DIVERSITY VC | ONETECH | J.P.Morgan

Venturing into Diversity & Inclusion 2019

Addressing the diversity deficit in VC

A report by Diversity VC and OneTech
With financial support from J.P. Morgan
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Contents

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Introduction from OneTech

Currently, in the UK, for every £1 of venture capital investment, less than 1p goes to all-female led teams. A staggering 93% of all funds raised by European VC-backed companies in 2018 went to all-male founding teams.

OneTech is part of the movement to change this. We support underrepresented founders in London by connecting them to opportunities within the London tech scene. We drive thought leadership and dialogue to influence public policy and programmes both nationally and regionally. We strive to ensure that London's tech ecosystem is open and accessible to everyone.

Part of this is to work with incumbents - investors, accelerators and other stakeholders - to give them the skills, evidence, information and tools they need to become more diverse and inclusive. We are proud to partner with Diversity VC on this report, with financial support from J.P. Morgan. We are changing the face of start-ups.

@weareonetech
www.weareonetech.org
#weareonetech

Venturing into Diversity & Inclusion 2019

Over the last 3 years, we have published quantitative studies highlighting the lack of diversity in our industry such as 'Women in UK Venture Capital 2017' and 'Diversity in UK Venture 2019', alongside recommendations found in our Toolkit and the 'Atomico and Diversity VC Entrepreneurs Guide to Diversity and Inclusion'. We have received remarkable support and thank everyone that has helped in our mission.

This study was an opportunity to understand the practical steps Venture Funds in London could take to promote Diversity and Inclusion in their portfolio companies, dealflow and internally. We have learned a tremendous amount from this study. Speaking to Venture Funds across London provided a clearer backdrop for our thinking to produce actionable and more practical recommendations. It is clear that whilst funds now understand that this is important, many do not know where to start. This report, in partnership with OneTech, aims to prioritise the key actions so our industry can step forward today.

Shriya Anand
Diversity VC | Bain & Company
'Venturing into Diversity & Inclusion' Lead

DIVERSITY VC

Diversity VC is a non-profit partnership, formed in 2016 by a group of venture capitalists seeking to make the industry more representative and inclusive.

The 5 key recommendations, found on page 14, aim to provide a starting point and initial framework for funds to work from for a Diversity and Inclusion strategy.

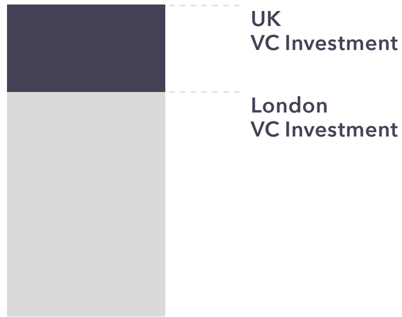
Background to our study

Following our latest report, Diversity in UK Venture 2019, which highlighted that we are making slow but steady progress in building a representative Venture Capital community, this study offers a view focused on London.

With our partners OneTech, Capital Enterprise and the J.P. Morgan, we are aware that London disproportionately represents a greater share of voice in the UK VC space, with 72% of venture capital investment made in the UK, invested in London (London & Partners and Pitchbook (2018).

To understand how inclusive the venture capital industry is in terms of culture, procedures and policies, we must therefore start here.

This report looks at 144 firms in London, compared to 171 in the UK as a whole and utilises findings from structured interviews with 30 funds, via an online survey and follow-up conversations. The findings presented here are an aggregation of these conversations and includes excerpts of the interviews we had, focused on their HR policies. These insights and findings provided us with a deeper understanding of the specific challenges that funds are facing today.



72% of UK VC investment made in London

Venture capital has an outsized influence on the economy and society

A relatively small venture investment early in a company's life can help to create a transformational, global company. Six of the ten most valuable companies in the world, and household names from JustEat to Zoopla, were enabled in part by venture investment.

The UK is the largest venture market in Europe, and the fourth largest in the world. In 2018, venture investors in the UK committed £6.3bn to early-stage companies (Technation, 2019). The UK has been the birthplace for more than a third of Europe's 'unicorns' (companies valued at over $1B) and is at the forefront of investment themes including artificial intelligence and financial services technology (GP Bullhound, 2018).

UK VC committed **£6.3bn** to early-stage companies

The more diverse an investment firm, the higher its performance.

It has been widely proven that better decisions come from a more diverse teams so increasing diversity will likely drive better performance.

Most significantly, the more diverse an investment firm, the higher its performance. The success rate of acquisitions and IPOs was 11.5% higher on investments by partners with diverse school backgrounds, and 22.0% higher for those from ethnically diverse backgrounds.

Success rate of acquisitions and IPOs.

Source: Gompers & Kovvali, 2018

What gets measured gets managed

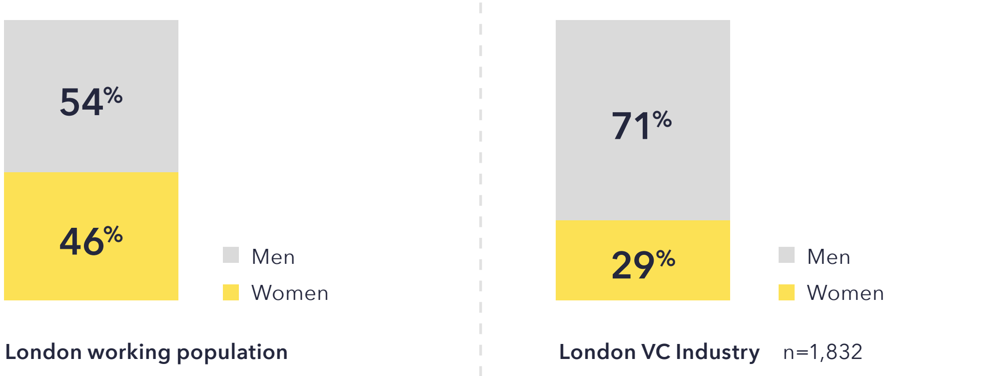
The UK Venture Capital scene is not yet representative of the society that we live or invest in. When we cut down for London, the message is the same, and we have the responsibility to change it.

In this study, we looked at gender, ethnicity and educational background for Venture Capital employees in the UK and across London. This data is critical to holding our industry accountable and for tracking progress. It also highlights that we have a long way to go.

Women are significantly underrepresented across London Venture Capital.

The proportion of women in London Venture Capital firms is 29% versus 46% for the London working population. The London Venture Capital scene is not attracting nor supporting female participation.

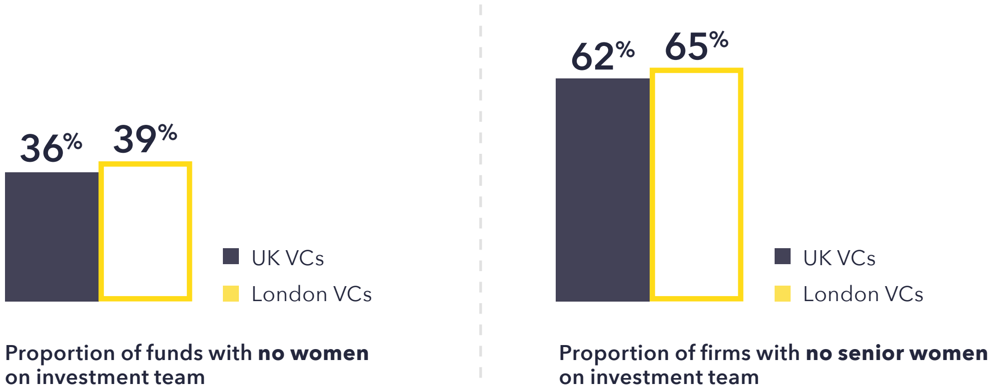
Female participation in London workforce vs. London VC industry



65% of funds in London have decision-making teams that are all-male.

When focusing on female participation in terms of investment teams, 39% of London venture funds had no women at all. The picture looks worse when looking at senior female decision makers (i.e. partners) where 65% of London funds do not have women sitting at the table. London is accountable for ~90% of the funds in the UK without female representation.

Proportion of VCs with no female participation (investment team)

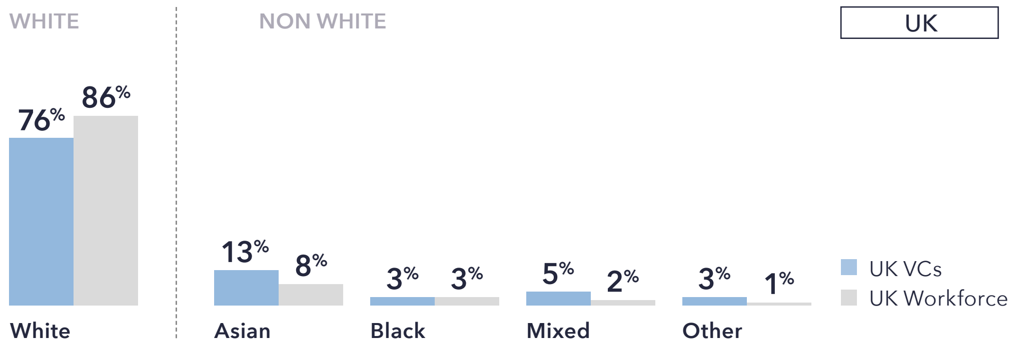


Ethnic minorities are likely underrepresented in London Venture Capital.

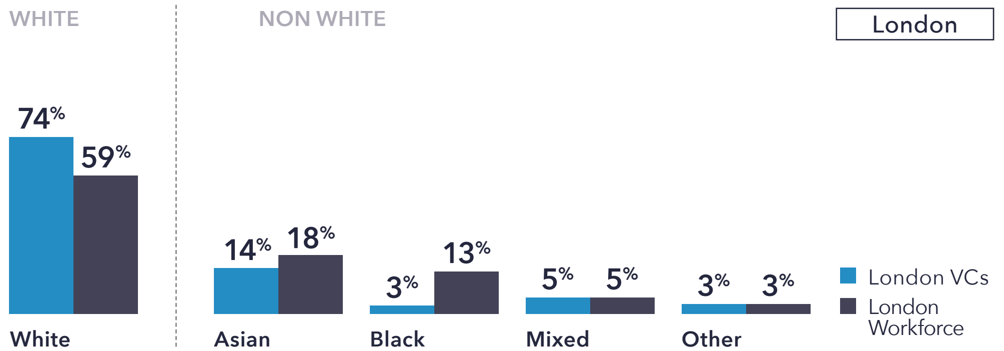
Our survey of 223 venture capitalists suggests that the London Venture Capital community disproportionately comprises of white individuals when compared to the London population. In contrast, Black venture capitalists appear to be significantly underrepresented, alongside Asian venture capitalists.

Note: This sample has not been adjusted for selection bias

UK workforce by ethnicity vs. UK VCs



London workforce by ethnicity vs. London VCs



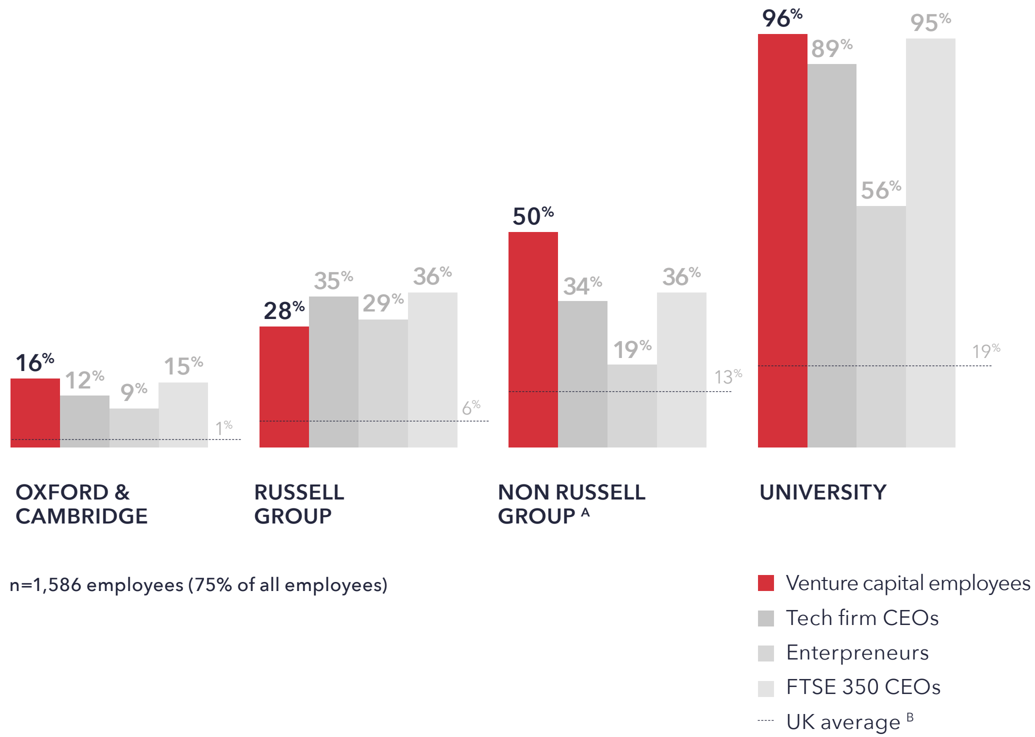
General Notes: Percentages are subject to rounding. Data are collected and classified using a standard set of UK ethnic groups, following the methodology set-out by the UK Census (2011). A full methodology can be found in the appendix. **Sources:** UK Census (2011); Diversity VC analysis (2019)

Venture capitalists typically have extensive education.

Personnel in the venture capital industry exceed national averages for education across all metrics. 96% of venture capital professionals have a university education. 28% attended a Russell Group university. 16% studied at Oxford or Cambridge.

Against comparable industries, venture capital professionals have a broadly similar educational profile, with little difference in educational attainment among venture capitalists, technology CEOs and FTSE 350 CEOs.

Benchmarking the education of UK VCs



n=1,586 employees (75% of all employees)

Note A: It was not possible to align those that were schooled in overseas institutions with the ranking of British institutions. **Note B:** All figures for the UK average are based upon the UK's working age population, apart from the figures for Oxbridge which are calculated for current 18 year olds.

General Note: Percentages are not additive, as individuals may hold more than one degree, and would be double counted. **Sources:** Sutton Trust, Elitist Britain (2019); Diversity VC analysis (2019)

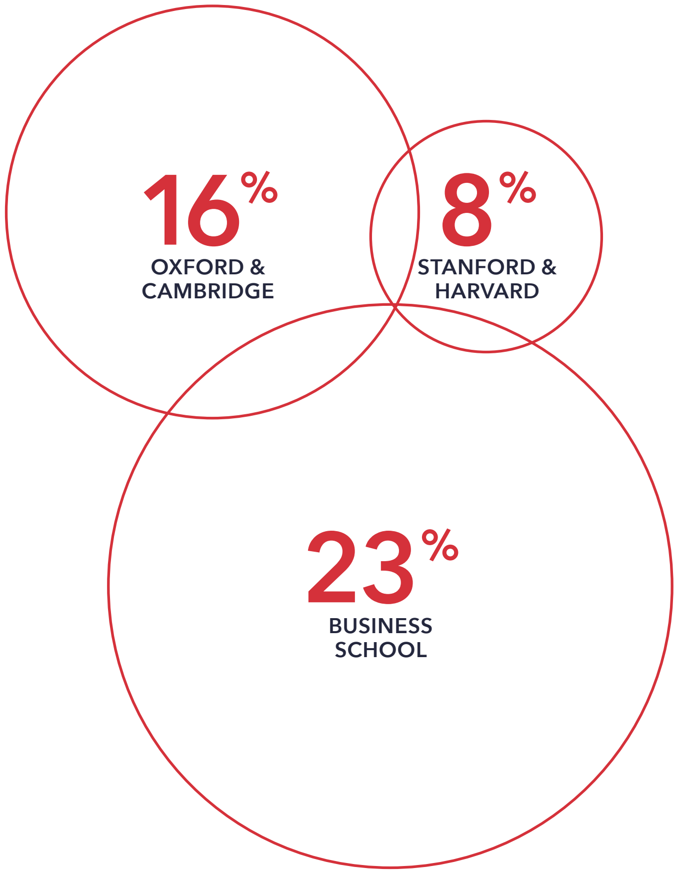
Whilst ‘feeder’ institutions bear responsibility to become more representative, the VC industry must also work harder.

Many in the venture capital industry have a similar educational background. One in five UK venture capital employees attended the universities of Oxford, Cambridge, Harvard or Stanford.

Separately, 21% of venture employees hold a degree from a business school. When all education data is combined, 33% of personnel in the venture capital industry have graduated from Oxford, Cambridge, Harvard, Stanford or a business school.

Whilst these ‘feeder’ institutions bear responsibility to become more representative in terms of gender, ethnicity and broader definitions of diversity (e.g. LGBTQ+, disability, age and socioeconomic status) the Venture Capital industry must work harder to look beyond traditional channels for recruiting talent and becoming a more representative industry.

One in five venture capital professionals attended either Oxford, Cambridge, Stanford or Harvard



n=1,586 (75% of all employees)

General Note: Percentages are not additive, as individuals may hold a degree from more than one institution, and would be double counted. **Source:** Diversity VC analysis (2019)

Starting a conversation is the first step to tackling our diversity problem. The next step is to look at what more we can do.

Our interviews highlighted that many funds do not know where to look for support on this topic. We hope this study provides actionable recommendations to the reader.

Key Recommendations

01

Appoint a Diversity & Inclusion champion.

02

Review HR policies including parental leave.

03

Foster a culture of inclusion for diverse talent.

04

Broaden sources of dealflow beyond traditional channels.

05

Guide portfolio companies on building an inclusive culture.

01

Appoint a Diversity & Inclusion champion

In light of missing HR professionals in the industry, we recommend appointing a senior member of the investment team to champion this topic and to speak up when decisions are being made that may not be inclusive. This approach is most effective when combined with high level support from key decision makers in the fund.

60%

of the funds we surveyed **did not have a D&I champion in their funds**

47%

of the professionals we spoke to believed they **had no recruiting policies in place to promote diversity**

Source: Diversity VC Benchmarking study, 2019

Appointing a D&I champion is recommended.

In light of missing HR professionals in the VC industry, who would traditionally be responsible for representation and inclusivity in the recruiting pipeline and day-to-day behaviours, appointing a D&I champion(s) is recommended.

Making this a formal role is preferred and ideally would be someone senior who is also passionate about the cause. According to Bain & Company's report "Take Action, Gain Traction", employees' feelings of inclusion nearly double when leaders make inclusion and diversity a visible priority.

"Our fund has established a **diversity task force** with senior representatives from across the firm, including Investment Partners, our Chief People Officer, Head of IR, Head of Communications amongst others. The Task Force brings together a diverse **range of experience** (HR, Investment, IR, Communications) and perspectives to help us address diversity and how to affect change across our firm, our portfolio companies, and the broader industry."

London based Venture Fund

It is the role of the champion to consider if the decisions and operating practices of the fund are inclusive.

For this to work, partners, decision makers and other senior leadership need to be on board and champion inclusive endeavors.

A starting point is to ask simple questions:

- Is there an accessible entrance to your funds's building? Would an entrepreneur, or a potential hire, using a wheelchair be able to access and use the space?
- If your fund organises an event, do the food and drinks that cater to religious and cultural groups? Is there a procedure for collecting dietary requirements (for example, from portfolio companies for off-sites or events)?
- Are employees and partners allowed to take time off for their religious and cultural holidays?
- Does your fund have a 'cultural fit' consideration when recruiting and can individuals from all backgrounds meet this definition?

Implementing formal tracking processes further enables D&I champions.

Putting in place formal D&I tracking processes holds funds accountable to diversity and inclusion in terms of the candidates considered in recruitment or the companies considered for investment. Formal data gives the D&I champion a launchpad for having the difficult conversations about this topic.

Diversity debt implies increased cost and work if effort is not invested to get D&I foundations right upfront.

There is a temptation in our industry to explain our lack of representation on a legacy issue, where individuals say it will just "take time" to recruit underrepresentated candidates. Going forward, we are unlikely to solve this via recruitment alone if, when a non-traditional candidate succeeds in the process and enters the door of a fund, they are not welcome.

In our previous research, we have referred to this as a 'Diversity debt'. Much like the concept of “technical debt”, diversity debt implies increased cost and work if effort is not invested to get D&I foundations right upfront.
For example, hiring people quickly without taking D&I into account means the hiring deadline will be met, but the price will be paid eventually in the form of team homogeneity, poor resilience to crisis, enhanced “groupthink” and possibly a toxic work environment. Just like technical debt, diversity debt compounds over time, becoming harder and harder to correct.

The most effective way of avoiding diversity debt is to design for inclusion from the start and integrate diversity throughout the fund's processes.

In doing so, diversity becomes a lens for identifying, developing, and advancing companies through the deal funnel, and candidates through the HR funnel. [Village Capital, Don't let your start-up get caught up in “diversity debt”] Appointing a D&I champion provides someone with accountability for this issue.

Very few VCs have clear initiatives to promote diversity in their firms

Venture capital firms in the UK typically employ a small number of people (an average of 9 per firm) with firms ranging in size from 1 individual to 69.

Investment roles usually comprise two-thirds of personnel. Venture capitalists are often thinly stretched and work semi-autonomously, which leaves little room for high-level strategic thinking on D&I. It is unsurprising, therefore, that very few VCs have clear initiatives to promote diversity in their firms.

Launch of Diversity in UK
Venture Capital (2019) Source: Diversity VC

02

Proactively review HR policies including parental leave

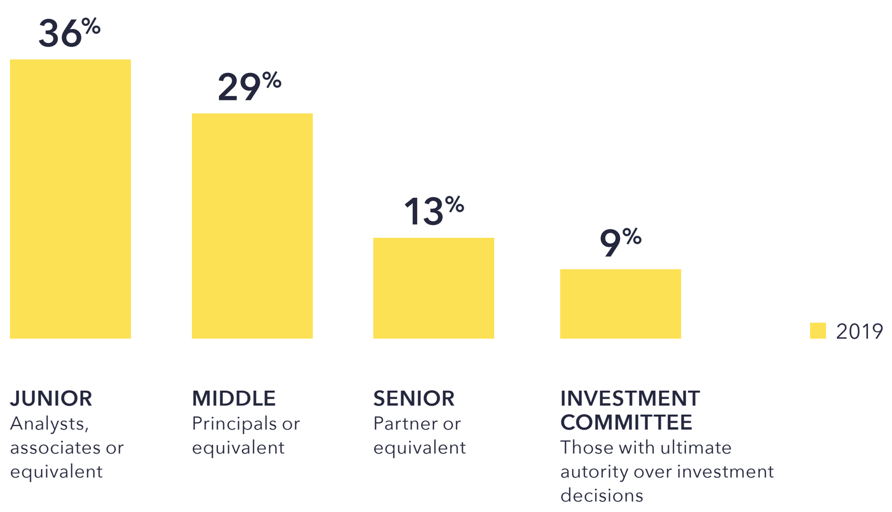
Proactively reviewing, sharing and encouraging use of HR policies is a powerful signal for retaining employees and partners. When it comes to firm wide policy on parental leave, flexible working and caring responsibilities, many funds did not know what their policies were or believed they would be negatively impacted by take up.

Inclusive policy can help retain individuals to reach senior positions in VC.

When looking at the proportion of women across the London Venture capital industry by seniority, it is clear that we are a long way off achieving parity, especially at senior levels.

Without inclusive HR policies (parental leave, flexible working) this will be difficult to change, especially given the burden of family responsibilities disproportionately falls on women. If it does change at the entry level, funds need to ensure that progressive, family friendly policies are in place to retain individuals into senior roles.

% of female representation in London by seniority



43% of funds we spoke to did not have flexible working policies in place.

Source: Diversity VC Benchmarking study, 2019

Deep dive on Parental leave

Parental leave is a key issue when discussing inclusion, since it can have such a dramatic impact on depressing parents' earnings. The statutory requirement for UK companies for maternity pay is 39 weeks, and for paternity leave it is 2 weeks. The statutory rate of maternity pay is 90% of average weekly earnings (before tax) for the first 6 weeks (£145.18), or 90% of average weekly earnings (whichever is lower) for the next 33 weeks. The statutory weekly rate of Paternity Pay is £145.18, or 90% of your average weekly earnings (whichever is lower).

Shared parental leave, where parents can share up to 50 weeks of leave and 37 weeks of statutory pay after their baby arrives, was introduced by the UK government in April 2015 as an 'opt-in' policy available to employers.

Between April 2015 and September 2017, the rate of take-up of shared parental leave has been very low (between 1-3% of eligible couples). With this in mind, we encourage funds to consider whether they are doing enough for employees or partners with families.

Implementing clear, structured policies can support individuals throughout their career

We analysed a sample of data regarding the career progression of venture capital professionals. On average an investor spends 2.3 years in a junior role, such as associate, before progressing to a mid-level role such as a principal Typically, investors then progress to a senior role after a further 3.1 to 5.8 years.

Some of the policies decision-makers could consider to help parents include:

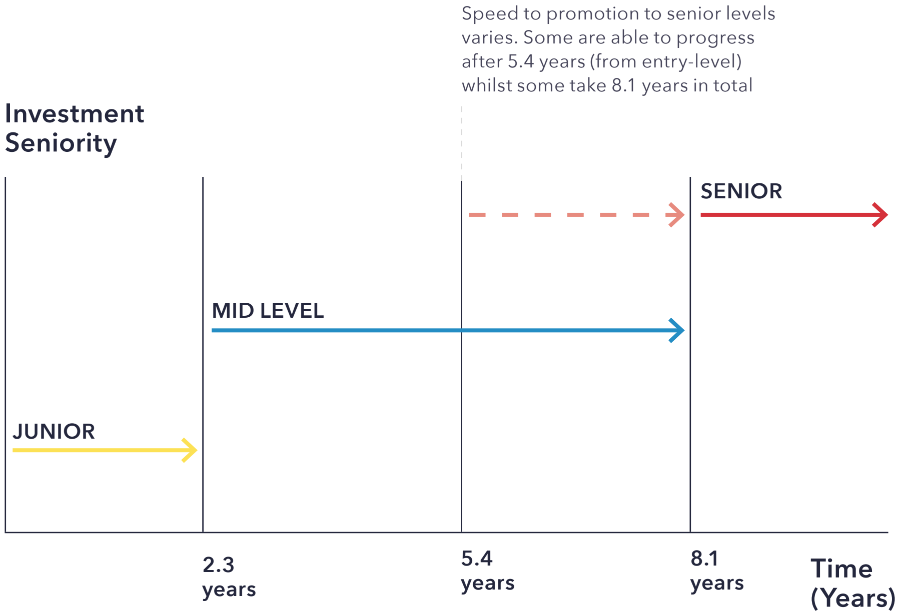
• Flexible hours (working around childcare);

• Working from home policy;

• Mandating that fathers take parental leave so that women in teams are not unfairly disadvantaged;

• Increasing the parental leave pay above statutory minimums;

• Job sharing.



n=230 careers moves

Source: Diversity VC analysis (2019)

Consider the challenges faced by new parents in the industry and design for inclusion

“The VC industry is very much about what you’ve done lately. I was lucky enough to be active in my nine months of pregnancy so I only “lost” six months. But that loss of six months felt brutal upon return. **I was missing the new networks, rusty on pitches, not connected into the dealflow, missing half a year of operations** of our companies, and so forth. Essentially you feel lapped in a marathon and it is very difficult to come back from. You know you will have to run 2x as fast to catch up with the elite.”

Reshma Sohoni
Founding Partner - Seedcamp

The burden of policy redesign is often left to the individual seeking support.

The average size of a typical VC fund means that there is rarely a dedicated resource focused on creating and monitoring specific policies for Diversity and Inclusion. Many funds are either not aware of what policies exist for parental and sick leave, or they do not believe they have any beyond what is legally mandated in the UK.

Smaller London-only based funds, often only had in place the minimum legal requirement for anti-discrimination.

Unsurprisingly, we found that the larger funds, (e.g. with more than one office) had more developed policies created by in-house lawyers and HR consultants. Smaller London-only based funds, often only had in place the minimum legal requirement for anti-discrimination.

Where developed policies are in place, there can often be limited uptake for fear of being perceived as less committed.

Where developed policies are in place, there can often be limited uptake for fear of being perceived as less committed e.g. working remotely, or employees are not encouraged / not aware that other options exist. Having senior leadership advocate for policy uptake / share their journey can help assuage this perception.

> We review our policies **every time we raise a new fund,** which is often more than annually. As of this year, **#MovingForward** has provided good guidance on this topic and we previously **reached out to other funds** to find out what they did.

London based Venture Fund

Launch of Diversity in UK
Venture Capital (2019) Source: Diversity VC

03

Foster a culture of inclusion for diverse talent

Inclusive workplaces are proven to attract and retain the brightest talent, demonstrate improved channels of communication and improved social capital. There are many resources available to help funds build more inclusive environments.

Increased feelings of inclusion translate into increased performance.

Research from Deloitte highlights that unless diverse teams also feel included within a firm, they will not perform to their best abilities. An increase in individuals' feelings of inclusion translates into an increase in perceived team performance (+17%), decision-making quality (+20%), and collaboration (+29%).

Source: Deloitte, 2018

Clear measures can be taken to improve inclusion within funds.

Examples include training employees how to mitigate their biases and to appreciate intersectionality, ensuring underrepresented demographics have a support network and creating physical spaces for activities such as prayer, wellness/meditation and lactation rooms for new mothers.

Increase awareness of communities in venture for individuals with varying demographics.

When diverse talent is hired, individuals can often be the only minority in terms of gender, ethnicity, sexual orientation or socioeconomic status. Employee Resource Groups, which are used by large companies to foster inclusive environments, would not work if you were the only person of colour in a nine person fund.

Instead, there are communities that exist for the industry as a whole – Diversity VC being one of them, in addition to a host of others including Femstreet for women in VC, 10x10 for black and mixed race founders and VCs, Intertech and OutinTech for LGBTQ+ founders and VCs.

Engage with thought leaders on intersectionality and unconscious bias.

Cognitive biases affect decision-making at all levels and unfortunately these biases may go unnoticed and unidentified. Bias training programs are designed to help organisations tackle the issue.

Understand bias with resources including:

- Harvard Implicit Association Test
  to understand how bias is deeply ingrained
- Outsmart Your Own Biases from
  the Harvard Business Review
- Facebook and Google Ventures' videos
  on bias as an overview
- Firm wide training programmes
  from providers such as Fearless Futures

Harvard, Implicit Association Test https://implicit.harvard.edu/implicit/takeatest.html
Soll, J et al. Outsmart your own biases, Harvard Business Review (May 2015)
Facebook, Managing Bias https://managingbias.fb.com/

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.

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.

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. The third step is for these actors to commit to intersectional solutions – and to be held accountable for such outcomes too.

Sara Shahvisi
Director of Programmes
Fearless Futures

First featured in the British Business Bank Female Founders and VC's Report

12%

of the funds we surveyed **did not have accessible offices to wheelchair users**

90%

of the funds we surveyed **did not have a lactation room for new mothers**

0%

None of the funds we surveyed had prayer **room facilities**

Source: Diversity VC Benchmarking study, 2019

“We need to **change how firms work internally and focus on inclusion**. Inclusion is about setting people (and their firms) up for success. Step one is hiring someone who is different, step two is setting them up for success, step three is standing back to let them show you how they see the world.”

Suranga Chandratillake
General Partner
Balderton Capital

04

Broaden sources of dealflow beyond traditional channels

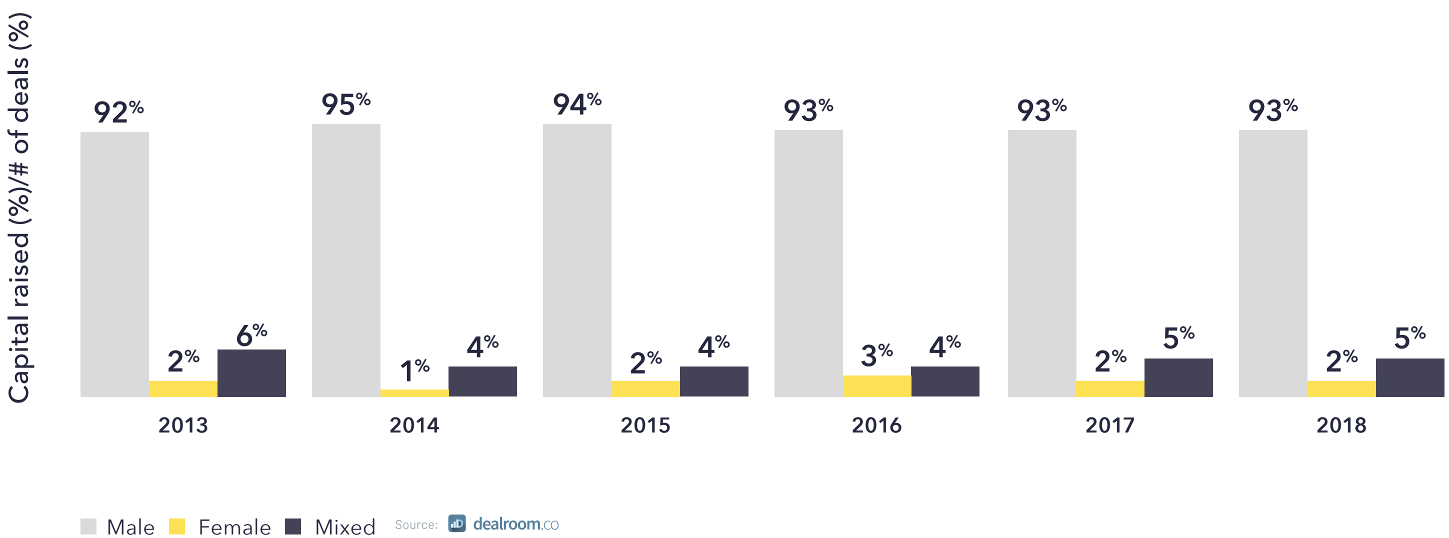
Venture investment has the privilege of granting companies runway with which to build the future. It is a scary thought, particularly as technology's impact on humanity accelerates, that this future is in the hands of an undiverse minority.

Niklas Zennström
Founding Partner, CEO at Atomico

The industry has a responsibility to build an inclusive ecosystem.

HM Treasury's Investing in Women Code highlights that a diverse and inclusive business ecosystem is good for customers, entrepreneurs, businesses, investors, and society and recommends data collection on the demographic of a fund's pipeline in addition to having a nominated/appointed member of the senior leadership team responsible for supporting equality.

Capital raised and # of deals by founding team gender (%)



Funds do not know where to look to find underrepresented talent.

As funds we interviewed communicated that they do not know where to look to find underrepresented talent, we have included a list of excellent communities in London who are full of talented founders. Another way of increasing diversity of the founders funds meet with is to host Office Hours.

This is where a fund opens its door to meet with founders, hear pitches or to help problem solve. We have seen a rise in Female Founder office hours and office hours for Founders of Colour. VCs are looking to break out of the traditional channels for finding talent and offices hours are a good way to also give back to the ecosystem.

	Type of initiave	Short Description	url
AllBright	Angel group	Angel group and co-working club focussed on female founders	allbrightcollective.com
Angel Academe	Angel group	Angel group focused on female founders & angels	angelacademe.com
Astia Angels	Angel group	Angel group focused on female founders & angels	astia.org/astia-angels
Rare Seed Capital	Angel group	Angel group focused on BAME invetsors	rareseedcapital.com
23 Code Street	Coding school	Teaching women in the UK and India	23codestreet.com
One Tech	Collective / network	Focussing on promoting entreprenrship to BAME / female entrepreneurs	capitalenterprise.org
Hustle Crew	Community	Community for entrepreneurial women of colour	hustlecrew.co
People of Color in Tech	Community	Community for entrepreneurial people of colour	peopleofcolorintech.com
Techish	Community	Podcast / community showcasing diverse tech rolemodels	techishpod.com
YSYS	Community	Community group of diverse entrepreneurs	thisisysys.com
Accelerate Her	Company	Born out of Founders Forum, consulting fast growth tech companies	accelerateher.com
Inclusive Boards	Company	Helping recruit more ethnically diverse boards	inclusiveboards.co.uk
Success Talks	Event series	Platform and event series showcasing diverse speakers	success-talks.co.uk
Jane VC	Fund	Fund focused on female founders	janevc.com
Merian Ventures	Fund	Fund focused on female founders	merianventures.com
Voulez Capital	Fund	Fund focused on female founders	voulez-capital.com
Backstage Capital	Fund / Accelerator	Accelerator in the UK focused on LGBT, people of colour and female founders	backstagecapital.com
Divinc	Incubator	Young Enterprise focused on inner city schools	wearedivinc.com
Muslamic Makers	Meet-up group	Meet-up group for Muslims in Tech	muslamicmakers.com
50/50 Pledge	Network	A pledge for events and conferences to be 50:50 represented	5050pledge.com
Femstreet	Newsletter	Start-ups / VC	femstreet.com
30% Club	Non-profit	Dedicated to increasing women on boards	30percentclub.org
Code First: Girls	Non-profit	Non-profit teaching women how to code and helping them get work in tech companies	codefirstgirls.org.uk
Color in Tech	Non-profit	Non-profit promoting a fairer tech industry	colorintech.org
DevelopHer	Non-profit	Non-profit social enterprise promoting women in technology	developher.org
Dot Everyone	Non-profit	Focused on providing policy advice for tech companies	doteveryone.org.uk
Level 20	Non-profit	Focused mainly on women in the Private Equity & LP community	level20.org
Fearless Futures	Training group	Training focused on Social Justice	fearlessfutures.org

First featured in the Founder's Guide to Diversity and Inclusion

"Our single most valuable company came through a cold email to our website. **Good VCs break out of their networks** and find companies inbound and outbound."

Partner at London based VC fund

"We make sure we go to the right spread of events, we sponsor two female accelerators and also hold open office hours. We **have to commit time to this issue** if we are to help solve it."

Partner at London based VC fund

05

Guide portfolio companies on building an inclusive culture

Venture capital firms have a unique opportunity to positively impact the companies in which they invest, and society at large.

VCs have a unique opportunity to shape the future through their funding decisions.

Capital means influence, and the industry has a responsibility to positively influence the society that we invest in. We found high variability in the level of policy engagement funds had in their respective portfolio companies. Some funds, as lead investors, had explicit clauses in their term sheets for diversity and inclusion policies to be in place within 6 months of investment.

Funds that are seeking guidance on what to advise should look to #Moving Forward in addition to our report in partnership with Atomico, the Founder's Guide to Diversity and Inclusion.

Some funds have informal conversations with portfolio companies whilst others do not have these conversations at all. We also learned about cases where portfolio companies were much further ahead of VCs in terms of their D&I policy.

Code of Conduct

Over the last 10 years, and in 2017 in particular, there have been various examples of partners or employees at VC firms behaving badly towards entrepreneurs and colleagues, including but not limited to sexual harassment.

Consider whether your firm should write a code of conduct or code of ethics policy, laying out the boundaries within which employees and partners are expected to operate, and procedures for which entrepreneurs, employees and other partners (and anyone else) can express a concern or file a complaint.

Consider whether you make this code of ethics publicly available to entrepreneurs, either through a link in the email signature, or on your website.

Each firm should have someone responsible for dealing with complaints when they occur.

Everyone at the firm should be aware of who this person is, and how to approach them with an issue.

Moving Forward is an initiative launched in the US and Europe in 2018 in response to the lack of accountability and process for reporting instances of sexual harassment and discrimination, either between founders and VCs or within VC firms themselves.

Conversations with London based VCs

"We have a clause in our Term Sheet that says that **companies need a diversity and inclusion policy in place within 6 months** of investment. The clause states that we have the right to review the policy."

London based Venture fund

"We've started to push the **Upfront VC Inclusion Clause** in term sheets. This is non-legally binding but we feel sets an important precedent."

London based Venture fund

"We ask companies we invest in to **make a commitment** that they'll implement certain diversity and inclusion policies. We have influence over our companies, but don't run them. If they push back a lot, this is a red flag for us about our investment."

London based Venture fund

#MovingForward

"Ultimately processes and procedures only work when they are supported by culture change. This is a much harder and longer piece of work for all investors to get started on. That said, by committing to create these policies it starts these important conversations. If you're an investor, **MovingForward has an invaluable collection of resources to help you get your policies set up.** They not only help you write your own policies, but also host those policies on their website. Check out the website here and join us **#MovingForward.**"

Alice Bentinck
Co-founder Entrepreneur First
Co-founder, Code First: Girls

Closing Remarks

Venture capital firms can take advantage of the practical initiatives we offer, which are designed to improve diversity, inclusion and sustainability within our industry.

Our research has highlighted a strong case for VCs to do more in search of building a representative industry. We hope that this study contains recommendations that are actionable and provides a clear starting point for what can be done today.

The lack of diversity in VC firms has a major impact on the accessibility of those funds for both formal and informal interactions with entrepreneurs seeking capital.

Our study highlighted a lack of women in venture capital firms, particularly at senior levels, in addition to an underrepresentation of ethnic minorities and individuals from non-traditional institutions. Firms should consider whether they can augment their investment committees or their senior advisory network to ensure that there are more diverse voices around the table when making investment decisions and in taking up board seats with these companies.

The founders that face the most barriers to capital are often the ones that have multiple structural disadvantages.

The data we have collected on London funds suggests that as a result of the composition of the VC teams, some underrepresented groups face more barriers than others in accessing venture capital. Interventions made by VCs to support founders from underrepresented groups should be focused and mindful of which groups are in the most need.

The founders that face the most barriers to capital are often the ones that have multiple structural disadvantages. If Venture Capital funds simply prioritize working with one group over another (or choose to work with one group 'first') this will disadvantage the founders that are most in need of support. Instead, funds should build relationships with a broad range of communities (such as the ones listed on page 39.)

Efforts should be made to build networks of founders who did not attend traditional institutions.

Funds should also look to build networks in communities of founders that did not attend institutions like Oxford, Cambridge, Harvard, Stanford or have MBAs. The VC community has a disproportionately high representation of graduates from these institutions (vs. the working population) so naturally will already have strong links with founders also coming from these places.

Diversity alone is not enough without inclusion.

We hope to have made clear that solving for diversity is simply not enough, the issue is nuanced and requires thoughtful leadership to also solve for inclusion.

We also hope the five recommendations we have proposed are taken up by our industry at a minimum and that these provide a meaningful starting point.

There is always more to be done and we welcome conversations and collaboration.

In addition to the resources presented in this report we encourage our readers to explore:

- Our 'VC Toolkit' and our Diversity VC and Atomico 'Practical Guidebook for Entrepreneurs', which offer tools and resources that enable venture firms and entrepreneurs to foster a more inclusive culture.
- Future VC — an internship and education program, which provides an opportunity for underrepresented groups to start their career in venture capital.

DIVERSITY VC

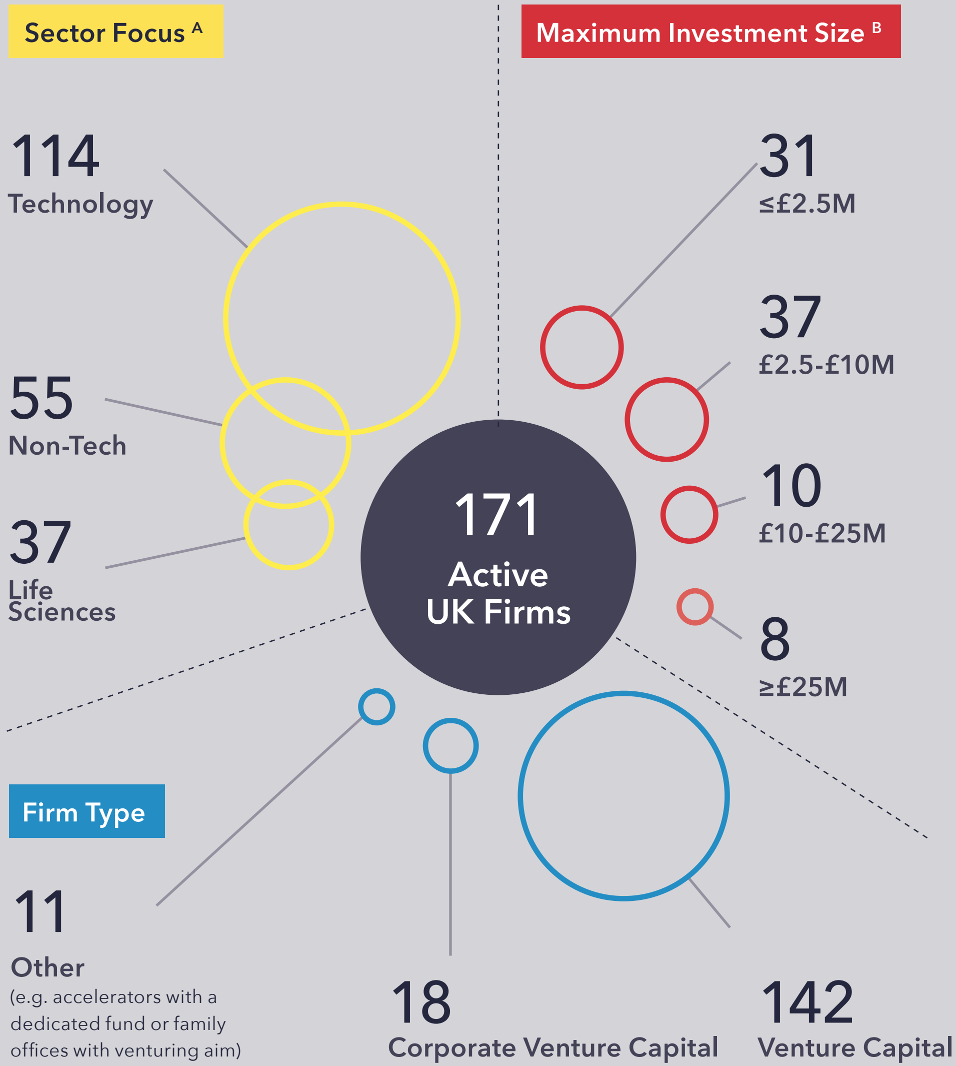
We are optimistic that as more people engage in this topic, we can move forward and build an industry that represents the society that we invest in.

We seek greater insight into diversity in UK venture capital

We surveyed 171 active venture capital firms in the UK. Over 80% are independent venture capital firms. Nearly 20% are corporate venture vehicles, accelerators with a dedicated fund or family offices (the majority of accelerators and incubators were excluded from our analysis). Based on a sample of firms surveyed, 80% typically write cheques of £10m or less. The majority of firms make investments in the technology sector.

The list was compiled from public and privately available databases, and includes funds which invest risk capital, primarily in equity investments across technology, non-technology or life science investment sectors. To be included in the list, each firm required an office, an investment team and a recent investment in the UK.

To understand the role of inclusion within the firms we then surveyed 30 firms asking them questions about how inclusive their firms were to diverse employees and what policies they had in place to support the needs of diverse employees. In order to get a deeper understanding of the challenges and opportunities they faced, we followed up with 10 in-person or phone interviews.



Note A: Some firms invest across two or more sectors. It was not possible to determine the sector focus of 61 firms. **Note B:** It was only possible to determine the maximum investment for 86 firms.
Source: Diversity VC analysis (2019)

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With additional thanks to OneTech and J.P. Morgan for their support.

Our Methodology

The VC firms included in the analysis

The full list of 171 VC firms included in this analysis is included in this Appendix. The list was compiled from public and privately available databases, and includes funds which invest risk capital, primarily in equity investments across technology, non-technology or life science investment sectors.

To be included in the list, each firm required an office, an investment team and a recent investment in the UK.

Treatment of 'large' firms

In the instance of large firms (such as Downing, Octopus) data and surveys were only collected from those working in the UK-resident ventures team (e.g. Downing Ventures, Octopus Ventures).

Treatment of 'international' firms

In the instance of international firms (such as Index, Accel) data and surveys were only collected from those working in the UK office ventures team.

Manual 'coding' of firms characteristics

The data team manually coded each firm with a number of different characteristics, namely:

- **The investment sector:** There were three possible codes: life sciences, technology or non-tech. Funds which invest across two or more sectors would be coded with both pieces of information, and counted twice in the analysis.
- **Maximum cheque size:** Based on the maximum funding that could potentially be provided by the venture capital fund, to one single investee company (potentially split over two or more rounds).
- **Firm type** There were three possible firm types: Venture Capital firms (VCs), Corporate Venture Capital firms (CVCs) and 'Other' firms (such as accelerators with a dedicated venture fund or Private Equity firms with a risk-capital function).

Firms were typically coded using data found on the website of each firm. Where possible, data was verified directly by the firms themselves.

The venture capital employees in the analysis

A total of 2,114 unique employees were reviewed in this study. In collecting all employee data the following three-stage process was used (with the exception of ethnicity data, whose methodology is explained overleaf).

- **Using automated processes to collect a raw dataset**
  The raw dataset was provided by Craft.co, who used an automated process to crawl the websites and social media pages of each firm. The process provided an initial list of information about each employee, including their name, their gender, their job title, their public social media profile, their career history and education.
- **Manual filtering, and assigning job titles and seniority**
  In the second stage of the process, the data was 'sense-checked' by the research team.

  An analysis of job titles (explained overleaf, see > Coding employee roles and seniority using job titles) was used to identify whether an employee was in an investment or non-investment role, and their seniority in the firm.
- **Verified by each venture firm**
  As far as was possible, the automated and 'sense-checked' data was then sent by email to a contact person at each venture firm for review. The dataset was updated accordingly, upon receiving corrections from the firm. It was only possible to contact 138 (81%) firms.

Of the 171 firms in this analysis, 45 firms responded to confirm their data, 93 firms were manually verified by the data team (through a second tranche of manual searches on websites and social media pages). It was not possible to verify data on 33 firms.

Collecting ethnicity data

Ethnicity data was collected by means of the following survey question, that was sent to UK Venture employees:

Would you let us know your ethnic background?

[A] White

[B] Mixed

[C] Asian

[D] Black / African / Caribbean

[E] Prefer not to say

[F] Other

The survey generated 307 responses. 84 responses came from respondents whose profile fell outside the definition of a 'venture capital employee' and were disregarded in the analysis.

Compliance with GDPR

Diversity VC is a designated a 'data processor' under GDPR. All personal data - including ethnicity data, which is considered 'special category under GDPR' - has been processed to comply with GDPR.

Any VC whose data is held in our dataset can review, amend, correct and delete their information at any time, by contacting research@diversity.vc.

All members of the audit team signed data processing contracts with Diversity VC in order to handle sensitive and confidential data.

Further information about the data held and processed by Diversity VC can be found in our Privacy Policy (www.diversity.vc/privacy-policy).

‘Coding’ employee roles and seniority using job titles

A total of 12,153 employment records were reviewed in this study - relating to each employee’s current and prior professional experience, as far as was possible. For each employment record, the data team attributed the following three codes:

- **Employment type**
  Employees were categorised roles include the following titles:
- **Employee role (either investment or non-investment)**
  The investment and non-investment code attributions were only applied to venture roles. Investment roles include the following titles: Analyst, Associate, Principal and Partner, and other equivalent titles. Non-investment roles include individuals holding job titles such as Investor Relations, Marketing, Accounting, Legal amongst others.
- **Seniority (either junior, mid-level or senior)**
  The junior, mid-level and senior code attributions were only applied to investment roles. For the purpose of this report Analysts and Associates were considered ‘Junior’; Principals were considered ‘Mid-level’ and Partner was considered ‘Senior’. It was not as easy to infer the seniority of non-investment employees, and fell outside the scope of this report.

Coding was largely a subjective exercise, but made possible from the combined understanding of the data team (who largely comprise venture capitalists) and from network connections to many of the firms within the dataset. The employee roles and seniority codes were verified by firms, as far as was possible, as explained on the previous page (see > Verified by each venture firm).

Duplicate employees job titles

There were a few instances where there were duplicate employees (for example, where an individual is a part-time advisor to two different funds). Care was taken in making sure these individuals were not double-counted in our analysis.

Benchmarking study

Data on policies present in VC funds was collected via a 17 question benchmarking survey sent to VC funds in London of which 30 completed.

We then conducted in-depth interviews with 10 London VC funds to understand the challenges and barriers to implementing diversity and inclusion initiatives.

Our Partners and Collaborators

Craft.co

Craft is building the 'Source of Truth' on companies, mapping the global economy, and delivering unique intelligence on companies to corporate decision-makers globally.

Craft collects, aggregates and curates financial, operating and human capital data to provide the deepest picture of private and public companies to assist decision-makers to manage their supply chain, maximize their investments, mitigate risks, grow sales, leverage their talent and enhance their competitive position. Current clients include Fortune 100 companies, SMEs, asset managers, and others.

OneTech

Diversity VC is a delivery partner in OneTech, which is a collaboration of partners which aims to connect under estimated communities to opportunities within the London tech scene through action and thought leadership.

The programme offers underrepresented and underestimated founders access to pre-acceleration, investment readiness, workspace, mentoring, mastermind groups and more.The initial programme kicked off in October 2018 and the consortium aims to develop it into a sustainable movement of change. If you are interested in hearing more please contact onetech@capitalenterprise.org

J.P. Morgan

Studio Lovelock

Firms in our analysis

The 144 firms marked with an asterisk are included in our London VC analysis. We chose to keep the funds that were surveyed and interviewed on their policies anonymous to encourage participation in our research.

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01 Ventures *
83North *
Abingworth Management *
Accel Partners *
Accelerated Digital Ventures
Advent Life Sciences *
Ai Seed *
Albion Capital *
Amadeus Capital Partners *
Anthemis Group *
Arts Alliance *
Ascension Ventures *
Aston Ventures *
Athene Capital *
Atomico *
Augmentum Capital *
Aviva Ventures *
AXA Venture Partners *
Backed VC *
Balderton Capital *
Beacon Capital *
Beast Ventures *
Beringea *
Bethnal Green Ventures *
BGF Ventures *
Black Swan Venture Capital *
Blenheim Chalcot *
Blossom Capital *
Blue Wire Capital *

BP Ventures *
Bridges Ventures *
Britbots
Burda Principal Investments *
C4 Ventures *
C5 Capital *
Calculus Capital *
Cambridge Enterprise
Cambridge Innovation Capital
Catapult Ventures
Charlotte Street Capital *
Columbia Lake Partners *
Concentric Partners *
Connect Ventures *
Crane Ventures Partners *
Dawn Capital *
DC Thomson Ventures *
Deepbridge Capital
Disruptive Capital Finance *
DN Capital *
Downing Ventures *
Draper Esprit *
DST *
Edenred Capital Partners *
Edge Investments *
Eight Great Technologies *
Eight Roads Ventures *
Entrepreneur First *
EOS Technology Investment Syndicate

Eos Venture Partners *
Epidarex Capital
Episode 1 Ventures *
EQT Ventures *
ETF Partners *
European Equity Partners *
F-Prime Capital Partners *
Fabric *
FastForward Innovations
Felix Capital *
Firstminute Capital *
Force Over Mass Capital *
Foresight Group *
Forward Partners *
Founders Factory *
FPE Capital *
Frog Capital *
Frontline Ventures *
Fuel Ventures *
Global Founders Capital
GV *
Hambro Perks *
Hearst Ventures *
Highland Capital Partners Europe *
Howzat Partners *
Hoxton Ventures *
HSBC Innovation Investments *
Hummingbird Ventures *
Illuminate Financial Management *

Impact Ventures UK *
Index Ventures *
Initial Capital *
InMotion Ventures *
InReach Ventures *
Intel Capital *
INVC Fund *
Invoke Capital *
IP Group United Kingdom *
IQ Capital Partners
Iratel Ventures *
JamJar Investments *
Jane VC *
Keen Venture Partners *
Kelvin Capital
Kennet Partners *
Kindred Capital *
LocalGlobe *
London Venture Partners *
Longwall Venture Partners
Manta Ray *
Medicxi Ventures *
Mercia Technologies
Mid_ven
MMC Ventures *
Mobeus Equity Partners *
Mosaic Ventures *
Mustard Seed Impact *
Nauta Capital *
NJF Capital *

Northern & Shell Ventures *
Northstar Ventures
Northzone Ventures *
Notion *
Octopus Ventures *
Old College Capital
OMERS Ventures
Outlier Ventures *
Oxford Capital Partners
Oxford Sciences Innovation
Oxx (London) *
Par Equity
Passion Capital *
Pembroke Venture Capital Trust *
Pentech Ventures *
Pi Labs *
Piton Capital *
Playfair Capital *
Prime Ventures
PROfounders Capital *
Qualcomm Ventures
Redline Capital Management *
REV Venture Partners *
RLC Ventures *
Rooks Nest Ventures *
Rosetta Capital *
SAATCHiNVEST *
Salesforce Ventures *
Samaipata *

Samos Investments *
Scottish Equity Partners *
Seedcamp *
Seneca Partners
Seraphim Capital *
Silvergate *
Sky Ventures *
Smedvig Capital *
Stride *
Summit Partners *
Sussex Place Ventures *
Symvan Capital *
Talis Capital *
Tate & Lyle Ventures *
Technology Crossover Ventures *
The Stephenson Fund
Tiny VC *
UCL Technology Fund *
Unilever Ventures *
Venrex Investment Management
Voulez Capital *
Walking Ventures *
Wellington Partners *
White Star Capital *
Yorkshire Fund Managers