

EUROSIF, 2007. *Venture Capital for Sustainability*.
UKSIF summary, 2009.

Table of Contents

| | |
|--------------------------|---|
| I. Key points..... | 1 |
| II. Key quotes..... | 2 |
| III. Best practices..... | 2 |

I. Key points

- Venture Capital is a subset of private equity and refers to equity investments made for the launch, early development or expansion of a business. In VC4S, profit goals are supplemented by a mission which has direct impacts on sustainability.
- €1.25 billion was raised by European VC4S in 2006 (size of investments between 1 and 5 million euros), against €72 billion by mainstream VC and buyout management (average €6.5 million per company), representing 2% of total European private equity.
- Categories of venture capital fund's mission:
 - **Products:** products may change the nature of the industry by increasing its sustainability
 - **Targeted economic impact:** linked to the targeted economic impact of the company
 - **Processes/ internal operations:** internal operations and processes which the company employs with regards to sustainable management
- Survey results (with 23 European venture capital funds):
 - **Mission:** The most popular approaches were products (54%) and targeted economic impact (42%).
 - **Stage:** 41% of VC4S takes place in the **early phase** of a company's life cycle compared to only 16% in mainstream VC (69% in the expansion phase).
 - **Industry:** While VC4S invests more in environmental issues (such as energy and clean technologies), mainstream VC invests in the consumer related industry.
 - **Geography:** VC investing favours companies based within close proximity to funders (UK has a larger part), but investors also look for opportunities in the developing economies.
 - **Co-investors:** most investors have co-investors to share the risk, such as other VC4S, public funding, mainstream VC or business angels.
 - **Returns:** VC4S expect 20-30% returns as mainstream VC, but could trade a bit for sustainability.
 - **Exits:** The time frame ranged from 1 to 8 years, with the majority in the 3-5 range.

- **Countries:** Leading countries for investors are the UK, France, Netherlands and Germany.
- **Type of investor:** Family offices account for most part of the VC4S funding (18%). On the other hand, mainstream VC receive 25% of funding from pension funds.
- **Obstacles:** European institutional investors invest little not only in VC but also in VC4S.
- Suggested solutions proposed by the paper:
 - Pension funds and foundations should direct more of their portfolio allocations to Venture Capital funds that have sustainability as a part of their missions.
 - EU policy makers should analyse how EU incentives can foster the European private equity market and VC4S

II. Key quotes

- "...pension funds and foundations should direct more of their portfolio allocations to Venture Capital funds that have sustainability as a part of their missions" (Eurosif 2007b, p. 1).
- "The great obstacle the sector currently faces is the under funding of the VC4S funds themselves." "Presently, VC4S is often led by smaller investors, in the form of family offices and/or High Net Worth Individuals (HNWI)." (Eurosif 2007b, p. 1)
- "...most companies do not list their stock in public markets" (Eurosif 2007b, p. 2).
- "While this financial support is laudable, family offices will never possess the deep pockets that can be found at either pension funds or foundations" (Eurosif 2007b, p. 12).
- "...not only do European institutional investors invest little in VC, but the situation is even more challenging for VC4S." (Eurosif 2007b, p. 14).
- "...the most prominent investors allocating capital into VC4S funds were family offices and HNHI" (Eurosif 2008, p. 19).

III. Best practices

- SAM Private Equity manages 3 funds as well as 2 mandates all focusing on venture capital in the Clean tech sectors (€248 million under management).
- BonVenture is comprised by high net worth individuals whose main objective is social and environmental impact. €5.5 million is under management.
- California state pension funds CalPERS and CalSTRS announced major allocations to Clean tech.
- The Silicon Valley funds have followed suit and made significant inroads in the VC4S space in the past 18 months.