

# Guidance and Best Practice Examples for VCs, Private Equity and Institutional Investors

with regard to Diversity & Female Entrepreneurship

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Co-authored by



atomico<sup>®</sup>



In partnership with



DIVERSITY VC and DIVERSIO

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# Founding signatories of D&I initiatives

Institutions and organisations that have supported major D&I initiatives within the industry, including signatories of The Investing in Women Code, signatories of The Diversity VC Standard, members of the Rose Review Board, and members of The Council for Investing in Female Entrepreneurs.



# Introduction

Alison Rose's Review of Female Entrepreneurship found that only 13% of senior people on UK investment teams are women, and almost half (48%) of investment teams have no women at all<sup>1</sup>. Less than 1% of UK venture funding goes to all-female teams and just 4% of deals<sup>2</sup>. This is a complex issue, but not one that we should overlook as it is frequently mentioned by female and diverse entrepreneurs who feel they are judged to be less competent than their peers.

This document has been created by leading investors and professionals within the venture community as a resource for institutional and other investors who wish to maximise access to diverse deal flow, and manage their companies and portfolios to optimise return.

By means of inspiration, all the photos used are from real-life early stage pitches, internal meetings, outreach meetings and networking events. We gently ask investors who read this document to think about whether this is the sort of inclusion and culture they promote, or would like to promote, within their organisations.

The guidance and best practice examples are split into four sections:

1. Talent acquisition, retention and development.
2. Internal education, culture and policy.
3. Outreach, access to dealflow, and unconscious investment bias.
4. Influence, external guidance and portfolio management.

It draws heavily on work done by Diversio and Diversity VC, who work with VC and PE firms, LPs, entrepreneurs and universities to create an industry that is free from bias. These guidelines are intended to provide guidance for investors who are beginning their diversity and inclusion (D&I) journey as well as those who are further along the process.

Our recommended next step is for investors to get certified under "The Standard" developed by Diversity VC, Diversio and OneTech. We recommend that all investors undertake a Portfolio Assessment, administered by Diversio as part of The Standard, to ensure their funds are being allocated fairly and objectively.

Finally, we recommend that all financial organisations become signatories to the Investing in Women Code to support the advancement of female entrepreneurship in the UK by improving access to tools, resources and finance from the financial services sector.

More information on The Standard and The Investing in Women Code is available in the "references and resources" section at the end of these guidelines. This is a live and working document and we are keen to get feedback across the industry. Please get in touch [here](#) so we can continue to drive the conversation forward.

"Companies with the greatest gender diversity on their executive teams are 21% more likely to outperform peers on profitability and 27% more likely to create superior value. We need the innovation that comes from diversity in order to keep up with the rapidly changing world around us. I hope you feel motivated to make a difference and to get involved to make the UK a better place for business"

Alison Rose, Group CEO, NatWest Group

"It has been a pleasure to see leading insertions from across the investment landscape come together for this project. The power of their combined experiences and insights make these guidelines a unique and hugely valuable tool for VCs and institutional investors. Our next aim is to encourage other investors and institutions to embed these principles into their best practice and help unlock the potential that female entrepreneurs represent to the economy"

Alexandra Daly, Founder and CEO,  
AA Advisors

# Executive summary

A checklist of best practice processes for VCs, private equity and institutional investors

## Talent acquisition, retention and development

- ✓ Widen applicant pool beyond traditional sources
- ✓ Remove bias from hiring processes
- ✓ Interview and hiring targets
- ✓ Talent targets
- ✓ Be worthy of great talent
- ✓ Diverse mentorship programs
- ✓ Family leave policy
- ✓ Returnship program
- ✓ Flexible work policies
- ✓ Back-up care
- ✓ Work-life balance
- ✓ Pay gap analysis
- ✓ Training and mentoring programs for hires from different backgrounds

## Internal education, culture and policy

- ✓ Organisational D&I statement and strategy
- ✓ Accountability
- ✓ An internal culture of clear, direct and plain text expectations
- ✓ Chief diversity officer or champion
- ✓ Harassment and discrimination policies
- ✓ Organisational culture surveys and progress trackers
- ✓ Inclusive office spaces
- ✓ Leadership training
- ✓ Anti-harassment training
- ✓ Measure promotions and attrition by gender, ethnicity and other areas
- ✓ Employee resource groups or circles
- ✓ Harassment reporting system
- ✓ Cultural competency training

## Investment bias

- ✓ Tracking and reporting dealflow demographics
- ✓ Targets
- ✓ Partnerships with D&I organisations
- ✓ Diversity referral program
- ✓ Executive compensation
- ✓ Dedicated fund
- ✓ Access and outreach program
- ✓ Qualitative and quantitative scorecards
- ✓ Communication, review and feedback
- ✓ Unconscious bias awareness

## Portfolio guidance and management

- ✓ D&I as a metric
- ✓ Provide additional guidance to female-led companies and other diverse groups
- ✓ Diversity on boards of directors
- ✓ Standard code of conduct and zero-tolerance policy
- ✓ Culture and executive training
- ✓ Portfolio inclusion assessment
- ✓ Mental health support
- ✓ Independent ombudsman
- ✓ Include D&I questions during due diligence
- ✓ Use your position of authority responsibly



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## Section 1

# Talent acquisition, retention and development

# Purpose & principles

## Acquire, retain and develop high-potential and high-quality talent to maximise profit

- ✓ Create an inclusive and diverse organisation based on equal opportunities.
- ✓ Increase diversity of partners and investment directors.
- ✓ Increase access to strong female and other under-represented talent.
- ✓ Structure tone, outreach and interviews to maximise opportunity for top, diverse talent.
- ✓ Define success outcome measures; create a multi-year plan to achieve outcomes.
- ✓ Prioritise actions on hiring practice; training, development and access; and carer, flexible working, maternity and returner policies.

"Diversity of investment teams is about ROI. It drives access to higher conviction investment opportunities, it helps break down groupthink with regard to changing trends and market opportunities, and it can allow for better allocations at better prices in competitive allocation situations because of cultural and strategic alignment"

Anastasia Kovaleva, Investment Manager, Pollen Street Capital



"Attracting and retaining diverse talent is a good start, but it isn't enough. The next challenge is to leverage that diverse talent to overcome groupthink and make better decisions. So the spotlight shifts to fundamental business skills such as establishing clear goals, setting objective criteria, drawing out different viewpoints, evaluating them with data and weighing up options to reach good conclusions"

Cherry Freeman, Partner, Hiro Capital and Co-Founder, LoveCrafts

# Best practice examples

## Widen applicant pool beyond traditional sources

- Attract diverse talent by widening the pool of applicants to include non-traditional sources for open positions.
- Proactively meet talented females and other under-represented individuals regardless of whether there is a current role.
- Distribute recruitment adverts in diverse and wide ways, not just through usual channels.
- Consider language and outreach in the context of imposter syndrome, network and approachability of the firm.
- Mandate recruiters to provide 50:50 gender split options (or reduce fees if not, as in legal and executive search practice).
- Take positive action to enable female and diverse lateral hires in order to increase the diversity of talent considered for promotion to senior levels.

## Remove bias from hiring processes

- Apply systems and training that removes bias and clarifies criteria for evaluating candidates to avoid reliance on shared traits or backgrounds, and more closely matches candidates with the company or position that is best suited to them.
- Set clear, consistent evaluation criteria before the process begins to ensure that there is no space for personal biases in the hiring process.
- Consider making some of the hiring process blind.
- Consciously invite diverse candidates to interview in person rather than dismissing at an initial or CV stage.
- Ensure hiring panels themselves are diverse, and interview diverse candidates 1:1 rather than as a single panel.
- Structure interviews to ensure fairness and reduce opportunity for bias.

"The ability to track and visualise live data is central to a sustainable commitment to change. To access the best raw talent, combine that data with a process that removes unconscious bias, imposter syndrome and barriers for minorities. This will allow you to focus purely on skills, passion and best-fit hires"

Nicky Badenoch, Co-founder, Genie

## Interview and hiring targets

- Establish organisational guidelines to interview or hire a target number or percentage of diverse candidates.
- Where possible, pair this with gender and ethnicity balanced interview panels for best results.

## Talent targets

- Set specific gender targets at leadership level.
- Develop an action plan to achieve targets, or achieve gender equality, in senior management and leadership teams.



### Be worthy of great talent

- Reflect on how the behaviour of your leaders and senior investment partners is viewed by female and minority employees.
- Take steps to increase the approachability of, and access to, senior individuals, clients and events.
- Reflect on how diverse and inspirational the business leaders are; and conversely if there are some behaviours that may be alienating quality talent.
- Observe how individuals behave and portray the company in interviews and in practice.
- Reflect on how current employees describe the working environment and structure.



"The easiest way to get great talent is to be worthy of it. Great female investment executives will care about the culture and dynamic of the firms they work for. Be approachable, behave appropriately, have open conversations, have appropriate bias-training, watch the language that is used internally. Actively address how your employees think about you and talk about you, and what your reputation is to other quality talent that you may want to hire"

Emma Thorne, Investment Director,  
Bridges Fund Management

### Diverse mentorship programs

- Institute organisational mentoring programs which focus on pairing diverse role models at the senior level with emerging, up-and-coming professionals.
- Support them in securing roles that will challenge them, advance their careers, and provide the visibility and remuneration they deserve.

### Family leave policy

- Adopt and implement a family leave policy that is equally beneficial to all caregivers, including fathers.
- Make parental leave equitable regardless of gender.
- Stay in touch with employees on parental leave.
- Provide support for those returning from parental leave.

### Returnship program

- A program for returning from leave gradually or in an alternative work arrangement.
- In the case of parents returning from leave, the returnship should be offered to people of all genders.
- Returnships should last an average of 17 weeks or more, and offer full pay during the phase back period.
- Extend "returner programmes" to target all returners who have been out of the profession for 3 years or more.

"The returnship market is a brilliant solution for increasing diversity, accessing high-quality advice, and improving the quality and diversity of boards and of mentorship programs. There is a huge network of talented females whose product knowledge, practical experience, network and perspective can be vital. Many of the best board advisors I know are female"

Kirsten Kulukundis,  
Independent Board Advisor

### Flexible work policies

- Promote flexible working and working from home across the entire organisation so that senior leadership, including men, demonstrate the adoption of the practices.
- Establish work-from-home policies or other flexible arrangements to accommodate employees who are well-suited for remote working opportunities.
- Monitor stigmatisation of female flexible work practice vs comparable behaviour from other employees.
- Proactively discuss flexible working and accessibility for people with different circumstances.
- Ensure the right IT equipment and support is available to help teams work flexibly.

### Back-up care

- Provide emergency backup childcare and eldercare in major cities of operation.
- Employees of all genders should also be offered days for sick-child or elder care.
- Note: Investment Banks tend to provide each employee with 120 hours of child and elder care support per dependent.

### Work-life balance

- Encourage a positive work-life balance.
- Senior leaders should actively tell employees to reduce facetime, and take holiday.
- Consider how the timings of meetings and social gatherings impact those with caring responsibilities.

### Pay gap analysis

- Conduct an organisational study to analyse the equality of compensation practices, with a commitment to address any inequities discovered.
- Proactively coach and enable females and other underrepresented groups with regard to performance review and compensation.

### Training and mentoring programs for hires from different backgrounds

- Create or affiliate with training programs to ensure success of new hires who may not come from traditional backgrounds.
- Establish coaching, mentoring and sponsorship initiatives to empower individuals from all backgrounds to achieve leadership roles.

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## Section 2

# Internal education, culture and policy

# Purpose & principles

## Create a culture of diversity and inclusion across the firm, including clear guidelines, policies and training

- ✓ Permeate understanding of the importance of diversity and inclusion across the organisation in order to maximise returns.
- ✓ Starting with senior and front office leadership, build a culture that enables and retains diverse talent in meaningful roles.
- ✓ Implement diversity and inclusion training programmes across the firm, with a focus on continuing education.
- ✓ Enforce breaches and review policies on an on-going basis.



"We have a clear position on diversity: we look for exceptional opportunities for growth and return. We back great companies; some are female-founded, female-coded or have a female-focused product. We work with great individuals; some are female. We don't approach diversity as an agenda item or target; it's just good business sense. Women, and other minorities, in the workplace is about profit and strength, not purpose or tokenism. That said, it brings us pride and pleasure alongside performance"

Addie Pinkster, Founder and CEO, Adelpha



# Best practice examples

## Organisational D&I statement and strategy

- Develop and publicise a statement of support and/or overview of strategy for advancing D&I within the organisation and the wider industry.
- Set D&I targets (e.g. gender and ethnicity diversity) within the firm, and track these targets.
- Support an active D&I culture with budget and resource.
- Support and sponsor your D&I initiatives with a dedicated budget, and provide expected timelines of deliverables and tangible outcomes.

"If companies don't foster a D&I environment, they won't be able to attract the best talent, and they will be missing a key component while developing their products and services by neglecting some of the communities they serve"

Camilla Richards, Partner, Atomico

## Accountability

- Commit to tackling bias and enhancing workplace culture for all.
- Create and regularly issue clear communications on mandate and process.
- Make a public pledge and publish targets and action plans, and hold your firm to account.
- Sign up to the Diversity VC Standard (see section 5).
- Communicate policies publicly and sanction non-compliance.
- Communicate your targets to other VC and PE firms to encourage further following and collaboration.

## An internal culture of clear, direct and plain text expectations

- Be clear on what you look for in high-performance talent.
- Be clear on how people succeed within the organisation.
- Have a transparent and accessible evaluation and review process.
- Challenge all to give direct and actionable feedback.

## Chief diversity officer or champion

- Establish a leadership position for an individual to champion D&I policies within the organisation.
- A named member of the senior, front office, leadership or investment team should be accountable for diversity and inclusion.
- Appoint an executive sponsor and board member responsible for D&I. This person must be passionate, respected, and must actually believe in, and understand the value and importance of, D&I.
- Sponsor a D&I affinity group that is open to all (not just women or underrepresented groups), which can be led by the D&I champion.

"Having a senior male executive as a diversity champion in a big company can be great - so long as he actually believes it and isn't ticking boxes himself to be there. Diversity, inclusion and equal opportunities need to be important to senior people (including white men) in financial services in order to be prioritised as they should be"

Anonymous, MD in a global Investment Bank



### Harassment and discrimination policies

- Develop and implement equity principles with employee consultation.
- Ensure they are standardised in the organisational manual, adequately advertised, and mandatory for all employees' onboarding.
- Ensure these policies include a Zero Tolerance harassment policy.
- Commit at senior level to tackle gender and race discrimination, bullying and sexual harassment in the workplace.

### Organisational culture surveys and progress trackers

- Develop and conduct employee surveys that assess attitudes and perspectives around organisational culture.
- Track results and progress over time, benchmarking against pre-established goals or engaging in industry certification programs.
- Monitor and report progress against a time frame.
- We recommend Diversio's Inclusion Assessment for a D&I scorecard, benchmarking data, and tactical recommendations.

### Inclusive office spaces

- Designate office space for those who have diverse needs, including but not limited to, religious needs, disabilities, and lactation.

### Leadership training

- Have leadership attend mandatory training sessions on anti-racism/oppression, unconscious bias, accountability and inclusive culture to create an environment permeated with these values.

### Anti-harassment training

- Educate employees on harassment / bullying and its consequences.
- Enforce strict anti-bullying and anti-harassment policies.
- Adopt mandatory training on how to deal with different types of harassment from bystander and victim perspectives.
- Give special focus to harassment and discrimination based on race, sexual orientation, gender, and disability.

### Measure promotions and attrition by gender, ethnicity and other areas

- Track and report the gender, ethnicity and other areas (noting relevant legislation) of all promoted and departed employees for the purpose of identifying positive or negative trends, with a commitment to remediation where necessary.
- Periodically review changes that are implemented and the impact they have had.

"Having worked in financial services my whole life, I'm conscious that some aspects of corporate culture can naturally alienate some employees. In the UK there is a pub culture, where key decisions can be hatched, or made. As a female, a foreigner, someone who doesn't drink, and didn't go to a UK (let alone private) school, I have felt on the outside of these groups. That said, I'm not against people going for a drink, if the people and leaders involved can just think a bit about it, and about compensatory measures and ways for people like me to be inside the conversation too. I've been helped a lot by managers and mentors who've kept me in key conversations and decisions, and given credit and voice to my ideas"

Anonymous, Investment Director

### Employee resource groups or circles

- Actively solicit feedback on culture and suggested programs.
- Create a program where employees meet to discuss and commit to inclusion principles and initiatives.
- Ask employees to self-nominate themselves as leaders of the circles. Ensure each meeting ends with a personal commitment.



### Harassment reporting system

- To increase the ease of reporting, investigating and addressing sexual and other forms of harassment, use an anonymous reporting system or an application where the process is advertised clearly and timely executed.

### Cultural competency training

- Implement mandatory training for all employees to build cultural awareness, understanding, and learn to spot microaggressions in their own behaviour as well as the behaviour of others.
- Implement investment diversity and inclusion training programmes across the firm with a look at continuing education vs one-off sessions.
- Measure impact through organisational surveys pre and post training interventions.

"All companies, whether investment firms, or investee companies, should have mandatory leadership training on anti-oppression, inclusive culture, and unconscious bias. This is meaningful, important and so easy to implement. It is so frustrating to hear senior managers treat these ideas flippantly, as box-ticking exercises, or incurring unnecessary cost or hassle"

Anonymous, Private Equity

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## Section 3

# Investment bias

# Purpose & principles

Improve access to quality and high-conviction investment opportunities and returns

- ✓ Access higher quality and less crowded dealflow by diversifying investment sources.
- ✓ Tackle unconscious bias in the investment process.
- ✓ Track and report dealflow demographics.
- ✓ Create partnerships and outreach events to provide access and confidence to more diverse dealflow.
- ✓ Consider referral schemes, compensation incentives and designated funds.



"I'm in the interesting position where I work in an 80%-90% male-dominated industry (commercial data science) where I am a female that is usually an investor being pitched to, but sometimes I am part of a pitch team. There is a colossal difference in how I am treated depending on whether I am the investor or on the pitching side, and whether or not I have had a warm introduction vs no introduction. I can't begin to tell you how starkly different the experiences are"

Anonymous

"We need to deeply reflect on the fact that only 1% of venture capital in the UK is currently invested in female founders. If venture capital is meant to invest in the businesses of the future, they are sending a clear message that they do not believe that women have a place in that future"

Kathryn Parsons MBE, Co-Founder  
and CEO, Decoded

# Best practice examples

## Tracking and reporting dealflow demographics

- Implement a process to track diversity among applicants, assessments and portfolio investments.
- Monitor diversity from applications to meetings to investments within the context of mandate.
- Report these statistics annually.

## Targets

- Review and sign the Investing in Women Code.
- Use the Code's standardised definition of a female-founded business and begin tracking investment dealflow with a gender lens.
- Set targets for diversity of investments made, focusing on gender diversity of founders, and track these targets.
- Share these targets with other VC firms to encourage further adoption, and collaborate to push for industry-wide change.
- Expand targets to cover ethnicity and other areas too.

## Partnerships with D&I organisations

- Build relationships with groups and organisations that work with communities and founders from diverse backgrounds.

## Diversity referral program

- Implement a program where employees or scouts receive an incentive or recognition for referring a team with an under-represented founder.
- Reconsider any culture or statement that looks for "warm introductions".

"I work with a number of VCs to help them access high-quality and unique deal flow with high ROI potential. The deals come from networks such as the Iranian Women's Association, which investors might not naturally have access to. I tend to focus on female founders and foreign-born founders which represent a huge overlooked market: 65% of the UK's startup unicorns have at least one immigrant co-founder, yet teams with an immigrant co-founder receive less than 2% of early-stage VC capital"

Anjel Noorbakhsh, Founder of Iranian Women's Association

"Founders that are introduced to investors by friends, school friends and colleagues are thirteen times more likely to receive investment, compared to those who don't have a 'warm introduction'"

Check Warner, Founding Partner, Ada Ventures and Co-founder, Diversity VC





### Executive compensation

- Tie executive compensation (e.g. 15% of total annual bonus) to concrete diversity targets (e.g. 10% increase in diverse or female-led companies).

### Dedicated fund

- Create a dedicated pool of funding that is reserved for teams led by under-represented groups, or focused on under-represented populations.

### Access and outreach program

- Review best practices on how to actively seek out under-represented founders and name leaders responsible for implementation.
- Look for dealflow beyond the traditional channels and personal networks.
- Actively seek out female-founders, in circles where they typically network.
- Actively attend showcases of female-founded companies.
- Look at potential partnerships with D&I industry organisations to increase networks and pull through.
- Participate in a program which enables potential entrepreneurs from underrepresented groups to be trained, mentored and supported through their application process.
- Give clear advice on how to approach your firm or other VCs or PE firms, how to present, language, and KPIs.
- Proactively create an ecosystem that promotes access, confidence and network for diverse and female-founders.
- Run drop-in sessions and round tables for diverse and female-founders.



### Qualitative and quantitative scorecards

- Actively use qualitative and quantitative assessment, scorecards and dealflow analysis.
- Diversio publish an Inclusions Scorecard for deal flow assessment and benchmarking data.

"We considered a dedicated fund for a long time but think the better way is to set targets for female and diverse investments and tie the investment teams compensation to hitting those targets. This incentivises the team to dig harder and look harder for quality and diverse investments to put into the main fund"

VC investor

"We have our emails on our website, we have published our investment criteria and we have invested in a company in 2020 that applied for funding through our website. Ensuring that founders can reach you, wherever they come from, is critical in ensuring diversity in the pipeline of founding teams and therefore increasing the likelihood of diverse founders receiving investment"

Check Warner, Founding Partner, Ada Ventures and Co-founder, Diversity VC

"We use a quantitative scorecard for assessing earlier stage private investment opportunities aimed at tackling unconscious bias and improving ROI. It's eye-opening and helps drive unique, high-conviction, un-crowded investment opportunities and track record"

Lucy de Laszlo, Head of Origination, Adelpha

### Communication, review and feedback

- Invite diverse and female-led companies to stay in touch on their progress.
- Be clear on your mandate and process and "what good looks like".
- Give direct challenge and feedback to founders regardless of gender, ethnicity or background.
- Challenge investment teams to articulate concerns or areas that need to be addressed directly to the founding teams.



"Communication is key. The best investors work hard to give direct feedback on what they like, where their concerns lie, and whether the founder should keep them up to date and if so, how and when. If you don't tell a founder what you are thinking or wanting then it is very hard for them to respond, action or re-engage. Be direct, straight-forward, and complete in your feedback to all founders (whilst also being polite and professional), and fight the unconscious bias to be more direct with male founders and more placatory with female founders"

Addie Pinkster, Founder and CEO, Adelpha

### Unconscious bias

- Ensure investment committee panels are themselves diverse, including, and especially, at the first review stage.
- Proactively bring female-founded and diverse businesses in for face-to-face meetings or calls.
- Resist inclination to reject on a paper or digital application, especially if they sit in, or close to, the mandate.
- Enforce targets for deal pipeline, such as a minimum of 50% of deals that reach the investment committee must be female-founded or have C-suite teams with qualifying diversity.
- Understand and breakdown language bias.
- Consider gender blind investment process.

"I would encourage all investors to be aware of what initial impressions they give and how much that matters. The power imbalance of the pitch room or call can hugely exacerbate the impact this has. It is incredibly difficult to deliver a successful pitch if you have to negate unconscious biases before convincing investors of your ability to outperform"

Ciara Ferguson, Data Scientist,  
Advisor, Investor

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## Section 4

# Portfolio guidance and management



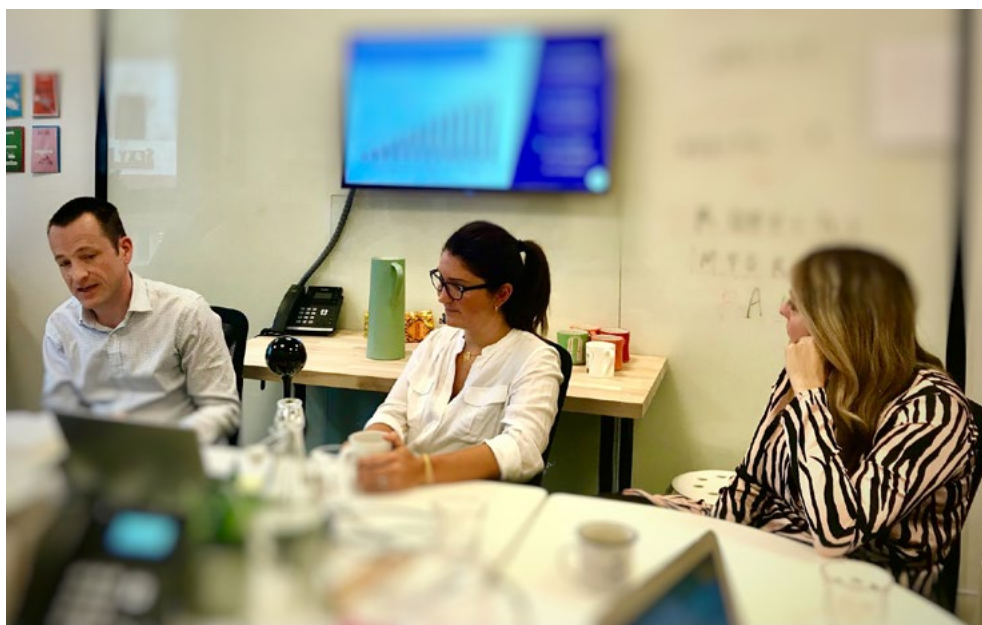
# Purpose & principles

## Manage diversified portfolios of quality companies that maximises risk-reward and financial outcome

- ✓ Track portfolio data with a female-founder and other diversity lens.
- ✓ Understand the financial importance of strong ESG practices within the portfolio and pipeline companies, and your ability to effect change.
- ✓ Engage LPs and underlying investors on ESG within the portfolio and report to them in qualitative and quantitative form.

"We built a \$10m ARR business in 3 years by having a high performance culture. But a high performance culture is kept high by being sustainable. It comes hand in hand with a working culture that is rich in diversity, equal opportunities and inclusion"

Margo Polishchuk, Co-Founder, proSapient



"A startup's diversity of thought and experience doesn't begin and end with its founders. Just as a fund must create an inclusive environment where all voices are heard, so should their portfolio companies develop their internal policies to ensure individuals from all backgrounds have an opportunity to grow.

Providing guidance and support to portfolio companies from the start will pay back in dividends not just in team success but in widening your network as a whole"

Julia Rabin, Project Lead, Diversity VC



# Best practice examples

## D&I as a metric

- Strongly encourage companies to collect diversity and employee engagement data that identifies bias and barriers on an ongoing basis.
- Review D&I policies of portfolio companies and compare to internal VC and PE firm policies.
- Review if you want to set a minimum D&I policy standard within portfolio companies.
- Make D&I an agenda item on investor updates and at the board level within portfolio companies.
- Consider if you want to set targets for inclusion, or create incentivisation within team compensation.

## Provide additional guidance to female-led companies and other diverse groups

- Work on a standalone basis or in partnership with established organisations to mentor diverse fund managers and portfolio company leadership.
- Providing guidance on how best to raise funds and operate within the venture capital ecosystem.

"Most investors are smart, successful, data-driven and nuanced. However many seem not to reflect on how any of that might be affected by closed networks and elitism. I'm excited to see this beginning to be addressed - I recently met a well known and successful VC principal who was humbly and honestly referring to their subconscious bias. It is clear to me that people graced with the right networks take more time to raise investment. For others, who have to build relationships and trust from scratch, this additional time can kill your runway"

Elsbeth Briscoe, Founder and CEO, Learning with Experts



## Diversity on boards of directors

- Encourage and promote diversity at the Boards of Directors of portfolio companies.

"Our team, product, end market is diverse; I wish our board was more representative of that. However, all of our investor directors are male. I would love to have more gender-balance on my board but can't do that without incurring the additional overheads of hiring extra NEDs"

Anonymous, Founder (Series D)





"As we move from a start-up into a scale-up it has been a strategic priority to strengthen the senior and wider team. This rate of growth depends on an inclusive, pioneering, hard working team who are well supported. I am sure that the leadership framework, tracking, 2-way dialogue and culture within the company has all been key to the success we've had so far"

Liz McCarthy, Founding Partner, Lizzie Loves

### Standard code of conduct and zero-tolerance policy

- Provide portfolio companies with a standard code of conduct and zero-tolerance harassment policy templates.
- Set minimum requirements that must be met by portfolio companies.
- Socialise these on an investor website as a resource for portfolio company employees.

### Culture and executive training

- Guide and support companies to build inclusive cultures.
- Hold a training seminar for the senior leadership teams of portfolio companies.
- Focus specifically on setting a transparent culture, establishing robust feedback loops, conducting feedback calibrations and 360 degree reviews.

"Mentorship from investors, founders and executives has been one of the single most important pieces of growing Cypher Coders, particularly as a solo founder. Access to senior professionals across different parts of business fills the gaps that potentially exist within a growing team, and help with introductions and advice I would not have otherwise had access to"

Elizabeth Tweedale, Founder, Cypher Coders

### Portfolio inclusion assessment

- Assess diversity and inclusion within your portfolio to identify gaps in your investment pipeline and practices.
- Use the results to implement targeted interventions to support portfolio companies.
- We recommend Diversio's Portfolio Inclusion Assessment to measure your fund against industry standards and uncover data-driven best practices.

### Mental health support

- Provide portfolio companies with template mental health policies and best practices.
- Encourage leaders to engage with their employees in open dialogue around mental health and formalise policies.

"Opportunities for women to work, grow and flourish are embedded in our culture. Our team is made up of women who have demonstrated great and meaningful success. We have broken down barriers through flexible working, listening, pulling together, and showing support for each other. Our team drive each other to achieve, and come up with creative solutions that set us apart from the competition"

Diana Greenhalgh, Co-Founder, MyBespokeRoom and DesignPalPro

### Independent ombudsman

- Onboard a Human Resources professional to act as an independent ombudsman for employees of portfolio companies without HR departments and /or low Safe Work scores.
- Publish and socialise this resource as a means for employees to confidentially report harassment or discrimination without fear of retaliation.

### Include D&I questions during due diligence

- As part of the due diligence process, ask for demographic data of teams, samples of policies and strategies that support D&I, and evidence of commitment to advancing ideals.
- Use responses as part of the scoring/ranking process.



"We are proud to have a 50/50 gender balanced team in our engineering company, aged from 20s to 60s, and with 8 nationalities. We believe this makes us more innovative and sensitive to customer needs. These seem reasonable and meaningful data sets to supply to investors and be questioned on"

Ann Kramer, CEO,  
The Electrospinning Company

### Use your position of authority responsibly

- Challenge companies that present all-male management teams, advisory boards, or other notable absence of diversity.
- Offer support and access to quality diverse talent; become a first call when companies are looking for quality and diverse talent.
- Challenge companies that present male leaders in commercial and front office roles, and female leaders in senior support functions.
- Challenge tone and language in presentations and ongoing portfolio management where it is offensive or lacking appropriate inclusion.
- Endorse, promote, and stand up for the interests of female-founders and other diverse groups in public forums, including events, media, and government level.
- Ensure that government and other policies are structured strategically and in practice to promote, or at least not disadvantage, female-founders or other diverse groups or sectors.
- Offer senior access to panels and events that promote female-founders or other diversity.
- Follow corporate leads by offering financial incentives / penalties to legal and banking deal teams that are lacking gender and other representation.

"We believe that it is critical to help companies to embed a D&I culture from the outset, and it is our privilege as investors to support them to do this. We work closely with our portfolio to support them on building out their D&I strategies and policies. It is one of our termsheet requirements for portfolio companies to have these in place within 6 months of our investment"

Camilla Richards, Partner, Atomico

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## Section 5

# The Diversity VC Standard

# The Diversity VC Standard

We recommend that all Funds, Private Investors, Founders and LPs review Diversity VC's Standard, which can be accessed at [www.diversity.vc](http://www.diversity.vc)

The Diversity VC Standard provides VCs with the tools and recommended practices they need to open their networks to underrepresented founders, as well as the resources needed to cultivate an environment where founders and colleagues from all backgrounds feel that they belong in the industry and the ecosystem.

## The Standard assesses policy across four areas of a fund

1. Recruitment and HR
2. Internal Policy and Culture
3. Dealflow Sources
4. Portfolio Support

By taking part in the Standard, a fund signals to the rest of the ecosystem that it follows best D&I practices.

## Who is the Standard for?

- **Funds** looking to improve D&I regardless of their place in the process - whether they're unsure of where to start or wish to develop existing policies and procedures.
- **Founders** looking for funds who share their values. The seal is the signal for this.
- **LPs** looking to invest in funds who are committed to seeing a change in representation within VC and the wider ecosystem.

## What's involved?

- **Assessment:** Discussing your programmes and policies with a Diversity VC team member whilst completing an assessment survey.
- **Consultation:** Within 2 weeks of assessment, funds receive a dashboard with their results and insights into their D&I programming scores within a fund and compared to industry average. Funds walk through these results with an expert.
- **Certification:** There are 2 levels of certification. If a fund achieves either of these, they are awarded a seal to share on their website and documents.

"The under-represented founder economy is a multi-billion dollar economic opportunity as yet to be realised. Every country should be racing to unlock it with the same urgency with which they are treating artificial intelligence and the space race. For investors struggling to know what to do, sign The Standard. It is a small first step on the journey to big change"

Kathryn Parsons MBE, Co-Founder and CEO, Decoded

"There are many reasons for investors to incorporate diversity into their investment practices. Not only do inclusive companies generate better returns, but there is significant risk associated with diversity-related scandals. Consumers, shareholders and employees expect investors to make real and sustained progress. Our hope is that this document, and the Diversity VC Standard, will help them take that critical first step"

The Diversity VC Standard





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## Section 6

# Appendix



# Contributors

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# References and Resources

## The Diversity VC Standard

For more information visit [www.diversity.vc](http://www.diversity.vc)

## The Investing in Women Code

For more information visit <https://www.gov.uk/government/publications/investing-in-women-code>

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By agreeing to include their logo, the companies included on this document confirm that they support and agree in principal with the concepts suggested, but this should not be viewed as a representation that they have adopted all aspects of the guidelines and/or best practices outlined.