

# Responsible investing & ESG at Project A

November 2023

Project A Ventures

Project A

RESPONSIBLE INVESTING  
& ESG AT PROJECT A, 2023

## Building our foundations



00	Introduction	03
01	Project A	05
02	Deal flow process	09
03	Portfolio management	15
04	Looking forward	20

# Table of contents

## On the path to responsible investing

When the *Sustainable Finance Disclosure Regulation (SFDR)* came into effect at the end of 2019, it marked the beginning of a new era for European finance. As early-stage investors, it became essential to gain a better understanding of how *Environmental, Social, Governance (ESG)* criteria could be systematically applied to venture capital. This necessity extended to our portfolio, which is mostly comprised of nascent companies with limited resources and a steep growth journey ahead of them. Most importantly, we wanted to understand how it could be integrated as a value-adding exercise, with the benefit of best practice integration from the outset, rather than an overly bureaucratic process.

To that end, we hired our first ESG specialist at the end of 2022 to professionalise our approach and to ensure that we apply this methodology in everything we do. We also joined the *VentureESG* initiative to be active participants in this conversation at industry level.

This year, we initiated a comprehensive self-assessment, formulated policies, and crafted our strategic approach.

While recognising that our fund has a substantial journey ahead, we are committed to enhancing transparency and upholding accountability towards our stakeholders as we progress.

We observe the Ten Principles of the UN Global Compact (UNGC) and utilise the United Nations Principles for Responsible Investment (UN PRI) as a compass and basis for our fund strategy.

**“At Project A, we believe that analysing our companies through a non-financial lens – considering established ESG frameworks and best practices – will give us not only a more comprehensive picture of its potential but also lay the foundation for long term success and financial excellence. Responsible investment is a ROI enhancer, not a trade-off.”**

— Uwe Horstmann  
General Partner & Managing Director  
@ Project A Ventures



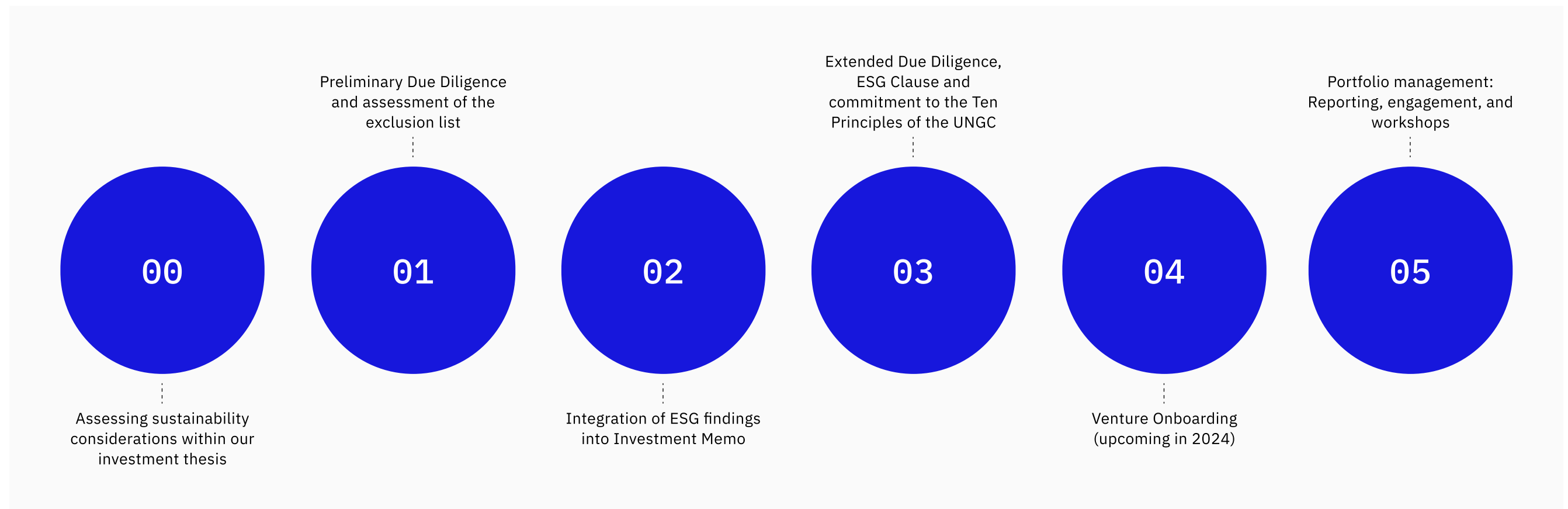
## On the path to responsible investing

This report will introduce you to our vision and how we operationalise ESG goals and Principles of Responsible Investment across our fund and investments – as illustrated by our ESG flow chart – in three parts:

- 01. Project A
- 02. Deal Flow Process
- 03. Portfolio Management

We are pleased to take you with us on this journey and engage in further dialogue about the future of the financial sector.

The following graph below illustrates *Project A's ESG Investment & Portfolio Management Process*:



Project A's ESG Investment & Portfolio Management Process



RESPONSIBLE INVESTING  
& ESG AT PROJECT A, 2023



# 01

## Project A Ventures

# Our framework of reference

In our initial discussions, we emphasised the importance of upholding ourselves to the same standards that we expect from our portfolio companies. We have been thinking about compliance, good governance and employee satisfaction for years, but never before under the ESG methodology. For that reason, in 2023, we started an in-depth internal analytical process.

Our starting point was crafting a robust *ESG framework*, consolidating the fundamental metrics we employ to scrutinise both our performance and that of our portfolio, providing a solid point of reference. For this exercise we selected ESG criteria compiled across global standards such as *Sustainability Accounting Standards Board (SASB)* and *Global Reporting Initiative (GRI)*, as well as venture capital specific initiatives, *ESG\_VC* and *VentureESG*. In addition, we also considered the ESG data requests that we receive yearly from our institutional investors, who increasingly show diligence in this regard.

This framework – although non-exhaustive – is our way of understanding and communicating which are the aspects captured by each of the pillars under ESG.

Environmental	Social	Governance
GHG emissions	Diversity, Equity & Inclusion	Data management (GDPR) & Security
Energy management	Employee Engagement & Wellbeing (incl. Health & Safety)	Board structure & Accountability mechanisms
Waste management		
Water	Fair & Equal Pay	Code of Conduct
Deforestation prevention	Team Culture & Working Environment	Executive Pay & Remuneration Policies
Biodiversity	Responsible Product Design	Anti-Bribery & Corruption
Resource management	Ethical & Resilient Supply Chains	Anti-Money Laundering
	Human Rights & Community Relations	Other business ethics standards (e.g. UN Guiding Principles on Business & Human Rights)

Project A’s ESG Framework

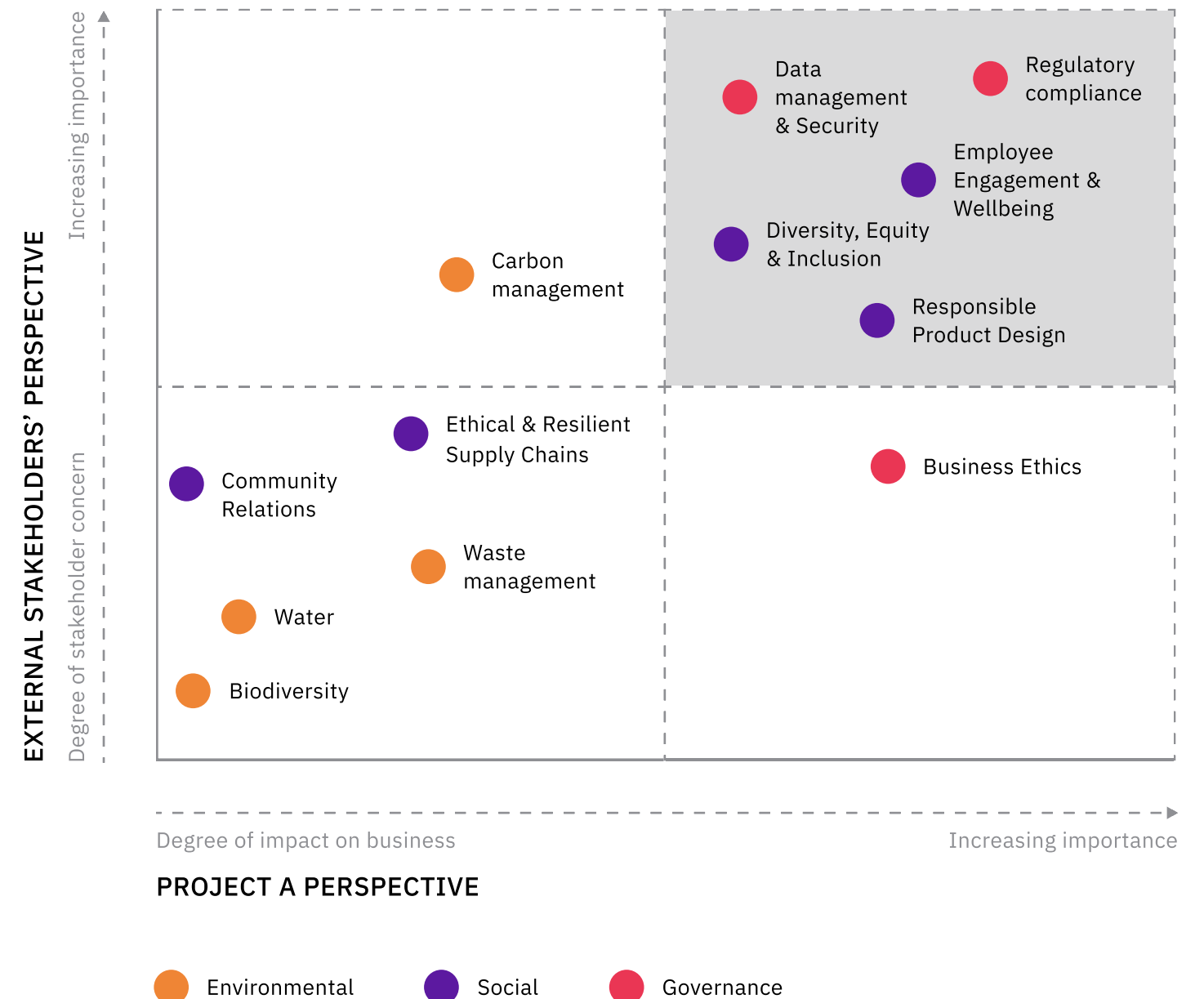


## Our materiality assessment: Essential aspects for our business and stakeholders

With a good grasp of the precepts under each of the ESG tenets, we conducted a *gap analysis* to test our performance across these metrics. To make it more targeted, we analysed our business against both our ESG framework and the SASB criteria for asset managers. SASB adopts a *materiality approach*, honing in on specific aspects within the vast ESG metrics landscape that significantly affect our internal and external stakeholders as well as our business. As a result, we developed our initial financial materiality matrix alongside our framework, with plans for a biennial review.

Making use of the materiality matrix and the findings of the gap analysis, we highlighted three priority areas to start tackling in 2023 for execution in 2024: Our Environmental approach, Diversity, Equity & Inclusion, and the review of our ESG Policy.

Project A's Materiality Assessment, 2023



## Engaging our employees

In 2023, our primary emphasis has been on demonstrating our internal accountability and commitment for improvement. Simultaneously, we seek to empower our employees to become stewards of our responsible investment approach.

Three team members across our core business areas – Investment and Operational Support – participated in the *Leading on ESG* training by VentureESG, KfW and the BMW Foundation, to learn the industry best practices.

ESG and Responsible Investing featured as a central theme in our bi-annual Focus Week in 2023, uniting employees through expert-led sessions spanning various business areas.

We also integrated dedicated measurement systems in key departments like HR, Compliance, and Office Management for activities such as catering, employee engagement and carbon accounting.

Last but not least, a dedicated onboarding for every newcomer on ESG and Responsible Investment is taking place monthly at Project A.







# 02

## Deal flow process

## New investments, new opportunities

In 2023, 100% of our new investments have completed our updated due diligence process, which has shifted from a static checklist to a comprehensive written analysis paired with direct engagement and exchange of ideas with founders.

RANGE OF COUNTRIES:

4

We invested in ventures from Germany, UK, Finland, and Denmark

INVESTMENT SECTORS:

6

Business Software, PropTech, Supply Chain, DeepTech, Gaming, and Future of Work

TOTAL INVESTMENTS:

7

Total investments made by our team in 2023

STAGES OF INVESTMENT:

2

We invested in ventures across Seed and Pre-Seed stages

**“Our decision to engage with founders across every segment of investment at early-stage is a conscious decision to ensure alignment in values and vision, set expectations for the relationship and, most importantly, be a figure of support as they grow. At this stage, ESG should not be an overly burdensome process but rather a thought-provoking discussion about risks, opportunities and how to balance short- and long-term value creation.”**

— Paola Compes Tatay  
ESG Specialist @ Project A Ventures

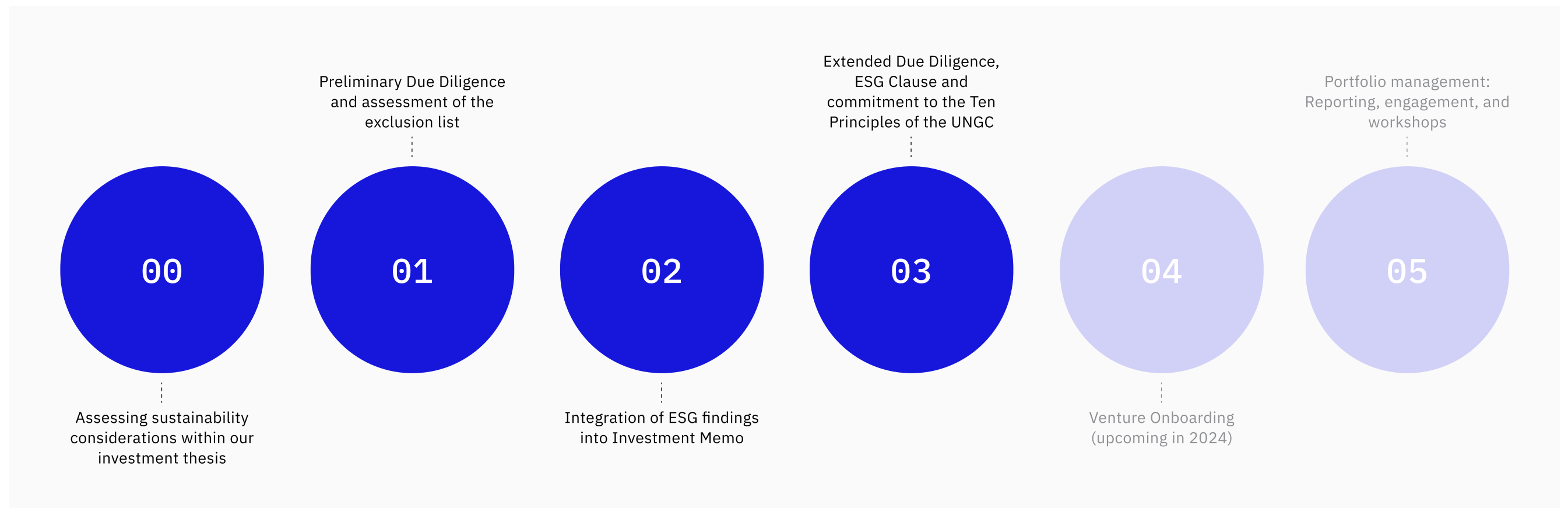


## Integrating ESG into the Deal Flow process

The first UN PRI Principle emphasises integrating ESG factors into investment decisions. This year, we assessed and refined our processes to ensure that the ESG methodology permeates the investment lifecycle, while making it as seamless as possible.

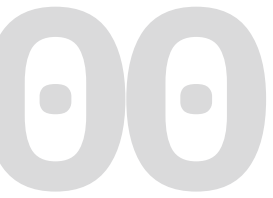
Before delving into the deal flow process, our internal discussions scrutinise potential sustainability

implications in new investment areas. This section outlines our approach to assessing industry sustainability and the systematic steps applied to due diligence.



Project A's ESG Investment & Portfolio Management Process





## **Sustainability considerations: Understanding the unintended consequences of our investments**

As a generalist fund, we constantly explore new opportunity segments both for our venture and private equity investments. Even though our investments do not necessarily have sustainability as its main objective, we have started discussing, in a more structured way, how to integrate the topic of sustainability into our exchanges when we prospect new industries. In our view, there are two key aspects to explore:

01. The effect of the industry across the ESG spectrum

02. The unintended consequences of the investments

From 2024 onwards, we will work to integrate more systematically and formally this agenda point into our discussions. On the one hand, we aim to understand the sustainability profile of the industry itself while, on the other hand, how risks can be mitigated – if at all – through our portfolio management process which includes yearly surveys, providing feedback and, where appropriate, setting formal KPIs.



### **Our exclusion criteria**

In addition to sustainability considerations, Project A has a set exclusion criteria for the following industries:

- Tobacco
- Distilled Alcohol
- Weapons and ammunition
- Casinos
- Pornography
- Internet gambling
- Fossil fuel-based energy production and related activities
- Energy-intensive and/or high CO2-emitting industries (e.g., chemicals, cement, iron and steel, etc.) unless qualified in the EU Taxonomy and supplemented by the EU Taxonomy Delegated Acts

## 01

## Initial Due Diligence

To fulfill our responsible investment approach, we must ensure that every team works towards that objective. Our investment team is the first line of action in screening our prospects.

The team evaluates each investment against our exclusion criteria and completes an initial ESG due diligence across seven key areas:

- Environmental management
- Team & Working environment
- Diversity, Equity & Inclusion
- Ethical & Resilient Supply chain
- Responsible Product Design
- Legal & Regulatory
- Data practices

## 02

## Investment Memo

The insights gained by the investment team are then integrated into the Investment Memo for review and discussion of the Investment Committee before reaching a formal decision on whether investing would be appropriate.

## 03

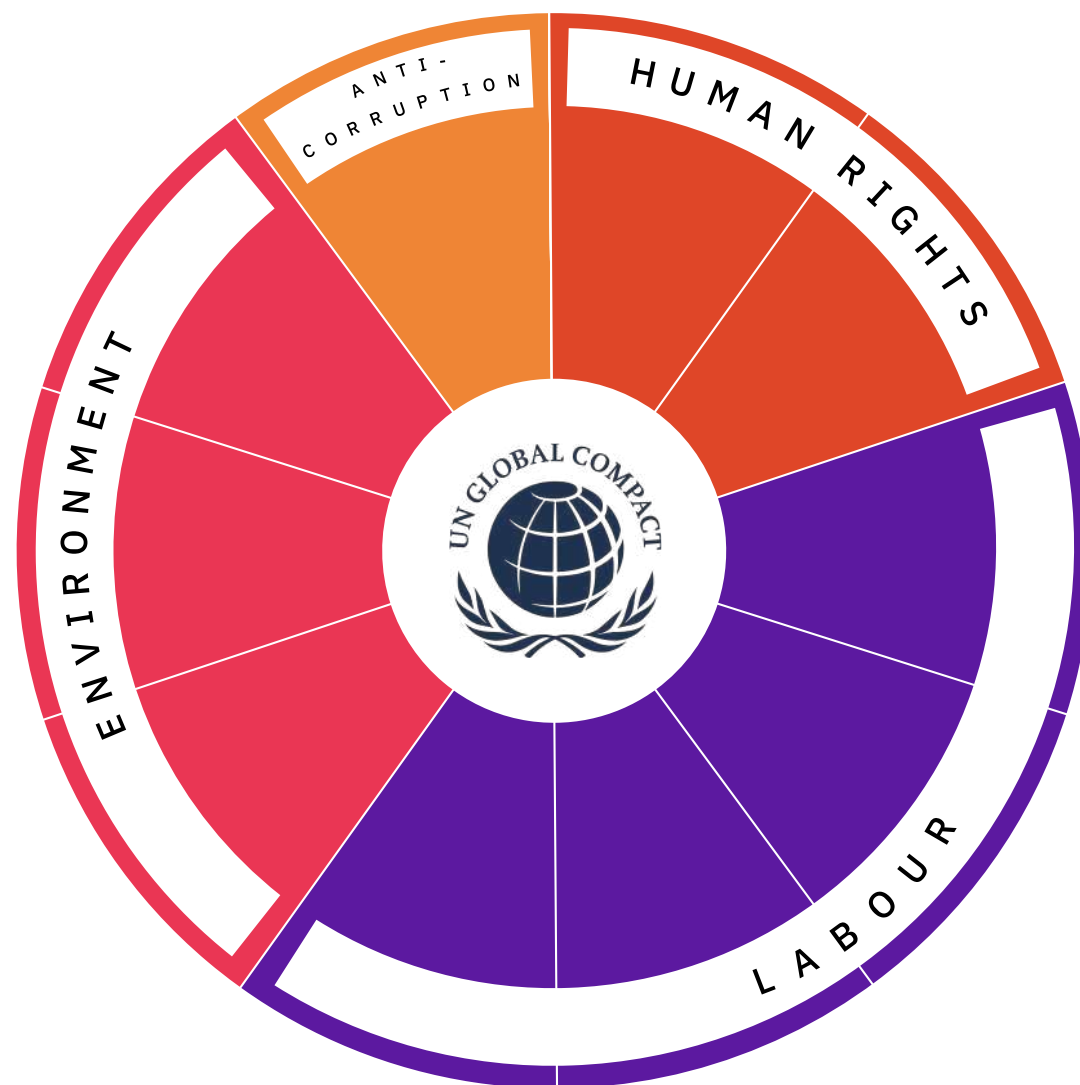
## Extended Due Diligence

If we decide positively on the investment, we issue our term sheet which includes an ESG clause. With a focus on collaboration, it gives us the right to request data, work with the teams on relevant ESG metrics and request them to commit to the Ten Principles of the UN Global Compact. These terms are also integrated into our side letter.

In parallel, we conduct a stage-appropriate survey to understand internal responsibilities, the presence of policies and relevant operational structures.

## The Ten Principles of the UN Global Compact

In addition to the UN PRI, Project A acts in line with the Ten Principles of the UN Global Compact and requests our portfolio companies to do the same via our legal provisions of investment.



- 01 Supporting and respecting the protection of internationally proclaimed human rights
- 02 Ensuring not being complicit in human rights abuses
- 03 Upholding the freedom of association and the effective recognition of the right to collective bargaining
- 04 The elimination of all forms of forced and compulsory labour
- 05 The effective abolition of child labour
- 06 The elimination of discrimination in respect of employment and occupation
- 07 Supporting a precautionary approach to environmental challenges
- 08 Undertaking initiatives to promote greater environmental responsibility
- 09 Encouraging the development and diffusion of environmentally friendly technologies
- 10 Working against corruption in all its forms, including extortion and bribery





# 03

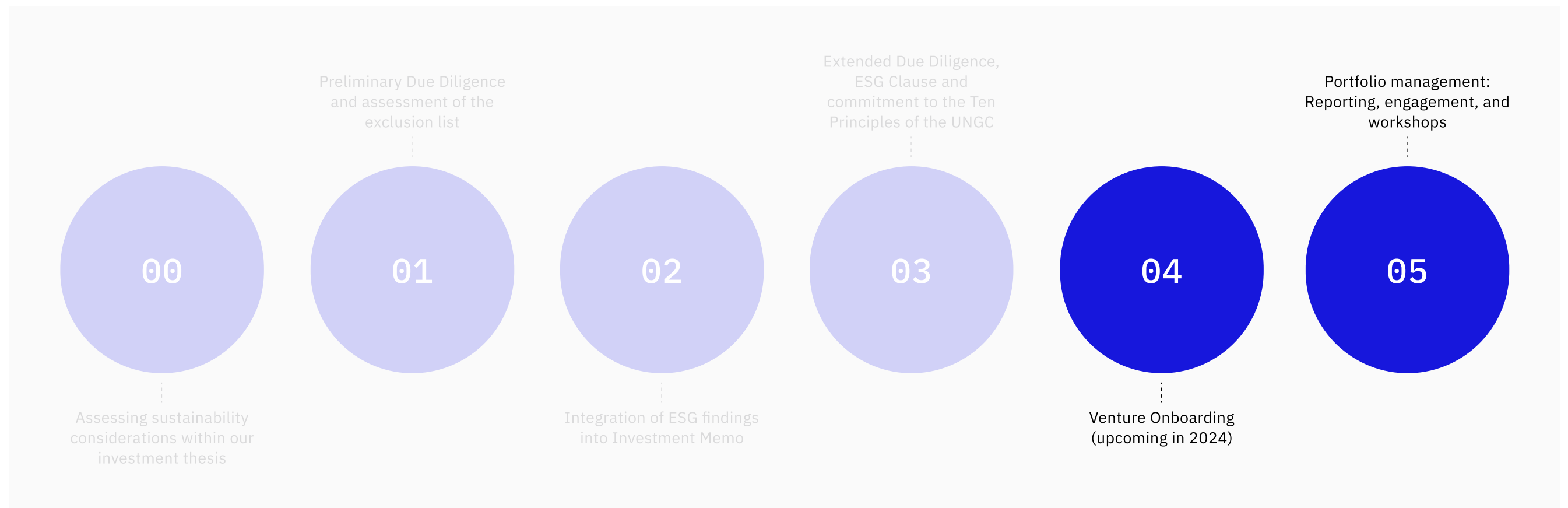
## Portfolio management

## Managing our portfolio beyond investment

After investing, we remain dedicated to closely monitoring our portfolio's performance, evaluating both financial and non-financial aspects using the ESG methodology.

In 2024, our objective is to organise comprehensive onboarding sessions for new investments, as well as workshops to support the learning process of our portfolio.

We will also continue to send yearly questionnaires to follow their progression, after which we have feedback sessions. In parallel, our broader portfolio is always welcome to reach out for customised ESG guidance.



Project A's ESG Investment & Portfolio Management Process

Insights from our portfolio companies

In 2023, we invited for the first time 18 of our companies across our Fund IV and Opportunity III to share with us their ESG data: *94% responded to our request.*

Using our Guiding Principles as a compass, our overarching goal with this petition is to establish a consistent annual assessment of our portfolio's performance against the non-financial criteria embodied in the ESG Pillars. We aspire to integrate this assessment with the traditional financial metrics that have been conventionally gathered within the industry over the years. Post data collection and thorough analysis, we aim to provide tailored feedback and advice for areas of progression.

In order to survey our portfolio, we have selected standardised questions from the *EDCI, ESG\_VC, and the Principal Adverse Impact Indicators of the European SFDR*. To ensure proportionality, the survey has been split into two categories: early-stage and Series A and beyond.

The insights from companies provide an encouraging starting point to grasp our latest fund generations' baseline. However, we have identified data-related challenges, particularly concerning quality and availability. This is a widespread industry challenge. Nevertheless, we maintain confidence that with market experience, improvements will materialise, emphasising the importance of taking the initial step.

<p><b>01. MATERIALITY-FOCUSED</b></p> <p>As a starting point, prioritise what matters the most to your business.</p>	<p><b>02. STAGE-APPROPRIATE</b></p> <p>Because not everything is relevant at the same point in time.</p>	<p><b>03. COLLABORATIVE</b></p> <p>ESG is an ongoing conversation between regulators, LPs, VCs and Portfolio Companies.</p>	<p><b>04. DATA-DRIVEN</b></p> <p>Measure, manage and progress accordingly.</p>	<p><b>05. COMPLIANCE-FOCUSED</b></p> <p>Guiding decisions using the latest regulations such as the CSRD and the CSDDD.</p>
--	--	---	--	--

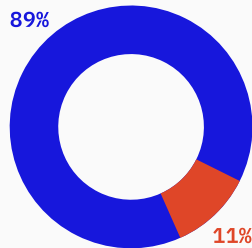
Project A’s Guiding Principles



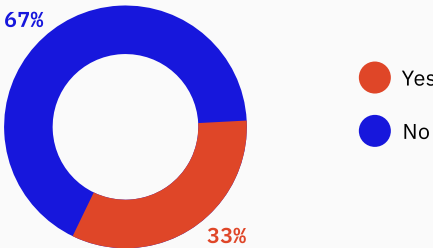
Insights from our early-stage portfolio companies (2022)\*

Environmental

MEASURING CARBON EMISSIONS:

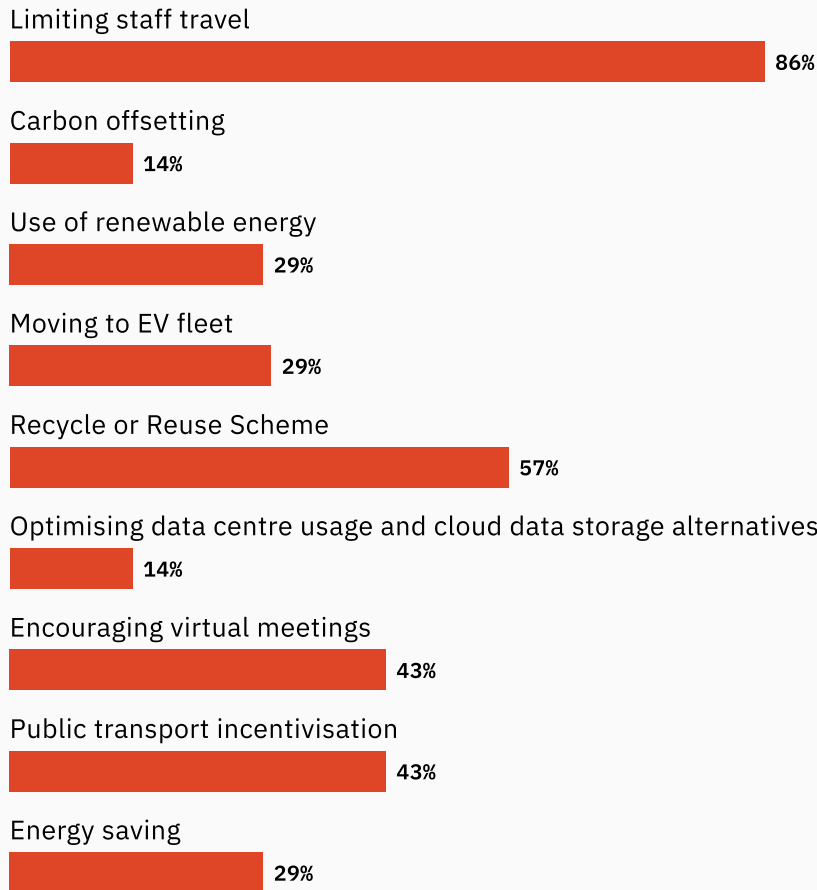


HAVE SET TARGETS TO ALIGN WITH THE PARIS AGREEMENT:



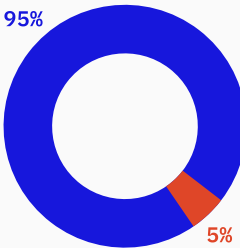
INITIATIVES SET TO REDUCE CARBON FOOTPRINT:

**78%** Despite low measurement of carbon emissions and limited setting of targets aligned with the Paris Agreement, the majority of our early-stage portfolio companies have set initiatives to reduce their carbon footprint:



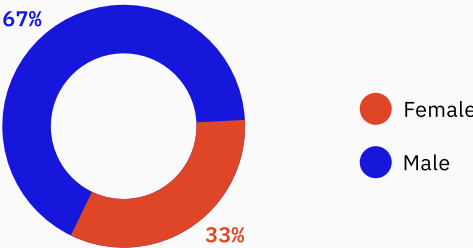
Social

FOUNDER COMPOSITION:



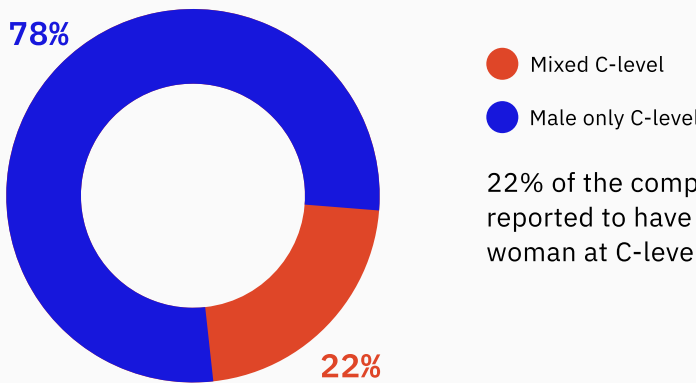
5% of the total number of founders are female.

EMPLOYEE COMPOSITION:



33% of employees are female.

MANAGEMENT COMPOSITION:



22% of the companies have reported to have at least one woman at C-level.

UNADJUSTED PAY GAP:

**11%**

Across the early-stage respondents males earned 11% more on average than their female colleagues.

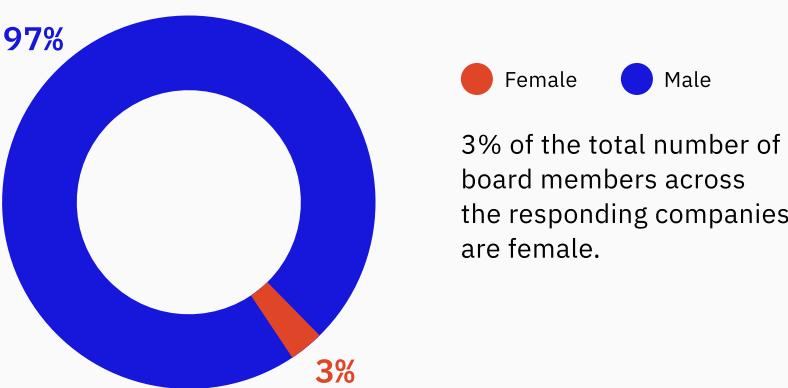
ATTRITION RATE:

**9%**

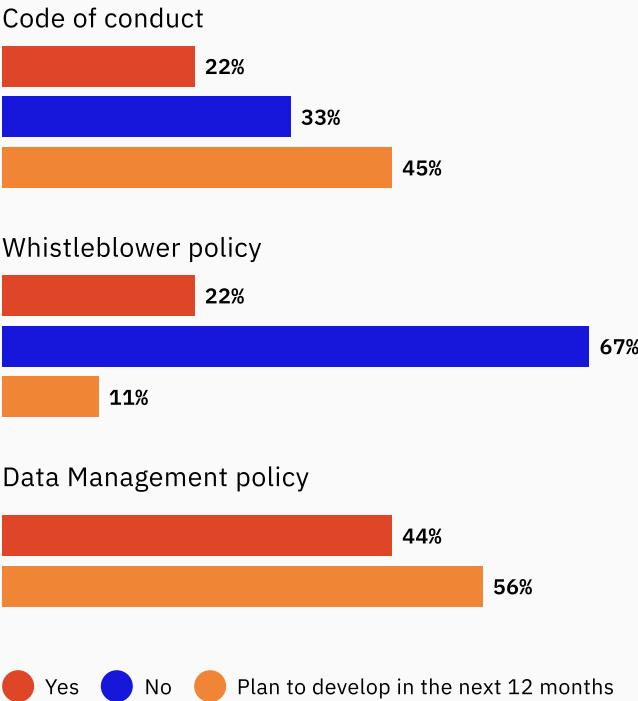
The average attrition rate in the early-stage portfolio companies for the year 2022.

Governmental

BOARD COMPOSITION:



POLICIES IN PLACE:

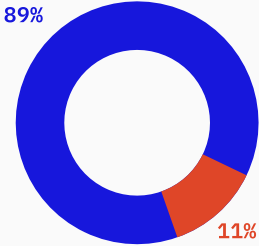


\*Data provided by 9 of our Fund IV portfolio companies

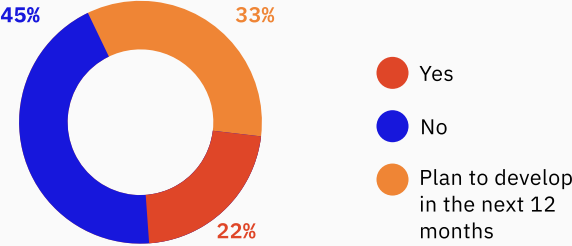
Insights from our Portfolio Series A and beyond (2022)\*

Environmental

MEASURING CARBON EMISSIONS:

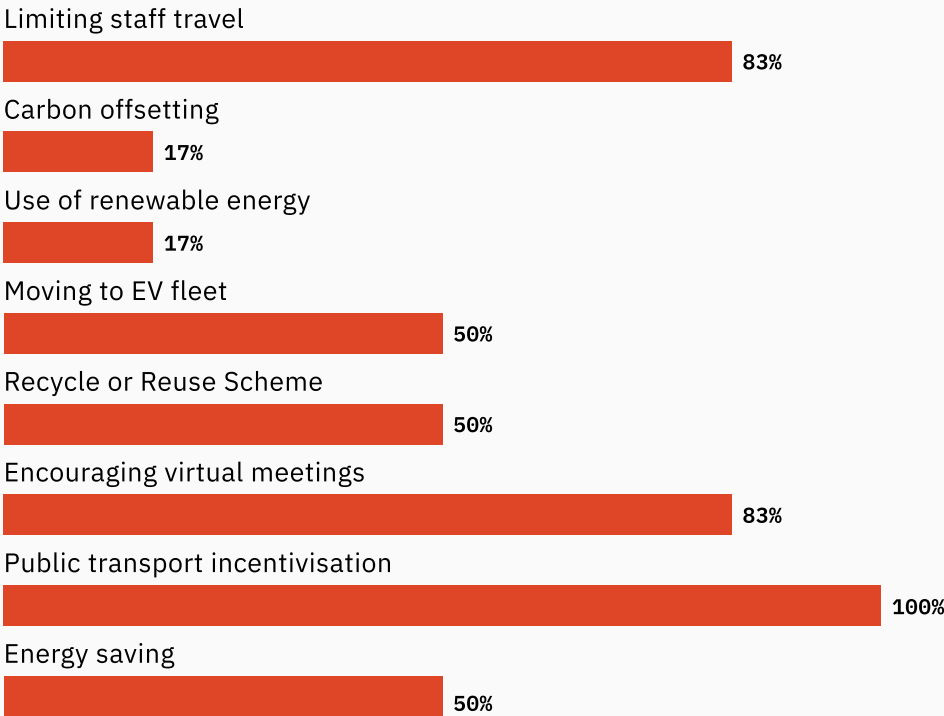


HAVE SET TARGETS TO ALIGN WITH THE PARIS AGREEMENT:

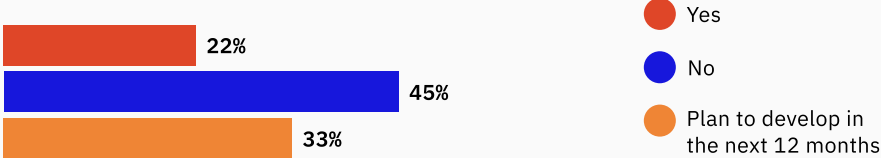


INITIATIVES SET TO REDUCE CARBON FOOTPRINT:\*

**67%** Compared to the respondent early-stage ventures, a lower number of companies have set initiatives to reduce their carbon footprint:

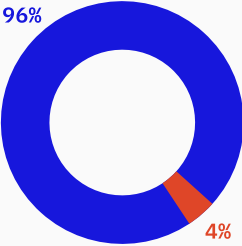


ENVIRONMENTAL POLICY DEVELOPMENT:



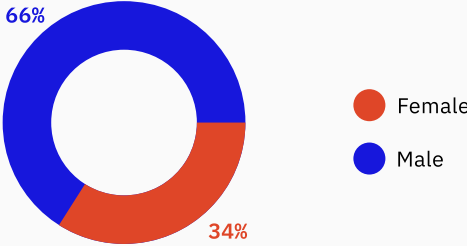
Social

FOUNDER COMPOSITION:



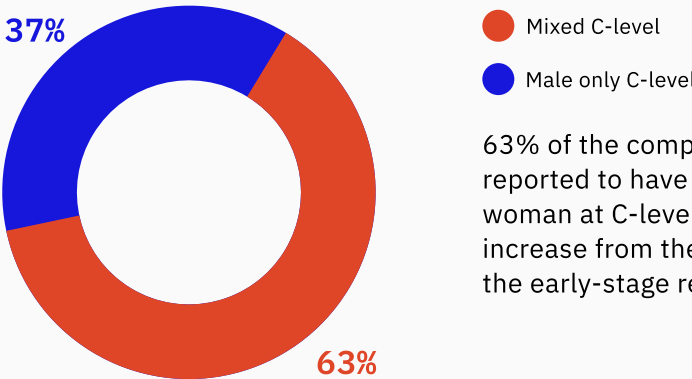
4% of the total number of founders are female.

EMPLOYEE COMPOSITION:\*\*



34% of employees are female.

MANAGEMENT COMPOSITION:



63% of the companies have reported to have at least one woman at C-level, a significant increase from the 22% across the early-stage respondents.

UNADJUSTED PAY GAP:\*\*

**16%**

Across the later stage respondents males earned 16% more on average than their female colleagues.

ATTRITION RATE:

**12%**

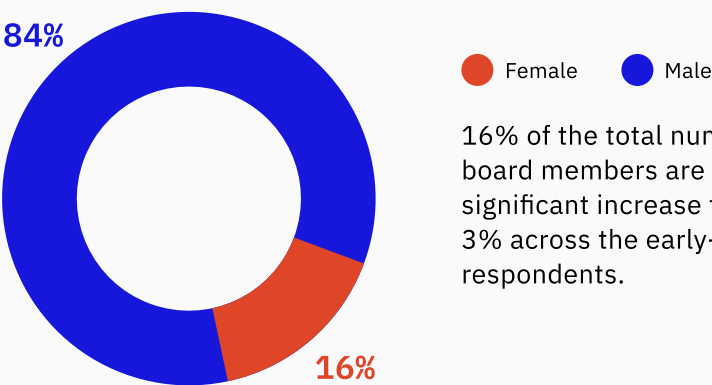
The average attrition rate in the Series A and beyond portfolio companies for the year 2022.

EMPLOYEE ENGAGEMENT & WELLBEING MEASUREMENT:



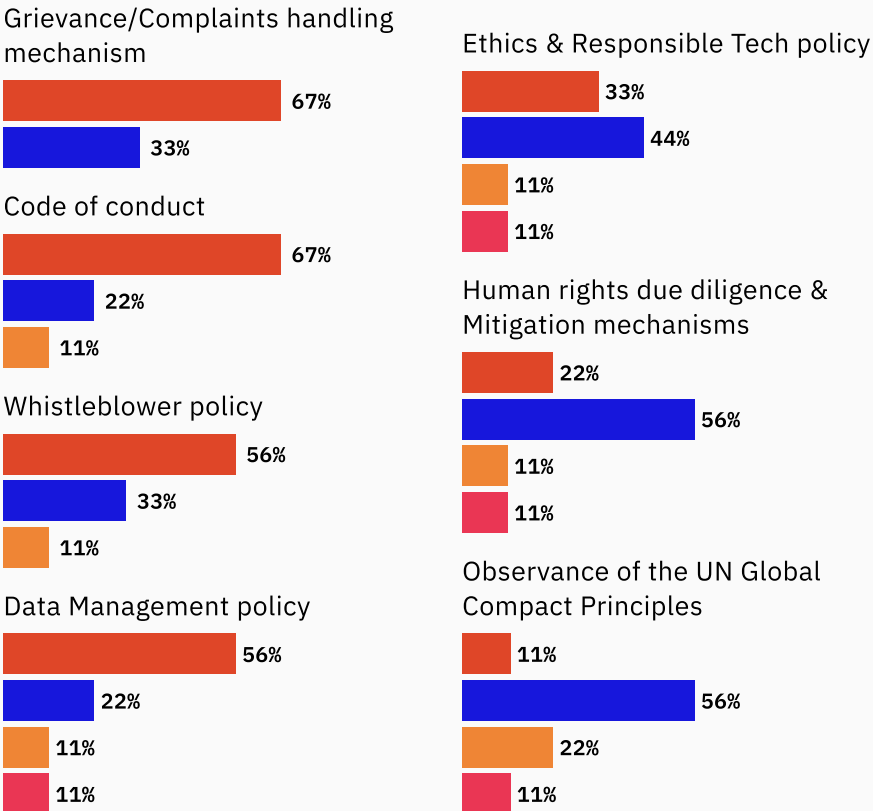
Governmental

BOARD COMPOSITION:



16% of the total number of board members are female, a significant increase from the 3% across the early-stage respondents.

POLICIES IN PLACE



\*Data provided by 9 of our Fund IV and Opp III portfolio companies

\*\* Data provided by 6 companies





# 04

## Looking forward



## What's next for Project A?

2023 has been the year when we focus on SFDR compliance, establishing the foundations and operationalisation of responsible investment across our investment and portfolio management process and, last but not least, the year when we measure ourselves against established ESG metrics.

We are pleased to have achieved an internal understanding and acceptance that ESG is a horizontal topic which is demonstrated by the cross-collaboration of our ESG specialist with core departments.

Nonetheless, challenges remain as we advance on this journey. We want to move from a blanket approach during due diligence to a more sophisticated grasp of our deep-dives where we focus on the most pertinent questions. We wish to provide more advanced guidance and materials to those portfolio companies that want to get ahead and be prepared for upcoming regulation.

For that reason we will prioritise four key areas which we commit to report on progress in our next report:

### 01

#### Publication of Project A's internal ESG policies

Not only do we want to walk the talk, but we want to provide our portfolio with inspiration to create their own policies.

### 02

#### Materiality analysis of our deep-dives

We will be moving away from a standardised questionnaires during due diligence towards comprehensive materiality analysis of our fund thematic deep-dives.

### 03

#### Onboarding

We will work early on with our founders on exploring the risks and opportunities captured under ESG for their business, in order to work with them slowly but steadily as their business grows.

### 04

#### Workshops

The most successful ESG strategies are tailored to the specific needs of the business, through our workshops we will support our portfolio to learn about materiality and prepare for the CSRD.

## Legal disclaimer

Unless explicitly stated otherwise, the data included in this report originates from questionnaires completed by 18 portfolio companies during May and June 2023. It is crucial to note that these questionnaire responses have not undergone independent verification.

For general informational purposes only, this report provides all its content. While Project A has taken reasonable steps to ensure the accuracy of the report's information, it makes no explicit representations or warranties regarding its precision. Consequently, no liability can be accepted for any errors or omissions. Unless explicitly stated in the report, any predictions, forecasts, conclusions, views, or opinions expressed herein reflect Project A's current perspective and analysis. This perspective is based on the referenced survey and internal data, none of which have undergone independent verification.

It is imperative to understand that Project A cannot guarantee any specific outcomes for decisions made, either wholly or partially, based on the content or information contained in this report. Under no circumstances should any of the information or content in this report be construed as investment, legal, tax, or accounting advice by Project A or any of its affiliated entities. Every recipient of this report should seek guidance from their own legal counsel, accountant, or other professional advisors before taking any actions based on the content herein.

To avoid any misinterpretation, nothing in this report should be considered as an offer to sell or a solicitation of interest to purchase any securities advised by Project A, its affiliates, or its representatives. Under no circumstances should anything herein be interpreted as fund marketing materials for prospective investors considering an investment in any Project A fund.

# Responsible investing & ESG at Project A

Project A

November 2023

Project A Ventures

## CONTACT:

Paola Compes Tatay  
ESG Specialist  
paola.tatay@project-a.vc

## LONDON:

213 Oxford Str.  
W1D 2LG  
London

## BERLIN:

Julie-Wolfthorn-Str.  
110115,  
Berlin

# Questions? Get in touch with our team