Q&A

ESG is as important to growth-stage entrepreneurs as it is to potential buyers, says Gaia Capital Partners' founding partner Alice Albizzati

Gaia Capital Partners was recently recognised in *Private Equity International's* 30 Big Ideas Shaping ESG list for its Responsible Investing in Technology Charter. Alice Albizzati, co-founder of the growth equity firm and one of *PEI's* Future 40 dealmakers, explains how ESG intersects with growth-stage investing in the tech sector.

Q Why did you develop the Responsible Investing in Technology Charter?

Technology is everywhere. As tech grows, it raises many questions and meets various challenges: ethical, social, environmental, human rights, governance, etc. As growth investors in technology, we want to support the emergence of responsible tech. To do so, we decided, along with our partner Sycomore AM, a pioneer in responsible investment in public markets, to outline our vision in a common charter, which provides a framework for sustainable investing in tech and helps assess the impact and the externalities a tech company may have in a transparent and thorough manner. This open-source framework can be used by both investors and tech companies.

Q As a growth investor, how do responsible investing themes play into your investment decisions?

Our ambition is to support the sustainable tech leaders of tomorrow. We like to invest in companies that address highly worthy issues through their business models. For example, through our investments in gohenry and Welcome to the Jungle, we address the questions of financial education and wellbeing at work. We also perform positive screening on specific topics that we find interesting in terms of ESG, such as the circular economy and energy efficiency.

ESG is integrated at every step of our investment process. We focus on three topics: the business model to make sure there is no negative effect nor any governance issues (the do no harm principle); then business practices to assess the level of protection of individuals and the environment; and lastly, what we call the "improvement enablers" which is the capacity and willingness to tend towards a higher level of responsibility.

Q How can sustainability help drive value in growth equity investments?

We find most growth-stage entrepreneurs are particularly keen to address issues of responsible innovation as they belong to a generation that shows genuine concern over the role and mission of their company. Our role is to help them accelerate sustainable business practices. They can leverage their growth and agility to include ESG in their key priorities.

Sustainability helps drive value as it is directly reflected in their topline and bottom line and it enables them to attract and retain the best talent; create significant engagement with their customers and suppliers; and control costs and mitigate risks.

Sustainability is all the more important in growth equity investments as acquirers have increased expectations on ESG topics.

Q What opportunities do you see in the tech sector for growth investors?

We are convinced that the tech sector offers plenty of opportunities for growth investors. In particular, we believe Europe will generate significant returns in the coming years.

Furthermore, crossover strategies combining growth equity and public markets knowledge will help further drive the IPO and exit market. IPOs accounted for around 80 percent of VC exits in Q1 2021, according to PitchBook, up from 50 percent in 2020. That is the positioning we are building through our partnership with public markets investor Sycomore AM. ■