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## Responsible Investment Report 2021/22

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STRICTLY PRIVATE & CONFIDENTIAL



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# TempoCap's commitment to ESG

“TempoCap is committed to investing in strong, sustainable businesses that have a positive impact on their stakeholders and on the wider society in which they operate. For all of us at TempoCap, that means evaluating ESG risks throughout the investment process, from initial screening all the way to exit, and continuously moving forward with ESG improvements.”


**Olav Ostin**  
Managing Partner

*Signatory of:*



Member  
Firm





# Why acting responsibly is important to us at TempoCap

At TempoCap, we believe that investing in companies with good environmental, social and governance (ESG) practices means investing in stronger, more sustainable companies.

As technology investors, our investments often help to create high quality jobs in sectors with a low environmental impact. These businesses can have a positive impact across all key stakeholders – employees, customers, and partners - as well as shareholders.

Nevertheless, as long-term investors, it is in our nature to consider long-term risks, including those relating to ESG issues. We therefore see careful consideration of ESG risks as part of our fiduciary duty.

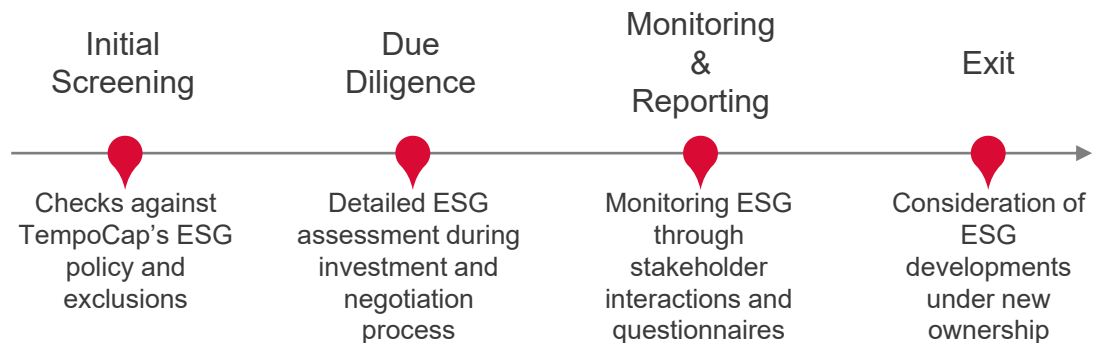
In a 2020 Edelman survey of institutional investors, 92% of respondents said companies with strong ESG performance deserve a premium valuation to their share price. 88% also agreed that companies that prioritise ESG initiatives represent better opportunities for long-term returns than companies that do not. The [2021 edition](#) of the same survey revealed that 88% of investors now state that they subject ESG to the same scrutiny as operational and financial considerations.

Meanwhile, in 2021 [PwC reported](#) value creation as a top three driver of ESG activity for 66% of investors. This is, of course, important for TempoCap too, but we also want to demonstrate that we are making a positive contribution to society's challenges through our investments. We therefore see our commitment to ESG as a moral obligation as well as having its own business rationale.



# Our approach to ESG

We consider ESG topics at each stage of investment: at initial screening, during diligence and negotiation, once our funds are invested, and at the point of exit.



These elements are embedded into TempoCap's investment processes, but ESG risks involve a complex and wide-ranging set of topics. In each area there is always more to learn as to best practice and understanding a company's wider impact.

Many ESG risks are hard to quantify, may include elements of subjectivity and often require deeper context for a proper assessment. For example, how best should a scale-up business balance diversity, independence and other factors at a Board of Directors? What is an equitable amount of ownership to be set aside for employees in a company share options scheme? What is an acceptable employee turnover rate at a fast-growing company? What are the most appropriate policies for a company to employ in order to reduce its carbon emissions? More generally, we try to think about who might be negatively impacted if a company becomes very large.

The second half of this report summarises our assessments for each portfolio company across a range of approximately 50 different factors within Environmental, Social and Governance topics through our questionnaire and our follow-up engagements with management teams.

Credit for the comprehensive structure and design of our annual questionnaire is due to one of TempoCap LPs, SWEN Capital Partners, a recognised ESG leader in private equity investing, and we are truly grateful for their support. However, we know that ESG is not a box-ticking exercise or a numbers game, and so a questionnaire serves as the starting point for conversations and deeper engagements with our companies on ESG topics.

We also know that, for the young, fast-growing companies we invest in, constantly juggling with constrained resources as they expand, time spent on these issues can sometimes be seen as a distraction from their ambitious growth plans. TempoCap therefore has an important role to play as a forcing function for ESG, but we also aim to balance our focus on areas of materiality in our sector.

That means a pragmatic operational approach. Our focus, as technology investors, has typically been on areas such as diversity and inclusion, employee engagement, good governance, customer privacy and data security. However, we now place more emphasis on environmental risks too.

This report presents our confidential ESG assessment of each portfolio company using data collected in 2022 covering the period from 1<sup>st</sup> January to 31<sup>st</sup> December 2021. While our publicly available report has had the individual company assessments removed, these indicate that given their level of maturity, TempoCap's portfolio companies broadly tend to score well in both our questionnaire and follow up engagements with regard to *social topics* measured, are establishing themselves with regard to certain *governance topics*, but still have more to do when it comes to *environmental topics*.

This is manifested in our young and fast-growing technology businesses by their typically positive working environments for staff, by improving governance structures as they mature, and often by less consideration to environmental factors or policies, or the evaluation of carbon footprints. This is perhaps unsurprising, given these are rarely carbon intensive businesses, with most companies writing software code. However, just as we at TempoCap have been offsetting our carbon emissions over the last two years, we will be expecting more from our companies in the form of environmental leadership as we look to 2023 and beyond.

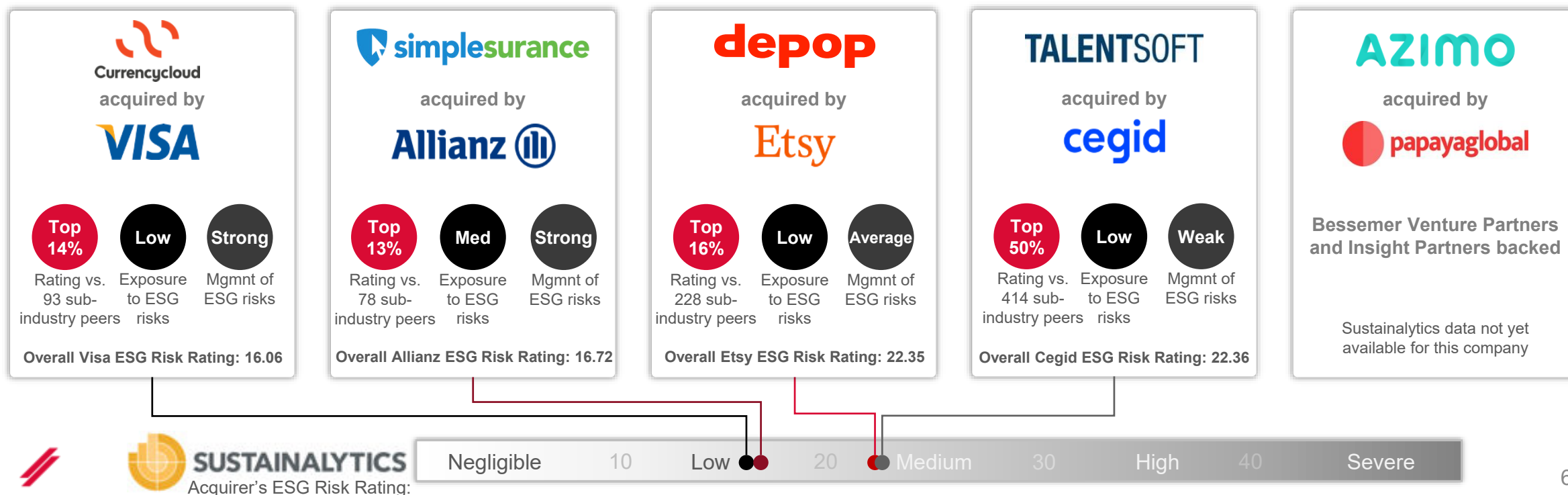


# ESG efforts support strong exits

TempoCap funds enjoyed three major liquidity events in 2021, with the sale of CurrencyCloud, Depop and Talentsoft. All three portfolio companies had performed strongly in TempoCap's annual ESG benchmarking in recent years. We find that solid ESG performance is often a hallmark of a well-run company, supporting strong exit valuations.

At each exit, TempoCap also assessed acquirers' ESG credentials. Here we show independent ESG risk ratings from Sustainalytics, a leading ESG ratings firm for large/listed companies. These ratings measure the magnitude of each acquirer's unmanaged ESG risks, incorporating assessments of (1) exposure to material ESG risks and (2) management of that exposure. All three acquirers in 2021 had low exposure to ESG risks, and in the case of Visa, had demonstrated strong management of such risks.

So far in 2022, TempoCap has sold two more portfolio companies. First, Azimo was sold to Papaya Global, a SaaS platform automating global payroll and HR processes, enabling companies to diversify their workforce and seamlessly support remote working structures – widening access to employment opportunities worldwide. The company was also the first female-led unicorn in Israel. While Papaya Global, as a private company, is not currently rated by Sustainalytics, we feel comfortable the business has moved to a good home that will continue to develop Azimo's ESG credentials. Second, Simplesurance's was sold to insurer Allianz, which is ranked in the top 15% of all companies covered by Sustainalytics. Again, we expect this combination to result in a strong, positive partnership from an ESG perspective.





# TempoCap's sustainable growth strategy resonates in today's uncertain climate

Geopolitical and economic uncertainty, such as the continued impact of the coronavirus pandemic, the outbreak of war in Ukraine, central bank tightening of financial conditions and political upheaval in the UK, have all contributed to a complex investing environment.

TempoCap and our portfolio companies have been navigating this ever-evolving territory with due care, and we are proud to see the resilience, stability and powerful resolve demonstrated by these companies. CybelAngel has even offered free cybersecurity services to NGOs active in the war.

Two core elements of TempoCap's strategy include investing in high-growth businesses which have enough cash to be able to reach breakeven without being forced to raise additional funding, and being disciplined on entry valuations for our investments. That approach, maintained over the last 18 months while some technology valuations were perhaps unsustainably high, has put the portfolio on firmer ground amidst recent market challenges, with many investors retrenching and therefore making it very hard for other companies' to raise new growth funding.

The effects of these events and strategies are still playing out of course, but we are pleased to see our own companies continuing to progress, whilst embracing each new challenge as it comes. We will continue to promote sustainable growth within our portfolio, protecting not only the companies' balance sheets but the employees whose livelihoods depend on it.



## Looking ahead to 2023

We are continuously reminded that ESG matters are key to how our companies do business, and the individual components of ESG are frequently interwoven. Being more proactive on environmental issues, for example, can provide social benefits too, with every company operating within a wider society.

In 2023, we aim to engage further with our portfolio companies on ESG matters, while also making a positive contribution at TempoCap. Next year will mark our fourth year of offsetting TempoCap's carbon omissions, but not all portfolio companies yet do the same. We will seek to influence others in our ecosystem to follow suit.

Following several TempoCap events in 2021 and 2022 enabling young people from a wealth of backgrounds to increase their access to the investing community, thereby supporting diversity and inclusion, in 2023 we will also seek to promote further female success in our industry, both for founders and investors, by continuing to seek out women-led businesses and by speaking up about the incredible female talent that is already part of TempoCap's ecosystem, whether in our team or at our portfolio companies.

Finally, we will remain vigilant on governance challenges that young companies may face more than others. Our drive to increase women and independents on portfolio company Boards has had some success so far, but next year we will seek to do more on this too.



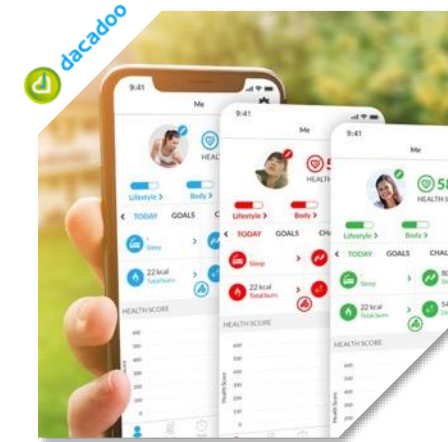
# TempoCap pioneers



Depop (exited in 2021) is a marketplace for resale fashion items, disrupting a fashion industry responsible for up to 10% of humanity's carbon emissions.

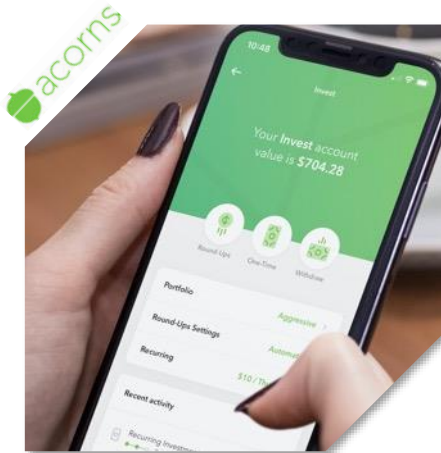


Azimo (exited in 2022) is a digital money remittance platform, critical for migrant communities to transfer money across borders more cheaply and efficiently.



Dacadoo is a comprehensive health engagement platform, building a data set that can inform policy-making and global health responses.

Acorns offers a fully-automated, app-based micro-investing robo-advisory solution, widening access to financial services.



XEMPUS drives financial inclusion making pensions easier by digitally connecting all the parties involved on a shared platform for the first time.



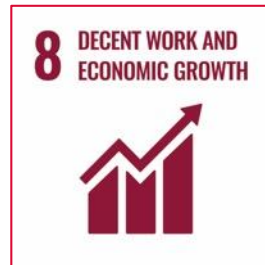
Onfido helps companies verify individuals' identities, and has championed building AI to recognise faces from often-overlooked ethnic minorities.





# 100% of our portfolio companies contribute to UN Sustainable Development Goals

The 2030 Agenda for Sustainable Development, adopted by all United Nations Member States in 2015, provides a shared blueprint for peace and prosperity for people and the planet, now and into the future. At its heart are the 17 Sustainable Development Goals (SDGs), a call for action by all countries. These goals recognise that ending poverty and other deprivations must go hand-in-hand with strategies that improve health and education, reduce inequality, and spur economic growth – all while tackling climate change and working to preserve our oceans and forests. Our portfolio companies contribute to the following 12 UN SDGs:





# Moving diversity forward

IDC's 2022 report on European women in VC showed that in 2021, all-women founded startups raised just 1.8% of investment in Europe, while 9.3% went to mixed gender founding teams and all-men founding teams raised 89%.

In TempoCap's portfolio, 44% of companies had mixed-gender leadership teams in 2021. Although perhaps not a perfect comparison as we do not track founding teams, but executive teams instead, this indicates a better balance than the industry figures noted above. However, more than half of portfolio companies did not have mixed gender leadership in 2021, indicating there is still a great deal to be done to move towards gender equality.

Meanwhile, IDC's survey showed that just 17% of European VC investment committees were female in 2021. The equivalent figure at TempoCap is 25%, somewhat better – but again some way from equal across genders. Females in senior roles in European venture capital are even less well represented.

Other measures of diversity are also unflattering to the industry. A 2020-21 survey conducted by the BVCA in partnership with Level 20 revealed that 80% of people working in PE and VC are white, with over 60% of firms with less than £500m AUM having all-white teams.

TempoCap is certainly conscious of the lack of diversity in venture capital and has taken some active steps to mitigate this, including:

- Proactively seeking female candidates for every stage of the hiring process
- Tracking and reporting on our diversity figures annually
- Hosting, promoting and participating in relevant events such as International Women's Day & university days to widen access to our industry
- Including all permanent team members in TempoCap's carried interest pool

45%

female representation  
at TempoCap in 2021

27%

ethnic minority  
representation at  
TempoCap in 2021

4

nationalities  
represented at  
TempoCap

4x

the industry average of  
investment in women-  
led companies

25%

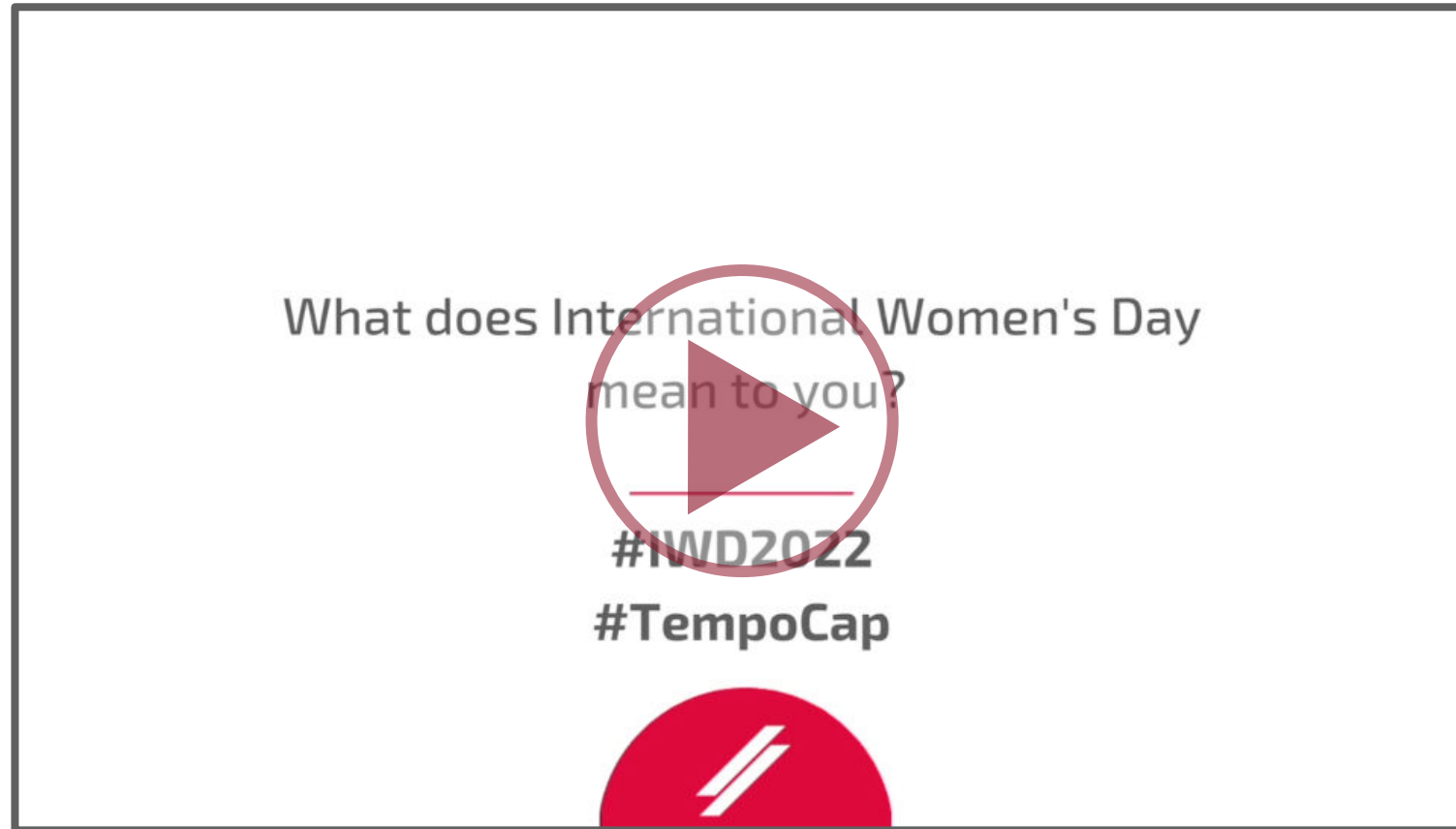
female representation  
in the investment team  
in 2021



A word cloud generated by TempoCap's International Women's Day interviews with our team and portfolio companies



# TempoCap's International Women's Day 2022 Film: #BreakTheBias





# TempoCap is committed to being a responsible operator

## Environmental

Measurement, reduction and offsetting of TempoCap's CO<sub>2</sub> emissions via Leaders For Climate Action

99% paperless offices with motion-activated lighting, double glazing, recycling facilities and reduction of non-recyclable waste

Team-wide drive to use more sustainable travel & transportation methods

Vegetarian Mondays & low-plastic office lunches

## Social

45% women and 27% ethnic minority representation within TempoCap

Diverse candidate pool requirements embedded into our hiring processes

Long-term incentive programmes for all permanent FTEs

All staff attend ESG training

At home PPE provided to all team members during Covid-19

Inclusive team social events

Support for local charities and good causes

## Governance

All team members attend the Investment Committee and have a duty to speak up

Clear investment processes, and conflict of interest management and resolution

Dedicated ESG working group

Venture capital association membership to give back to the ecosystem





# TempoCap's commitment to sustainable and ecological development

**LEADERS  
FOR  
CLIMATE  
ACTION.**

TempoCap has joined Leaders for Climate Action (LFCA), an entrepreneurial community that drives climate action. We have committed to use our influence and network to contribute to the fight against climate change.

**>3,000**

Members

**>600,000**

Member employees

**6,147**

Actions taken

**42**

Countries

**44t  
CO<sub>2</sub>**

Annual carbon  
emissions offset by  
TempoCap to achieve  
Climate Neutrality

## Active measures to reduce carbon emissions



Basic Climate Neutrality



Complete Climate Neutrality



Green digital products & services



Sustainable Office



Conscious Energy Consumption



Sustainable physical products



Minimal everyday commute



Responsible Business Travel



Sustainable Management



Employee engagement



Consumer engagement



Impactful investing



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We take  
**Climate  
Action**



# TempoCap's ESG working group represents a commitment at all levels

“ Our ESG working group brings together team members across the firm to handle ESG issues identified in the investment process and in our wider monitoring. This broadens our ESG knowledge and ensures ESG experience is being continuously integrated into TempoCap's culture. ”

Adam Shepherd, Investment Partner & ESG Officer



**Olav Ostin**  
Managing Partner



**Annabelle de Saint  
Quentin**  
CFO & Compliance Officer



**Adam Shepherd**  
Investment Partner &  
ESG Officer



**Philipp Meindl**  
Investment Partner &  
Climate Officer



**Zara Ryan**  
Analyst





# TempoCap's ESG journey

TempoCap demerges from Draper Esprit

2016

ESG processes embedded into TempoCap's investment processes

Increasing team diversity and inclusion through proactive recruitment strategies

2020

2018

Initial investment in sustainable resale fashion marketplace Depop

Green-office move

ESG policy established (Q4)

100% participation in ESG efforts across all portfolio companies for first time

Full carbon offset at TempoCap

Monitoring portfolio company alignment to the UN Sustainable Development Goals

ESG working group established

First annual ESG report

TempoCap becomes a signatory to PRI

Commitment to sustainability clauses in investment documentation

Increasing interactions with ESG working groups

Continued progress on diversity & inclusion

ESG assessment at exits

Highest performing ESG company achieves TempoCap's largest exit to date

2021

First use of sustainability clause in investment documentation

Third annual ESG report

Widening industry access via multiple university events

Drive for independents & women on portfolio company boards

ESG Policy refresh (Q4)

2022

CO<sub>2</sub> measurement drive at portfolio companies

First PRI reporting

Continue progress on diversity & inclusion

KPI tracking for portfolio company board balance

Increased frequency of ESG reviews

TempoCap Growth Opportunities II fund to seek upgrade to Article 8 status under SFDR

2023+



# TempoCap's portfolio companies in 2021 (1/2)

**94%**

ESG questionnaire response  
rate across TempoCap's actively  
managed portfolio

**100%**

of portfolio companies contribute  
to at least one of the UN's SDGs

**2,643**

people employed by our  
portfolio companies in 2021

**479**

net new employees in 2021  
across the portfolio

**92%**

of employees across the  
portfolio are in permanent roles

**>€390M**

revenue generated by our  
portfolio companies in 2021



## TempoCap's portfolio companies in 2021 (2/2)

65%

of portfolio companies had at least one independent Board member

100%

of portfolio companies have a defined security policy for their information system

100%

of portfolio companies have privacy and data procedures

88%

of portfolio companies offer employees a share of profits or equity

24%

of portfolio companies had a formal environmental policy

59%

of portfolio companies had at least one female Board member



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**WE INVEST IN GROWTH**