



VENCAP 2024 ESG REPORT

OUR APPROACH TO ESG

Since our inception in 1987, VenCap's Ethical Investment Policy has stood as a foundational guide, directing us to abstain from endorsing or maintaining direct investments in entities primarily involved in certain activities. Over time, our ethical commitment has evolved, progressing from the Ethical Investment Policy to a more expansive Socially Responsible Investment (SRI) approach, eventually culminating in our current Environmental, Social and Governance (ESG) framework. This framework seamlessly incorporates best practices drawn from highly regarded institutions like the Principles for Responsible Investment (PRI) and the Institutional Limited Partners Association's Private Equity Principles (ILPA Principles).

In tandem with refining our framework, we've instituted an ESG committee devoted to implementing best practices throughout VenCap. This committee focuses on continuous development of ESG within the team and as a business, guiding behaviours to support our aims of reducing emissions, improving diversity, giving back and supporting our external managers in their own efforts.

We break our ESG efforts into two parts, direct and indirect. Direct are those that we can manage ourselves as a business, the indirect are the ESG work we do with our managers.



“Ethical investing and fair behaviour have been foundational principles of VenCap since its inception. As thinking around ESG has evolved, so have we. We strive to be a thoughtful, long-term investor and an equality-driven business.”



Tim Cruttenden, CEO

See <https://ilpa.org.uk/> for further details.

See <http://www.unpri.org/principles> for more details.

INTEGRATING OUR ESG FRAMEWORK

VenCap Firm Operations

- Measure, reduce and offset our carbon footprint while incorporating sustainable practices.
- Continue to manage our scope 3 emissions by committing to industry best practice carbon removals.
- Commit to enhancing the durability and long-term impact of the carbon removal projects we invest in. Each year, we will focus on increasing the permanence of our projects to ensure sustained environmental benefits and a long-lasting climate impact.
- Embrace and embed Diversity, Equity and Inclusion (DEI) principles throughout our operations to foster an environment of inclusivity, equality and diverse perspectives.
- Maintain our alliance with the GAIN (Girls are Investors) charity, empowering young women in the investment industry.



Investment Decision-making and Sustainable Innovation

- Encourage external managers on their ESG journey and utilise PRI's Due Diligence Questionnaire.
- Benchmark managers' ESG performance in six areas and provide insights and tools for improvement.
- Support our managers as they back startups that innovate around the environmental challenge and seek to solve a global problem with smart technology.
- Address the operational challenges of measuring ESG in a venture capital portfolio.



Community Engagement

- VenCap currently offers work experience to pupils at its local secondary school, operating this both pre and post Covid.
- Additional community engagement is currently a work in progress.

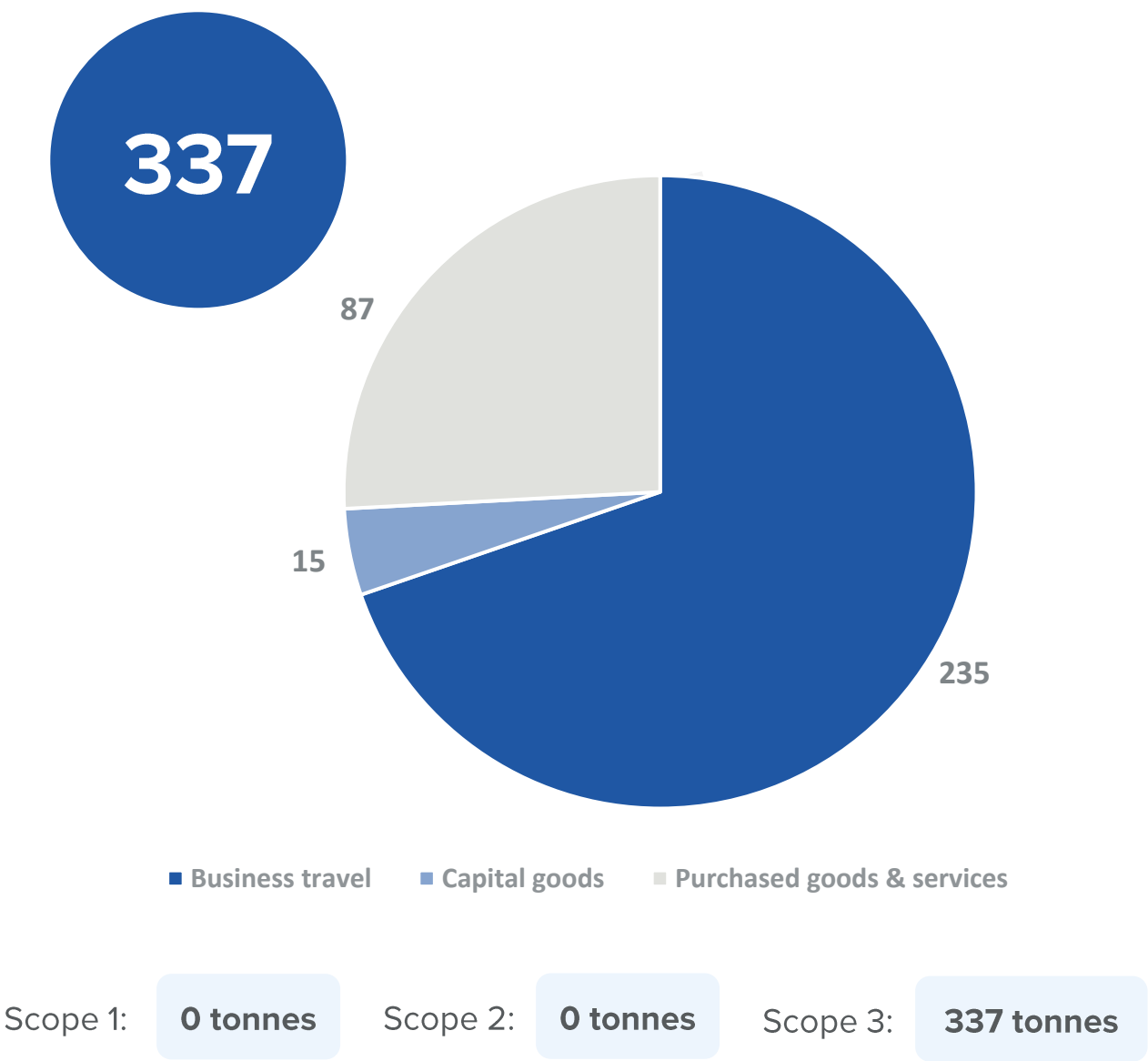


CARBON FOOTPRINT

We calculate and report our total carbon emissions based on the Greenhouse Gas Protocol Corporate Standard reporting framework, a widely used international standard that considers all necessary emissions across Scope 1, 2 and 3.

The carbon accounting engine utilises emission data from government databases, academic studies, company reports, and regulatory disclosures, all of which are regularly updated by our Sustainability Engineers.

Total Emissions in 2023



REDUCTION STRATEGY

Promoted cycle-to-work scheme

- A healthier and more environmentally friendly mode of transportation

Subsidised an EV scheme

- Making it easier for team members wishing to move to EV cars

Subsidised a solar panel scheme

- Helping team members who wanted to change how they source power



Business Travel

Our global investment remit requires a degree of business travel to ensure we achieve the best outcomes for our investors, as we believe that certain occasions call for face-to-face interaction to cultivate enduring, robust relationships. We are conscious of this travel, and in mitigation have recently implemented a strategy of increasing overseas trip length (thereby reducing the number of annual flights) as well as moving many meetings (with both investors and portfolio managers) online. An example of this is VenCap now hosts a webcast for investors rather than hold annual meetings. Venture capital itself has played a pivotal role in enabling online meetings, for example with the development of companies like Slack and Zoom.

CARBON REMOVAL

We Commit to Removing 100% of our Carbon Emissions

We are following three key steps:

1. Understanding our carbon footprint
2. Reducing our carbon footprint where possible
3. Neutralising our remaining carbon footprint in the best way possible

Until sustainable alternatives become viable, carbon emissions will regrettably continue to be a necessary element of our business operations, in alignment with stakeholder interests. Consequently, we are committed to removing our residual emissions by investing in credible carbon removal projects.

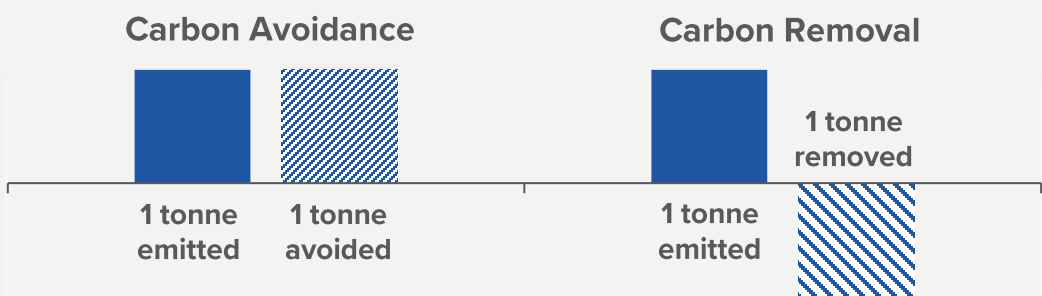
We are aligning ourselves with the Oxford Principles for Net Zero Aligned Carbon Offsetting (revised 2024). All the energy for our premises is from renewable sources and have encouraged our team to make energy transition efforts of their own. In addition, we have focussed our carbon neutralising program on carbon removal projects, signing up for long term contracts so we can genuinely invest earlier in the evolution of this nascent technologies. This aligns nicely with VenCap’s own investment mission.

There are two types of carbon neutralising:

1) Carbon avoidance projects focus on preventing future carbon emissions from being produced and released into the atmosphere.

2) Carbon removal projects aim to capture and store pre-existing carbon dioxide emissions from the atmosphere.

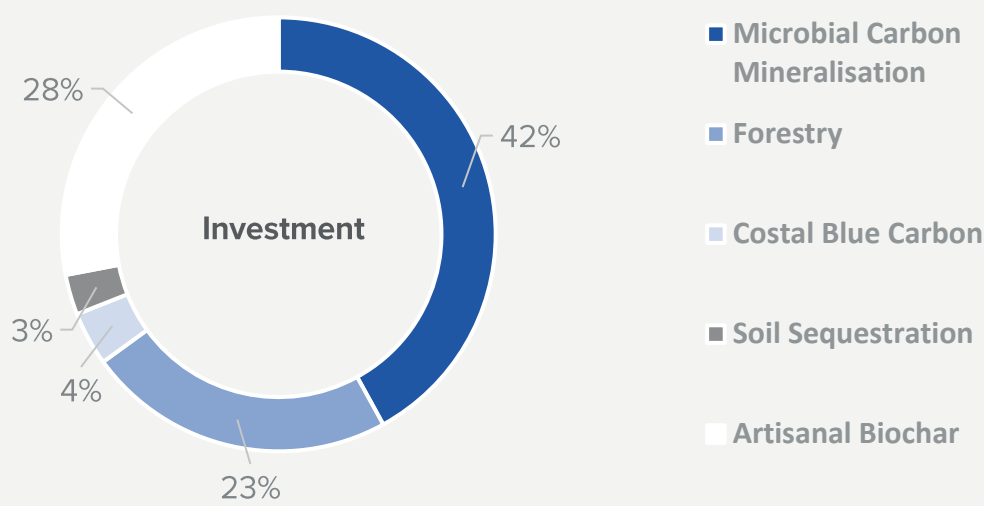
VenCap has decided to focus all of its efforts on carbon removal as it believes this is in the better long-term interests of all. **We have made a commitment to remove 100% of our emissions this year and will ramp up our commitment to higher permanence projects year on year.**



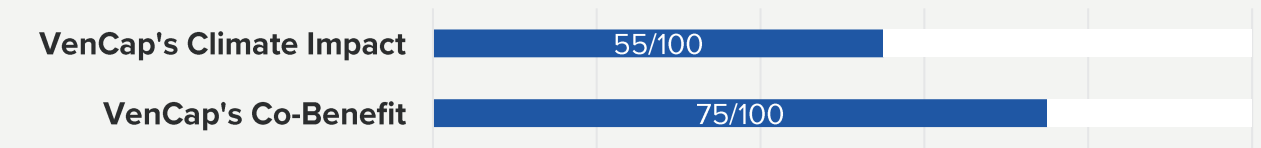
CARBON REMOVAL PORTFOLIO

Together with **Klimate**, we have put together a portfolio of carbon removal solutions ranging from microbial carbon mineralisation to tree planting, the likes of which will also help us develop and support the carbon removal industry. Klimate was founded in 2020 and solely focus on carbon removal. It has a high climate impact by investing in solutions that exemplify best practice standards.

VenCap’s 2024 Carbon Removal Portfolio



In 2024 we will remove 337 tonnes of CO₂e (100% of our carbon emissions) through a mixture of high permanence (eg Biochar) and lower permanence (eg Forestry) projects. In addition to removing 337 tonnes of CO₂e annually for the next four years, we have committed to ramp up our commitment to higher permanence projects year on year, starting at 25% in 2024 and reaching 100% by 2027.



The Climate Impact score reflects the quality of carbon removal projects, evaluated based on their permanence, effectiveness, rapidity and additionality.

The Co-Benefits score represents the additional environmental and social advantages beyond carbon removal, such as a project’s contribution to biodiversity enhancement through reforestation efforts. This process is meticulously designed to confirm the authenticity and reliability of the carbon removal and co-benefit claims.

2024 CARBON REMOVAL PROJECTS

ANDES **Microbial Carbon** **Mineralisation** **USA**

Andes utilises Microbial Carbon Mineralisation to permanently remove carbon dioxide from the atmosphere. They partner with farmers to apply microorganisms alongside crop seeds to accelerate the natural mineralisation of atmospheric CO₂ in soil. These microbes grow with the crop root resulting in stable minerals that securely store carbon.

PERMANENCE: >1000 years

RUUMI **Soil Sequestration** **UK and Ireland**

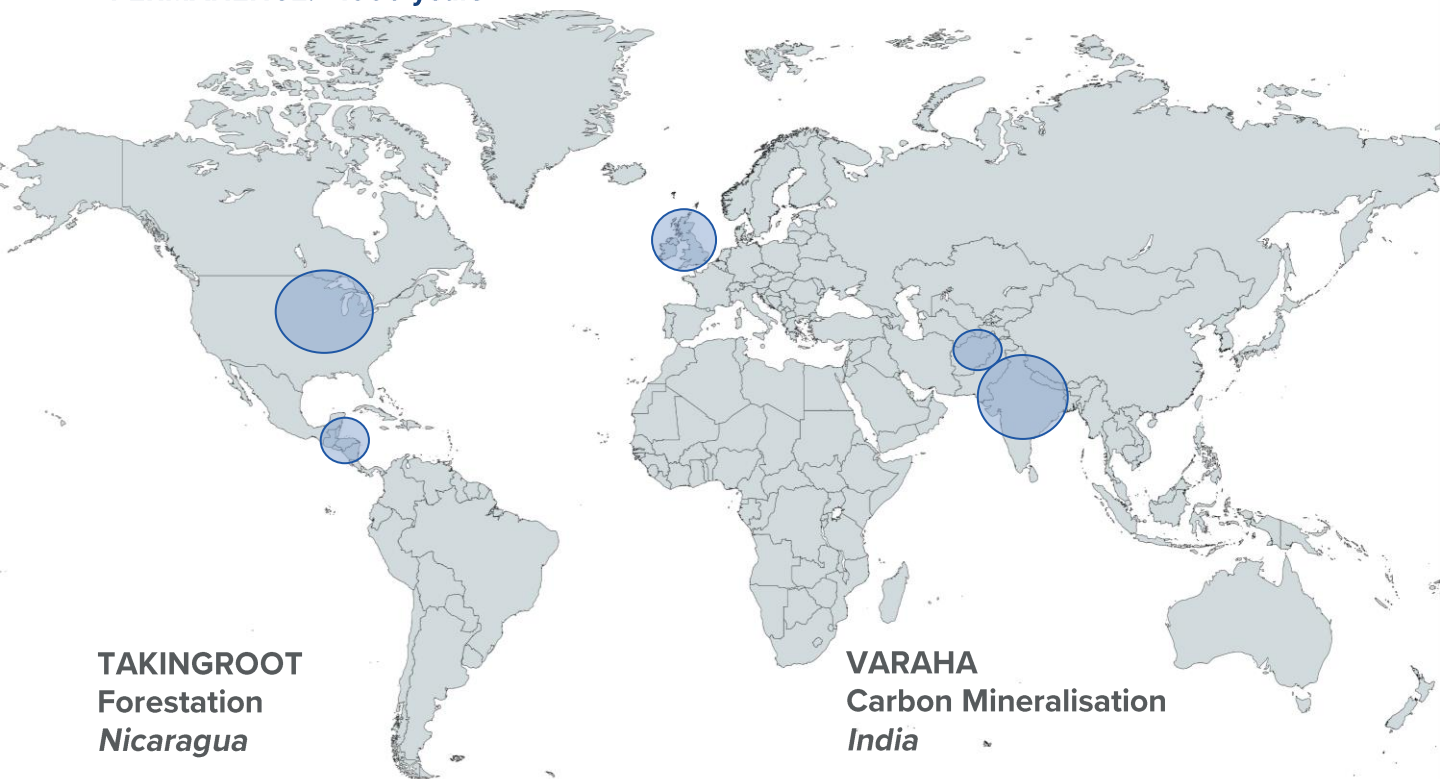
Ruumi's projects actively remove carbon via soil sequestration by applying a technique known as regenerative agriculture. This technique leads to improved soil health, biodiversity and increased water-retention capacity.

PERMANENCE: <50 years

DELTA BLUE CARBON **Coastal Blue Carbon** **Pakistan**

The Delta Blue Carbon Project is rooted in 350,000 hectares of Tidal Wetlands on the south-east coast of Sindh in Pakistan. Carbon is stored in mangrove biomass and sediments for approximately 80 years. The project also yields substantial climate change adaptation benefits for the biodiversity in the region.

PERMANENCE: <80 years



TAKINGROOT **Forestation** **Nicaragua**

Reforestation project that promotes social and economic development in Central America by encouraging smallholder-farmers to reforest their farms with native trees.

PERMANENCE: <50 years

VARAHA **Carbon Mineralisation** **India**

Varaha pairs with smallholder-farmers to create artisanal biochar through kontiki kilns, utilising waste biomass that would otherwise be burned in open pits.

PERMANENCE: >100 years

DIVERSITY, EQUITY AND INCLUSION

VenCap Commitment to Ethics, Inclusion and Sustainability

VenCap is committed to upholding high standards in areas such as human rights, gender inclusivity, diversity and ethics. Key practices include:

- **Legal Compliance:** Following all relevant laws and regulations, including anti-bribery, corruption, gifts and whistleblowing.
- **Ethical Code:** A strong code of ethics emphasises integrity and ethical conduct for all staff.
- **Inclusive Hiring:** Gender-neutral language and fair evaluation methods ensure unbiased recruitment. In addition, we help to build gender diversity within the investment sector by emphasising female recruitment for our 12-month intern programme and through our interaction with GAIN (see below).
- **Training:** Continuous learning opportunities enhance awareness of equality and diversity principles.
- **Pay Equity:** Fair pay reviews and promotions based on objective criteria ensure meritocracy.
- **Equality and Diversity Policies:** Comprehensive policies address prejudice, discrimination, and harassment in the workplace.



VenCap's Partnership with GAIN

VenCap is proud to support GAIN. We welcomed our first intern in the summer of 2023, and continued this relationship in 2024. By supporting and encouraging diversity in our industry we hope to actively engage in positive change.

GAIN is dedicated to rectifying gender disparity in investment management. In the UK, only 8% of decision-makers in investment management are women. GAIN aims to inform and inspire young women by providing online resources and female role models.



IMPLEMENTATION OF RESPONSIBLE INVESTMENT PRACTICES

The Responsible Investment Due Diligence Questionnaire (DDQ) for Venture Capital Limited Partners was devised by PRI to encourage dialogue between LPs and GPs regarding environmental, social and governance (ESG) matters. Further, this questionnaire helps LPs understand and evaluate GP's responsible investment practices and any material ESG risks and/or opportunities that their investments may be exposed to. By adopting the PRI DDQ, we are encouraging a consistent industry approach from LPs on ESG due diligence and facilitating more effective disclosure from GPs.

The PRI DDQ is made up of six sections:

1. **Policy and Governance** – Understanding responsible investment-related policies, governance, and oversight.
2. **Fundraising** – Establishing responsible investment commitments within fund documentation.
3. **Pre-investment** – Understanding how possible ESG risks and opportunities are considered in potential investments.
4. **Post-investment** – Understanding how GPs integrate responsible investment practices into portfolio management and contribution to portfolio companies' ESG risk mitigation and value creation efforts.
5. **Reporting and Disclosure** – Understanding how we as LPs can monitor ESG performance and ensure the fund is operating within agreed-upon policies and practices, including disclosing material ESG incidents.
6. **GP Level Management** – Establishing how GPs identify and manage material ESG risks and opportunities within the firm.

Our primary objective is to engage and collaborate with our managers to incorporate best practices effectively. Through the sharing of benchmarking insights and best practices across six focus areas, we aim to encourage our external managers to be thoughtful of ESG issues, how they can address them and similarly how they think about them through their own investment lens. This collaborative approach enables us to continuously monitor each manager's progress from fund to fund, ensuring ongoing improvement and alignment with both our ESG framework and broader investment objectives.



ADDRESSING ESG COMPLEXITY

“By its very nature, the venture capital focus on backing new and innovative technologies means that many portfolio companies are by design pioneering energy and resource efficiencies through technological advancements”^[1]

While VC generally generates net positive impacts, it's crucial to address the challenges inherent in ESG. Drawing from BVCA's report "The unique challenges of applying ESG in Venture Capital," we've identified seven challenges that arise in ESG reporting:

- 1. Diverse Frameworks and Standards:** VC firms struggle in terms of navigating and implementing them effectively due to their volume and sometimes contradictory nature.
- 2. Lack of Distinction for VC:** VC firms often find themselves grouped with private equity (PE) despite notable differences in structure and portfolio composition.
- 3. Resource Constraints:** There is a shortage of qualified ESG professionals with VC experience, making it challenging for VC firms to meet the increasing demands for ESG.
- 4. Portfolio Composition Challenges:** Start-ups in VC portfolios typically operate in early growth stages and ESG reporting may be seen as non-business-critical.
- 5. Disproportionate Targets and Expectations:** These expectations may not consider the unique characteristics of tech-oriented companies with remote operations and limited environmental impact.
- 6. Limited Investor Influence:** VC firms often hold minority stakes in portfolio companies, limiting their influence over ESG agenda implementation.
- 7. Nascent Methodologies and Standards:** ESG methodologies and standards specific to VC are still evolving, posing challenges for effective integration into investing practices.

With these considerations in mind, we are pleased to note the UN PRI's recognition of venture capital as a distinctive asset class within its VC-focused Responsible Investment DDQ for Venture Capital Limited Partners. Furthermore, in this report, we endeavour to underscore the significant ESG benefits our portfolio companies are delivering.



[1] <https://www.bvca.co.uk/Our-Industry/The-BVCA-and-ESG/Excellence-in-ESG/The-unique-challenges-of-applying-ESG-in-Venture-Capital>

PORTFOLIO COMPANY CASE STUDIES: ENVIRONMENTAL IMPACT

Portfolio company case studies: Building a more sustainable future.

Highlighted are portfolio companies having direct positive impact on climate change and the environment and a focus on sustainability.



Provider of environmental services intended to help businesses reduce carbon emissions. The company's services create an actionable plan for reducing emissions and recommend a portfolio of high-quality carbon removal offsets and its software measures an organisation's carbon footprint, enabling businesses to measure, reduce and offset their climate impact.

IMPOSSIBLE™

Producer of plant-based meat substitutes intended to combine natural ingredients into food products. The company's products are created using a combination of ingredients like fats, amino acids, and vitamins from plants that deliver the texture and taste of conventional beef, enabling consumers to get a healthy alternative to meat and dairy products.

Vinted

Operator of an online marketplace platform intended to provide second-hand fashion products. The company's mobile-first community provides a peer-to-peer marketplace to buy, sell and swap clothes, accessories, and lifestyle items, enabling used products to have a longer life as opposed to becoming landfill.



Developer of chemical technology intended to produce a suite of important industrial chemicals. The company is engaged in the development of safe, green, and low-cost chemical technologies, enabling industries to use similar materials safely and with minimal environmental impact.

PORTFOLIO COMPANY CASE STUDIES: SOCIAL IMPACT

Portfolio company case studies: Developing a more equitable and inclusive future.

Highlighted are portfolio companies directly pursuing social and inclusivity goals.

BetterUp

Developed an online coaching platform designed to boost the professional performance of working individuals through skill development. The company's platform offers one-on-one personalised development guidance from experts in the form of weekly virtual sessions and provides actionable insights, enabling employees to improve their leadership skills, mindset, and creativity.

Culture Amp

Operator of an employee experience platform intended to take action to improve employee engagement, retention, and performance. The company's platform helps an organisation create surveys to gauge engagement within that organisation, enabling businesses to collect, understand and act on employee feedback.

ApplyBoard

Provider of online education services intended to empower students around the world to access education. The company's platform automates and streamlines the educational application process by connecting students and recruitment agencies with post-secondary institutions, allowing students from all around the world to apply to universities in North America without any hassles.

humu

Developer of behavioural-change software intended to assist people to increase productivity. The company's software combines scientific studies and machine learning capabilities to help companies understand and act on what matters most, then drive behavioural change to build stronger, happier, more capable teams from the inside out, and bottom up.

PORTFOLIO COMPANY CASE STUDIES: GOVERNANCE IMPACT

Portfolio company case studies: Facilitating accurate governance procedures and data safekeeping.

Highlighted are portfolio companies that are directly protecting data, enhancing data security and ensuring data privacy.



Wiz enhances corporate governance by providing a cloud security platform that ensures comprehensive visibility and control over cloud environments. It automates compliance checks and remediation, aligning with regulatory standards and ESG goals. The platform's continuous monitoring and security graph offer actionable insights for risk management, while its incident response capabilities ensure swift action against threats. By integrating Wiz, companies can fortify their governance framework, demonstrating a strong commitment to responsible and secure operations in the cloud.



Snowflake is a fully managed SaaS that provides a single platform for data warehousing, data lakes, data engineering, data science, data application development, and secure sharing and consumption of real-time/shared data. Their governance features that monitor data quality, security, and compliance are essential for organisations to maintain trust and accountability in their operations.



Rippling offers a comprehensive platform that aids companies in strengthening their governance practices. By integrating HR and IT systems, Rippling ensures that businesses can manage employee data, payroll, benefits, and IT resources cohesively. This centralised management supports adherence to regulatory requirements and simplifies compliance processes.



Databricks facilitates enhanced governance practices for companies by offering a comprehensive and unified data management platform. Its Unity Catalog centralises metadata management, ensuring organised access to data assets and streamlined permissions. The platform's Lakehouse architecture supports robust data lineage tracking, crucial for maintaining transparency and compliance. Databricks' built-in governance tools, including schema validation and data quality expectations, enable strict enforcement of data governance policies. This, coupled with advanced security measures, aids companies in adhering to regulatory standards and upholding the governance pillar of ESG.



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INVESTING IN THE FUTURE

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