The State of Nordic Impact Start-ups 2020

Impact start-ups are increasingly being acknowledged as powerful engines for change and sustainable growth. Yet a number of widely held beliefs prevail and threaten to hinder the progress of the Nordic impact start-up ecosystem. This report explores 10 of the most common myths, and assesses the status quo of impact start-ups in Denmark, Sweden, Norway and Finland.
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We are now only 10 years from 2030, the year 193 countries pledged to reach the UN Sustainable Development Goals. There is still a long way to go and many solutions need time to scale, which leaves us with a great deal of urgency.

In Danske Bank, we are a true believer in the power of business to find innovative solutions and new ways of doing things that will create new solutions to the challenges that our planet and societies face. In particular, we have high hopes that impact start-ups will be the role models for a new type of business, where the business idea itself creates sustainable values. They have no legacy that blurs their focus and delays their speed, and they are ready to take risks and bring innovation and new technologies to the table. Furthermore, they have an agile mindset through which they can react to market changes with high speed.

Insights are needed to mature the ecosystem
In Danske Bank, we are dedicated to help these start-ups scale their business and thus increase their positive impact. We have a large suite of activities, which support the impact start-up ecosystem. We have trained growth advisors to understand startups and established the +impact platform and our +impact accelerator.

An important element is documentation – like this report – through which we provide data driven insights on the Nordic impact start-up scene in order to facilitate a more fact based dialogue and help put the spotlight on the needs and development of the start-up community.

Since we did the first report three years ago, impact start-ups have become the talk of the town, both in the Nordic countries and on a global scale. Today, the question is therefore not so much to create awareness, but to understand how we can accelerate the ecosystem and to create larger transparency especially for investors. This is also the reason why we this year have focused the report on breaking or confirming the myths that seem to be a hindrance for accelerating impact businesses.

Findings
There are some specific learnings in the report that we find extremely interesting and promising. For instance the fact that we have identified a record high 1018 impact start-ups this year, and that a lot of them have similar business models in comparison to ‘normal’ scalable tech start-ups.

We see that the majority of the impact start-ups are based on scalable business models that have the potential to work on normal early stage investor terms. These start-ups integrate impact in a way that goes hand-in-hand with profit, and almost half of the founders of the Nordic impact start-ups have prior entrepreneurial experience. Women CEOs and founders are well represented in impact start-ups, but we firmly believe that these numbers could and should improve – especially in deep tech - as diverse companies overall tend to generate better results for the business, as well as society.

The Nordic ecosystem has great prerequisites for being a well performing impact ecosystem, but we, in the ecosystem need to pick up the pace. If the Nordics are to become an epicentre for impact start-ups, we need to move beyond the converted few.

When we started this report, COVID-19 was not present, and we still don’t know the full scale of the consequences. However, this does not change the conclusions, and in many ways, it has just made it even more pressing that we need to mainstream the impact agenda.

Klavs Hjort, Head of Growth & Impact at Danske Bank

Maria Simonson, Head of Societal Impact & Sustainability, Danske Bank
Summary

Since we published our first insights report on Nordic Impact start-ups in 2018, we have experienced an increasing interest in impact start-ups from a range of ecosystem players.

This enthusiasm for impact tech supports our belief that the Nordic region can become an epicenter for impact start-ups. However, when we talk to investors and start-up founders, we still find that there are several narratives that are holding back the space.

In The State of Nordic Impact Start-ups 2020 we have therefore identified 10 of the most widely beliefs, that are preventing the Nordic impact ecosystem from being taken to the next level. This forms the foundation for the exploration of 10 myths, where we try to give clear answers to complex solutions through data driven insights.

A key overall finding is that the Nordics countries have a growing number of impact start-ups, maturing to a point where they are beginning to resemble regular growth stage start-ups. This can be interpreted from a number of sub-findings: a) many of the impact start-ups seem to have more in common with their conventional counterparts in the same vertical than with other impact start-ups; b) the majority of the start-ups are based on potentially scalable business models that have the potential to work on regular early stage investment terms, c) 98% of the impact-start-ups integrate impact in their business model to enhance profit and d) 45% of the founders have significant entrepreneurial experience. We are seeing positive progress on many fronts amongst Nordic Impact. However, there is still a way to go if we are to move the needle on the UN’s 2030 agenda for sustainable development.

1018

IMPACT START-UPS

Top 4 SDGs

GEOGRAPHICAL DISTRIBUTION
IMPACT START-UPS

35% DENMARK
27% SWEDEN
21% FINLAND
16% NORWAY

MYTH #1 The Nordic countries are global leaders within impact start-ups.
PARTLY FALSE The Nordic ecosystem has great prerequisites but the UK is the best performing impact ecosystem in Europe.

MYTH #2 Nordic impact start-ups are solving the most pressing global challenges.
PARTLY FALSE The majority of the Nordic impact start-ups are focusing on solving local problems in high-income markets, fewer focus on solutions which will move the needle on the underlying SDG indicators.

MYTH #3 Impact start-ups are a special breed of start-ups.
PARTLY FALSE The impact start-ups differ in type of impact and scalability - some with the same mindset as their conventional counterparts.

MYTH #4 Impact requires a trade-off between purpose and profit.
FALSE 98% of Nordic impact start-ups integrate impact to improve top and bottom-line.

MYTH #5 Impact start-ups have fundamentally different business models than non-impact start-ups.
FALSE Impact start-ups’ business models are similar to regular start-ups.

MYTH #6 Impact start-up founders lack business experience.
FALSE Impact start-up founders have significant business experience.

MYTH #7 There are more women founders in the impact start-up scene.
TRUE 24% of impact start-ups founders are women.

MYTH #8 Impact cannot be measured.
PARTLY FALSE Impact measurement is still in its infancy, but 20% of Nordic impact start-ups quantify their impact performance indicators.

MYTH #9 The majority of Nordic impact start-ups promote their SDGs.
FALSE Only 10% of Nordic impact start-ups mention the SDGs.

MYTH #10 Investors lack data on impact start-ups.
PARTLY FALSE The data is just as imperfect as for non-impact start-ups.
Introduction

This is the third time we map Nordic start-ups addressing the United Nations Sustainable Development Goals.

The aim of this report
We believe that the Nordic countries hold the prerequisites and potential to become a global epicentre for impact start-ups. Our early adoption of the green agenda, balanced welfare societies and thriving start-up ecosystems stand us in good stead to take this pole position.

Though we have the necessary mindset and attributes, we cannot sit back and expect for this to happen without concerted strategies and interventions. In order to make this a reality and reach this goal, we must continue to actively support the scaling of impact start-ups, help build the right capabilities amongst founding teams, and connect impact start-ups with new investment and ecosystem partners.

Since 2018, there has been increasing support and excitement for this new breed of start-up and the mark they could make on the UN’s 2030 agenda. Yet when we talk to investors and impact founders, we find that there are several myths getting in the way of progress.

For this year’s report, we have decided to deep-dive into the 10 most common myths holding back the impact space in the Nordics - assessing to what extent they are valid or invalid - and outline what can be done to change these perceptions. We acknowledge that it is difficult - if not impossible - to give simple answers to the multifaceted topics we explore. As the space develops further, so will our learning. As such, we hope this report will help to move the conversation in the right direction and ultimately accelerate progress in the Nordic impact start-up space.

Who would benefit from this report
This report is primarily intended for the investment community and aims to help early investors gain data-driven insights into this growing space. The report is also intended to benefit the broader ecosystem as it reveals data-driven insights that can ignite further discussion on how best to accelerate the Nordic impact start-up space.

It is furthermore our hope that this report will contribute to a shared societal understanding of the importance of the Nordic impact ecosystem - and why all relevant stakeholders should be investing in and contributing to its future.

Definition of an impact start-up:
We define an impact start-up as ‘a start-up company that addresses one or more of the UN Sustainable Development Goals at the core of its business and have the potential to scale’.

Our litmus test: If you remove the impact you also remove the business.

Who is included in the report
We are building on the data gathered in both the 2018 and 2019 reports, leveraging our existing learnings and contextualising these within the wider Nordic start-up ecosystem.

Number of start-ups at the Hub and impact start-ups from 2018-2020
We have analysed impact start-ups registered on either the Hub (thehub.io), on plusimpact (plusimpact.io) or at Green Innovation Group (greeninnovationgroup.com). To validate and strengthen the data quality further, we have collaborated with Dealroom (dealroom.co) by cross-comparing funding data.

In 2018 Danske Bank conducted the first Nordic analysis of impact start-ups, which identified 317 impact start-ups across Sweden, Norway, Finland and Denmark.

In 2019 we presented our second report ‘The State of Nordic Impact Start-ups’ which identified 647 impact start-ups across Sweden, Norway, Finland and Denmark.

In 2020 we are presenting our third report, which has identified 1018 impact start-ups across Sweden, Norway, Finland and Denmark.

New dimension of this year’s report
The previous reports have catalysed many fruitful dialogues and learnings. This is why we have decided to expand the State of Nordic impact start-ups report to include a digital data repository at plusimpact.io/impactreport-2020. While the content of this report will be available, you will also be able to download the data applied in the various charts.

Figure 1
Sample size of impact start-ups in Danske Bank impact insights reports 2018, 2019 and 2020

<table>
<thead>
<tr>
<th>NUMBER OF START-UPS</th>
<th>YEARS</th>
</tr>
</thead>
<tbody>
<tr>
<td>317</td>
<td>2018</td>
</tr>
<tr>
<td>647</td>
<td>2019</td>
</tr>
<tr>
<td>1018</td>
<td>2020</td>
</tr>
</tbody>
</table>
10 myths about the Nordic impact space

A lot has happened since 2018 when we embarked upon our journey of providing data driven insights on Nordic impact start-ups. Impact start-ups have increasingly become the talk of the town, both in the Nordic countries and on a global scale.

Back then, we set out to understand what challenges the Nordic impact start-ups face. Our surveys revealed that 87% of these start-ups were challenged by the nature of the ecosystem - finding it fragmented and lacking in awareness from stakeholders and the general public.

As a result, we published the first impact insights report which presented an overview of the ecosystem.

To further support the impact start-up ecosystem, established the +impact platform, and started an impact accelerator.

We then went on to publish The State of Nordic Impact Start-ups 2019, which provided further insights into who these start-ups are, what their focus is and not least, how they perform from an economic standpoint. Our findings showed that impact start-ups follow similar financial trends as other start-ups: their growth is dependent on available risk capital; they focus on top-line growth but struggle to make a profit, with financial performance improving as they mature.

This year’s report stands on the shoulders of these previous learnings on the Nordic impact start-up ecosystem. With an inherent desire to enable Nordic impact start-ups to further mature and for the ecosystem at large to accelerate, we have carefully identified the 10 most prevalent myths that are preventing the space from developing.

1. The Nordic countries are global leaders within impact start-ups.
2. Nordic impact start-ups are solving the most pressing global challenges.
3. Impact start-ups are a special breed of start-up.
4. Impact requires a trade-off between purpose and profit.
5. Impact start-ups have fundamentally different business models than ‘regular’ start-ups.
6. Impact start-up founders lack business experience.
7. There are more founders that are women in the impact start-up scene.
8. The majority of Nordic impact start-ups promote their SDGs.
9. Impact cannot be measured.
10. Investors lack data on impact start-ups.

These insights are a snapshot of the current situation, which during the making of this publication developed in an unforeseen direction as the second hand effects of COVID-19 froze the (capital) markets affecting many start-ups.

The exploration of the 10 myths should therefore be understood as an invitation for further dialogue on how we can leverage the Nordic impact start-up ecosystem’s strengths, and how stakeholders can contribute to its improvement through collaboration whether that being under normal or abnormal circumstances.
The Nordic countries have great prerequisites but the UK is the best performing impact ecosystem in Europe. How are these three intersecting domains actually inextricably linked to the overall start-up ecosystem and the general societal awareness of impact? So how are these three intersecting domains actually performing in the Nordics?

1. A vibrant start-up community
   
   The entire ecosystem in the Nordics has matured significantly. Stockholm as well as Copenhagen host strong start-up communities (start-upgenome.com, blog.dealroom). Entrepreneurs have become more experienced, teams are more diverse and have stronger international connections from the start, and there has been solid growth in the number of start-ups and scale-ups (start-upgenome.com).

2. Active established players
   
   Internationally acknowledged start-ups have paved the way for others, creating more mature ecosystems which are filled with knowledge and expertise. (start-upguide.com) These conditions have fostered new promising tech start-ups such as KRY, Simple Feast, Kolonial.no and ICEYE. However, when we look at the number of potential future unicorns, we still see that the Nordic countries are far behind the UK, Germany and France (dealroom.com).

3. Access to risk capital
   
   Access to risk capital is critical in order to fuel the growth of these innovation frontrunners. (dealroom.com)

4. Political support and ‘friendly’ regulation
   
   The business environment needs to be accessible and open, with centralised state bodies making public commitments to support these start-ups. A proactive and collaborative mindset across stakeholders is essential.

5. Access to talent
   
   Knowledge intensive sectors are deeply dependent on access to a highly skilled and specialised labour force.

6. Brand as a hub
   
   National and regional branding is essential to attract international talent, investors, businesses.

Taking a closer look at the performance of the Nordic start-up ecosystem based on these six parameters, we see that:

In the Nordic countries, we are proud of the unique qualities that characterise our part of the world. We have low levels of inequality, balanced welfare provision and have been acknowledged as the most innovative region in Europe (European Commission, 2017). Combined with our relatively early adoption of the sustainable growth agenda, the Nordic countries have been recognised as frontrunners in the green economy transformation.

But are we as far ahead as we would like to think? We have deep-dived into the Nordic impact start-up ecosystem to assess the status quo. The health of the Nordic impact ecosystem is inextricably linked to the overall start-up ecosystem and the general societal awareness of impact. So how are these three intersecting domains actually performing in the Nordics?
3. Access to risk capital
The capital investments in the Nordic countries follow a positive trend - however, the Nordic countries are far behind the top three European countries; the UK, Germany and France. Only Sweden managed to decrease the gap in 2019.

Measured by the total number of unique companies that have raised funding since 2015, we once again see the UK, France and Germany be the European top performers. Sweden comes in again as the Nordic top performer at a global 4th place, while Finland is ranked 7th, Denmark is ranked 13th and Oslo is ranked 14th (Dealroom, State of European Tech 2019).

Taking a closer look at the variety of investors, we see that the UK has a wider variety of investors, where Sweden for example relies more on domestic and European funding.

4. Political support and ‘friendly’ regulation
The Nordic countries are known for a stable macroeconomic environment, a widespread and strong digital infrastructure, and a high level of digitisation and e-readiness (World Economic Forum).

Furthermore, Denmark and Norway are ranked among the world’s top 10 on ease of doing business in - as is the UK (worldbank.org). On top of that, the region holds state investment funds providing funding and networks as well as cross collaborating with other start-up ecosystems.
5. Access to talent
The Nordic countries are known for having a highly educated workforce due to well-functioning and free educational systems. Supporting this notion, the World Economic Forum ranks the Nordic countries among the world top 10 in human capital based on level of formal education, formal education of the next generation, breadth and depth of specialised skills as well as skill application and accumulation.

Likewise, the 2020 Global Talent Competitiveness Index ranks the Nordic countries among the world top 10 in talent.

However, digital skills as well as more technically minded coders and developers are a scarce resource within the ecosystem - and Sweden in particular lacks these competencies in their labour force (World Economic Forum, daxx.com).

6. Brand as a hub
The growing number of internationally minded tech events are contributing to branding the Nordics as a thriving start-up scene: Slush, Oslo Innovation Week, Stockholm Tech Fest, TechBBQ, Techfestival, Katapult Future Fest as just some examples.

The Nordic ecosystem is further being promoted through the hashtag #nordicmade, a community-based movement for branding, marketing and outreach to promote both regional and international awareness of Nordic tech (nordicmade.org).

Within a broader context, we see that the innovation policy advisor and researcher firm start-up Genome ranks Silicon Valley, New York City and London as the top global start-up ecosystems in their flagship report the Global start-up Ecosystem 2019. Stockholm has been ranked 11th place, while Western Denmark (due to a strong cluster within Advanced Manufacturing and Robotics as well as Life Sciences) and Copenhagen are being seen as European high-growth ecosystems and Helsinki being acknowledged as a Challenger ecosystem. Oslo is not mentioned (Start-up Genome).
In summary, the Nordic start-up ecosystem holds many strengths: a mature start-up scene, established players who are innovative and increasingly active, a strong [digital] infrastructure and friendly business environment, a highly educated labour force and a series of international acknowledged tech events.

B. The Nordic Impact Agenda
The Nordics are frequently referred to as the global leaders on impact. Supporting this notion, Denmark, Sweden, and Finland are among the world’s top 10 with the highest scores on implementing the UN’s Sustainable Development Goals [The Sustainable Development Report 2019].

The high ranking is rooted in the Nordic welfare society founded on social responsibility, collaboration and environmental awareness. Since the 1960’s the Nordic countries have been amongst the most generous donors of development aid (oecd.org); Sweden is known for being an initiator of The United Nations Environment Programme in 1972; Norway’s Gro Harlem Brundtland (Prime Minister 1981, 1986-89, 1990-96) established the Brundtland Commission, which firmly placed sustainable development on the political agenda in the 1980s.

Today, the Nordic Council of Ministers is collaborating across the region to fulfill the vision: “The Nordic region will become the most sustainable and integrated region in the world by 2030” closely aligned to the UN 2030 Agenda. Supported by the Nordic Council, the Nordic countries have made considerable progress in the use of renewable sources of energy over the last two decades. On average, the Nordic countries generate electricity from renewable sources at four times the rate of other OECD countries [State of the Nordic Region 2020].

Though the Nordic region’s reputation for prioritising impact on the political agenda is positive and well deserved, it does not mean the Nordic countries should rest on their laurels. The Nordic countries obtain their lowest scores on SDG 2 Zero Hunger, SDG 12 Sustainable Consumption and Production, SDG 13 Climate Action and SDG 14 Life Below Water. These scores are related to the high GDP per capita that exists in the Nordics entailing high consumption patterns with significant environmental and socio-economic repercussions. The low score of SDG 2 Zero Hunger is driven by increasing adult obesity and high consumption of meat. Overall the scores show that further efforts are needed to protect biodiversity and support sustainable production and consumption [sdgindex.org].

In summary, the Nordic countries are perceived as impact leaders - a notion that is supported by the high rankings of the Nordic countries at the UN SDG Index. This ranking is rooted in the Nordic welfare model being the hallmark of a well-functioning society within the international community. Yet the high consumption rates and associated environmental effects must be addressed if we are to achieve our goals for the UN 2030 Agenda.

**Figure 1.11**
2019 Global start-up Ecosystem Ranking, Challenger Start-up Ecosystems

<table>
<thead>
<tr>
<th>Country</th>
<th>City</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finland</td>
<td>Greater Helsinki</td>
<td>1</td>
</tr>
<tr>
<td>China</td>
<td>Hangzhou</td>
<td>2</td>
</tr>
<tr>
<td>Indonesia</td>
<td>Jakarta</td>
<td>3</td>
</tr>
<tr>
<td>Nigeria</td>
<td>Lagos</td>
<td>4</td>
</tr>
<tr>
<td>Australia</td>
<td>Melbourne</td>
<td>5</td>
</tr>
<tr>
<td>Canada</td>
<td>Montreal</td>
<td>6</td>
</tr>
<tr>
<td>Russia</td>
<td>Moscow</td>
<td>7</td>
</tr>
<tr>
<td>India</td>
<td>Mumbai</td>
<td>8</td>
</tr>
<tr>
<td>Brazil</td>
<td>Sao Paulo</td>
<td>9</td>
</tr>
<tr>
<td>Korea</td>
<td>Seoul</td>
<td>10</td>
</tr>
</tbody>
</table>

Source: Startup Genome

**Figure 1.12**
2019 Global start-up Ecosystem Ranking, High-Growth Ecosystems

<table>
<thead>
<tr>
<th>Phase</th>
<th>Rank</th>
<th>Ecosystem</th>
</tr>
</thead>
<tbody>
<tr>
<td>Activation</td>
<td>1</td>
<td>Western Denmark</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>Brussels and Nord Stad</td>
</tr>
<tr>
<td></td>
<td>3</td>
<td>The Hague City</td>
</tr>
<tr>
<td></td>
<td>4</td>
<td>Atlantic Canada</td>
</tr>
<tr>
<td></td>
<td>5</td>
<td>Malmo</td>
</tr>
<tr>
<td>Globalization</td>
<td>1</td>
<td>Paris</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>Montreal</td>
</tr>
<tr>
<td></td>
<td>3</td>
<td>Antwerp</td>
</tr>
<tr>
<td></td>
<td>4</td>
<td>Sydney</td>
</tr>
<tr>
<td></td>
<td>5</td>
<td>Copenhagen</td>
</tr>
<tr>
<td>Attraction</td>
<td>1</td>
<td>Amsterdam-Start-up Delta</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>Bangalore</td>
</tr>
<tr>
<td></td>
<td>3</td>
<td>Stockholm</td>
</tr>
</tbody>
</table>

*Based on growth in funding, active and number of start-ups
Source: Startup Genome

**Figure 1.13**
Lowest scores of SDGs among the Nordic countries

<table>
<thead>
<tr>
<th>Country</th>
<th>SDG 2 Zero Hunger</th>
<th>SDG 12 Sustainable Consumption and Production</th>
<th>SDG 13 Climate Action</th>
<th>SDG 14 Life Below Water</th>
</tr>
</thead>
<tbody>
<tr>
<td>Denmark</td>
<td>68.3</td>
<td>49.8</td>
<td>90.2</td>
<td>49.9</td>
</tr>
<tr>
<td>Sweden</td>
<td>63.3</td>
<td>52.2</td>
<td>87.2</td>
<td>46.3</td>
</tr>
<tr>
<td>Finland</td>
<td>59.2</td>
<td>48.7</td>
<td>71.0</td>
<td>55.5</td>
</tr>
<tr>
<td>Norway</td>
<td>57.0</td>
<td>30.5</td>
<td>54.4</td>
<td>68.2</td>
</tr>
</tbody>
</table>

Source: sdgindex.org

**Figure 1.14**
The UN SDG Index

<table>
<thead>
<tr>
<th>Rank</th>
<th>Country</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Denmark</td>
<td>85.20</td>
</tr>
<tr>
<td>2</td>
<td>Sweden</td>
<td>85.00</td>
</tr>
<tr>
<td>3</td>
<td>Finland</td>
<td>82.80</td>
</tr>
<tr>
<td>4</td>
<td>France</td>
<td>81.80</td>
</tr>
<tr>
<td>5</td>
<td>Austria</td>
<td>81.10</td>
</tr>
<tr>
<td>6</td>
<td>Germany</td>
<td>81.10</td>
</tr>
<tr>
<td>7</td>
<td>Czech Republic</td>
<td>80.70</td>
</tr>
<tr>
<td>8</td>
<td>Norway</td>
<td>80.70</td>
</tr>
<tr>
<td>9</td>
<td>Netherlands</td>
<td>80.40</td>
</tr>
<tr>
<td>10</td>
<td>Estonia</td>
<td>80.20</td>
</tr>
</tbody>
</table>

Source: sdgindex.org
The inception of the UN SDGs in 2015 sparked a new rise in impact-led initiatives in the Nordic start-up communities. The start-up event Slush in Helsinki launched its Global Impact Accelerator in collaboration with the Ministry Of Foreign Affairs in Finland in 2015 and Green Innovation Group launched the Green Tech Challenge. The non-profit organisation Norrsken launched its coworking space and VC fund targeting impact tech in 2016. Katapult Future Fest was launched in Oslo in 2017. The non-profit organisation The One initiative connecting impact start-ups and investors was founded in 2018 alongside +impact aiming to support the Nordic impact start-up ecosystem and NIIN (Nordic Impact Investing Network) with the goal of “making impact investing mainstream” (start-upguide.com).

But how is the Nordic impact start-up ecosystem actually performing? As this evaluation of the Nordic - as well as the European and global - impact start-up ecosystem is fairly new territory, we stay humble to our few supportive data sources. To benchmark the Nordic impact start-up ecosystem against an European context we have studied the data provided by Dealroom for The State of European Tech 2019.

From a relative standpoint, Sweden is home to nearly 10% of all venture backed impact tech companies in Europe, but accounts for only 4.3% of all European tech companies. Similarly, Finland shows a small lead on the number of impact tech companies accounting for 4.7% of all European impact tech companies and 3.9% of all European tech companies. Conversely, Denmark and Norway are lagging when benchmarked being home to respectively 1.3% and 1.1% of impact tech companies vs. 2.4% and 1.4% of tech companies.

In absolute terms, London is the capital of impact driven start-ups within Europe; it is home to nearly 1 in 10 companies with an impact-driven mission. But on a relative basis, Stockholm is the number one city with the heaviest weighting towards impact tech companies compared to its European counterparts. It should be noted that the data sourced by Dealroom in this analysis are based on venture backed companies. As London holds huge amounts of capital, the city will have an advantage in this comparative analysis. The analysis does not provide input on the numbers of early start-ups emerging.
To sum up, looking at how the Nordic impact ecosystem performs in terms of their share of European impact tech companies, it is clear that London outperforms in terms of absolute numbers. However, Stockholm stands out with a significant portion of impact tech companies. Paris houses an equal share of impact tech companies, but a higher share of tech companies. As the total numbers imply, there is still work to be done before the Nordics as a region can take pride in being an epicentre of European impact tech companies.

Conclusion

To assess the performance of the Nordic impact start-up ecosystem, we have taken a look at the intersection of the Nordic start-up ecosystem, the Nordic impact agenda, and the Nordic impact start-up ecosystem.

The Nordic region holds many prerequisites of a thriving start-up ecosystem - but also some weaknesses that are holding the ecosystem back. However, once again Stockholm stands out - this time with the relatively biggest lead of impact start-ups in their ecosystem. In addition, Western Denmark and Copenhagen are perceived as high-growth start-up ecosystems and Helsinki as a challenger start-up ecosystem.

Conversely, the Nordic countries receive a high ranking on the SDG Index compared to their European peers. However, the high consumption patterns and associated environmental spillover effects need to be addressed if we want to achieve our goals for the UN 2030 Agenda.

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“We see a clear and positive development in the Nordics, where both entrepreneurs and investors have a strengthened focus on themes such as sustainability, green transition and social accountability. It is our belief that purpose and profit go hand in hand, and the strongest and most successful companies are the ones that integrate impact into their core business. The Nordics are at the forefront within sustainability, and with the ongoing crisis caused by the Covid-19 pandemic it has become even more important that we keep the momentum and drive that positive development forward.”

Perspective: On the Nordic ecosystem

Rolf Kjærgaard, CEO, Vækstfonden

Source: Dealroom, State of European Tech

Source: State of Nordic Impact Start-ups

Source: The State of European Tech 2019

Figure 1.17

Top 10 European cities by share of impact driven European tech companies

<table>
<thead>
<tr>
<th>City</th>
<th>% of purpose-driven tech companies in Europe</th>
<th>% of all European tech companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>London</td>
<td>13.4%</td>
<td>6.2%</td>
</tr>
<tr>
<td>Stockholm</td>
<td>9.4%</td>
<td>9.4%</td>
</tr>
<tr>
<td>Paris</td>
<td>1.9%</td>
<td>4.3%</td>
</tr>
<tr>
<td>Amsterdam</td>
<td>4.3%</td>
<td>7.3%</td>
</tr>
<tr>
<td>Berlin</td>
<td>3.4%</td>
<td>3.3%</td>
</tr>
<tr>
<td>Helsinki</td>
<td>3.3%</td>
<td>3.4%</td>
</tr>
<tr>
<td>Zurich</td>
<td>2.8%</td>
<td>2.8%</td>
</tr>
<tr>
<td>Dublin</td>
<td>1.7%</td>
<td>1.9%</td>
</tr>
<tr>
<td>Stockholm</td>
<td>1.5%</td>
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</tr>
<tr>
<td>Stockholm</td>
<td>1.3%</td>
<td>1.3%</td>
</tr>
<tr>
<td>London</td>
<td>1.1%</td>
<td>0.4%</td>
</tr>
</tbody>
</table>

Source: Dealroom, State of European Tech

Figure 1.18

The intersection of the Nordic start-up ecosystem, the Nordic impact agenda and the Nordic impact start-up ecosystem

A. Nordic start-up ecosystem
B. The Nordic impact agenda
C. Nordic impact start-up ecosystem

Conclusion

To assess the performance of the Nordic impact start-up ecosystem, we have taken a look at the intersection of the Nordic start-up ecosystem, the Nordic impact agenda, and the Nordic impact start-up ecosystem.

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Perspective: On the Nordic ecosystem

Rolf Kjærgaard, CEO, Vækstfonden

Source: Dealroom, State of European Tech

Source: State of Nordic Impact Start-ups
Since the 2030 Agenda for Sustainable Development and the 17 Sustainable Development Goals (SDGs) were adopted by all United Nations Member States in 2015, the term ‘impact’ has developed from a niche to a norm.

In parallel, the Nordic start-up ecosystem has seen an increasing amount of budding impact start-ups aspiring to do good while doing business. But what does impact actually mean for Nordic impact start-ups?

In order to understand what kind of challenges the Nordic impact start-ups are addressing, we have examined their core business through the lens of the UN’s 17 Sustainable Development Goals (SDGs).

Looking at Nordic impact start-ups through the overall lens of the SDGs, our study shows that the biggest share of the start-ups are centered around SDG 3 Good Health and Well-being (21%), SDG 12 Responsible Consumption and Production (21%) and SDG 7 Access to Clean and Affordable Energy (11%) as well as SDG 11 Sustainable Cities and Communities (10%), which together accounts for 63% of the start-ups. This distribution is almost identical to our findings last year (The state of Nordic Impact Start-ups 2019; Insight report: Impact start-ups 2018).

On a geographical level, the top four categories are the same for all four countries, Denmark, Sweden, Norway and Finland.

On a cluster level, we see that 37% of the start-ups relate to the cluster Prosperity (SDG 7-11), 32% of the start-ups relate to People (SDG 1-6) mainly driven by SDG 3; 27% of the start-ups relate to the cluster Planet (SDG 12-15) and 4% of the start-ups relates to Other (SDG 16-17).

We reflect on whether the empirical distribution of the Nordic impact start-ups addressing the SDGs represents the normative distribution. Is it possible to prioritise the clusters according to the greatest needs and target our supportive efforts within this field?

According to the UN, the solutions should work in parallel: “(...) 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” (un.org/sdgs).

In the following sections, we take a closer look at the value creation of the solutions in these three clusters, People, Prosperity and Planet to assess the alignment between the SDGs and actual impact.
People

Around 32% of the Nordic impact start-ups are addressing SDG 1-6 in the cluster People. We have analysed their solutions to explore the alignment between the SDGs and the solutions of the Nordic impact start-ups.

Looking at the solutions offered by the Nordic impact start-ups under the cluster of People, we see that SDG 3 Health and Wellbeing represents the biggest share of start-ups. The challenge with this goal is that it has become synonymous with an industry vertical. We must let go of the reductive thinking that an industry vertical equals impact. A start-up in the health sector providing supplements or medtech wearables for people with high quality of life, is not necessarily aligned with the intent of the SDGs. While these solutions create great value and impact for their customers, the intent of the SDG is to increase life expectancy, reduce maternal and child mortality as well as fight against leading communicable diseases [un.org/sdg3]. Similarly, while expensive educational apps for children in high-income countries serves a good purpose, it serves less the intent of the SDG which is characterized by improving learning outcomes for the full life cycle, especially for women, girls and marginalized people in vulnerable settings [un.org/sdg4]. It is important to note that many start-ups categorised in this cluster are aligned with the intent of the SDGs - but they are underrepresented.

SDG Description Key words
SDG 1 No Poverty End poverty in all its forms everywhere Digital charity platforms; Insurtech and fintech in low-income countries
SDG 2 Zero Hunger End hunger, achieve food security and improved nutrition, and promote sustainable agriculture Reduced food waste; Plant rich diet; Local produce; Organic produce; Solar protein; Meat alternatives
SDG 3 Health and Wellbeing Ensure healthy lives and promote well-being for all at all ages Vitamin supplements; Elderly care; Wearables; Weight trackers; Diagnostics, Digital care; Medtech
SDG 4 Quality Education Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all Educational gaming; Coding toys; Virtual Reality storytelling
SDG 5 Gender Equality Achieve gender equality and empower all women and girls AI measuring bias; Digital headhunting; Female Health; Female Urinal
SDG 6 Clean Water and Sanitation Ensure availability and sustainable management of water and sanitation for all Water saving; Water circulation; Water treatment; Drinking water from air

KubeEnergy - a Norwegian start-up bringing energy to rural African communities

Kube Energy supplies electricity from off-grid energy solutions so communities, government agencies, businesses and organizations can access clean energy, reduce energy costs, streamline operations and lower carbon emissions. Kube Energy promotes access to low carbon energy and supports climate resilient development and growth in hard-to-reach and fragile areas across West, Central and East Africa. Their solutions are being implemented across rural communities in countries like Mali, Uganda, South Sudan and Somalia.

Figure 2.3 Description and keyword breakdown of People SDG cluster

Source: State of Nordic Impact Start-ups

Kube Energy supplies electricity from off-grid energy solutions so communities, government agencies, businesses and organizations can access clean energy, reduce energy costs, streamline operations and lower carbon emissions.
Prosperity
Around 37% of the start-ups in the sample fall into the cluster of Prosperity (SDG 7-11). We have analysed their solutions to explore the alignment between the SDGs and what the start-ups are offering.

We acknowledge that the categorisation of the solutions listed for SDG 7 Access to Clean and Affordable Energy is ambiguous. While the cluster Prosperity is characterized by improving the quality of life, the renewable energy solutions also address the characteristics of the cluster Planet by contributing to the decarbonisation of the energy sector. Following the indicators of SDG 7, we have listed these solutions here as they contribute to increasing the global electrification rate as well as the renewable energy consumption (un.org/sdg7).

Looking at the solutions offered by the Nordic impact start-ups under the cluster Prosperity we find that SDG 7 Access to Clean and Affordable Energy and SDG 11 Sustainable Cities and Communities represent the biggest group within this cluster. As these two areas are strongholds in the Nordic region and are among some of the flagship projects of the Nordic Council of Ministers vision, it is not surprising that start-ups within these SDGs are leading the way. We also see a significant share of start-ups developing electric bikes, electric vehicles, electric boats, and charging stations to embed the infrastructure. These measures - if scaled - have the potential to decarbonize private transportation.

Yet in a similar way to the People cluster, we also see many solutions targeted at improving high quality lifestyles; e.g. employee satisfaction measurements, leadership development.

<table>
<thead>
<tr>
<th>SDG</th>
<th>Description</th>
<th>Key words</th>
</tr>
</thead>
<tbody>
<tr>
<td>SDG 7 Access to Clean and Affordable Energy</td>
<td>Ensure access to affordable, reliable, sustainable and modern energy for all</td>
<td>Renewable energy; Rooftop solar; Biomass; Hydropower; Wind turbines; Geothermal</td>
</tr>
<tr>
<td>SDG 8 Decent Work and Economic Growth</td>
<td>Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all</td>
<td>Employee satisfaction; Connecting platforms; Impact; Leadership; Development; Employer rating</td>
</tr>
<tr>
<td>SDG 9 Industry, Innovation and Infrastructure</td>
<td>Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation</td>
<td>Electric Vehicles; Electrical Bicycles; Electrical Buses; Charging Stations; Robotics</td>
</tr>
<tr>
<td>SDG 10 Reduced Inequalities</td>
<td>Reduce inequality within and among countries</td>
<td>Blockchain for identity; certificates; Immigrant integration</td>
</tr>
<tr>
<td>SDG 11 Sustainable Cities and Communities</td>
<td>Make cities and human settlements inclusive, safe, resilient and sustainable</td>
<td>Air quality monitoring; Waste management; IoT; and sensors; Retrfitting; Automated buildings; Safety</td>
</tr>
</tbody>
</table>

Source: State of Nordic Impact Start-ups

Perspective: On the global challenges
Thorben Sander, Founder and Chairman of the Board, TechVelopment / Danish Impact Business Network

*There exists a great opportunity for Nordic innovative companies to assert themselves in emerging countries on the long run - both from a financial and an impact perspective. The presence of the Nordic companies in the developing countries is relatively small compared to the potentiality. The knowledge, competencies and capital of the Nordic countries is exactly what is in demand in the developing countries: renewable energy, health and infrastructure as well as the collaboration between private, public and civic entities.

The Nordic countries are well positioned to support the rapidly growing demand for innovative solutions that will improve lives in developing countries. Our tradition of long-term commitment in international development corporations and influential institutions with presence in the emerging countries, has enabled us to build strong relations, gain cultural know-how and credibility. Additionally, there is a great latent investment appetite for SDG/impact investments in emerging countries, but the investors do not have knowledge or safe structures to invest from. The challenge is that the Nordic countries have not organized partnerships and structures that can help start-ups and SMEs truly succeed in the emerging countries.

This is why we have initiated the TechVelopment Hub in Denmark. In the spirit of Sustainable Development Goal 17, the TechVelopment Hub Denmark will be an organisation and physical hub based in Copenhagen aiming to mobilize the significant development capacity across all relevant Danish actors to support the rapidly growing demand for scalable innovative solutions in developing countries and grow the number of successful TechVelopment entrepreneurs.*

The Protein Directory - a Danish start-up dedicated to helping start-ups working with alternative proteins also known as meat substitutes.

The Protein Directory helps founders by telling their success stories and by connecting them with investors, experts and leading corporations. The community started in October 2019 and since became the largest publicly available database of alternative protein start-ups covering 300+ companies from all over the globe.
Looking at the solutions offered by the Nordic impact start-ups under the cluster Planet we see that the distribution of SDG focus in the cluster Planet: On an overall level, there are few start-ups addressing goals such as SDG 14 Life Below Water, SDG 15 Life on Land and SDG 6 Clean Water and Sanitation.

Among start-ups working under SDG 13, we see a range of climate related educational apps and games as well as digital platforms helping corporates and communities identify environmental measures.

While these solutions are important in tackling current challenges and contributing towards the green transition within the Nordics [which also have very high environmental footprints], there is an asymmetry in the distribution of SDG focus in the cluster Planet: On an overall level, there are few start-ups addressing goals such as SDG 14 Life Below Water, SDG 15 Life on Land and SDG 6 Clean Water and Sanitation.

On an overall level 23% of the Nordic impact start-ups address solutions mentioned in the Project Drawdown’s Scenario 1 targeting to stop climate change close to 2°C of global warming (Scenario 2 target to stop climate change close to 1.5°C).

**Figure 2.5** Description and keyword breakdown of Planet SDG cluster

<table>
<thead>
<tr>
<th>SDG</th>
<th>Description</th>
<th>Key words</th>
</tr>
</thead>
<tbody>
<tr>
<td>SDG 12 Responsible Consumption and Production</td>
<td>Ensure sustainable consumption and production patterns</td>
<td>Alternative consumer products; Second-hand; Sharing Economy; Fashion; Food Production equipment</td>
</tr>
<tr>
<td>SDG 13 Climate Action</td>
<td>Take urgent action to combat climate change and its impacts</td>
<td>Educational games; educational apps; Flood Barriers; Carbon offset</td>
</tr>
<tr>
<td>SDG 14 Life Below Water</td>
<td>Conserve and sustainably use the oceans, seas and marine resources for sustainable development</td>
<td>Wastewater treatment; Cleaning the oceans for plastics; Biopharmaceuticals; Algae; All for fish farms</td>
</tr>
<tr>
<td>SDG 15 Life on Land</td>
<td>Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss</td>
<td>Apps for agri-food; Soil mapping and fertilizer optimisation; Gram analyzer; Agriculture simulation software; Mobile game on nature</td>
</tr>
</tbody>
</table>

**Figure 2.6** Distribution of start-ups within top 80 solutions ranking in Project Drawdown

<table>
<thead>
<tr>
<th>Project Drawdown Solutions</th>
<th>% of Nordic impact start-ups</th>
<th>Scenario 1 - Gigaton CO2 Equivalent reduced, 2020-2050</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top 1-10</td>
<td>8.9%</td>
<td>87.45</td>
</tr>
<tr>
<td>Top 11-20</td>
<td>1.1%</td>
<td>85.42</td>
</tr>
<tr>
<td>Top 21-50</td>
<td>7.1%</td>
<td>65.01</td>
</tr>
<tr>
<td>Top 51-80</td>
<td>6.0%</td>
<td>57.75</td>
</tr>
<tr>
<td>Total sum</td>
<td>23.1%</td>
<td>47.21 + 10.44</td>
</tr>
</tbody>
</table>

**C-green - a Swedish start-up converting industrial biomass to biofuel energy**

C-green have developed a new way to convert wastewater sludge, industrial sludge and wet biomass into fuel. Through advanced processing of hydrothermal carbonization (HTC), they are setting an environmental benchmark for industrial sludge disposal.

**Figure 2.7** Distribution of Nordic impact start-ups addressing the top 10 solutions according to Project Drawdown 2020 Scenario 1 stopping climate change close to 2°C of global warming, % distribution of 1018 companies

<table>
<thead>
<tr>
<th>Ranking</th>
<th>Project Drawdown Solutions</th>
<th>% of Nordic impact start-ups</th>
<th>Scenario 1 - Gigaton CO2 Equivalent reduced, 2020-2050</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Reduced Food Waste</td>
<td>2.0%</td>
<td>87.45</td>
</tr>
<tr>
<td>2</td>
<td>Health and Education</td>
<td>0.9%</td>
<td>85.42</td>
</tr>
<tr>
<td>3</td>
<td>Plant-Rich Diets</td>
<td>2.2%</td>
<td>65.01</td>
</tr>
<tr>
<td>4</td>
<td>Refrigerant Management</td>
<td>0.3%</td>
<td>57.75</td>
</tr>
<tr>
<td>5</td>
<td>Tropical Forest Restoration</td>
<td>0.0%</td>
<td>54.45</td>
</tr>
<tr>
<td>6</td>
<td>Wind Turbines (Onshore/Off-shore)</td>
<td>0.2%</td>
<td>47.21 + 10.44</td>
</tr>
<tr>
<td>7</td>
<td>Alternative Refrigerants</td>
<td>0.3%</td>
<td>43.53</td>
</tr>
<tr>
<td>8</td>
<td>Utility Scale Solar Photovoltaics</td>
<td>0.7%</td>
<td>42.32</td>
</tr>
<tr>
<td>9</td>
<td>Improved Clean Cookstoves</td>
<td>0.1%</td>
<td>31.34</td>
</tr>
<tr>
<td>10</td>
<td>Distributed Solar Photovoltaics</td>
<td>1.8%</td>
<td>27.98</td>
</tr>
<tr>
<td>Total</td>
<td>Total</td>
<td>8.9%</td>
<td>23.1%</td>
</tr>
</tbody>
</table>

**Source:** State of Nordic Impact Start-ups
The distribution can be categorised in four sub-categories:

- Around 9% of the Nordic impact start-ups work with the top 10 solutions that Project Drawdown have defined as the most efficient in reversing global warming. These solutions include Reduced Food Waste and Plant Rich Diets as well as Rooftop Solar. Only 1% of the start-ups work with the top 11-20 solutions; around 7% work with top 21-50 and around 6% work with the top 51-80. Please see appendix for the full table of solutions and distribution of Nordic impact start-ups.

- Over 90% of Nordic Impact markets are focussed on high-income markets. The distribution may not be that surprising given that many early-stage investors and founders find it more feasible to begin by solving the pains of their local market whilst being close to their customers. (Impact Report: Nordic Investors 2019). As later-stage investors tend to have more room for start-ups focusing on complex solutions in broader markets and relatively easily marketable solutions is to be expected. We need these structures to include other markets when at growth-stage.

- Around 23% of the Nordic impact start-ups address solutions mentioned in Project Drawdown framework. Around 23% of the Nordic impact start-ups address solutions mentioned in Project Drawdown that can contribute significantly to reversing global warming.

- While the focus of these SDGs contribute to solving relevant challenges in the local high-income market and off-setting the significant environmental footprints in our region, the focus on solving the most pressing challenges in low-income countries is underrepresented. Considering the distribution of target markets amongst Nordic impact start-ups, we see that over 90% target high-income markets, while 77% target high-income markets.

**Conclusion**

With an intention to assess the type of challenges the Nordic impact start-ups are solving, we took a look at the Nordic impact start-ups through the lens of the Sustainable Development Goals. We found that the majority of start-ups focus on SDG 3 Good Health and Wellbeing (21%), SDG 12 Responsible Consumption and Production (21%) and SDG 7 Access to Clean and Affordable Energy (11%) as well as SDG 11 Sustainable Cities and Communities (10%), which together accounts for 63% of the start-ups.

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**Perspective: On the global challenges**

Ruth Brännvall, Co-founder and CEO, Impact Invest

“Very few Nordic start-ups today focus on challenges in the least developed countries. My feeling is that we saw more entrepreneurs targeting Africa and South-East Asia ten years ago.

At the same time, these regions have seen a massive rise in entrepreneurial activities and improved infrastructure. There is a higher chance to succeed today in partnering in tech development and in reaching a very large population. I would really encourage impact-driven companies here to think of the global south from the start.”
Impact start-ups differ in type of impact and scalability - some with the same mindset as their conventional counterparts.

So how can we distinguish between the different types of impact start-ups in a practical and consistent manner?

We find that the biggest differentiators amongst impact start-ups can be narrowed to two essential dimensions: Scalability and Impact.

Scalability is the degree to which the start-up’s solution can be scaled. If a start-up has a one-to-one model and can only grow by adding a proportionate amount of resources, we determine that it has a low degree of scalability.

One example of this could be the use of recycled bricks in building construction. On the other hand, if a start-up has a one-to-many solution that can grow with few or no new resources, we determine that it has a high degree of scalability. An example could be a consumer mobile app for tracking CO2 footprint of all household purchases. In general, we see that start-ups built upon tech components are the more scalable start-ups.

While all types of start-ups can scale, we have used the growth expectations of an early stage investor as a marker to distinguish start-ups with high scalability; in other words start-ups, we see could be scalable with a factor of 3-10, which is the range we typically hear business angels and VCs expect as return over their funding cycle. By applying this to calibrate what is high scalability, we thereby indicate the start-ups have potential to operate on traditional investor terms.

Impactability is the degree of difference the start-up’s solution contributes to on a unit level. If a start-up’s solution does not affect the behaviour or life of the individual, we determine that the solution has a low degree of impact on the individual. One example of this could be applying biodegradable plastics instead of non-degradable plastic - however, while it may have a low degree of impact on the individual, a high number of individuals are impacted if scaled. Contrary, if the start-up’s solution affects the behaviour or life of the individual significantly, we determine that the solution has a high degree of impact on the individual. One example could be accessing lifesaving medicine or vaccines.

As such we have developed what we call the 'Impactability Matrix', with four distinct categories. It is important to notice that impactability is not preferring reach over depth. Both approaches can be equally impactable, but the means to succeed may differ:

1. High number of individuals impacted and high impact on the individual;
   Characterised by: Making a life-changing impact on the individual, while still reaching many individuals due to their innate ability to scale.
   The drivers: Regulation, mega-trends and changing societal norms.
   The enabler: New technologies, or existing technologies applied in a new context and novel manner.
   Examples: Advanced recycling technology to close the production loop in fashion. Machine learning which enables users to automatically quantify their environmental impact and reduce their footprint.

2. High number of individuals impacted and low impact on the individual;
   Characterised by: Making an everyday impact on the individual, while still reaching many individuals due to their innate ability to scale.
   The drivers: Saving and significantly improving people’s lives.
   The enabler: New technologies, or existing technologies applied in a new context.
   Examples: Small fashion brands working with local supply chains. Solutions to improve workplace inclusion for social minorities.

3. Low numbers of individuals impacted and high impact on the individual;
   Characterised by: Making a life-changing impact on the individual, and only reaching a limited number of individuals due to the innate limitations to scale.
   The drivers: Saving and significantly improving people’s lives.
   The enabler: Existing (or improved) technologies applied in a new context.
   Examples: Drone delivery services for emergency care in rural and disaster zones. Blockchain solutions issuing emergency care in rural and disaster zones. Blockchain solutions issuing

Perspective: On the Impact factor
Hakan Brunell, Managing Director and Co-founder, Katapult Accelerator

“I find that there are indeed some special traits that are characteristic across impact start-ups. A shared sense of purpose, for solving parts of a grand challenge which is of planetary importance, and of doing so in collaboration with others and in an ethical way. In my experience, this is a ‘superpower’ that should be nurtured in order for impact start-ups to gain an edge and increase their chance of success - and also should get more start-ups to shift towards having an impact focus”
The impact start-ups in the lower quadrants address challenges where it is difficult for them to scale at speed. They might be constrained by the physical limitations of supply chains, or other key assets that are unable to scale exponentially. While still eligible for growing into a sound business, the limited speed of scale will not qualify for venture capital investments. However, social investment funds will typically look for this category.

Though the impact scalers have a broader reach, the life changing start-ups in the lower right corner should not be underestimated; improved technology applied in novel context holds great potentiality to create significant changes.

While we need both impact scalers and life-changing impact start-ups, we need to accommodate for their differences and distinguish between them in order for them to thrive. The Impactability Matrix is intended as a tool to help assess the nature of a start-up, identify the drivers and facilitate measures to help them succeed.

To look at the nature of the Nordic impact start-ups, we have qualitatively assessed each of the impact start-ups in our sample and categorised them according to the framework. Our study shows that around 60% of the Nordic impact start-ups are based on scalable business models - the other 40%, by contrast, will encounter barriers to scaling.

Perspective: On the impact factor
Tove Rådelius, Investment Manager, Norrsken

"Entrepreneurship is all about solving problems and creating value. Social entrepreneurs have historically focused on asking social problems, but often without a focus on financial returns. Impact entrepreneurs are entrepreneurs running businesses where the core operations create a significant, measurable and intentional positive impact on either people or planet, whilst also focusing on value creation, and generating financial returns."

Conclusion
Impact start-ups are often seen as one collective group and lumped into the same pot. Yet in reality impact start-ups differ just as much as 'conventional' start-ups. In order to best accelerate the impact space in the Nordics, investors and the rest of the ecosystem needs to understand and appreciate the differences between impact start-ups.

To contribute to the debate on impact start-ups, we have created The Impactability Matrix with four categories that take into account two key dimensions: scalability and impact.

We need start-ups across these categories, both those that can deliver broad impact and those who can deliver deep impact and change lives in the process. We should distinguish between these different types of start-ups and accommodate for the differences in order for them to thrive. Understanding what drives and enables them and the nature of their reach is the first step.

To really move the needle on impact, we need to collectively identify the start-ups and appoint them with the resources they need to optimise their impact. We can then collaborate with a range of stakeholders to widen the reach of the most promising solutions, delivering impact where it is most needed.
Since the inception of the UN Sustainable Development Goals in 2015, there has been increasing focus on the business opportunities related to solving the world’s biggest challenges. In 2017, the flagship report Better Business, Better World was released by the Business and Sustainable Development Commission (BSCD) quantifying sustainable market opportunities of the US at $12 trillion by 2030.

In April 2019, The Global Impact Investing Network (the GIIN) released a report Sizing the Impact Investing Market that estimated the current size of the global impact investing market to be $502 billion—over 50 times bigger than its 2013 estimate of $9 billion.

We have assessed the Nordic impact start-ups qualitatively according to the Impact Integration Matrix. We found that contrary to popular belief, the majority of Nordic impact start-ups are successfully integrating impact into their business model in a way that enhances their profitability.

Almost 98% of the Nordic impact start-ups integrate impact to enhance their profitability—either by increasing the top-line through a competitive advantage or by increasing the bottom-line by reducing operational costs. Only around 2% integrate impact in a way that increases costs. This distribution might be a consequence of the start-ups having the advantage of designing a novel (production) set-up, instead of being dependent on the legacy of existing production equipment as many SME’s or corporates.

Conclusion
Impact start-ups can integrate impact in their business models in four different ways:
1. Integral
2. Premium
3. Efficiency
4. Conflict

Almost 98% of the Nordic impact start-ups integrate impact to enhance their profitability. Only around 2% integrate impact in a way that increases costs.

In conclusion, both the global trend of accelerating growth opportunities within impact investing and our assessment of Nordic impact start-ups shows that impact is not on the expense of profit.

**Figure 4.1**
Impact Integration Matrix

<table>
<thead>
<tr>
<th>Premium</th>
<th>Integral</th>
<th>Conflict</th>
<th>Efficiency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Impact is achieved in a way that is more costly, e.g., recycling centre that trains and employs ex-convicts [costlier than other staff]</td>
<td>Impact is inherent to the value proposition and product, delivered by meeting customer needs in the market, e.g., electric vehicles or microloans</td>
<td>Impact is achieved by investing in processes that make operations more costly, e.g., recycling centre than trains and employ ex-convicts [costlier than other staff]</td>
<td>Impact is achieved by investing in processes that reduce costs of operating, e.g., clothing company using recycled water or reducing carbon footprint</td>
</tr>
</tbody>
</table>

**Figure 4.2**
Impact Integration Matrix and the distribution of Nordic impact start-ups

<table>
<thead>
<tr>
<th>Integral</th>
<th>Premium</th>
<th>Conflict</th>
<th>Efficiency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Impact is inherent to the value proposition and product, delivered by meeting customer needs in the market, e.g., electric vehicles or microloans</td>
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<td>Impact is achieved by investing in processes that reduce costs of operating, e.g., clothing company using recycled water or reducing carbon footprint</td>
</tr>
</tbody>
</table>

Perspective: On the impact factor
Pelle Pedersen, Chief Impact and Growth, Doland

“Risk is always in the eye of the beholder. An impact startup is still just a startup. They face the same kind of challenges as any other startup, it’s just a different approach and service or product that they’re trying to sell.”

If you believe these companies are more risky and less business driven, then you’ll look at them in that way. You’ll ultimately think you’re taking a bigger risk and then be slower to execute your investments.

We’re still at the beginning here in the Nordics but I think in 3-5 years the perceived risk of investing in these companies will be drastically reduced.”

MYTH #4
Impact requires a trade-off between purpose and profit

False

98% of Nordic impact start-ups integrate impact to improve top and bottom-line.
MYTH #5

Impact start-ups have fundamentally different business models than regular start-ups

FALSE  Impact start-ups’ business models are similar to their conventional counterparts

A start-up’s business model defines how it captures, creates, and delivers financial value. Impact start-ups’ business models additionally define how they capture, create and deliver social or environmental value.

So how do the Nordic impact start-ups business models differ from non-impact start-ups in the real world?

We have mapped the income streams, value creation and target customers of the impact start-ups to explore potential differences.

Income streams of Nordic Impact start-ups

The majority, around 50%, of the Nordic impact start-ups income streams are based on traditional Pay-per-product or Pay-per-service. This is in line with traditional Make-and-sell business models, as well as services/consultancies.

23% of the impact start-ups generate their income through Freemium, Subscription, License and Performance fee or Pay-per-use. Income streams that are typical income streams for tech companies.

Other income streams include the more niche models that we also see in conventional tech, e.g. Transaction fees on marketplaces.

Pay-per-product and Pay-per-service are tied to the quantity or quality of product or service that the customer receives, whereas Transaction fees recurs every time the service is processed.

Value creation of the Nordic Impact start-ups

In addition to the revenue generation models, we were interested in understanding what level of technology the start-ups are using to generate value.

The value creation of the Nordic impact start-ups can be clustered around Low-tech solutions, High-tech solutions and Deep-tech solutions:

- Around 50% of the impact start-ups are based on High-tech solutions. High-tech start-ups work with market-ready solutions at the core of their business, e.g. applications and digital platforms, software, lot and sensors.
- Around 30% of the impact start-ups are based on Deep-tech solutions. Deep-tech, as described by BCG’s 2019 report The Dawn of Deep Tech, ‘novel technologies that offer significant advances over those currently in use’. Deep-tech start-ups work with a range of R&D related solutions such as advanced materials, AI & blockchain, robotics, biotech, photonics and quantum computing.
- Around 20% of the impact start-ups are based on Low-tech or Non-tech solutions, where tech is not at the core of the business model. While Low-tech start-ups have a digital presence, they are predominantly working with ‘offline’ goods such as consultants, programmes and events and alternative consumer goods.

Taking a closer look at specific technologies, we observe three leading applied technologies within high-tech and low-tech. Firstly, we see that 30% of the Nordic impact start-ups are utilising Applications or/and digital platforms, e.g. educational gaming, second-hand marketplaces, health tracker etc. Secondly, we see that around 11% of the Nordic impact start-ups are offering Alternative consumer goods, e.g. sustainably and responsibly produced products, small scale urban farming products, meat-alternatives etc. Thirdly, we see that around 10% of the Nordic impact start-ups working with IoT or sensor solutions; e.g. smart thermostats, automated buildings or predictive maintenance etc. Categories that are fuelled by commoditization of apps, shift in consumer demands towards more sustainable consumer goods and rise in smart cities and smart home services and products.

Perspective: On impact business models

Espen H. Daae, Investment Chief, Ferd Social Entrepreneurs

“We have seen a growing number of impact start-ups mature to the point where they are beginning to resemble regular growth start-ups, delivering their products and services at scale and on commercial terms whilst maintaining an impact objective. At the same time, a number of tech start-ups are adding an impact ambition to their business agenda. It may be useful to think of impact start-ups in the context of those that operate “with impact, for profit” and those that are “for impact, with profit”. The challenges in building a sustainable business are similar, although differing priorities may lead to different moments in scaling. Investors are faced with a wide choice of investing opportunities across the impact continuum, ranging from local to global, environmental to social, broad to deep impact and from human-centric to tech focused. Against this backdrop, the ability to set clear impact objectives and priorities and to measure and manage the impact becomes important, not only for start-ups to succeed but also to find a good match with investors.”

Image

Figure 5.1 Distribution of Nordic impact start-ups income stream

Source: State of Nordic Impact Start-Ups

Figure 5.2 Distribution of Nordic impact start-ups’ applied technology

Source: State of Nordic Impact Start-Ups

Distribution of Nordic impact start-ups income stream

% distribution of 1018 companies

Subscription
Freemium, or Licence
Performance fee, or Pay-per-use
Pay-per-product
Pay-per-service
Unknown/Other income

% distribution of 1018 companies

Startups based on low-tech
Startups based on high-tech
Startups based on deep-tech

Figure 5.1  
Distribution of Nordic impact start-ups income stream  
% distribution of 1018 companies  
Subscription  10%  Freemium, or Licence  56%  Performance fee, or Pay-per-use  18%  Pay-per-product  7%  Pay-per-service  3%  Other income streams  34%  Unknown/Other income  47%  
Source: State of Nordic Impact Start-Ups

Figure 5.2  
Distribution of Nordic impact start-ups’ applied technology  
% distribution of 1018 companies  
Startups based on low-tech  34%  Startups based on high-tech  23%  Startups based on deep-tech  10%  
Source: State of Nordic Impact Start-Ups

10%  56%  18%  7%  3%  47%  34%  23%  10%
Though Deep-tech start-ups represent a smaller amount within the sample, this pool shows positive signs for delivering breakthrough impact. As summarised in The Dawn of Deep Tech, “innovations based on Deep-tech can generate enormous economic value, but their ultimate impact extends far beyond the financial realm.” We see this potential from a number of Deep-tech start-ups, including those in the ‘Deep Tech // Other’ category who are working with innovations such as sustainable nuclear as seen at Seaborg or protein sourcing as seen at Solar Foods which hold a huge potential to drastically change environmental footprints if scaled.

Solar Foods - a Finnish food-tech using biotechnologies to create protein

Solar Foods produces an entirely new kind of nutrient-rich protein using only air and electricity as the main resources. Solar Food collects microbes from the Finnish nature and grows them in fermenters almost identical to the ones used in breweries and wineries. This means that the production does not require arable land or irrigation and is not limited by climate conditions. Instead of causing CO2 emissions, Solar Foods’ bioprocess captures carbon dioxide and uses renewable electricity throughout its production process.

In 2018, Solar Foods started co-operation with the ESA Business Incubation Centre (ESABIC) in Finland by developing food production for a Mars mission.

Wheelys Cafe - a Swedish food-tech using low technologies to switch up the café game

Wheelys is a chain of organic solar-powered bicycle cafés that enables young people to start their own business.

Since launch in 2015, Wheelys has sold over 900 cafés in 75 countries, which means it’s growing faster than any fast food chain. Ever.

Wheelys’ vision is to make it easier for passionate people without money to open their own organic cafés, shops, and restaurants.

Customer segments of Nordic impact start-ups

In line with the applied technologies, the target customers of the Nordic impact start-ups are also diverse. We have found that:

- Around 48% of the Nordic impact start-ups are in the B2B segment
- Around 15% of the Nordic impact start-ups are in the B2C segment
- Around 32% of the Nordic impact start-ups are in the both the B2B and B2C segment
- Around 5% of the Nordic impact start-ups are in the P2P segment

Though there has been much talk about the growing demand for sustainability amongst consumers, around 80% of the Nordic Impact start-ups target B2B segments.

Conclusion

To conclude, the Nordic impact start-ups are just as diverse in terms of value generation, income streams, applied technologies and market focus as their ‘conventional’ counterparts.

Sustainable business models are not one-size-fits-all, but actually in fact contain several categories. Many of them may indeed have more in common with ‘conventional’ start-ups within the same vertical than to each other.

Nordic impact start-ups on the whole are far from technology being laggards, with around 80% integrating tech at the core of their business model and 30% of those working with the realms of deep-tech.

These numbers are furthermore promising when we consider this is in relation to ‘The Impactability Matrix’ and the need for impact at depth and scale.

Perspective: On impact business models

Haakon Brunell, Managing Director and Co-founder, Katapult Accelerator

"Having a business model that is infused with purpose and doing good to others can give a different way of working, that will give a more motivated team, investors and customers to execute, support and receive the results of the business model."

“Having a business model that is infused with purpose and doing good to others can give a different way of working, that will give a more motivated team, investors and customers to execute, support and receive the results of the business model.”
Impact start-up founders lack business experience

The institutionalization of entrepreneurship has created a tendency to follow the recipe of successful start-ups and look for as many ‘ingredients’ as possible when investing in new ventures. Some of the most recognised proxies for success in entrepreneurial ventures are the founder(s)’ educational backgrounds, business acumen and entrepreneurial experience. While some investors believe that the impact start-up ecosystem may be objective for adverse selection, attracting entrepreneurs driven by ideals rather than business, we wanted to set the facts straight and explore: are the impact founders really lacking business acumen?

To answer this, we assessed each start-up’s founder/CEO’s experience in terms of educational background, business experience and entrepreneurial experience. The data were derived manually from LinkedIn and sorted into the aforementioned categories.

Figure 6.1 shows that in total, around 75% of the Nordic impact start-ups founders have a university degree (Bachelor degree or higher) compared to just 35% of the EU-20 population aged 25-54 according to Eurostat and State of European Tech 2019.

We found that around 39% of the Nordic impact start-ups founders/CEOs have a university degree (Bachelor, Master, PhD or MBA) in a business domain, e.g. business, economics, innovation, business development, e-commerce or similar. Another 36% of the pool hold a university degree (Bachelor, Master or PhD) in a technical domain, e.g. in engineering, electrical engineering, physics, or other technical domains. Only 14% are educated in other domains such as education, hospitality, theatre, design or other creative domains.

It is also widely acknowledged that previous experience in business, especially building start-ups, greatly increases the chances of success (Crunchbase).

When we look at our data, we see that 46% of the Nordic impact start-ups founders/CEOs have a work background in a business domain, e.g. business development, sales, start-ups and scaleups, innovation or similar.

Another 23% of the population have a work background in a technical domain or industry, e.g., electrical engineering, physics or similar.

Looking more closely at each start-up, we see that many of the founders with technical/industry backgrounds have transitioned into a start-up within that same field where they can directly use their experience and networks.

We believe that this entrepreneurial experience is a great asset to the Nordic impact ecosystem.

Perspective: Serial entrepreneur on impact

Henrik Isaksen: a Danish serial entrepreneur with a renewed focus on impact

“The move into impact was a business decision. We seized the opportunity to gain a competitive advantage by founding Clever and Greenmobility. We couldn’t have done that without the prior experiences with Sixt.

Though the initial investment might be significant, companies which are addressing the green agenda will have a competitive advantage in the long run. You cannot make a good business out of it by ‘just doing it on the side’.”
The analysis further shows that some founders have been impactful through and through, having studied social entrepreneurship, and/or initiated multiple impact projects and ventures. Others have been focussed on business-as-usual in their educational or work careers, and have later applied these learnings to the impact field.

**Conclusion**

To conclude, the Nordic impact founders/CEOs have significant business experience. Most impressively, 46% of the founders have entrepreneurial experience and almost 46% of the founders have business experience. In total around 75% of the Nordic impact start-up founders have a university degree (Bachelor degree or higher) compared to just 35% of the EU-20 population aged 25-54. Around half of these have an educational background within a business domain and half of them have an educational background within a technical domain. Based on these numbers, we can confidently say that impact founders do not differ much on paper from their 'conventional' counterparts.

According to SDG 5: Gender Equality, women are underrepresented in all levels of political leadership, in C-suite and managerial positions and widely within the global workforce. Similarly, The Start-up Genome Global Start-up Economy Spotlight 2019 found the global average of women tech founders is just 14% and The State of European Tech 2019 found that the European average of women tech founders is 21%. Yet it is rumoured that women founders are more commonplace within the impact space. So, is the ratio of women founders/CEO better in the impact start-up ecosystem?

Figure 7.1

Distribution of women founders/CEOs in the Nordic impact ecosystem % distribution of 1018 companies

<table>
<thead>
<tr>
<th>Gender</th>
<th>Men founders</th>
<th>Women founders</th>
<th>Unknown</th>
</tr>
</thead>
<tbody>
<tr>
<td>Denmark</td>
<td>77%</td>
<td>24%</td>
<td>4%</td>
</tr>
<tr>
<td>Sweden</td>
<td>79%</td>
<td>25%</td>
<td>4%</td>
</tr>
<tr>
<td>Norway</td>
<td>78%</td>
<td>24%</td>
<td>4%</td>
</tr>
<tr>
<td>Finland</td>
<td>78%</td>
<td>24%</td>
<td>4%</td>
</tr>
</tbody>
</table>

By mapping the gender distribution of the founders of Nordic impact start-ups, our study shows that 24% of the founders/CEOs are women. Based on that we see that the Nordic impact start-ups have slightly more women founders or CEOs, that in the average European tech start-ups and significantly more than the global average. This ratio brings the Nordics into the top tier of the start-up ecosystems across the globe which are decreasing the leadership gender gap: Chicago, Mid-east Region, Ireland and New York City (The Start-up Genome Global Start-up Economy Spotlight 2019).

The average ratio of women founders varies very little across the Nordic countries. With 25% women founders, Swedish impact start-ups are marginally ahead of the other Nordic countries and the average for all companies.

In the The State of Nordic Impact Start-ups 2019 we found that 14% of the start-up CEOs were women. The sample size for this year’s report has increased and has been approached with a different methodology. Keeping this in mind, the large increase of percentage points still indicates that diversity is going in the right direction.
As we wanted to take a closer look at what’s driving the increase in women founders, we cross-compared the founder’s gender and the type of technology offered by the start-ups. We found the highest ratios of women founders within start-ups offering Low-tech solutions such as Online Content, Programmes, Events and Consumer Goods. Within start-ups offering High-tech solutions, we found the biggest proportion of women founders to be found within Applications/Digital platforms and SaaS products. The ratio of women founders working within Deep-tech such as artificial intelligence, quantum computing and photonics and electronics is the lowest representation.

Develop Diverse - a Danish software company making diversity the new norm

Develop Diverse is built upon the idea that technology can help businesses build a talented and diverse workforce, thus becoming more sustainable and successful. Develop Diverse is creating several AI-based software tools that enable businesses to recruit the best talents by eliminating bias and leveraging diversity.

Perspective: On diversity of impact teams

Thea Messel, Founder and Managing Partner, Unconventional Ventures

“It comes as no surprise that we see more diverse and underrepresented founders among start-ups who place impact at the core of their business. In our experience, women and minorities tend to be more conscious about what problems they want to solve and why. These are not ‘nice to’ but ‘need to’ solve problems that have a big impact on people and the planet. Problems that have been and continue to be disregarded as legitimate market opportunities by the traditional investment community. Change is coming and luckily more and more investors are waking up. Hopefully more investors will also understand that backing diverse founders is key in order to be a part of the next wave of impact start-ups changing the face of what a successful start-up looks like. The founding team is the starting point”

In conclusion, our findings indicate that the gender diversity in the Nordic impact scene is moving in the right direction and is further ahead than its conventional counterpart. But 24% of women founders is still too low a statistic. It is not only an impact challenge, but also a general societal challenge with no silver bullet solution. A further exploration of the differing needs of men and women founders could be beneficial to decrease the gender gap further.
Within the impact space, impact measurement is one of the hottest topics for debate. Impact measurement is still in its early stages, but initiatives such as the Impact Management Project and The Upright Project are working to build consensus around best practice techniques.

However, we still hear a lot of murmurs from the broader ecosystem that impact cannot be measured and we, therefore, should be wary of impact start-ups as we do not know if they are actually succeeding in making a difference. So what is up and down: Do start-ups quantify their impact, and if yes, how do they do it?

Our study shows that the adoption of impact measurement amongst Nordic impact start-ups is still in its infancy. In Myth 9, we will see that 79% of start-ups align their vision with impact, 39% mention impact performance indicators. Only 20% of the start-ups quantify their impact performance indicators (e.g. “We have saved 36,929,338 meals equivalent to 92,313 tons of saved CO2”) and even fewer benchmark their impact (e.g. “In 2019 we tripled our impact in terms of meals saved”).

The most common impact performance indicator among the Nordic impact start-ups addressing environmental issues is Reduction of CO2 and other greenhouse gases’, with 29% of those measuring their impact in this way.

Amongst start-ups tackling social and humanitarian issues, in general we see far fewer examples of impact performance indicators. Within this pool, ‘No. of Beneficiaries’ is the most common benchmark.

In other cases, Nordic impact start-ups are using non-impact metrics to quantify their progress such as “Cost / Time saved” or “No. of Activities” [i.e. transactions, customers] accomplished that year. In these examples, we can see that some Nordic impact start-ups are using more classic business-as-usual approaches to quantifying their impact by highlighting the cost and time saving elements.

**MYTH #8**

**Impact cannot be measured**

**PARTLY FALSE** Impact measurement is still in its infancy, but 20% of Nordic impact start-ups quantify their impact performance indicators.

Although impact start-ups are designed to deliver impact by nature, it may sometimes be difficult for them to measure the impact created beyond the basic quantification of indicators such as CO2 reduction or number of beneficiaries. Constraints may include lack of financial or personnel resources, difficulties in setting objectives as well as limited access to beneficiary outcomes data or poor data quality. Thankfully, we are seeing the development of robust impact management methodologies, validated benchmark data and capable practitioners who can support start-ups in developing and refining their impact management systems.

Impact measurement is also key to the development of social impact bonds / social outcomes contracting, and a growing number of Nordic start-ups are successfully using impact data in their sales pitches to both public and private customers as well as to investors.”
Kamupak - a Finnish waste-reduction start-up quantifying their impact

Kamupak is enabling consumers to fight the battle against single-use packaging. By offering a digital deposit service for reusable take away packaging, Kamupak is working to replace disposables with a circular solution.

Furthermore, Kamupak provides a detailed breakdown and lifecycle of the environmental impact of their solution, quantifying their impact with regards to the reduction of CO2.

How the start-ups might measure their impact is one element. Another is when and how it is feasible for them to measure their impact. The main purpose [and first priority] for the impact start-ups should be on finding solutions to the big problems and reach the level of scale where they can benefit the lives of many. Conventional start-ups have proven to be able to provide solutions with great speed, by following a journey through the phases of idea to to solution and scaling: all the while seeking validation from customers and the market. Applying that thinking can provide us with some guidance on when and how a start-up needs to understand how impact measurement fits into their journey.

Perspective: On impact measurement

Annu Nieminen, CEO, The Upright Project

“Start-ups should also pay attention to the human capital they employ. What is achieved with those smart and talented brains, programming skills and business degrees? Typically the environmental cost of start-ups is pretty low, especially in the beginning when operations are still small in scale. In order to justify the use of these brains and to cover their opportunity cost, a start-up needs to get something valuable done in their core business. What about measuring, then? All in all, start-ups should not get too stuck on measuring their impact, but rather focus on making it happen. Understanding the big picture of your largest negative and positive impacts is enough. What matters in your core business - your product or service, not as much the “green” or charity efforts around it. As long as the costs and gains of your core business model make sense, and your product or service solves a big enough problem compared to the resources it employs, then you’re fine.”

Conclusion

In conclusion, we can see that impact measurement amongst Nordic impact start-ups is still in its infancy, with only 20% quantifying their performance measurement indicators.

Taking a closer look at these numbers, we see a big difference in maturity. While the measurement of environmental impact is relatively widespread, the measurement of social impact is very limited.

In addition, there is a significant pool of Nordic of impact start-ups who are demonstrating business-as-usual approaches to impact measurement by using more classic measures of ‘Cost / Time Saved’.

Though meaningful impact measurement metrics are important to track on a longer perspective, we advocate that the first priority for the impact start-ups should be on finding solutions to our biggest problems and reaching a scale where they can have widespread impact.

The more we align on a common ground and frameworks which are adjusted to the type of start-up in question, the easier it will be to assess the success and impact of these start-ups.
One could argue that the start-ups instead are speaking the language of their customers, by emphasizing what matters to their specific target group, e.g. reducing costs by reducing energy consumption as we have seen in some cases. However, as many of them apply broad and relatively unspecific claims, it could also be interpreted as a symptom of lack of alignment with the biggest challenges. This interpretation is in line with our finding presented in ‘Myth 2: Nordic impact start-ups are solving the most pressing challenges’.

Although the SDGs have been accepted as a guiding star and common language on a global level, impact as a category has emerged in tandem with this global movement, referring to business solutions that help address the most pressing environmental, social, and economic challenges in line with the SDGs. But how many impact start-ups are actively promoting their alignment with the SDGs externally?

A large majority of Nordic impact start-ups promote their alignment with the SDGs externally. The UN’s 17 SDGs have been accepted as a guiding star and common language on a global level. Impact as a category has emerged in tandem with this global movement, referring to business solutions that help address the most pressing environmental, social, and economic challenges in line with the SDGs. However, as many of them apply broad and relatively unspecific claims, it could also be interpreted as a symptom of lack of alignment with the biggest challenges. This interpretation is in line with our finding presented in ‘Myth 2: Nordic impact start-ups are solving the most pressing challenges’.

The Impact Report: Nordic Investors 2019 found that many impact investors align investments according to the SDG framework. Conversely, this report shows that only few of the Nordic impact start-ups apply the SDG framework as a part of their positioning - bringing up the question of whether impact start-ups and impact investors are speaking different languages?

One could argue that the start-ups instead are speaking the language of their customers, by emphasizing what matters to their specific target group, e.g. reducing costs by reducing energy consumption as we have seen in some cases. However, as many of them apply broad and relatively unspecific claims, it could also be interpreted as a symptom of lack of alignment with the biggest challenges. This interpretation is in line with our finding presented in ‘Myth 2: Nordic impact start-ups are solving the most pressing challenges’.

Whilst many are used to associating impact with certain types of companies, often largely driven by marketing slogans and external positioning, the analysis conducted for this report has revealed something quite different. The analysis has shown that it is often the case that many impactful companies are quietly improving our lives, through their sound product and services, without making much fuss.
The data is just as imperfect as which could be indicate the start-ups friendly, environmental and impact, apply broad and relatively unspecific or social media profiles. Many of them impact terms on their websites and/or social media profiles. However, almost 80% of start-ups promote their alignment with other impact-related terms. While many are used to associating impact to certain types of companies, often largely driven by marketing slogans and external positioning, we found that oftentimes many impactful companies are quietly improving our lives through sound technologies and products without explicitly referring to impact-related terms.

According to The Impact Report: Nordic Investors 2019 investors main concerns around impact investing concerns:
- 6.7% needed more data on past performance of impact investments
- 5.4% needed better sources of information and more transparency
- 5.4% think impact markets have poor liquidity and exit options

But how does this relate to the data insights we have gained in this report? We take a retrospective look at the myths and our key findings to shed some light on the topic:

In Myth 1: The Nordic impact ecosystem is a global leader within impact start-ups, we found that while impact investments are surging, the data on impact start-ups are still in its infancy.

An emerging field like impact start-ups naturally comes with limitations. Notable examples from the past include the Silicon Valley tech scene prior to the commercial growth of the Internet in 1995, and the data on fintech start-ups when Paypal was founded in 1998. Just like we see with impact today, these spaces were new and unknown, with little investor history on winning business models or solid investment theses. However, the upside

Perspective: On the SDGs
Thomas Bisballe, CEO and Co-founder, Impactx

"Most start-ups have a hard time using the SDG’s as north stars - internally and externally because they are so broad and say little about the actual work being done. You end having to re-frame and re-purpose the underlying targets. They don’t deliver a concrete framework for communicating or capturing most impact models.

Start-ups have the luxury - compared to more mature business - of delivering on very specific targets like ‘food waste’ which is hard to contain to one singular SDG. You end up slipping on five SDGs that might be relevant to your purpose (eg. SDG 12 and SDG 1), but it doesn’t really ease the communication of the possible outputs of your business model.

Secondly, from our experience, they clearly resonate more in the Nordics than globally. Their use is not that widespread in populations outside of the Nordics.

Thirdly, most early stage start-up communication is about buy-in from investors. Not a lot of them use the SDG framework, especially in the pre-seed space where there are very few dedicated impact investors using SDGs in their selection process or investment theses.

As for Impactx, we are deliberately moving away from integrating them in our framing and as well as our product. Our users don’t really relate ‘impact’ categories, so we are trying to identify more ‘lifestyle oriented categories which are linked to our specific product and value proposition.”
for investors was substantially bigger for those that entered the scene earlier compared to those who waited.

In ‘Myth 2: Nordic impact start-ups are solving the most pressing challenges’ and ‘Myth 3: Impact start-ups are a special breed of start-ups’ we found that the Nordic impact start-ups differ considerably from each other - in terms of focus as well as impact and scalability. Additionally, we found in ‘Myth 9: Impact start-ups have fundamentally different business models than regular start-ups’ that the business models of Nordic impact start-ups are similar to their ‘conventional’ counterparts.

In summary there are strong indications that impact start-ups differ considerably from each other - and that they often have more in common with non-impact start-ups working within the same vertical, than with others put in the same horizontal ‘impact’ category. Therefore, the best data on impact start-ups could yet to be found within the verticalized data-set of traditional data sources. Is that sufficient?

We do not believe so. We foresee that traditional data sources will make it easier to filter for impact companies - and not just for their financial performance, but for their impact performance as well.

In ‘Myth 6. Impact start-up founders lack business experience’ we saw that the founders of the Nordic impact start-ups hold strong business acumen - either through education, work, or entrepreneurial experiences. While some of the founders have impact profiles through and through, we also see a substantial portion of entrepreneurs with experiences from the non-impact start-up scene, who are now turning their hand at impact ventures. With this foundation of highly experienced founders, we are optimistic for the budding impact scene that we have observed evolving since we published our first report on Nordic impact start-ups Insight report: Impact start-ups 2018.

However, we still believe that the acceleration of the Nordic ecosystem needs further speed through significant stakeholder collaboration if 1) we as a region want to take a stronger position in this space and 2) we want meaningfully to contribute to reaching the UN 2030 Agenda.

This notion is confirmed when we cross compare the distribution of round type for Nordic impact start-ups and all Nordic start-ups. As seen in figure 10.1 the data indicate that there is "overrepresentation" of Nordic impact start-ups in the early rounds and an "underrepresentation" of Nordic Impact startups in the later rounds compared to more traditional startups. Even though data on round type do not reflect it yet, we foresee that over time the boundaries between impact start-ups and non-impact start-ups will begin to dissolve. Many of the Nordic impact start-ups work as systematically as regular tech start-ups do and apply many of the same metrics. As impact investments become more mainstream, the ecosystem will strengthen and the frameworks for measuring impact along a growth curve will become more common. With this maturation, we can expect to see the quality of performance data and information improve.

In conclusion
The insights we have gained in this report have been gathered through publicly available data sources. As with the rest of the ecosystem we have also encountered challenges to access available data. As it stands, the best data is to be found in traditional data sources within verticalized categories. While we expect that the borders between impact start-ups and conventional start-ups will dissolve, we foresee better and more data will become available on the impact start-ups as the ecosystem matures. But instead of sitting back and waiting, we should take action and discuss what we can do to improve available data and accelerate the progress among the relevant stakeholders.
Methodology

APPENDIX

The myths
The myths investigated in this report have been inspired by a number of widely held beliefs that we have seen circulating in the ecosystem since the inception of +impact.

The prevalence of these beliefs has been validated through a series of semi-structured interviews with stakeholders of the ecosystem, alongside new stories and reports within the media. These beliefs have been reframed as myths, which we have sought to either bust or verify.

Each myth has been investigated through a range of insights gathered from data triangulation.

The data
This insight report includes 1018 impact start-ups. This dataset has been sourced from the Hub, +impact and Green Innovation Group throughout January 2020.

Throughout February, March, and April 2020, this dataset has been manually enriched with additional data points from start-ups’ websites, LinkedIn, Tracxn and Crunchbase, as well as through a partnership with Dealroom.

To add a further nuance to the myths explored, we have included acknowledged literature sources in the form of reports, books or articles.

Furthermore, case-studies and quotes from industry leaders have added a qualitative dimension to the issues explored.

Term definition; Impact
We define an impact start-up as ‘a start-up company that addresses one or more of the UN Sustainable Development Goals at the core of its business and has the potential to scale’.

An impact start-up, therefore, is a start-up where the potential for positive societal and environmental impact lies within the core business model. Simply put, if you were to remove ‘impactability’, you would also remove profitability. Though there are more start-ups which have a positive impact on the planet and society, we have only included start-ups which meet this criteria within our dataset. Start-ups where impact is peripheral to the business, i.e. a diversity policy on hiring, have not been included in this report.

A start-up’s identification with “impact”, has not necessarily been a determining factor in its inclusion within the impact dataset.

This means that we have included some companies within the dataset, that do not communicate their impact explicitly, but do offer a business model, product or technology that has a positive environmental or societal impact.

By the same token, even though a start-up may identify as “impact” or “environmental” in their communications, it may still be excluded from the dataset since such claims can be made without the start-up actually delivering environmental or societal impact.

As a consequence, some of the figures in this report are based on smaller samples of start-ups where the data has been attainable.

Within our dataset, we see start-ups working between the parameters of implementation and innovation. Whilst some are providing existing, higher-quality or more efficient solutions to well-known challenges, others are developing novel solutions which will transform industries - and indeed society itself. We see a need for a wide range of start-ups working along this continuum, and therefore do not rank one start-up against another.

Finally, it is necessary to differentiate between actual impact and potential impact within our dataset. In line with last year’s report, we have not measured the actual impact of the start-ups, but have evaluated the potential impact that would be achieved if the start-up is to succeed and grow.

Of course, we cannot yet know if this potential will be fulfilled. As such, The State of Nordic Impact startups 2020 serves both as an insights report and an inspiration piece for how the Nordic impact start-up ecosystem might mature and mobilise in the coming years.

The prevalence of these beliefs have been inspired by a number of widely held beliefs that we have seen circulating in the ecosystem since the inception of +impact.

Furthermore, case-studies and quotes from industry leaders have added a qualitative dimension to the issues explored.

Appendix figure 1
Distribution of Nordic impact start-ups addressing the solutions according to Project Drawdown 2020, Scenario 1 stopping climate change close to 2 degrees of global warming. % distribution of 1018 companies

<table>
<thead>
<tr>
<th>Rank</th>
<th>Project Drawdown Solutions</th>
<th>% of Nordic impact start-ups</th>
<th>Scenario 1 - Gigaton C02 Equivalent reduced, 2020-2050</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Reduced Food Waste</td>
<td>2.7%</td>
<td>87.45</td>
</tr>
<tr>
<td>2</td>
<td>Health and Education</td>
<td>1.0%</td>
<td>85.42</td>
</tr>
<tr>
<td>3</td>
<td>Plant-Rich Diets</td>
<td>2.3%</td>
<td>85.01</td>
</tr>
<tr>
<td>4</td>
<td>Refrigerant Management</td>
<td>0.3%</td>
<td>57.75</td>
</tr>
<tr>
<td>5</td>
<td>Tropical Forest Restoration</td>
<td>0.0%</td>
<td>54.45</td>
</tr>
<tr>
<td>6</td>
<td>Wind Turbines (Onshore/Off-shore)</td>
<td>0.2%</td>
<td>47.21 + 10.44</td>
</tr>
<tr>
<td>7</td>
<td>Alternative Refrigerants</td>
<td>0.3%</td>
<td>43.53</td>
</tr>
<tr>
<td>8</td>
<td>Utility-Scale Solar Photovoltaics</td>
<td>0.7%</td>
<td>42.32</td>
</tr>
<tr>
<td>9</td>
<td>Improved Clean Cookstoves</td>
<td>0.1%</td>
<td>31.34</td>
</tr>
<tr>
<td>10</td>
<td>Distributed Solar Photovoltaics</td>
<td>1.7%</td>
<td>27.98</td>
</tr>
<tr>
<td>11</td>
<td>Silvopasture</td>
<td>0.0%</td>
<td>26.58</td>
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<tr>
<td>12</td>
<td>Peatland Protection and Rewetting</td>
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<td>26.03</td>
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<td>13</td>
<td>Tree Plantations (on Degraded Land)</td>
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<td>Insulation</td>
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<td>Managed Grazing</td>
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<td>LED Lighting</td>
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<td>20</td>
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<td>21</td>
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<td>25</td>
<td>Multistate Agroforestry</td>
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<td>11.30</td>
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<td>26</td>
<td>High-Performance Glass</td>
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<td>10.04</td>
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<td>Methane Digesters</td>
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<td>Indigenous Peoples’ Forest Tenure</td>
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<tr>
<td>30</td>
<td>Bamboo Production</td>
<td>0.0%</td>
<td>8.27</td>
</tr>
</tbody>
</table>
### Appendix figure 1

Distribution of Nordic impact start-ups addressing the solutions according to Project Drawdown 2020, Scenario 1 stopping climate change close to 2 degrees of global warming. % distribution of 1018 companies.

<table>
<thead>
<tr>
<th>Rank</th>
<th>Project Drawdown Solutions</th>
<th>% of Nordic impact start-ups</th>
<th>Scenario 1 - Gigaton CO2 Equivalent reduced, 2020-2050</th>
</tr>
</thead>
<tbody>
<tr>
<td>31</td>
<td>Alternative Cement</td>
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<td>32</td>
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<td>Carpooling</td>
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<td>Public Transit</td>
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<td>Smart Thermostats</td>
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<tr>
<td>36</td>
<td>Building Automation Systems</td>
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<td>6.47</td>
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<td>District Heating</td>
<td>0.1%</td>
<td>6.28</td>
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<tr>
<td>38</td>
<td>Efficient Aviation</td>
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<td>6.27</td>
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<tr>
<td>39</td>
<td>Geothermal Power</td>
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<td>6.19</td>
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<td>Forest Protection</td>
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<td>5.52</td>
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<td>Recycling</td>
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<td>Biogas for Cooking</td>
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<td>High-Efficiency Heat Pumps</td>
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<td>1.44</td>
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<td>High-Speed Rail</td>
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<td>Farm Irrigation Efficiency</td>
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<td>Grid Flexibility</td>
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<td>Microgrids</td>
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<td>0.00</td>
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<td>80</td>
<td>Energy Storage (Distributed /Utility Scale)</td>
<td>0.8%</td>
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</tr>
<tr>
<td></td>
<td>Total percentage of Nordic impact start-ups</td>
<td>23%</td>
<td></td>
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We will continue to support impact start-ups

We believe that the Nordic countries show potential to become a global epicentre for impact start-ups. However, in order to make this dream a reality, we must continue to support the scaling of impact start-ups, help build capabilities, and connect impact start-ups with new business partners. At Danske Bank we will continue to support the development and share the facts and insights that can help us build a strong community around the impact start-ups.