



40  
YEARS

# Creating Sustainable Growth

Private Capital at Work

2nd Edition

January 2024



# About this report

This report has been produced by the British Private Equity and Venture Capital Association (“BVCA”) to reflect on the progress of the industry in relation to sustainability and demonstrate how our members help to build businesses fit for the future.

Discussions on decarbonisation, cybersecurity, biodiversity loss and diversity are now at the top of the global political agenda. The BVCA actively engages with private equity and venture capital firms, policymakers and standard setting bodies to ensure that we have the right political and regulatory environment to enable our members, and others, to invest in and create the businesses of tomorrow.

To support these discussions, the BVCA, along with national partner associations throughout Europe, started an ESG initiative in 2022 to gather data from private equity (PE) and venture capital (VC) firms on key Environmental, Social and Governance (ESG) metrics. We launched a second edition of the survey in July 2023 to build upon previous research findings and continue to evidence the ESG journey of our members.

For the 2023 data collection cycle, we had 93 BVCA member firms providing data on portfolio level ESG metrics which represents a 23% increase compared to the previous year. Our members provided us with data on almost 2,100 companies, which is a notable improvement in coverage compared to the 1,300 companies analysed in the previous report. Many

fund managers also submitted more comprehensive submissions with a greater number of ESG metrics covered across their portfolio.

Disclosure of information on portfolio company and fund level was voluntary. As a result, we do not have the same data point coverage for each company/fund in the dataset over the two data collection cycles.

We are expecting response rates to increase further as businesses develop more efficient ways to track more complex ESG datapoints.

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*"Whether you are an investor or an entrepreneur, ESG is an ongoing journey. In the spirit of collaboration, we recognise that shared insights and collective efforts are paramount in advancing sustainable practices. The BVCA's Responsible Investment Advisory Group (RIAG) meets on a regular basis to share best practice and to lead on sustainability regulation and policy engagement. Being transparent in data reporting builds trust that is vitally important for building strong relationships between private capital investors, company founders and policy makers."*



**Maria Carradice**  
Managing Director, Mayfair Equity Partners & Chair, BVCA Responsible Investment Advisory Group



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*"The BVCA is a great source of guidance and best practice on sustainability and impact investment. Increasingly, more institutional investors are asking for robust ESG disclosures from their fund managers as part of an ongoing shift to responsible investment practices. There is a growing awareness of the need for businesses to contribute positively to society and drive real change for the environment and consumers alike. I encourage you to join the BVCA's ESG related events to find out more".*



Alistair Brew

Investor at BGF & Chair, BVCA Impact Investment Advisory Group





# Foreword

**2023 was the hottest year globally since records began. People are demanding better representation at work. And good governance is needed to build and earn the trust of employees, investors and the wider community. Against this backdrop, the private capital industry is ready to be part of the solution by building sustainable businesses that are resilient in the face of climate and technological change, have engaged workforces and robust processes to enable adaptation.**

In this report, we demonstrate how responsible investing leads to long-term value creation, and showcase examples of businesses backed by our members which are at the forefront of reducing their carbon footprint, fostering social responsibility and preventing financial crime. Alongside these case studies, we share the findings from our ESG member survey and look at the data collected from BVCA

member private capital firms on their investee companies, covering metrics such as Green House Gas emissions, board diversity, and cybersecurity. We also provide an overview of new developments across the sustainability regulatory landscape in the UK and Europe.

We call out progress where it has been achieved and highlight areas that the industry still has more to do. In doing so, we hope to encourage our membership and the wider private capital industry to become even more engaged in the ESG agenda. That is because we firmly believe collaboration and knowledge sharing are a crucial part of the sustainability journey. The BVCA supports members in their efforts by bringing together ESG experts from across a range of disciplines via our Responsible Investment and Impact Investing Advisory Groups, our conferences and our training courses. Our recently refreshed Responsible Investment Toolkit has also been designed to provide advice for building

and implementing an ESG strategy and signposts best practice and guidance.

Going forward, 2024 will bring even higher expectations as institutional investors and regulators demand further progress on transparency and accountability. We are expecting to see even greater integration of sustainability considerations into corporate strategies as a driver of long-term value. We will continue to work with many other organisations and standard setting bodies to ensure that the right regulations are in place so investment and expertise can get to where it is needed most.



# Sustainability regulation developments in 2023

There are a multitude of different laws, regulations, best practice and guidance covering different aspects of sustainability, in different jurisdictions, from regulations requiring large companies to report their carbon emissions, through to guidance on reporting of non-financial metrics, to laws restricting polluting activities. These regulations typically fall into two categories: those which focus on transparency and disclosure and those that help organisations to develop direct action.

**There is a need for clear and consistent UK Net Zero policies, alongside proportionate sustainability regulation that is compatible with international standards, to help give private capital firms and others the confidence to invest. Regulation needs to be effectively calibrated to the private capital investment model as well as mainstream finance.**

17.1%

proportion of funds which are classed as SFDR article 8 "Funds which promote environmental or social characteristics, along with good governance" <sup>1</sup>



EU

The Sustainable Finance Disclosure Regulation (SFDR), a disclosure framework that applies to EU regulated firms and those marketing to EU investors, is being revisited. While designed with the intention of providing better information to investors and avoiding greenwashing, elements of SFDR have proven onerous and unclear, even to the point of potentially promoting greenwashing. Data from our survey shows only a relatively small percentage of funds, for which we received data, have adopted either an article 8 or 9 label.

The Corporate Sustainability Reporting Directive (CSRD) is a relatively new piece of EU law that requires larger EU-focused companies to report on the impact of their business on people and planet, bringing in the concept of 'double materiality'.

The Corporate Sustainability Due Diligence Directive is under development but will set out requirements for due diligence process within large EU businesses' value chains. This goes beyond disclosure, with the aim of ensuring businesses address the potential adverse impacts of their activities on environmental and social issues.

9.9%

proportion of funds which are classed as SFDR article 9 – "Funds which have sustainable investment as their primary objective" <sup>2</sup>



UK

The UK's Sustainability Disclosure Requirements (SDR) rules were finalised in November. SDR gives the option for firms with funds designed to seek positive environmental or social outcomes to apply one of four labels, providing their funds meet certain criteria. The SDR framework also builds on disclosures larger firms will already be making, in particular under the FCA's TCFD-based (Taskforce on Climate related Financial Disclosures) climate reporting framework, which should help streamline implementation.

The UK has committed to and is consulting on endorsing the ISSB (International Sustainability Standard Board) IFRS 1 and IFRS 2 standards, via the proposed UK Sustainability Disclosure Standards (SDS). The ISSB frameworks aim to create a global corporate sustainability reporting baseline, aligning with existing disclosure frameworks such as the TCFD.

The FCA has announced that it intends to update the SDR (Sustainability Disclosure Requirements) to consider these disclosure standards, once they are finalised.

<sup>1,2</sup> BVCA ESG Survey, 2020 – 2022 vintage funds



# Sustainability as a value creation strategy

Paying attention to sustainability is now an important value creation factor for private capital firms looking to generate superior returns for investors.

As its most basic, this is about assessing and mitigating risks such as extreme weather events or regulatory intervention and establishing good governance processes. At the other end of the spectrum, sustainable practices, such as enhanced workforce engagement and supply chain decarbonisation, can help to lower ongoing costs, retain staff and build a better value proposition for customers.

Many institutional investors now view strong ESG performance by private capital firms as a marker of how they manage their investee companies and are asking for data to evidence this. The credibility of ESG disclosures has therefore become an increasingly important part of the process of attracting long-term investors.

But ESG matters for returns as well as fundraising. A recent survey by the Sustainable Markets Initiative's Private Equity Taskforce revealed that 70% of private capital leaders expect to be paid a premium upon exit for companies that effectively decarbonised during PE/VC ownership<sup>1</sup>.

PwC conducted a similar study amongst 150 private equity firms with 70% of respondents placing value creation among the top three drivers for their organisation's ESG activities<sup>2</sup>. **A strong ESG proposition can help companies enhance their brand, mitigate risk and tap into new markets more easily while attracting and retaining top talent.**

From a valuation perspective, businesses which are more sustainable are likely to have higher valuations relative to their peers due to more stable cash flows with greater upside and less downside over the longer term. Embedding ESG factors in daily operations may also lead to lower cost of capital.

<sup>1</sup> Sustainability Survey | BCG & PESMIT

<sup>2</sup> Global Private Equity Responsible Investment Survey | PwC

<sup>3</sup> ESG and Global Investor Returns Study | Kroll

## ESG driving returns: evidence from public markets

To quantify the relationship between ESG adoption and financial performance, Kroll Advisory examined the link between the total stock returns of over 13,000 companies and their respective MSCI ESG ratings over the 2013–2021 period. The worldwide results indicate that ESG leaders earned an average annual return of 12.9%, compared to an average 8.6% annual return earned by companies lagging in ESG policy adoption. The outperformance has been even greater in the UK with leading companies generating a 6% return compared to -2.5% for ESG laggards<sup>3</sup>.



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*“Over the last 10 years we have collected quantitative ESG data annually across our 6 Pillars of ESG for every portfolio company. The results show that businesses with high ESG ratings consistently demonstrated strong financial performance and also proved to be highly resilient during the COVID pandemic. We believe the link between sustainability and value creation is clear. And at a time when sustainability concerns are becoming ever more urgent, business leaders and investors alike can greatly benefit from operating sustainably.”*



**Beth Houghton**

Impact Managing Partner, Palatine Private Equity



# Decarbonisation & Renewable energy

Private market investors are increasingly recognising the role they play in contributing to steering the global economy towards sustainability. As businesses and consumers become more environmentally conscious, decarbonisation efforts and the ascent of renewable energy continue to shape the investment landscape more strongly than ever before.

The ESG Data Convergence Initiative (EDCI) published a sustainability report<sup>1</sup> in collaboration with BCG which finds that decarbonisation rates are relatively consistent across both larger and smaller public companies.

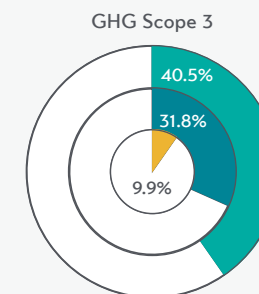
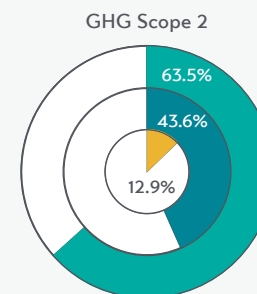
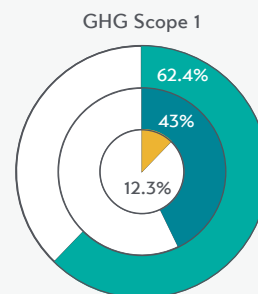
Large private companies, on the other hand, have been reducing their carbon footprint significantly faster than small private companies<sup>1</sup>. This likely reflects the fact that private firms have not historically focused on decarbonisation and instead concentrated more on pursuing a wide array of growth opportunities.

Our data supports a similar narrative as the availability of GHG emissions data appears to be correlated with company size. About 62% of large companies, for which we received data, are collecting information on Scope 1 emissions compared to 12% for small companies.

On average, UK businesses backed our members source circa 29% of used energy from renewable sources, suggesting there is plenty of room for improvement. Private capital firms are progressively working with portfolio companies to implement efficient emission tracking systems and transition to renewable energy sources as illustrated by our case studies.

Proportion of companies reporting emissions data, by company size\* and GHG scope (%)

- Small
- Medium
- Large



## HAWKSMOOR



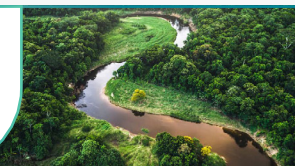
📍 London

🏢 Consumer goods and services

£ Graphite Capital Management

The British restaurant group Hawksmoor has garnered a stellar reputation for its steaks. But its goal of “Creating Something Special” extends far beyond what’s on the plate - to farmers, producers, communities and, of course, the environment. Since its investment in 2013, Graphite Capital has worked closely with the management team to reduce emissions. With the help of experts, Hawksmoor carefully assessed both its own operations and its entire supply chain. It switched to renewable energy for all its UK sites, with the result that its Scope 2 emissions are now zero. All food waste is sent for anaerobic digestion, producing renewable biogas. These steps and others led to a 23% decrease in carbon emissions per customer in just one year, allowing Hawksmoor to become the world’s first carbon-neutral steak restaurant group in 2022. It is truly critical to see influential businesses become leaders in sustainability and inspire others to follow in their footsteps.

## HOWDEN



📍 West Midlands

🏢 Business products and services

£ Hg

Howden is a leading global insurance group with employee ownership at its heart. Founded in 1994, it operates in 50 countries, employing over 15,000 people. Since its investment in 2020, Hg has worked closely with the Group’s leadership team to establish a division focused on protecting clients from the increasing uncertainty related to climate change. Howden’s Climate Risk and Resilience division comprises more than 40 experts, bringing a global and diverse perspective to the climate challenge. Underpinned by an analytics function, the team provides climate risk management and advisory services and uses insurance and financial markets expertise to develop innovative risk transfer solutions. Along with de-risking the future for clients, the team collaborates with key public and private sector partners to unlock private investment; transforming disaster relief funding models and empowering vulnerable communities to financially prepare for the future. The investment and expertise brought by Hg has helped Howden to scale-up and fulfil its ambition to lead the market response.

\*Sample size : Small (<50 FTEs) - 650 companies; Medium (<250 FTEs)- 534 companies ; Large (>249 FTEs) - 551 companies; 2388 companies – no answer).

<sup>1</sup> Sustainability in Private Equity Report | EDCI & BCG





# Biodiversity

Biodiversity underpins the entire living fabric of our planet, contributing to the ecological balance across continents. Unfortunately, this balance is being eroded faster than ever before in human history.

Aiming to reverse this trend, government leaders adopted a new Global Diversity Framework at the 2022 United Nations Biodiversity Conference (COP15). This framework include measures to halt and reverse nature loss with the aim to preserve at least 30% of the world's land and coastal/marine areas by 2030.

Policy measures, such as the European Union's [deforestation regulation](#), the UK's biodiversity net gain (BNG) requirements and the launch of voluntary frameworks such as the [TNFD risk management and disclosure framework](#) are reinforcing market attention on these issues. By working together, private capital investors and the public sector can develop ways to address biodiversity challenges on a broader scale, promoting a balanced approach to economic development and environmental conservation. In seeking biodiversity-related investment opportunities, private capital investors should consider those industries that are especially primed for improvements in biodiversity conservation.

By integrating sustainable practices, businesses become more efficient, reduce risks associated with environmental regulations, and tap into emerging market opportunities driven by eco-conscious consumers. Aligning financial interests with environmental stewardship, private capital firms are not only contributing to the preservation of ecosystems but also safeguarding the resilience and future competitiveness of their investments.




50% ↑

More than 50% of global GDP is moderately or highly dependent on nature and its services representing \$44 trillion in economic value<sup>1</sup>



69% ↓


Earth's wildlife population dropped by 69% since the 1970, with a quarter of our plants and animals currently at risk of extinction<sup>2</sup>



Yorkshire & Humber Energy and environment

£ BGF

Transformed from a former riding school and farm, Yorkshire Wildlife Park (YWP) stands as a dynamic centre for conservation and welfare. With over 400 animals representing more than 70 different species, YWP garnered a £15m investment from BGF. This substantial investment bolsters YWP's bold plan to double its size. The focus lies on biodiversity enhancements, including the creation of new reserves, a wildlife-themed hotel, and dedicated educational facilities. YWP has expanded with new attractions, earning it a place in the top 10% of UK visitor attractions. Visitors play a crucial role in these initiatives, contributing to the Yorkshire Wildlife Park Foundation. This foundation, created in 2013, actively funds conservation projects worldwide. As YWP positions itself as a standout destination committed to biodiversity and education, the expansion serves as a testament to its dedication to both animal welfare and public awareness.



South East Energy and environment

£ TriplePoint Ventures

Female-led NatureMetrics specialises in biodiversity monitoring through advanced eDNA sampling, which relies on high-throughput sequencing for rapid characterisation of entire communities and detecting individual species. This technology allows NatureMetrics to uncover multiple species from complex environmental samples in a highly efficient way and provide a robust window into the state of local ecosystems. Working with businesses across a variety of industries including infrastructure, water utilities and mining, NatureMetrics helps to assess and mitigate their ecosystem impact. It also collaborates closely with academic research groups to position itself at the forefront of ecological conservation. The company secured £9.8 million in new funding to further enhance its digital capabilities that will meet the increasing global demand for nature monitoring. Interest in biodiversity monitoring has risen since the Global Biodiversity Framework launch in 2022, with growing demand from corporate clients anticipating incoming regulations.

<sup>1</sup> New Nature Economy Report | World Economic Forum / <sup>2</sup> Living Planet Report | WWF





# Diversity

Having a diverse and inclusive working environment fosters creativity and innovation, leading to better productivity.

In 2022, FTSE 350 companies reached an important milestone as female representation on company boards reached 40%<sup>1</sup> with the global average just shy of 20%<sup>2</sup>. Our data indicates that the representation of women on boards backed by private capital firms averages 16%, signaling gender disparity in corporate leadership.

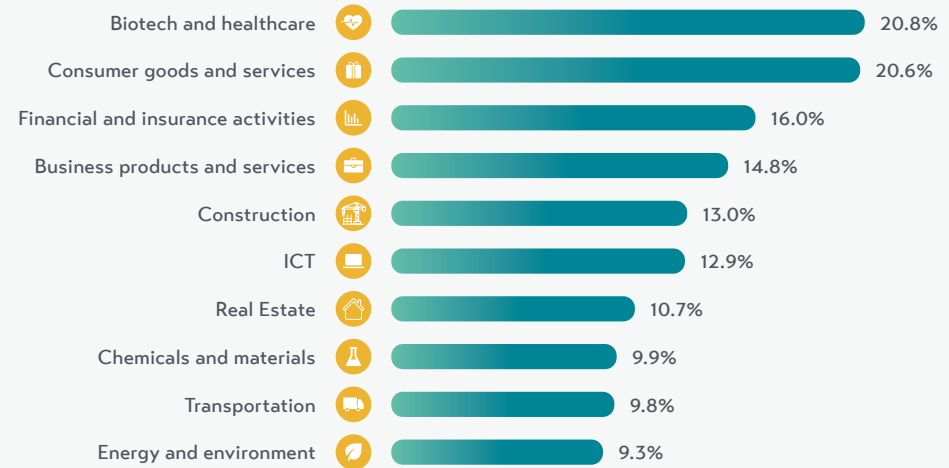
The dispersion of female board members across industries is also notably lower than that of female employees, which holds to be true irrespective of company size. These findings, echoing those of the previous year, suggest a more proactive approach is needed to address the gender imbalances at the leadership level.

While there is still a long way to go, our gender analysis at private capital firms<sup>3</sup> highlights the steady and consistent improvement in the proportion of women at senior, mid and junior-level across both investment and non-investment teams.

Private capital firms, where women hold 20%<sup>3</sup> of senior roles in the UK, can help establish a diverse and inclusive working environment amongst their portfolio. This is well illustrated by the case studies of SHL and Gravity Media Group.

The BVCA is actively engaging with organisations and initiatives supporting diversity and female entrepreneurship across the industry such as Level 20 and the Investing in Women Code to help build an inclusive business environment in the UK.

## Female board members by sector\* (%)





 **South East**

 **Exponent**

 **Business products and services**

In 2018, SHL, a leader in talent assessments, joined Exponent's portfolio. As part of Exponent's ESG programme, DE&I was identified as a goal that could add value internally to its employees as well as externally to clients. The company has implemented a DE&I strategy, charter and education programme, including Town Halls. SHL collaborates with diverse recruiters and 40% of senior roles are held by women. Appointing an Inclusion & Engagement Director demonstrates SHL's commitment to leadership-level progress, targeting gender parity in senior roles by Dec 2024. SHL actively supports employees from under-represented communities and sets goals around Black representation which aim to mirror the labour market in their main hubs in the US, UK and South Africa. The Company's award-winning Neurodiversity Research program focuses on "Inclusive Assessment", exploring how candidates from a range of backgrounds experience and perform on assessment. SHL's goal is to position itself as a leader in talent assessment and diversity within the global business landscape.



 **East of England**

 **Towerbrook Capital Partners**

 **ICT**

Gravity Media is actively pursuing their strategic goal of diversifying its talent pool, especially in areas such as engineering, technical operations, sales, and marketing with a focus on supporting women. The company has been working in collaboration with Rise, a UK-based advocacy group dedicated to enhancing gender diversity within the broadcast technology sector. In 2022, Gravity Media sponsored the annual Rise Awards, networking events, training sessions, and the Rise Up education outreach programme to inspire and develop talented women in the sector. The company's commitment extends to becoming a sector leader in ESG, with a particular focus on diversity and inclusion, employee well-being and sustainability. Gravity Media's commitment to diversifying its talent pool is supported by TowerBrook, which has publicly pledged to enhance gender diversity across its portfolio companies.

<sup>1</sup> FTSE Women Leaders / <sup>2</sup> Women in the Boardroom | Deloitte Global | Risk / <sup>3</sup> Diversity and Inclusion-Report | BVCA & Level20  
\*Sectors with less than 10 companies in the sample have been excluded from the chart



# Cybersecurity

In today's digital world, robust cybersecurity processes are essential to create a foundation for business resilience. As companies increasingly embrace digital transformations, intertwining their core operations with technology, cyber threats become inevitable. The British government estimates that UK businesses experienced approximately 2.39 million instances of cyber crime during the 2022/2023 financial year<sup>1</sup>, the vast majority taking the form of a phishing attack<sup>1</sup>.

Robust cybersecurity is now important for both operational integrity and business reputation. Our survey results show that the vast majority of businesses in our sample adopted cybersecurity initiatives – a key part of good governance. Private capital firms not only help their own portfolios protect their data from theft and damage but also back companies that provide cybersecurity solutions to other companies.

Proportion of companies adopting cybersecurity policies by company size\*



Cost of data breach for UK businesses averaged £3.4m in 2023<sup>2</sup>



- 📍 East Midlands
- 📍 Consumer goods and services
- 📍 Maven

Northamptonshire based Zinc Systems is a SaaS solutions provider specialising in safety, security and critical event management. Failure to enhance security capabilities puts companies at a growing risk from cyberattacks with critical event management now firmly at the heart of good governance. Zinc's products help corporate and government organisations to identify, respond to, and recover from critical events or incidents that may pose a threat to their people, assets and reputation. New funding from the Maven VCTs enabled Zinc to expand its sales and marketing teams and accelerate further product development, including the launch of its innovative SYNAPSE Analyst platform. This solution will bring new advancements in utilising data-driven technology to enhance performance and response to risk.



- 📍 East of England
- 📍 ICT
- 📍 IP Group

Based in Cambridge, Featurespace is a world leader in preventing enterprise fraud and financial crime. The company has been continually developing a proprietary machine-learning software to help financial institutions identify potential risks, detect fraudulent behaviour and protect their customers in real time. Global institutions including HSBC, TSYS, Worldpay and NatWest Group are working with Featurespace to bolster their cybersecurity defences and minimise costs related to financial fraud. IP Group has supported the company since 2012, leveraging its expertise in the deep tech space to help Featurespace on its growth journey and mission to make the world a safer place. With financial crime rates on a continuous rise in recent years, the need for innovative tech solutions has become ever more important. In recognition of excellence, Featurespace has been awarded a silver medal at the PAY360 Awards ceremony for the best use of payments data or AI in financial services.

<sup>1</sup> Cybersecurity survey | UK Government / <sup>2</sup> IBM Security Report

\*Sample size : Small (<50 FTEs) - 650 companies; Medium (<250 FTEs)- 534 companies ; Large (>249 FTEs) - 551 companies; 2388 companies – no answer).



# Interview: ESG in practice



**Markus Golser**  
Managing Partner and Head  
of ESG, Graphite Capital

The rising importance of ESG reflects a global recognition of the interdependence between business success and sustainable practices. We sat down with Markus Golser, managing partner and head of ESG at Graphite Capital to get his take on how private capital firms are rising to the challenge.

## Why is ESG important to Graphite Capital?

"Our ESG journey started over 15 years ago and gradually evolved, as did the industry as a whole. Many of our investors have dedicated ESG teams and highly sophisticated due diligence methods. We have been guided by them to stay on top of ESG developments, whilst also considering ESG within our own firm. Collecting and analysing sustainability data has helped us to pinpoint concrete benefits we've been able to deliver across our portfolio over the last 15 years. With time, we have increasingly been able to tie value creation with ESG objectives.

Prior to making an investment, we identify the areas in which a company is already focusing on ESG topics. We can then use our understanding of best practice for their sector to create tailored objectives. By identifying these early on, we can correctly assess what data we need and demonstrate

*the qualitative and quantitative improvements portfolio companies have made, which is what our investors want to see."*

## What are the main opportunities/benefits you have noticed from integrating ESG considerations into your investment decision process?

*"When we present our ESG work to a company we want to invest in as part of our pre-deal marketing, we are able to provide examples of how the implementation of ESG principles has made a positive impact on the financial performance of our existing portfolio businesses. We also see other tangible benefits from taking ESG seriously, ultimately leading to stronger financial metrics, for example, staff attraction and retention, and being able to stand out as an employer brand in competitive industries. Our portfolio company Hawksmoor, which recently*

*won the BVCA Excellence in ESG award, is a great example of that. By building a strong corporate culture and sustainability ethos, we have created a like-mindedness among staff which is really powerful."*

## Have there been any stumbling blocks to integrating your RI approach and can you provide any tips on how you have overcome them?

*"There is a myriad of industry initiatives, and our job is to engage with portfolio companies on what is specifically material and meaningful to them. There is no 'one-size-fits-all' approach to sustainability, and it takes a strong understanding of its true purpose to ensure it does not become a tick-box exercise.*

*Although Graphite Capital invests in businesses that are able to dedicate internal resources to ESG, we also help*

*them with our own ESG toolkit and our portals. Within this, we determine what initiatives would best suit a particular business. This could be using the SBTi initiative, joining the UN Global Compact, or exploring the B Corp route. However, in some cases these are not the best fit. This is one of the biggest challenges that requires positive engagement and a detailed understanding to find what will work best."*

## Which tools or initiatives have you found to be most useful with onboarding ESG into your organisation and your investments?

*"We are not re-inventing the wheel at Graphite Capital. We started our ESG journey with questionnaires like many of our peers and have now moved to much more rigorous data collection through dedicated ESG portals. The most important thing for us is choice. We don't apply one singular approach for all investee businesses to comply with.*





# Interview: ESG in practice (continued)

We have two main advisors that help us with data collection and also work with specialist advisors to discuss specific areas within the environmental or social sphere.

We see our portfolio as a community. We use webinars and other tools to educate them on ESG and demystify some of the associated challenges. We recently ran one on the Science Based Targets Initiative, which was very well received by the portfolio. I see Graphite Capital as a facilitator of these conversations; bringing businesses together to become proactive on their ESG journey. Whilst ESG must be measurable to reach sustainability targets, these qualitative narratives are valuable and cannot be disassociated from the quantitative data."

## What do you think the ESG landscape will look like for the industry in the next 10 years? What are your wishes?

"I think the ESG landscape is very noisy, people get overwhelmed and don't know where to start. Therefore, I would wish for two things. Firstly, I would like

the industry as a whole to be able to determine with accuracy that ESG leads to better investment performance. To corroborate this with academic studies and provide solid evidence of strong positive correlation between ESG engagement and better financial returns. This would rebut the criticism that ESG is primarily an administrative burden or window dressing.

Secondly, I would be keen for us all to move beyond simple data collection and aim towards actions that make a tangible difference. For example, we should focus on how we can successfully help sequester carbon and increase biodiversity, rather than fall into the trap of simplistic offsetting. We must make a difference on the ground and I know some firms are already engaging in this thinking, as are we.

At Graphite Capital, we see our portfolio companies as anchored in local communities and socially active across various initiatives with a local impact. These could include prioritising staff engagement and welfare in multi-site operations, addressing poverty and education deficiencies in local communities, or increasing intra-community engagement. Our portfolio

includes social care businesses, operators of training academies, tuition centres and schools, all of which work very much within their local communities. It is important to understand that these businesses are not just being run from a far-away head office but are an integral part of the areas they operate in.

I hope the industry becomes better at tapping into these opportunities over the next 5-10 years, clearly demonstrating positive impact and reaping other benefits alongside financial returns."

## What advice would you give to PE firms starting their ESG journey?

"The first piece of advice I would give is to ensure ESG is broadly embedded within your organisation. Whilst it is important to have ESG leadership, it

should not be delegated to just one person. The more people that are involved and engaged, the better. It is also critical to understand what people care about personally and play into their strengths. For example, at Graphite Capital we have someone who is personally interested in rewilding and who has introduced us to rewilding initiatives which we as a firm can support.

My second tip would be to surround yourself with competent advisors, who can help educate you and stay on top of the myriad of ESG frameworks available.

And thirdly, to customise your approach to ESG and ensure you don't just impose a framework on your portfolio companies that may not work for them. Engage in what makes sense for them, and how it can enhance their business model."



# Learning and connecting

## BVCA events



The huge growth in the role of ESG in private capital, combined with a busy landscape of new regulation and reporting, meant that for the first time, the BVCA 2023 ESG Conference was a full day dual stream event. The streams featured were ESG Strategies, Impact and Venture forums. Founder stories brought the event to life, with nature credits, green-hushing and ESG in Tech some of the cutting-edge themes discussed.

Topics for the 2024 ESG conference include:

- resilience in the face of the geopolitical picture
- data convergence and the needs of LPs
- Scope 3 Green House Gases and the importance from an environmental and social perspective
- How to embed DEI so it's not just measured but makes a difference
- The challenge of double materiality and the evolving story around biodiversity

Impact features on both the main stage and breakout streams, in recognition of its growing role in private capital.

ESG has been, and will continue to be, a major theme at our flagship annual BVCA Summit, including the announcement of the winners of our Excellence in ESG and Excellence in Impact Awards.

[Find out more](#)

## BVCA Training



BVCA Training provides members with a practical approach to carbon reduction planning and ESG strategy integration within the investment cycle. Offering both introductory and strategic level training courses, content includes pre-investment analysis, identifying risks and value creation.

### Courses:

- [Responsible Investment e-Learning >](#)
- [Developing an ESG Strategy for your Portfolio >](#)
- [Carbon Reduction: Planning for Your Portfolio >](#)

BVCA Training also offers bespoke training for organisations. Contact [Natalie Whiley](#), BVCA Head of Training for more information on any of the training services.



*The BVCA ESG training was excellent, providing a broad overview of sustainability practices, strategy and regulation. I would recommend!* – Alexandra Campbell, ESG Co-ordinator, Freshstream, attended Sept 2023



# Where to find guidance

There are many advocates for 'doing well by doing good' within the private capital industry. For example, several groups / bodies provide best practice guidance and in some cases certifications for firms which meet certain standards. Membership is voluntary but can be a way of accessing information and guidance as well as act as a signal of intent. Resources are often available free on websites.

Below are some of the organisations the BVCA have been supporting or engaging with.

“

*"Embedding ESG principles in ways of working, alongside linking ESG to business outcomes and value creation, is essential for ensuring engagement and delivering sustainable outcomes. We continue being committed to introducing sustainability practices across our portfolio, based on what is material for the companies we invest in, and find the guidance and support provided by BVCA really useful to help us deliver on our objectives – both from a portfolio and reporting perspective".*



Lucie Mills  
Value Creation & ESG Partner, NorthEdge

## Spotlight on key guides and research

BVCA Responsible Investment Toolkit

Diversity & Inclusion Survey – March 2023

TCFD Implementation Considerations  
for Private Equity – October 2022





# Methodology and data sources

## Data sources

Unless otherwise stated, all data presented in this report is taken from the BVCA member survey on ESG data which ran between July and September 2023. The survey collected portfolio level information on environmental, social and governance metrics together with fund level sustainability regulation data. The information was collected alongside other European venture capital associations, using a common platform, the European Data Cooperative ('EDC'). Further information about the EDC can be found below.

## Survey eligibility

All firms who were full General Partner members of the BVCA on 24 July 2023 and eligible to take part in the Investment Activity Survey were asked to participate.

## Number of respondents

For the 2023 survey, we received 110 GP submissions from our General Partner members. In total our members provided us with data on over 2,100 companies.

## Checks and quality controls

The EDC data collection system allows data contributors to review information prior to submission. The BVCA research team will process any amendments that are required post submission and flagged by data contributors. We review all submissions and query any

obvious errors. We do not independently verify the data submitted as this is frequently not in the public domain. As a result, the BVCA cannot guarantee the ultimate accuracy of the data and therefore BVCA does not accept responsibility for any decision made or action taken based on the information provided in this report.

## Confidentiality

All data received is treated with the utmost confidentiality. Data is published in an aggregated and anonymised form only.

## European data cooperative

The BVCA has supported the European Data Cooperative (EDC) since 2011, working with Invest Europe, France Invest, AIFI and 20 other private equity and venture capital associations across Europe to develop a single system for collecting data. The platform is jointly owned, operated and open to all private equity and venture capital associations across Europe. A separate legal entity (EDC GmbH) was set up in which all associations are shareholders. Statistics derived from the EDC platform are reported in aggregate to ensure anonymity.



# Contacts & useful resources

## BVCA publications on ESG themes

UK Private Equity Annual Public Reports

iCI TCFD Implementation Considerations  
for Private Equity

BVCA & Level 20  
Diversity & Inclusion Study

10 Steps to Net Zero

## Other BVCA publications

EY report – Economic contribution of UK private equity  
and venture capital in 2023

Report on Investment Activity 2022

Performance Measurement Survey 2022

Performance and Public Market Equivalent Report 2022

If you would like to discuss this report on the industry's  
contribution more generally, please contact any of  
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### About the BVCA

The British Private Equity & Venture Capital Association (BVCA) is the voice of private capital in the UK.

We have been advocating for the UK's private equity and venture capital industry for 40 years, helping it to uphold its vision and achieve its goals.

We actively represent this diverse community of long-term investors, enabling them to speak with one clear and consistent voice to society, including the Government, media and MPs.

We connect institutional investors, fund managers, companies, advisers and service providers together, with our membership currently comprising more than 600 businesses from across the private capital ecosystem. This includes more than 250 PE and VC firms, 100 institutional investors and over 200 professional services firms.

The BVCA supports its members to help companies grow and achieve their long-term ambitions, creating value for the country, both economically and socially.

From creating medicines to protect us against Covid-19, to backing innovative companies in their quest to find solutions to our low-carbon future, private capital also plays a critical role in addressing the future challenges we face as a society.

Together we are invested in a better future.







40  
YEARS

**British Private Equity &  
Venture Capital Association (BVCA)**

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