

Scale Capital  
*ESG & Impact*  
Report 2023

# Investing *Responsibly* for a Better Tomorrow

We are pleased to present the first annual Scale Capital's *Impact & ESG Report*.

While Scale Capital is not classified as an Impact Fund, we advocate for *investing responsibly*. Our commitment goes beyond financial returns, and we are committed to ensuring transparency. Through our strategic investments and the mentorship we provide to our portfolio companies, we actively work to prevent any activities that could adversely affect people and the environment.

In our investment process, we use a comprehensive framework that reflects our commitment to environmental, social, and governance (ESG) issues. We apply stringent norm-based and activity-based screenings to ensure that our

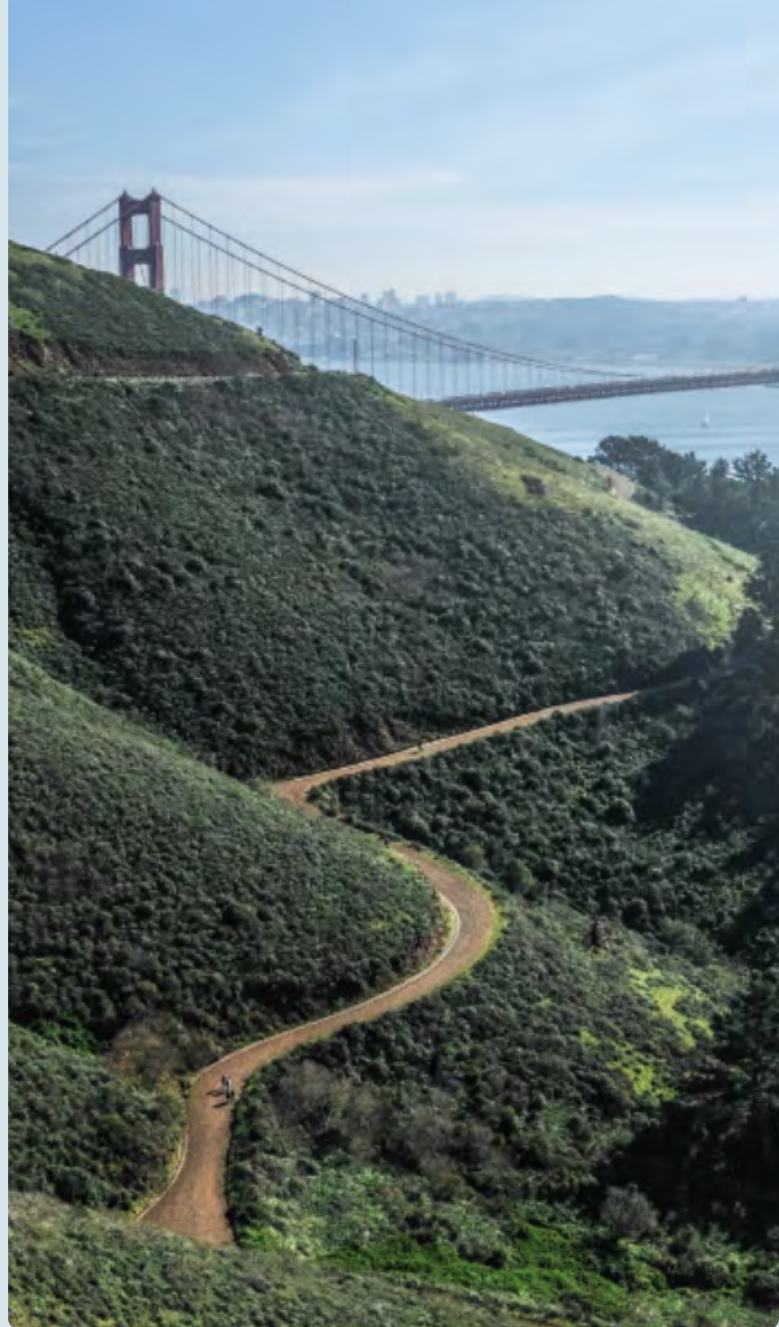
potential investments align with international norms, as well as our own standards of good governance and responsible conduct. We categorically exclude investments in sectors that do not align with our *ethos*, such as weapons, fossil fuels, and gambling.

At the heart of our pre-investment strategy, we implement thematic investing that focuses on specific Sustainable Development Goals (SDGs) – and sourcing companies that lead in sustainability within the tech and our thematic focus areas.

Post-investment, we engage in active ownership, integrating ESG considerations into our ongoing investment analysis and decision-making processes.

By integrating the ESG principles into our *investment strategy*, we aim to make a small contribution to building a better world, while also creating value for our companies, investors, and society at large.

This report serves as a baseline measurement for our company portfolio, and will be updated and published on a yearly basis.



Lars Jensen  
*Partner*



Kenneth Grunow  
*Partner*

The data in this report has been collected from Scale Capital portfolio companies in period from May 2022 till May 2023.

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# About Scale Capital

Scale Capital is an early-stage venture fund investing in digitization and disruptive technologies within B2B.

The primary investment focus is technology companies in the Nordic region and Germany that have the potential and ambition to scale and win in the US market.



Scale Capital is headquartered in Copenhagen with a presence in Stockholm, Berlin and San Francisco.

For over a decade, Scale Capital has been supporting technology companies throughout their journey from early startup to maturity and exit.

Scale Capital has 14 active portfolio companies.

NUMBER OF ACTIVE PORTFOLIO COMPANIES  
HEADQUARTERED BY REGION



NUMBER OF ACTIVE PORTFOLIO COMPANIES  
BY INVESTMENT THEME



*We are investors and company builders focused on scaling businesses and empowering change.*



## *Impact at Scale*

At Scale Capital we are committed to improve the performance of our portfolio companies, both in terms of financials and impact on the world. In fact our core belief is that the two are intrinsically linked. When evaluating a new investment target we not only look for innovation and novelty of technology, financial performance and market opportunity, but also impact on people and the environment.



## *ESG at Scale*

To identify the environmental, social and governance (ESG) factors that are relevant to our portfolio, we have implemented a *responsible investing framework*. This framework is designed to integrate key ESG considerations into our investment strategy and active ownership.

## *Climate & ESG Ambassador*

Meet our Climate and ESG Ambassador, Lars Barkler.

Lars's role is helping Scale Capital assess deep tech and climate related investment opportunities. With his background as the founder of battery-tech company Lithium Balance, he draws from a wealth of experience and technical knowledge that helps us differentiate the solutions that have a true impact.



We are not an impact  
fund, but we invest  
solely in technologies  
that *create a better  
tomorrow.*

# How do we Ensure *Responsible Investing?*

The core of our *investment strategy* is built on best practices of incorporating ESG factors into investment considerations and active ownership.

Our framework consists of two parts. In the first part we focus on how Scale Capital can utilize ESG factors *pre-investment* to mitigate risks. The second part centers around how we can add value in the companies *post-investment* and engage with them on ESG related issues and opportunities.

## Pre-Investment *Norm-Based Screening*

At Scale Capital we invest in companies adhering to our minimum standards of good governance. Before investing, we conduct a screening of potential investments, following internationally recognized norms, including the standards set forth by the UN Global



Compact principles. The *UN Global Compact's 10 principles guide* provides a standard of human rights, workers rights, environmental protection and business conduct that we expect from all our portfolio companies.

# Pre-Investment

## *Activity-Based Screening*

Scale Capital excludes any investments in companies deriving more than 5% of their revenue from the following industries:



Controversial  
Weapons



Firearms



Thermal Coal



Fossil Fuel  
Extraction



Palm Oil



Gambling



Tobacco



Illicit Drugs

As typical venture investment rarely directly derives revenue from any of these industries, we take a step further and ban any indirect revenue above the 5% mark from these industries.

# Post-Investment

## *Active Ownership*

We acknowledge that every company is different, therefore we review each company on an individual basis. While some standards will be uniform across all our portfolio companies, we also utilize an approach that maximizes impact for the given company and sector.

In our work, we incorporate ESG factors into all investment decisions and active ownership. We are introducing ESG at our companies' board meetings and likewise engaging our founders on ESG materiality.

### Pre-investment

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#### Norms-based screening

Screening of investments according to their compliance with international standards and norms such as UN GC OECD RBC, and ILO

#### Exclusion

Excluding specific investments and classes of investments such as weapons, fossil fuels, nuclear power, palm oil, gambling, tobacco, drugs and pornography

#### Thematic investing

Investment in themes or assets supporting the long-term, sustainable development. Focus is on SDG number 4, 5, 7, 8, 9, and 11.

#### Best-in-class

Leading or best-performing companies on ESG and sustainability within tech and thematic focus are weighted and selected based on relevant ESG criteria

### Post-investment

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#### ESG-integration

Explicitly and systematically including ESG risks and opportunities into investment analyses and decisions. Tools such as SASB, GRI and CDC are utilized.

#### Engagement

Active ownership through engagement with portfolio companies on material ESG issues. ESG knowledge sessions are held to share learnings across portfolio.

*Actions* transcends  
mere good intentions.  
We strive to apply this  
ethos to the way we  
invest and manage  
portfolio companies.

# *Environmental*

This segment shows the environmental impact of portfolio companies, quantifying their contributions to sustainable development goals, and detailing their adherence to environmental regulations.

We believe that transparency and accountability in environmental performance are key drivers of value, innovation, and risk mitigation, and ultimately contribute to a more sustainable future.

## Recycled Materials

The companies working with physical products are committed to environmental sustainability, particularly in their utilization of recycled materials, and prioritize the principles of a circular

economy by incorporating recycled materials throughout their operations. By embracing this approach, they actively contribute to reducing resource depletion and waste generation.



OF PHYSICAL MATERIALS USED BY  
SCALE CAPITAL PORTFOLIO  
COMPANIES ARE FULLY RECYCLABLE



The real value and innovation lie not solely in financial metrics, but in the harmony we create with our environment. As we measure, we manage. As we manage, we mend.

## Toxic Materials

The portfolio companies should avoid the use of toxic substances in their products and ensure that all components and materials used are safe and non-toxic. By adhering to environmental standards and regulations, they actively contribute to minimizing the release of harmful materials into the environment.

**1** / 14 **USES  
TOXIC MATERIAL\***

*\*The company has a procedure in place for handling and discarding toxic materials.*



# *Social*

This crucial pillar reflects our commitment to creating a more inclusive, equitable, and just society. It gives the voice to our belief that business success is intimately entwined with societal wellbeing.

We track the measurable impacts our investments are making in fostering equitable growth, advocating for social justice, and uplifting communities, thereby presenting a holistic view of the societal dimensions of our investment strategy.

## Job Creation

Despite the challenges posed by the current economic climate, our portfolio companies remain dedicated to creating job opportunities that emphasize fair wages, safe working conditions, and inclusive hiring practices. Their resilience in the face of adversity demonstrates their commitment to the well-being of communities and sustainable economic growth.

At present, Scale Capital's active portfolio employs 436 full-time team members across 14 portfolio companies. We are optimistic about the future and anticipate continued growth in this number as we support these companies in their efforts to scale and provide even more job opportunities.

# 436

**FULL TIME EMPLOYEES ACROSS  
ACTIVE PORTFOLIO COMPANIES**

The company's social stats serve as a testament to its capacity to innovate, inspire, and integrate the pursuit of profit with the advancement of people. In the grand scheme of things, social stats are not just metrics, they are our shared legacy for a brighter, more equitable tomorrow.



## Discrimination & Harassment

The companies in our investment portfolio strive to cultivate a working environment that is free from discrimination and harassment. They uphold policies and procedures that promote respect, inclusivity, and equality in their workforce. By actively fostering a safe and supportive environment,

portfolio companies contribute to the overall well-being and productivity of their employees. Their efforts in this area underscore the importance of maintaining fair and equitable work conditions as a cornerstone of a responsible, ethical business.

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**INSTANCES OF  
HARASSMENT  
OR DISCRIMINATION**

None of Scale Capital portfolio companies has experienced any instance of harassment or discrimination during the documented period.







# Gender Diversity

We understand the value and the importance of working towards equitable gender diversity in governance. As a Venture Capital firm, we acknowledge our influential position in facilitating a more balanced representation of gender in managerial and board roles. Our commitment to gender diversity is essential to our ethos and a key step towards our mission of creating a more inclusive, equitable, and prosperous future.

By ensuring inclusive hiring standards and regulations, we want our portfolio companies to actively contribute to bridging the gender gap in leadership positions. Embracing gender equality enriches governance and broadens decision-making perspectives, thereby boosting business performance.

34.5%

**FEMALES IN THE WORKFORCE  
WITHIN OUR PORTFOLIO COMPANIES**

21%\*

**FEMALE FOUNDERS AND EXECUTIVES  
WITHIN OUR PORTFOLIO COMPANIES**

*\*Only one female founder within the active portfolio companies.*

# Governance

The governance stats underscore our belief that robust, ethical, and inclusive governance is integral to long-term value creation and risk management.

By examining these critical metrics, we gain insights into the integrity, transparency, and soundness of the companies we invest in.

## Independent Board Members

20%

INDEPENDENT PORTFOLIO  
BOARD MEMBERS ACROSS THE  
PORTFOLIO

An important aspect for a strong governance of companies is the participation of independent board members. We strive to have a balanced board where the interests of all stakeholders are considered.





## Serious Breaches

Serious breaches are issues such as data breaches, instances of corruption or significant legal sanctions against any of our portfolio companies. It is important for us as investors to keep a tight check on serious breaches in a world with ever increasing cyber-attacks, and increased threats.

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**INSTANCES OF  
SERIOUS BREACHES**

## Banned Activities

In order to continuously monitor whether our companies engage in activities on our exclusion list, we annually survey the companies, and engage them on a board level if more than 5% of their revenue stems from banned activities.\*

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**COMPANIES ENGAGED IN  
BANNED ACTIVITIES**



*\*See the list of banned activities at page 10.*

# Case Study: *Collo*

## The Problem

The dairy industry in the EU, and other regions of the world, face a complex set of challenges. Climate change is leading to diminishing crops and potable water supplies. Coupled with changing consumer preferences, a broadening product portfolio expectation, and shrinking product lifecycles, the dairy industry is facing transformative challenges in production.

Regulatory shifts, along with the embrace of ESG reporting, the commitment to achieving carbon neutrality, and the drive for reducing water usage, are reshaping the industry landscape.

Amid these multifaceted developments, ensuring food safety and quality remains paramount.

Central to these concerns is the efficiency of *liquid monitoring* — a critical aspect of the dairy production process.

By innovating in the realm of liquid monitoring in the dairy and other food & beverage industries, not only the efficiency of the production process can be enhanced but also pressing environmental concerns can be addressed, such as reducing the cost of sewage cleaning and reducing the amount of CO<sub>2</sub> emissions.

Optimizing dairy production  
and reducing raw milk waste  
by 8% would lead to:

*73.4 MT*

MILK SAVED ANNUALLY

*139 MT*

LESS WATER WASTE ANNUALLY

*104 MT*

CO2 EMISSION SAVED ANNUALLY

*The data is taken from Arla's environmental report.*

*MT = million tons*

# The Solution

Collo, has embarked on a journey to solve this industry issue. Its pioneering solution is anchored by the "Antenna" — a remarkably designed sensor known for its resilience, intelligence, and exceptional efficiency. This sensor stands out due to its ability to resist contamination and swiftly detect any alterations in any liquids. Its capability is enhanced when connected with the "Analyzer"— a software platform introduced by Collo in 2020. The Analyzer's function is to transmit radio frequencies into liquids, automating the intricate task of data analysis. Together, they present an innovative tool for getting data on the liquids in the production process in real time.

Central to Collo's innovation is its technique of creating a unique *"fingerprint"* for any liquid. This fingerprint is crafted using an RF sensor that meticulously captures eight specific attributes from any liquid, resulting in a detailed and individual profile. The brilliance of this technology is its

proficiency in detecting any deviation or modification in this fingerprint. This acute sensitivity provides a deep understanding of the liquid's current state and its potential changes, be they induced by external contaminants, temperature fluctuations, or other influencing factors.





With Collo's solution, industries can access real-time insights into the quality, consistency, and numerous other crucial parameters of any liquid. This instant access to essential data empowers industries to streamline decision-making in product changeovers, leading to more efficient operations, significantly cutting down wastages, as well as transparency of the processes in alignment with both efficiency and environmental considerations.



*Collo Analyzer.*

# Closing Thoughts & Future Outlook

Reflecting on this report and its findings, we see this as a starting point for increased integration of ESG and Impact metrics in the way we invest in and work with companies.

Actions transcend mere good intentions. We strive to apply this ethos to the way we invest and manage portfolio companies. Solutions should provide real and quantifiable good for the world, and not just be well-intentioned.

In terms of diversity, we as a fund and our industry as a whole still have a long journey ahead of us. We acknowledge that particularly the number of female founders, executives and board members are well below the levels we strive for.

We are committed to addressing the gender imbalances in our field, and we believe a key approach is to foster better opportunities for female entrepreneurs.

Our action plan includes organizing knowledge-sharing sessions in collaboration with female industry networks. We aim to refine our sourcing and investment strategies to ensure we fully recognize and support female-founded companies within our ecosystem.

Additionally, we will maintain the oversight of our portfolio companies. This includes guiding them in implementing effective whistleblower systems and proactively addressing any issues at the board level. Our goal is to cultivate an inclusive, fair and equal environment for all all employees and stakeholders.





