



# UK VC & FEMALE FOUNDERS

A report by the British Business Bank  
In collaboration with Diversity VC & BVCA  
With data provided by PitchBook & UK VC firms



DIVERSITY VC

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# FOREWORD

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**IN THE UK, IT HAS NEVER BEEN EASIER FOR A BUDDING ENTREPRENEUR TO START A BUSINESS. GROWING THESE IDEAS INTO TOMORROW'S GLOBAL WINNERS TAKES INVESTMENT, AND THE UK IS A LEADING GLOBAL CENTRE FOR VENTURE CAPITAL.**

But, as this report demonstrates, not everyone is able to make the most of this opportunity: of the £5.6bn of venture capital invested in 2017 in the UK, 89% went to all-male founder teams.

This means Britain is missing out on a huge pool of talent.

To supercharge our economy, we need to do more to pull down the barriers that are stopping women accessing finance. There are millions of women there with the energy and ideas to drive us all forward.

The venture capital industry recognises this, and their ambition to respond to the challenge is encouraging.

When we meet young women in schools around the country, we see aspirational, motivated and hardworking people driven to succeed. We need to make sure that nothing stands in their way, whether that is institutional barriers or a risk-averse culture.

This government is committed to making the UK the best place to start and grow a business. There are millions of women out there who want to contribute even more. Our challenge is to back them and their potential.



**LIZ TRUSS -  
HM TREASURY  
CHIEF SECRETARY TO  
THE TREASURY**



**ROBERT JENRICK -  
HM TREASURY  
EXCHEQUER SECRETARY  
TO THE TREASURY**

I am a strong believer in the power of diverse teams to create more rounded, empathetic and impactful companies and leaders. Ten years ago, not only was it hugely uncommon for women to be founding businesses with VC but this subject of diversity - or lack thereof - just wasn't a conversation people were having. While we're still a long way off any real sort of equilibrium, this report does highlight that things are starting to change, if slowly.

**RESHMA SOHONI - SEEDCAMP  
CO-FOUNDER & MANAGING  
PARTNER**

Diversity means inclusion. Diversity is enriched. Diversity can scale. Research and data show us that diverse teams have a greater perspective, make better decisions and perform better. It makes me wonder what impact has been lost over time due to lack of diversity in the ecosystem? There is a lot more progress needed. The future of our industry can no longer come at the expense of equal opportunity; let's get to work.

**NIKLAS ZENNSTRÖM - ATOMIC  
FOUNDING PARTNER & CEO**

Diversity initiatives need to make meaningful social change, especially for people from disadvantaged backgrounds. I sincerely hope that, in addition to facilitating well-meaning discussion, this report leads to meaningful action and sustained engagement. Given the parties involved, and the commitment shown here, I am confident that this hope will not be in vain.

**GARY STEWART - WAYRA  
DIRECTOR**

# FROM THE BRITISH BUSINESS BANK

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## **THE BRITISH BUSINESS BANK EXISTS TO LOWER THE FINANCIAL BARRIERS THAT HOLD ENTREPRENEURS BACK FROM ACHIEVING THEIR AMBITIONS.**

That's a big task - and although the Bank can act variously as centre of expertise, a clearing house for information or as a coordinator, it can only really address the most difficult problems by working alongside others.

That's why we conducted this research in partnership with Diversity VC, BVCA and the UK VC industry. Our joint creation of new data that highlights both the lack of VC funding going to women, and the reasons why it happens, could only have been achieved through collaboration. On the back of this data, we have proposed next steps for VCs as well as specific actions that the British Business Bank will take.

Experience tells us that seemingly simple solutions are attractive but flawed: mandating female decision-makers risks tokenism; earmarking 'women only' money does not address underlying closed networks and experience gaps. More seriously, both approaches ignore the fact that women are not the only people under-represented in VC firms and their investments.

We need new approaches to addressing these issues and this report is just a first step. Working together, we achieve so much more but we must all be open and commit. I hope that you agree.



**ALICE HU WAGNER -  
BRITISH BUSINESS BANK  
MD STRATEGY & MARKETS**

# FROM OUR COLLABORATORS

**WE ARE PLEASED TO BE A PARTNER IN THIS PIONEERING STUDY, THE FIRST TIME THAT VENTURE CAPITAL PIPELINES IN THE UK HAVE BEEN ANALYSED IN THIS WAY.**

It is shocking that 24% of firms did not see a single female founder at investment committee in 2017, and this needs to be urgently addressed. Similarly, just 4% of founding teams seen by VCs were all-female. This is disappointing, and demonstrates that we have a long way to go until the industry is a place where anyone from any background can thrive and succeed.

However, we also see that many venture funds are aware of the challenges, and a significant number have taken the step of opening up their pipeline data. The combined insight of these 45 firms will help the industry tackle issues of diversity and inclusion, and it demonstrates a clear commitment to change.

At Diversity VC, we all understand the challenges the industry faces from the inside, as we are all currently partners or employees of venture funds. In addition to publishing data, we are focussed on promoting tactical and longer-term action on the issues of representation in the sector. I would personally like to thank the UK venture firms that have supported Diversity VC, as well as our volunteers and partners.

It has been a pleasure to work with the British Business Bank and the BVCA, and we look forward to seeing this project translate into action and results.



**FRANCESCA WARNER -  
DIVERSITY VC  
CEO**

**THE BVCA IS DELIGHTED TO SUPPORT THIS RESEARCH INTO THE PARTICIPATION OF FEMALE FOUNDERS IN UK VENTURE CAPITAL. IT IS AN IMPORTANT PIECE OF WORK WHICH PROVIDES NEW INSIGHT INTO AN ISSUE OUR INDUSTRY IS INCREASINGLY GRAPPLING WITH.**

The findings are sobering but we are heartened that so many in the UK VC community chose to participate.

I and others have long observed a lack of diversity in our pipelines of investment opportunities. This report confirms and quantifies that, but it also shows that issues go further. They are also broader: this research focusses on women, but others are also not well represented.

Issues of diversity and inclusion are nuanced and complex. They will not be addressed by simple practical solutions alone. The industry needs to deepen its understanding of the external factors behind these results, as well as looking at ourselves within our own firms.

The BVCA is committed to using our resources and our position as a trade body to encourage discussion of all aspects of the inclusion challenges the industry faces. We will publish research and thought leadership on the subject and take steps to encourage an increase in access to the industry for all.

We would like to thank the team at the British Business Bank and at Diversity VC for their commitment to this important topic.



**CALUM PATERSON -  
BVCA  
CHAIRMAN**

# EXECUTIVE SUMMARY

## **IN 2017, £5.6BN OF VENTURE CAPITAL WAS INVESTED INTO UK BUSINESSES.<sup>1</sup>**

VC is an influential industry and VC-backed businesses have a high profile. They are viewed as the leading edge, and as such it matters who is part of the industry.

## **DIVERSITY VC HAVE SHOWN THAT UK VC FIRMS HAVE FEW FEMALE DECISION-MAKERS.**

Only 13% of senior people on UK VC investment teams are women.<sup>2</sup> 48% of investment teams have no women at all.

## **THIS REPORT LOOKS AT THE OTHER SIDE OF THE EQUATION: REPRESENTATION OF WOMEN IN THE BUSINESSES THAT VC FIRMS INVEST IN.**

To get the clearest answer we have combined two approaches: studying pre-existing public deal data (from PitchBook), and building a new dataset with individual VCs on founder gender in their deal pipelines – from first contact to investment.

## **LAST YEAR, 83% OF UK VC DEALS INVOLVED FOUNDING TEAMS WITH NO WOMEN.**

PitchBook data shows that the vast majority of UK VC investments are made into all-male teams. In 2017, all-female teams constituted just 4% of deals and mixed gender teams made up only 12%.

## **FOR EVERY £1 OF VC INVESTMENT IN THE UK, ALL-FEMALE FOUNDER TEAMS GET LESS THAN 1P.**

All-male founder teams get 89p. Mixed gender teams get the remaining 10p.

## **THE PROPORTION OF DEALS IN ALL-FEMALE AND MIXED GENDER TEAMS IS RISING, BUT VERY SLOWLY.**

In the decade since 2007, deals in all-female teams have risen only 2 percentage points. For mixed gender teams the rise was 5 percentage points.

## **FOUNDING TEAMS WITH AT LEAST ONE WOMAN APPEAR LESS LIKELY TO GET FOLLOW-ON FUNDING.**

Of all teams that got a seed / series A round in 2010-12, 53% of teams with at least one woman got a second round of funding compared to 61% for all-male teams. This difference persists in each subsequent round.

## **WHY DON'T VCS INVEST MORE IN TEAMS WHICH HAVE FEMALE FOUNDERS?**

To answer this question, one must look at three parts of the investment funnel:

- Women's prevalence in industries and firms;
- Women's interaction with VC firms' networks;
- Potential bias in investment decision-making.

## **THE LOW NUMBER OF WOMEN IN INDUSTRIES SUCH AS SOFTWARE IS ONE REASON FOR THEIR LOW REPRESENTATION IN VC DEALS.**

In industries where there are few women, one would expect fewer VC investments into female founders. For example, software attracts the most VC deals but only 26% of employees in digital industries are women.<sup>3</sup> A similar dynamic applies to seniority within companies, where only 35% of all managerial positions are held by women.<sup>4</sup>

It's clear these effects could 'cap' the number of businesses founded by women that are available for VC firms to invest in. What's not clear is if, once a woman starts a high potential business, they are then equally able to make effective contact with a VC and secure funding.

## **TO MAKE CONTACT WITH FOUNDERS, VCS USE THEIR PERSONAL AND PROFESSIONAL NETWORKS, BUT THESE ARE OPAQUE.**

Investors, bankers, angels, entrepreneurs and others are major sources of introductions and advice for VCs. If female founders are not well connected to these networks or are unable to traverse them successfully, then fewer will be able to reach a VC.

## **TO DECIDE WHETHER TO INVEST, VCS FOCUS ON THE FOUNDERS THEMSELVES BECAUSE OF THE EARLY STAGE OF THE BUSINESS AND THE SCARCITY OF DATA.**

At the early stages where VC firms make their initial investments, there is little rigorous, objective information available. Assessing the founding team is therefore vital, particularly because the investment is hopefully the beginning of a long and close working relationship. However, this creates the possibility that unconscious bias may affect decision-making at this critical point; because male entrepreneurs are in the majority, women may seem to be 'atypical' or 'riskier' by comparison.

## **TO DISCERN THE IMPACTS OF NETWORKS AND POTENTIAL BIAS ON OUTCOMES, WE NEEDED TO EXAMINE VC PIPELINES.**

The British Business Bank, together with Diversity VC and BVCA, asked UK VCs to voluntarily create and contribute to a new dataset: the gender make-up of the teams that make contact with VCs, of those who progress to investment committee (IC) and, once there, of those who get funding. In total 45 firms assessed 4000+ pitchdecks\* and 900+ IC decisions.\*\*

## **THE NEW DATASET SHOWS THAT 75% OF PITCHDECKS WHICH REACH A VC ARE FROM FOUNDING TEAMS WITH NO WOMEN.**

5% are all-female teams and the remaining 20% are mixed gender teams. Overall, there are very few women that reach VCs.

## **ON NETWORKS: THE DATA SHOWS CLEARLY THAT APPROACHING A VC THROUGH THEIR NETWORK IS OF VITAL IMPORTANCE.**

Teams connect with VCs in three ways: they can be recommended to a VC by someone in the VC's network (warm introduction), submit their pitchdeck to a VC having had no prior contact (cold submission) or meet the VC when the VC proactively attends an event or similar (outbound).

Warm introductions are 13 times more likely to reach IC and be funded than cold submissions.

## **ALL-FEMALE TEAMS ARE SOMEWHAT LESS LIKELY TO HAVE A WARM INTRODUCTION THAN ALL-MALE TEAMS.**

36% of all-female teams have a warm introduction, compared to 40% for mixed gender and 42% for all-male teams. The inverse pattern is seen for cold submissions. Outbound contacts show little variation by gender.

## **THIS SUGGESTS VC NETWORKS MAY WORK LESS WELL FOR TEAMS WITH FEMALE FOUNDERS.**

Women appear to make up a lower proportion of the founders who reach VCs than women's overall representation in key industries (e.g. digital industries). They are also less likely to have a warm introduction.

This indicates that barriers exist, on top of the effects of low representation within the industries VCs favour. The lower likelihood of having a warm introduction suggests that one of these factors is networks.

## **ON BIAS: THE DATA SHOWS MINOR SIGNS OF POTENTIAL BIAS AGAINST ALL-FEMALE TEAMS.**

The proportion of all-female teams which approach a VC is approximately the same as the proportion which are funded at IC (5% and 4%). However, a warm introduction appears to benefit all-female teams less than one benefits all-male teams.

## **HOWEVER, THERE ARE SIGNS THAT BIAS AGAINST MIXED GENDER TEAMS IS MORE SIGNIFICANT.**

Mixed gender teams drop from 20% of pitchdecks to 15% of funded IC decisions. In addition, those with a warm introduction benefit much less from it than all-male teams do.

**IN 2017, 61% OF VCS IN THE SAMPLE DIDN'T SEE ANY ALL-FEMALE TEAMS AT IC AND 24% SAW NO WOMEN AT ALL AT IC.**

Female representation in VC is higher than it was a decade ago, but women are still rare, potentially allowing the feeling to persist that all-male teams are the 'default' and women are 'atypical' and therefore 'riskier' – an unconscious bias.

**INCREASING DIVERSITY AND INCLUSION IN VC REQUIRES INDUSTRY- AND FIRM-LEVEL EFFORTS WHICH ARE BOTH INFORMED AND SUSTAINED.**

Issues of diversity and inclusion are complex, interdependent and important, and in VC, they speak to two of the industry's core practices: networking and decision-making. For these reasons, lack of diversity cannot be 'solved' quickly or simply.

However, there are steps that firms can take, individually and working together.

**STEPS FIRMS CAN TAKE TO INCREASE DIVERSITY AND INCLUSION IN UK VC:**

1. Commit yourselves and your firm to improving founder diversity and inclusion;
2. Collect and analyse diversity and inclusion data on founders and share your findings;

3. Connect with other firms and bodies and help drive the agenda;
4. Develop steps to increase diversity for your firm and track their impact.

**THE BRITISH BUSINESS BANK AND BRITISH PATIENT CAPITAL COMMIT TO SUPPORTING THE VC INDUSTRY IN A NUMBER OF WAYS, INCLUDING BY:**

- Directing the £2.5bn British Patient Capital to be a 'Catalyst and Champion' for UK VC by leading on diversity and inclusion and other market-wide issues;
- Investing in new fund managers with approaches and networks outside the norm;
- Publishing research on diversity (including ethnicity) in the UK entrepreneur population by the end of 2020;
- Publishing research on progress made by the industry on this report's actions by the end of 2020;
- Serving as an independent 'clearing house' for VCs to share their data and initiatives;
- Continuing to work with Diversity VC and BVCA, providing support for each other's efforts.

A lot of VC is about speed and sometimes we get wrapped up in that. But getting diversity right is not a quick fix, we need to change for the long haul.

**SIMON COOK - DRAPER ESPRIT  
CEO**

VCS are highly innovative and entrepreneurial organisations and there is an increasing commitment to address the complex issues of diversity and inclusion. We need to work together and learn from each other to make progress.

**DAVID MOTT - OXFORD  
CAPITAL PARTNERS  
FOUNDER PARTNER**

What has been known by the minority for a long time has now been irrevocably proven to the majority; diversity is as core to growing a successful business as having the right strategy. The investor community needs to work hard to ensure unconscious bias is eradicated from the decision-making process and a big step forward in this will be changing the mix of leadership within VCs. To have only 13% of VC partners being female is astonishing in 2018; VCs have an obligation to take action and not just provide lip service to this topic. Change will drive change.

**REBECCA HUNT - OCTOPUS VENTURES  
INVESTMENT MANAGER**

The technology industry has a long way to go in terms of diversity on just about every front. The good news is that there are huge economic and societal benefits to fixing this gap and work like this British Business Bank, Diversity VC and BVCA project to measure the scale of the challenge is one more positive signal that many in the industry are seriously committed to change. The insights that studies like this offer us will enable us all to think systematically about the part each of us has to play in effecting the changes we need to see.

**SURANGA CHANDRATILLAKE -  
BALDERTON CAPITAL  
PARTNER**

Research abounds that identifies a link between diverse teams and financial performance. When you couple this with the tendency of the millennial generation to prioritise culture and innovation in their career decision-making, plus examples of major LPs incorporating manager diversity within their investment allocation decisions, then you have evidence building for VCs to pay attention, and for LPs to recognise the influence they can have on advancing diversity.

**HELEN STEERS - PANTHEON  
PARTNER**

There is growing consensus that diversity is a critical success factor for high performing teams. As a leading LP in UK VC, if we aren't actively promoting the necessity for diverse teams with the GPs we back, then we are failing in our mission to spread best practice and, importantly, missing out on better financial performance. The in-built caution of LPs as institutions means that changes in our focus are gradual but when they occur they tend to be permanent. For diversity and inclusion, it's clear such a change in focus has happened - we now need GPs to help us deliver.

**CATHERINE LEWIS LA TORRE - BRITISH PATIENT  
CAPITAL & BRITISH BUSINESS INVESTMENTS  
CEO**

# MARKET VIEW

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DATA PROVIDED BY PITCHBOOK

# FINDINGS

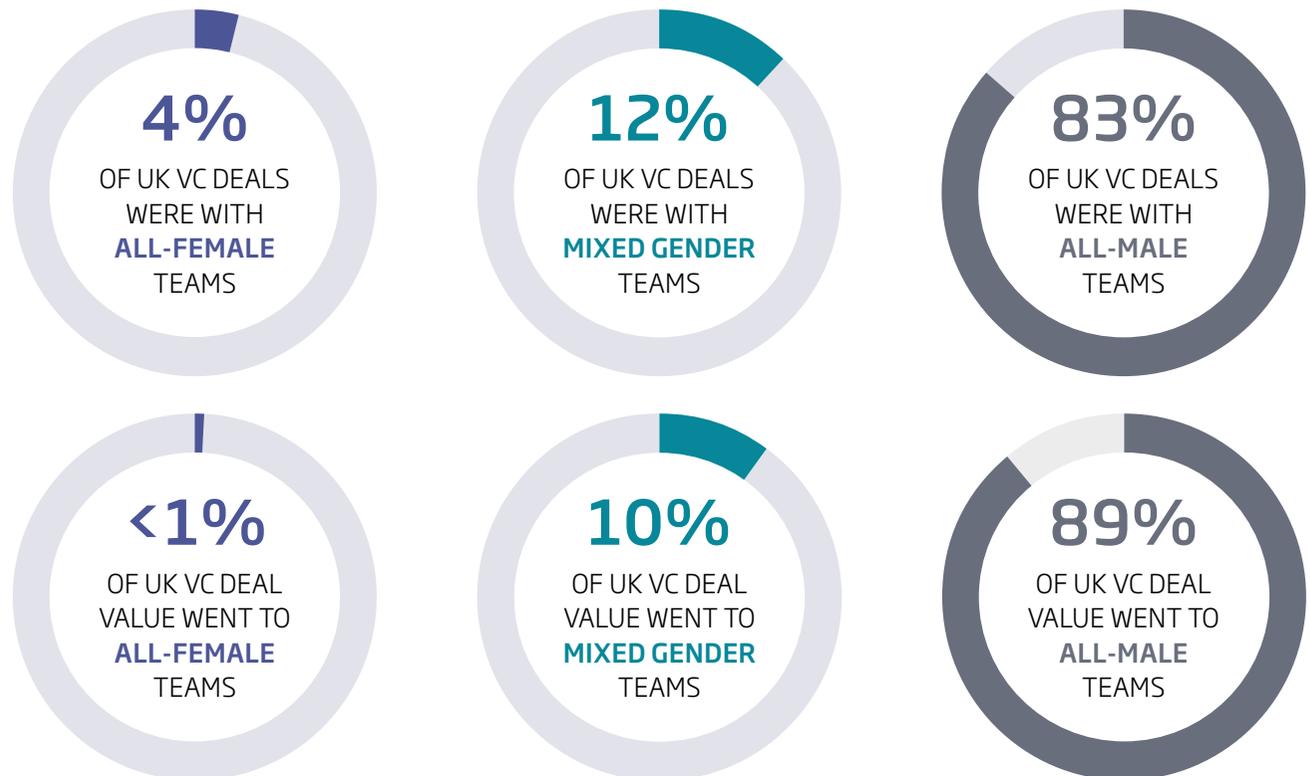
## THE VAST MAJORITY OF UK VC DEALS GO TO BUSINESSES WITH NO WOMEN ON THE FOUNDING TEAM.

All-female teams received 4% of all UK VC deals in 2017, less than 1% by value. Mixed gender teams received 12% of deals, 10% by value.

Taken together, this means 17% of all UK VC deals in 2017 (11% by value) went to businesses with at least one female founder.

These figures are similar to those in the US. 17% of all deals went to businesses with at least one female founder, in 2016.<sup>5</sup> 4% of all deals (2% by value) went to all-female teams, in 2017.

## UK VC DEAL NUMBER AND VALUE BY FOUNDER TEAM GENDER (2017)



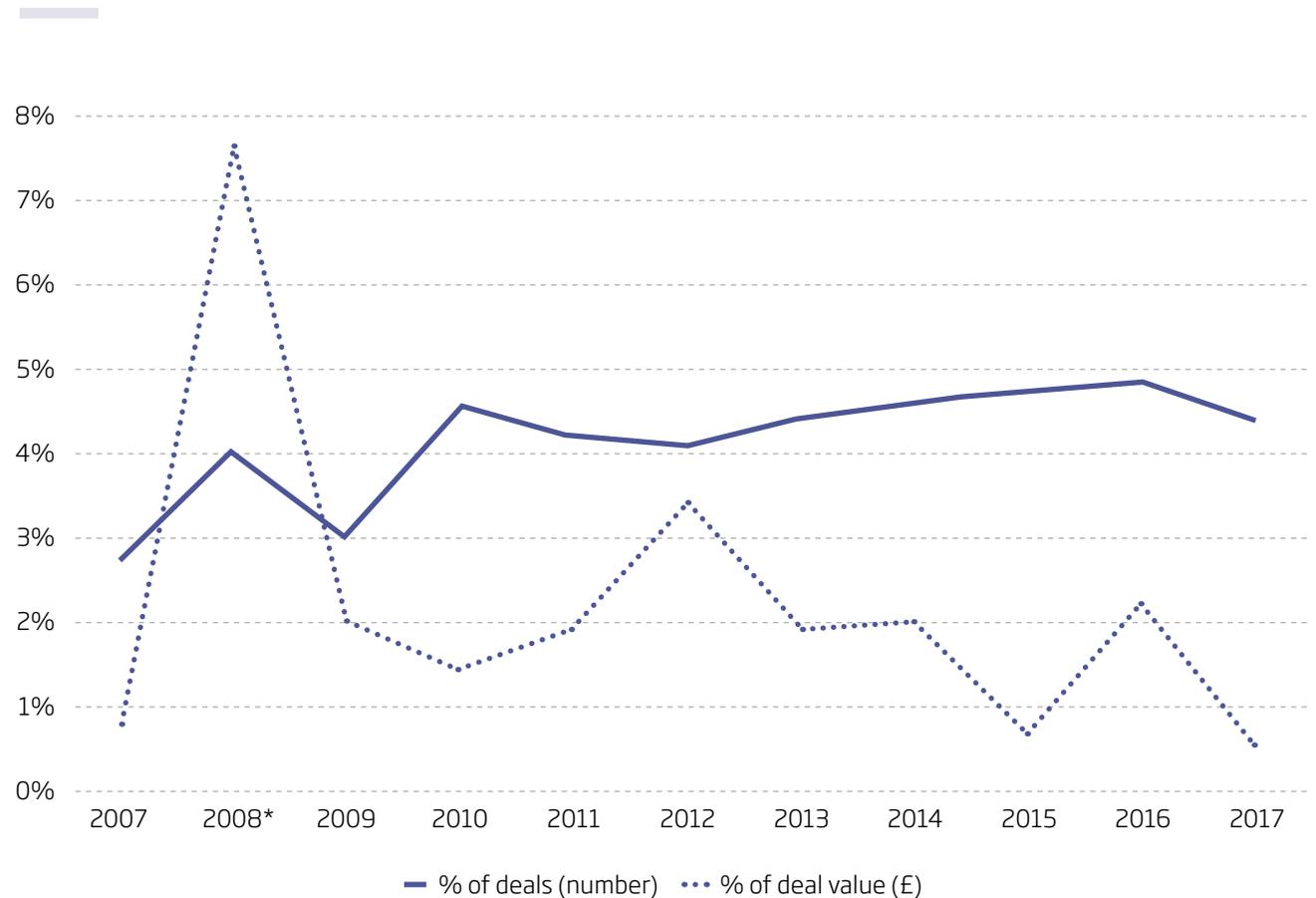
**THE PROPORTION OF DEALS IN ALL-FEMALE FOUNDING TEAMS IS INCREASING SLOWLY, BUT REMAINS VERY LOW.**

UK VC deals in all-female founding teams have increased from 7 in 2007 to 39 in 2017.

However, as a proportion of all deals, progress is very slow. Over the past decade the increase from 2.7% to 4.4% amounts to 0.2 percentage points per year. At this rate even reaching 10% of all deals would take until 2045.

On investment value, despite investment into all-female teams increasing from £5m in 2007 to £32m in 2017, this is declining as a proportion of overall investment.

% OF UK VC DEALS AND INVESTMENT GOING TO **ALL-FEMALE** FOUNDER TEAMS (2007-17)



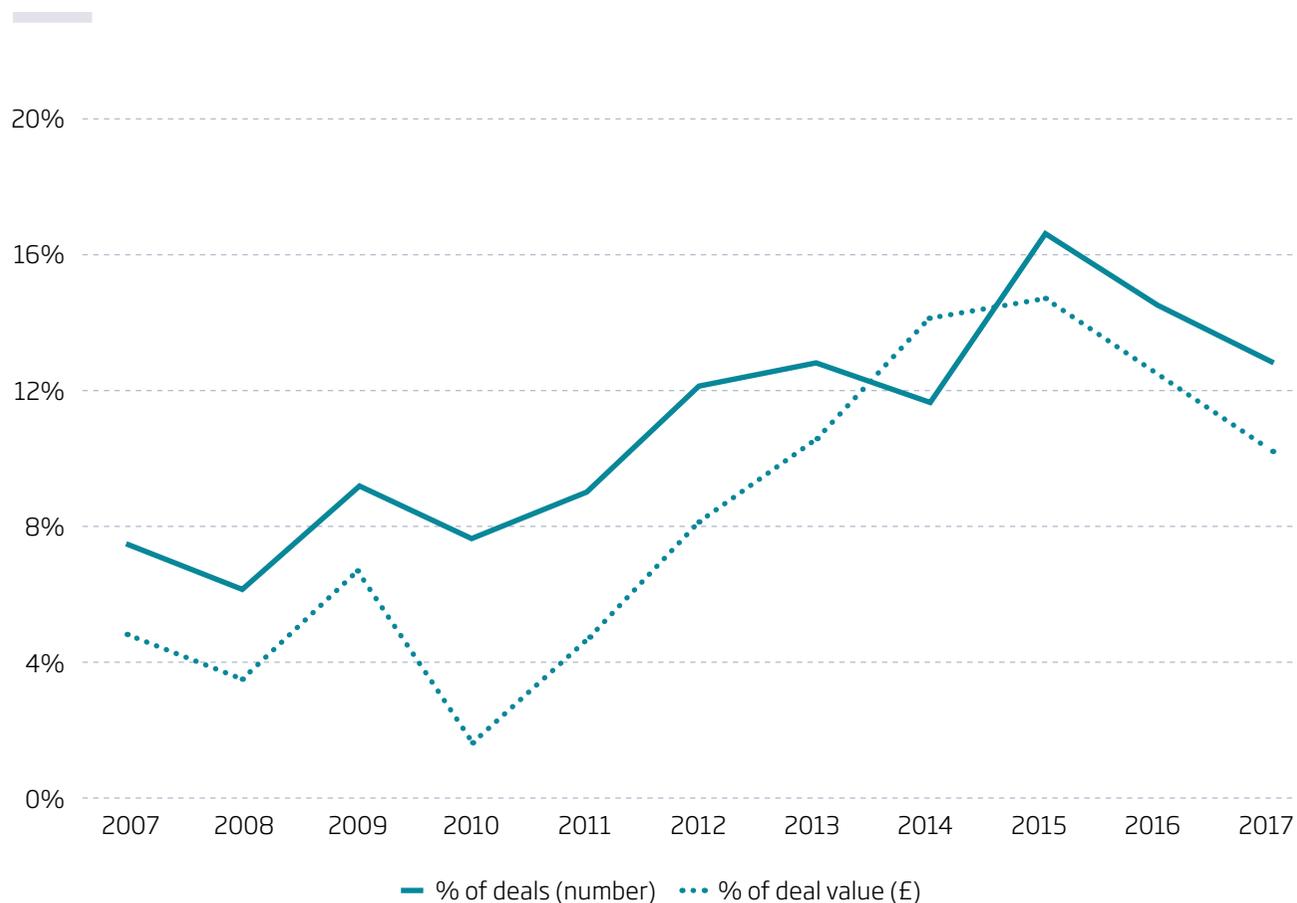
**WHEN LOOKING AT MIXED GENDER FOUNDING TEAMS, THE PROPORTIONS ARE HIGHER, BUT STILL LOW.**

The proportion of UK VC deals going to mixed gender founding teams increased from 7% to 13% between 2007 and 2017.

On investment value, the proportion is rising approximately in line with the number of deals. It reached 10% in 2017.

This is still low. For example, 49% of SME employers had a mixed gender leadership team, with 19% having a female majority.<sup>6</sup>

% OF UK VC DEALS AND INVESTMENT GOING TO **MIXED GENDER** FOUNDER TEAMS (2007-17)



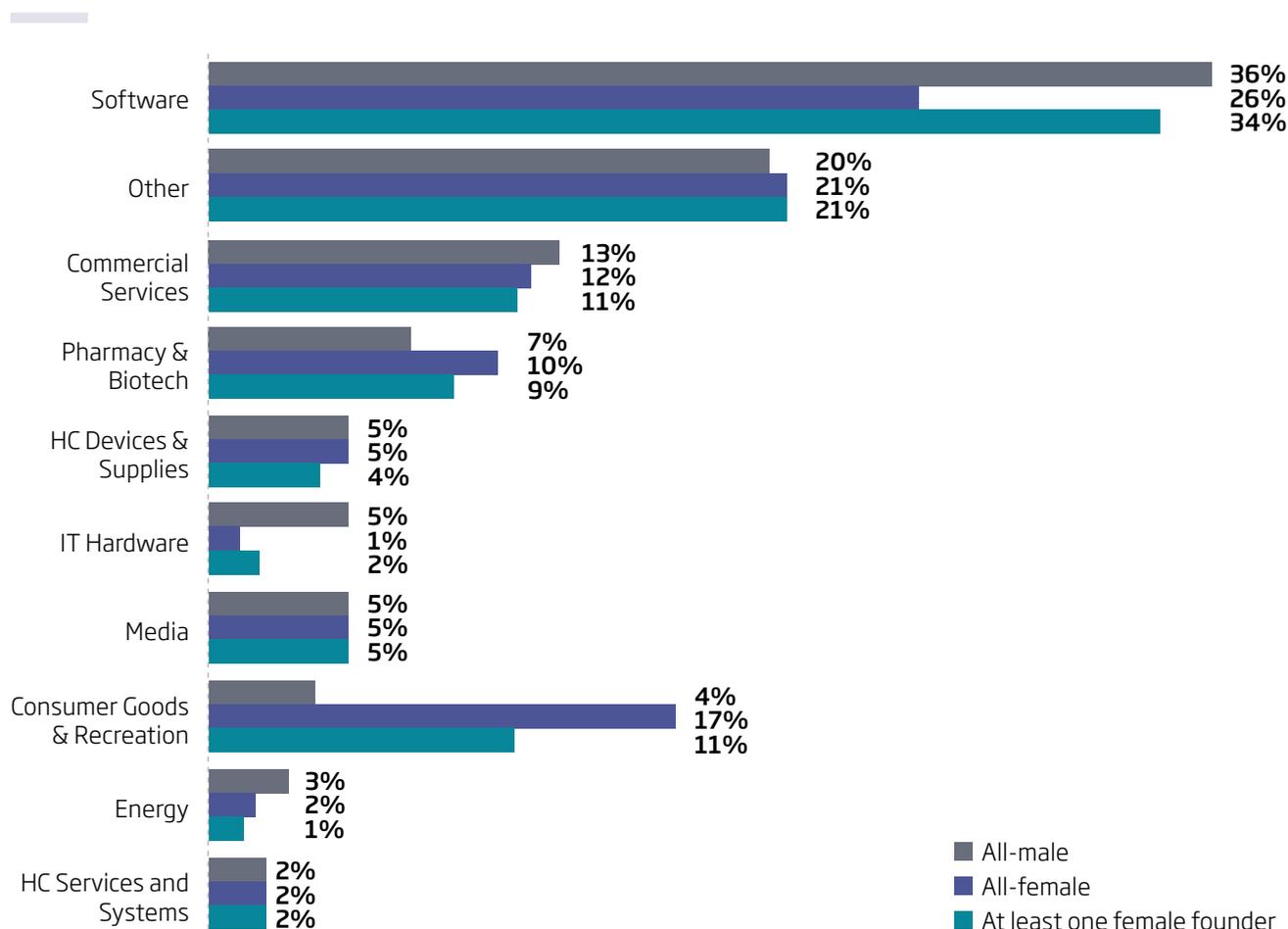
**SOFTWARE GETS THE GREATEST NUMBER OF UK VC DEALS, BUT ALL-FEMALE TEAMS ARE UNDER-REPRESENTED IN THE INDUSTRY.**

The distribution of deals by founder gender is broadly similar across industries, but with two main differences.

Software accounts for 36% of deals for all-male teams, and 34% for teams with at least one female founder. The proportion for all-female teams is much lower at 26%. This is unsurprising given that women account for only 26% of digital industry employees<sup>3</sup> and just 19% of tertiary graduates in ICT fields.<sup>7</sup>

In Consumer Goods and Recreation, the reverse is true. The industry accounts for 17% of all-female teams' deals, and 11% for teams with at least one female founder. This compares to just 4% for all-male teams.

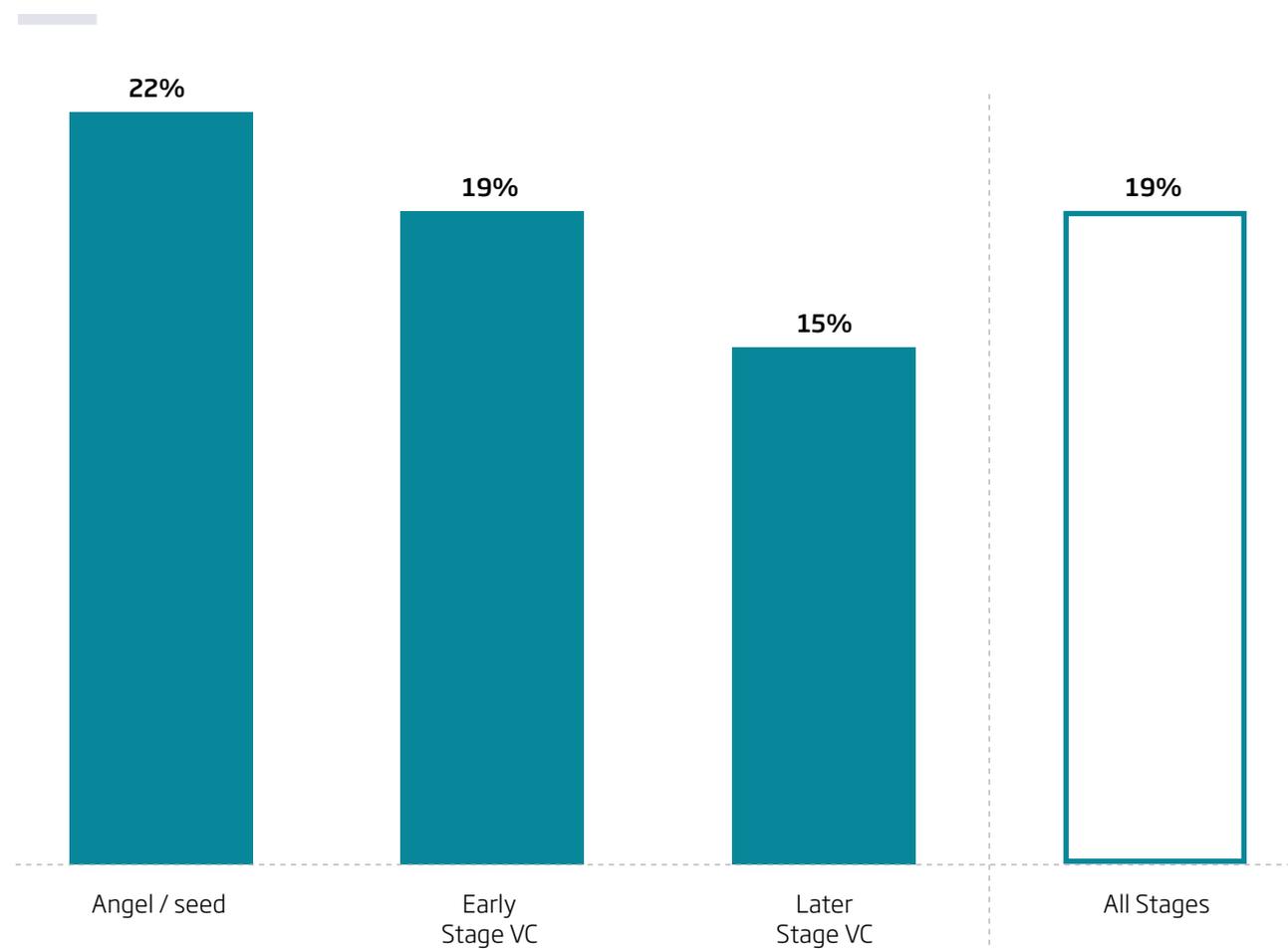
INDUSTRY DISTRIBUTION OF UK VC DEALS BY FOUNDER TEAM GENDER (2007-18\*)



**BUSINESSES WITH AT LEAST ONE FEMALE FOUNDER MAKE UP A HIGHER PERCENTAGE OF EARLY STAGE DEALS COMPARED TO LATER STAGE DEALS.**

22% of angel / seed stage deals between 2015 and 2017 went into businesses with at least one female founder, compared to 15% of later stage deals.

% OF DEALS IN TEAMS WITH **AT LEAST ONE FEMALE FOUNDER**, BY STAGE (2015-17)



**BUSINESSES WITH AT LEAST ONE FEMALE FOUNDER ARE LESS LIKELY THAN ALL-MALE FOUNDED BUSINESSES TO RECEIVE FOLLOW-ON FUNDING BUT MORE LIKELY TO HAVE EXITED.**

Of businesses receiving seed / series A funding in 2010-12:

- 53% of businesses with at least one female founder received a second funding round;
- 61% of businesses with all-male founders received a second funding round.

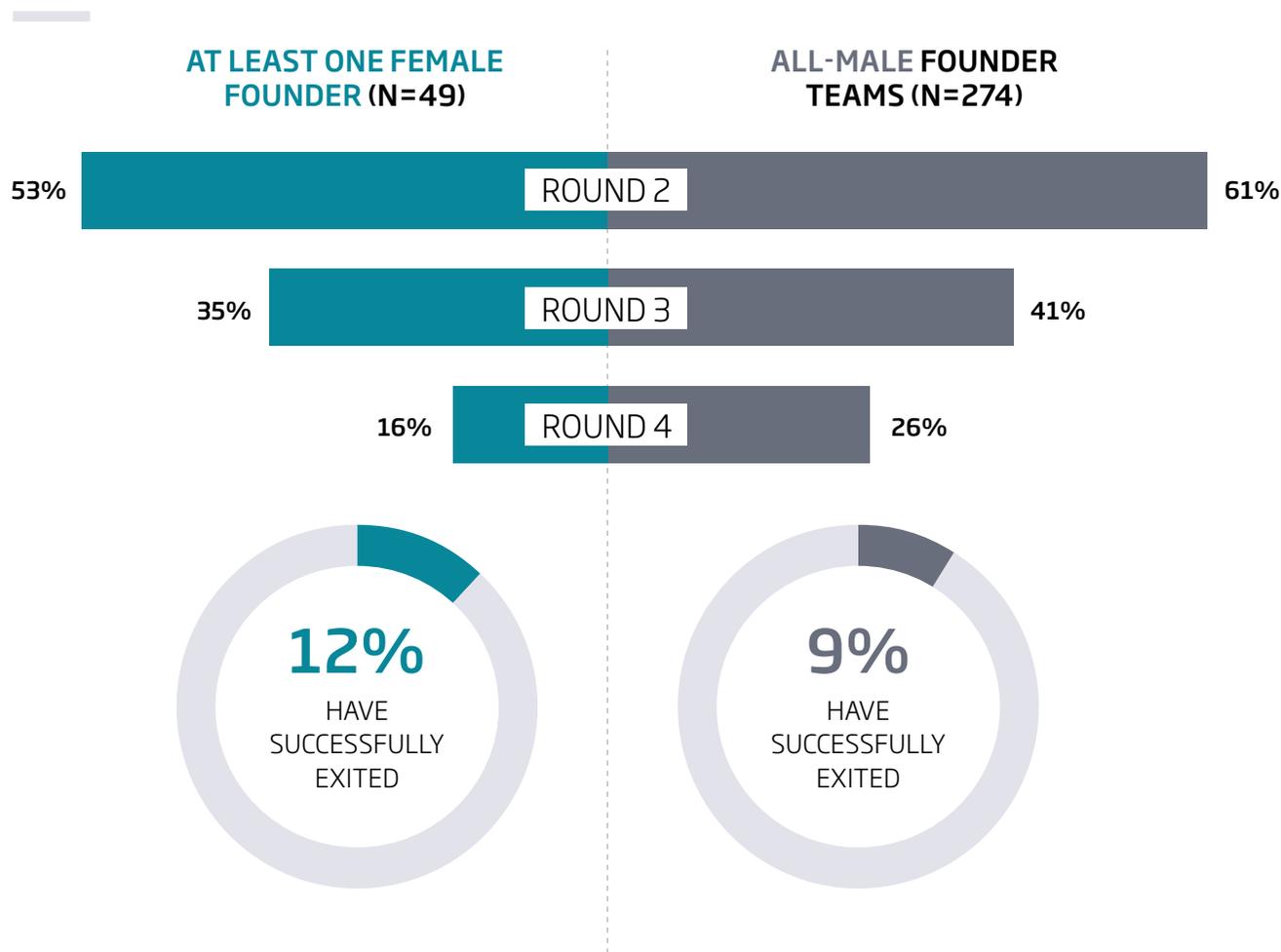
The effect persists in subsequent funding rounds.

For the same cohort of businesses:

- 12% of the businesses with at least one female founder have successfully exited (as of April 2018);
- This compares to 9% of all-male founded businesses.

Industry differences could explain the variation in follow-on funding and exit rates (e.g. businesses with female founders may be more likely to be in industries which require fewer funding rounds or exit earlier).

% OF BUSINESSES FUNDED AT SEED / SERIES A IN 2010-12 THAT RECEIVED FOLLOW-ON FUNDING, BY ROUND



# PIPELINE VIEW

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DATA PROVIDED BY THE UK VC INDUSTRY

# SAMPLE OF VC FIRMS

## THE BRITISH BUSINESS BANK, DIVERSITY VC AND BVCA WORKED WITH THE UK VC INDUSTRY TO CREATE THE FIRST PICTURE OF GENDER DIVERSITY INSIDE VC INVESTMENT PIPELINES.

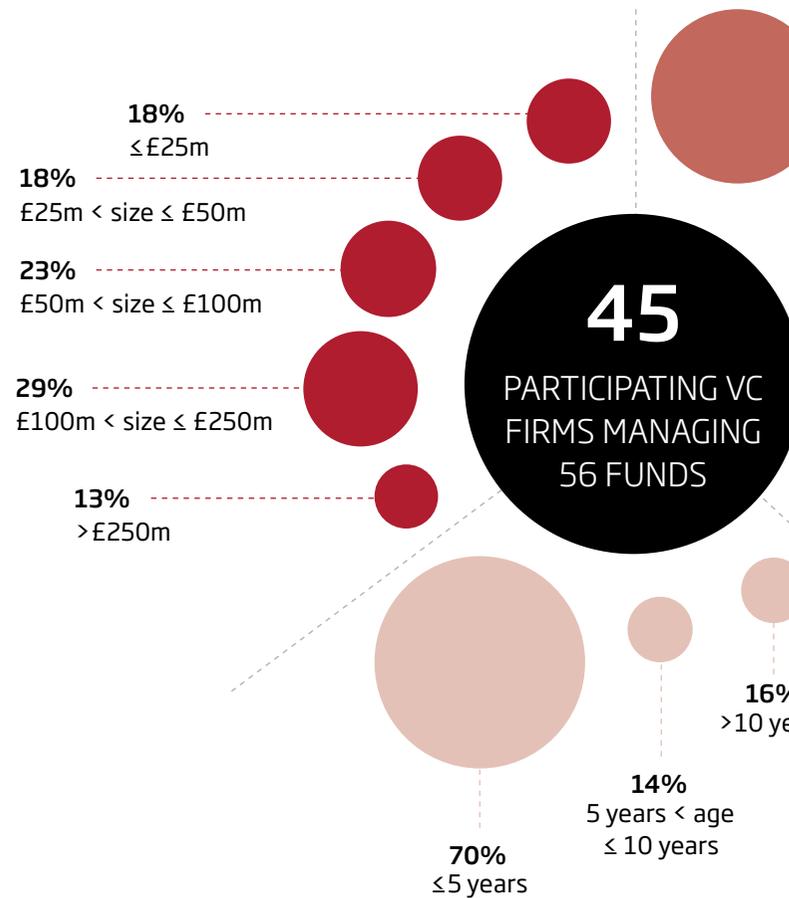
Firms provided anonymous data on the gender make-up of founding teams they had contact with at two points:

- First contact: All pitchdecks they received in June-July 2018. This allows us to see who makes contact and how.
- Investment committee (IC): All IC decisions they made in 2017 (incl. follow-on). This allows us to see the characteristics of those who receive investment.

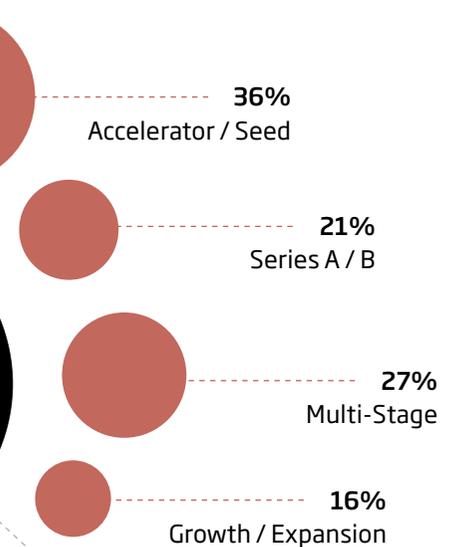
The firms in the sample represent more than £13bn of assets under management. PitchBook data has verified the sample of 45 firms as broadly representative of the industry as a whole.

We would like to thank those who took part for their openness and willingness to dedicate their time.

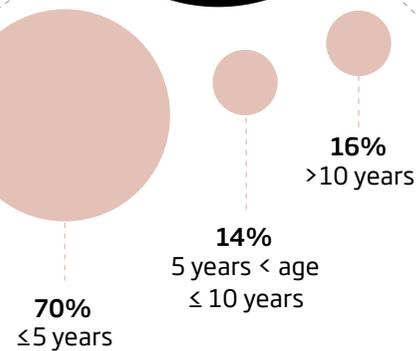
### FUND SIZE



### FUND FOCUS



### FUND AGE



# INDUSTRY LEVEL PIPELINE

**MOST PITCHDECKS THAT THE TYPICAL VC RECEIVES COME IN 'COLD', BUT THOSE THAT COME IN 'WARM' ARE FAR MORE LIKELY TO GET TO IC AND BE FUNDED.**

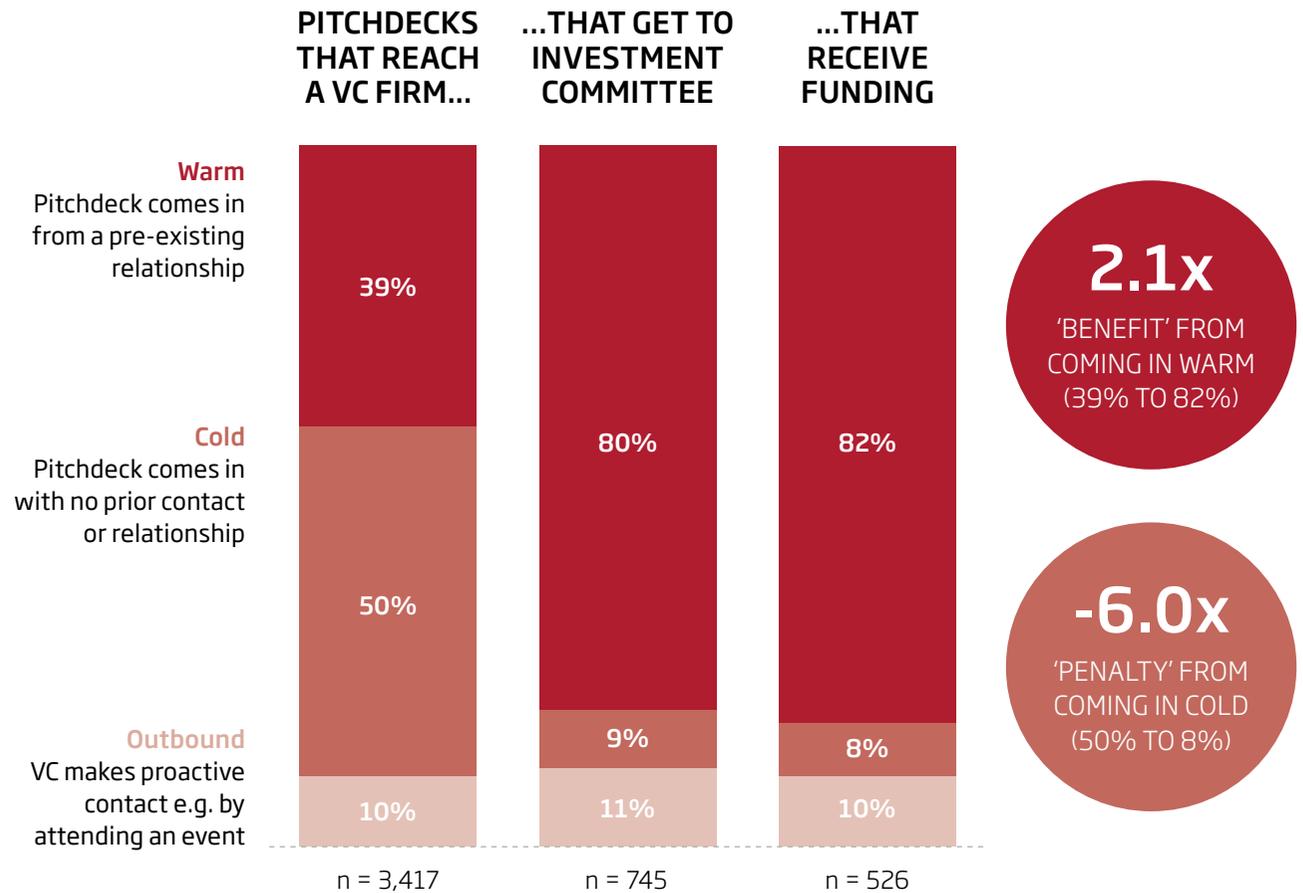
It is clear that networks have a big impact on investments.

Warm pitchdecks make up 39% of those received but 82% of funded IC decisions, a 'benefit' of 2.1x.

For pitchdecks submitted cold, the equivalent 'penalty' is -6.0x.

Outbound contacts maintain their 10% proportion from initial contact to funded decisions.

BREAKDOWN OF PITCHDECKS RECEIVED BY TYPE OF SOURCE, AND PROGRESSION THROUGH STAGES OF THE PIPELINE



# FINDINGS

## WOMEN ARE SIGNIFICANTLY UNDER-REPRESENTED IN UK VCS' PIPELINES AND INVESTMENTS.

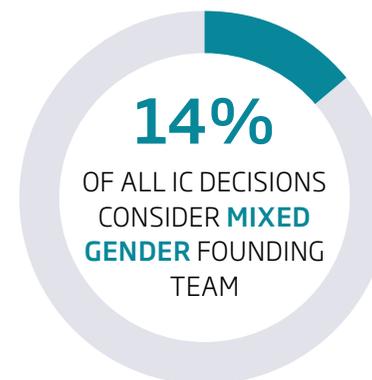
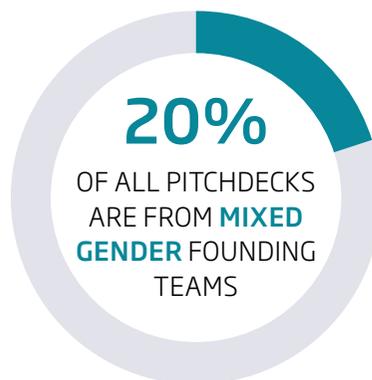
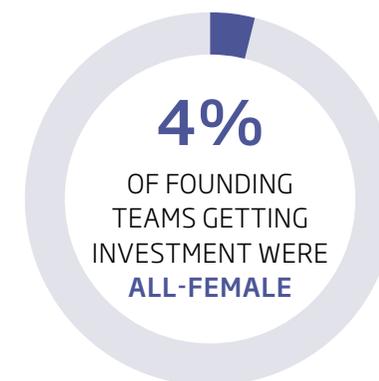
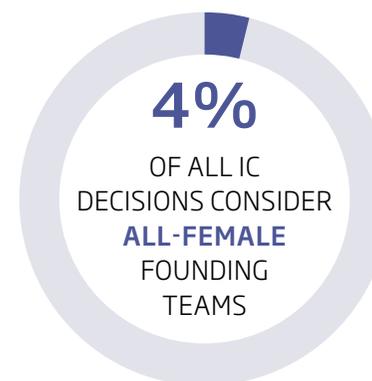
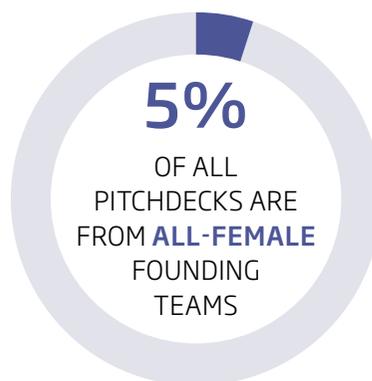
75% of pitchdecks the industry receives are from businesses with no women on the founding team. These all-male teams also account for 81% of investments.

Pitchdecks from all-female founding teams make up 5% of all approaches. They approximately maintain this proportion through to funding.

Pitchdecks from mixed gender teams make up 20% of all approaches the industry receives. Their proportion falls through to funding.

These findings are consistent with the PitchBook data on investments into firms with all-female and mixed gender founding teams, presented earlier in this report.

## BREAKDOWN OF PITCHDECKS RECEIVED BY FOUNDER GENDER, AND PROGRESSION THROUGH STAGES OF THE PIPELINE



n=3,398

n=873

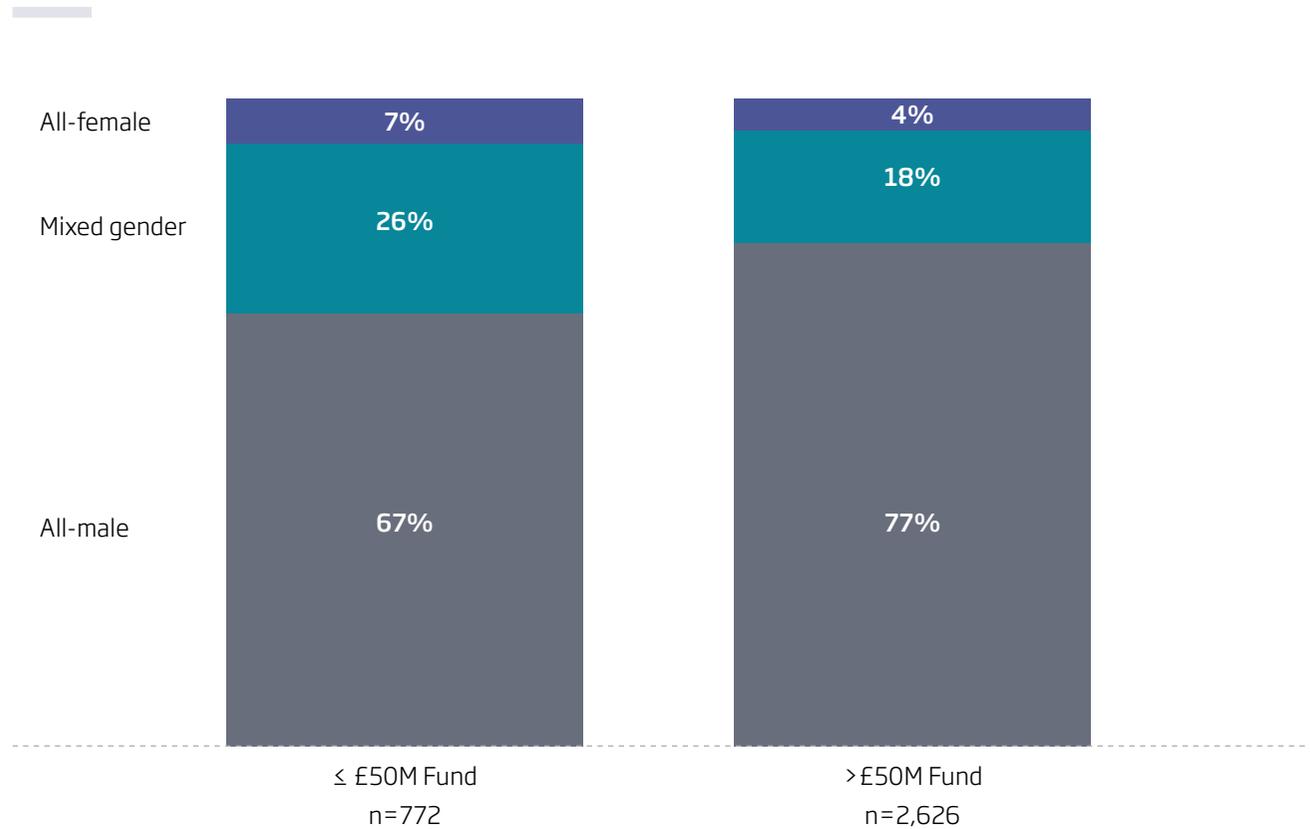
n=580

**SMALLER FUNDS TEND TO RECEIVE AND FUND A HIGHER PROPORTION OF PITCHDECKS FROM ALL-FEMALE AND MIXED GENDER TEAMS.**

Funds of £50m and under are approximately 1.5 times as likely to receive pitchdecks from all-female and mixed gender founding teams. When looking at IC decisions and businesses that are funded, the relationship is similar.

This effect is not apparent when segmenting by fund focus or age, suggesting that the fund size is the relevant feature (although we cannot discount an industry effect).

GENDER BREAKDOWN OF PITCHDECKS, BY FUND SIZE

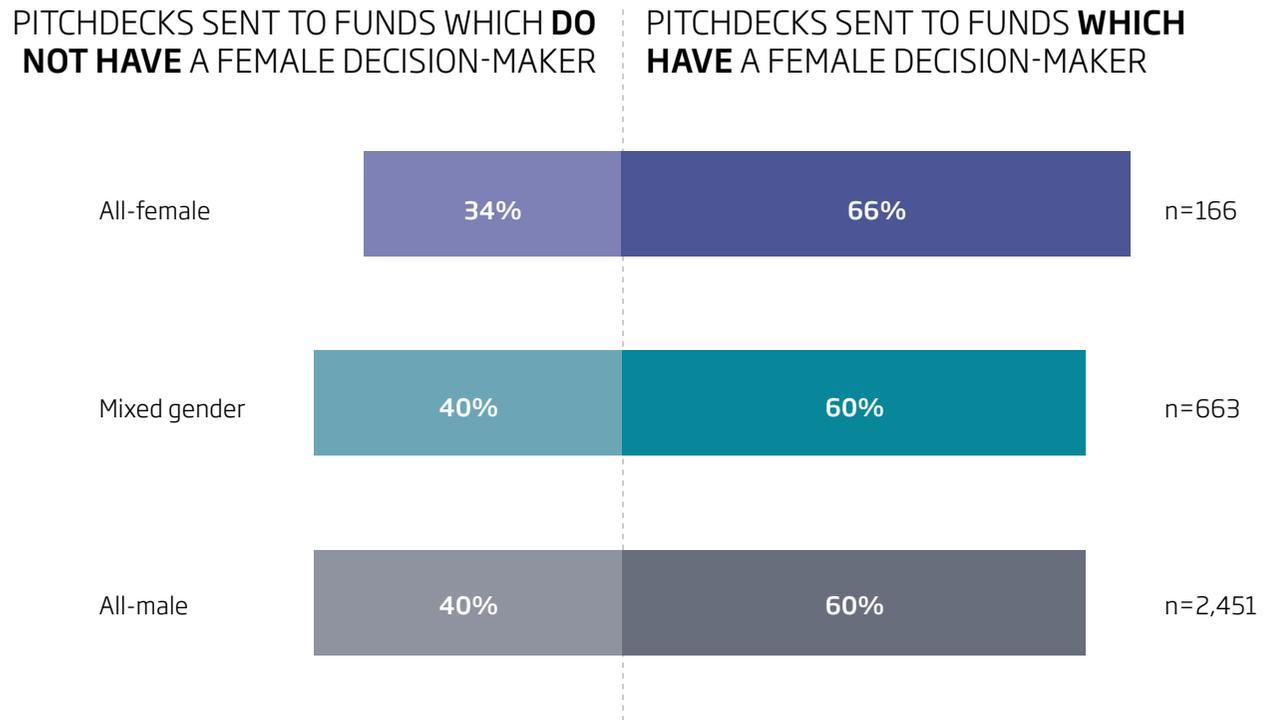


**ALL-FEMALE TEAMS ARE SOMEWHAT MORE LIKELY THAN ALL-MALE AND MIXED GENDER TEAMS TO MAKE CONTACT WITH FUNDS WITH A FEMALE DECISION-MAKER.**

This effect is clear even though in our sample, 70% of firms have a female decision-maker, compared to an industry average of 44%.

This is partly, but not wholly, driven by female decision-makers being more prevalent in the smaller funds in the sample.

GENDER BREAKDOWN OF PITCHDECKS, BY FUND DECISION-MAKERS



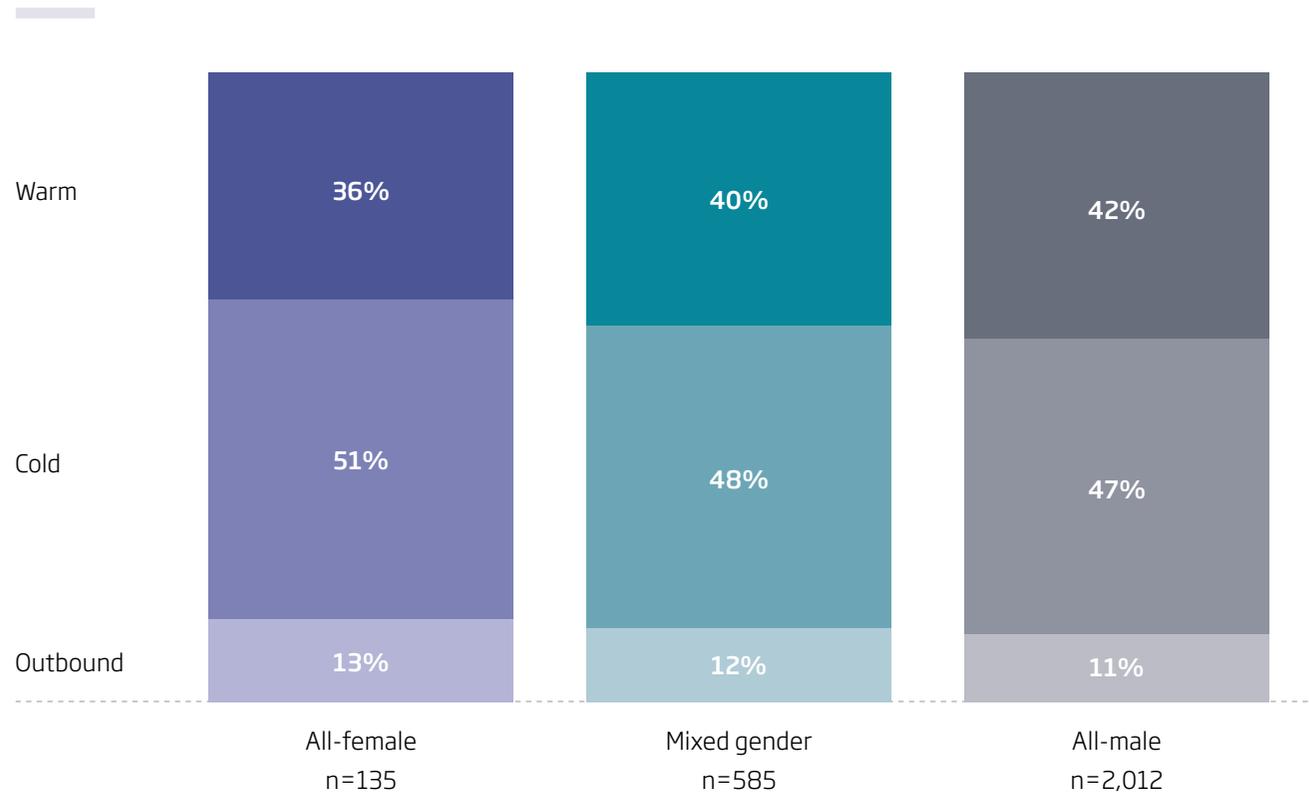
**THERE IS SOME VARIATION IN THE NATURE OF INITIAL CONTACT WITH VCS BY FOUNDING TEAM GENDER.**

A lower proportion of all-female teams have a warm introduction than mixed gender and all-male teams.

In combination with the previous page: the data also suggests that all-female teams are less likely to have a warm introduction to funds which only have male decision-makers. However, when looking at funds which do have female decision-makers, there is no difference in the likelihood of having a warm introduction by team gender.

- 30% of all-female teams have a warm introduction to funds with only male decision-makers, compared to 45% for mixed gender teams and 46% for all-male teams;
- 38% of all-female teams have a warm introduction to funds which do have female decision-makers, compared to 38% mixed gender teams and 40% for all-male teams.

GENDER BREAKDOWN OF PITCHDECKS RECEIVED, BY TYPE OF SOURCE



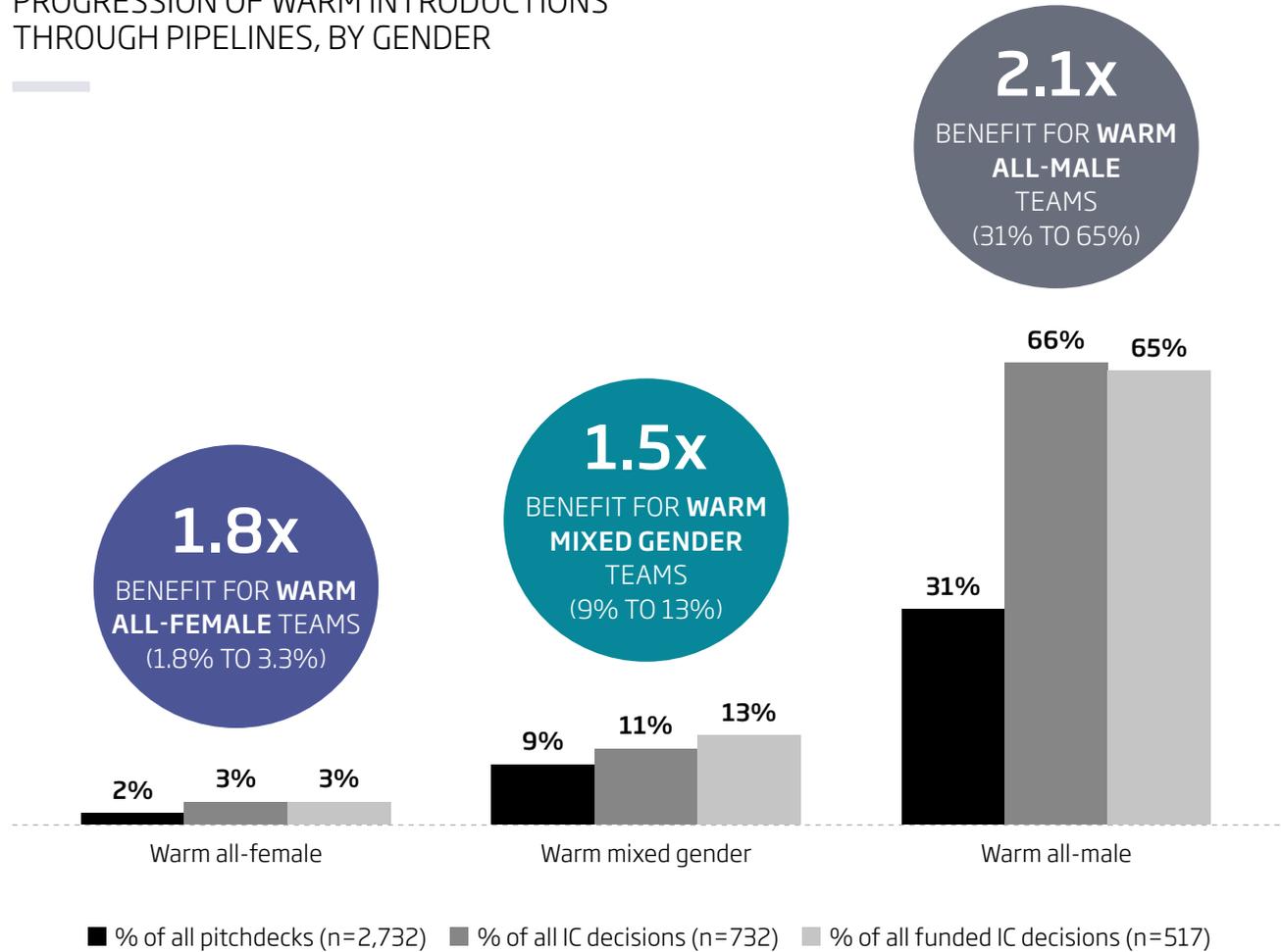
**ALL-FEMALE AND MIXED GENDER TEAMS APPEAR TO GET LESS BENEFIT FROM A WARM INTRODUCTION THAN ALL-MALE TEAMS.**

A warm introduction means a team is much more likely to get from the pitchdeck stage to being funded at IC (as shown on page 21). Taking all warm introductions together this benefit is 2.1x.

All-female teams see a benefit of 1.8x, similar to all-male teams at 2.1x. However, mixed-gender teams fare worse, with a benefit of only 1.5x.

This explains why mixed gender teams fall from 20% of pitchdecks to 15% of funded IC decisions - almost all teams receiving funding at IC come in warm, but when mixed gender teams come in warm it is less beneficial to them.

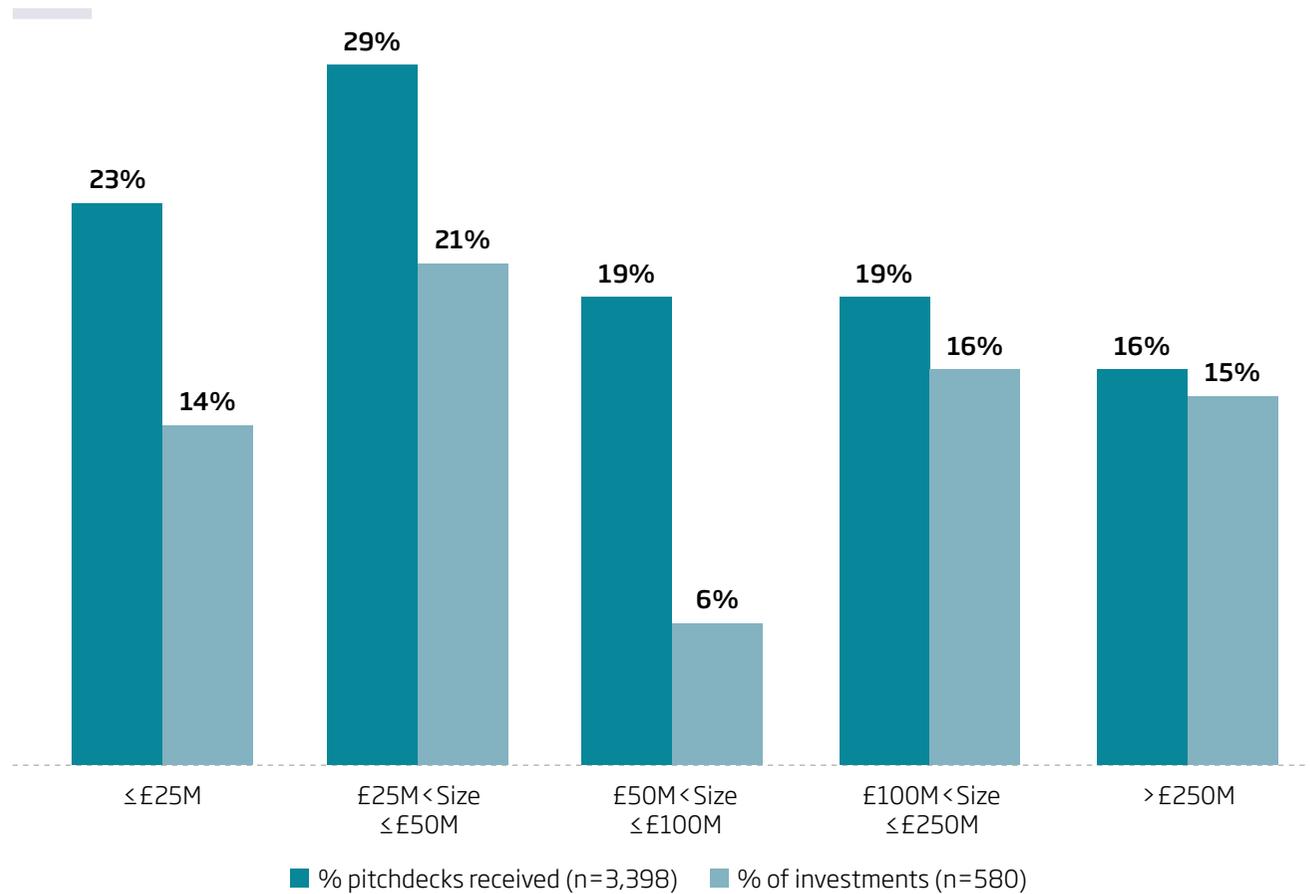
**PROGRESSION OF WARM INTRODUCTIONS THROUGH PIPELINES, BY GENDER**



**THE MIXED GENDER EFFECT EXISTS ACROSS ALL FUND SIZES - THEY MAKE UP A LOWER PROPORTION OF VCS' INVESTMENTS THAN THE PITCHDECKS THAT VCS RECEIVE.**

This effect is consistent across different fund sizes, ages, investment focuses and sources of initial contact.

**MIXED GENDER** FOUNDER TEAMS AS A PROPORTION OF PITCHDECKS AND INVESTMENTS, BY FUND SIZE



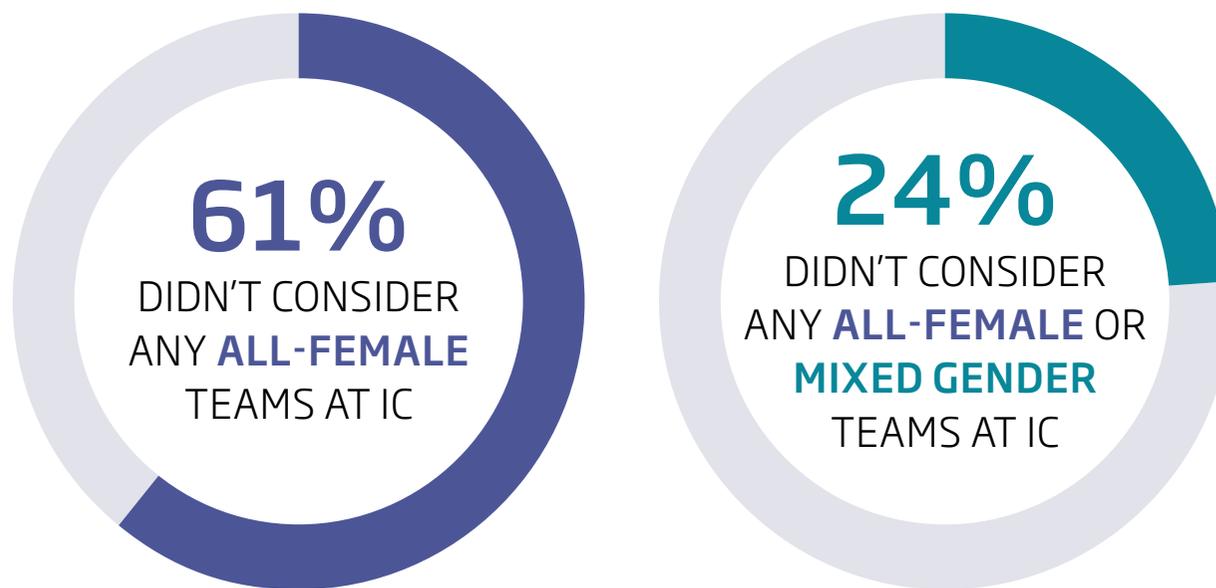
**IN 2017, MOST VCS IN THE SAMPLE DIDN'T SEE ANY ALL-FEMALE TEAMS AT IC AND NEARLY A QUARTER SAW NO WOMEN AT ALL AT IC.**

Female representation in VC is higher than a decade ago, but women are still rare, potentially allowing the feeling to persist that all-male teams are the 'default' and women are 'atypical' and therefore 'riskier' - an unconscious bias.

The finding here that all-female teams and especially mixed gender teams receive less of a benefit from warm introductions is consistent with that, though not conclusive.

Under pressure to find a big win, at speed and with little objective data, it is possible to see how investors could revert to choices that have previously led them to success. In such circumstances, a historical entrepreneur who previously 'returned the fund' comes easily to front of mind.

WHO INVESTMENT COMMITTEES CONSIDERED FOR INVESTMENT IN 2017



n=873

# ACTIONS

# ACTIONS

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## **THIS RESEARCH SHOWS THAT WOMEN ARE SIGNIFICANTLY UNDER-REPRESENTED IN THE PIPELINES AND INVESTMENTS OF UK VCS.**

Our sample shows that, 75% of the pitchdecks received by VCs had no women as founders. 84% of investments had no women as founders.<sup>1</sup> 89% of investment value went to teams with no women as founders.

This research focused on women, but we fully recognise that others are also under-represented. Some findings here will resonate more broadly but clearly specific research is also needed.

## **INCREASING DIVERSITY AND INCLUSION IN VC REQUIRES INDUSTRY- AND FIRM-LEVEL EFFORTS WHICH ARE BOTH INFORMED AND SUSTAINED.**

Issues of diversity and inclusion are complex, interdependent and important, and in VC, diversity speaks to two of the industry's core practices: networking and decision-making. For these reasons diversity cannot be 'solved' quickly or simply.

The best use of resources will be achieved by an industry-wide effort which is quantitatively and qualitatively driven.

### **STEPS FIRMS CAN TAKE TO INCREASE DIVERSITY AND INCLUSION IN UK VC:**

- 1.** Commit yourselves and your firm to improving founder diversity and inclusion;
- 2.** Collect and analyse diversity and inclusion data on founders and share your findings;
- 3.** Connect with other firms and bodies and help drive the agenda;
- 4.** Develop steps to increase diversity for your firm and track their impact.

## **THE BRITISH BUSINESS BANK AND BRITISH PATIENT CAPITAL COMMIT TO SUPPORTING THE VC INDUSTRY IN A NUMBER OF WAYS, INCLUDING BY:**

- Directing the £2.5bn British Patient Capital to be a 'Catalyst and Champion' for UK VC by leading on diversity and inclusion and other market-wide issues;
- Investing in new fund managers with approaches and networks outside the norm;
- Publishing research on diversity (including ethnicity) in the UK entrepreneurial population by the end of 2020;
- Publishing research on progress made by the industry on this report's actions by the end of 2020;
- Serving as an independent 'clearing house' for VCs to share their data and initiatives;
- Continuing to work with Diversity VC and BVCA, providing support for each other's efforts.

Having invested globally for the last 21 years, we've seen the power that embracing diversity can have in catalysing innovation. Creating a culture underpinned by inclusion will be a key driver of future prosperity - for our firm, our portfolio and our industry.

**ANNE GLOVER - AMADEUS CAPITAL  
CO-FOUNDER & CEO**

The rapid growth of UK venture capital over the last decade confirms that opportunities are often found beyond traditional markets, regions and demographics. We would like to see greater diversity, inclusion and social mobility across the whole of the UK.

**CALUM PATERSON - SEP  
MANAGING PARTNER**

In our experience, the real benefits start to come when diversity and inclusion are inherent in culture, day-to-day operations and interactions.

**PAUL MCNABB & SIOBHAN CLARKE - EPISODE 1 PARTNERS**

## 1

### **COMMIT YOURSELVES AND YOUR FIRM TO IMPROVING FOUNDER DIVERSITY AND INCLUSION.**

The data shows that women are significantly under-represented in pipelines and investments, whichever way the data is cut - by industry, by stage, by fund size, age and focus. This is an industry-wide issue, but many actions that need to be taken lie at the firm level.

#### **FOR FIRMS:**

- State that founder diversity and inclusion are important to your firm and commit internally at the most senior level to improving;
- Communicate publicly on the issue, including with your networks;
- Develop and agree what founder diversity and inclusion mean in the context of you and your firm - page 37 describes Diversity VC's practical toolkit to help in taking these steps.

#### **FROM THE BRITISH BUSINESS BANK:**

- We will continue to invest in new fund managers with approaches and networks beyond the norm;
- We assess each prospective fund manager's approach to diversity in their investments as part of our due diligence.

## 2

### **COLLECT AND ANALYSE DIVERSITY AND INCLUSION DATA ON FOUNDERS AND SHARE YOUR FINDINGS.**

We are grateful that many VC firms created new datasets on female representation in their pipelines and investments for this research. However, this brought to light the fact that few were already tracking founder gender, and fewer still were tracking other aspects such as race or socio-economic background.

#### **FOR FIRMS:**

- Add the functionality to collect founder diversity data (e.g. to your pipeline system), alongside network data (e.g. recommendation source);
- Analyse your data and discuss at a senior level, periodically;
- Share your findings through industry efforts as well as proactively with other firms.

#### **FROM THE BRITISH BUSINESS BANK:**

- We will continue to use new research approaches to raise the profile of diversity;
- We will publish research on diversity (including ethnicity) within the UK entrepreneur population and on aspects of diversity in the VC investor population by the end of 2020;
- We will build a diversity lens into the assessments of our VC programmes.

### 3

#### **CONNECT WITH OTHER FIRMS AND BODIES AND HELP TO DRIVE THE AGENDA.**

The research in this report was conducted by the British Business Bank but we needed the assistance of individual VC firms. Once we started the conversations, in most cases we discovered we were 'pushing against an open door'. There is a community to join.

##### **FOR FIRMS:**

- Partner with aligned bodies such as Diversity VC and BVCA, and others mentioned by firms in the following pages of this report;
- Work with the bodies and other firms to define and drive a cohesive diversity and inclusion agenda in UK VC;
- Bring in others you need (e.g. angels, LPs, corporates) to highlight and address issues.

##### **FROM THE BRITISH BUSINESS BANK:**

- We are directing British Patient Capital to act as a 'Catalyst and Champion' in UK VC, including leading on diversity and inclusion and other market-wide issues;
- We will continue to work with Diversity VC and BVCA, providing support for each other's efforts.

### 4

#### **DEVELOP STEPS TO INCREASE DIVERSITY FOR YOUR FIRM AND TRACK THEIR IMPACT.**

Whilst there are no simple solutions that 'solve' diversity, there are initiatives that may help your firm make progress. The following pages detail some of these: putting yourself forward, supporting founders, hiring diversity for portfolio companies, measuring and tracking, and expanding networks.

##### **FOR FIRMS:**

- Speak to other firms and learn what approaches have worked for them, what have not and why;
- Develop these initiatives within the context of your firm;
- Implement, measure, assess and adapt;
- Raise your hand as individuals to join together the pools of insight and experience.

##### **FROM THE BRITISH BUSINESS BANK:**

- We will serve as an independent 'clearing house' for firms to share their initiatives and impacts, whether successful or not (anonymously where necessary);
- We will publish research on progress made by the industry on this report's actions by the end of 2020;
- We will continue to highlight actions and issues that deserve wider attention, as in this report.

Through tracking the data and measuring different diversity and inclusion initiatives, we've been able to show that lack of diversity in pipelines is not an excuse. Small changes can make a big difference.

**WILL MCQUILLAN - FRONTLINE VENTURES  
FOUNDER PARTNER**

# VIEWS FROM THE INDUSTRY

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PROVIDED BY INDUSTRY BODIES AND FIRMS WHICH CHOSE  
TO CONTRIBUTE BEYOND THE DATA EXERCISE

## **THE FINDINGS PRESENTED IN THIS REPORT PAINT A STARK PICTURE, BUT THERE ARE EFFORTS UNDERWAY TO IMPROVE.**

The following pages present the views of a number of participants in the UK VC industry. Our intention here is to raise the profile of initiatives which could be beneficial to those seeking to increase diversity and inclusion in UK VC.

We asked **DIVERSITY VC** to contribute their views on this research and how it fits together with diversity efforts within VC more broadly (pages 36-37).

We asked **FEARLESS FUTURES** to describe the 'Investing in Inclusion' workshops they delivered to 22 venture capitalists last year, in collaboration with Diversity VC (pages 38-39).

Additionally, we offered the **VC FIRMS** which signed up to the data collection exercise the opportunity to contribute their thoughts to this report, in two ways:

- Describe the steps the firm is taking to try to advance diversity and inclusion;
- Provide an insight that the firm has had which they feel could be beneficial to others in the VC industry.

In each of these firms, there is a recognition that issues of diversity and inclusion are not quick or simple to resolve and no firm featured here sees themselves as a 'gold standard' or having 'solved' diversity.

There are firms in this section that have been working on diversity and inclusion issues for some time, and there are others who are in the early stages. There are still others that, while committed, consciously chose not to contribute publicly.

Inclusion in this section should not be considered an endorsement by the British Business Bank, Diversity VC, BVCA or HM Treasury. However, we are very grateful to each firm for their openness and willingness to contribute.

# DIVERSITY VC

## **DIVERSITY VC IS A NON-PROFIT PARTNERSHIP, FORMED IN MARCH 2016 TO PROMOTE DIVERSITY AND INCLUSION IN VC.**

The organisation is an independent body that helps venture capitalists, LPs and entrepreneurs better understand and address diversity and inclusion in their work. Diversity VC is an independent organisation, not affiliated to any VC firm, supported by leading technology law firm Cooley LLP, #1 ranked Most Active Global Law Firm in Venture Capital.

Diversity VC works in the following areas: collecting and publishing original data; helping VCs take appropriate action to improve inclusion; providing training and career opportunities for venture capitalists from non-traditional backgrounds; and working with under-represented entrepreneurial communities to help them access funding.

The organisation is volunteer-led, and comprised of interested individuals working in the industry. Diversity VC's ultimate aim is for the VC sector to represent the society into which it invests.

## **THE TECHNOLOGY AND VC INDUSTRY IS EXTREMELY HOMOGENEOUS.**

In the US in 2017, just 2% of funding went to female founders, just 0.2% to black female founders.<sup>5</sup> In Europe in 2018, 93% of founding teams<sup>8</sup> that raised money had all-male founding teams. Just 6% of

CEOs in Europe are female, and 1% of CTOs. The UK VC & Female Founders Study has highlighted how far the VC industry has to go in supporting and encouraging female entrepreneurs to seek funding and adapting more generally to work for a broader range of entrepreneurs.

Of particular concern are the findings that mixed gender teams appear to be disproportionately rejected (warm or otherwise). Numerous studies, in particular from McKinsey<sup>9</sup> and Harvard Business Review,<sup>10</sup> have demonstrated that more diverse teams outperform their homogenous counterparts, in particular in the fields of VC and entrepreneurship. Lack of diversity is therefore not only a social imperative, it is also holding us back from achieving the best possible performance as an industry.

The need for change is clear. It is encouraging to see the initiatives being adopted by funds mentioned in this report, and we look forward to working with them to ensure their participation results in positive change.

Diversity VC is contributing in a number of ways:

## **IN 2017, WE CONDUCTED THE FIRST EVER STUDY ON THE NUMBER OF WOMEN IN UK VC, IN PARTNERSHIP WITH THE BVCA AND CRAFT.CO.<sup>2</sup>**

This study showed that just 13% of partners at UK funds were female, and 66% of funds had no senior women in their investment team. In 2019, Diversity VC will be conducting a follow-up study which, in addition to gender, will also examine broader

diversity metrics including educational and career backgrounds, and ethnicity. Understanding the wider data around diversity and inclusion is an important step in designing the most effective solutions.

## **DIVERSITY VC WORKED WITH FEARLESS FUTURES AND FRONTLINE VENTURES TO DELIVER COURSES ON 'INVESTING IN INCLUSION' THIS YEAR**

Following the insights of the first study, 22 partners from leading VC funds attended and reported a marked increase in their depth of understanding, and confidence in taking action. This training course is now being expanded to additional cities across the UK and Europe. The following pages expand on this.

## **IN PARALLEL TO THE TRAINING, DIVERSITY VC PUBLISHED A PRACTICAL TOOLKIT FOR VC FUNDS**

This provides funds with tangible recommendations on how to increase inclusion. The toolkit has been very well received, and will be refined and distributed more widely across the industry in 2019.

## **DIVERSITY VC AND ATOMICO HAVE PRODUCED A PRACTICAL GUIDE FOR FOUNDERS TO INCREASE DIVERSITY AND INCLUSION IN THEIR COMPANIES**

The Guide aims to provide actionable advice for founders on building a diverse and inclusive workplace and culture. It is available free at [www.inclusionintech.com](http://www.inclusionintech.com).

## **DIVERSITY VC IS WORKING ON AN INTERNSHIP PROGRAMME FOR YOUNG PEOPLE FROM DIVERSE AND DISADVANTAGED BACKGROUNDS.**

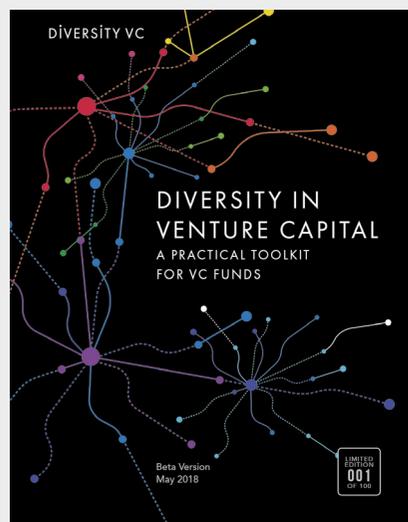
This launched to a small number of funds in 2017, and will be rolled out in 2019.

## **DIVERSITY VC IS COLLABORATING WITH JP MORGAN, CAPITAL ENTERPRISE AND YSYS ON ONE TECH**

One Tech is an initiative which aims to increase participation of female and BAME founders in the tech industry, which is a partnership between JP Morgan, Capital Enterprise, Tech Nation, YSYS, Fast Forward, Diversity VC and the University of Loughborough.

These initiatives have been welcomed by the industry, but there is more to be done to improve diversity and inclusion in VC, and tech more broadly. There is a real need to address the broader challenges of the education of young girls, and the lack of role models in tech, entrepreneurship and venture.

The kinds of systemic change required to tackle these challenges will be driven by action and collaboration between a broad group with a shared mission. To that end, we were pleased to collaborate with the British Business Bank and the BVCA on this study; we look forward to publishing more work in this area; and to working in partnership to tackle this important challenge for our industry.



## **DIVERSITY IN VC: A PRACTICAL TOOLKIT FOR VC FUNDS**

The toolkit looks at the key aspects of VC, with tactical recommendations for fostering inclusion, as well as longer term suggestions and resource ideas.

It includes suggestions on how to:

- Lay the foundations to create an inclusive workplace;
- Find candidates and investee businesses outside of referrals;
- Select and assess candidates and businesses in an environment free of unconscious bias;
- Maintain solid D&I foundations through ongoing support;
- Choose inclusive policies and ensure that the impact of the firm's policy decisions on D&I are considered.

The toolkit was compiled in partnership with 22 industry contributors including Fosse Associates, Applied, Fearless Futures and Cooley LLP.

I believe this toolkit has the potential to become the go-to resource for any investor who is serious about putting diversity at the centre of what they do.

**ALICE BENTINCK - ENTREPRENEUR FIRST  
CO-FOUNDER & CEO**

# INVESTING IN INCLUSION

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## **FOR VENTURE CAPITAL TO BECOME A SECTOR THAT INCLUDES ALL TYPES OF PEOPLE AND ENABLES THEIR TALENTS - FOR BOTH VCS AND STARTUP FOUNDERS - VCS AND THE PEOPLE IN THEIR NETWORKS NEED TO CHANGE THE WAY THEY THINK ABOUT WHO IS LEGITIMATE, CREDIBLE AND 'SAFE'.**

Most diversity and inclusion work has taken place along siloed lines, prioritising one inequality over another. For example, focusing on gender inequality before considering racial, socio-economic or other inequalities. This approach is often taken in good faith because it seems a sensible way forward and because it appears 'practical'. It can also be effective: initiatives launched to improve the number of women in leadership roles have seen some positive outcomes. In the VC community, the increasing discussion of the under-representation of women has served to bring the issue up the agenda for a number of firms.

However, the outcomes of these initiatives are often positive only for narrow groups. For gender inequality initiatives, the women who benefit tend to be white, middle class, able-bodied, heterosexual and cisgender. That is to say, that while they are women, the other dimensions of their identity are what we might call the 'default' identities in our society. The impact of this is that our policies and endeavours exclude women who experience barriers because of additional 'non-default' identities. Our solutions therefore become less effective and can compound the inequalities of those ignored.

There are other concerning aspects to this approach:

- Who gets to choose - and is choosing - which inequality is a priority?
- What are the implications for those people who experience other inequalities - must they simply wait their turn?
- What is the impact of the siloed approach for those people who experience multiple inequalities, such as women of colour?

## **RESOLVING THESE FUNDAMENTAL ISSUES REQUIRES A DIFFERENT APPROACH TO BE TAKEN.**

Moving beyond the silo allows us to surface the ways multiple forms of inequality can compound and create obstacles. This is an 'intersectional' approach, a term coined by scholar Kimberle Crenshaw in 1989.

## **LAST YEAR, FEARLESS FUTURES BROUGHT THIS APPROACH TO TWO COHORTS OF VC PARTNERS IN LONDON, WITH THE SPONSORSHIP OF DIVERSITY VC.**

22 partners from 14 VC firms took part in one day workshops. The day long programmes explored:

- The ways in which privilege and inequalities manifest across race, gender, class, sexuality, faith and ability, and what may occur when they overlap;

- How people's proximity to 'the default' informs who is deemed risky or safe, credible or not, and likely to receive investment. Participants discovered that to build inclusion into VC, they would need to challenge how these patterned ways of thinking inform decision-making and doing business;
- The ways masculinities manifest as a possible issue in the sector and the behaviours that inform and enable issues like sexual harassment. The opportunity to spend time on the ways interconnected inequalities inform how this plays out also offered powerful ways to understand and tackle this issue at the root.

Through the workshop's experiential method, participants engaged deeply in nuanced and complex inquiry, including self-reflection and exploration of the ways in which they may contribute to negative outcomes for under-represented groups. Participants left ready for action to challenge these issues within VC.

While it's too soon to see impact from the workshops at large, we know that some participants have gone on to take steps such as developing new D&I policies for their firm, working on establishing 'safe spaces' for reporting and disclosure, and considering education for CEOs within their portfolio.

### **HOW DO WE BRING THIS APPROACH INTO ACTION?**

Moving beyond the silo enables us to see that barriers accumulate, overlap and are entangled based on the many ways people deviate from the 'default'. What's exciting about embracing this approach is that it enables us to build solutions that meet problems within the context of their lived reality.

The first step - of many - is for policy makers, VCs, HR directors and other leaders in the sector to recognise the importance of taking an intersectional approach. The second step is to build our capacity for analysing the overlapping nature of inequalities.

Once key parts of the ecosystem are upskilled in this way, they will be better equipped to bring this approach to any process or solution, internal or external. The third step is for these actors to commit to intersectional solutions - and to be held accountable for such outcomes too.

A necessary part of this approach is for these actors to take the time to be more thoughtful and critical of their ideas, up front. Having done this, they can be assured that the solutions they attempt will be more likely to succeed, more resource efficient and, crucially, will leave no one behind.



## **WE INVEST IN DISRUPTIVE TECHNOLOGY COMPANIES WITH AMBITIOUS FOUNDERS LOOKING TO BECOME CATEGORY WINNERS AT SERIES A ONWARDS.**

### **HOW WE'RE TRYING TO INCREASE DIVERSITY & INCLUSION:**

- We require companies to put a diversity policy in place, if they have not already, within six months of Atomico leading an investment into their business;
- We review team diversity as part of our due diligence process;
- We have increased reporting requirements for portfolio companies on diversity;
- We are establishing an ESG & Diversity slack channel for portfolio companies to share best practices;
- We have an internal Diversity Task Force to review and implement initiatives;
- Our investment term sheet and covering letter emphasise our firm values and commitment to diversity clearly to potential new founders;
- We publish diversity statistics in our Investor Reporting;
- We have set metrics-based objectives to increase our pipeline of, and investment into, female-founded businesses;
- We have implemented firmwide unconscious bias training;

- We are partnering with SEO Alternative Investments to create an internship program focused on BAME students;
- We have set ourselves internal hiring diversity targets across the team:
  - Our recruiters must propose a 50/50 gender diversity list for all hires;
  - Our objective is to hire at least 50% gender diversity at the associate level (our most active intake), to develop the next generation of female leaders;
- As well as developing the next generation, we're also committed to building a more diverse senior team. Since the beginning of 2017 we have appointed three new female partners;
- We have implemented family-conscious policies including extended equal maternity, paternity and adoption paid leave, emergency childcare, and employee and dependent benefits.

### **INSIGHT: AS VENTURE CAPITALISTS, WE HAVE A PRIVILEGED HAND IN BUILDING THE FUTURE; IT IS A DIRECT RESPONSIBILITY OF OURS, AS INVESTORS, TO BUILD AN EQUITABLE AND JUST TOMORROW.**

Atomico's Manifesto - the vision and principles which underpin our work - is very clear: 'we believe entrepreneurs are the ultimate agents of positive, transformational change across every aspect of our society and economy.'

But in need of more urgent and serious redress are the misogynistic and exploitative transgressions within the tech universe; the dearth of capital going to female and minority founders; and the lack of diverse representation among key decision makers in the executive and investor ranks of our industry. These are the true blockers to meaningful progress. We cannot go on venerating technology while lack of diversity remains unchecked.

Beyond simple first steps, like gender parity of interview candidates and unconscious bias training, we have established a Diversity Task Force to build a platform that genuinely nurtures, sustains and propagates diversity for the long-term in the technology ecosystem.

We want to move the dial. We are looking at how specific diversity stipulations in our term sheets can positively impact the make-up and mindset of our portfolio companies; we want to elevate the conversation from hushed corners to centre stage; we want to create a culture and environment that people are proud to work in, be funded by, and look up to.

Upon these foundations, upon this platform, we are confident we can meaningfully contribute to supporting an inclusive, high-performing, positive future with an ethical technology community at its centre.



## **WE ARE THE FOUNDER, GENERAL PARTNER, WITH SPECIAL RESPONSIBILITY FOR DEALFLOW GENERATION, FOR TWO SEED STAGE FUNDS: LONDON CO-INVESTMENT FUND AND AI SEED.**

### **HOW WE'RE TRYING TO INCREASE DIVERSITY & INCLUSION:**

- We will work in our target communities in East and South London to drive diversity in the tech entrepreneurship pipelines and support women to find their way around the ecosystem;
- We will match female entrepreneurs with other founders and stakeholders in the ecosystem to help support them;
- We will fund places on the Fast Forward pre-accelerator programme for people from under-represented groups;
- We will work with our partner tech accelerators to diversify their cohorts;
- We will reserve 50% of the Green Light Programme for female-founded teams to help in preparing pitchdecks and investment proposals and organise face-to-face meetings with London's leading seed stage investors;
- We've partnered with a leading co-working space to provide 3 months of free hot desk space for the startups on our programme.

### **INSIGHT: PROVIDING THE RIGHT TOOLS FOR FEMALE FOUNDERS CAN LEVEL THE PLAYING FIELD AND INCREASE FUNDING LEVELS.**

London has a thriving tech ecosystem but it doesn't yet work for everyone.

The Green Light Programme (GLP) is Capital Enterprise's investment readiness and investment brokerage programme for startups raising early seed investment. 32% of our startups had at least one female founder, much higher than the industry average. We believe this is a result of our concerted effort to reach out to female founders and give them the right support.

In GLP, 33% of all-female teams raised investment, compared to 35% of all-male teams. This strongly suggests that once women get the right support, they are up against the same odds when it comes to fundraising, as their male peers.

Our aim is to expand GLP support to more female founders and to extend the offer to other under-represented groups and see a similar result. With funding from JP Morgan we have developed the One Tech programme to support women and under-represented founders in London. We aim to double the number of women (especially BAME women) that raise investment within London's tech entrepreneurship ecosystem.

Over the next 2 years, we will support over 300 entrepreneurs, by connecting these diverse communities and supporting them at key parts of their startup journey – some of our activities are listed on the left of this page.

We want to change the face of start-ups and drive innovation and creativity. Our efforts to date have shown this is possible and we're excited to push our initiatives further.

## **WE INVEST IN SEED AND SERIES A BUSINESSES, IN A VARIETY OF SECTORS INCLUDING ENTERPRISE SOFTWARE AND HEALTH TECHNOLOGY.**

### **HOW WE'RE TRYING TO INCREASE DIVERSITY & INCLUSION:**

- We are working closely with Voulez Capital (see page 46), participating in their pitch clinics;
- We continue to track and review ethnicity and gender based deal flow;
- Members of our team are part of various diversity communities, including Diversity VC, YSYS and Google Campus London and PocTech ("people of colour in tech");
- We speak on numerous panels on the importance of diversity and inclusion;
- We have a diversity and inclusion committee with senior backing, which is focused on how we as a business can become more inclusive in our working practices.

### **INSIGHT: WE HAVE A VALUABLE OPPORTUNITY AND A DUTY TO ENCOURAGE BUSINESSES TO HIRE FROM DIVERSE BACKGROUNDS.**

For us, diversity is about creating an environment that allows people to feel comfortable about being different. Gender disparity is an issue in the VC ecosystem, but it is also important to note that disparities go beyond gender.

Groupthink is bad for business and diverse groups make better strategic and financial decisions. As we continue to grow and bring new talent into our business, we are mindful to maintain a balanced approach to diversity which goes beyond gender. Our backgrounds are all different, from accountants and MBAs to those with operational and entrepreneurial experiences. We also have different social backgrounds, and this fosters a more creative and innovative workplace, allowing diversity of thought.

However, when we advertise positions for our fund, at all levels and in all areas we see more male candidates than female ones. Also, through our work with early stage businesses that hire at board level, we find that women are still largely under-represented in this space.

Few businesses want a first-time board member on their board and will often look for those with CEO and founder experience. Sadly, there are fewer women in these positions, as there are fewer women in senior positions in general, and this exacerbates the diversity challenge.

Because businesses in the VC ecosystem are smaller they are more suitable for candidates with less board experience. We can help under-represented people break into the board level.

# Episode 1

**WE ARE A DYNAMIC TEAM HELPING DARING ENTREPRENEURS CREATE THE FUTURE AND MASTER THE JOURNEY FROM SEED TO SERIES A. WE FOCUS ON B2B & B2B2C SALES-DRIVEN & DEEP TECH BUSINESSES IN THE UK.**

## **HOW WE'RE TRYING TO INCREASE DIVERSITY & INCLUSION:**

- We hold regular female-only and minority office hours;
- Our team has 50/50 gender representation;
- We are assessing and adapting our networks in search of greater diversity (e.g. CEO & CTO dinners);
- We support the 50/50 Pledge;
- Our investment team undertook unconscious bias training;
- We distribute diversity policies to portfolio companies;
- We detect diversity statistics and publish results regularly.

## **INSIGHT: LEARN FROM COMPANIES THAT DO THIS WELL.**

The team at Episode 1 is unique. We're a diverse team with a 50-50 gender mix, who have worked and lived in China, France, Singapore, Germany, San Francisco and London. We're ex-entrepreneurs who've grown our own businesses and worked inside both start-ups and global tech companies.

Recruiting into these big companies, we've seen that the law of large numbers applies: good practice and supportive culture alone can increase diversity in areas like HR or sales. But it's still hard to hire a large number of female engineers, as fewer women currently graduate with technical degrees. While some employers manage it, it's striking how unevenly distributed the hiring and subsequent success is.

These companies' efforts at improving D&I suggest some positive steps:

- Report regularly on diversity, progression and targets;
- Encourage role models, especially as female candidates tend to look for a culture where they can be successful;
- Build a culture based on a series of smaller moves: removing micro-inequities, creating an open environment to talk about the 'untalkable'; developing HR policies that put the individual first, not just their gender.

Diversity of experience breeds an open-mindedness but only when the culture facilitates it. At Episode 1 our culture rests on our deeply held desire to connect to the individual's story - to understand where founders come from, to see them for who they are and to support their vision.

# Frontline

## **WE INVEST IN PRE-SEED AND SEED STAGE EUROPEAN FOUNDERS BUILDING B2B COMPANIES WITH GLOBAL AMBITIONS.**

### **HOW WE'RE TRYING TO INCREASE DIVERSITY & INCLUSION:**

- We have been tracking ethnicity based deal flow since 2017, and gender based deal flow since 2016;
- Our insights have led to a re-assessment and re-adaptation of our networks - to best promote greater diversity in our pipeline;
- Our entire partnership has participated in unconscious bias, diversity and inclusion training;
- We partner with Diversity VC to organise and run unconscious bias training for Venture Capital firms across Europe - with over 30 senior Partners having already participated;
- We launched and manage the P3 Parity Partners Program in London - a mentorship and learning program designed to accelerate the careers of women in technology and finance;

- Our team regularly contributes and participates in panels on diversity and inclusion in technology and VC;
- We host several female-only hours each year;
- We actively recommend diversity policies in companies where we invest;
- We financially supported a female focused start-up accelerator in Ireland.

### **INSIGHT: LACK OF DIVERSITY IN YOUR PIPELINE IS NOT AN EXCUSE, SMALL CHANGES CAN MAKE A BIG DIFFERENCE.**

A little over two years ago, we began tracking the gender of all prospective founders in our pipeline.

This was a big outlay for our team as we see over 1,500 companies each year. Thankfully, we convinced SevantaDealflow (our deal-flow tool), to alter their product and implement tracking and reporting of gender-based data.

Six months later, our data demonstrated that roughly 11% of our deal flow was female-led.

Conscious that this was nowhere near reflective of the founder ecosystem, we launched a series of initiatives (including many listed on the left-hand side of this page), to re-shape our internal messaging - and promote better outreach to female founders across Europe.

In 2018 / 2019, our female based deal flow has almost doubled to 20% - an increase that has also resulted in almost twice as many investments in female-led businesses.

Many investors believe that gender parity is hard to achieve because there are simply not enough female founders in the ecosystem. We would like to challenge this assertion. Frontline has a long way to go, but our early results have demonstrated that a conscious approach across your organisation - coupled with sustained effort over time - can lead to material changes.



**WE SUPPORT THE MAYOR'S ECONOMIC DEVELOPMENT STRATEGY THROUGH SME FUNDING ACTIVITIES, ENABLING REAL OPPORTUNITIES FOR SUSTAINABLE GROWTH.**

**HOW WE'RE TRYING TO INCREASE DIVERSITY & INCLUSION:**

- We run educational workshops to improve awareness of funding and investors;
- We provide training and business model evaluation and pitch competitions, in collaboration with London & Partners;
- We give bespoke mentoring support to founders, particularly targeting confidence building;
- We facilitate network opportunities with investors and other similar organisations in our ecosystem;
- We hold sector specific roundtable sessions between VCs and female entrepreneurs;

- We share insight and contribute to programmes focused on improving the journey of early-stage technology businesses;
- We have a matching scheme with other women entrepreneurs who successfully raised funding.

**INSIGHT: ENGAGING FEMALE FOUNDERS AND ANALYSING THEIR BUSINESSES HELPS US MAKE THE ECOSYSTEM MORE INCLUSIVE.**

For early-stage businesses there is currently a plethora of incubators and accelerators in London. However, we see signs of a structural challenge in the early-stage funding market, leading to an overwhelming majority of female-led businesses still unable to raise seed funding.

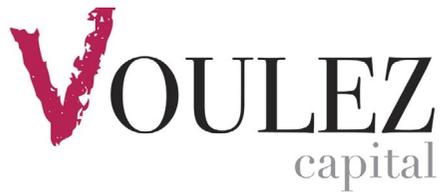
Analysis of the female-led businesses we have invested in through the London Co-Investment Fund (LCIF), shows they are performing equally well as our male-led investments. Our female-led businesses also have enhanced capital utilisation and a superior

ratio of revenue generated per pound spent. This is despite continuing to be systematically underfunded and undervalued in early funding rounds.

Female entrepreneurs often raise smaller funding rounds, which then reduces the pool of potential investors available to them. This inevitably rules out a vast majority of VCs and creates a reliance on angel investors.

In consultation with our female-led businesses, we have come to the conclusion that the adoption of specialist seed funding programmes could generate more funding opportunities for female founders. The female founders applying to LCIF frequently request coaching on presentation skills and building confidence. During the pre-investment period, incubation and coaching stand out as critical areas for intervention.

These insights have allowed us to identify key channels which will support, sustain and encourage an exciting and diverse entrepreneurial ecosystem.



**VOULEZ IS EUROPE'S FIRST AND (CURRENTLY) ONLY VC FIRM INVESTING EXCLUSIVELY IN EUROPEAN COMPANIES WITH FEMALE FOUNDERS AND CO-FOUNDERS.**

**HOW WE'RE TRYING TO INCREASE DIVERSITY & INCLUSION:**

- By investing only in women (co-)founders we compare deals on a like for like basis, avoiding some of the subconscious bias pitfalls;
- Our values were drafted in consultation with our female founders - they resonate with women and are truly embraced in everything we do;
- Our IC trusts its female members' judgement - if the men do not understand a venture but the women are keen, we still go ahead;
- We avoid hierarchy - founders talk directly to partners; decision-maker to decision-maker;
- We typically come in as the first institutional investor, a partner to the business and then lead it through subsequent rounds, setting the tone and picking the right co-investors;

- We foster relationships with as wide a group of stakeholders as possible, ensuring a very wide deal pipeline;
- We run monthly pitch clinics for female founders, focused on mentoring and support from investors and advisors and not on our own portfolio needs;
- We run an Investment Readiness Programme, which builds trust and creates alignment between all stakeholders.

**INSIGHT: CREATING THE RIGHT CULTURE THAT APPEALS TO WOMEN TAKES TIME AND ACTIVE EFFORT, BUT IT IS WORTH IT.**

We created Voulez specifically to help redress the gender balance in the VC industry. At first, other than investing only in women (co-)founders, we did not know what would be effective.

What we found was that women with high growth ventures prioritise cultural fit with the investor over the speed of potential growth. Entrepreneurship for them is often about freedom and flexibility and they are very protective of that. As a result, many high growth female founders have avoided VC cash and focused on getting to profitability instead.

Our values are the driver of our culture - every decision we make has to be aligned with them. We keep our word, prioritise transparency, are direct with our feedback. We always favour simplicity and do more with less.

We do not aim for one unicorn out of many investments. We treasure each one of our companies and work hard for, and with, them. We do not see ourselves as investors - we love building businesses and that's what we focus on.

The trust our culture builds, lets us introduce others. In our pitch clinics we work in partnership with many other investors and advisors. This increases other investors' experience with female founders and strengthens the ecosystem.

Our founder was pregnant with her first child when she launched Voulez - we are often told by female founders that the fact that Voulez investors had faith in her, despite her being heavily pregnant at the time, is a great indicator of how Voulez would treat other female founders.



**WE ARE TELEFONICA'S ACCELERATOR AND INTERFACE INTO THE START-UP ECOSYSTEM. OPERATING ACROSS 10 COUNTRIES, WAYRA HAS BACKED OVER 800 START-UPS AT EARLY-STAGE SINCE 2011.**

**HOW WE'RE TRYING TO INCREASE DIVERSITY & INCLUSION:**

- We really wanted to get out of London so we launched programmes in Scotland, Cheltenham, Oldham and Milton Keynes;
- We chose Oldham to expand access into communities usually excluded from tech; it was England's most deprived town in 2016;
- We're opening an Academy in Haringey, in North London. Most hubs are in Zone 1, and we wished to include entrepreneurs in their community, particularly amongst minorities;
- We're starting an 8-10 module course on how to get into entrepreneurship for those in disadvantaged backgrounds;

- We are launching a 'Wayra Pledge,' where each start-up will offer work placements to disadvantaged students, which we will subsidise in partnership with Sherry Coutu's Founders for Schools;
- We've also held work experience for students from North London;
- Over the years, we've continued to run events like our Diversity Tech Summit, to make sure we're having an honest conversation on our diversity efforts.

**INSIGHT: WHEN WE UNPACK THE VARIOUS LAYERS OF DIVERSITY, THERE'S STILL AN AWFUL LONG WAY TO GO. WE NEED TO TAKE A BROADER VIEW OF DISADVANTAGE TO BE ABLE TO PROACTIVELY INCLUDE.**

We've been performing strongly for female founders in our London cohort; we most recently had 45% at least one female founder in our cohort. This has been a concerted effort across the board, from more open office hours to balanced judging panels at our Final.

But we continued to find a disparity within ethnicity, geography and socio-economic background. Thus, we've been starting a number of new programmes to include founders often shut out of the predominately middle-class 'Zone 1 London bubble'. This seems to be making progress: the 2018 London cohort has 6/12 companies with founders from ethnic minority backgrounds.

However, in our vertical programmes, we find gender and ethnicity imbalances stubbornly persist. These are often due to more general challenges within specific industries (e.g. cyber or transport), as well as in the start-up community.

We can and should use our platform to lead change, but we cannot improve diversity in these verticals on our own. From academia, to Government, to the corporates we work with, to investors: we must do more together.

Together we're stronger and, together, we can create real change.



**WE INVEST IN AMBITIOUS EARLY STAGE FOUNDERS ACROSS APPLIED AI, MARKETPLACES AND NEXT GENERATION E-COMMERCE STARTUPS.**

**INSIGHT: DESIGNING FOR 'OPEN ACCESS' CAN REFLECT POSITIVELY IN THE DIVERSITY OF INVESTMENTS.**

At the heart of our culture at Forward Partners is providing open access to founders of all backgrounds. To do that we made a number of active decisions to target barriers we identified.

Starting a business traditionally requires extensive personal runway which automatically excludes individuals from certain backgrounds who don't have the personal capital to invest or a financial safety net to fall back on. By providing capital along with additional resources and investing as early as a founder with an idea, we increase access to founders where starting a company would otherwise be too great a financial risk.

'Warm intros' are easier for some founders to achieve than others and great founders aren't always within our own personal networks. We make ourselves highly accessible as an investment team. We do this with regular events to meet entrepreneurs and also by accepting 'cold inbound' applications.

We hold female founder office hours to give greater access to advice and investment, and participate in and contribute to female focused-groups, including talks on investor readiness and panel discussions.

We believe transparency and intentionality can create meaningful change. We publish our data on gender diversity within our portfolio, and we also track the ethnic diversity of our investments.



LocalGlobe

**WE SEED FOUNDERS AT PLACES LIKE CITYMAPPER, IMPROBABLE, KANO, MOO, ROBINHOOD, SEEDCAMP, TRANSFERWISE AND ZOOPLA SINCE 1999. WHO'S NEXT?**

**INSIGHT: POSITIVE INITIATIVES LIKE OFFICE HOURS WORK BUT THE INDUSTRY ALSO NEEDS TO WORK ON PERCEPTIONS.**

Female Founder Office Hours was started with the single objective of getting female founders direct access to decision-making partners at VC funds. We just hosted our 3rd quarterly event, and this time 40 founders joined us for early breakfast, networking and small roundtable discussions with VC partners.

This time around we asked for feedback on FFOH from the founders and for their biggest hurdles to fundraising:

- Key likes: Informal networking opportunities in a safe environment; connections with like-minded entrepreneurs; 1-to-1s with investors;
- Would like more: Pitching events for smaller groups based on stage; angels; access to resources, especially understanding the VC game;
- Key obstacles to funding: 58% said access to angels; 32% access to VCs; 11% finding co-founders; 11% hiring early team.

A huge 68% of the founders also said they think VC is biased against women. Top of the list for reasons why they felt this way were their interactions with VCs themselves.

FFOH is working; after meeting at FFOH last year, Ellie from Stitched got funded by Sasha from Venrex. But there's clearly so much more the industry needs to do.



## **WE INVEST IN SEED AND SERIES A OPPORTUNITIES IN EUROPE AND NORTH AMERICA.**

### **HOW WE'RE TRYING TO ADVANCE DIVERSITY & INCLUSION :**

- As Chairman of Invest Europe, Nenad Marovac introduced a segment on diversity at the Invest Europe Investors' Annual Forum;
- We're working with Invest Europe to incorporate a module on D&I into the analyst / associate training course ("Foundations in VC and PE");
- Our analyst, Imran Tehal, will be co-leading the Ethnicity Data Project with Diversity VC this year;
- We're joining Diversity VC's intern program and supporting the developmental program;
- We're devising a code of conduct and policies on anti-discrimination, harassment and equal employment;
- We're looking into how we can have every member of our investment team participate in unconscious bias, diversity and inclusion training.



## **WE ARE THE INNOCENT DRINKS FOUNDERS' FUND. WE INVEST BETWEEN £250K AND £1M IN DISRUPTIVE CONSUMER BRANDS ACROSS ALL SECTORS IN EUROPE.**

### **HOW WE'RE TRYING TO ADVANCE DIVERSITY & INCLUSION:**

- We have monthly targets for team participation in diversity-focused office hours and panels;
- We hold a quarterly presentation and discussion on pipeline diversity at the investment committee;
- We have annual outreach targets to female-founded companies, not simply relying on current networks and inbound dealflow;
- Our investment team undertook unconscious bias training;
- We have hired an external consultant to review our investment process, including any elements of unconscious bias within it;
- We undertake a biannual assessment of portfolio diversity;
- We push our portfolio companies to hire diverse teams and use fund resources to achieve this;
- We have appointed a Diversity Lead to promote diversity across the pipeline, portfolio and internal team;
- Our team at JamJar is two thirds women and so is half of our investment team;
- We allocate working days to aid research led by Diversity VC and mentorship programmes championing diversity.



**WE INVEST IN SERIES A AND LATER STAGE TECHNOLOGY COMPANIES TARGETING DEAL SIZE OF UP TO £2M IN NORTHERN IRELAND AND €5M IN ROI.**

**HOW WE'RE TRYING TO ADVANCE DIVERSITY & INCLUSION:**

- Our organisation is underpinned by policies based on inclusion, respect and flexibility;
- We have 50/50 gender representation at all levels, and have done since we were founded;
- We have implemented inclusive and flexible working conditions to support a diverse workforce, including part-time working, flexible hours and family friendly policies;
- We act as mentors, role models and advocates for diversity focused initiatives such as RoI Inspiring Women in STEM, the NI Science Industry Successful Women in STEM Report, and the Institute of Engineering NI Female Student Award;
- We presented to the Irish Government's Committee on Female Entrepreneurship, which later recommended setting up a €25m female-focused seed fund;
- We have female board representation in >50% of our Growth stage companies.



**BASED IN LONDON AND NEW YORK, WE FOCUS ON IDENTIFYING UNUSUALLY TALENTED ENTREPRENEURS, INVESTING £250K-£25M IN A FIRST FUNDING ROUND.**

**HOW WE'RE TRYING TO ADVANCE DIVERSITY & INCLUSION:**

- We have committed to increasing diversity in our team over time, targeting gender balance and one third minority ethnicity by 2020;
- We mandate that all recruitment shortlists are gender balanced with some minority ethnicity representation - we then hire the best candidate from this shortlist;
- We have created a clear Diversity and Inclusion policy, agreed by all partners;
- We have implemented family friendly policies, including flexible working and equally paid maternity and paternity leave;
- We fund employees to support / work with 3rd party organisations that promote diversity;
- Our entire team has been through unconscious bias training
- We report our employee diversity statistics publicly;
- We require diversity policies in companies in which we invest.

# METHODOLOGY

# MARKET DATA

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## DATA AND TREATMENT

PitchBook provided the British Business Bank with data covering around 7,500 'UK VC Deals' made between January 1st 2007 and April 18th 2018. In this report, 'UK VC deals' are defined as VC deals in UK-headquartered businesses for which PitchBook has information on the gender composition of the founding team. The businesses were split into 3 categories:

- All-female founded businesses: Businesses for which the founding team was all female (325 of the 7,541 VC deals);
- Mixed gender founded businesses: Businesses founded by a team with at least one woman and at least one man (904 of the 7,541 VC deals);
- All-male founded businesses: Businesses for which the founding team was all male (6,312 of the 7,541 VC deals).

This data was provided by PitchBook on April 19th 2018, and is a snapshot of the database at that time. Numbers may change over time as it is updated. Due to availability of data, periods studied varied depending on the analysis in question, and this is indicated where relevant.

Data was provided covering deal stage, deal size and industry, as well as follow-on funding rounds and exit outcomes for a cohort of businesses receiving seed / series A deals between 2010 and 2012. Where possible, the UK data was designed to allow comparison with existing PitchBook analysis of the US market.

Due to the low number of deals involving businesses with all-female founders, some of the analysis undertaken is based on businesses with 'at least one female founder' - i.e. the combination of all-female founded businesses and businesses founded by a mixed gender team. This includes the follow-on funding cohort analysis and the deal stage analysis.

## DEAL STAGE DEFINITIONS

Angel: Rounds where there are no identified PE or VC investors involved in the business so far, or where there is a press release that specifically identifies the round as an angel round or round involving individual investors.

Seed: Rounds where the investors and / or press release(s) identify the round as seed financing, or it is for less than \$500,000 and the first round reported. If angels are the only investors, then a round is only marked as seed if it is explicitly stated.

For the purposes of this analysis, we have grouped angel and seed rounds together as a single deal stage.

Early-stage VC: Rounds that are identified as series A or B or, if series information is not available, classified using a combination of factors including age of the business, prior financing history, participating investors, etc.

Late-stage VC: Rounds that are series C and beyond (but don't fall into growth capital) or, if series information is not available, classified using a combination of factors including the age of the business, prior financing history, participating investors, etc.

## PITCHBOOK DATA COLLECTION

PitchBook is a leading source of information on global trends in VC and is widely used by the VC industry.

PitchBook uses a mixture of technology and an in-house research team to collate and validate the data:

- PitchBook has nearly 1 million web crawlers scanning regulatory filings, news sources, websites, press releases for publicly available data, using a combination of machine learning and natural language processing;
- PitchBook has a 300-person research team that collects, calculates and validates the data. Specialized data teams collect, calculate and verify additional data points like valuations, revenue figures and fund returns; whilst the quality assurance team performs validations of the database to ensure its accuracy.

# PIPELINE DATA

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## VC FIRMS INCLUDED

Participation in this research was voluntary and followed a public campaign to encourage involvement among the VC community, as well as outreach through networks. It was made clear to firms from the outset that the final report would be made publicly available but the identity of any firm or individual would not be disclosed (unless permission was granted).

To be included in the sample, the VC firm was required to have a UK office and be open to making new venture investments in 2017 and / or June-July 2018.

Data from PitchBook was used to verify that the firms included in the sample are broadly representative of the wider UK VC industry, based on Assets Under Management, Median Fund Size, Last Closed Fund Size, Last Fund Vintage, and Preferred Investment Type.

## DATA PROVIDED BY THE VC FIRMS

Each firm was asked to provide anonymous data on the composition of the founding teams with whom they had contact at two stages of the investment process:

- Pitchdecks they received from potential investee businesses describing the investment proposal during a 6 week period between June 18th 2018 to July 27th 2018;
- Funding decisions (initial investment and follow-on) made by their Investment Committee (IC) during 2017.

For each team only founders were considered - i.e. excluding advisors, investors, C-level (CEO, COO, CIO etc) non-founders, etc.

A pitchdeck was defined as any document written / submitted by a founder to the VC investor which describes the investment opportunity.

IC was defined as the forum in which a funding decision was made by the VC firm based on an assessment of the founders and business (before final diligences, legal considerations etc).

The anonymous data on founding teams provided for this report covers:

- Team level gender (All-female team, All-male team, Female and Male team, Unclear, No information) based on self-reported data, names / images provided by the business ("apparent team gender") or, for IC only, the knowledge of individuals at the VC firm;
- Source type (Warm inbound, Cold, Outbound, No information).

This data collection / generation approach was developed specifically to take account of the low levels of pre-existing founder gender data within most VCs. The alternative (i.e. building a fully verified, 100% founder-reported dataset) would likely take a number of years. Our assessment is that the benefits of more rapidly publishing new data on the inequalities discussed in this report outweighed the drawbacks of methodology.

Each firm submitted pitchdeck and IC data for each individual fund they manage. Firms categorised their funds at July 18th 2018 based on age (since fund close), size / equivalent size and investment focus (Accelerator, Seed, Series A / B, Multi-Stage, Growth / Expansion). To preserve anonymity of participants, two of the investment focus categories (Accelerator and Seed) have been combined in this report ("Accelerator or Seed").

Individual funds could appear in the pitchdeck dataset, IC dataset or both sets. There are several reasons for this e.g. a fund was making new investments in 2017 but is no longer doing so, and so is not assessing pitchdecks (and so submits IC data but not pitchdecks); a fund was not making investments in 2017 but is now (and so submits pitchdeck data but not IC data).

## DATA SOURCED FOR COMPLEMENTARY ANALYSES

PitchBook data and primary internet-based research were used to assess whether firms had a female decision-maker. The definition used by PitchBook includes roles such as Partner, Principal, VP, MD, Investment Manager / Director, CEO and CIO. Primary research used the same definition.

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## ACKNOWLEDGEMENTS

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British Business Bank: Nick Shuttleworth, Dan van der Schans, Alice Hu Wagner, Joe Fowles, Joel Connolly and Sarah Hird.

Diversity VC: Francesca Warner and Travis Winstanley.

BVCA: Gurpreet Manku.

We would like to thank the many individuals in the UK's VC funds for their time, efforts and assistance, as well as our data providers:

PitchBook: Dan Cook.

Craft.co: Ilya Levtoov and Karthik Suresh.

By encouraging diversity in our deal flow, pipeline, portfolio company management teams and our own staff we expose ourselves to the broadest range of investments and talent which we would expect to drive superior returns.

**ANNA NORRINGTON - MVM PARTNERS  
HEAD OF INVESTOR COMMUNICATIONS**

As a platform-based investor, diversity of thought is at our core. Anything that advances diversity and meritocracy is key to the future of a healthy ecosystem.

**LEE STRAFFORD - ADV  
CEO**

It's clear diversity in VC is a work in progress, and the data shows there's still much to be done. Awareness of the problem is a great start, but actions must follow. We all need to be conscious of our obligations to be part of that change.

**TIM LEVENE - AUGMENTUM FINTECH  
CEO**

As early-stage investors, we recognise the importance of diversity in the companies we invest in, not just for the sake of diversity, but in order to create world-beating businesses.

**NIC BRISBOURNE - FORWARD PARTNERS  
MANAGING PARTNER**

An inclusive and flexible culture is really important. We have a responsibility to empower both our portfolio companies and the VC community more widely to appreciate the value which a diverse organisation can deliver.

**NIALL OLDEN - KERNEL CAPITAL  
MANAGING PARTNER**

We strongly support this joint data initiative by BBB, Diversity VC and BVCA. The last 12-18 months have been an important moment for diversity and inclusion in the European ecosystem and we are proud to support the various projects and initiatives.

**NENAD MAROVAC & STEVE SCHLENKER - DN CAPITAL  
MANAGING PARTNERS**

Subconscious pattern-matching is dangerous. Whether it's VCs or our wider networks, it leads to monoculture and an unhelpfully narrow opportunity pool. Diversity keeps our networks growing. A step beyond the norm is an open channel for the future.

**RICHARD ANTON - OXX CAPITAL  
MANAGING PARTNER**

Diversity in boards and senior teams drives cultural and economic benefits for companies and their investors. To get these benefits we need to widen the talent pool, and that needs us to identify and support exceptional people seeking to make their break into senior positions.

**JAMES LEWIS - DOWNING VENTURES  
INVESTMENT DIRECTOR**

# DIVERSITY VC

Diversity VC is a non-profit organisation focused on creating a fairer and more diverse venture capital industry.



The British Private Equity & Venture Capital Association (BVCA) is the industry body for UK private equity and venture capital.

The BVCA has over 700 member firms, including more than 400 fund managers and institutional investors.



PitchBook is a financial technology company that provides data on capital markets to help professionals discover and execute opportunities with confidence and efficiency.

PitchBook collects and analyses data on venture capital, private equity and M&A—including public and private companies, investors, funds, investments, exits and people.

Data and analysis is available through the PitchBook suite of products (the PitchBook Platform), industry news and in-depth reports.



The British Business Bank is the UK's national economic development bank. Established in November 2014, its mission is to make finance markets for smaller businesses work more effectively, enabling those businesses to prosper, grow and build UK economic activity.

Our remit is to design, deliver and efficiently manage UK-wide smaller business access to finance programmes for the UK government.



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