European Parliament Pilot Project on the Gender Gap in Investments

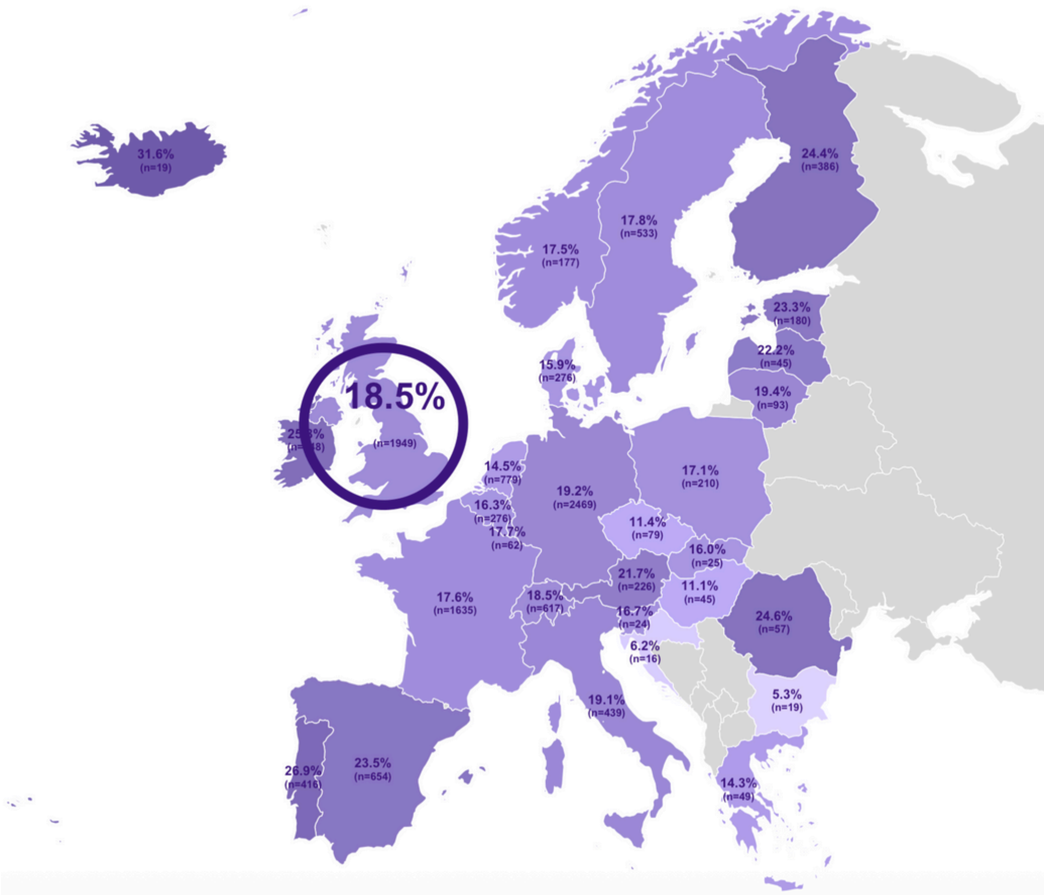
FLASH REPORT: UNITED KINGDOM

Managing Agency: Executive Agency for the EIC and SMEs (EISMEA)*
Consortium: CSES, dealroom, EWVC, RAND
Event: 24 March 2025

Context & Overview

The London workshop, held as part of the EISMEA-supported Gender Investment Gap study, brought together General Partners (GPs), Limited Partners (LPs), policymakers, and intermediaries to address the gender investment gap in women-led venture capital funds. While investor-focused, the discussion offered a holistic view of the systemic issues limiting female representation in fund management. The workshop also convened female founders and stakeholders to discuss the persistent gender investment gap in venture capital and startup ecosystems, particularly from the perspective of women-led ventures.

Key Figures



In the United Kingdom, women remain underrepresented among tech startup founders. The map below shows the share of tech startups founded since 2020 in the EU, UK, and EEA/EFTA that include at least one woman among the founders. The figures are based on companies for which dealroom identified founders' genders—1,949 out of 8,925 in the UK. Of these, **18.5% had one or more women on the founding team**, close to the EU / EEA / EFTA average of 19.1%. In other words, four in five UK startups (81.5%) were founded exclusively by men.

Visibility, Risk Aversion and Cultural Barriers

Women-led funds face barriers in fundraising, access to networks, credibility with LPs, and work-life balance. The structural design of the VC and LP ecosystem often excludes or disadvantages diverse fund managers.

Network Driven Exclusion: Fundraising is predominantly relationship-driven, and access to crucial LP networks is often limited to 'insiders'. A lack of "influential champions" often prevents women-led funds from serious consideration and creates barriers to fundraising and mentorship opportunities.

- Women are severely underrepresented in high-growth sectors like deep tech, AI, and blockchain, compounded by a lack of access to early corporate pilots that rely on insider corporate connections.
- The low visibility of female talent in technical ecosystems are due to systemic underrepresentation and the credibility gap where female GPs feel they must have a track record well beyond their male peers to be considered investable or visible.
- Many investors, particularly male VCs, "literally can't see" female-led ventures that don't fit traditional assertive founder archetypes.

Gender Homogeneity and Bias: LP decision-makers are predominantly male, and risk-averse toward unfamiliar fund manager profiles and the dominance of legacy VC networks further entrenches existing patterns.

- Failure is perceived as more permanent for women, hindering second chances.
- Women face stigma around balancing leadership with motherhood.
- Women founders frequently receive different lines of questioning compared to male founders, often centred on risk mitigation rather than opportunity.

The systemic and structural barriers, unconscious gender bias, and a lack of diverse representation in funding institutions continue to hinder capital access for female founders. Founders often experience a mismatch between their growth potential and investor risk appetite, with notable differences between UK and US investor behaviours.

Structural and Institutional Barriers: Pension fund consolidation, outdated asset allocation models, and opaque LP incentives limit capital flow to start-ups and scale-ups with women founders and to those with diverse backgrounds.

- Most investors are from homogeneous, elite backgrounds, creating disconnects with founders from different demographics or outside major cities.
- Female founders often progress through initial pitch stages only to be rejected at final approval stages dominated by male decision-makers.

Broader Context & Demographic Imperative

The UK investment landscape reflects persistent cultural conservatism in capital allocation. Compared to the US, UK investors are seen as more risk-averse, particularly regarding underrepresented founders and emerging sectors and often wait for later-stage traction. With women forming a significant part of the workforce and retirement beneficiaries (especially in public pensions), their exclusion from capital flows is both a social and economic inefficiency.

Positive Developments & Good Practice Examples

Despite systemic challenges, there are bright spots:

- The UK's **Seed Enterprise Investment Scheme (SEIS)** and **Enterprise Investment Scheme (EIS)** provide generous tax reliefs for early-stage investors and are discussing expanding the schemes with a gender lens
- **Investing in Women Code (IWC)** is a government-led initiative aimed at increasing funding for women-led businesses. As of 2023, 35% of venture capital deals by IWC signatories involved female-founded companies, surpassing the market average of 27%.
- Venture Capital firms like **Impact X Capital Partners** and **Merian Ventures** focus investment in underrepresented entrepreneurs and women in deep tech demonstrating an awareness and mission for change surrounding the deep tech biases.

Stakeholder Feedback

Below are key examples of insights shared at the London conference and illustrate the need for education, incentives and reporting from those who have experienced the impacts of the gender investment gap.

"Even if you put the best investment in front of a woman, if there were things that she didn't understand... she was unlikely to move forward... I have a Master's in Physics, an MBA, I worked at Goldman Sachs... and I still found it incredibly difficult. People who don't have my background—no chance." - **Ayesha Ofori, Founder & CEO of Propelle**

On the one hand, participants reflected on how invisible barriers for women and underrepresentation have created a **credibility gap.** Simultaneously, others noted that early intervention through **education**, and accessible pathways are needed to successfully **diversify who allocates capital**:

"How often are girls in school encouraged to see themselves as future investors or venture capitalists? For too long, these roles have been reserved—explicitly or implicitly—for those with the right networks or degrees from elite universities. If we want to diversify who gets to allocate capital, we need to start earlier: with clear education, visible role models, and accessible entry points like internships, apprenticeships, and targeted training programmes. These pathways can open the door to investment careers for a far broader, more diverse group of future decision-makers." – **Josie Middleton, Gender Lens Investment Specialist (ex IFC/World Bank, GSMA, Groupon, Accenture, RedWood Ldn)**

Without **transparent data and accountability**, bias goes unchecked:

"You cannot change what you don't measure. We need reporting standards. If a fund speaks to 50% female founders at the deal-flow stage but ends up with 100% male founders in their portfolio, something is clearly wrong."

"I find that when I've been grilled by female investors, they need to justify it. They have to justify being the one to put your deal forward because they're fearful their [male] teammates will view it as a "diversity deal." And so I have been torn apart—my forecasts have been torn apart." – **Nina Mohanty, Founder & CEO, Bloom Money**

These insights underscore a growing consensus: real impact requires **data-driven policymaking**, **early intervention**, and **structural change**—not symbolic gestures.

Recommendations

Education and Incentives

✅ Promote founder training on navigating power structures and investor expectations, while enabling authenticity.

✅ Advance programs to educate family offices, angel investors, and institutional players on unconscious bias.

✅ Tie gender performance to ESG metrics in pension fund mandates.

✅ Use workshops and bootcamps to demystify emerging managers for institutional investors, and educate LPs on gender-lens investing and track impact data

Institutional Capital Allocation Reform

✅ Government-backed anchor funding or matching programs can help de-risk early capital.

✅ Fund-of-funds structures could support early GPs under £25M with gender KPIs.

✅ Create or introduce mandates or strong incentives for pension funds and LPs to allocate to diverse-led VC funds.

✅ Facilitate recycling of DB pension fund surpluses into DC schemes to unlock VC-scale capital.

Due Diligence, Data, and Decision Making Reform

✅ Develop gender-balanced investment panels and promote women to final decision-making roles within funds – not just operational or support functions.

✅ Strengthen LP transparency obligations to include data on the diversity of their fund allocations and mandate standardised, gender-disaggregated data reporting by VC firms.

✅ Mandate or incentivise gender-balanced investment committees.

✅ Include founder-friendly clauses around maternity/paternity leave in LP-GP agreements.

✅ Standardise VC due diligence to remove gender biases in investment decision-making.

Support Structures and Inclusive Innovation Ecosystems

✅ Invest in inclusive accelerators and incubators, especially in regions outside London.

✅ Develop micro-fund or modular fund structures for sub-£25M initiatives.

✅ Support emerging industries (blockchain, AI) with targeted gender-inclusive grants.

Visibility and Access

✅ Provide operational funding and support for women-centric platforms like the Invest in Women Hub.

✅ Recognise and promote university hubs and research programs showing high rates of female participation.

✅ Create national or pan-European databases of female-led funds to increase discoverability.

✅ Support co-investment syndicates to build track records for new female GPs.

✅ Launch directories and digital platforms to bridge the LP-GP discovery gap.

Incentivised Funding Structures

✅ Expand and adapt tax breaks such as the UK's SEIS and EIS schemes to offer greater allowances and longer eligibility periods, including tailored support for women returning from career breaks.

✅ Provide tax relief specifically for investments in female-founded companies.

✅ Encourage blended finance models and strategic corporate venture collaborations.

Regulatory Reform in Investment Processes

✅ Encourage voluntary gender reporting on gender representation in VC firms and for equity investments to track gender and broader diversity metrics across the VC space.

✅ Encourage venture funds to adopt transparent evaluation criteria that account for non- traditional business models often pursued by female founders.

✅ Implement accountability measures for institutional investors failing to meet diversity benchmarks.