Name: \_\_\_\_\_  
E-mail Address: \_\_\_\_\_ @ \_\_\_\_\_  
Telephone: \_\_\_\_\_

### Brief Financial Information:

Total Funds Invested Year 2000 \_\_\_\_\_ (£Million)  
Total Funds Managed/Advised Year 2000 \_\_\_\_\_ (£Million)  
Portfolio Size Year 2000 (No of Investee Companies): \_\_\_\_\_  
Minimum Invested \_\_\_\_\_ (£Million)  
Maximum Invested \_\_\_\_\_ (£Million)  
Average Size of Investment \_\_\_\_\_ (£Million)

### Geographical Focus:

#### Investments

Primary Geographical Location of Portfolio Companies:  
UK  Europe  Americas  Australasian  Global   
Secondary Geographical Location of Portfolio Companies:  
UK  Europe  Americas  Australasian  Global

#### Investors:

Primary Geographical Location of Source of Capital:  
UK  Europe  Americas  Australasian  Global   
Secondary Geographical Location of Source of Capital:  
UK  Europe  Americas  Australasian  Global

#### Source of Funds:

Pension Funds  Insurance Companies   
Banks  Private Equity   
Local Authorities  Government   
Academic Institutions  Other



**Part Two - Environmental Assessment of Your Company**

**Management Organisation and Processes: Your Organisation**

Has your company produced statements or policies concerning environmental, economic or social activities of the business?

No  Yes  Unsure   
 (Please send us a copy of the statement or policy)

Do these policies cover ALL operations of the company?

No  Yes  Unsure

Has the company subscribed or become signatory to any voluntary initiatives?

No  Yes  Unsure

Type of Initiative: International Initiatives:  Specify: \_\_\_\_\_  
 National initiatives:  Specify: \_\_\_\_\_  
 Local Initiatives:  Specify: \_\_\_\_\_  
 Other initiatives:  Specify: \_\_\_\_\_

Has the company gained any external standards or awards?

No  Yes  Unsure

International  ISO14001   
 EMAS  SA 8000   
 National  Local/Sectoral

Comments /Details:  
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**Part Three - Environmental Assessment of Your Investments**

**Management Organisation and Processes: Your Investments:**

Do you encourage your investee companies to pursue environmental best practices?

No  Yes  Unsure

Do you view environmental best practice processes as a source of competitive advantage for your investee companies?

No  Yes  Unsure

Do you view environmental regulatory compliance as being of benefit or hindrance to maximising shareholder return?

Benefit  Hindrance  Unsure

Do you require your investee companies to produce statements or policies concerning environmental, economic or social activities of the business?

No  Yes  Unsure

(Please send us a copy of each statement or policy)

Do these policies cover ALL operations of the companies?

No  Yes  Unsure

Have any of your investee companies subscribed or become signatory to any voluntary initiatives?

No  Yes  Unsure

Type of Initiative: International Initiatives:  Specify: \_\_\_\_\_  
 National initiatives:  Specify: \_\_\_\_\_  
 Local Initiatives:  Specify: \_\_\_\_\_  
 Other initiatives:  Specify: \_\_\_\_\_

Have any of your investee companies gained any external standards or awards?

No  Yes  Unsure

If so which? International  ISO14001   
 EMAS  SA 8000   
 National  Local/Sectoral

Comments:  
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**Part Four - Investment Opportunities and Strategies**

**Environmental Technology and Services Investment Opportunities and Strategies**

**Your Investments / Your Industry:**

To what extent do you feel the UK Venture Capital community has a 'duty of care' or responsibility to ensure that its investments have as reduced an environment impact as possible?

None at all  Very Little  Some  Very Much  Total

Why?

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Would your company be interested in services that provided objective environmental assessments of your investments?

No  Yes  Possibly

Would these services be best suited to pre-investment or post-investment activities, or both?

Pre  Post  Both

Would your company welcome new government regulations that required the assessment and reporting of economic, environmental and social reporting within UK Venture Capital investment strategies?

No  Yes  Possibly

Would your company be willing to take part in the establishment of a voluntary code of conduct for incorporating economic, environmental, and social reporting into UK Venture Capital investment strategies?

No  Yes  Possibly

Would you company be interested in the qualified deal flow from the NGO, Academic, and Green investment communities?

No  Yes  Possibly

Would your company be willing to take part in a conference together with other stakeholders (Pension Funds, Insurance Companies, Government, NGO, Academic and Entrepreneur communities) to explore the issues around 'sustainable profit' and venture capital investment strategies?

No  Yes  Possibly

In which format would you like a copy of the report from results of this survey sent to you?

PDF  HTML  Paper

Comments:

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The identities of all the participants in this survey are confidential. However, if you wish to submit a quote for publication in the final report in reaction to this survey please use the below form.

Public Quote for the Final Report:

Name: \_\_\_\_\_

Company: \_\_\_\_\_

Position: \_\_\_\_\_

Quote: \_\_\_\_\_

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