

500

# 500 Startups ESG Survey Results

How the **Black Lives Matter** movement and **COVID-19** are influencing inclusive, sustainable, and equitable business practices at startups.



# Executive Summary

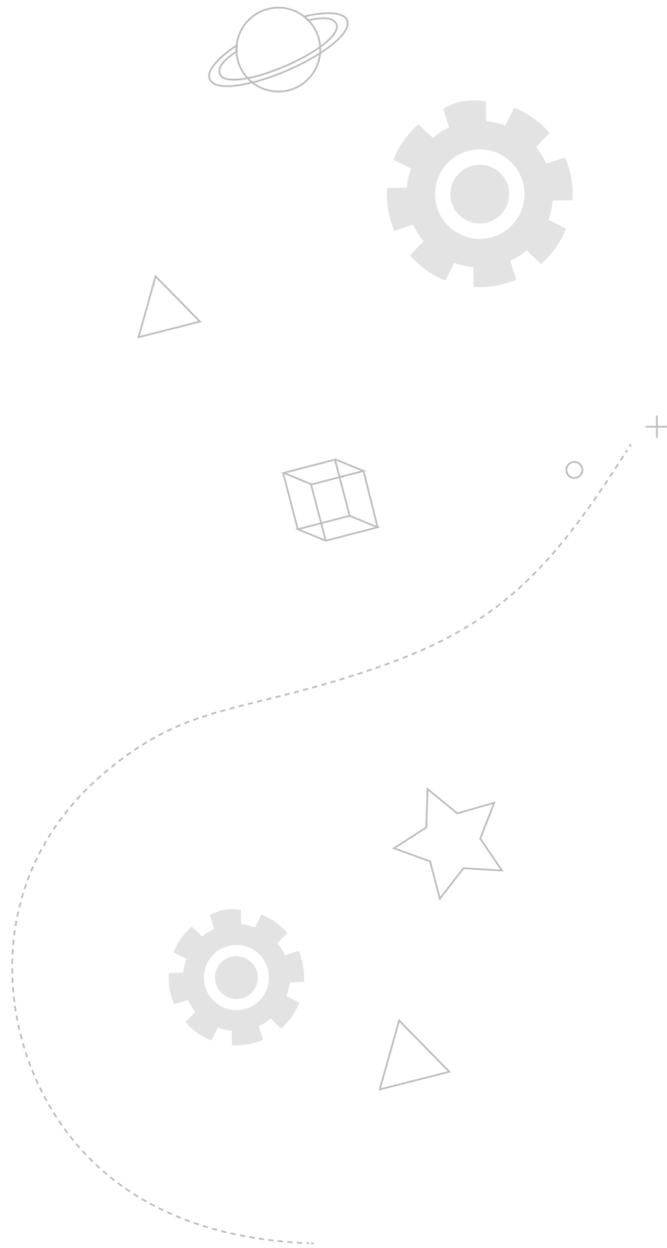
500 Startups surveyed **109** startup founders to examine internal environmental, social, and governance (ESG) views and practices. The majority of respondents (**57%**) were pre-seed startups with fewer than five employees.

The survey sought to determine how the current social, political, and health climate may affect the integration of ESG policies and practices in the startup world, and the potential impact that ESG policies may have on sales, recruitment, and fundraising efforts.

## Key takeaways include:

- **66%** responded that recent events (namely the Black Lives Matter movement) made them want to implement policies, practices, and metrics involving ESG issues such as diversity and inclusion.
- **90%** responded that they think implementing ESG policies and practices is important due to COVID-19 (**53%** think it is extremely important and **37%** think it is somewhat important).
- **69%** responded that they think ESG will increase sales and an overwhelming majority (**91%**) responded that ESG will help their company to attract and retain talent.
- When asked why they do not have ESG policies in place, **37%** responded that they were too early and **20%** responded that investors don't care about them.
- **90%** responded that if an investor required a company to implement ESG it would make the investor desirable (45% extremely desirable, 24% very desirable, and 21% somewhat desirable).

[View the full report below.](#)



# Introduction

Because early-stage startups have nascent business models and limited resources, incorporating ESG policies into their business practices can be a difficult decision to make.

At 500 Startups, we believe it is essential for startups in their formative stages to think about the long term impact of their actions as they build their company and mission. It makes good business sense for several reasons, including a greater opportunity to acquire new customers, who value sustainability, diversity, and fair labor practices, as well as to attract and retain talent--all critical factors for success and growth. Also, the bigger a company gets, the costlier it can be to make changes.

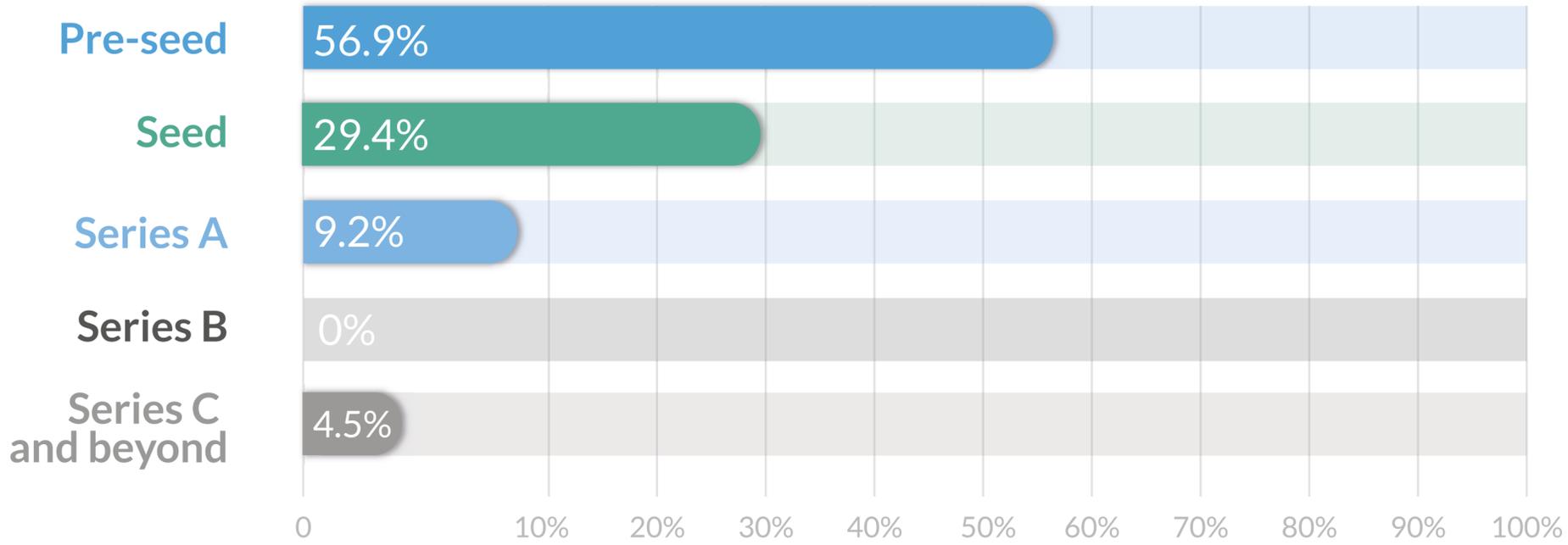
## What is ESG?

- **Environmental** criteria consider how a company performs as a steward of nature.
  - Examples include waste management and resource efficiency within the office or workspace, managing digital waste, and a commitment to measuring environmental impact and sustainability.
- **Social** criteria examine how a company manages relationships with employees, suppliers, customers, and the communities where it operates.
  - Examples include engaging in fair labor practices of gig workers, investing in training programs to prevent bias in hiring and promotion, and having female and minority representation on the management team or with ownership of the company.
- **Governance** deals with a company's leadership, executive pay, audits, internal controls and shareholder rights.
  - Examples include taking necessary steps to ensure data privacy, training employees on proper data management, and safeguards to protect against cybersecurity attacks.

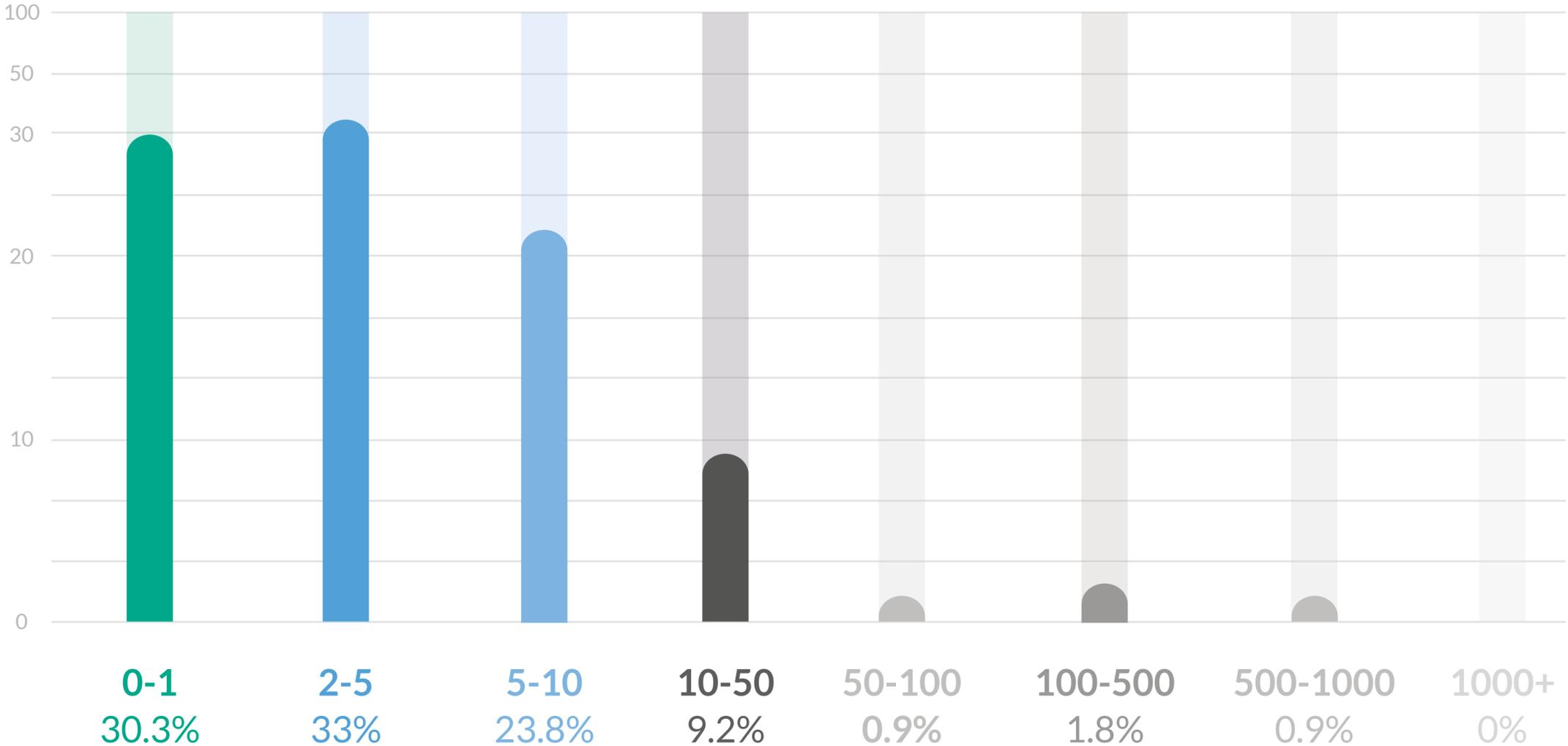
To gain a better understanding of how founders view ESG in the current climate, we included questions on how ESG policies and practices will impact the company, including recruitment, sales, and fundraising efforts, and whether or not recent events have had an influence on the integration of ESG.



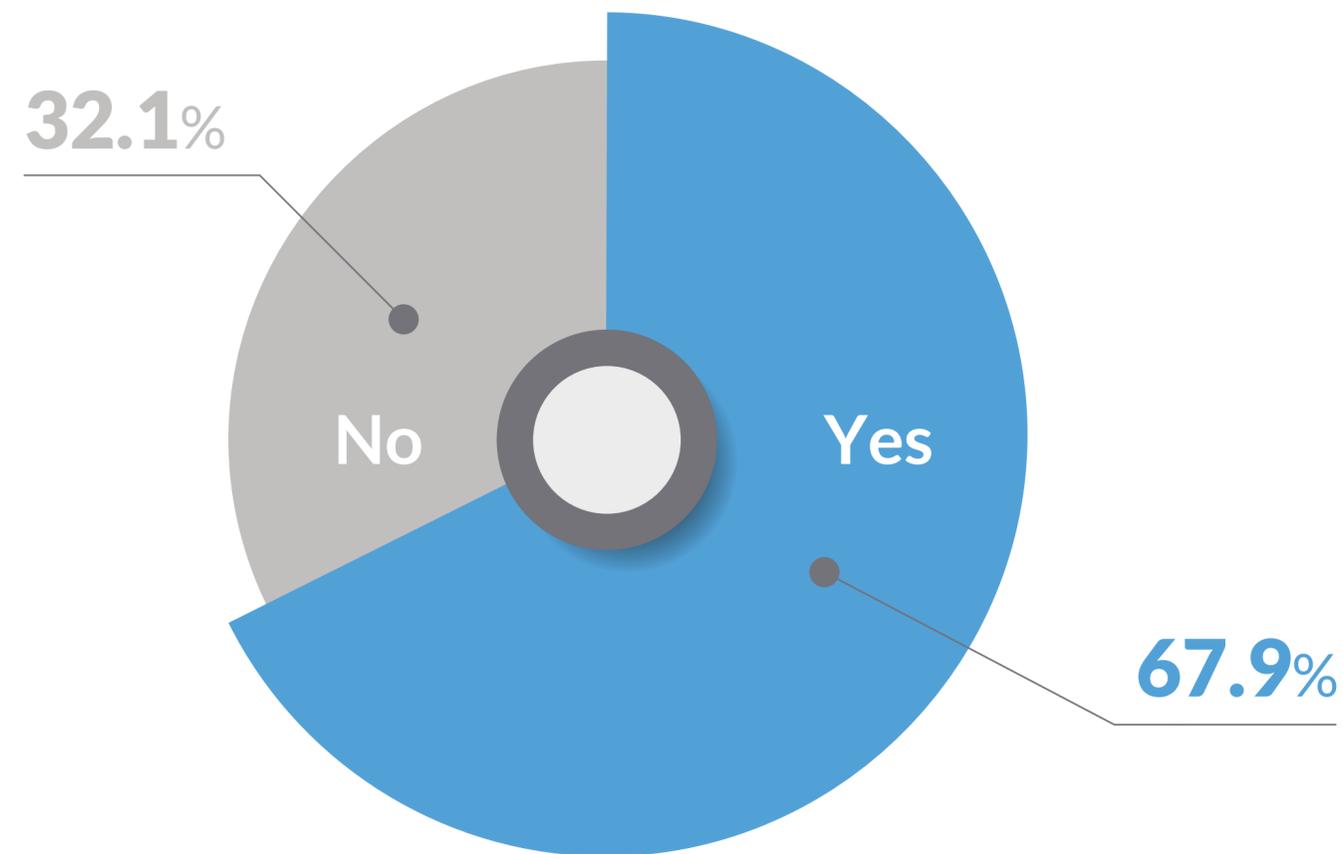
# What is the current stage of your company?



# How many employees are currently full-time at your company?

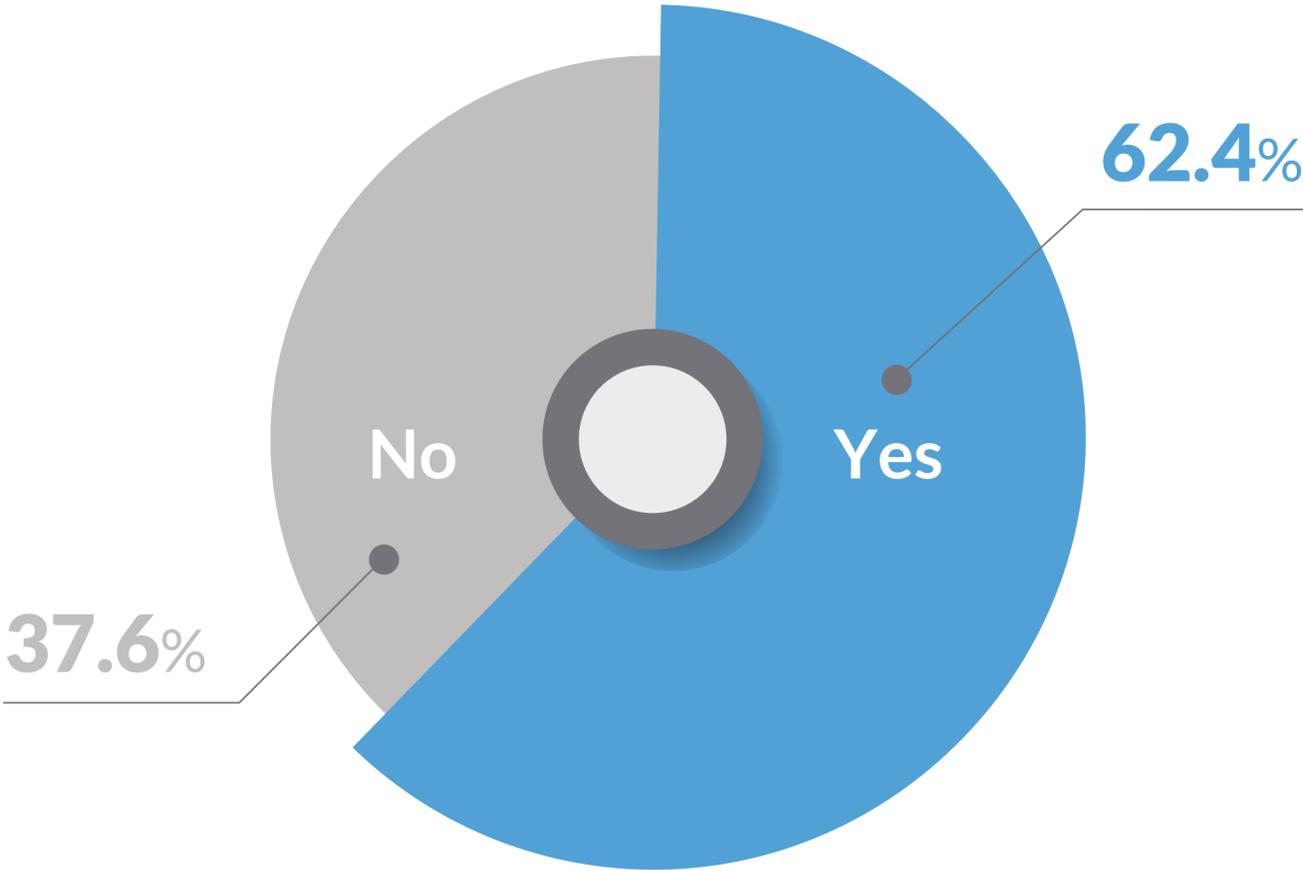


## Are you currently fundraising?

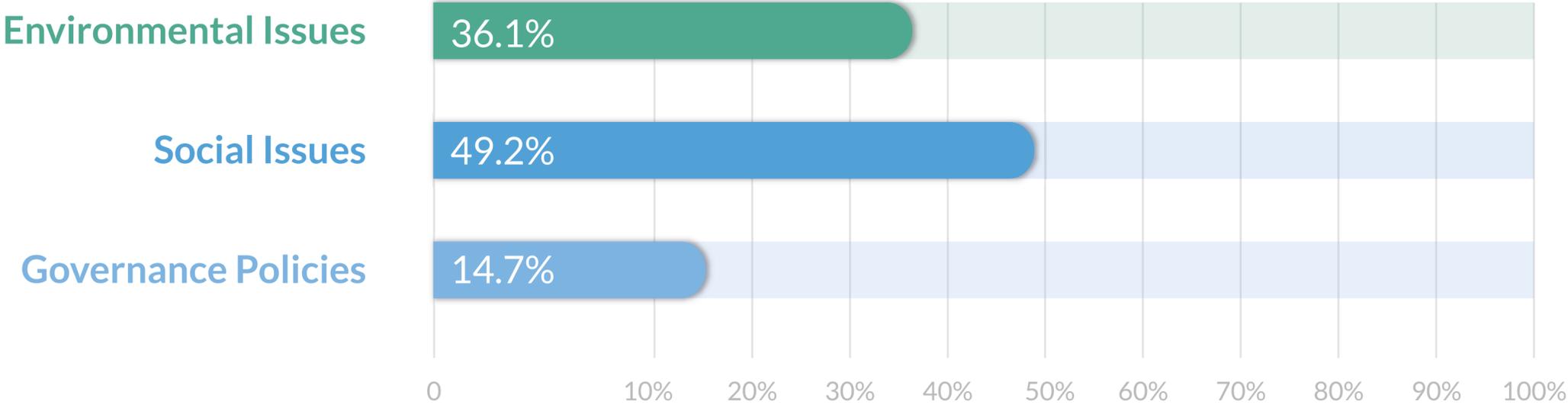


# Do you currently have any policies in place regarding environmental, societal, or governance-related issues?

*Common examples include a specific zero-tolerance gender and race discrimination policy, data privacy policies, and carbon emissions reduction policies.*

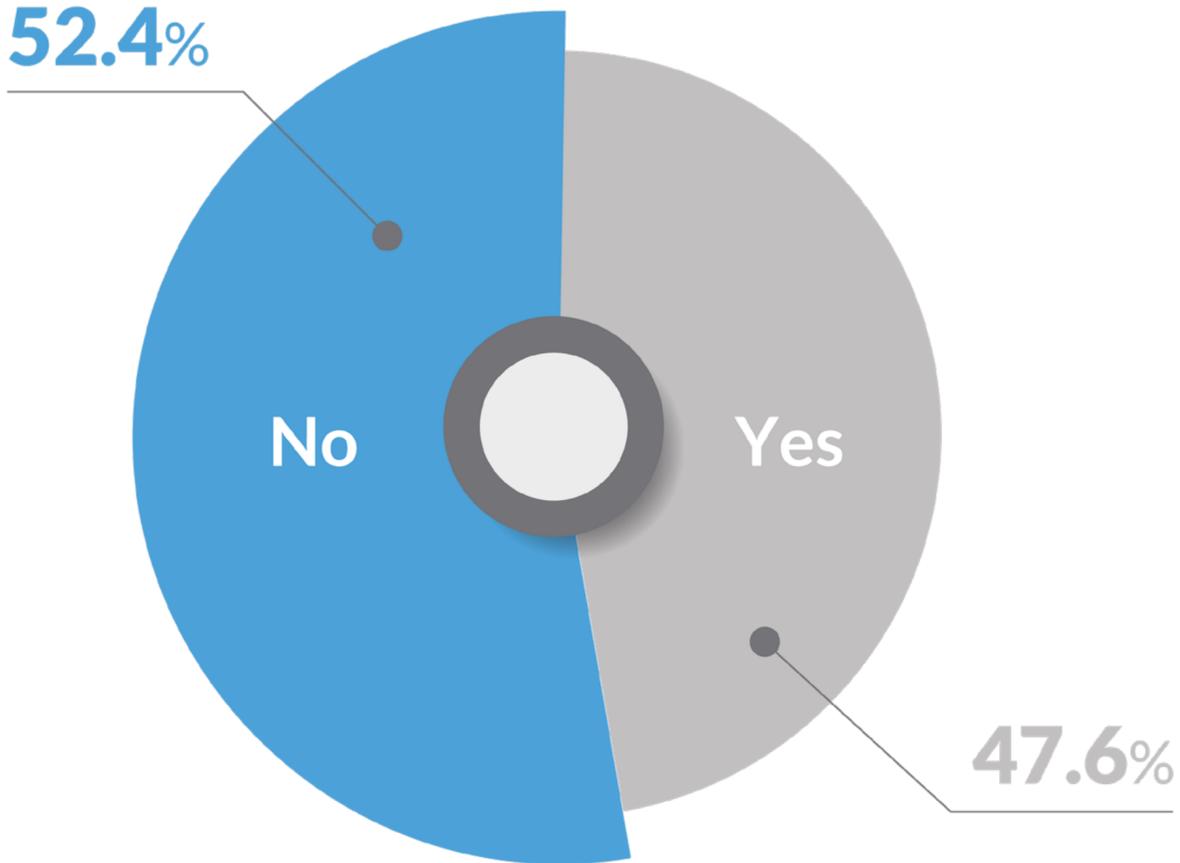


# Which of the following aspects of ESG do you currently have policies in place?



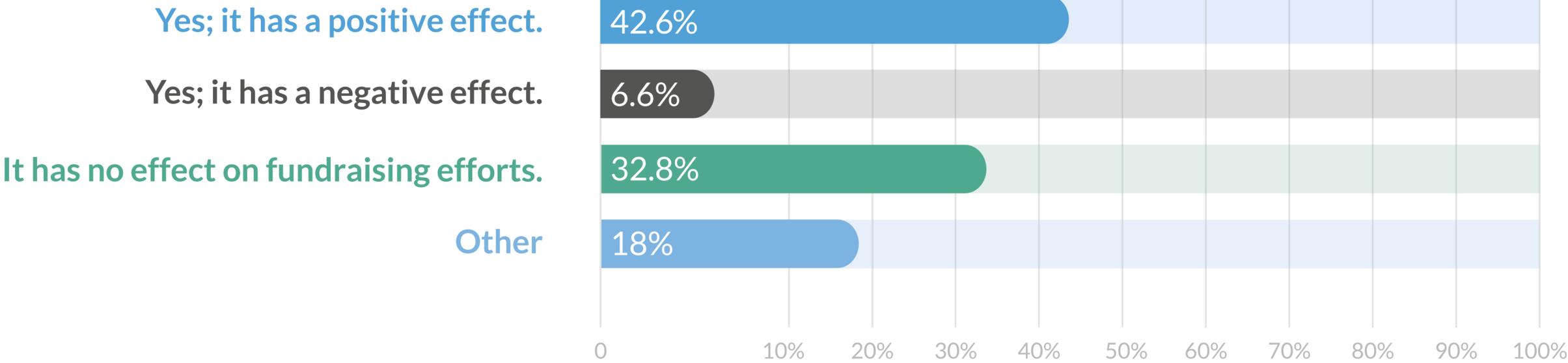
Asked only to those with policies

# If you have ESG policies in place, do you highlight them in fundraising meetings?



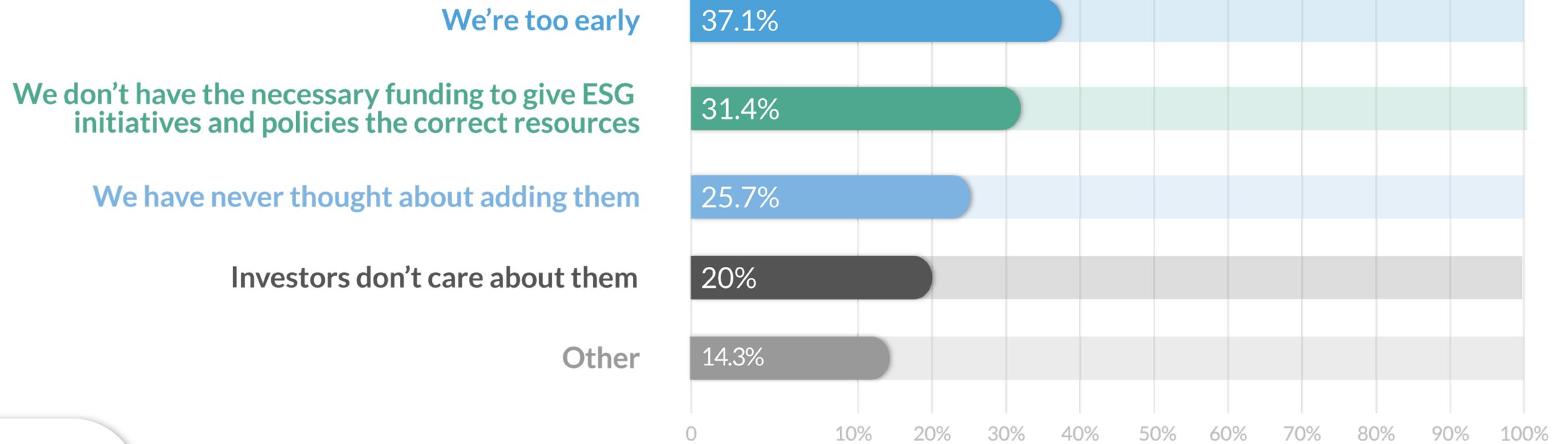
Asked only to those with policies

# If you have ESG policies in place, do you feel they have an effect on your fundraising efforts?



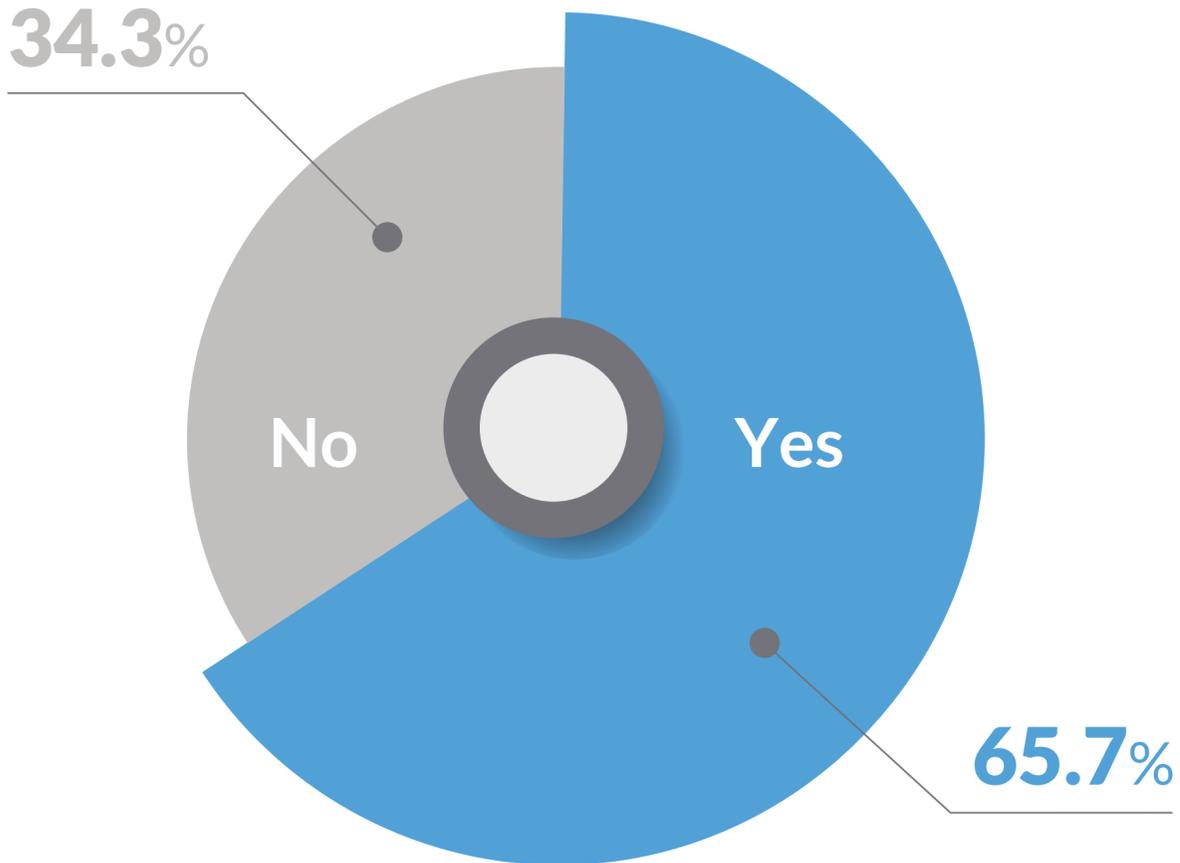
Asked only to those with policies

# If you don't have ESG policies in place, what are the major reasons you have not implemented them?



Asked only to those without policies

# If you don't have ESG policies in place, have any of the recent events (namely the Black Lives Matter movement) made you want to implement policies, practices and metrics involving ESG issues such as diversity and inclusion?



Asked only to those without policies

# If you don't have ESG policies in place, do you believe that adding them would have an effect on your fundraising efforts?



Yes; it would have a positive impact.

48.6%

Yes; it would have a negative impact.

14.3%

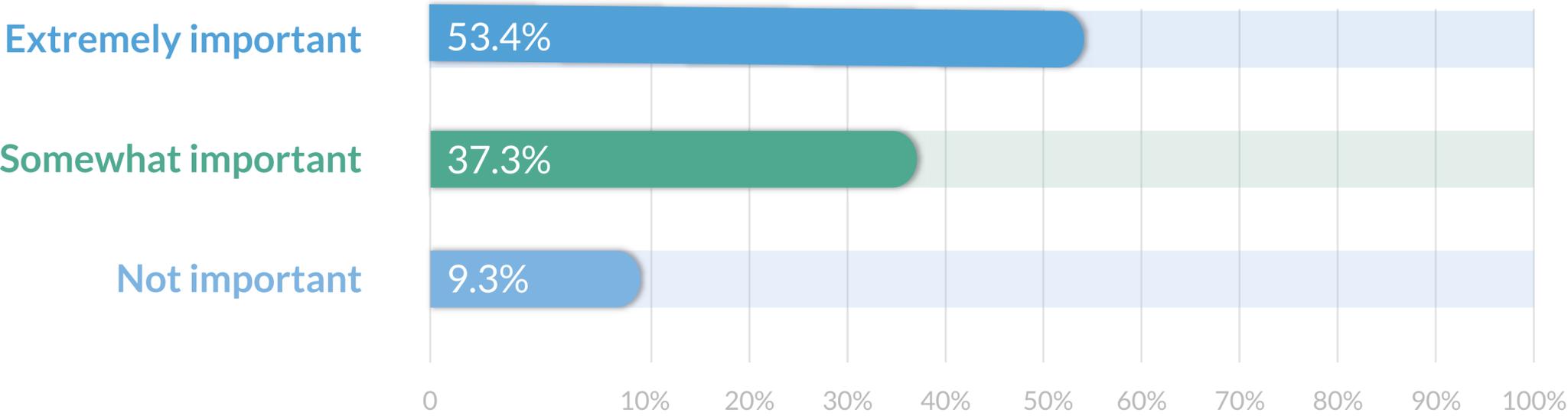
No; it would not have any impact.

37.1%

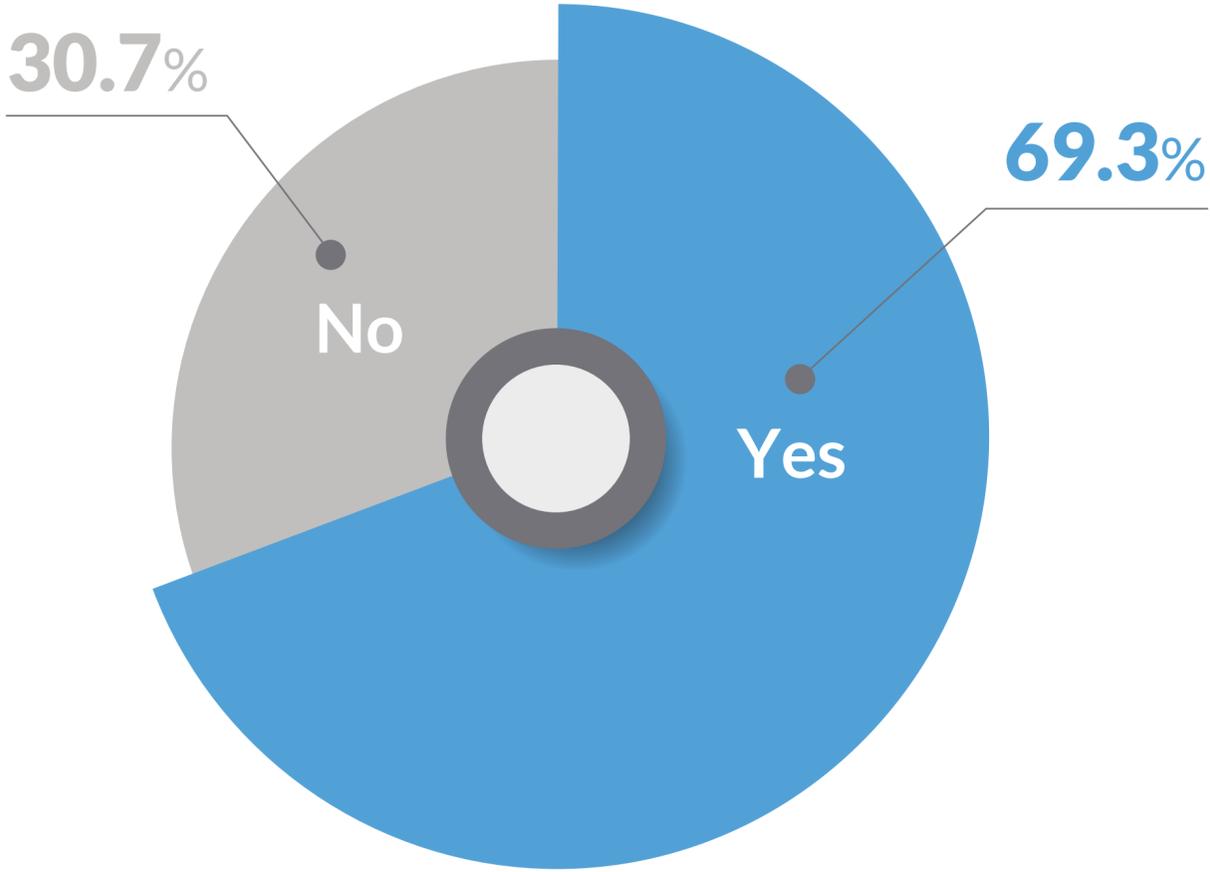
0 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%

Asked only to those without policies

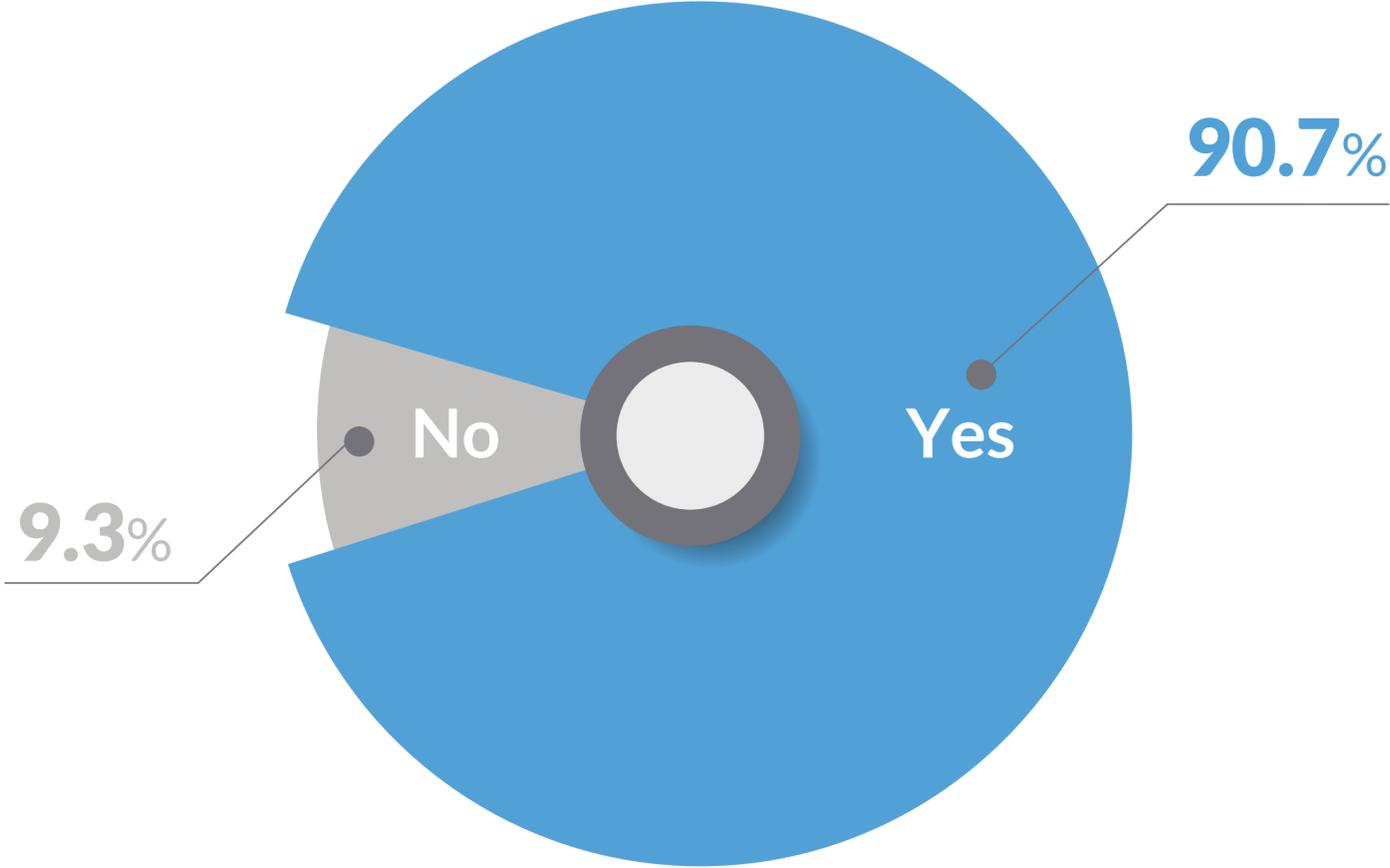
# Do you think implementing ESG policies and practices is more important due to COVID-19?



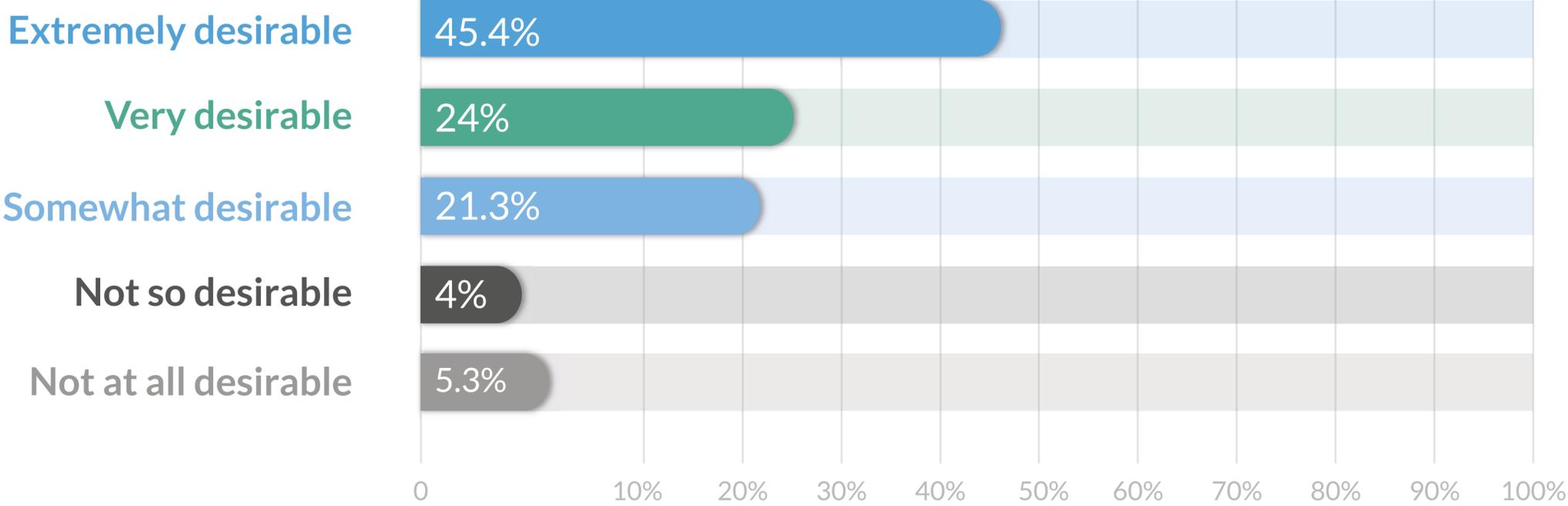
# Do you think implementing ESG related policies and practices will increase sales?

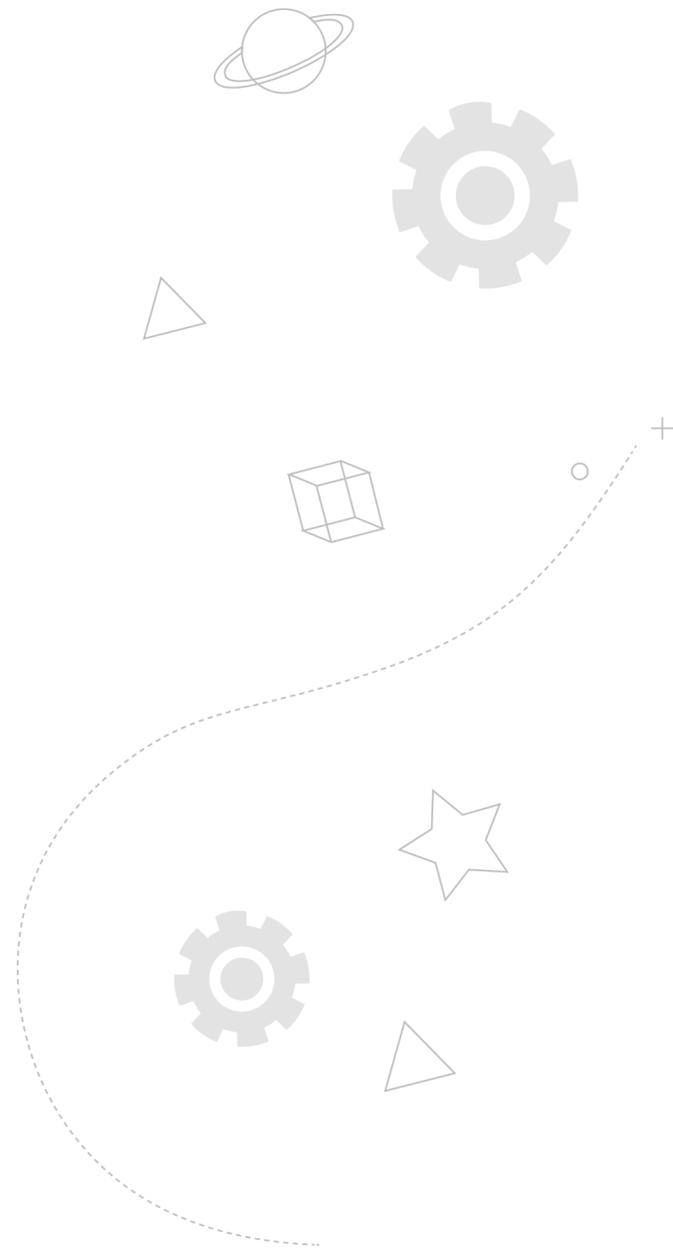


# Do you think implementing ESG related policies and practices will help your company to attract and retain talent?



# If an investor required a company to implement ESG policies and practices, it would make the investor...





## Conclusion

Our survey results suggest that the **Black Lives Matter** movement and the spread of **COVID-19** have prompted more founders to consider establishing ESG policies. While some founders might think their companies are too early or that investors do not care about ESG policies, at 500 Startups we believe that job quality, diversity, data privacy, and energy management are relevant and important for companies to consider from day one.

Developing a framework that promotes diversity from the beginning is crucial since diverse teams [perform better](#) in the long-term. Governance and regulatory issues, such as compliance with data privacy laws, can affect companies of any size, which means that even early-stage startups must be aware of regulations. Customers also [support](#) companies that conduct business ethically and transparently. And, as we continue to witness environmental changes, early-stage startups can commit to becoming better stewards of the environment.

If we have learned anything from recent events, it is that investors, founders, employees, and customers all have an important role to play when it comes to building a more inclusive, sustainable, and equitable economy.

For more information on how to start implementing ESG practices, visit our [resource page](#).

The 500 Startups Global Flagship Fund ESG Policy's goal is to ensure that the Fund takes a responsible approach to investment throughout its investment cycle. It recognizes the potential impact of its companies on the environment, workers, communities, and society, as well as the potential impact of climate change on the companies in which the Fund invests.

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