

Top Tier Impact Venture Capital Funds Round Table Dinner



Date & Place: 23 April 2023, Istanbul

Event Host: İlky Demirdağ, Top Tier Impact Istanbul Ambassador

Event Report: Sustainfinance (Ayşe Kaşıkçı, Kübra Koldemir, İlky Demirdağ)

Participants:

1. [Baris Ozistek](#), [Boğaziçi Ventures](#), Executive Board Member, represented by [Derya DAĞLI, CFA](#), Corporate Finance Principal
2. [Can Atacik](#), [Alethina Impact](#) Investments, Founder
3. [Cem Baytok](#), [idacapital](#), Founder
4. [Cem Soysal](#), [iNVENTRAM!](#), CEO, represented by [Gülbin Çalışan](#), Strategy and Business Development Senior Manager
5. Erkan Yagcioglu, [Türkiye İş Bankası](#), Managing Director, Venture Capital
6. [Gaye Or](#), [Finberg](#), Coordinator
7. [Gulsum Ciraci](#), [Startupfon](#), Founding Partner
8. [Ihsan Elgin](#), [Fintech](#), CoFounder
9. [Kivilcim Cayli](#), MBA, FMVA, [Pareto Ventures](#), Managing Partner
10. [Kubra Koldemir](#), [SustainFinance](#), Co-Founder
11. [Merve Zabcı](#), [Logo Ventures](#), General Partner
12. [Pinar Kavukcuoglu](#), [Pragma Ventures](#), Managing Director
13. [Sinan Uzan](#), [Tekfen Ventures](#), Founder & President
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15. [Yigit Arslan](#), [TechOne Venture Capital](#), General Partner

Venture capital funds have an important role in solving today's complex social, environmental, economic, and technological problems.

At the 'Top Tier Impact Venture Capital Funds' event, investment trends for a sustainable future, scaling up startups to create positive social and environmental impact, and investment opportunities to support the achievement of net zero targets were discussed.

Question: Venture capital can significantly address the economic, environmental, social, and technological challenges we face today. Which sectors and investment trends do you see as opportunities to create a sustainable future?

Successful initiatives stand out by defining problems correctly and developing solutions that can be scaled globally.



The points to be considered for defining a startup idea were listed as follows :

- The problem is that it's popular,
- Being a growing problem,
- Recurrence of the problem,
- Expensive unsolvability of the problem,
- The solution to the problem is fair, and;
- The resolution of the issue is mandatory.

It was defined that the three main problems in the world are "Imbalance in income distribution, Climate crisis, and Debt crisis". For this reason, it was emphasized that startup ideas for solving the three main problems would be successful.

Today, crises trigger each other with the "multiple crises theme". Accordingly, crises' scale, impact area, and complexity are increasing day by day. In addition, fragility in supply chains, growing social injustices, and climate crisis disasters make social and environmental issues more critical for investments.

For this reason, it was stated that unsustainable investments should evolve to contribute to sustainability in the future, and that venture opportunities that can positively solve social and environmental impacts will be more financially successful.

In this direction, as sectors that are seen as opportunities for creating a sustainable future:

- Food,
- Digital Health Technologies,
- Educational Technologies,
- Construction,
- Agriculture,
- Production,
- Property/Housing,
- Smart Cities,
- Logistics,
- E-commerce,
- Water and Waste Management,
- Renewable Energy, and;
- Artificial intelligence Technologies that enable carbon absorption.

It was stated that business models that are compatible with medium and long-term trends, resistant to crises and stress tests, and have the potential to grow instead of shrinking in such periods are the 'prominent investment trend.

For sustainability-oriented investments to increase and gain success, it was pointed out that the following issues should be developed:

- Increased sustainability knowledge of fund employees,
- Consciously developing business models on Environmental, Social, and Governance issues from the idea stage of the initiatives,
- Companies raising sustainability awareness in their supply chains and supporting their development,
- Shareholders focus on Environmental, Social, and Governance objectives as well as financial return,
- Supporting the initiatives in all processes and 'following' them in terms of their sustainability goals and performance after the investment,
- Developing 'incentive systems' for investments to be made in this field,
- Establishing 'collaborations' between institutions and the entrepreneurship ecosystem, and;
- Study the right 'impact models' to increase investments in this field.

Finally, Israel's entrepreneurship program, which "represents 50% of the Global GDP, 65% of the Labour Force, 6-7% of VC investments", was cited as a good practice example, and it was mentioned that there should be "state-supported plans and programs" for the development of the entrepreneurship ecosystem.

Question: What kind of transformation does the ecosystem in Turkey need to scale startups that develop measurable, positive solutions for the environment and people?

The entrepreneurship ecosystem in Turkey has developed considerably in the last ten years, and the number of venture capital funds has also increased. On the other hand, it was stated that for the sustainability of the ecosystem, the state should provide support and organize the developments through regulations, thus ensuring the development of the workforce and talent power.



It was emphasized that one key topic was the importance of raising awareness for sustainability and social enterprises. Another key topic was the entrepreneurs' mindset, where economic and social goals should be considered together. It was shared that the competition mainly based on "price" is caused by the "short-term" thinking system; the real competition should be found on the "expertise of the business" and the thinking system should be changed accordingly.

For this to happen, the following recommendations were noted:

- Training of all stakeholders with this perspective,
- Organizations support the learning curves of start-ups (especially in strategic partnerships),
- Identifying industries to be strategically focussed on and scaling up initiatives,
- Providing incentives to universities,
- Making sustainability criteria mandatory for funds through regulations,
- Development of incentive systems for impact investments,
- Dissemination of integrated thinking system and reporting,

- Setting realistic targets, without forgetting the fact that this process has a certain evolution period, and
- Monitoring sustainability criteria with transparency.

In this sense, good-practice examples from the world were also shared:

- For instance, in accredited impact investments in Portugal, the state provides funding twice as much as the amount investors invest.
- Israel's technology program directs 15% of its GDP to high-technology investments.
- Global initiatives stand out in "discipline, team building, team management."

Points that need to be improved in Turkey's entrepreneurship ecosystem were also discussed:

- Turkey has a more localized mentality,
- In Turkey, exit options for advanced start-ups are limited:
 - The IPO market is not deep,
 - There is a gap between venture capital funds and venture capital funds,
 - Due to the limited exit options, initiatives are moving with more conservative models.

For the exit options of enterprises, opening up to foreign markets and foreign investment funds gain importance. In this sense, the following points were made for developing an entrepreneurship ecosystem were expressed:

- Establishing an ESG desk under an umbrella organization for venture capital funds and venture capital funds,
- Incorporating environmental, social, and governance criteria into investment processes and improving performance,
- Supporting technology initiatives and including advanced technology investments in the incentive system, and;
- Establishing the right policies.

Question: In which areas should investments be channeled for Turkey to achieve its net zero targets?

It was also pointed out that proper investments in the construction sector can make a difference due to the earthquake in Turkey. It was shared that resources should be allocated in addition to net-zero targets. Furthermore, investments should be made in regenerative solutions.

The prominent areas for net zero targets are:

- Energy,
 - Agriculture,
 - Mining
 - Electromobility,
 - Biodiversity,
 - Systems to prevent deforestation,
- Systems supporting the circular economy in industrial plants, Strategies to reduce emissions in supply chains were listed.