

ESG in the Era of AI & VC Downturn

Introduction

Founded by immigrant entrepreneurs turned venture capitalists, BGV represents a unique blend of innovation and expertise at the forefront of Silicon Valley venture capital. Our foundation is built on a deep understanding of enterprise technology, reflecting not just our professional capabilities but also our commitment to fostering technological advancement and innovation. This expertise is a critical component of our identity, enabling us to identify and nurture groundbreaking ideas in the tech sector. Our pride in the diversity of gender, ethnicity, and age within the BGV team, extending to our portfolio companies and their boards, is a reflection of our inclusive approach and global perspective. While we are proud of our current achievements, our ambition extends further, aiming to realize a comprehensive range of ESG objectives. These objectives are integral to our operations, investment decisions, and the growth of the BGV portfolio. We measure our progress in ESG against the rigorous standards set by Stepstone, a global private markets leader, focusing on five key dimensions:

1. **Policy Commitment:** Upholding ESG thought leadership.
2. **Accountability:** Annual ESG-focused training and performance reviews.
3. **Investment Process:** Incorporating ESG factors in due diligence and aligning with non-financial ESG goals.
4. **Reporting:** Disclosing ESG KPIs across our portfolio.
5. **Strategy:** Adopting a sector strategy conducive to positive E, S, and G impacts.

Reflections on 2023

2023 was a challenging time for ESG in the VC industry. The sharp reduction in venture capital funding forced startups and VCs to raise questions about challenges in maintaining a balance between profitability and mitigating the unintended consequences of rapid AI innovation. The ouster of Sam Altman from Open AI and his subsequent return underscored the polarization of opinions on this topic. The October 7th terrorist attacks further complicated the landscape, as a global surge in

anti-Semitism put DEI initiatives under fire across corporate America, highlighting deficiencies in integrating and protecting Jewish communities. The fallout unmasked a deeper socio-political agenda, particularly on university campuses, that often placed identity above excellence, and has led to a broader reckoning with DEI principles. The market decline of 2023 also spurred a reexamination of investment strategies, steering us towards a more discerning approach to ESG initiatives, with a focus on robust, enduring practices and long-term sustainability. The introduction of advanced LLMs like ChatGPT raised new concerns around Accuracy, AI governance, data privacy, copyright, and AI security, prompting us to integrate these considerations into our ESG frameworks comprehensively.

Progress and Achievements

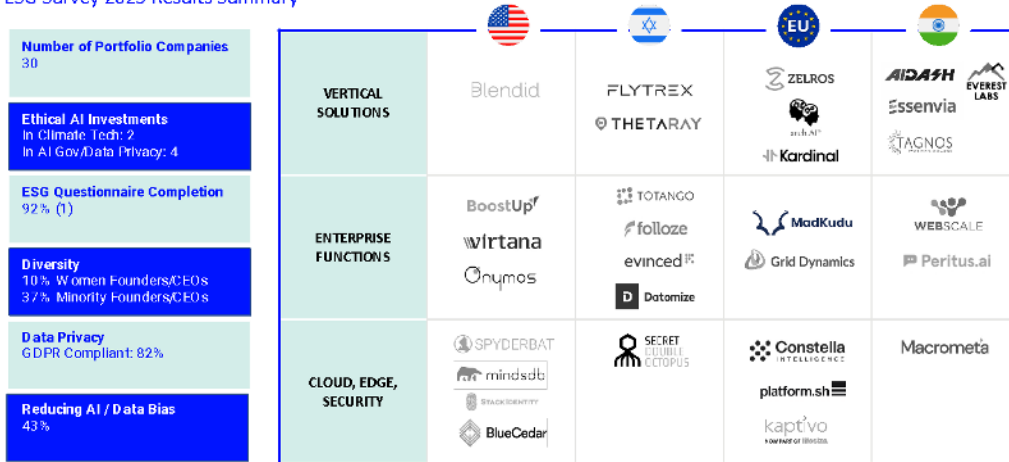
Our commitment to ESG, deeply rooted in our founding DNA, is both natural and organic. BGV has consistently steered clear of the toxic ideologies prevalent in university campuses, always placing excellence above identity. In the wake of the October 7th attacks, we took a decisive stand against all forms of hatred, aligning our internal policies with the IHRA definition of anti-Semitism, and formally integrating *all* minorities into our ESG frameworks, rejecting any form of intersectional hierarchies. We've seamlessly woven ESG factors into every facet of our operations, from initial screening and due diligence to the monitoring of ESG KPIs across our portfolio. This past year we continued to improve on gender diversity at the firm level (with women comprising 30% of our investment team and 50% of the full team) and the expansion of our Ethical AI Practitioner community (EAIGG) from 250 to a staggering 3,100 members. Our leadership in responsible AI was further cemented through our inaugural Securing AI Summit and our active participation in the RFK Compass event. At the portfolio level, we've witnessed a remarkable uptick in ESG KPI engagement (92% participation, up from 72%) and continued excellence in Data Privacy, AI Governance, Staff Well-being, and Health & Safety. Our annual ESG playbook sessions have become a cornerstone for disseminating best practices. We're particularly proud of the five ESG case studies in our portfolio, including AI Dash's recognition by Forbes, Platform.sh and Zelros achieving B Corp status, Everest Labs' Edison award, and German Bionics' industry-leading exoskeletons.

Identifying Areas for Improvement

Despite our progress, there are areas where we need to improve. The first gap is in enhancing gender diversity on portfolio management teams and boards. Additionally, we have faced challenges in establishing a robust focus on environmental impact KPIs within our portfolio companies. Moving forward, we are committed to investing additional effort in shaping executive-level hiring decisions and advocating for the adoption of Greenly, a proven carbon accounting and sustainable procurement solution, across our portfolio companies.

Selected ESG Data

ESG Survey 2023 Results Summary



Source: BGV Portfolio Survey Questionnaire 2023
(1) : % of Surveys Distributed

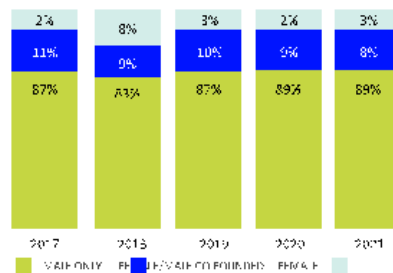
FOUNDERS GENDER DIVERSITY

The BGV portfolio outperforms benchmarks in founder gender diversity, with 10% of our portfolio's founders/CEOs being women.

While our portfolio's gender diversity statistics exceed the trends in the VC industry indicated by Crunchbase, there is still significant room for improvement.

BGV remains committed to this goal by diversifying our sourcing channels, improving awareness about potential biases, and promoting gender diversity within BGV itself.

% OF GLOBAL VENTURE DOLLAR VOLUME TOWARD FEMALE-FOUNDED STARTUPS
Startups without founders listed in Crunchbase are excluded. Private equity is also excluded.



Source: Crunchbase News

1. [https://www.forbes.com/sites/alexchabot/news/2021/02/24/tech-year-status-the-lack-of-diversity-in-venture-capital-is-worse-than-in-industry/?sh=77233495143d](https://www.forbes.com/sites/alexchabot/news/2021/02/24/tech-year-status-the-lack-of-diversity-in-venture-capital-is-worse-than-in-industry/)
Source: BGV Portfolio Survey Questionnaire 2023

AI Governance and Data Privacy OKR Results

Given AI-first nature of most of our portfolio companies, BGV places a special emphasis on practices of AI Governance and Data Privacy

Training employees

31%

have employee training around ethics in relation to data, data-driven technologies, and/or AI

38%

have ethical guidelines, principles and codes specifically related to AI and data-driven technologies

Ethics

70%

have processes for checking whether the solution(s) is used for its intended purpose

79%

are consider for their ability to detect, track and follow a malfunctioning solution in a timely manner, to address any ethical and societal problem is caused

Protecting customer data

53%

are SOC 2 compliant

24%

plans to be SOC 2 compliant in the next 12 months

82%

are GDPR compliant

81%

have protection against data misuse and abuse

Reducing bias

45%

take specific measures to reduce possible unintended biases in algorithms

50%

discuss about how AI is used is easily available for those affected and/or using it

Source: BGV Portfolio Survey Questionnaire Q1 2023

Looking Forward to 2024

As we look towards the future, our commitment at BGV is to cultivate a workforce and work environment that are as diverse as they are inclusive. However, it is crucial to emphasize that our approach to diversity, equity, and inclusion (DEI) is firmly grounded in the principle of excellence. In light of the challenges and perceptions surrounding DEI, particularly following the October 7th attacks, we remain steadfast in our belief that merit and excellence should be the primary drivers of success.

Our stance is clear: we do not endorse or engage in toxic ideologies or identity politics. Instead, our focus is on championing excellence in global innovation. We are dedicated to scouring the globe, transcending all boundaries, to discover and nurture top talent. This approach ensures that our investments and support are always directed towards those who demonstrate the highest potential and capability, regardless of their background.

In maintaining this focus, we aim to continue leading by example in the VC industry. Our goal is to not only stay in the top quartile for DEI measurements but to redefine and truly exemplify what these measurements signify. To that end, by 2025, we aspire to achieve “exemplar” GP status, aligning with the Stepstone GP roadmap, but with a nuanced understanding of what true diversity and inclusion mean in practice.

As responsible investors, we will persist in educating our portfolio founders about the importance of ESG, emphasizing that it goes hand in hand with excellence. We will showcase industry best practices that align with our values, including ethical AI governance and sustainable environmental practices. Our commitment extends to introducing innovative solutions for measuring and reducing carbon footprints, always with an eye towards excellence and sustainability.

Through our OKRs, we will continue to measure fund-level performance against non-financial ESG objectives and KPIs across the portfolio in 2024. Our leadership in ESG thought for AI-first companies will be furthered through our active participation in EAIGG and other industry forums. We will also deepen our collaboration with NetZero, focusing our investment efforts on climate tech and AI enablement startups that demonstrate exceptional potential.

As we move forward, our ESG portfolio opt-in program in 2024 will support founders who share our commitment to excellence in implementing ESG best practices. We are excited to learn from these endeavors and to expand upon them in the coming years, always with the guiding principle that excellence, in all its forms, is the key to true innovation and progress.

