INVESTING IN WOMEN CODE

Annual report 2023

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Cover photo: Holly Vaughan and Louise Dunn, co-founders of The Recruitment Duo

INVESTING IN WOMEN CODE

The Investing in Women Code is a commitment to support the advancement of women entrepreneurs in the UK by improving their access to the tools, resources and finance they need to achieve their goals.

In 2019, the government asked Alison Rose, Chief Executive of NatWest Group, to lead an independent review into the female entrepreneurial journey and highlight the barriers faced by women when starting and growing their businesses.

The goal of the Rose Review was to unlock the unrealised economic potential of female entrepreneurs by making the UK one of the best countries in the world for women to start and scale a business.

A key finding of the Rose Review was that access to finance is a significant barrier to female entrepreneurship. The review's recommendations led to two complementary initiatives:

- the **Investing in Women Code**, for finance providers
- the **Invest in Women Hub**, for women entrepreneurs

The Department for Business and Trade, together with the Code partners, welcome feedback on this report and the future evolution of the Code, which can be sent to **investinginwomencode@beis.gov.uk**

Foreword by Kevin Hollinrake MP

Welcome to this third annual report of the Investing in Women Code, which includes data collected by finance providers during 2022. I would particularly like to welcome the 62 new signatories who have joined since March 2022, helping us reach the target of 200 for the year. They are listed at the back of this report and include online lender Funding Circle, noted fund manager M&G Catalyst and British Patient Capital, the UK's largest domestic investor in venture capital (VC) funds. I would also like to thank the Investing in Women Code partner organisations for the leadership they provide in data collection, sharing good practice and encouraging their members to become signatories.

Valuable as this is, recruiting new signatories is a means to an end. The value of the Code is in the difference we can make collectively for women seeking to build their businesses. The most recent figures for start-ups are encouraging, with over 20% of companies founded in 2022 being led by women.

When it comes to scale-ups, progress is more challenging. The figures for bank lending are particularly striking, with the average loan to a women-led business standing at roughly one-third of the average for male-led businesses. We need to redouble our efforts to make sure that both new businesses and those that are already established can access the finance they need to grow.

My focus in the year ahead will be on actions as well as data – actions that we know are effective.

My focus in the year ahead will be on actions as well as data – actions that we know are effective in reducing disparities, such as ensuring investment teams are gender balanced, providing warm introductions to fund managers, and ensuring that investment teams ask the same questions of all founders in pitch meetings. By focusing on what works, Code signatories should be in a position to demonstrate real progress by the time of next year's report.

We are also making our support for founders more effective through a redesigned Invest in Women Hub website. This will connect founders not only with Code signatories but with networks and other sources of support that will help them to select the right finance provider and make a successful pitch. I look forward to launching this new resource in a few weeks' time and seeing it evolve in the year ahead.

In her 2019 report, Alison Rose made the striking finding that if women started and scaled businesses at the same rate as men, this would add £250 billion of value to the UK economy. Together, we can make real progress towards that goal.

Kevin Hollinrake MP

Minister for Enterprise, Markets and Small Business

Foreword by the Investing in Women Code partners

The Investing in Women Code offers a unique perspective on the finance provided to women-led businesses and entrepreneurs in the UK, as it brings together data collected from across the financing spectrum – from loans and other forms of debt finance to equity investment by Angel groups, venture and growth capital firms.

The British Business Bank, UK Business Angels Association, UK Finance, and the British Private Equity and Venture Capital Association are united in their commitment to the Code and to working with the Department for Business and Trade and the Rose Review to secure equal access to finance for women entrepreneurs.

At the launch of last year's report we collectively agreed a target of 200 signatories by 31 March 2023, which has been achieved. Through their membership of the Code, these 204 finance providers are providing essential transparency on the allocation of finance to women-led businesses and female founders. We would like to acknowledge their work and the significant efforts they make to collect and provide the data on which the work of the Code relies.

In the year ahead, we will work with data providers to explore how to make data collection quicker and more consistent, freeing signatories to focus even more on their commitment under the Code to adopt "internal practices that aim to improve female entrepreneurs' access to the tools, resources and finance they need to grow their businesses".

We will also provide additional opportunities over the coming year for signatories (and our members who have not yet committed to the Code) to share the actions they are taking and collaborate on joint initiatives. While our members vary widely in scale and market position, they all share a common goal to support women entrepreneurs and they can learn from each other's experience.

The Code partners remain committed to supporting and onboarding signatories to the Code, with a new focus to grow the number of signatories from the Limited Partner community. We will continue to develop our guidance and data collection processes to facilitate this, building on feedback from our members. We also look forward to featuring Code signatories on the relaunched Invest in Women Hub, connecting women entrepreneurs with the right type of finance at the right time to enable them to realise their ambitions.

Signatories to the Investing In Women Code now account for just under 40% of VC deals, while 40% of UKBAA Angel investment groups are now Code signatories. These are solid foundations on which to build better funding outcomes for women-led businesses across the UK.

Catherine Lewis la Torre, Chief Executive,
British Patient Capital

Jenny Tooth OBE, Executive Chair,
UK Business Angels Association

Stephen Pegge, Managing Director,
Senior Adviser, UK Finance

Michael Moore, Chief Executive,
British Private Equity and Venture Capital Association

Summary of key findings

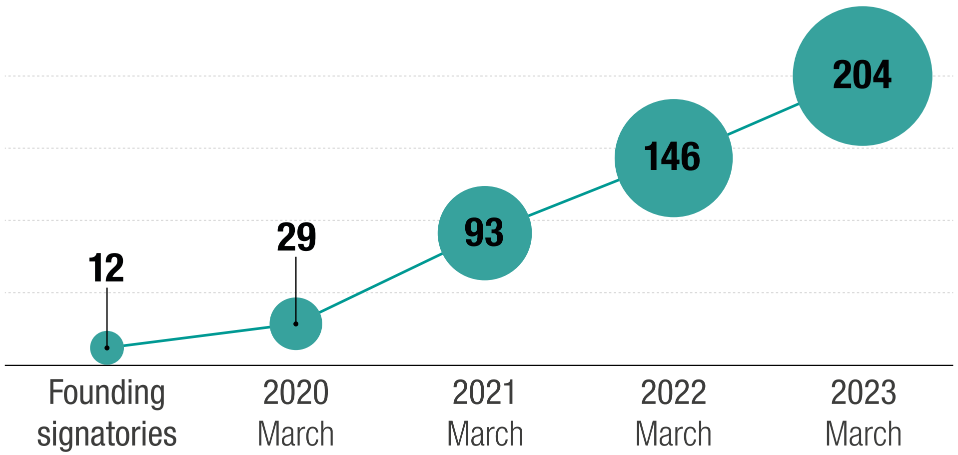
Signatories to the Investing in Women Code commit to collecting data and adopting internal practices that aim to improve women entrepreneurs' access to finance. The 2022 data once again showed a consistent link between key indicators, such as the gender balance of an investment committee or Angel group, and the proportion of finance going to women-led businesses. These findings demonstrate both important progress and that more work is required to close funding gaps.

- With the addition of the platform lender Funding Circle and six others during the year, the 23 lenders now signed up to the Code provide an extensive range of products and services to small and medium-sized enterprises (SMEs) across the UK alongside targeted initiatives to support women-led businesses.
- Women-led businesses continued to receive smaller amounts of loan finance. The gap widened in 2022, with the average (mean) amount approved in respect of women-led businesses standing at £174,000, which was 34% of the average of £507,000 approved for their male-led counterparts.
- Reflecting the challenging economic climate, Angel group signatories recorded a significant decrease in the level of funding being requested by all-female teams compared to 2021. All-male teams also asked for lower levels of funding from Angels, while mixed gender teams sought almost twice the level of funding. Nevertheless, the data revealed an overall decrease in the level of Angel investment captured by female founders, including mixed gender teams, compared to the previous year.
- The impact of having more women Angel investors on outcomes for women founders was also underlined. Angel groups with a higher proportion of female investors achieved a stronger deal flow of women founders and made a higher proportion of their total investment into all-female teams.
- A higher percentage of VC deals made by Code signatories feature at least one female founder (35%) as compared to the wider market (27%). This is the third year in a row that signatories have outperformed the VC market. The number of deals made by VCs with all-female teams rose from 6% in 2021 to 9% in 2022 in the broader market, bringing it in line with the levels achieved by VC signatories which remained constant for the last year.
- VC firms that have signed up to the Code represent a larger share of the market than ever before. The proportion of UK VC deals involving a signatory has risen from 24% in 2020 to 39% in 2022.
- Female investors remain under-represented on investment committees. Signatories report an average of 32% female representation in their investment teams and 24% on their investment committees. The report found a relationship between more diverse investment committees and successful pitches from all-female teams, so this is a crucial area to address.

Signatories are implementing a range of measures to improve their support for women entrepreneurs, including connecting them with female-focused networks, recruiting from a more diverse pool of candidates, providing mentoring and training for female founders, and implementing diversity metrics and policies to achieve gender equity in the start-up ecosystem. There are now 204 signatories to the Code, as detailed on the following page.

Code signatories and data collection

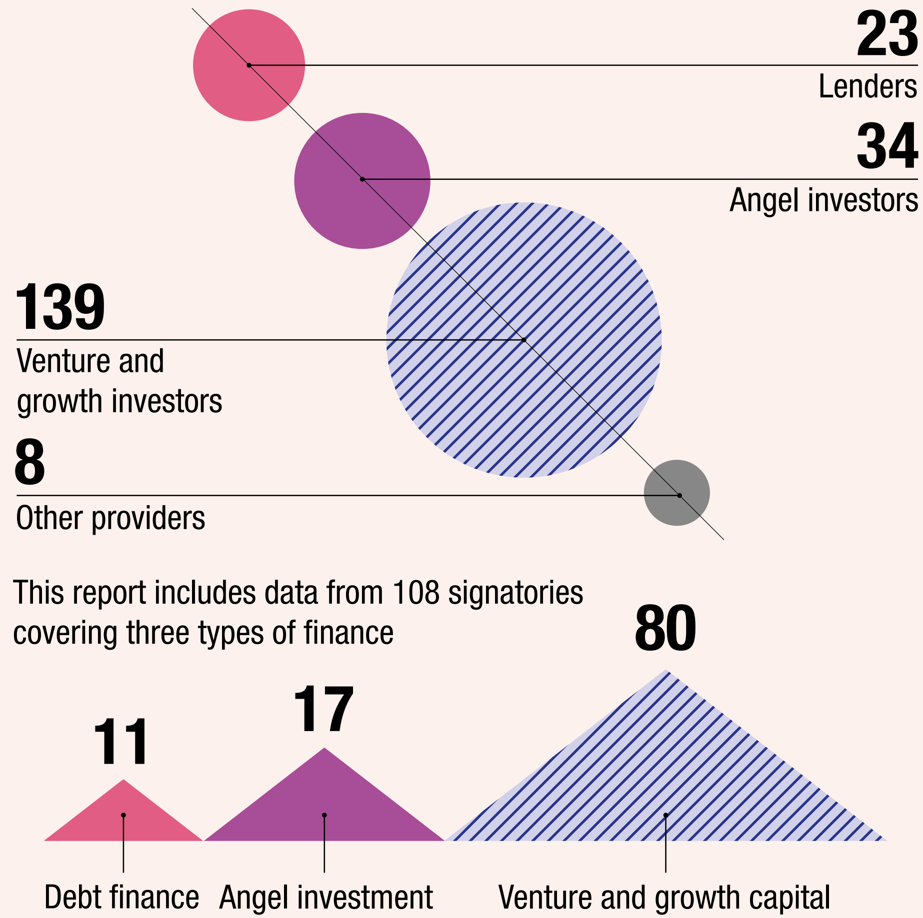
Membership of the Investing in Women Code increased by 58 in the year to March 2023 to over 200



There were 62 new signatories in the year to 31 March 2023, of which the majority (42) were venture and growth capital firms. These new signatories are listed at the back of the report. Four firms resigned, three because they no longer undertook small and SME lending or investment, and one because they found the data collection process too onerous.

This net increase of 58 means that the target set in 2022 of at least 200 Code signatories has been met. Notable new joiners include Firstminute Capital, M&G Catalyst, Northern Gritstone, British Patient Capital and Exeter University, which was the 200th signatory and the first university to join the Code.

The majority of the 204 Code signatories are venture and growth investors



Platform lender Funding Circle was one of six new debt finance providers to join during the year. Among VC investors, Code signatories now account for 39% of announced UK equity deals, up from 24% two years ago. Results from these new joiners are not reflected in the reported figures, as new signatories are not required to collect data during their first year of membership.

Next steps

The results from 2022 show the importance of data collection to establish the true picture of access to finance for women-led businesses. Some themes remain constant, such as the strong correlation between gender balanced investment teams and investment committees and the proportion of investment allocated to all-female founder teams. Other metrics have shown surprising fluctuation from year to year, such as the disparity in the amount of loan finance advanced to women-led and male-led businesses which has grown significantly.

In the case of equity finance, research carried out by the British Business Bank (to be published in July 2023) will provide further evidence of ‘what works’ in ensuring that female founders secure their fair share of investment. Now that Code signatories account for just under 40% of the VC market, there is an opportunity to share these good practices with newer signatories so as to keep up the momentum of improvement.

These results have led to the Department for Business and Trade and the Investing in Women Code partners adopting three priorities for the year ahead:

Focus on what works with a greater emphasis on making practical changes alongside collecting gender-disaggregated data. Thanks to previous data collection, the parallel work of Diversity VC and the research to be published shortly by the British Business Bank, we have a much better understanding of the actions that make a difference. Code signatories will have access to a set of straightforward, actionable recommendations that they can implement with confidence.

Smarter data collection so as to free up resources for other actions. Sourcing accurate data is time-consuming for both Code signatories and partners. The Gender Index, now in its second year, offers the possibility of analysing company characteristics from a single, consistent source rather than signatories each having to produce their own analysis. This holds out the promise of a richer data set and more meaningful analysis of differences between women-led and male-led companies.

Recruitment of Limited Partners (LPs) to become Code signatories. As providers of investment capital for equity funds, LPs have the power to drive change in the industry through their due diligence and ultimately their investment requirements. By investing in funds that are themselves Code signatories and whose managers implement good practices in their approach to founders, LPs can directly influence the supply of VC investment to women-led businesses.

Debt finance

Introduction

2022 was yet another challenging year for many SMEs. Supply chain disruptions, the impact of the invasion of Ukraine, labour and skills shortages, and the subsequent rise in global inflation caused considerable volatility for businesses, creating pressure on cashflow management.

Despite these challenges, signatories to the Investing in Women Code demonstrated ongoing commitment to supporting female entrepreneurs. The annual data collection exercise gives insight into the numbers of women-led businesses applying for funding, the amounts applied for and the outcomes of these applications. It provides useful information about the financing intentions of and outcomes for women-led businesses, compared to male-led businesses. This shapes the extensive support activities to help women-led businesses achieve their goals, including targeted funds, a mentoring scheme, networking events, support and advice.

This support is clearly having an impact. Over 140,000 all-female-founded companies were created in 2022, and this figure is growing by over a third each year. It means that in total over 20% of new firms are now led by women – a record high.[1]

The Investing in Women Code data collection exercise provides one snapshot of the access to finance needs and experience of female entrepreneurs. Other sources of data, such as the SME Finance Monitor and the Gender Index, give a more rounded understanding of the extensive contribution women-led businesses make to the UK's economy.

1 Rose Review annual report 2023

Data collection

The Gender Index reported that in 2022, 16.8% of all active UK companies were women-led. 16.9% of companies in England were women-led, but this figure fell to 8.7% of high-growth companies. In England, 17.3% of micro-companies were women-led compared to 16.9% of all companies. Among larger company size bands, levels of female leadership were significantly lower, averaging around 11% in England – a broadly similar level in other parts of the UK.[2]

UK Finance collected data from lenders that are Code signatories on a number of lending products provided to businesses, including overdrafts, commercial loans and government guaranteed loans. The data collected covers businesses applying for and receiving finance in the second quarter of 2022.

Due to the economic, political and social uncertainties following the pandemic, which were exacerbated by the war in Ukraine, SMEs continued to face challenges in 2022. 52% of SMEs in the fourth quarter of 2022 believed the current trading conditions had a negative impact on their business, with reports highest among smaller SMEs. Additionally, 15% of all SMEs reported using more external finance than before the pandemic.[3,4]

As this is the first set of data collected following the end of the Bounce Back Loan Scheme and the Coronavirus Business Interruption Loan Scheme, there is more variation in approvals and applications compared to the data collected in the second quarter of 2021.

The Investing in Women Code data is based on the 74% of records that could clearly be identified by gender, noting that some titles like Doctor and Professor cannot be identified as male or female, and some businesses do not record any identifying information on gender.

20% of new primary business bank accounts including those new to the bank (switching banks) and those new to business banking (start-ups) were opened by women, with 62% opened by men.

For all business types applying for finance (including sole proprietors, single director limited partnerships, multiple director limited partnerships and partnerships), the data for the second quarter of 2022 shows that 13% were women-led businesses and 50% were male-led businesses.

Of those that did apply for finance, 72% of women-led businesses were approved, compared with 79% of male-led businesses. Of those loans approved, the average loan amount was around £174,000 for women-led businesses and £507,000 for male-led businesses.

It is likely that the differences in approval rates are because women-led businesses are typically younger and slightly less likely to have made a profit than male-led businesses, with profits typically smaller to reflect the business size.

2 The Gender Index 2023

3 Rose Review annual report 2023

4 SME Finance Monitor, Q4 2022

These differences in access to finance are not unique to the UK. Recent research by the European Investment Fund highlights "the existence of a credit gender gap in Europe" but states that there is no general agreement on its root causes.[5] The report highlights that women-led businesses are more likely to be risk averse and rely on personal financing than male-led businesses, pointing to structural differences such as size and sector.

The UK Investing in Women Code data helps signatories to consider their own performance in supporting women-led businesses, as well as continuing to provide tailored support through a wide range of initiatives.

New primary business bank accounts opened

20% women
62% men

All business types applying for finance

13% women
50% men

Approval rates

72% women
79% men

The gap between the **average loan approved** for women-led businesses and male-led businesses has widened since 2021

5 www.eif.org/news_centre/publications/eif_working_paper_2023_87.pdf

Case study: Metro Bank – family focus

Laura Harding graduated from the University of East Anglia and obtained additional qualifications in hospitality management and marketing. Her early career was in customer service before she came into the family business of care homes. Laura found the move to be a natural progression with its focus on providing person-centered care to the highest standards.

When Laura wanted to expand the family business with the purchase of a new care home, Alderson House, she turned to Metro Bank for support.

Laura and her family had an impressive track record, having run Glenfields Care Home for over 10 years. Glenfields is home to 28 residents and provides person-centered care to the highest standards on a private and social funded basis, including dementia care and complex care needs.

As a new customer to Metro Bank, Laura worked closely with her relationship manager. The bank was able to give Laura £1.68 million to not only purchase Alderson House, but also remortgage Glenfields Care Home through the government-backed British Business Bank Recovery Loan Scheme, specifically designed to support access to finance for UK businesses during COVID-19 as they look to invest and grow.

"The Recovery Loan Scheme was the ideal solution for Laura's business expansion. Laura has an impressive pedigree in the provision of care for the elderly and is widely respected in her field. This loan facility has enabled her to grow her family business with the right type of funding that is both supportive and affordable".

Howard Mills, Regional Commercial Banking Manager for Yorkshire, Metro Bank

The Recovery Loan Scheme supports SMEs to access the finance they need to grow and invest. Finance can be used for any business purpose, including working capital or investment.

Finance is offered through partners accredited by the British Business Bank. Types of finance available include terms loans, overdrafts, asset finance and invoice finance.

Further details are available at **www.british-business-bank.co.uk/ourpartners/recovery-loan-scheme/**

Case study: Barclays – quality matters

After moving from manufacturing into technology, Nuria Manuel felt the sector typically did not address quality checks early enough in the process. Research shows that over 50% of defects are found in a product's lifecycle because of poor technical requirements and design. (source: Deloitte Quality and Test Engineering Report, 2022).

In response, Nuria applied her skills in diagnostic engineering and quality assurance to the technology sector and founded Veriom. The company uses data throughout a product's lifecycle to diagnose, detect and predict the likelihood of a software risk occurring, and to identify the root cause and provide solutions that address those issues in an accessible way. She admits she has experienced her fair share of imposter syndrome when it comes to networking but says Barclays helped her tackle this challenge.

"Barclays enabled me to network with a variety of potential customers and investors, who I would not have had access to without the accelerator programme. The mentorship and coaching provided have also been invaluable".

Nuria Manuel, founder of Veriom

Through the Barclays Black Founder Accelerator, Nuria has taken advantage of coaching services to improve Veriom's existing strategies and her own leadership. The programme has also given Nuria access to resources that have proven useful for the business' initiatives, as well as helping to open new doors for future opportunities.

All of these factors have been beneficial for Veriom's business growth and expansion plans. Nuria says: "We are currently in the process of applying for non-dilutive capital with Innovate UK and other related grants and competitions".

Photo: Nuria Manuel

Case study:
Metro Bank – dynamic duo

Holly Vaughan and Louise Dunn, co-founders of The Recruitment Duo, started an independent recruitment agency in October 2021 after decades of commercial recruitment experience across Solihull, Birmingham and Warwickshire. Today, they have built a substantial and successful business that works with nearly 50 local businesses and has found employment for nearly 200 individuals in permanent, temporary and fixed-term roles nationally since their set-up. They pride themselves on making connections, creating opportunities and delivering results.

Before they launched the business, they carefully considered options available to them for funding and opted to apply for a British Business Bank start up loan. During the process they received guidance from their loan assessor, which resulted in a quick turnaround in four weeks after application whereby they successfully secured the loan.

Following a successful 12 months trading, the business evolved with the recruitment of their first employee in October 2022 as Holly and Louise worked through their six-month roadmap to grow the business. The Recruitment Duo partners with businesses across a range of sectors enabling these businesses to grow by employing the right personnel. This intimate knowledge of how to manage growth enabled Holly and Louise to make the right moves at the right time for their own business.

"In a seemingly impossible recruitment market, The Recruitment Duo helped us to increase our headcount by nearly 30% in a three-month period to meet our significant growth challenges. They took the time to visit the business, talk to the team and not only understand our needs, but, more importantly, our culture – ensuring the candidates presented to us were an excellent fit. All of this when other recruiters could not find any candidates for us".

Steve Whitmarsh, Managing Director, Runyourfleet

Photo: Holly Vaughan and Louise Dunn, The Recruitment Duo

Holly and Louise chose to partner with Metro Bank to help fund the growth of their business. The bank helped them use the right option at the right time to ensure growth was both affordable and cost-effective. Each Metro Bank store has a local director and local business managers focused on delivering a personal touch for business customers.

Solihull Metro Bank Local Business Manager Vijay Jogia worked with The Recruitment Duo helping to fund business growth, initially with invoice factoring finance to support their growing temporary worker desk. More funding options have included overdraft facilities and Xero, the accounting software for managing cash flow. Local business managers have excellent networks and Vijay also introduced Holly and Louise to the Solihull Chamber of Commerce – another key resource for local business growth.

Holly explains: “As busy mums with young families, we really appreciate the extended evening and weekend opening of our Metro Bank store. It enables both of us to have more flexibility about when we do our business banking and being able to meet Vijay in store at a time that best suits our family life is priceless”.

The Recruitment Duo has recently been shortlisted for ‘Excellence in Customer Service’ in the 2023 Greater Birmingham Chamber of Commerce awards and Louise has recently joined the Executive Committee of the Solihull Chamber of Commerce.

Case study: NatWest – unlocking growth

NatWest has been a key supporter of Bristol-based Baltimore Consulting, providing the financial products and services that have helped unlock growth opportunities for Charmaine Vincent, Chief Executive, allowing her to take her business from strength to strength.

In 2018, Charmaine led a management buyout of the public sector recruitment experts, Baltimore Consulting. Alongside regular banking, as well as traditional debt financing from another provider, NatWest went on to offer invoice financing to help boost growth. This gave Charmaine the cash flow she needed to capitalise on the opportunity and grow Baltimore.

Over the following years, NatWest and Charmaine built a strong relationship and in 2022, NatWest supported Baltimore Consulting with an opportunity to restructure the debt it had already taken out with another provider. Through £770,000 of loans in the form of invoice financing and restructuring, Baltimore Consulting was able to lower the company’s costs and free up cash flow to achieve higher turnover, headcount growth and a move to larger premises.

Photo: Charmaine Vincent

Case study:
Barclays – faster, cheaper payments

When a young Stella Dyer first came to the UK as a refugee from the Nigeria-Biafra war, she saw her mother experience problems with remittance payments. Poor infrastructure made it almost impossible to send funds back to their family. This inspired Stella to look for, and create, an alternative solution. She founded Millicent Labs to overcome the roadblocks she had experienced.

Millicent Labs is building the infrastructure layer for faster, cheaper, frictionless global payments – supplementing existing channels with next-generation shared-ledger technology for near instantaneous payment and settlement. With support from Barclays and their strong connection to financial institutions, leading VC funds and Angels, Millicent Labs' funding journey received a kick start.

"Barclays Eagle Labs understand that not only are they helping to level the playing field, but that many previously overlooked founders are able to deliver outsized value if given the chance. The programme not only gave us the opportunity to benefit from Barclays resources but was also an excellent opportunity for them to develop connections to outstanding early-stage businesses like ours. We couldn't have asked for a better programme".

Stella Dyer, founder of Millicent Labs

Stella's goal is to work with public and private stakeholders to create more transparent, equitable and accessible financial services. She highlights that there is no longer any reason why we should continue to spend so much money – and so much time – transferring value to one another.

Photo: Stella Dyer

Angel investment

Status of the Angel market 2022

This is the third collection of gender-related data on Angel investment under the Investing in Women Code. When we collected our first data on the Angel market in 2020, the pandemic presented significant challenges with many Angel investors making few investments. The Investing in Women Code report demonstrated the direct impact this had on the level of investment going to women founders, compounding the existing systemic challenges pre-COVID-19.

In 2021, the Angel investment market experienced a considerable upturn as investors regained their confidence and appetite to invest in start-up and early-stage businesses. As a result, the second Investing in Women Code report showed increased levels of Angel investment going to women founders.

As we entered 2022, Angel investment was still resilient but began to show considerable strains as the impact of the global economic shocks and cost of living crisis took hold. This resulted in significant uncertainty among the Angel investment community and reduced appetite for making new investments, with investors taking fewer risks, narrowing down their focus, concentrating on existing patterns of investment, and focusing more on follow-on funding for their own portfolio companies. The UK Business Angels Association's own investor survey on the climate for Angel investing in the third quarter of 2022 revealed that 57% of investors were considering making fewer investments or pausing for the time being. Beauhurst's data on 2022 equity deals also revealed a 22% decrease overall in levels of investment by Angel groups.

The following analysis of the Investing in Women Code gender-related Angel investment data for 2022 should be viewed against this backdrop.

Summary of key findings

We have seen a 25% increase in the number of Angel groups that have signed up to the Code compared to 2021, which shows the Angel community is recognising the investment potential among women founders. New signatories were not required to provide data in the first year, with 17 Angel groups providing data on their Angel investments for the 2022 report.

This analysis reveals some continuing progress in total pitch decks received from female-only founder teams, but all-female-founded businesses still make up a low proportion of the deal flow considered by Angel investor groups. Further efforts are needed to increase the pipeline of investment propositions from all-female founders.

We have seen a significant decrease in the level of funding being requested by all-female teams as compared to 2021. By contrast, mixed gender teams requested almost twice the level of investment compared to the previous year, while their all-male counterparts requested lower amounts of funding.

More than half of proposals received from all-female teams were warm referrals from known or trusted sources, with nearly half of these warm referrals going forward for further consideration.

Despite these improvements, we have seen a decrease in the proportion of deals done in all-female teams, compounded by a significant decrease in the overall level of investment captured by female founders. At the same time, male teams captured a significantly increased level of investment in the past year, even when taking account of the significantly higher level of leverage of co-investment attracted by all-female teams. We have therefore seen a disappointing backward shift in progress for women founders' access to investment, especially for all-female teams. This may be attributed to the impact of the challenging economic situation on Angel investors, as well as a potential lack of confidence among female founders to ask for all their required funding in view of the investment climate.

We hope the economic challenges experienced in 2022 will recede in the coming months, offering a more conducive environment for Angels to make new investments. The continuation of the Enterprise Investment Scheme beyond the sunset clause for 2025 and the expansion of the Seed Enterprise Investment Scheme, together with further roll-out of the Regional Angels Programme co-investment funding, should all help to boost investor confidence. At the UK Business Angels Association, we will redouble our efforts to achieve change in the strategy and operations of Angel groups to increase their capacity to back women founders.

The data has further demonstrated the impact of having more women investors in the investment base, reinforcing the findings of the two previous reports. Angel groups with a higher proportion of female investors have a wider deal flow of women founders. They make a higher proportion of their total investment into all-female teams and double the level of investment than Angel groups with lower levels of women investors.

Through our work in the Women Angel Investment Task Force, set up under the Rose Review Board and through the Women Backing Women Campaign, we will empower many more women to become Angel investors and to diversify the investment base across the UK. 2022 saw the emergence of further new women-focused Angel groups, but many had not yet started investing or had only made one or two investments by the time the data for this report was collected. We hope these groups and additional women Angels joining the market will start to make an impact on women-focused investments in 2023.

The data set

Most Angel investment is done in syndication, with Angels coming together either as part of a larger network or as part of a smaller group of co-investors. This enables Angel investors to pool their capital, share their knowledge and often bring further follow-on funding.

- 44 Angel groups have now signed up to the Code – a clear indication that the Angel community is actively seeking to better embrace diversity and recognise the investment potential among women founders. Of these groups, 10 have been classified as VCs for purposes of data collection.
- Of the remaining 34 Angel groups that do not operate sidecar funds, 17 provided the data analysed below.

Angel group ethnicity data

As part of the 2022 data collection, we invited our Angel group signatories to provide relevant data on the ethnicity of the founding team applying for investment. This was a voluntary collection and not part of the Code requirements. Nevertheless, 13 of our 17 Angel groups provided investment data on ethnicity alongside the gender-related data and we would like to thank them for their support. Together with the British Business Bank and the British Private Equity and Venture Capital Association, we will publish a brief report of the findings later in the year.

Time period of data collection

Gender-related Angel investment data was collected for three key areas and time periods.

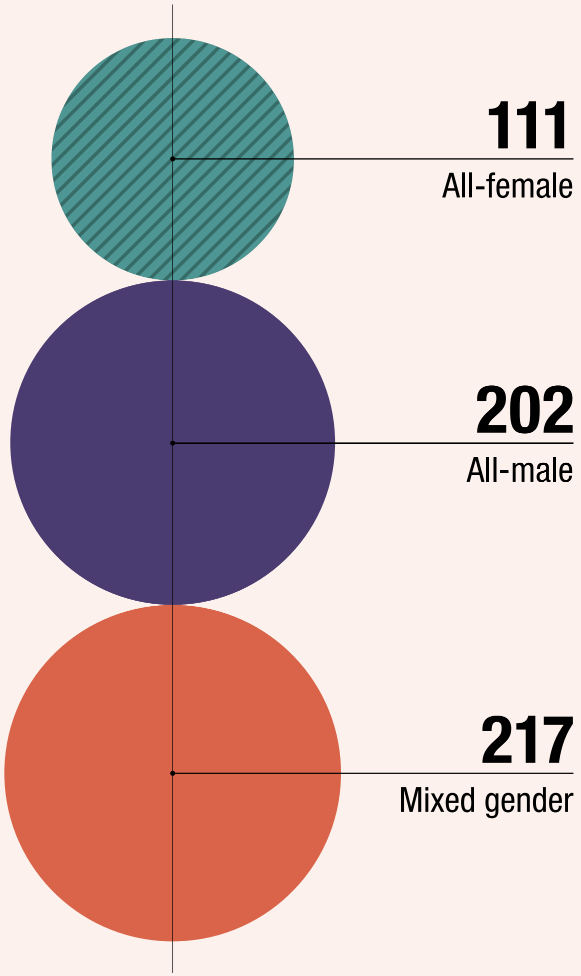
- All founders that submitted pitch decks to the Angel group within a six-week period between 10 October and 22 November 2022, inclusive.
- All founder teams that were considered for investment (either invited to pitch or were taken through a further analysis or due diligence process) between 10 October and 22 November 2022, inclusive.
- All founder teams that received investment between 1 January and 31 December 2022, inclusive.

In addition, data was gathered on the gender split of the Angel group as at December 2022.

Investment decks or proposals received

- 604 pitch decks were received for consideration during the relevant data period, compared to 351 in 2020 and 603 in 2021.
- £667 million equity investment was requested in total, compared to £543 million in 2021 – a considerable and notable increase from last year. This reflects more ambition for investment in start-up and early-stage businesses among both first-time investment seekers and existing founder teams seeking to fund further growth.
- 111 (18%) pitch decks were received from female-only founder teams, which is a small increase compared to 103 (17%) in 2021 and 16% in 2020. While we have seen some progress, this continues to reflect that female-only-led businesses make up a low proportion of the deal flow considered by Angel investor groups.
- However, there is a clear increase in decks received from mixed gender founder teams with 217 (36%), compared to 175 (29%) in 2021. This formed the highest proportion of the Angel groups' deal pipeline and is almost double the number of decks received from all-female teams.
- Notably a lower number of decks were received from all-male teams, with 202 decks (33%) compared to 260 decks (43%) in 2021.
- When drawn together, all teams with a female founder made up 54% of the total deal flow received, compared to 56% in 2021. This shows a positive trend towards female founders in deal flow.
- It was not possible to confirm the gender of the teams in 74 (12%) of the decks received.

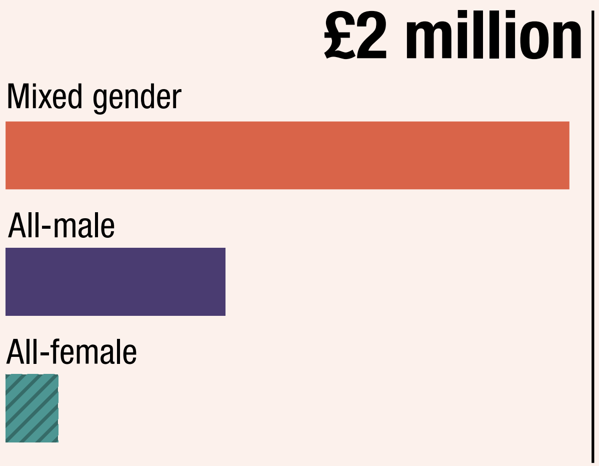
Figure 1: Number of pitch decks received by team gender



Amounts of Angel investment requested

- 2022 data reveals that the total amount of funding requested by all-female teams was £20,412,500, with the average funding requested being only £183,896. In comparison, £81,442,680 total funding was requested in 2021, with the average request by all-female teams being £790,705.
- This demonstrates a significant change in approach by all-female teams compared to 2021 when we saw a strong increase in the level of funding being requested. The change is concerning, since the uncertain economic climate in the second half of 2022 may have led to female-founded teams feeling less confident about asking for the full level of finance they need or being advised to take a prudent approach. We should avoid attributing this to all-female teams having lower levels of ambition or lower actual funding needs, especially in view of the significant increased levels of funding requested in the more economically stable environment of 2021.
- By contrast, mixed gender teams requested a total of £418,206,750 with an average request per team of £1,927,220, compared to £1,024,201 in 2021.
- All-male teams requested a total of £152,020,000 at an average of £752,574 per deal which was down from last year's average request of £823,441. Significantly, all-male teams asked for considerably lower amounts of funding, compared to the mixed gender teams who asked for more than twice the level.

Figure 2: Amount of investment sought by team gender

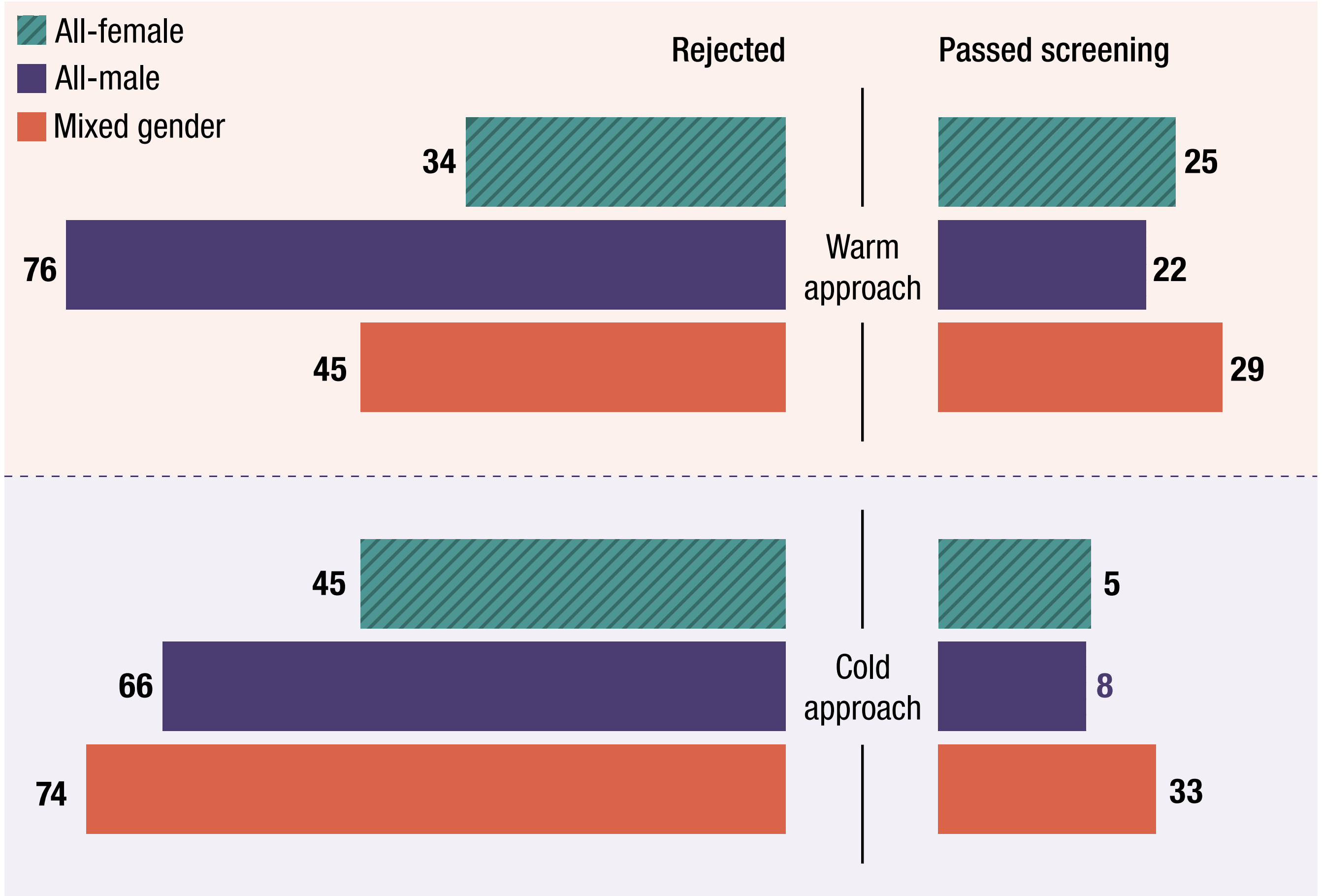


Referrals and sourcing

Potential deals are identified from a range of sources, but frequently referrals made by known or trusted parties (warm leads) are more likely to attract investor attention. This can be especially challenging for many female founders who potentially lack the access to relevant information and networks, support structures or advisors who can provide warm introductions. Angel group Investing in Women Code signatories are required to develop good practices, including encouraging positive actions to increase access to more diverse founders.

- 54% of proposals received from all-female teams were from known or trusted sources (warm referrals). This is a major improvement from 38% in 2021 and reflects a strong effort from our signatories to widen their deal flow sourcing, including such practices as 'open office hours' for female founders.
- This was only slightly lower than their male counterparts (57%) while only 41% of mixed gender teams were warm leads.
- 42% of female deals that came with warm introductions passed initial screening, compared to only 10% of cold approaches.
- Mixed gender teams also did better with warm referrals, with 39% being accepted compared to 10% for cold referrals. This further highlights the impact of connections and trusted sources for women founders seeking Angel investment, rather than cold requests.
- All-male teams with warm referrals had only 22% success in passing initial consideration, while 11% of all-male teams with cold referrals passed screening.

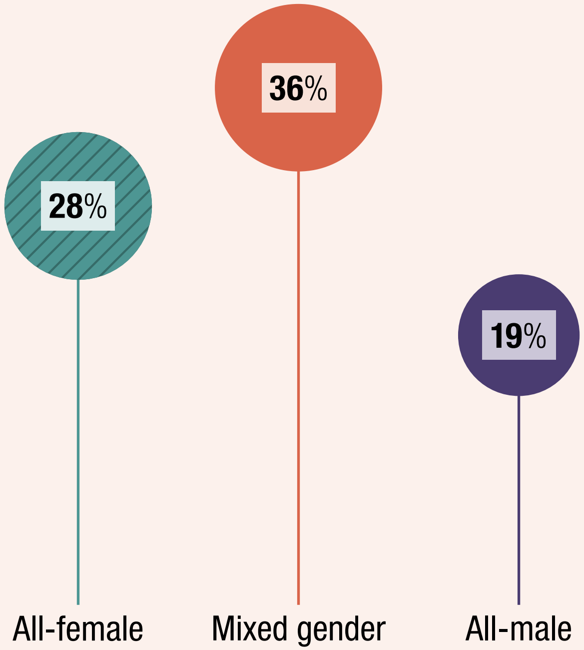
Figure 3: Selection outcomes based on gender and deal source



Pitch decks taken forward for further consideration

- Out of the 604 decks received, 150 (25%) passed the initial screening phase (down from 30% in 2021).
- Mixed gender teams in the pipeline had the highest success rate in passing initial screening with 36% (30% in 2021), while all-female teams had a lower success rate with 28% (41% in 2021). This potentially demonstrates that investors felt more risk averse during the fluctuating economic climate of 2022 and focused on their existing investment portfolios.
- The proportion of mixed gender teams that passed initial screening was nearly twice the proportion of their all-male counterparts. An overall total of 64% of teams with female founders went forward for consideration, once again demonstrating the interest of Angel investors in diverse teams compared to all-male teams.

Figure 4: Investment proposals taken forward for further consideration



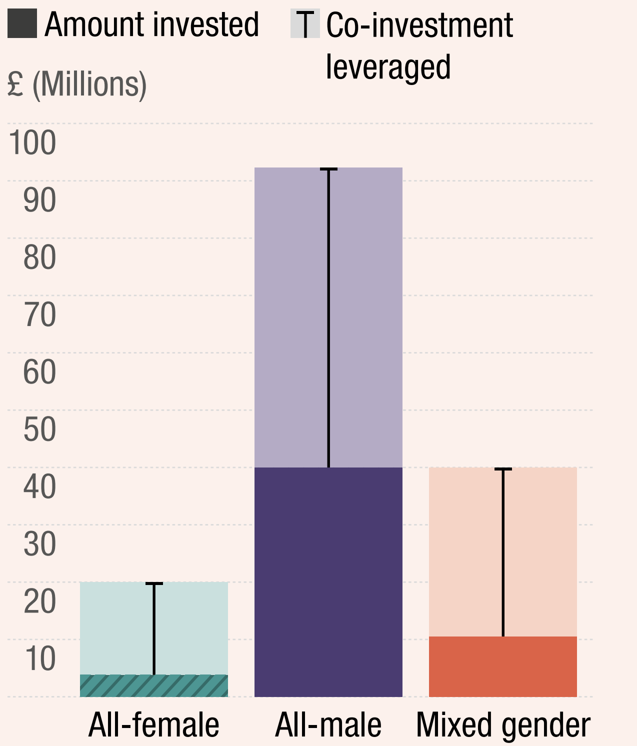
Angel group investments made in 2022

- The 17 Code signatory respondents invested £54,189,864.73 in 190 deals, compared to £33,255,584 in 198 deals in 2021. This shows considerably higher investment overall than last year (a 40% increase) but with a slight decrease in the number of deals done.
- Of the 190 investments, 106 investments were made in new investment proposals, with 84 investments in follow-on deals. This shows a shift in approach with more investors focusing on supporting their existing portfolios, rather than making new deals during the uncertain economic situation. Whereas in 2021, 133 investments were made in new investment proposals and only 65 in follow-on deals.
- Disappointingly, there was a decrease in the percentage of deals done in all-female teams in 2022, with only 15% of total investments compared to 21% of investments in 2021. This shows a slowing down of progress from 2020 when only 13% of deals were made in all-female teams.
- At the same time, 28% of investments were made in mixed gender teams, the same proportion as in 2021.
- However, male teams captured 57% of the total number of investments which was an increase from 51% in 2021. This again shows that the positive shift towards investment in female founders (all-female teams and mixed gender teams) noted in the 2021 Investing in Women Code data report has fallen, with only 43% of the total number of investments made in 2022.

- In terms of total investment, only £3,867,000 was invested in all-female teams, meaning that only 7.1% of total investment went to all-female teams in 2022. This compares very unfavourably with the progress made in 2021 when 21% of the total investment amount went to all-female teams. It is also lower than the 2020 figure of 11.5%.
- At the same time, mixed gender teams also showed a decrease in the proportion of investment captured from 2021. They received £10,491,328 which is 19.4% of total investment, compared to 23% in 2021 and a high of 33% in 2020.
- Combining all-female teams and mixed gender teams, the overall proportion of investment in female founders stands at 36.5%, revealing a downward shift from 45% in both 2021 and 2020.
- However, all-male teams attracted £39,839,536, with 73.5% of total investment compared to 56% in 2021 and 55% in 2020.

The investment data reveals a backward step in progress for shifting the balance of Angel investment to female founders. This may potentially be due to the impact of the challenging economic situation, with Angel investors taking fewer risks, narrowing down their focus and concentrating on their existing investments, compounded by the lower levels of investment requested by all-female founders as reported above.

Figure 5: Investments made and co-investment leveraged



Co-investment leveraged alongside Angel group investment

Many Angel investment deals include significant co-investment, which enables the entrepreneur team to achieve the level of investment they are seeking. Co-investment can come from other Angel investors, VC funds, VC trusts, Enterprise Investment Scheme funds, Seed Enterprise Investment Scheme funds or crowdfunding. This can also include publicly backed co-investment funds such as the Regional Angels Programme and Angel co-investment funds available in specific regions or devolved administrations. In addition, grants for research, development and innovation such as Innovate UK Grants provide a further source of undiluted co-investment.

- 72% of all deals done by the Angel group signatories included a level of co-investment.
- Notably, 69% of the reported deals in all-female teams included co-investment and leveraged a further £16,130,830 alongside the £3,867,000 invested by the Angel group. This represents a ratio of almost £1:£4 of additional co-investment into the all-female teams alongside Angel investment, significantly boosting the level of total investment received by the all-female teams.

- In the case of all-male teams, 74% of investments made in all-male teams attracted further co-investment, leveraging a further £52,284,637 co-investment alongside the original £39,831,536 invested by the Angel group. This represents a lower ratio of £1:£1.30 of additional co-investment.
- 70% of investments in mixed gender teams attracted co-investment compared to 90% in 2021, with an additional £24,481,363 co-investment leveraged alongside the £10,491,328 invested. This represents a ratio of £1:£2.30 which is higher than all-male teams but lower than all-female teams.
- It is therefore significant that all-female teams are leveraging additional levels of investment from other sources, securing a total of £20,013,960 investment including initial Angel investors and co-investors. Mixed gender teams raised a total of £34,972,691 initial and co-investment, while all-male teams raised £92,116,173 in total.
- This means that despite higher levels of leverage of co-investment by female founders, all-male teams raised three times the level of co-investment than their all-female counterparts and more than twice the level of co-investment than mixed gender teams.

Investment activity based on gender diversity in the Angel investment group

Research has shown that the proportion of women investors in the Angel group directly correlates to the number of investments made in all-female and mixed gender teams. This clearly demonstrates the positive outcomes on investment decision-making when the group has a higher proportion of women in the investment base. It is also likely to have a direct impact on the pipeline, reflecting that Angel investors tend to seek out deal flow from specific trusted channels or sources. This means that a higher number of women investors is likely to lead to more warm referrals of female deals.

- There were 425 female investors among the 17 Angel group signatories who gave data, which is a similar level to 2021 (426).
- This includes seven groups with over 15% women investors. Three of these had 50% or more female investors, of which one was an all-female investor group. 10 of the Angel groups giving data have less than 15% female investors.
- Angel groups with over 15% women investor members invested a higher proportion of their total investment into all-female teams (18%) and double the level of investment than Angel groups with lower levels of women investors (12%).
- However, Angel groups with less than 15% women investor members invested a slightly higher proportion of their investment into mixed gender teams (30%) compared to Angel groups with a higher number of women investors (28%).

Figure 6: Investments made by groups with more than 15% women

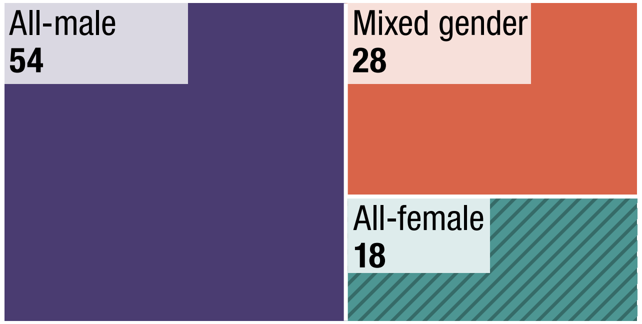
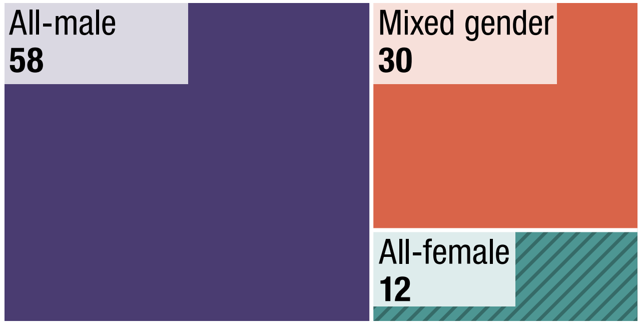


Figure 7: Investments made by groups with less than 15% women



Spotlight on good practice actions by Angel group signatories

Alongside the data collection, Angel group signatories were asked this year to report on practical steps they are taking to create change. Examples of these are set out below, divided into actions to directly support women founders seeking investment and actions to increase the number of women investors in their group.

1. Direct actions to increase women founders' access to investment from Angel groups

Green Angel Syndicate (national)

- We run workshops to advise diverse founders who are applying for funding with Green Angel Syndicate, discuss challenges and solutions when seeking funding, and help women founders to make further connections and expand their networks.

Angel Groups (Northern England)

- We have developed our application and filtering technological process to identify female founders.
- We always talk to female founders regardless of investment fit.
- If we can't invest, we spend time connecting them to investors who can help and support.

> **"We always talk to female founders regardless of investment fit. If we can't invest, we spend time connecting them to investors who can help and support".**
>
> **Angel Groups**

Mint Ventures (Scotland)

- We provide a welcoming, supportive environment for women founders to meet our members and discuss their company's growth plans.
- We offer office hours for women founders before and during the application process. These sessions are made as accessible as possible by having weekly set times to phone, rather than scheduling yet another online video meeting.
- Gender-specific language and support are embedded in our DNA. This tailored approach has greatly helped to engage women founders and especially women investors who may have never identified as being an Angel investor.

Cornerstone Partners

- We are committed to promoting gender diversity and ensuring that women from our investment group are well represented at all levels of our portfolio companies.
- Post-investment, we work closely with our portfolio companies to ensure there are diverse perspectives and experiences on company boards, which is critical to driving innovation, minimising risk and achieving better outcomes for all stakeholders.
- By doing this, we can help create a more equitable and inclusive company culture, drive better business outcomes and ultimately make a positive impact on society as a whole.

> **"We actively work to ensure fair representation of women from our investment group on board seats for our portfolio companies".**
>
> **Cornerstone Partners**

Veridian Ventures

- We have reviewed our policies to create a culture of inclusion and advance access to capital for women entrepreneurs.
- We have appointed a partner to promote equality in all our interactions with female entrepreneurs.
- We have reached out to Angel and VC firms that invest in women entrepreneurs to build collaborative relationships and create a more diverse deal flow for us.
- We have posted on LinkedIn on several occasions encouraging women entrepreneurs to reach out with their pitch decks.

South East Angels

- We have an internal rule that we will always feature female founders in every pitch day.
- We are directly reaching out to female founders and letting them know to contact us about their raise.
- We are actively talking about underrepresentation in investment and letting people know we are looking to invest in female founders.

NorthInvest – Fund Her North

- Through Fund Her North, we have established a dedicated pathway for women founders to access Angel investment.
- We have established a company key performance indicator that at least 40% of our deals completed each year will have a female focus.
- We are actively seeking ways to maximise the number of pitch opportunities for female founders, with a female-founder-only pitch as well as committed places in our monthly pitch events.

> **"We are actively seeking ways to maximise the number of pitch opportunities for female founders, with a female-founder-only pitch, as well as committed places in our monthly pitch events".**
>
> **NorthInvest**

HERmesa

- Investors themselves bring great deals to our community via their networks and our founders are constantly recommending us to other women founders they meet, because we provide value.
- At our last pitch event, every single company was sourced, screened and championed by investors within our community.

2. Best practice actions to increase the number of women investors in the Angel market

MAINstream Angels (South West)

- We have rolled out an active commitment to increase the number of women in our network of Angels.
- We put a female network lead front and centre, who engages with potential female investors and professional networks to increase our reach and drive the recruitment of female investors. We have been recognised as a highly welcoming and inviting network within our region.
- We partnered with other organisations to put on an event in Bristol aimed at improving diversity across the investment landscape. 140 people attended and the feedback has been incredibly positive.

Mint Ventures (Scotland)

- We have organised roadshows in key locations across Scotland to help professional women find out more about Angel investing in safe, women-friendly environments, while also closely collaborating with other Angel groups and professional advisors.

S100 (South of England)

- We have implemented an informal ‘buddy’ system for new investors.
- We have organised lead investor training, with masterclasses and guest speaker sessions.
- We have brought a small cohort together within the club to help facilitate group investing and the sharing of due diligence.

South East Angels

- We have established a new awareness and educational programme, ‘Future Angels’, to help many more women understand the opportunity to invest and begin Angel investing.

NorthInvest – Fund Her North

- We have built a Women Angels of the North syndicate with over 40 women investors who are now actively investing.
- We have established a new Women Angels Northern Educational Hub to help many more women learn the skills of Angel investment, with 16 hours of bespoke training.

> **“We have established a new Women Angels Northern Educational Hub to help many more women learn the skills of Angel investment”.**
>
> **NorthInvest**

HERmesa

- The secret to building a pipeline of strong women-led businesses lies in constructing a high-value investor base of investors who are entrepreneurs and operators, and who have hands-on experience in building, funding and scaling businesses. Our investor base has this experience, which they couple with writing cheques into women-led ventures.

Venture and growth capital

Summary of key findings

In 2022, 80 VC Investing in Women Code signatories submitted gender-disaggregated data – a 48% increase from 54 in 2021, and a 100% increase from 40 in 2020.[6] 7,159 pitch decks from founders and 2,794 investment committee decisions made by VC firms were analysed.

Signatories are continuing to outperform the broader market when it comes to investing in companies with female founders. Although we do not have a clear understanding of why, we do know that they are prioritising certain actions to close the gender finance gap. The upcoming 'What Works' research by the British Business Bank will provide evidence-based actions to improve diversity in UK VC investment, benefitting both signatories and non-signatory VC firms.

Having a pre-existing relationship with a fund manager, known as warm introductions, significantly improves the likelihood of securing funding. Mixed gender and all-male teams had a higher success rate in securing funding through warm introductions compared to all-female teams.

Share of deals in all-female teams increased from 6% (2021) to 9% (2022) in the broader market and stagnated at 9% for signatories. Most deals in all-female teams were first-time funding (80%) as opposed to follow-on funding.

Female investors are under-represented in VC firms, but investment teams have more female representation than investment committees.

It is encouraging that 51 out of 80 signatories voluntarily shared founders' ethnicity data, indicating a strong desire for transparency and a commitment to promoting diversity. Ethnicity data will be incorporated into wider discussions on diversity and inclusion in the VC industry.

The British Business Bank's Small Business Finance Markets Report 2023 notes that overall, 2022 was a challenging year for the UK's smaller businesses. The report highlights the importance of finance to support new-to-market and new-to-business innovations and points to the increasing role of equity flows in supporting smaller businesses to develop net zero solutions.

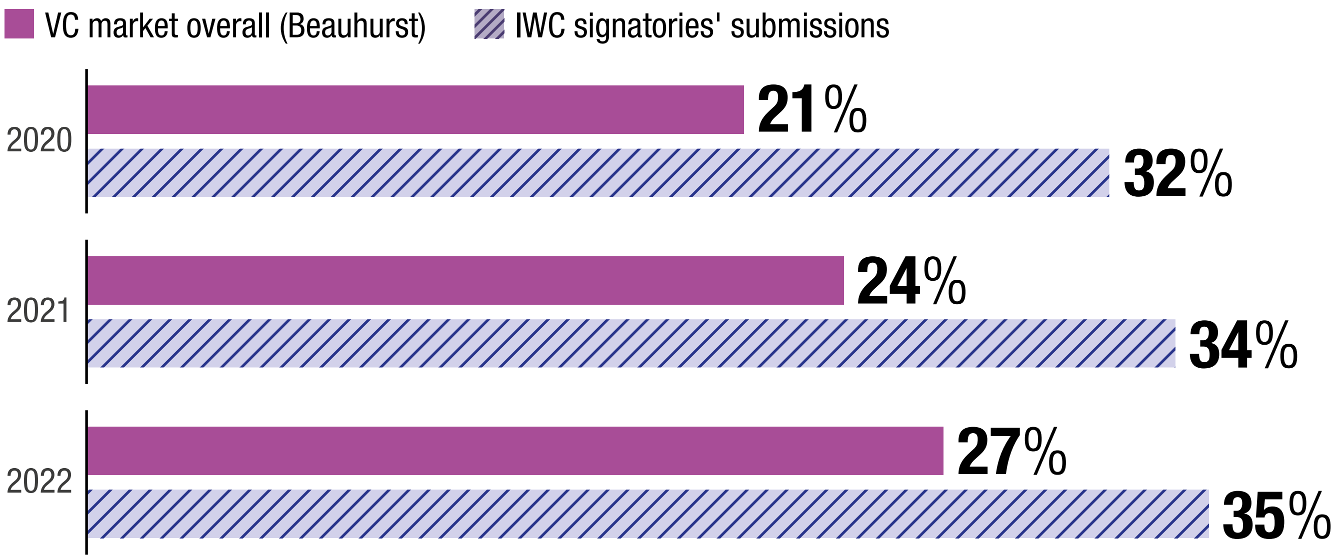
However, some women-led businesses may face challenges in accessing finance due to expectations of rejection or concerns over the cost of finance, alongside lower awareness of equity finance and VC.

6 At 31 March 2023, 139 of the 204 signatories to the Investing in Women Code were VC firms

Signatories are outpacing the broader market in investing in companies with a female founder

In 2022, 35% of VC deals made by signatories were in companies with at least one female founder, with 9% of deals being made in companies with all-female founder teams. Beauhurst data indicates that 27% of VC deals in the broader market involved companies with at least one female founder, whereas only 9% involved all-female founder teams, up from 6% in 2021.

Figure 1. Proportion of VC deals made in companies with at least one female founder



Source: British Business Bank analysis of Beauhurst data and Investing in Women Code (IWC) signatory data

Further Beauhurst data shows that in 2011, only 12% of VC deals had at least one female founder, but the proportion has more than doubled to 27% in 2022. This suggests progress in the representation of female founders in the broader VC market over the past decade.

Signatories are taking action to close the gender finance divide

Although we cannot yet pinpoint the behaviours of signatories that lead to higher investment in female founders, we do know from their data returns that they are prioritising certain actions as part of their commitment to close the gender finance gap. These include building awareness by supporting events for female founders and under-represented groups, collaborating with female-focused networks, tracking and reporting diversity metrics, empowering under-represented groups, providing training and mentorship to female founders, and recruiting from a diverse talent pool. The involvement of signatories and non-signatory firms in the 2023 British Business Bank research project will provide a larger evidence base on actions that increase the diversity of entrepreneurs in UK VC investment.

Case study: Environmental, Social and Governance investing

Investing in women-led start-ups in the UK can be supported through environmental, social and governance (ESG) considerations. Investors who prioritise ESG factors and invest in companies led by diverse teams making a positive impact on society and the environment can help these innovative companies grow while also benefitting from financial returns.

- Houghton Street Ventures is a London-based VC fund working in partnership with the London School of Economics, backing the best and brightest founders within the university's alumni base. Houghton Street Ventures is one of the founders of VentureESG, a non-profit organisation, started by VC investors in 2021, supporting the international VC and technology industry with the adoption of state-of-the-art and fit-for-purpose ESG practices. Counting 410 VC members globally and 100 LPs, the community focuses on ESG processes across the full VC value chain, from internal fund management and investment decision-making to portfolio support. VentureESG runs regular peer-learning events, develops resources and tools and conducts ESG training to push this industry forward with 'good' ESG integration.
- ESG_VC is a network of more than 200 VC firms across the UK and Europe which provides free resources to help early-stage companies measure and improve their ESG performance, including diversity and inclusion. Several Investing in Women Code signatories are on the steering group for the initiative, including Beringea, Par Equity, Atomico and Lakestar. The network has developed a free measurement framework endorsed by the British Private Equity and Venture Capital Association and used by leading VC firms, focusing on diversity and inclusion metrics. ESG_VC also provides free webinars to help companies progress against their ESG goals. The goal is to increase opportunities for women and under-represented groups in the start-up ecosystem, strengthening diversity of talent and investment in companies led by diverse founders.

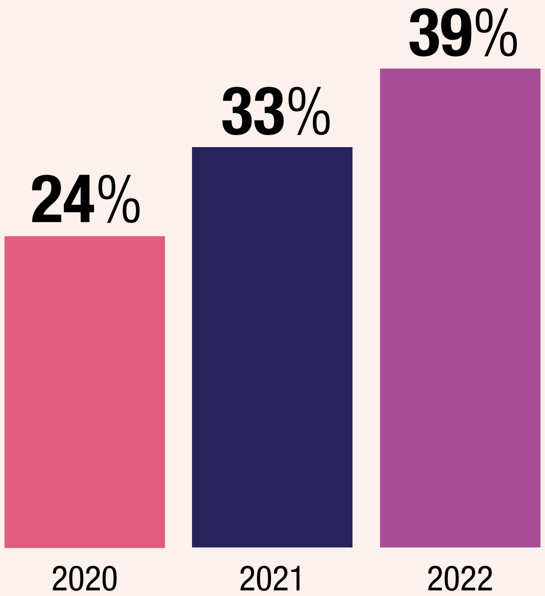
Spotlight on LPs

This year, British Patient Capital (the UK's largest LP) and Funding London became the first LPs to sign the Investing in Women Code. By doing so, they have committed to improving female entrepreneurs' access to finance in the VC sector and supporting the advancement of female entrepreneurship in the UK. As the ultimate providers of investment capital for equity funds, LPs have the power to drive change in the industry. By investing in firms that prioritise diversity and inclusion, LPs can encourage and catalyse change, leading to improved gender balance in the industry.

Signatories' market share rises with increasing Code signatories

Signatories' market share, which represents the proportion of UK deals involving a signatory, has been steadily increasing over the past few years. Signatories accounted for 27% of announced UK equity deals in 2020, rising to 39% in 2022. This trend suggests more firms are becoming Code signatories and committing to gender equality in access to finance.

Figure 2. Market share of equity deals involving a signatory

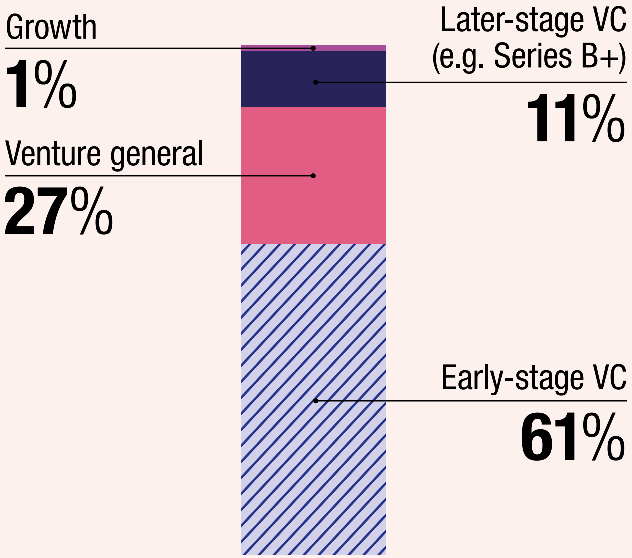


Source: British Business Bank analysis of Beauhurst and Investing in Code signatory data

Early-stage VC investors benefit all-female teams in seed-stage deals

Most signatories (61%) make early-stage VC investments, with just 12% investing in growth and later-stage VC. All-female teams tended to have a higher share of deals at the seed stage (12%), which may have contributed to signatories' higher proportion (35%) of deals in companies with at least one female founder, compared to the broader market (27%). According to Beauhurst data, all-female teams also had a higher share of deals at seed stage (12%) in the broader market.

Figure 3. Signatories by investment stage

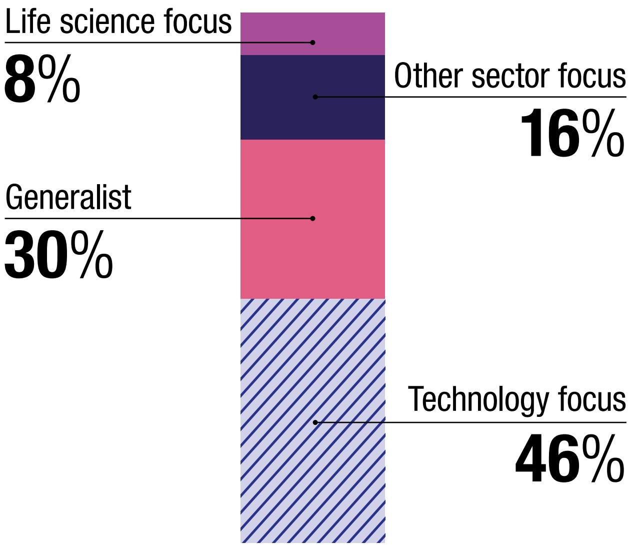


Source: British Business Bank analysis of Investing in Women Code signatory data

Technology dominates signatories' investment focus

46% of signatories had a focus on technology compared to 37% in the previous year. The high number of new signatories with a technology focus (80%) could explain this trend. These findings suggest that signatories are increasingly supporting technology-based start-ups and companies consistent with the wider market.

Figure 4. Signatories by sector focus

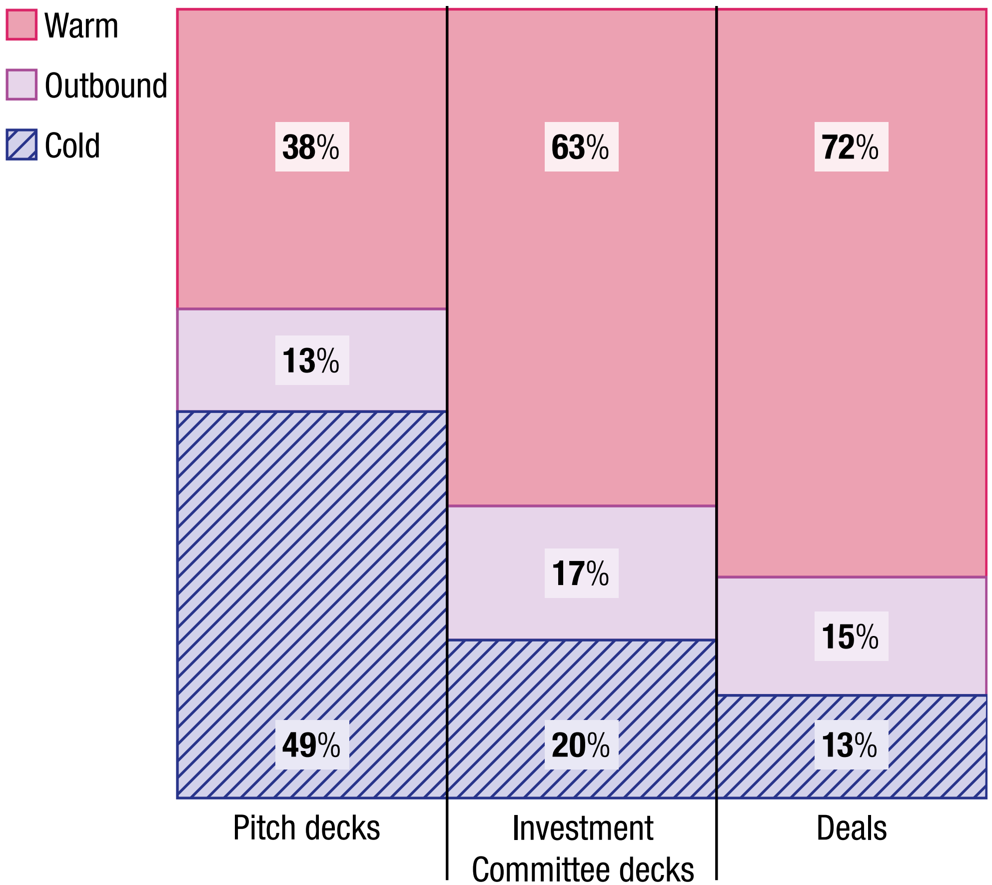


Source: British Business Bank analysis of Investing in Women Code signatory data

Warm introductions are vital in securing funding for all teams

While warm approaches comprised 38% of all pitch decks received, they had the highest rate of progression through the pipeline. 63% of investment committee-stage decks and 72% of deals that received funding were warm sourced.

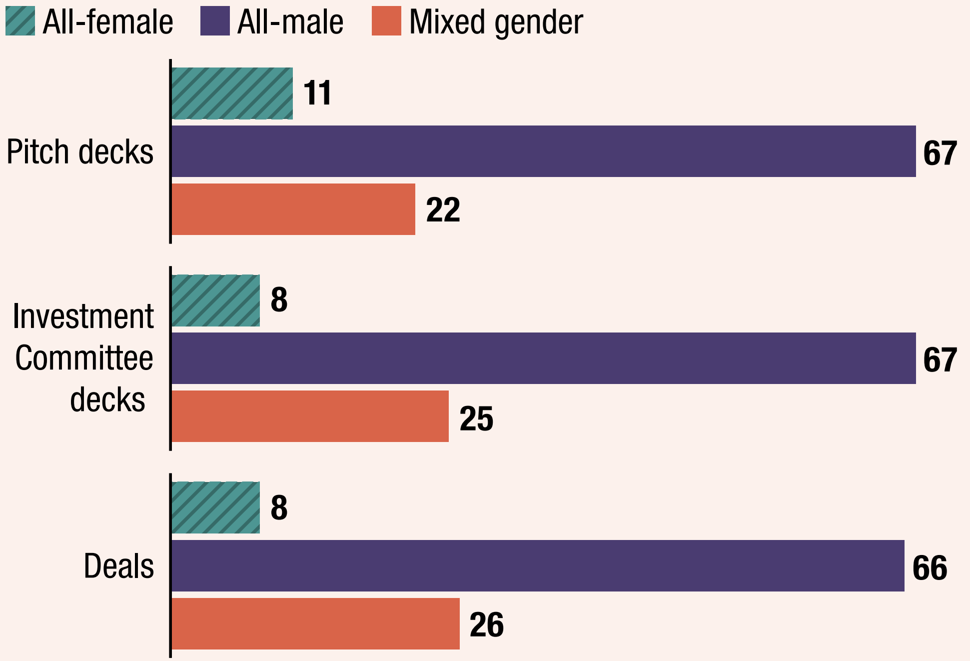
Figure 5. All teams' share of pitch decks, investment committee decks and deals that received funding, by source



Source: British Business Bank analysis of Investing in Women Code signatory data, excluding those where gender data and introduction type were not known

While cold sourcing, where founders reach out to VC firms or investors without any previous relationship, is a common tactic making up almost half of all pitch decks, it accounts for 13% of deals. Therefore, it could be beneficial for VC firms to be more open to cold-sourced pitch decks and founders to focus on developing connections with potential investors.

Figure 6. Share of warm approaches at each stage of the investment pipeline



Source: British Business Bank analysis of Investing in Women Code signatory data, excluding those where gender data and introduction type were not known

Although warm introductions proved to be the most effective method for securing funding for all genders, signatory data indicates that mixed gender and all-male teams had a higher success rate in securing funding through warm introductions compared to all-female teams. This suggests that all-female teams may encounter further barriers in securing funding, even if they are introduced through a warm connection, or when attempting to secure follow-on funding. However, there are factors such as the quality of the business idea and team that influence the probability to raise capital.

Case study: Women in technology

Oana Jinga is one of three co-founders at Dexory, a London-based start-up revolutionising how logistics warehouses are managed. In a humorous but candid way, she considers herself a Unicorn builder and Mother of Robots. Applying her experience from Google and Telefonica, she dedicates her time and efforts to supporting Dexory through strategy and brand building, product launches and customer engagement. Her company Dexory has raised funding from Lakestar, a VC investor.

As funding becomes more available to women, they are taking action to change the perception of success and leadership in the technology industry. Addressing systemic barriers is only the first step. Gender diversity is needed not only in start-up leadership, but also in VC. With more women in leadership positions, decision-making can be more inclusive and inspire others to pursue diverse careers. Celebrating women entrepreneurs, providing more capital, and fostering a supportive network of women are all important steps in achieving these goals.

Dexory's digital twin technology is the only platform powered by autonomous robots that delivers data and insights on warehouse operations in real-time, all the time. Their robots and data visualisation platform work together to measure, track and locate goods across every step in their supply chain journey within the warehouse – from inbound to storage, picking to outbound.

Photo: Oana Jinga

Funding to all-female founder teams increased in the broader market and was unchanged for signatories

Beauhurst data suggests that all-female investment increased from 6% to 9% in the broader market, while signatories' investment in all-female teams was unchanged at 9% with their representation decreasing at each stage of the investment pipeline. This is consistent with the previous year's trend.

Only 11% of pitch decks were from all-female teams, compared to 66% from all-male teams, potentially indicating fewer women-led start-ups or additional barriers to accessing VC. At the investment committee stage, the proportion of all-female teams drops further to 10% and then to 9% of deals. Factors may include biases in the investment process, a lack of diversity among investors and the need to increase the representation of women at all stages of the investment pipeline.

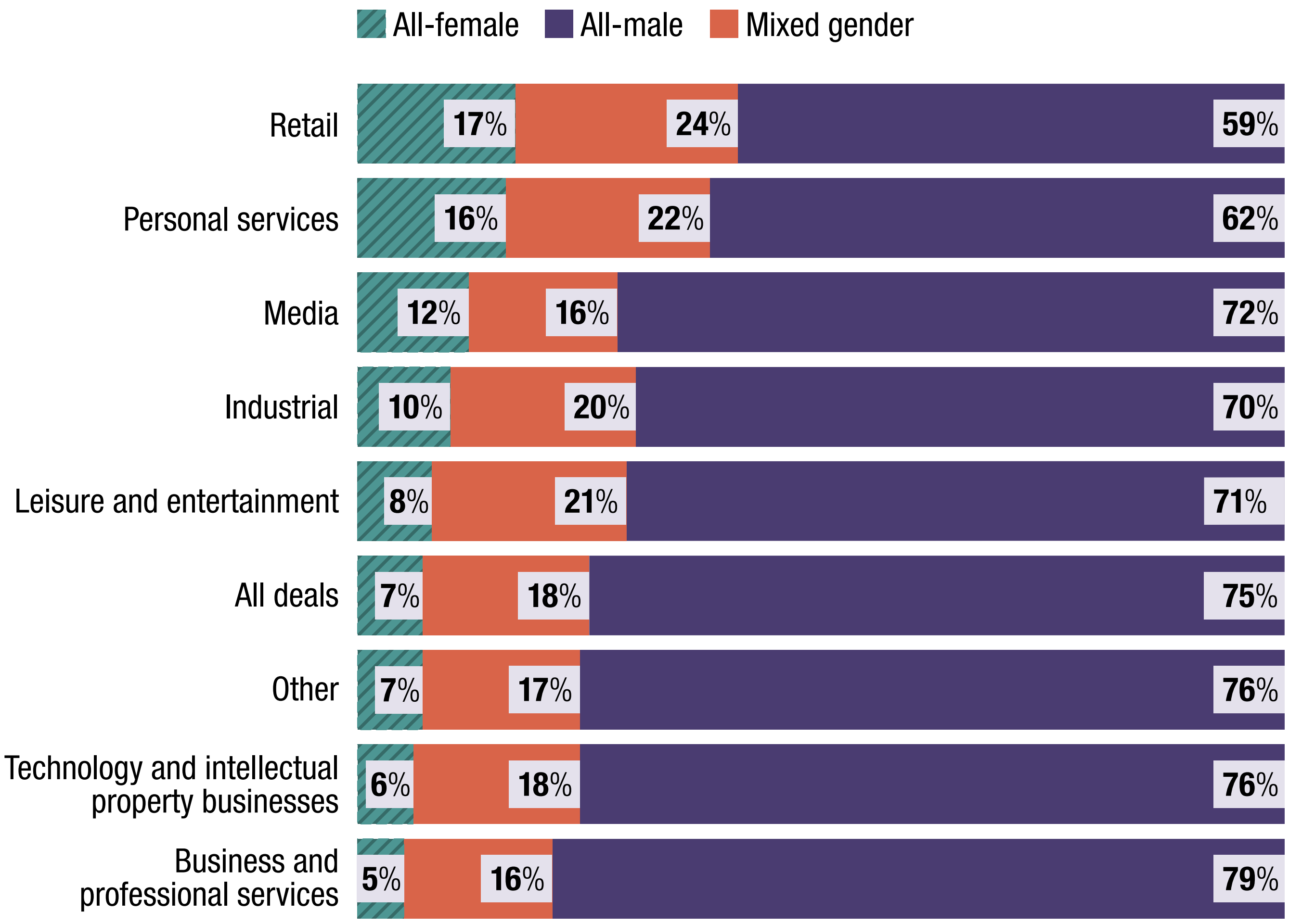
Figure 7. Gender composition of founder teams at each stage of the investment pipeline

Source: British Business Bank analysis of Investing in Women Code signatory data, excluding those where gender data was not known

All-female teams are under-represented across all sectors

Investors in the broader market remain focused on the technology sector and the business and professional services sector, which have historically received the majority of equity deals and investment.[7] However, all-female teams account for the lowest share of deals in those sectors (6% and 5% respectively). This disparity may indicate that women are under-represented in technology and intellectual property businesses, leading to fewer funding opportunities from both the signatories who have a strong technology focus and the wider market.

Figure 8. Proportion of VC deals by sector (2020 to 2022)



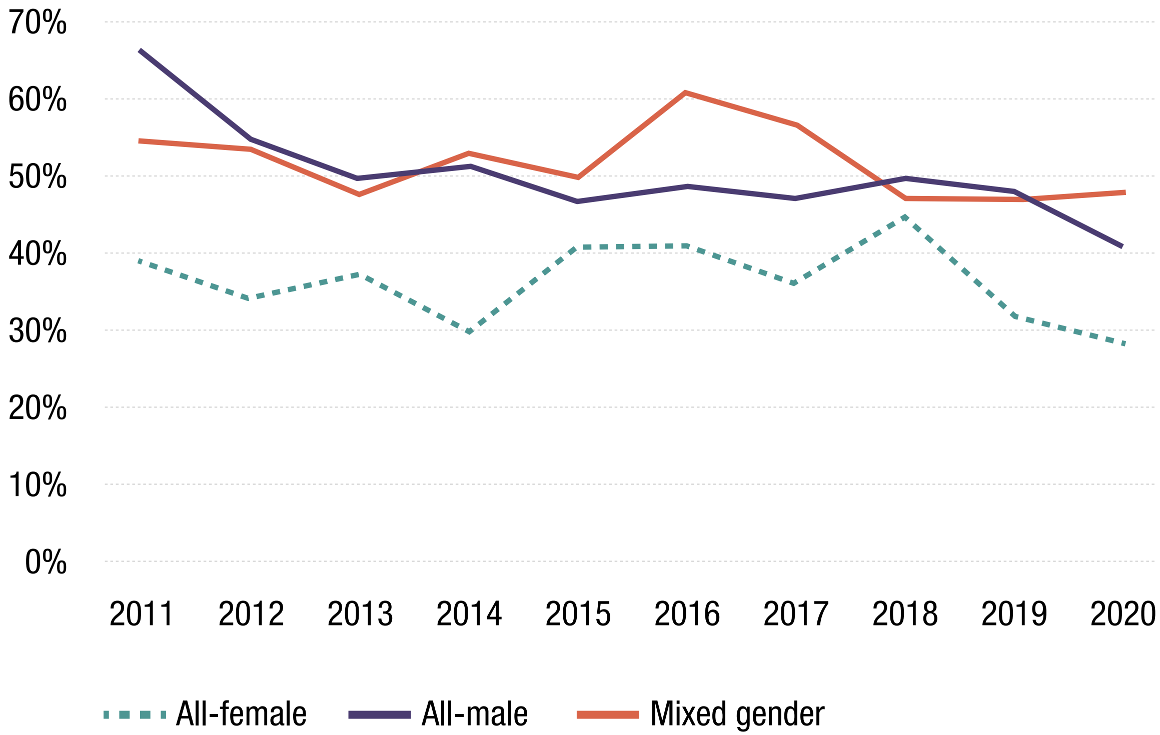
Source: British Business Bank analysis of Beauhurst data

7 British Business Bank equity tracker 2022

All-female founder teams continue to face barriers raising VC investment, even after having successfully raised

A higher percentage of all-female teams received first-time funding (80%) compared to follow-on funding (20%), which is consistent with the previous year's findings. Beauhurst data shows that all-female teams consistently have lower follow-on rates. 28% of companies led by all-female teams with an initial round of funding in 2020 had a follow-on round after that. During the same time frame, 41% of companies with all-male founders raised at least one additional round of equity.

Figure 9. Proportion of companies that raised an announced round of equity going on to raise a follow-on round of funding, by year of initial round



Source: British Business Bank analysis of Beauhurst data

Case study: SFC Capital

SFC Capital invests in start-ups from their very first funding round and across a broad range of sectors including life science, health technology, and climate technologies.

In 2020, SFC Capital became one of the first signatories of the Investing in Women Code and announced their intention to invest in at least 50% of women-led companies from their new cohorts. In 2021, SFC Capital developed a new approach to increase the number of investments in women-led companies by implementing a scoring methodology that standardises their decision-making process. The goal of the system was to evaluate and identify promising start-ups across a wide range of sectors, from life science to consumer products. The scoring methodology considers over 30 factors, such as the founders' skills and experience, the market size and potential, and the business' traction. This approach reduces any unconscious bias when evaluating the founding teams, and concentrates on objective facts: the founders' competence, how well they complement each other, their personality types and their history of working together.

SFC Capital also gives additional weight to companies showing diversity among founders, including whether there is at least one woman in the founding team. This additional criterion ensures that SFC Capital actively seeks out diverse and inclusive teams with different perspectives and experiences, as these companies are more likely to better understand their target audience, be more innovative and reach a wider market.

Since adopting this methodology, SFC Capital has seen a 25% rise in the number of women-led companies in their recent cohorts, and they are now close to achieving their target of investing in at least 50% of women-led companies. SFC Capital is proud to have invested in some of the most promising women-led technology companies in the UK such as Mevitae, Humanising Autonomy, Emperia, Novai, or Hormona.

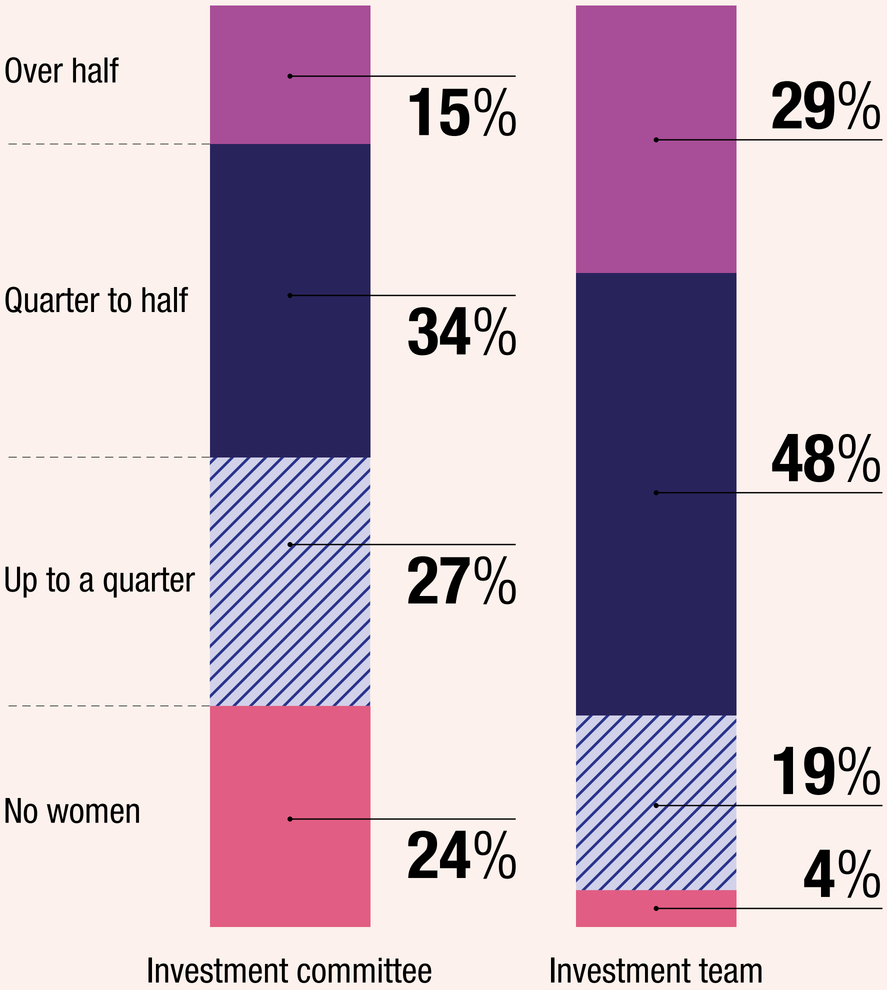
Photo: SFC Capital investee founders: Sade Amale, Pippa Harman, Adele Aitchison, Henrietta Boyd

Impact of female investors in VC firms

Female investors are under-represented in VC firms, particularly on investment committees although investment teams have more female representation. Signatories have an average of 24% female representation on their investment committees and 32% female representation in their investment teams, compared to the industry average for investment teams of 24%.[8]

Of the 80 signatories who provided this information, 77% have above market average female representation on their investment teams. However 24% of these had no women at all on their investment committee and 4% had no women in their investment teams, compared to the industry average for all-male investment teams of 17%.[8]

Figure 10. Female representation at signatory firms



Source: British Business Bank analysis of Investing in Women Code signatory data, excluding those where gender data was not known

8 BVCA and Level 20 Diversity and Inclusion Report 2023
Note this is the industry average for both VC and private equity.

When investment teams and committees have 50% or more women, 16% and 17% of funded teams are all-female respectively, compared to 7% for both when 50% or more men are present. A higher proportion of female representation on investment teams and committees may be important for increasing investment in female founders as without this representation, there may be a lower likelihood of investing in women-led companies.

Figure 11. Influence of the gender composition of investment committees and investment teams on funding outcomes for all-female founder teams

Investment committee composition	Proportion of deals with all-female founder teams
50% or more female	17%
50% or more male	7%
Investment team composition	
50% or more female	16%
50% or more male	7%

Source: British Business Bank analysis of Investing in Women Code signatory data, excluding those where gender data was not known

A growing body of evidence links representation on investment teams and committees with improved decision-making, both in terms of ability to identify high performance across more diverse networks, and investment outcomes. The British Business Bank recognises the importance of representation in investment teams and committees and has commissioned further research on the effectiveness of diversity among decision-makers on improving investment in diverse teams.

Ethnicity data

After a successful first pilot, the Investing in Women Code has continued to offer equity signatories the opportunity to share ethnicity data and contribute to the evidence base on broader diversity.

UK finance markets are increasingly recognising the importance of diversity beyond gender. Trade bodies representing Investing in Women Code signatories have made gender and ethnic diversity a priority.

Equity finance signatories have been given the opportunity to share ethnicity data. While 51 firms participated in the pilot, there are general challenges with collecting ethnicity data, including privacy concerns and individuals choosing not to disclose their ethnicity. We will use this exercise to inform discussion on the best approach to gathering ethnicity data for the industry, and a summary of the results will be published later in 2023.

The government’s response to the Commission on Racial and Ethnic Disparities supports this pilot, recommending that data collection on ethnicity is expanded to improve access to finance for ethnic minority entrepreneurs.

Case study: Female Innovators Lab Fund

The Anthemis Female Innovators Lab Fund, anchored by Barclays and backed by Aviva, is a venture fund and studio dedicated to investing and cultivating entrepreneurial talent in women across the financial services ecosystem. It is the largest female founder-focused fintech fund in the US, Europe and UK.

The team invests in businesses led by female founders and provides them with human, intellectual and financial resources, backed by an extensive network of advisors and experts from the Anthemis team and their strategic investors. Portfolio companies receive support and guidance around product, operations, hiring, marketing and more, all of which will be focused on helping founders to build their business.

Anthemis has connected with thousands of women-led start-ups across the fintech ecosystem and is disproving the notion that female founders' negligible share of fintech VC funding is driven by a pipeline problem. Anthemis' belief is that there is a representation problem in fintech VC and the Female Innovators Lab Fund was created to provide female founders with the resources they need to change the venture funding status quo.

The Female Innovators Lab is led by Katie Palencsar, Investor and Global Head of Venture Studio at Anthemis, who is supported by Elizabeth Davis and Camila Rivas. The team is actively investing and continues to look for new pre-seed or seed stage investment opportunities in UK, Europe and US fintech across the embedded finance ecosystem, which includes banking, insurance, wealth and asset management, data, and financial infrastructure.

"Anthemis' track record as early-stage fintech investors and venture builders, coupled with the power and global footprint of Barclays, makes this an exceptional opportunity for prospective founders to progress their business ideas. Participating start-ups will have access to Barclays' world-class fintech hub Rise, and Anthemis' dedicated office spaces, with unparalleled mentorship and networking opportunities".

Sonal Lakhani, Global Head of Fintech Programmes and Strategic Initiatives, Barclays

"At Aviva we recognise the need to drive more female leadership and create gender equality within the financial services sector. Partnering with the Female Innovators Lab Fund is part of our ambition to increase the female talent pool in the UK, and provide opportunities to female entrepreneurs to scale their businesses through investment, partnerships and collaboration".

Ant Barker, Head of Venture Investments and Partnerships, Aviva

Sonal Lakhani (Barclays) with Katie Palencsar (Anthemis) and Ant Barker (Aviva)

The Code and how to join

The Investing in Women Code is a commitment to support the advancement of women entrepreneurs in the UK by improving their access to the tools, resources and finance they need to achieve their goals.

A diverse and inclusive business ecosystem is good for customers, entrepreneurs, businesses, investors and society. The Department for Business and Trade (DBT), together with the Investing in Women Code partners and signatory firms, share a commitment to work in partnership to make the UK one of the most attractive countries in the world to start and scale a business by advancing female entrepreneurship.

The Investing in Women Code partners are the UK Business Angels Association, the British Private Equity and Venture Capital Association, UK Finance, and the British Business Bank.

Signatories to the Investing in Women Code make the following commitments.

"My organisation is committed to a culture of inclusion and to advancing access to capital for women entrepreneurs. My organisation will:

- nominate a member of the senior leadership team (or key individual within my Angel group or network) to be responsible for supporting equality in all my organisation's interactions with women entrepreneurs
- adopt internal practices that aim to improve women entrepreneurs' access to the tools, resources and finance they need to grow their businesses, and review these practices annually
- provide to an industry body designated by DBT a commonly agreed set of data about my organisation's investing or lending activities and about its own staff and leadership team, together with a case study of my organisation's work with a woman entrepreneur, on the understanding that they will collate this data and provide it to DBT on an aggregated and anonymised basis for publication in an annual report

My organisation will make this commitment public".

New signatories are not required to provide data in their first year.

Organisations are eligible to become Code signatories if they provide debt or equity finance to businesses. Examples include banks and non-bank lenders, VC funds, private equity firms, Angel investors, crowdfunding platforms, and public sector providers.

Organisations may be removed as signatories to the Investing in Women Code if they do not fulfil their obligations. Signatories may also withdraw voluntarily.

DBT welcomes interest in the Investing in Women Code from all eligible organisations. Further information about the Code and an online sign-up form is available on the British Business Bank's website: **www.british-business-bank.co.uk/investing-in-women-code**

If you would like more information about the Code or would like to become a signatory, please contact: **investinginwomencode@beis.gov.uk**

Data collection process

The data collection process for compiling the information included in this report is summarised below. A more detailed guidance document is available on request from investinginwomencode@beis.gov.uk

Each year DBT, alongside the Code partners, publishes aggregated data provided by signatories of the Investing in Women Code in an annual report. The data presented in this report covers three types of finance:

- debt finance – data is collected from lenders by UK Finance
- Angel investment – data is collected from Angel groups by the UK Business Angels Association
- venture and growth capital – data is collected from firms by the British Business Bank

Each Code partner collects and collates anonymised data from their signatories. Only the anonymised aggregated data is reviewed by DBT and other Code partners when compiling this report.

Recognising that some organisations may need to amend their internal systems and processes, new signatories are given a one-year grace period on signing the Code. They are then expected to provide the required data for the next reporting cycle. DBT and the Code partners are reviewing what information to collect, and how to present it, for signatories that do not fall into one of the above groups.

New signatories in the year to 31 March 2023

Banks and non-bank lenders (12)

Bristol and Bath Regional Capital CIC
Capitalise Business Support
Coventry and Warwickshire Reinvestment Trust
Finance for Enterprise
First Enterprise Business Agency
Funding Circle
GC Business Finance
Growth Lending
Hydr
Social Investment Scotland
SWIG Finance
Transmit Startups

Angel investors (7)

Baltic Ventures
Female Founders
GC Angels
HB Capital Investments
HERmesa
MAINstream
Obu

Other finance providers (1)

University of Exeter

Venture and growth capital (42)

1818 Venture Capital
7percent Ventures
Active Partners
Amadeus Capital Partners
Anticus Partners
Augmentum Fintech
Bran Investments
Breega UK
British Design Fund
British Patient Capital
Cambridge Enterprise
Deeptech Labs
Element Ventures
Epidarex Capital
Evenlode Foundation
Fabric Ventures
Firstminute Capital
Forward Partners
Funding London
Lakestar Advisors UK
M&G Catalyst
MMC Ventures
Moscar Capital
N4 Partners
NG Bio Ltd
Nine Realms
Northern Gristone
Oxford Capital
Pact VC
PEAL Capital Group Limited
Praetura Group
QuantX
Raising Partners
Regenerate Ventures
River Capital UK
Scaleup Capital
Scottish Enterprise
Seneca Partners
SIS Ventures
Thena Capital
Whiterock Finance
YFM Equity Partners

An up-to-date list of all Code signatories is available on the British Business Bank's website at **www.british-business-bank.co.uk/investing-in-women-code/signatories/**

Acknowledgements

This report is the outcome of careful work by Code signatories to collect and report data, and by Code partners to analyse this mass of information and create actionable insights. Thank you to all those involved.

We are grateful to all the Code signatories who contributed case studies, and to the participants who allowed their stories to be used.

The Investing in Women secretariat at DBT would particularly like to thank Rod Beer, Mike Conroy, Caroline English, Lee Hopley, Theodora Newman, Poonam Shah, Emma Steiner, Jennifer Tankard, Jenny Tooth and the brilliant team at Design102, without whom this report would not have been possible.

DBT and the Code partners welcome feedback and questions on this report and the future evolution of the Code, which can be sent to **investinginwomencode@beis.gov.uk**

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