



BVCA: Members' Views of Sustainability Issues

Thank you for taking part!

October 2009

Ipsos MORI

Our ref: J35968



Thank You!

- Thank you for taking part in the research study we conducted on behalf of the BVCA a few months ago.
- Your feedback is very much appreciated by Ipsos MORI and BVCA – it will be using the findings to feed into its strategy on sustainability.
- This document contains some findings from the study, so you can see how BVCA members responded to some key questions. We hope you find it interesting!
- Many thanks, once again, for your help with the research.
- For further information, please contact:

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Research Approach

- Online survey distributed to 415 BVCA members by email
 - Invited to participate in survey about ‘investing today and tomorrow’
- 84 members completed over half of the survey (20% response rate);
 - 44 Mid-Market
 - 34 Venture Capitalist
 - 6 Large Buyout
- Survey was conducted between 7 July and 10 August 2009
- 10 follow-up depth interviews were conducted by telephone between 7 August and 4 September 2009

- Management is the most important factor when investing in a portfolio company, according to the BVCA members responding to this survey.
- Three-quarters say it is important for portfolio companies to be sustainable.
- Over half (58%) feel the given definition of sustainability is appropriate.
- Activity levels are mixed:
 - Over half (58%) consider ESG risks/opportunities in their portfolio company management
 - Half (49%) have their own guidelines or policies on responsible investment
 - 38% agree sustainability currently impacts on their investment decisions, 38% disagree
 - 30% are partly/well established in embedding sustainability in their own decision-making.
- Only a quarter (28%) are currently looking to incorporate sustainability into their portfolio companies - but over half (59%) are likely to do more on this in 2/3 years
- The majority agree that PE/VC firms have a potentially powerful influence on sustainability, and that it will become more important in the next five years.
- But only one in ten believe PE/VC firms are making the most of these opportunities
- Over half think it would be a useful exercise for BVCA to consult members and draft guidelines on responsible investment.

Views of sustainability and related issues

Important factors when judging companies

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What are the most important factors you take into account when making your judgment about investing into potential portfolio companies? UNPROMPTED

MANAGEMENT

POSITION IN
MARKET

GROWTH
POTENTIAL

QUALITY OF
PRODUCT

Almost 90% of respondents state that management/team is one of the most important factors in a potential company

FUNDING
REQUIRED

Base: All members answering (84), Open-ended question, July – August 2009

Why aren't sustainability issues mentioned?

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1) It is stating the obvious – some firms would not invest in unethical companies

“If there was a business antagonistic to these views...we wouldn't invest in them”

2) Some firms specialise in such areas anyway e.g. clean technology

“We take that for granted, our companies produce environmentally sound goods”

3) It is considered as part of other aspects e.g. management

“If the team was unconcerned about a carbon footprint, that would make us reconsider”

4) Other firms see profitability as the primary concern

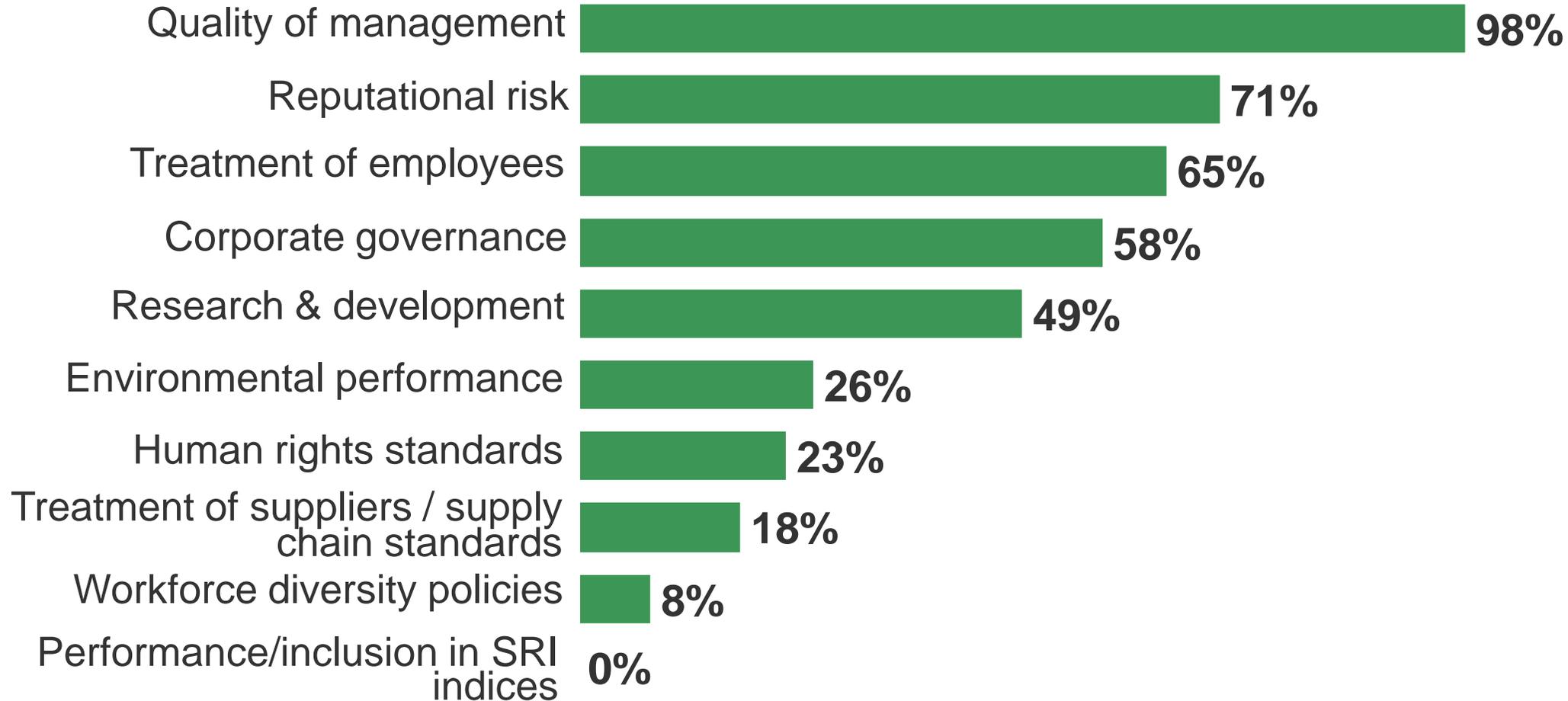
“Our main concern is how much profit our companies are going to make, this is what our clients want to see”

Source: Depth Interviews, August – September 2009

Importance of non-financials when judging companies

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And thinking more specifically about non-financial factors, which of the following, if any, are important considerations when you are judging companies?



Base: All members answering (84), Multi response, July – August 2009

Source: Ipsos MORI

The given definition of “Sustainability”

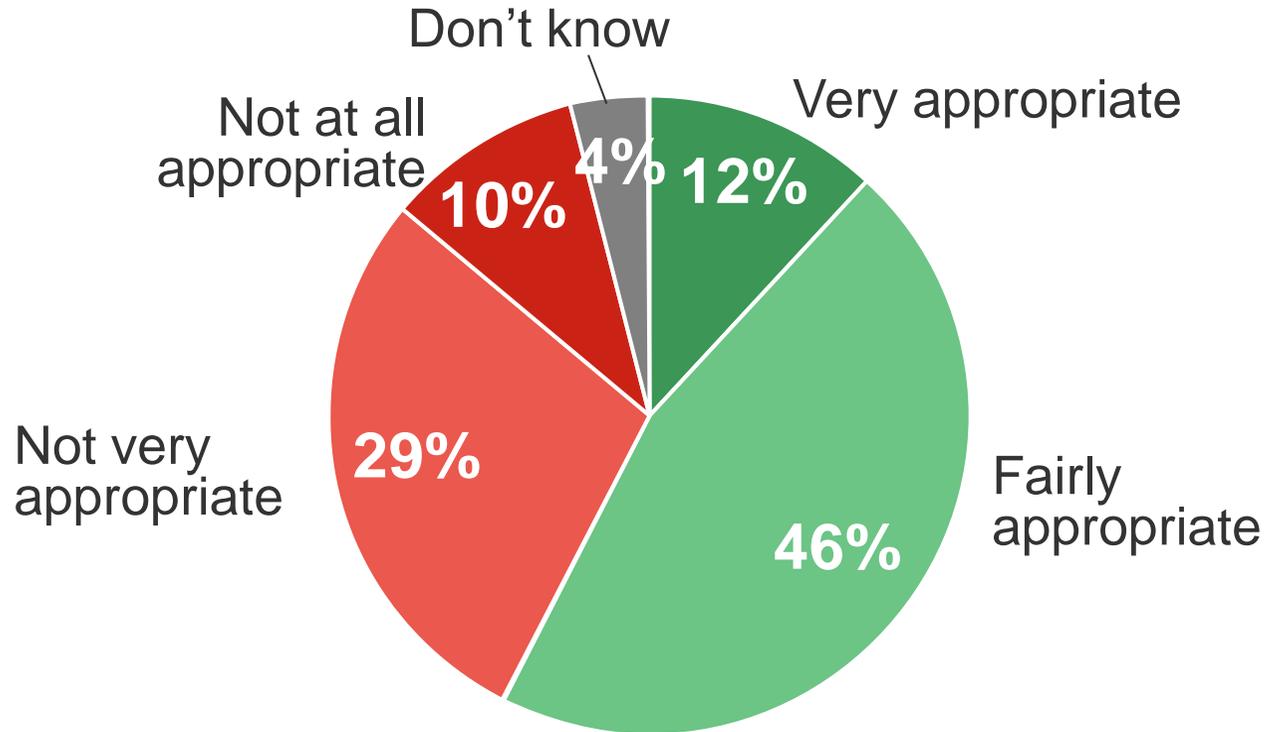
The definition as given in the survey:

In this interview, by “sustainability” we mean companies addressing environmental, social and governance issues to try and ensure that meeting present day needs does not compromise the ability of future generations to meet their own needs.

A company that is aiming to be sustainable would take into account short and long term risks and opportunities in its business strategy and seek to mitigate its negative environmental and social impacts while fulfilling its duties to shareholders and enhancing the positives.

Appropriateness of term “Sustainability”

Thinking about this definition, how appropriate do you feel it is to use the term ‘sustainability’ to describe this concept amongst PE/VC community?



Base: All members answering (84), July – August 2009

Source: Ipsos MORI

Why do some object to the 'sustainability' term?

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Some feel the word 'sustainable' means different things in everyday parlance e.g. longevity, staying power, etc

Some mention the UN PRI's term 'ESG' as more appropriate – they would prefer BVCA to use a standard term in common with other parties

Other top mentions of alternative terms include 'social responsibility' and 'environmentally friendly policies'

Some don't like the jargon / 'buzzword'

There are other complicating factors behind the objections:

The definition given:

Others felt the definition is too long – it needs to be simplified

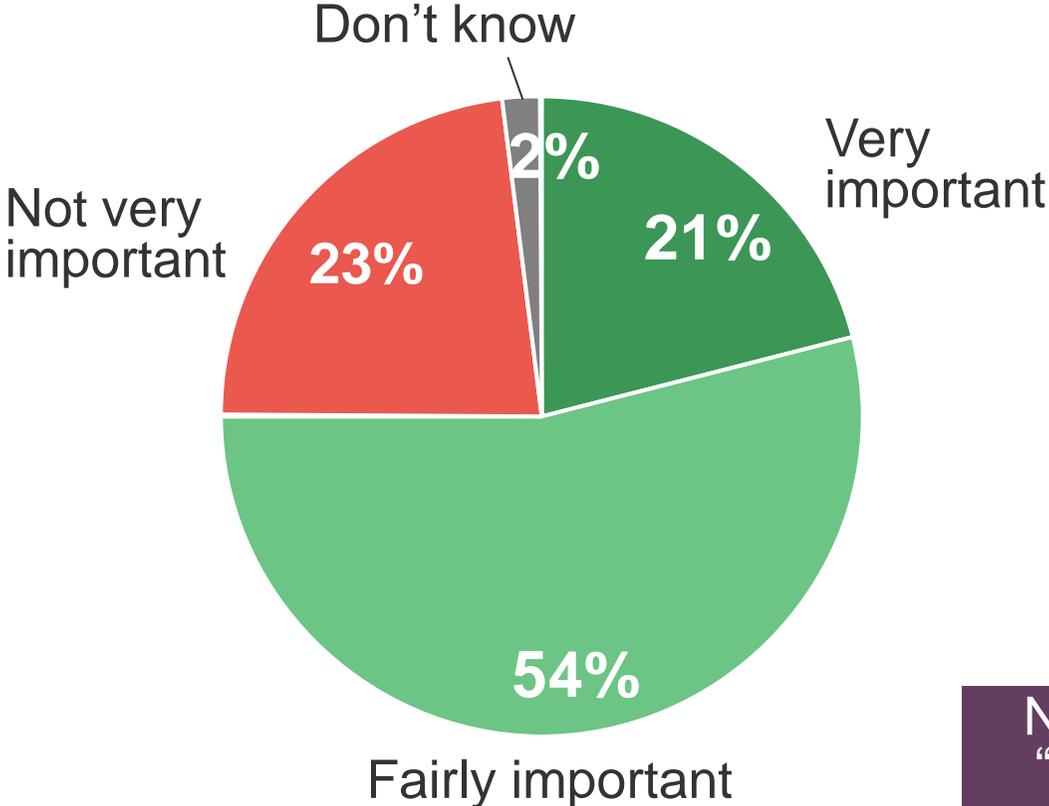
The idea itself:

Some respondents say the concept is not relevant to their firm, or too specific to certain BVCA members

Source: Depth Interviews, August – September 2009

Importance of portfolio company to be sustainable

How important do you think it is, if at all, for a portfolio company to aim to be sustainable and act responsibly with regards to the environment and society?



No members say it is “not at all important”

Base: All members answering (84), July – August 2009

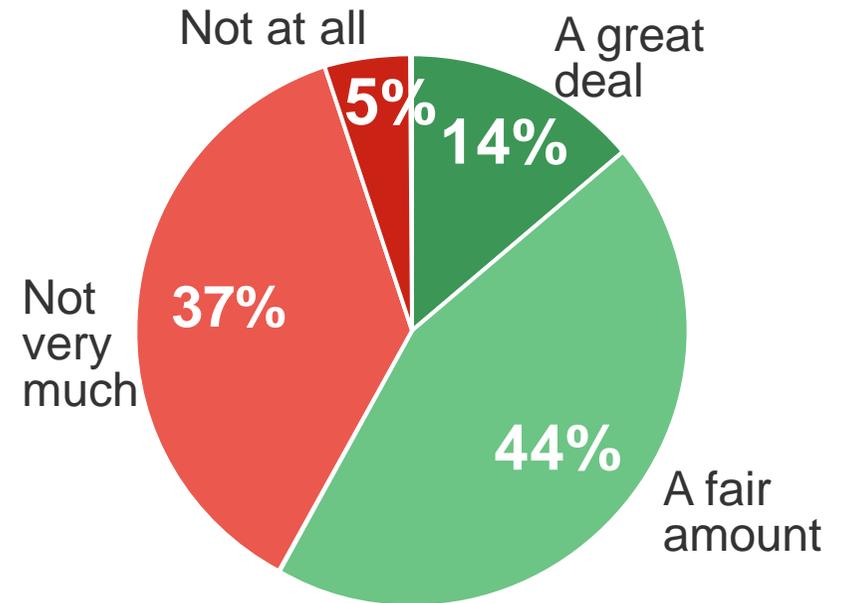
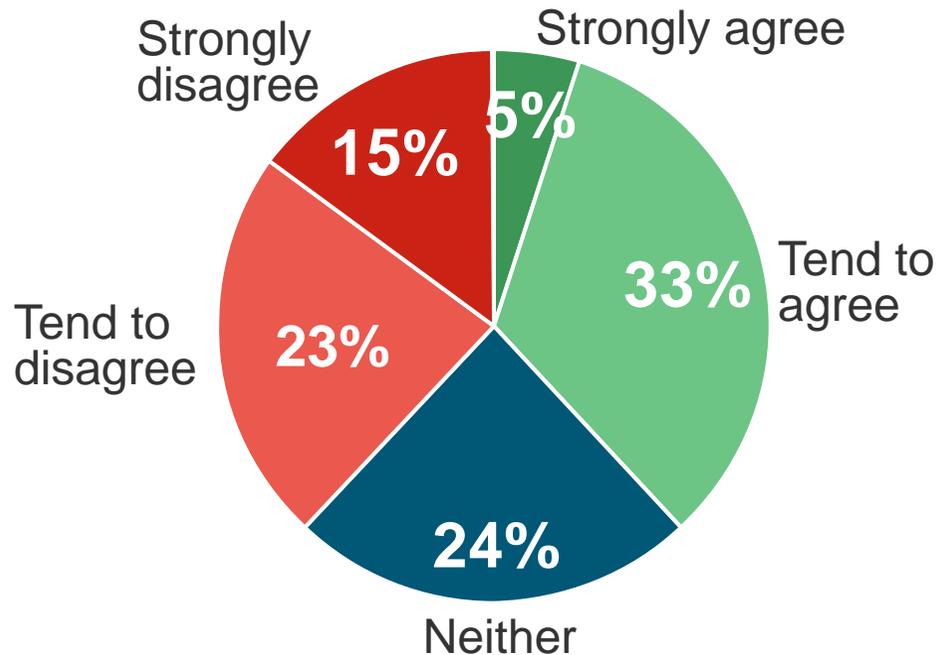
Source: Ipsos MORI

Firms' Activities on Sustainability

Mixed levels of consideration of ESG factors

How far would you agree or disagree that: “The management of sustainability issues does currently impact on my investment decisions”

To what extent does your firm consider environmental, social and governance risks and opportunities in your portfolio company management?



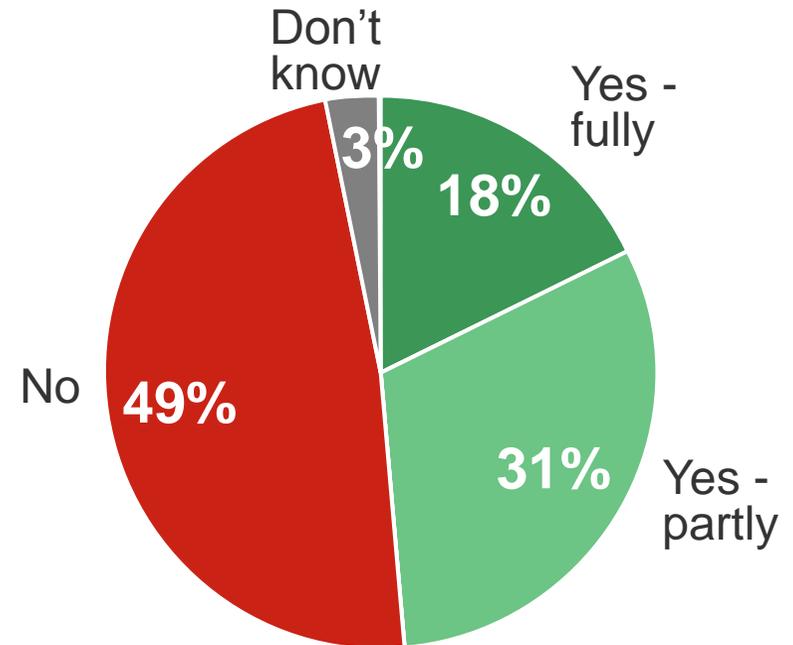
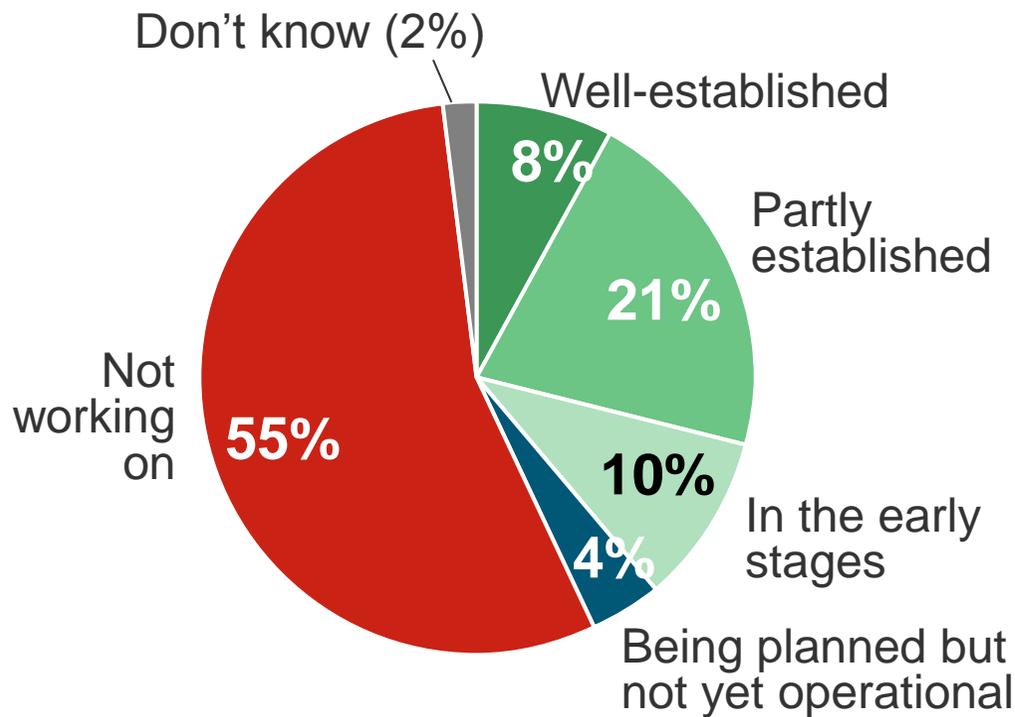
Base: All members answering (84), July – August 2009

Source: Ipsos MORI

Stage in embedding sustainability issues

Thinking about your own firm, what stage is your firm at in embedding sustainability issues in its own decision making, policies and procedures?

Does your firm have any guidelines or policies in place on responsible investment, e.g. taking account of the environmental, social and ethical standards of the companies in your portfolio?



Base: All members answering (84;80), July – August 2009

Source: Ipsos MORI

Activities on sustainability (1)

Now thinking about your own firm, for each of the following measures, please indicate whether you currently have it in place, whether you are planning to implement it, or whether you have no plans to pursue it?

■ % Currently have in place/
Plan to implement in next year ■ % No plan to implement

Including a non-financial risk assessment / due diligence as standard when evaluating investment opportunities

57

31

A charitable foundation, or charitable giving / philanthropy programme

39

44

An environmental policy or EMS to reduce the impacts of your own organisation

33

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Including consideration of broad sustainability criteria as standard when evaluating investment opportunities, e.g. a responsible investment policy

32

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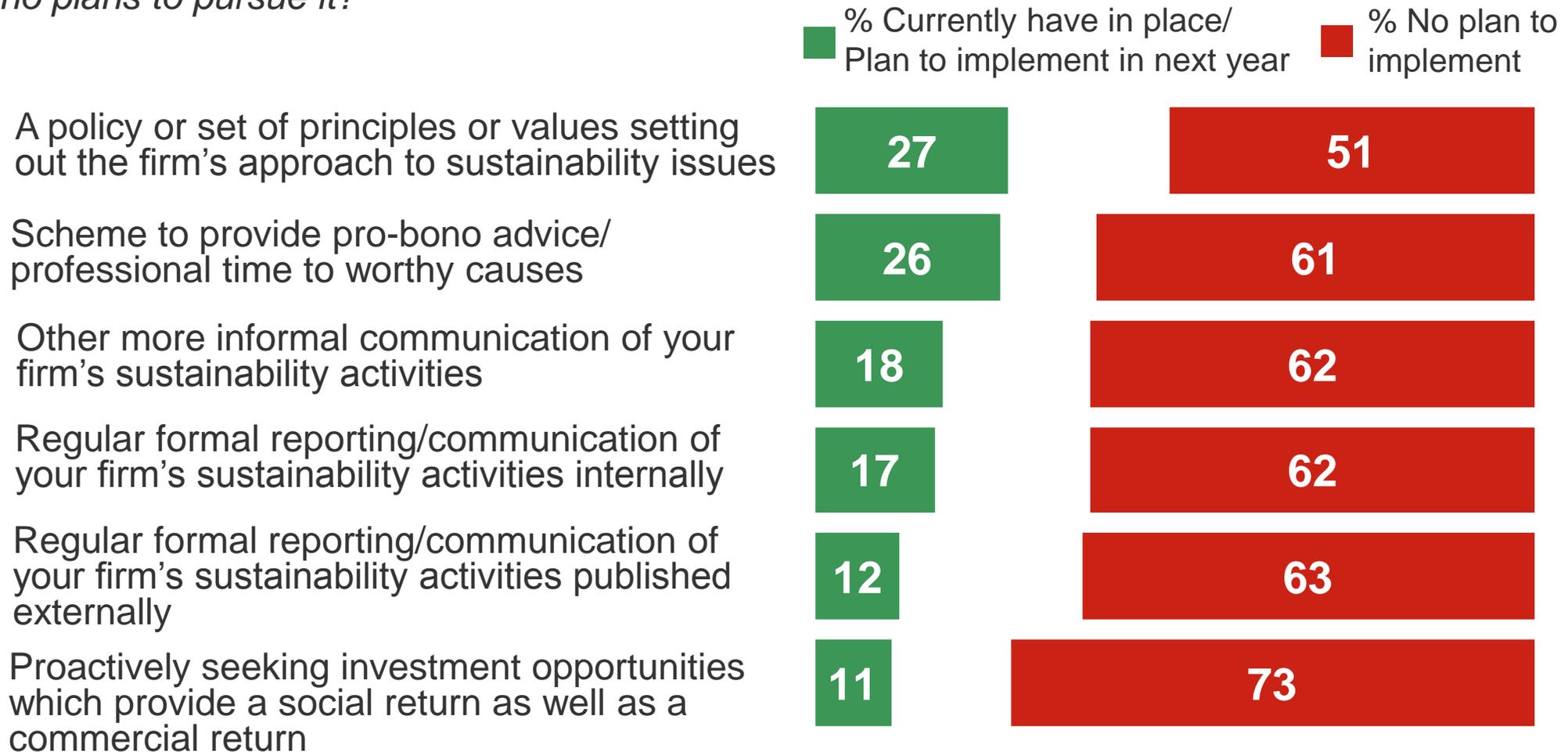
Base: All members answering (84), July – August 2009

Source: Ipsos MORI

Activities on sustainability (2)

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Now thinking about your own firm, for each of the following measures, please indicate whether you currently have it in place, whether you are planning to implement it, or whether you have no plans to pursue it?

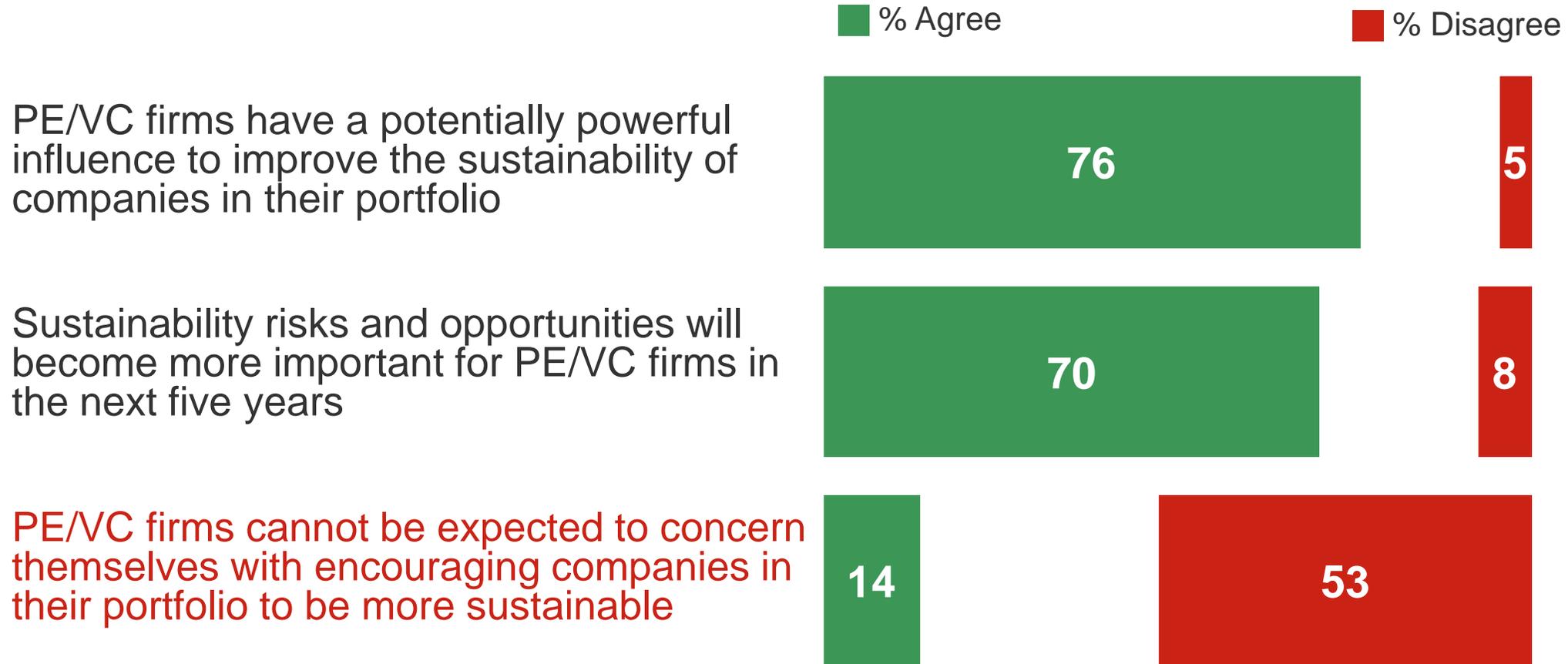


Base: All members answering (84), July – August 2009

Source: Ipsos MORI

Members agree the potential is there...

How far would you agree or disagree with each of the following statements?

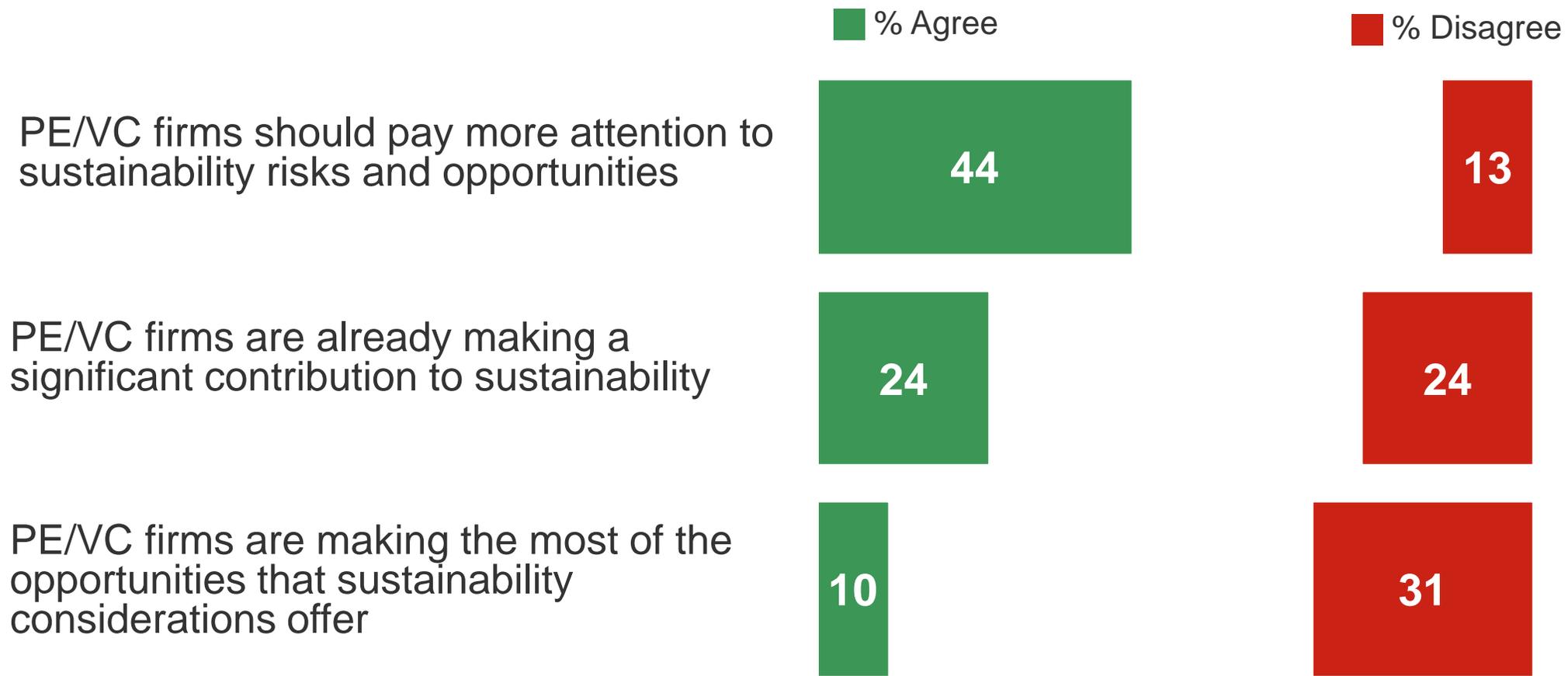


Base: All members answering (84), July – August 2009

Source: Ipsos MORI

...but PE/VCs aren't making the most of opportunities

How far would you agree or disagree with each of the following statements?



Base: All members answering (84), July – August 2009

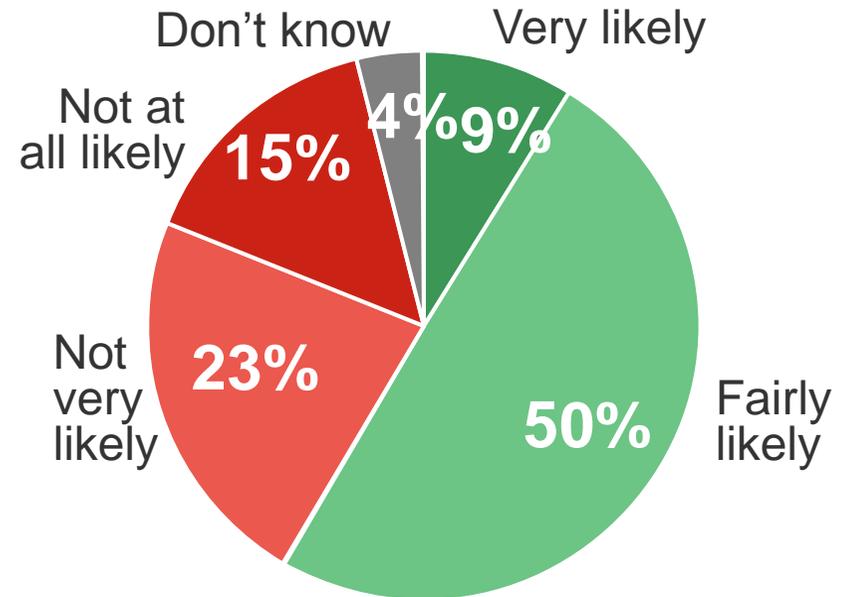
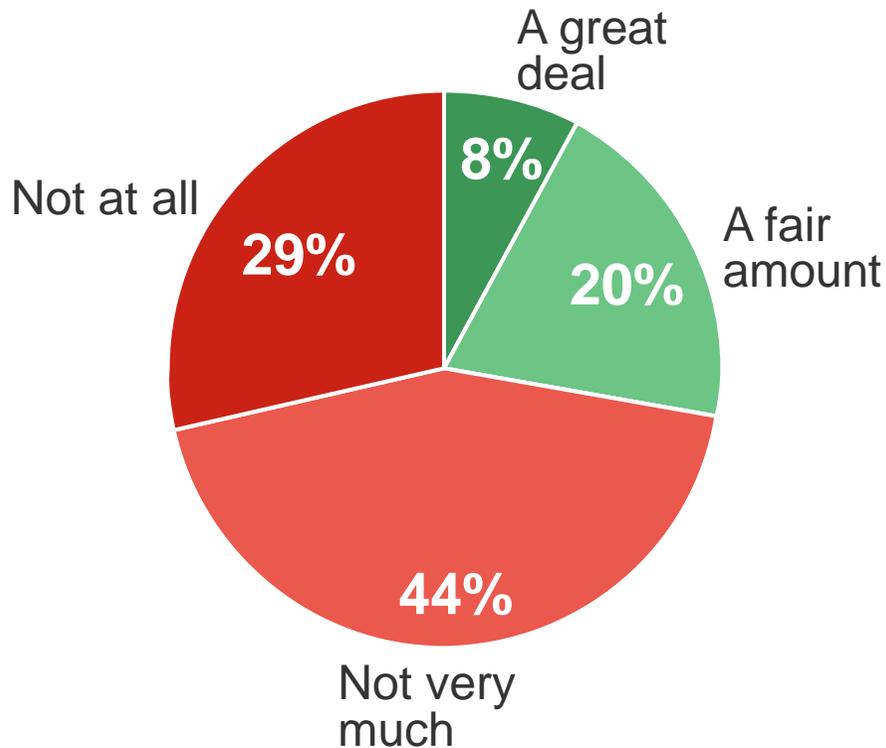
Source: Ipsos MORI

Future Impact of Sustainability

Likelihood of incorporating sustainability issues

Currently, to what extent is your firm looking to incorporate sustainability risks and opportunities into its portfolio companies, if at all?

In the next two to three years, how likely if at all is your firm to do more to incorporate sustainability risks and opportunities into its portfolio companies?

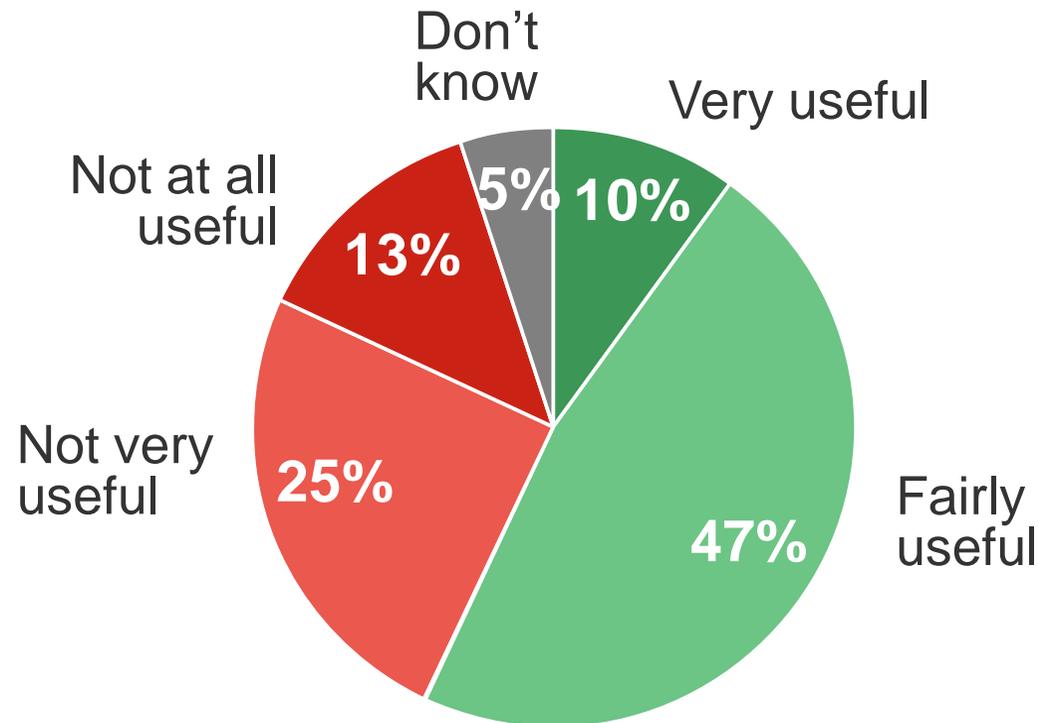


Base: All members answering (80), July – August 2009

Source: Ipsos MORI

Drafting guidelines on responsible investment

The BVCA are considering consulting their members on this issue and drafting guidelines on responsible investment. To what extent, if at all, do you think this would be a useful exercise?



Base: All members answering (79), July – August 2009

Source: Ipsos MORI

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