Sustainability

Sustainability at Draper Esprit

Across Europe, visionaries find new ways for the world to work. We back them to invent the future. We want that future to be sustainable, fair and accessible to all.

That's why we aim to use our platform in venture capital to encourage and promote our environmental, social and governance values and considerations in everything we do. We're selecting and investing in best-in-class technology companies, and helping them develop their own ESG strategies to accelerate positive change and inspire the next generation of diverse entrepreneurs.

KPIs

We've finalised four ESG Key Performance Indicators (KPIs) for this year. These will be linked to all staff and executive remuneration by combining to form a single headline business KPI that sits alongside the other five business KPIs (please see the KPI section on page 37 for a summary of the full business KPIs).

The four ESG KPIs for the year ahead are:

1. Environment – establish a road-map to allow us to make TCFD disclosures in the FY22 cycle.
2. Social – create and implement a group-wide Diversity and Inclusion Policy and a Board D&I Policy.
3. Governance – strategically engage with between 10 and 15 portfolio management teams on their governance arrangements.
4. All-encompassing – provide a training programme for the investment team in applying our ESG policy to our investment process.

Activities in the year:

Developing a responsible investment and sustainability policy

As well as embracing and developing ESG within our own operations, we have established an agreed policy for ensuring responsible investment throughout the lifecycle of our investments, from pre-screening to exit.

Our policy sets out how we aim to achieve our goals of responsibly selecting and investing in portfolio companies. It was approved by the Board in September 2020.

March 2020

Provided employees with access to WeCare, an online support service, giving access online to 24/7 GP support, mental health support services, get-fit programme and more via CanadaLife.

May 2020

Completed our first carbon footprint and balancing exercise – compensating for 260 tonnes of carbon through certified community reforestation projects in Tanzania and Nicaragua.

June 2020

Registered for two cycle to work schemes.

September 2020

ESG Policy approved by the Board, including target ESG standards for our portfolio.

October 2020

Fund of funds commitment to Mustard Seed Maze, a fund focused on start-ups that contribute to resolving social and environmental problems. See p.64 for further details of our impact fund investments.

November 2020

Updated our investment legal due-diligence checklist to take ESG considerations into account.

February 2021

PwC's Sustainability & Climate Change Team provided training for the investment team on integrating ESG into investment decisions.

March 2021

Ben Robson, General Counsel, assumed Compliance Officer role.

Fund of Funds commitment to Five Seasons' second strategy, working with entrepreneurs to build a healthier, more sustainable and efficient food system.

Approval by the Investment Committee of a commitment to Zinc Fund II, aiming to tackle challenges in the developed world and have a positive impact through innovative technology.

April 2021

After year-end, submitted our first report to the UN Principles of Responsible Investment.

Looking forward

Exploring the establishment of a Group foundation to support charitable social initiatives.

Sustainability

Our ESG Policy

CONTINUED

Our mission is to empower Europe to invent the future. We want that future to be sustainable, fair and accessible to all. We aim to use our platform in VC to encourage and promote our values and ESG considerations in developing best-in-class technology companies and achieving strong returns for our investors. In our capacity as stewards for our stakeholders, we will invest responsibly, and establish environmental, social and governance policies that accelerate positive change and inspire the next generation of diverse entrepreneurs. Our ESG Policy, adopted in September 2020, sets out how we aim to achieve this.

The standards we apply

We invest in businesses and entrepreneurs who are committed to changing the world in a positive way. So in our capacity as stewards, we've developed a set of standards for what we believe 'good ESG' looks like. We don't demand businesses demonstrate them all at the point of initial investment, but we do need a commitment from the founders and management teams that they'll meet or surpass our targets during the lifetime of our investment. We strongly believe that doing so will benefit the operations and standing of the portfolio company as well as the broader environment and community.

Broadly summarised, our standards ask businesses to:

- recognise the importance of protecting the natural environment and reducing or balancing carbon emissions to work towards net zero climate goals
- encourage diversity and inclusion and not tolerate any form of discrimination at any level of the business
- ensure they treat everyone involved in the operation of the business fairly and with access to safe conditions that encourage healthy working
- ensure strong corporate governance and an accountable leadership culture
- act ethically and in line with all laws and standards that apply
- ensure privacy, health and safety, and D&I within business practices
- commit to including strategic sustainability on the board agenda at least quarterly
- encourage monitoring and reporting of ESG progress

The tools and methods we use to evaluate and monitor our investments are in line with the UN Principles for Responsible Investment.

Due diligence and screening

Using the ESG standards and pre-investment provisions set out in our ESG Policy as a baseline, we screen prospective portfolio companies using an exclusion list before performing wider ESG-related due diligence as part of our deal-execution process. Only when we have made an assessment of a company's ESG credentials can we make a final investment decision.

Our exclusion list sets out the sectors, businesses and activities that we, as responsible stewards, will not invest in due to their having an objective or direct impact that does not align with our ESG objectives. Included within this list are: slavery, forced or child labour; illegal or banned products or activities; activities that compromise endangered or protected wildlife; fossil-fuel mining; production of non-defensive arms or ammunitions; tobacco or alcohol; asbestos; trade in human body parts or organs; or animal testing other than to satisfy medical regulatory requirements.

We will, during the course of our due diligence process, assess the ESG opportunities, risks and gaps inherent in a business, employing a risk-scoring system to assess a broad range of the major ESG issues. We document the outcome of this process alongside the wider investment recommendation materials presented to the Investment Committee, with low scores for specific ESG risks flagged (e.g. climate change).

If the ESG risks are within an acceptable range, the terms of investment will typically require a commitment by the company management to meet our target ESG standards. We aim to help the portfolio company in achieving whatever action is proposed.

Mapping and monitoring

Once we complete a direct investment, we map the assessed ESG status of the company to the UN Sustainable Development Goals (SDGs) and work alongside the management team to support and monitor performance to these criteria.

We work with the management team, using our ESG assessment to establish measures and strategies they should monitor. The scope and nature of what we agree will evolve as the portfolio business grows and matures and as we learn from implementation of our Policy.

Monitoring can identify both improvements or areas to be improved, as well as any remedial action necessary, and takes place at least once a year.

Finally, so we can continually reflect and improve our broader stewardship, we intend when exiting from a portfolio company, to document the ESG progress made through the lifetime of the investment.

We continually monitor how we are implementing our ESG policy, and will evolve it over time as we rise to meet new challenges and continue to improve our ESG standards.

You can see the full version of our ESG Policy at https://drapersprit.com/investors/sustainability.

TO READ MORE, PLEASE GO TO HTTPS://DRAPER-ESPRIT.S3.AMAZONAWS.COM/PRODUCTION/UPLOADS/DOCUMENT/FILE/53/DRAPER_ESPRIT_ESG_POLICY__OCT_2020_.PDF

Alignment of the portfolio to the United Nations Sustainable Development Goals (SDGs)

The UN SDGs are 17 interlinked global goals designed to achieve a better and more sustainable future for all. They were set in 2015, with the aim of being achieved by 2030. We assessed our portfolio at 31 March 2021 to identify companies where the business model aligns to one or more of these goals. In line with our ESG Policy, this mapping exercise now forms part of our due diligence process at the point any new investment is made.

We based our initial mapping exercise on the products and services provided by our portfolio companies (as distinguished from ESG activities that they may internally be operating within their business). Mapping to the SDGs shows our companies are helping us move our investments towards building a better future and it is our hope and aim for more of our portfolio companies to be aligning with at least one SDG as our focus on ESG expands.

At 31 March 2021, we assessed 52 of our portfolio companies for alignment with one or more UN SDGs. This does not include our fund of funds portfolio or certain other emerging companies (14% of the Gross Portfolio Value not assessed).

71%

by value as a percentage of the Gross Portfolio Value mapped to one or more UN SDG*

35

companies of those assessed mapped to one or more UN SDG

*by value at 31 March 2021

1 No Poverty	05 companies
2 Zero Hunger	01 company
3 Good Health and Well-being	09 companies
4 Quality Education	02 companies
5 Gender Equality	01 company
6 Clean Water and Sanitation	01 company
7 Affordable and Clean Energy	01 company
8 Decent Work and Economic Growth	17 companies
9 Industry, Innovation and Infrastructure	18 companies
10 Reduced Inequalities	02 companies
11 Sustainable Cities and Communities	05 companies
14 Life Below Water	01 company
13 Climate Action	02 companies

TO READ MORE, PLEASE GO TO HTTPS://DRAPERESPRIT.COM/INVESTORS/SUSTAINABILITY

Case study

Making an impact

ESG in our seed fund of funds strategy

We launched our seed fund of funds programme in October 2017, and have since invested in 35 seed funds from across the UK and Europe, including commitments to specific impact funds that have ESG considerations as their focus. As the first official money a business raises, these seed funds provide Draper Esprit with visibility and access to companies at an earlier stage than we would normally invest. In addition, through our increasing focus on commitments to impact funds, our investors can access even more companies with a specific focus on environmental, social and governance technologies.

By seeding this early-stage ecosystem, we can find the best companies for later investment, pool expertise from sector-specific funds, and benefit from scouts based all over Europe, fuelling the next generation of investors and visionaries. The following examples demonstrate how we're investing in sustainable futures through our involvement with specific impact funds.

Supporting specific impact funds

Mustard Seed Maze

Based in Lisbon and London, Mustard Seed focuses on investing in start-ups that provide a social return alongside a financial one – its 'lock-step' concept of solving critical social or environmental problems with a clear commercial value proposition. They believe solving the greatest of societal ills brings commercial success in the long run - in effect, long-term impact and long-term profitability are intrinsically linked. We signed up to its Maze fund in October 2020.

Food Tech Opportunity I and II

We signed up to Food Tech Opportunity I in 2018, and Food Tech Opportunity II in 2021. The funds are managed by Five Seasons, based in Paris, the first European investor focusing on impact across the food value chain. After three years of Fund I, Five Seasons has established itself as a recognised player, offering access and added value. Fund II offers an even greater focus on sustainability in its investment thesis, supporting entrepreneurs who can build a healthier, more sustainable and efficient food system.

Future Positive Capital

Future Positive Capital is a pan-European VC firm based in Paris and London. They invest in fast-growing companies that use cutting-edge technologies - AI, robotics, synthetic biology, genetic engineering and similar - to solve large social and environmental challenges in a scalable and profitable way. Their investments have already identified a market, built a team and developed a ground-breaking product or service. Future Positive Capital has also built a support network of over 100 operational partners - corporate leaders, functional experts and successful entrepreneurs - to help solve critical strategic and tactical issues their investments face. Post year-end, we invested directly into Future Positive Capital company, Cervest, offering cloud-based climate intelligence.

Zinc Fund II

Zinc exists to build and scale a brand-new way to solve the most important societal problems faced by the developed world. Their approach encourages the most talented and motivated people available to redirect their careers toward having large-scale social impact as entrepreneurs, researchers and intrapreneurs. Zinc, based in London, focuses on specific missions, which must: tackle one of the great unmet needs in the developed world; have an addressable market of over 100 million people in the developed world alone; and have lots of unexploited opportunities to disrupt, extend and improve existing services through new technologies and insights. Our commitment to Zinc Fund II was approved by the IC in March 2021 and we signed up to the fund post year-end.

Sustainability

Environmental updates

Taskforce for Climate-related Financial Disclosure (TCFD)

In preparation for our next annual report, we have appointed ITPEnergised as our new ESG consulting partner to support us in developing a TCFD roadmap for the business during the year ahead so we can report on TCFD for FY22. The project will encompass workshops with our leadership and our multi-disciplinary ESG working group, chaired by Ben Wilkinson, CFO. We will use the TCFD's four thematic areas - Governance, Strategy, Risk Management, and Metrics & Targets - to enhance decision making in our risk and opportunity identification practices and to build structures and systems to best manage climate change in line with our larger operational ESG objectives.

Streamlined Energy and Carbon Reporting (SECR)

The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 implement the government's policy on Streamlined Energy and Carbon Reporting (SECR). While we do not meet the mandatory reporting criteria for SECR legislation, we have elected to voluntarily report our energy consumption and Scope 1, Scope 2 and selected Scope 3 carbon emissions. ITPEnergised has worked with us to provide a comprehensive SECR compliance service, covering the financial year ending 31 March 2021, as part of their broader work helping us in our overarching goal to become carbon net-negative in the years ahead.

SECR Statement:

Reporting has been conducted in accordance with the methodology set out in the Greenhouse Gas (GHG) Protocol Corporate Standard, and using the Department for Environment, Food & Rural Affairs' (DEFRA) emissions factors to calculate emissions. The GHG protocol (corporate standard) is a globally recognised framework used by organisations to measure their greenhouse gas emissions.

Calculation of our SECR energy consumption and GHG emissions was completed by an independent third party, ITPEnergised.

Table 1 below presents our global Scope 1, Scope 2 and selected Scope 3 emissions for the financial period 1st April 2020 to 31st March 2021. As this is the first year of reporting, we are not required to disclose information for the previous year.

Table 1: GHG emissions and energy use data for the SECR period 1 April 2020–31 March 2021

	Current Reporting Year: FY21
Total energy consumption used to calculate carbon emissions (kWh)	144,803
Emissions from employees working from home (tCO_2e) (Scope 3)	16.9
Emissions from combustion of natural gas in buildings (tCO_2e) (Scope 1)	7.9
Emissions from purchased electricity in buildings (location-based) (tCO_2e) (Scope 2)	3.4
Emissions from vehicle transport (tCO_2e) (Scope 1)	0.05
Total organisational emissions (location-based) (tCO_2e)	28.2
Total organisational emissions (market-based, from 100% renewable electricity) (tCO_2e)	24.8
Carbon intensity ratio - carbon emissions per net asset value (NAV) (location-based) ($kgCO_2e$/£100k NAV)	2.7
Carbon intensity ratio - carbon emissions per net asset value (NAV) (market-based) ($kgCO_2e$/£100k NAV)	2.4

Energy Efficiency Actions:

In the period covered by the report, we have implemented an ongoing program of light emitting diode (LED) lighting replacement in our office buildings.

Energy & Carbon Reduction Analysis

We are currently working with ITPEnergised to identify opportunities to reduce our energy consumption and carbon emissions in our existing business operations. The analysis undertaken is intended to improve the energy efficiency of our business and minimise resultant carbon emissions. The investigations into our energy consumption focussed on electricity, natural gas and business travel. The findings of the energy analysis indicate that energy savings can be achieved by continuing our ongoing upgrade programme of replacing inefficient lighting with LED type lighting systems. Reduced use of transport (particularly flying) owing to the COVID-19 pandemic has seen our largest driver of carbon emissions fall significantly over the course of the year. In order to reduce our carbon emissions from business travel, it is our intention to roll out our travel policy implemented during the pandemic, on a permanent basis.

Scope 3 Emissions Review

In order to exceed minimum compliance in terms of carbon reporting, we intend to capture our wider environmental impacts, by including our upstream and downstream (Scope 3) carbon emissions in our future carbon reporting. To enable us to achieve this, we are currently completing a materiality assessment of our scope 3 emissions and we are gathering relevant data. We are currently exploring the extent and scale of our Scope 3 emissions from; purchased goods and services, business travel, waste production and downstream emissions from our investments. Following completion of this Scope 3 emissions review, we plan to incorporate our material Scope 3 emissions into our future annual carbon reporting.

Carbon-balancing exercise

Draper Esprit compensated for their Scope 1 and 2 emissions for the 2019-2020 financial year by investing in two Plan Vivo accredited projects:

- Forest restoration and protection with Hadza Hunter Gatherers in Tanzania.
- Reforestation with The CommuniTree Carbon Program in Nicaragua.

During the 2020-2021 financial year, 24.8 tCO_2e of market-based emissions can be attributed to Draper Esprit's operations. Despite seeing a reduction in emissions due to COVID-19 in 2020-2021, Draper Esprit have chosen to offset the same amount, 260 tCO_2e, as the pre-COVID-19 financial year to highlight the organisation's commitment to sustainability and a low carbon economy.

Draper Esprit will be supporting peatland restoration projects across the UK that are aligned with the Peatland Carbon Code, a reputable new standard endorsed by the UK Government. Many UK peatlands are severely degraded and emit vast quantities of CO_2. The projects funded by Draper Esprit will help combat this by sequestering 130 tCO_2e over the coming years.

Additionally, Draper Esprit will be offsetting the remaining 130 tCO_2e with an avoided deforestation project based in Brazil with trees also planted in the UK. This is certified to Verified Carbon Standard (VCS), an international certification standard that meets the industry-leading International Carbon Reduction and Offset Alliance (ICROA) Code of Best Practice.

Sustainability

Social

Diversity and inclusion

We promote equal opportunities in employment. All applicants receive equal treatment regardless of age, disability, gender reassignment, marital or civil partner status, pregnancy or maternity, race, colour, nationality, ethnic or national origin, religion or belief, sex or sexual orientation.

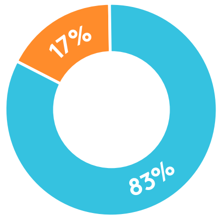
We have a zero-tolerance approach to discrimination or harassment in the workplace, and confirm that there were no reportable events within the organisation during the period.

During the forthcoming year, we are committed to creating and implementing a group-wide Diversity and Inclusion Policy and a separate Board Diversity and Inclusion Policy.

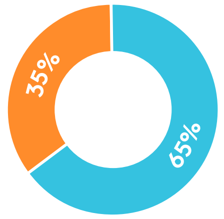
We are working toward a Diversity VC Standard accreditation, an assessment and certification process that sets a benchmark for best practice on diversity and inclusion in venture capital.

On gender equality, through our recruitment process, we are aiming for a better female-to-male ratio in the workplace. A full breakdown of the constituent elements of the business is set out in the charts opposite.

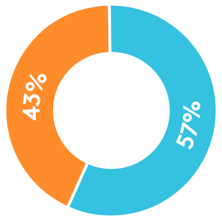
Plc Board



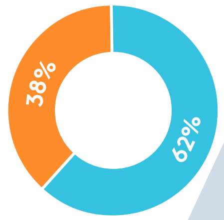
Investment Team
(Exec, Partnership, Platform)



All Group
permanent employees
(excl. Exec)



All Group personnel
(incl. Venture Partners,
Exec & NEDs)



● Male ● Female

Perkbox

Team Culture

We recognise the value of bringing together different experiences, opinions and perspectives. We therefore encourage independent thinking in all areas of the business, and hire people who are not afraid to express their opinions, especially unorthodox views. We reward initiative, and also collaboration. All of which, we believe, is the secret of building long-term success in venture capital.

Learning and development

We are participating in the Future VC Internship programme, offering a year's paid internship for two candidates to get first-hand experience of venture capital by joining our platform team. The interns will work in Deal Origination and Deal Execution positions. We are also providing an internship in the finance team to a student from Bath University.

This year, 34 employees completed unconscious bias training, run by the Pennydrops organisation. We also held an externally-operated training session for first-time and experienced managers, to help enhance the roles of those with direct reports within the business.

Health and wellbeing

We didn't furlough any staff during the Covid-19 pandemic, and ensured all our people were aware of the support available to them, particular in connection with their mental health, through a range of providers at all times:

- The support available through Canada Life includes round-the-clock access to counselling and mental-health support, access to telephone or virtual GP appointments.
- Through the Perkbox portal or app, free online workout and wellness classes are available as well as on-demand access to GPs and counsellors.

Policies

Our Staff Handbook includes a broad range of 30 policies, including those for:

- Whistleblowing
- Flexible working
- Time off for dependants
- Time off for public duties
- Maternity, paternity, adoption, ante-natal, and parental leave
- Compassionate leave and grievance

You can find our Modern Slavery statement by following a link on our website (draperesprit.com) or in the Sustainability section (draperesprit.com/investors/sustainability).

Sustainability

Governance

Responsibility for governance

Ultimately, governance sits with our Board of three Executive Directors and three Non-Executive Directors, the latter ensuring a suitable level of independent perspective. However, throughout the whole Group, we observe good governance at every stage of investment through strong internal processes and regular training. As participants in a robustly regulated environment, we are held to the highest standards including at a personal level under the rigour of the FCA's Senior Managers and Certification Regime ('SM&CR').

We maintain the integrity of our investment process as we grow, by expanding the platform team and associated support functions. You can read more about this in the People section on pages 26-27. During the financial year, we welcomed a Legal Counsel to join the platform team as a transactional law specialist to work within the deal execution process. Our General Counsel has moved into the role of Compliance Officer and a representative of Draper Esprit sits as an appointed member of the BVCA Responsible Investment Advisory Group.

PLEASE SEE PAGES 88-115 FOR OUR GOVERNANCE REPORT

The QCA Code

As a publicly traded entity listed on the AIM market of the London Stock Exchange, we apply the principles of the corporate governance code for small and mid-size quoted companies published by the Quoted Companies Alliance (known as the QCA Code). The requirements of the QCA Code mean that we are subject to rigorous risk management and governance arrangements which we seek to continuously monitor and, where appropriate, enhance. You can find more information on all the above matters in the main Governance section of this report, starting on page 88.

Ensuring IT security

Faced with the issues of lockdown and office closure, the IT Manager, supported by external IT-specialist consultants, introduced new hardware, replacing ageing devices and removing non-compliant devices from the network. During the year and post year-end, we conducted external penetration testing to assess the overall security status of our IT environment, with no critical areas identified. In addition, during the year we retained our Cyber Essentials accreditation and we completed our Cyber Essentials Plus certification post year-end.

Further security projects, including implementation of Azure Sentinel to help detect, prevent and respond to threats, and Microsoft 365 Defender next-generation antivirus threat protection & real-time monitoring are being explored post-period end. Our investment in network infrastructure will add intrusion detection and prevention, bringing additional layers of security to our office wi-fi infrastructure.