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# Conscious Scaling Roadmap

A checklist for establishing the sustainability basics in readiness for growth

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# What’s the purpose?

This roadmap breaks down the subject of ESG under the topics of ‘Environment’, ‘Social’ & ‘Governance’ and suggests simple steps under each that a company could consider taking dependent on their size in order to establish a healthy ESG baseline & general good business practices in readiness for future funding / growth rounds.

The aim of this roadmap is to:

1. Serve as a tool to help you assess where you are on your ESG journey and where you want / need to be
2. Suggest ideas on initiatives you could introduce as a next step
3. Showcase example ESG KPIs you may want to consider measuring
4. Provide an overview of the two main reporting regulations that will affect you; SFDR & CSRD

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# Environment

Considering your businesses environmental factors will help you minimize the ecological footprint of your business operations and manage costs related to energy consumption and waste management, ultimately improving cash flow and operational efficiency. It's becoming increasingly important for consumers / employees, and as governments crack down with regulation, a company needs to demonstrate that it has considered its environmental footprint, especially when seeking future funding.

❏ **Step 1: Measure your carbon emissions**
Having a clear understanding of your businesses greenhouse gas (GHG) emissions is the easiest way to quickly understand its impact on the environment and zero in on risk. There are carbon management tools on the market that can do a lot of the hard work for you by analysing your spend data exported from your accounting software to measure your emissions (which saves you having to source data such as energy bills yourself)
Recommended tools:
Normative, Plan A & Sweep offer free online tools that can estimate your carbon emissions with a small amount of data on your office, headcount, location, size and revenue.
For a more official & detailed measurement, Apiday, Supercritical, Minimum, analyse the details of your spend data to calculate full carbon footprint (price depends on headcount & size of operations)

❏ **Step 2: Purchase responsibly & sustainably**
Review your supply chain, where possible try to purchase locally / regionally from sustainable suppliers with a view to avoiding excessive water use, emissions and waste. Think about where your products or parts are manufactured, are there any supply chain risks there? As a further step you could consider writing up a responsible purchasing policy.

❏ **Step 3: Look for ways to reduce your emissions**
Switching to renewable energy for your offices / data centers is a very effective way to reduce your emissions. The tools listed above can all analyse your biggest source of emissions and help you find ways to start reducing them. This open sourced tool from Aiven can help you optimise your data infrastructure to use renewable energy and be more cost efficient. Science-based targets (SBTi) provide a clear and practical approach for companies to reduce greenhouse gas emissions

❏ **Step 4: Remove your emissions**
The tools listed above can do this for you or look to dedicated carbon removal tools such as Ecologi. To give you an idea of budget, verifiable carbon removal projects are usually priced from $20 USD per tonne & upwards to $250 USD. Focus on projects that provide carbon removal (i.e., reforestation or carbon capture where you pay to remove the tonne of carbon you emitted) rather than carbon avoidance (i.e., avoiding deforestation where you've paid to avoid a tonne of carbon elsewhere). The permanence of your carbon removal is also a factor, a forest could be cut down in 100 years but carbon capture could store it for 1000...

# Social

Prioritising social aspects and being intentional about building culture helps businesses enhance their reputation, attract and retain talented employees, and foster customer loyalty, which positively impacts long-term profitability.

- ❑ **Step 1: Measure your DEI metrics**
  A simple anonymous google form survey to all employees is easy and is something you can replicate annually.

- ❑ **Step 2: Implement DE&I within your hiring process**
  Work with your recruitment agencies to ensure your candidate pipeline is diverse and your job specifications/postings are inclusive and attractive to a diverse range of applicants. This article in Forbes has some good tips on how to do this and Gender Decoder and Develop Diverse can help assess bias within job descriptions. You can also use channels to reach underrepresented talent.
  Recommend resources:
  Hire Tech Ladies (global community for Women in tech)
  Diversity VC (promoting diverse jobs in tech and has resources available for startups)
  ColorInTech (community network of diverse tech talent from minority ethnic backgrounds)
  Black Valley (community network of diverse tech talent from minority ethnic backgrounds)

- ❑ **Step 3: Assess employee engagement and attrition**
  Survey employee engagement and inclusion with a purpose-built tool or build your own survey. Track response rate and NPS to help you understand where employees are satisfied and where there are areas for improvement. Monitoring the happiness and mental health of your employees can highlight areas where you could provide additional support. Start tracking unwanted employee attrition
  Recommended tools: Cultureamp, Lattice, Workday

- ❑ **Step 4: Ensure fair compensation & measure gender pay gap**
  Look at employee salaries, make sure compensation is fair and equal across gender & ethnicity (there is a huge benefit to doing this early on, it's much harder to correct when you are later stage). Providing competitive packages including healthcare and parental leave helps to attract and retain talent and improve your DEI metrics.

- ❑ **Step 5: Provide trainings, learning & career development**
  Nowadays, employees have higher expectations from employers. Besides compensation and a positive workplace atmosphere, employees seek opportunities for professional skill development from their company.

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# Governance

Incorporating good governance practices strengthens internal controls, reduces legal and reputational risks, and enhances investor confidence, leading to better access to capital and improved cash flow stability.

- ❑ **Step 1: Assign governing responsibility for ESG**
  Assign a member of the board responsibility for ESG and make sure it is discussed as an agenda item at every board meeting. The simplest way to do this is in the form of updates on initiatives & discussing your ESG roadmap. Also consider embedding ESG performance to executive pay.

- ❑ **Step 2: Introduce policies**
  Decide what policies you want to implement / are relevant to you and choose a person in the team responsible for leading these. Make sure they effectively communicate to your employees the processes & practises you want to adhere to. Once implemented set a cadence to discuss and review each policy regularly. Suggested policies:
  - ❑ Workplace Health & Safety Policy (all companies)
  - ❑ GDPR & Data protection policy (the latter particularly if you collect / handle sensitive data)
  - ❑ Diversity & Inclusion Policy (all companies)
  - ❑ Anti-Harassment & Discrimination Policy (all companies)
  - ❑ Whistleblowing Policy (Before reaching 50 employees, in line with the EU Whistleblowing Directive)
  - ❑ Code of Conduct / Ethics Policy (all companies, particularly around responsible product design / AI if applicable)
  - ❑ Anti-bribery & Corruption (ABC) Policy (all companies)
  - ❑ Responsible procurement policy (especially if you have a large supplier chain / products manufactured abroad)
  - ❑ Modern day slavery / responsible employment policy (especially if you have a lot of contract employees)

- ❑ **Step 3: Write up your ESG policy**
  Your ESG policy should be a summary of all the practices & processes you have in place and detail how the company considers risk.

- ❑ **Step 4: Integrate ESG into risk management and start discussing at board level**
  Over the past decade, ESG risks have become increasingly important. What was once considered nonessential sustainability concerns are now recognized as integral business risks reputationally & commercially. Integrating these risks into company risk management processes is vital for companies to understand and address them effectively.

- ❑ **Step 5: Measure DEI at board level**
  Do this as part of your annual employee DEI survey. Think about the composition of your leadership team and board, ideally you want to cultivate a broad spectrum of demographic attributes, characteristics and ideas that reflect the values of your company and your product offering. Particularly important to start thinking about as you approach a new funding round.

# Example KPIs

Startups should measure sustainability KPIs for several reasons. Firstly, it demonstrates their commitment to sustainability and attracts customers and investors who value socially responsible businesses. Secondly, it helps identify areas for improvement, cost reductions and optimisation of resource. Additionally, measuring sustainability KPIs provides insights into long-term risks and opportunities, fostering innovation and giving startups a competitive edge.

| **Area** | **KPI** | **Why it matters** |
|---|---|---|
| Environment | Total GHG Emissions inc. Scopes 1, 2 & 3 | Having a clear understanding of your company's emissions is the easiest way to quickly understand its impact on the environment. As a company reaches Series B, GHG emissions measurement & management is expected by most investors. |
| Environment | % of non-renewable energy consumption and production | Helps you assess the extent to which the company relies on fossil fuels and other non-renewable resources which is crucial for combating climate change. Investors are required to collect and report this information under the EU Sustainable Finance Disclosure Regulation (SFDR). Switching to renewables can also result in cost savings. |
| Environment | Tonnes of emissions to water & waste generated | Can help you identify areas where improvements can be made to minimise your environmental footprint. It also an expected reporting metric under SFDR |
| Social | Ratio of gender, age, ethnicity, no. of people with a disability (and type) employees | Diverse employees lead to fresh ideas, a broader range of perspectives and experiences, and business profitability and value creation. |
| Social | Gender pay gap (average) | It is beneficial to understand gender pay gap early on and ensure that gender equality is reflected in remuneration, the ESOP and other benefits provided by the company as this is hard to correct down the line. |
| Social | No. of health and safety incidents | Helps you prioritise safety, health and wellbeing of employees, implement safety measures and reduce risk. |
| Social | Employee turnover | Tracking employee turnover provides insights into work culture and employee satisfaction. |
| Social | % completing employee engagement survey | Gives you a better understanding of employee needs and areas for improvement and helps identify targeted actions for improvement. Demonstrates your commitment to continuous development and employee engagement. |
| Social | eNPS | Measuring employee net promoter score will help you understand employee satisfaction. |
| Governance | Gender ratio of board members | Ideally you want to cultivate a broad spectrum of demographic attributes, characteristics and ideas that reflect the values of your company & product. According to research, more diverse boards are linked to improved board effectiveness. |
| Governance | Number of or % of board meetings that ESG issues are discussed | Demonstrates the company's commitment to integrating ESG into its governance structure and promotes transparency. By discussing ESG issues at board level, you can identify and mitigate risk, as well as shape your strategy around opportunities. |

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# Example ESG Roadmap

## 0-50 employees

**Environment**
Renewable energy procurement (% of non-renewable energy consumption & production)
GHG emissions management (Total GHG Emissions inc. Scopes 1, 2 & 3)

**Social**
Employee health insurance & parental leave
Fair remuneration & fair ESOP (Gender pay gap)
DEI in recruitment processes (Ratio of male to female, age & ethnicity in employees)
Employee engagement & eNPS (Employee turnover, eNPS score & % completing employee engagement survey)
Employee training & development

**Governance**
Board diversity (Ratio of male to female, age & ethnicity in board members)
Anti-Harassment & Discrimination Policy
Code of Conduct
Whistleblowing channel
GDPR & data protection policy
Diversity & Inclusion Policy
ESG / sustainability policy

## 50-100 employees

**Environment**
Responsible procurement policy
Recycling & green office practices

**Social**
Career development plans
Employee handbook (incl. Health & Safety) (No. of health and safety incidents)

**Governance**
Dedicated ESG resource
ESG-linked compensation & executive remuneration (Number of or % of board meetings that ESG issues are discussed)
Anti-bribery & corruption policy

## 100-250 employees

**Environment**
Climate risk assessment
Climate strategy & emissions reduction / removal
Water management (Tonnes of emissions to water generated)
Waste management (Tonnes of waste generated)

**Social**
Supply chain working conditions

**Governance**
ESG strategy based on double materiality principle
Industry-specific policies

*Typical ESG activities during company growth per number of employees. (relevant KPIs in brackets)

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# Regulation that affects you

ESG metrics are becoming progressively important. Investors are increasingly looking at them as indicators to the health & resilience of your business,  they are the colour palette to your black and white financial metrics and it is recommended to incorporate them into your business practices & processes at an early stage. The KPI's presented in this document will help prepare your business for SFDR reporting requirements and get you started on your CSRD journey which is applicable to all businesses operating within the EU.

**The SFDR guides what ESG data your investors will ask of you**

The Sustainable Finance Disclosure Regulation (SFDR) is a regulatory framework implemented by the European Union (EU) to promote sustainable investment practices and enhance transparency in the financial sector. It mandates investors to disclose ESG factors and report on ESG metrics from their portfolios. For founders, knowing investor expectations on data collection is crucial to determine sustainability KPIs. By aligning your sustainability strategy with the SFDR requirements, you can attract socially responsible investors and demonstrate to them your dedication to generating positive environmental and social impacts alongside financial returns.

**The CSRD should be on the radar when preparing for an IPO or growing beyond 250 employees**

The Corporate Sustainability Reporting Directive (CSRD) is a EU regulation adopted in November 2022. It is considered one of the most comprehensive sustainability reporting regulations to date, requiring companies preparing for an initial public offering (IPO) and "large undertakings" to disclose a broad spectrum of sustainability-related information. Starting from 2025, companies that meet at least two out of three criteria, including having 250 employees, a turnover of 40 million euros, or assets worth 20 million euros, will be classified as large undertakings and will be obligated to comply with the reporting requirements. In order to comply, a business must disclose and report on its ESG risks and KPI's annually.

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# Other ways Atomico can help

Collaboration is key to a successful ESG strategy. If you have already implemented the initiatives set out in this roadmap and would like to go further or understand more, Atomico can support you in next steps or alternatively connect you to its expert network who can help you on specialised topics such as:

- Material risk & opportunity assessments specifically for CSRD & other regulations
- Long term ESG strategy
- Help with B Corp or working with other frameworks
- CO2 reduction & targets (public disclosures for Net Zero/SBT's etc)
- Sustainable supply chains & procurement
- Promoting DE&I in a high growth environment
- Culture & inclusivity in the environment
- Responsible product design
- Legal & regulatory
- Data privacy & security
- Specific industry regulation i.e AI

Please reach out to ashleigh@atomico.com if you would like to discuss further. Alternatively for more detailed guidance on ESG for startups see these excellent guides from Balderton and HV Capital

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# Glossary

| | |
|---|---|
| **PAI** | Principal Adverse Impacts (PAI), also known as Principle Adverse Sustainability Impact (PASI), is any negative effects of investment decisions or advice on sustainability factors, such as environmental, social and governance. PAIs are also associated with the KPIs in the SFDR regulation |
| **UN PRI** | UN Principles of Responsible Investing is a UN-supported network of investors that work to promote sustainable investment through incorporating ESG in the investment process and investment entity operations |
| **DE&I** | Diversity, Equity & Inclusion (DEI) are company practices that aim to ensure fair treatment and full participation for all individuals, particularly those who have historically faced underrepresentation or discrimination based on identity, disability or other characteristics |
| **GHG** | Otherwise known as green house gas emissions (all emissions that trap heat in the earth's atmosphere and contribute to global warming) |
| **Scope 1** | Emissions from sources that an organisation owns or controls directly (i.e gas for boilers, petrol / diesel for fleet vehicles) |
| **Scope 2** | Emissions that a company causes indirectly when the energy it purchases and uses is produced (i.e electricity for powering an office / data centre) |
| **Scope 3** | Emissions that are not produced or controlled by the company, but by those that it's indirectly responsible for, up and down its value chain (i.e supplier emissions, emissions produced during business travel) |
| **Double Materiality** | This is an assessment that is done to get an understanding of how the business is affected by sustainability issues (e.g., increasing regulation or other factors affecting the company, often referred to "outside in") and how the business activities impact society and the environment (e.g., emissions by the company, often referred to "inside out") |
| **TCFD** | The Task Force for Climate related Financial Disclosures (TCFD) was created to improve and increase reporting of climate-related financial information. The TCFD framework is used by a wide number of actors on the financial markets and you may be asked for ESG KPI data to enables them to report for it |
| **SBTi** | The Science Based Targets Initiative enables organizations to set science-based emissions reduction targets in line with the Paris Agreement |
| **Net zero** | Net zero means cutting greenhouse gas emissions to as close to zero as possible, with any remaining emissions re-absorbed / removed from the atmosphere |
| **B Corp** | B Corporation is a private certification of for-profit companies of their social and environmental performance and an indicator that a company considers ESG and operates sustainably |