



# ESG considerations in VC fund managers' and Business Angels' investment decisions

**Dr. Helmut Kraemer-Eis**

Head of Research & Market Analysis

Chief Economist, European Investment Fund (EIF)

**Dr. Antonia Botsari**

Research & Market Analysis, EIF

# European Investment Fund, EIF: background information



## OBJECTIVE

To support **smart, sustainable** and **inclusive** growth for the benefit of European SMEs.

## HOW

By offering a wide range of **targeted products to support SMEs and mid-caps**, ranging from venture capital to guarantees and microfinance.

## WHERE

Working with financial intermediaries across the **EU-28 and EFTA countries, candidate and potential candidate** countries.

## Shareholders

- 58.7% European Investment Bank (EIB)
- 29.7% European Union\*
- 11.6% 32 public and private financial institutions

## Strong capital base

of EUR 4.5bn

## AAA-rated

by the three major rating agencies

## Over 20 years

of market experience in SME financing

# EIF: activity



## Resources and mandators

- European Investment Bank
- EIF own resources
- European Commission
- Member States/regions
- Managing authorities
- Public institutions
- Other third parties



## Intermediaries and counterparts

- Fund managers
- Commercial banks
- Development and promotional banks
- Guarantee institutions
- Leasing companies
- Corporates
- Business angels
- Microfinance institutions

## micro-enterprises, SMEs and small mid-caps

## Overall commitments\*

- EUR 10.1bn (2018)
- EUR 9.3bn (2017)
- EUR 9.45bn (2016)
- EUR 7 bn (2015)
- EUR 3.3bn (2014)

## Leveraged volumes\*

- EUR 43.7bn (2018)
- EUR 35.4bn (2017)
- EUR 42.7bn (2016)
- EUR 26.9bn (2015)
- EUR 13.9bn (2014)

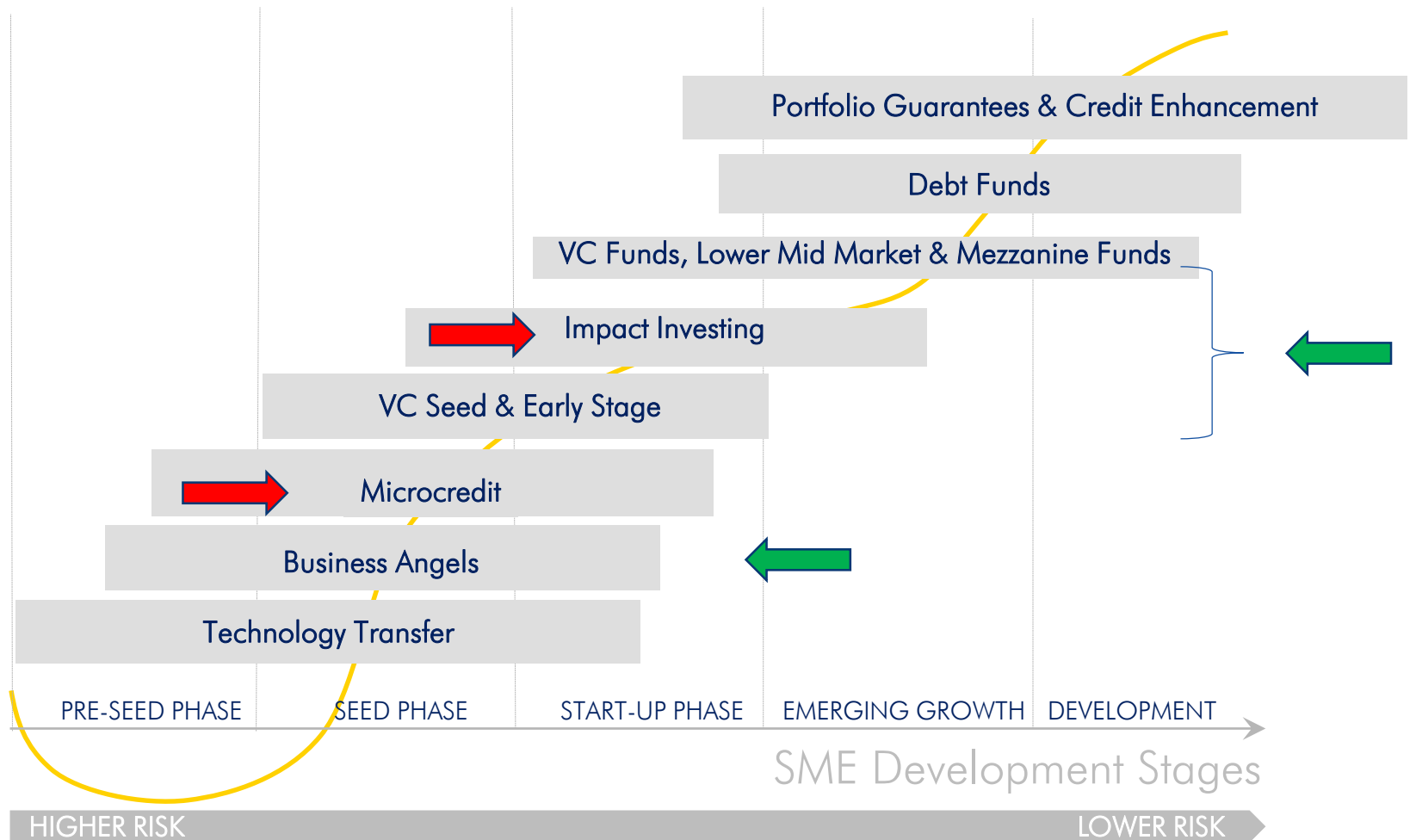
## SMEs supported

- over 1.5 million since 1994
- 280,000 in 2018
- **2.8m jobs supported in 2018**

## Partners

- 600 private equity funds
- 400 banks, guarantee and promotional institutions

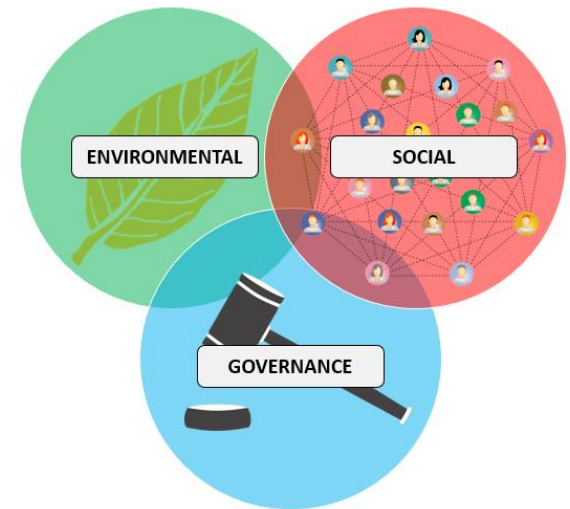
# EIF: Support for different development stages via intermediated business model!



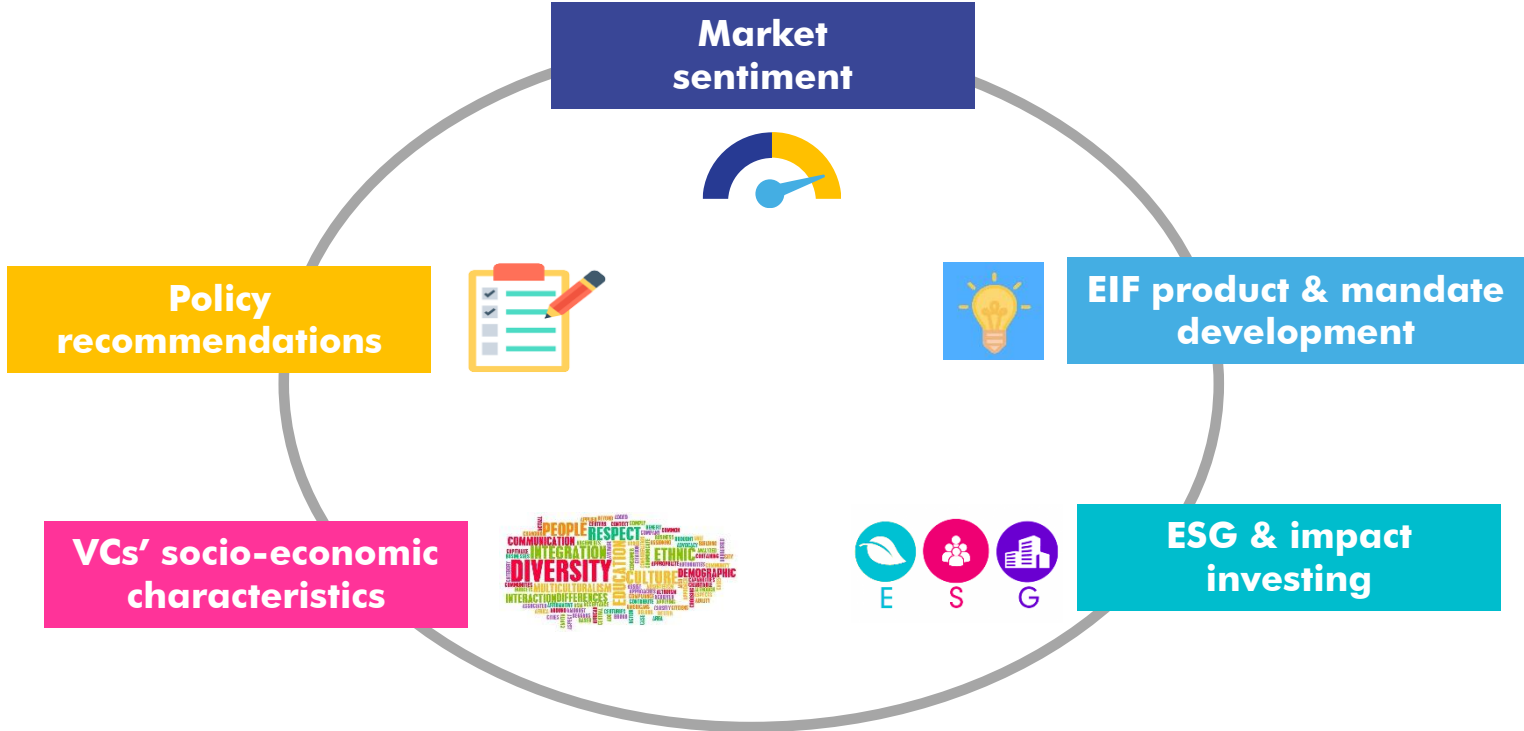
# Why?



- Aspects of impact, ESG, sustainability, SDG, etc. are gaining importance, not only in niche areas.
- “Impact goes mainstream” – in all areas of SME financing.
- Impact is key for us, but we need to know more about our intermediaries’ perception and behavior.
  - ✓ EIF VC Survey (2018 & 2019)
  - ✓ EIF Business Angel Survey (2019)
  - ✓ 2020 in preparation



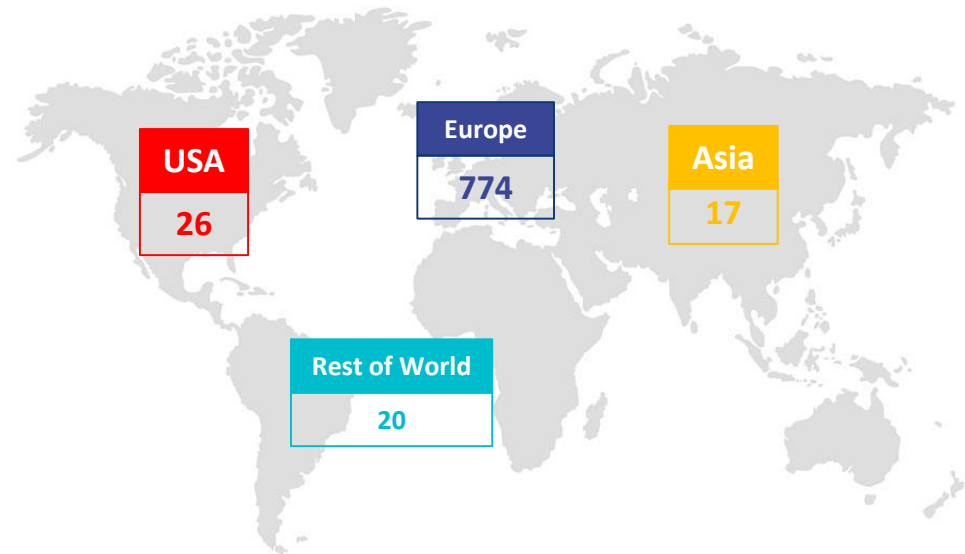
# EIF VC Survey 2019: Focus areas



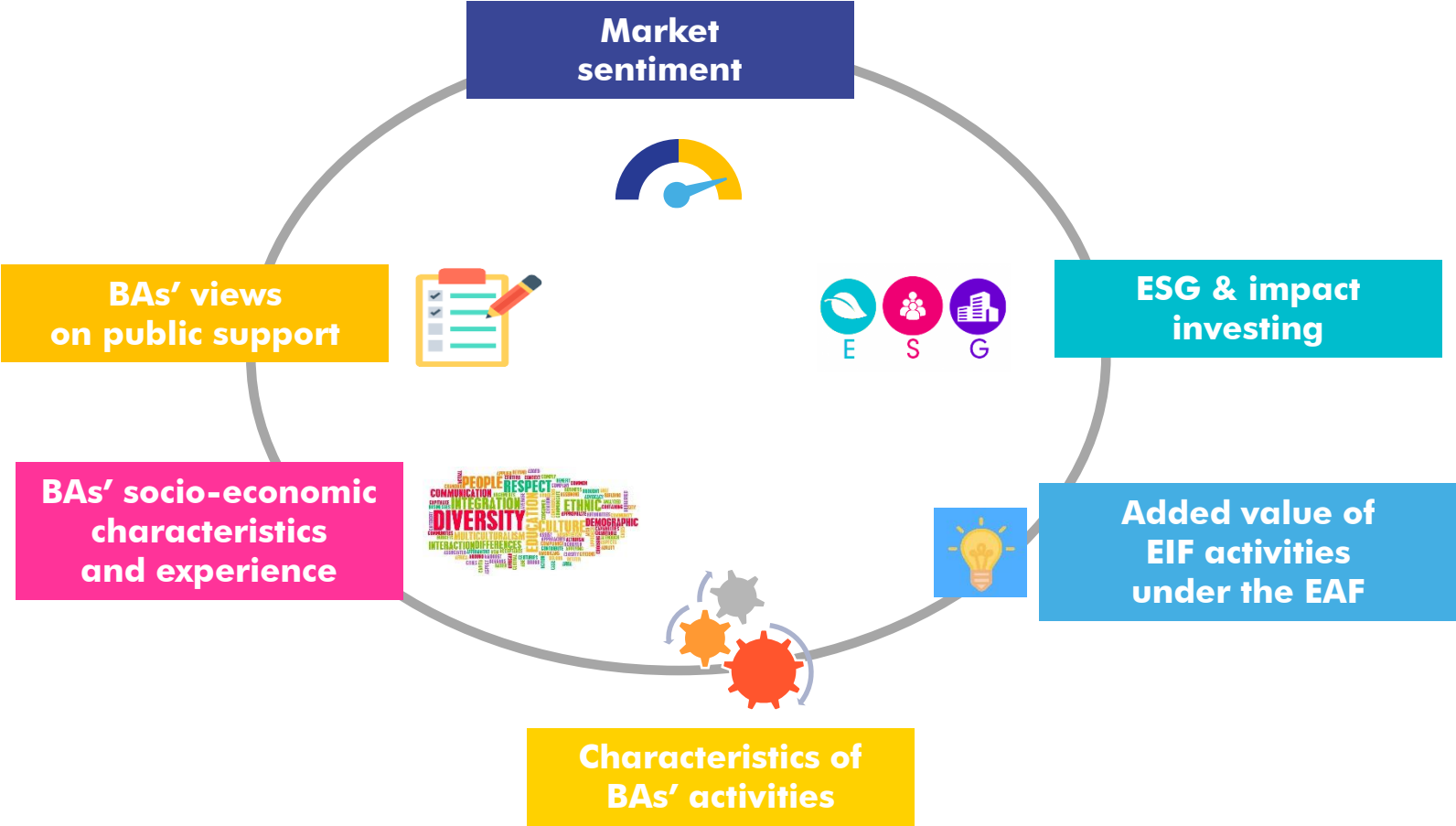
# EIF Survey 2019: Sample overview



- Largest survey on venture capital
- High response rate and coverage of European GP population
- Responses mainly from senior people within the VC firms
- Anonymised approach



# EIF Business Angels Survey 2019: Focus areas

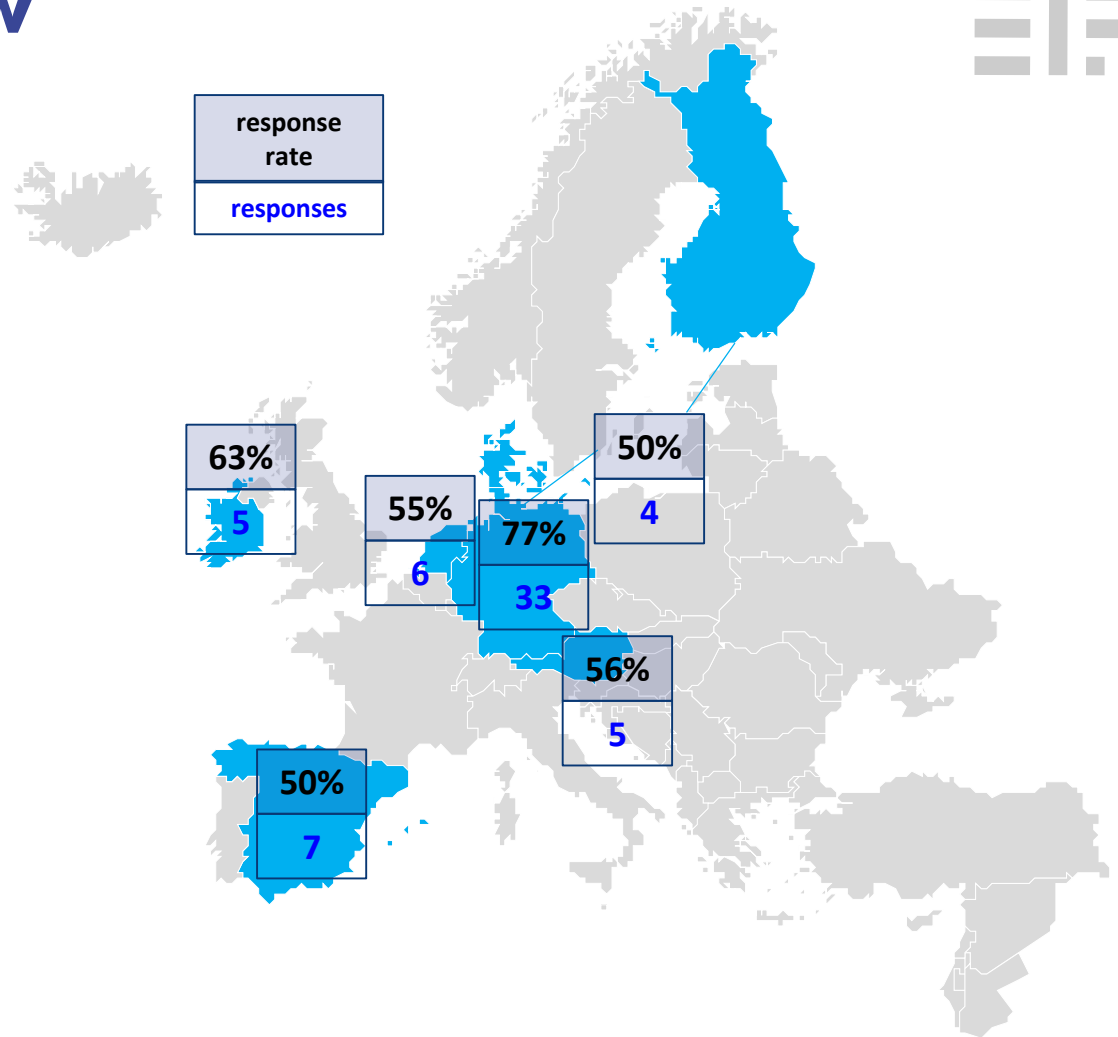




# EIF Business Angels Survey 2019: Sample overview



- BAs supported through the European Angels Fund (EAF)
- High response rate of 65% and coverage of EAF population
- Anonymised approach



# Respondents' profile



## VCs

## BAAs

Age

on average  
**48** years

1 in 2 between  
**45-54** years



**%** holding a  
postgraduate  
degree

**85%**

**87%**



Main field of  
education

**56%**  
business/  
economics

**37%**  
STEM

**48%**  
business/  
economics

**37%**  
STEM

Avg. years of  
experience

**11**

**12**

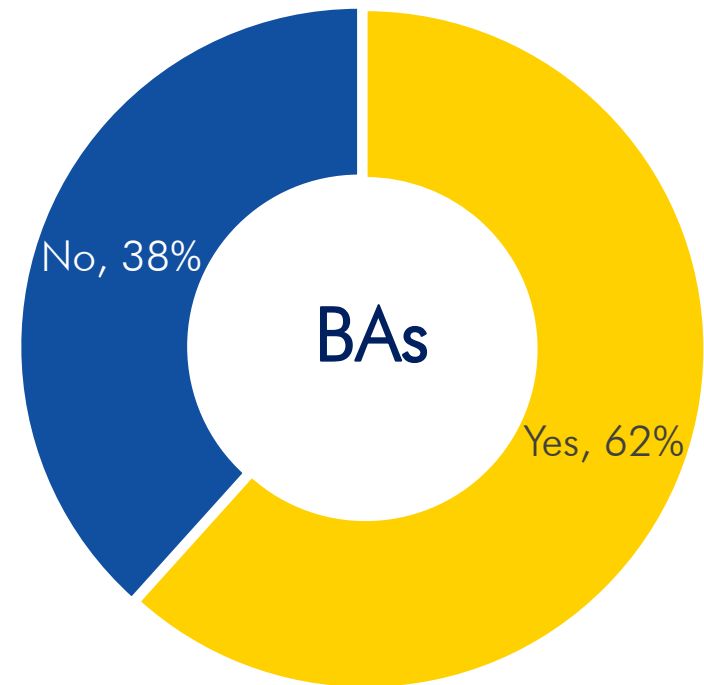
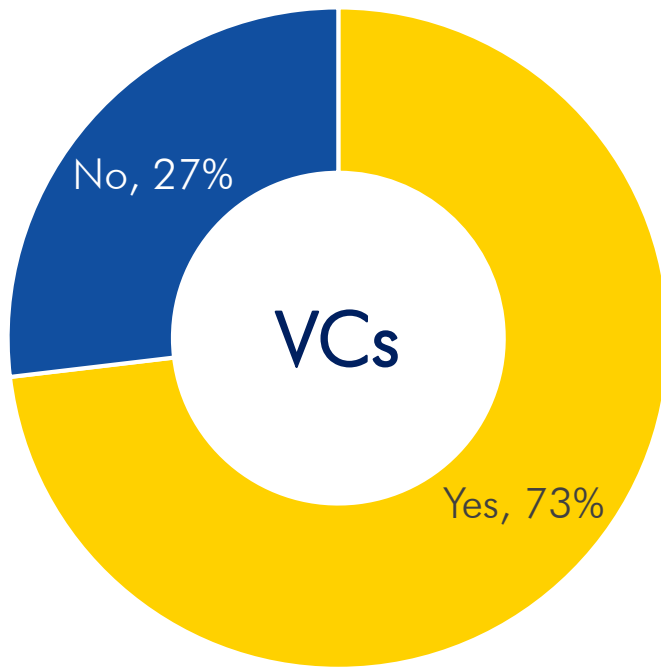


**%** of former  
entrepreneurs

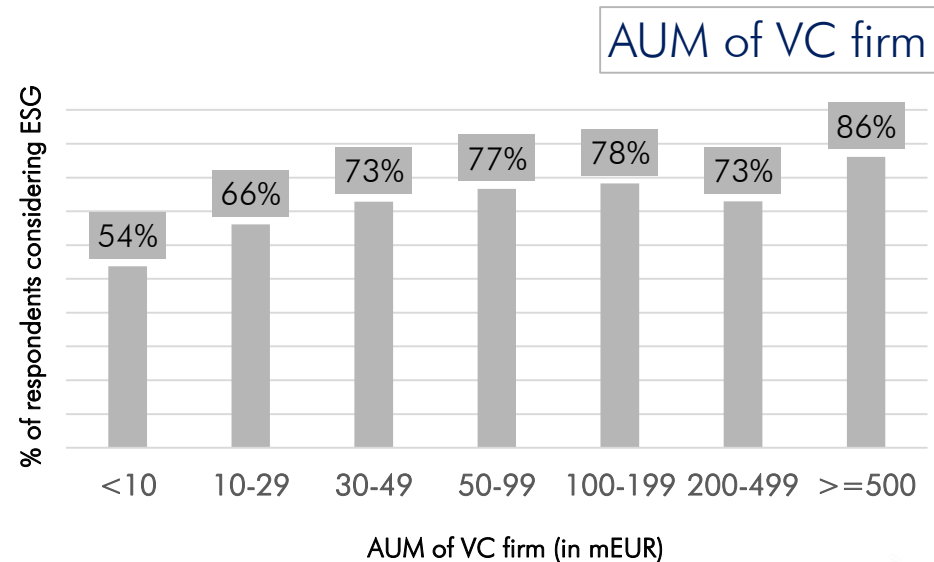
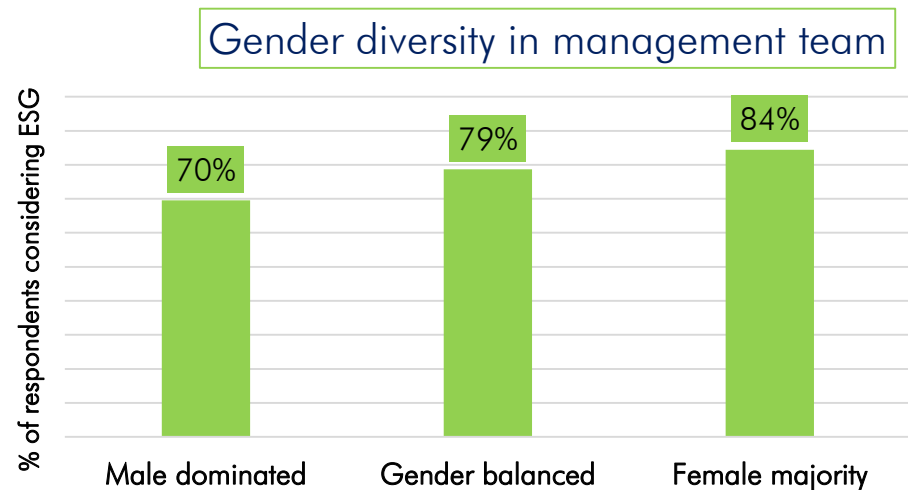
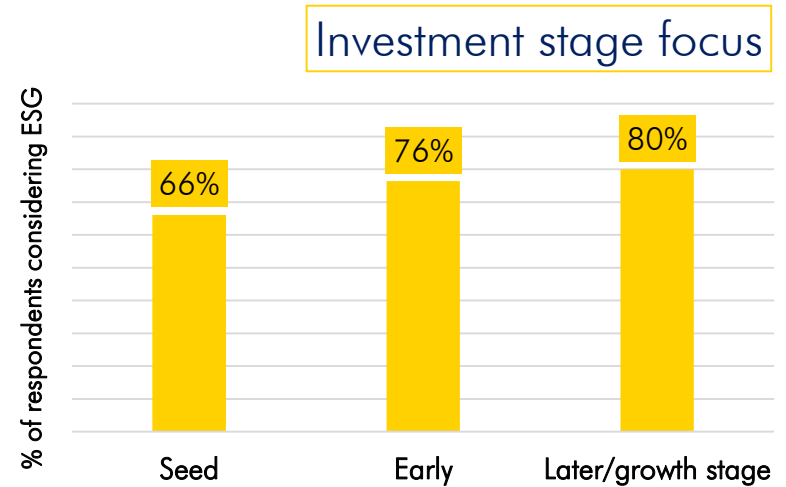
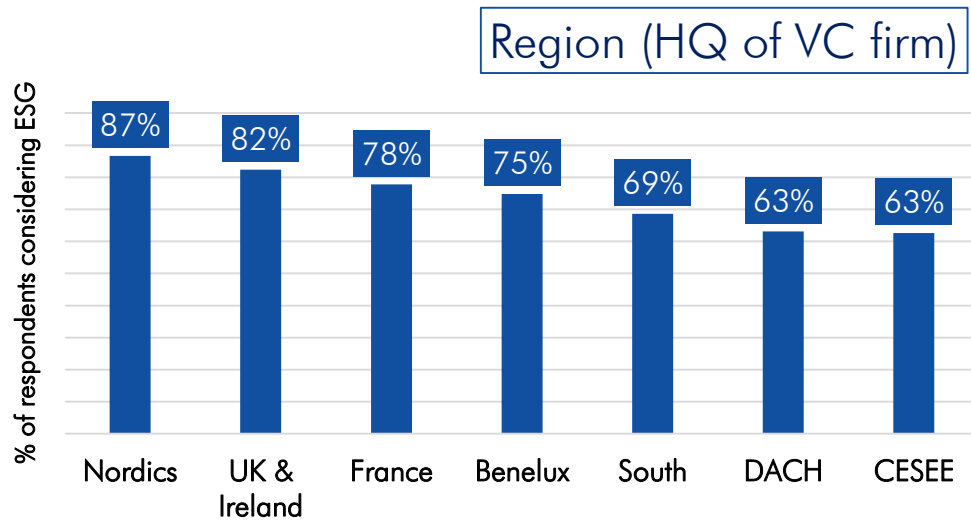
**65%**

**87%**

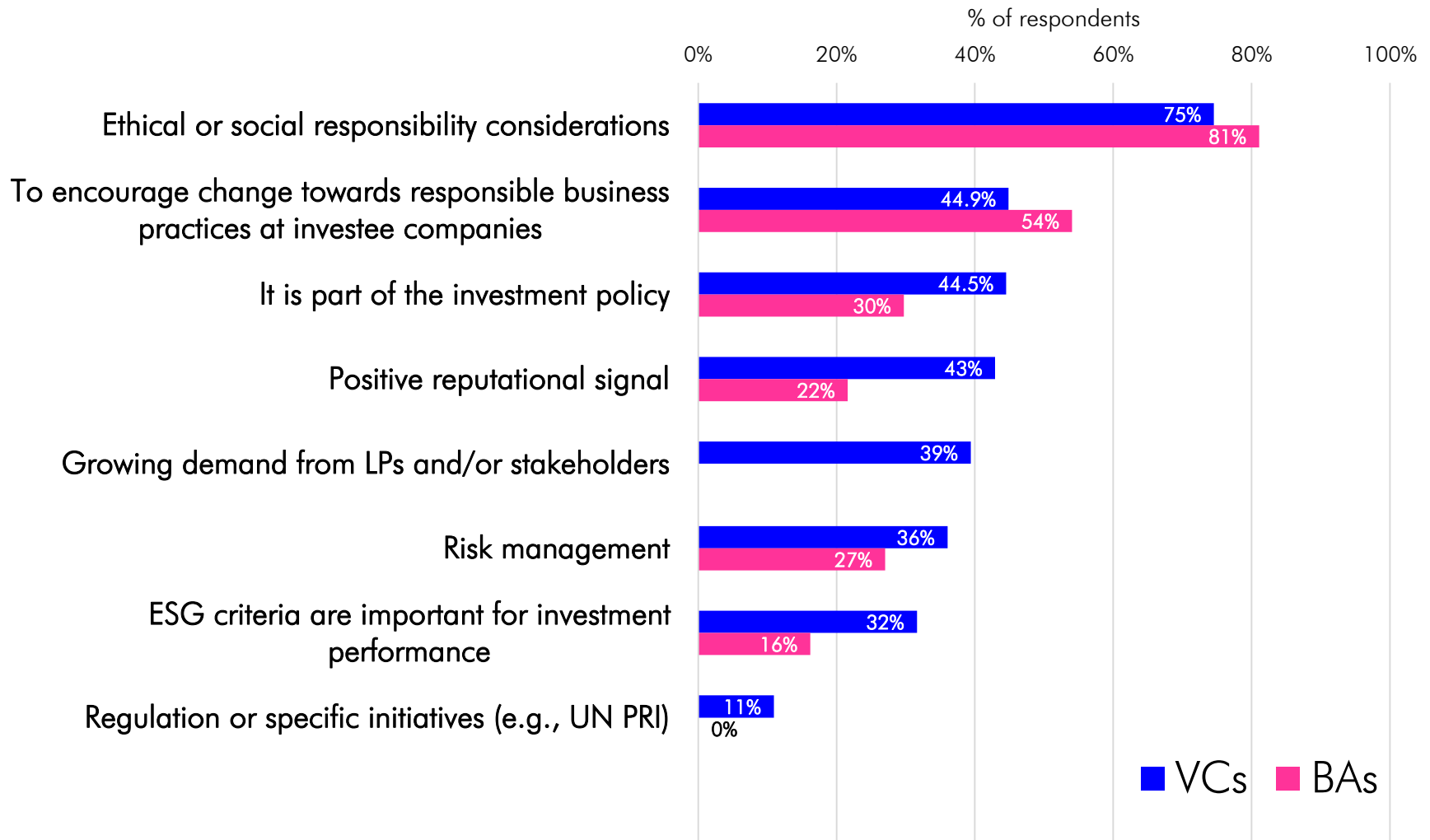
# Are ESG considerations part of the investment decision process?



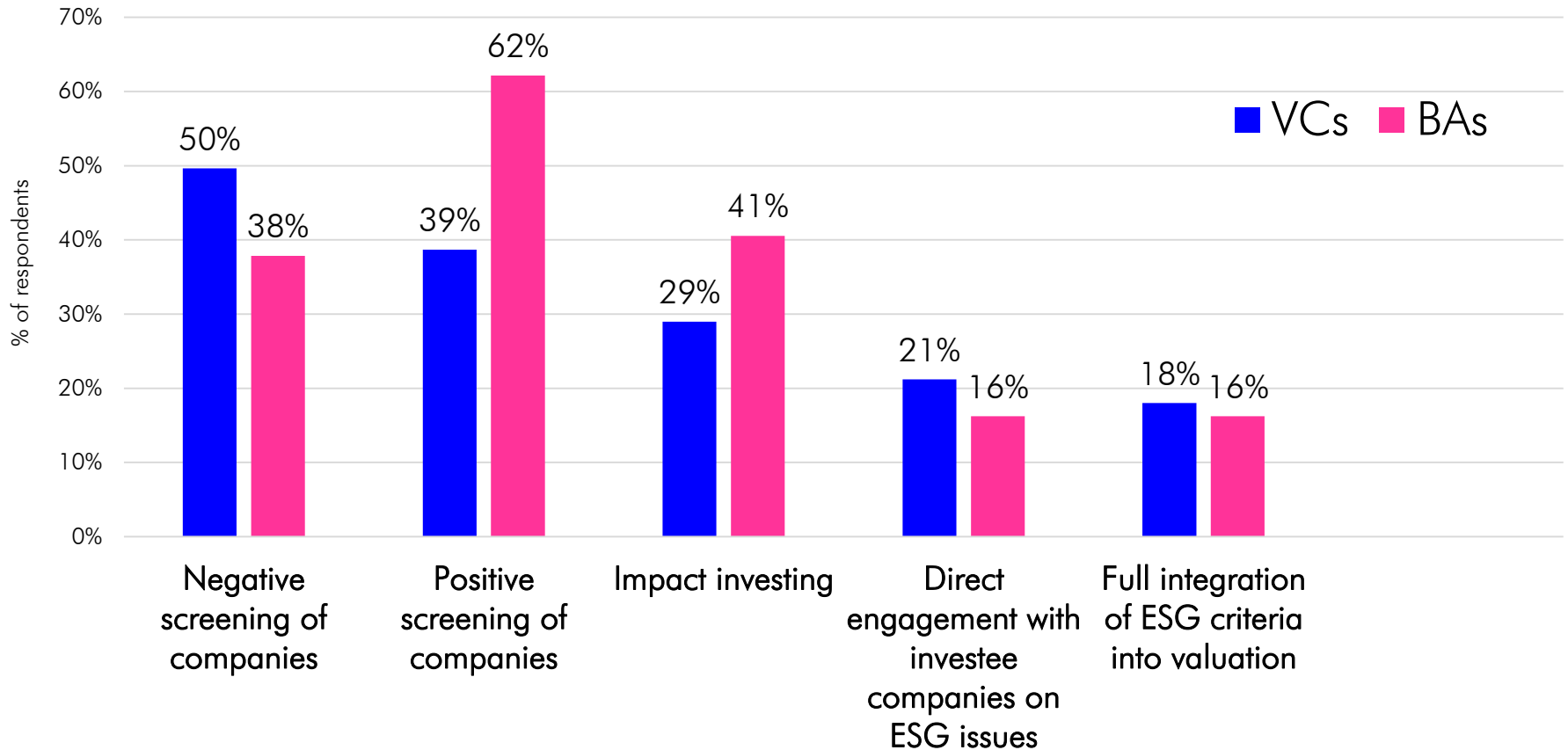
# ESG considerations in VC investments by ...



# What motivates ESG considerations?



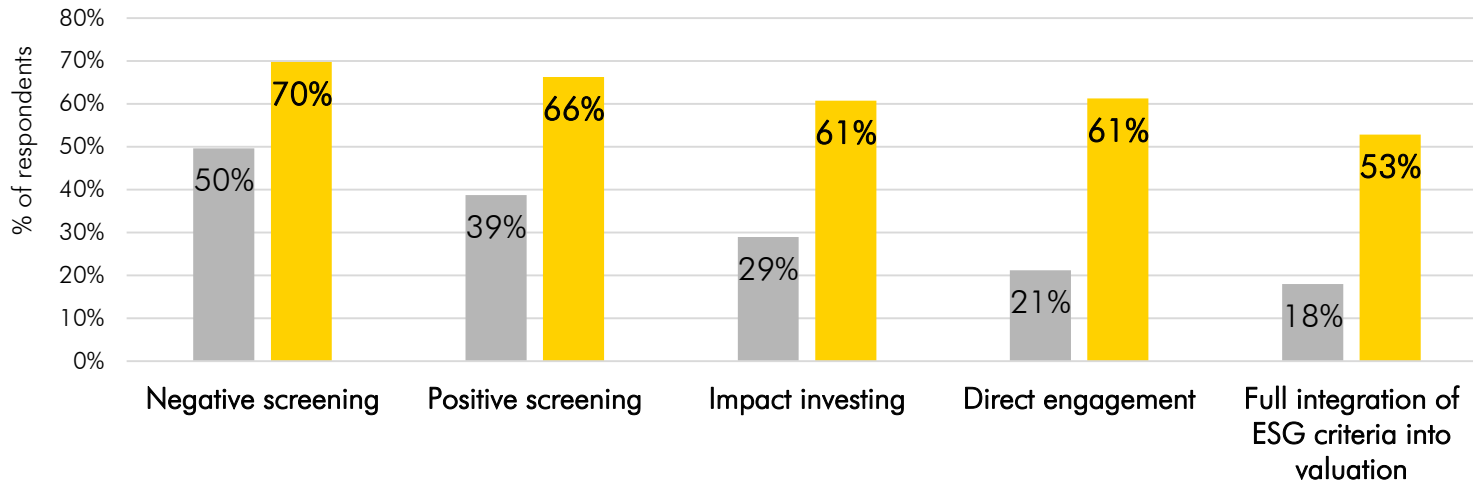
# How are ESG criteria incorporated into the investment process?



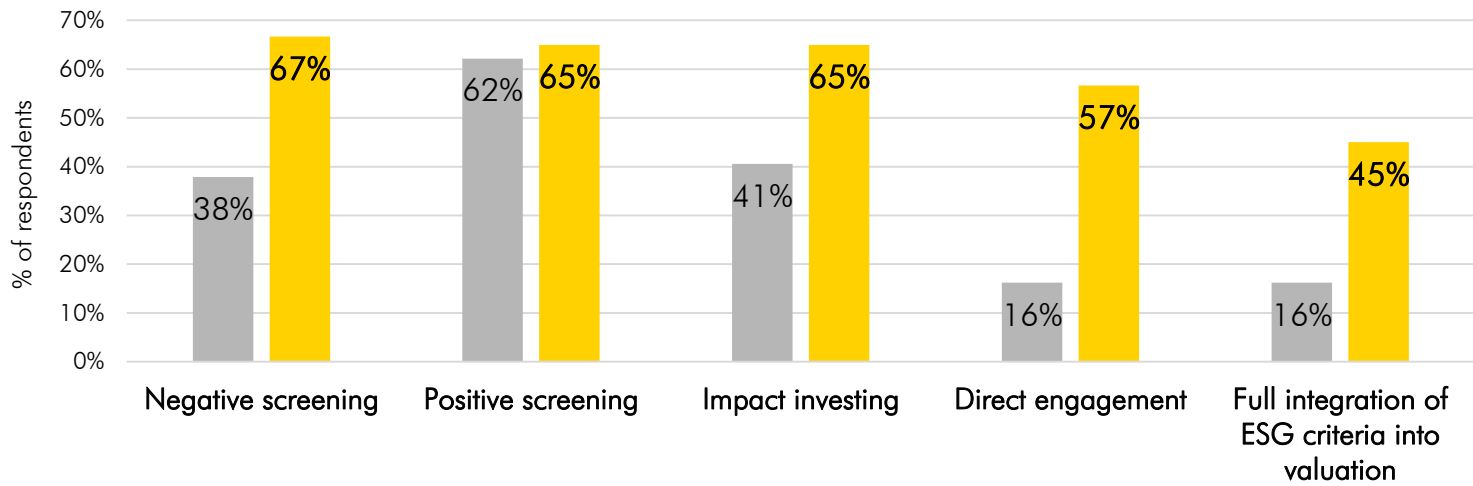
# Importance of various ESG strategies in the next 5 years



VCs

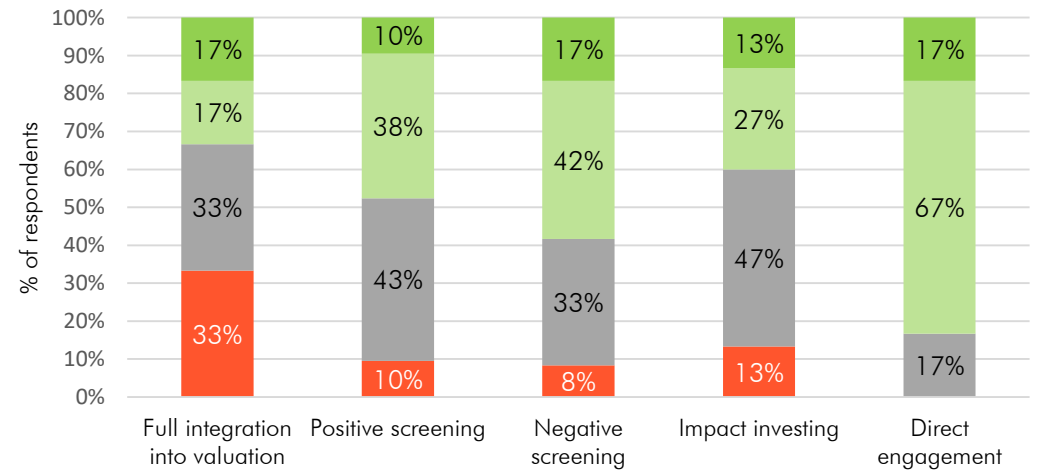
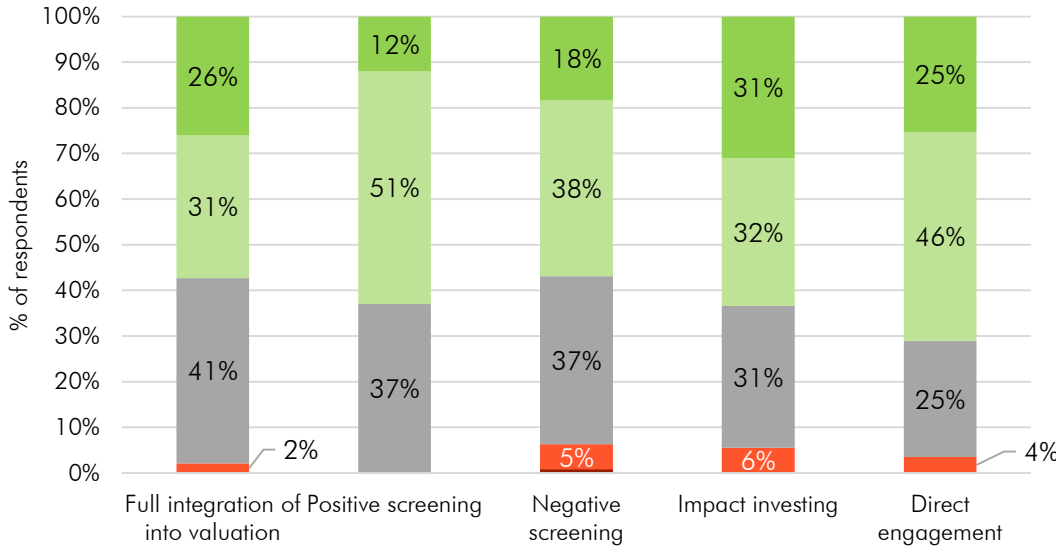


BAs



■ Currently engaging in ...    ■ Somewhat/very important in the next 5 years

# Is there a trade-off between ESG considerations and financial returns?



## VCs

- Significantly positive effect on performance
- Slightly positive effect on performance
- Neutral / Undecided
- Slightly negative effect on performance
- Significantly negative effect on performance

## BAs

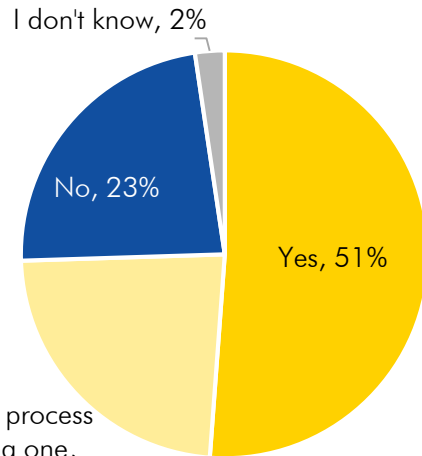
- Significantly positive effect on performance
- Slightly positive effect on performance
- Neutral / Undecided
- Slightly negative effect on performance
- Significantly negative effect on performance



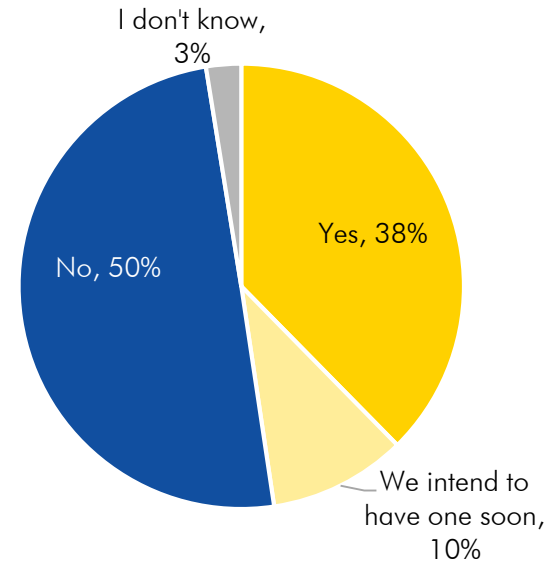
# A formalised approach to ESG incorporation still has way to go\*...



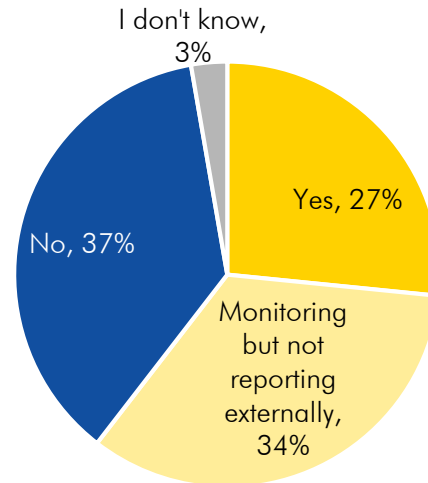
## ESG policy in place



## ESG expert in team



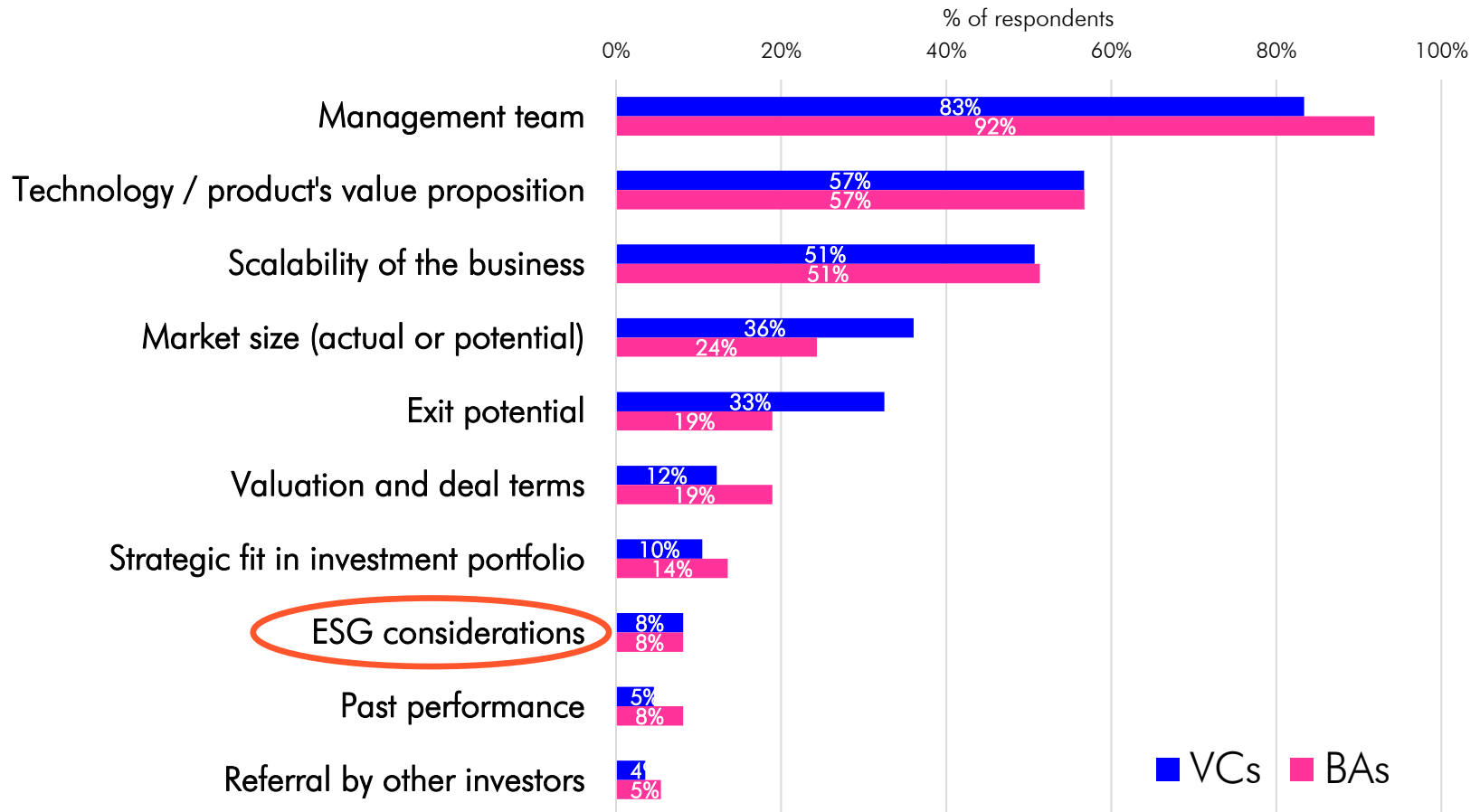
We are in the process of developing one, 23%



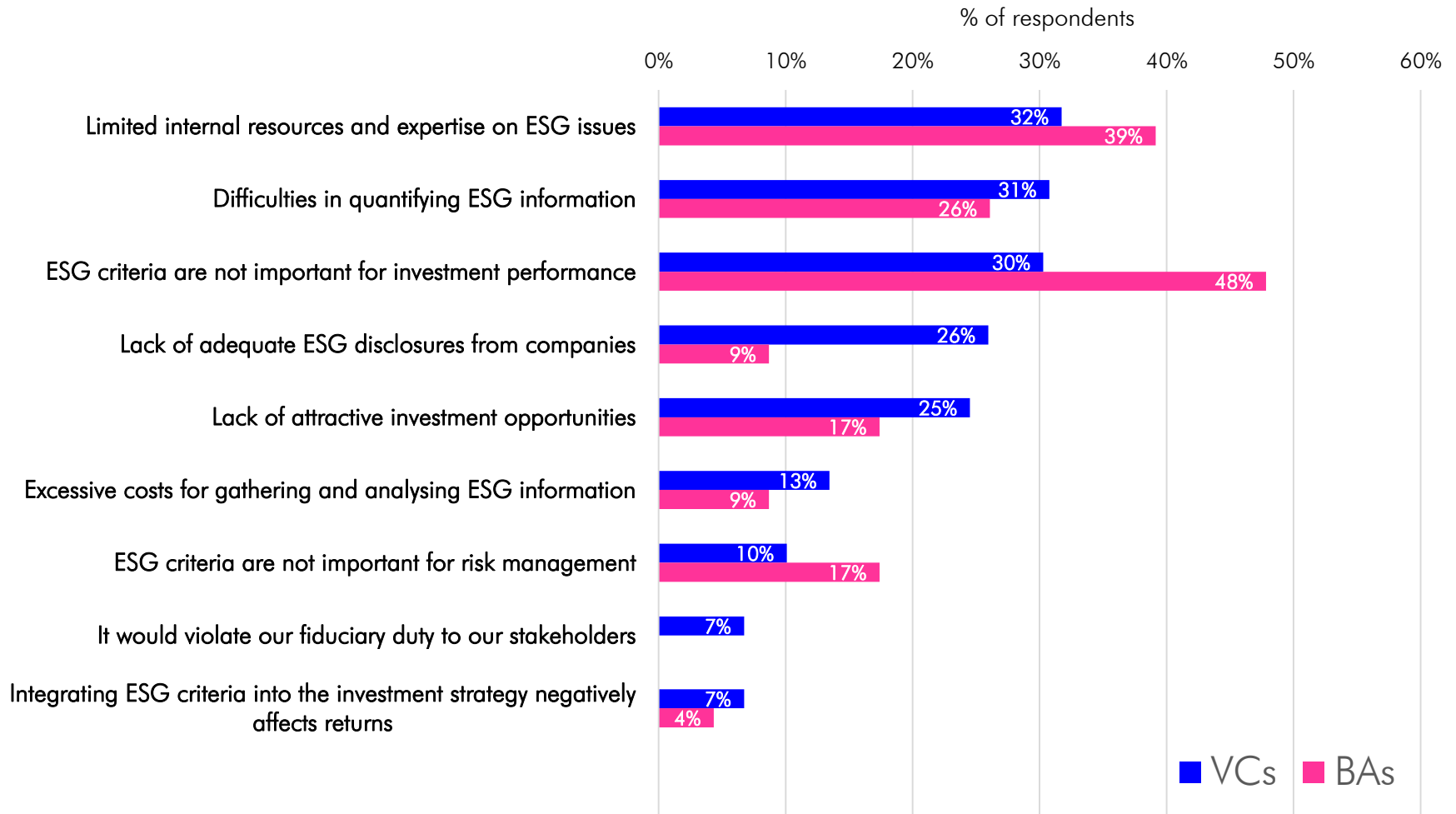
## Monitoring & reporting ESG performance

\* analysis applying to VCs only

# ESG still ranks low among investment selection criteria



# Reasons for not considering ESG



# Concluding remarks



- ESG considerations are here to stay
- Important mis-conceptions about ESG have been surpassed
- But more needs to be done in terms of ....
  - 'Educating' investors on how to identify material ESG-related risks and opportunities
  - Coming to a consensus on a methodology about how to measure ESG performance
  - Facilitating the development of ESG-related KPIs



**Thank you**  
**... for your attention!**

For more information please visit:

[http://www.eif.org/news\\_centre/research/index.htm](http://www.eif.org/news_centre/research/index.htm)