



Supporting Equal Access to Investment

Elasmogen, recipient of £3.5m from
The Scottish National Investment Bank

The
Scottish
National
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Introduction

As Scotland's development bank, our ambition is to 'Transform Scotland through our insight, investment and impact'. A key part of that ambition can be realised through our approach to Equality, Diversity and Inclusion (EDI) – which we set out most recently in our [Interim Equalities Report](#).

The three pillars of our Equality Strategy



This paper focuses on how we are approaching the second pillar as set out in our Equality Strategy¹ – equal access to investment; as well as how we work with our investees to increase diversity. We have been particularly inspired by *Pathways: A New Approach for Women in Entrepreneurship* written by Ana Stewart and Mark Logan and published in February 2023. The report outlines the multiple and overlapping challenges of tackling the root causes of women's under-participation in entrepreneurship and indicates the need for further research into other areas of unequal participation.

As clearly set out in *Pathways*, we know that there is a long way to go; the challenges are long-term and systemic. In the spirit of *Pathways*, we want to share how we are seeking to improve access to finance, not just for women, but for all those groups who face barriers accessing investment finance. In support of Ana Stewart's continued work, we are amongst the first companies to sign up to the Pathways Pledge.

We are approaching this through three key focus areas as shown above – challenging ourselves and our internal practices, investing in diverse businesses and supporting and challenging our investee companies, and working with the wider industry.

We want to be part of the solution, for the long-term. We are committed to tackling the root causes of under-participation in finance, ultimately leading to a stronger, more diverse and resilient economy.



Al Denholm
Chief Executive Officer

1. Available at: [bank-equality-strategy-2022.pdf](#) (thebank.scot)



1. Diversity matters

Key facts around women accessing finance

As of 2021 – Scottish population 51% female, however:

23%
2%
150,000

Only 23% of SME employers in Scotland are female-led.¹

Just 2% institutional investment goes to female-led companies in Scotland.²

A fifth of the UK's new incorporations (20.5%) in 2022 were all-female led, and over 150,000 new all-female led companies were founded in the UK that year – more than ever before.³

Untapped potential

**£250
billion**

In the Rose Review's latest progress report in 2023, female founders 'responded to higher inflation and macroeconomic uncertainty with innovation and entrepreneurialism', and 'female business leaders and entrepreneurs are more confident about their own business prospects than the growth of the broader economy'. It is estimated that £250 billion could be added to the UK economy if women matched men in starting and scaling businesses.⁴

Barriers to access

The Pathways Report set out the main barriers women face when trying to access investment finance:⁵



Difficulty gaining acceptance in male dominated sectors and associated networks.



Discrimination and bias.



Lack of management education and managerial skills.



Less support for female entrepreneurship and women are more likely to need to combine family responsibilities and work.



In addition, the 2019 Rose Review found that women are twice as likely as men to mention family responsibilities as a barrier to starting a business, and rates of entrepreneurialism fall sharply for women after the age of 35 compared to men.⁶

1. Pathways: A new approach for women in entrepreneurship. Available at: [Supporting documents - Pathways: A new approach for women in entrepreneurship - gov.scot \(www.gov.scot\)](#). 2. 'Pathways, 2023'. 3. 'The Rose Review 2023: Progress Report'. Available at [The Rose Review 2023 outlines new initiatives to help more women to start and build thriving businesses | Royal bank of Scotland \(rbs.co.uk\)](#). 4. 'The Rose Review 2023: Progress Report'. Available at [The Rose Review 2023 outlines new initiatives to help more women to start and build thriving businesses | Royal bank of Scotland \(rbs.co.uk\)](#). 5. 'Pathways, 2023'. 6. 'The Rose Review 2023' P.37.



1. Diversity matters continued

Understanding the challenges

As a development bank and impact investor committed to equality, diversity and inclusion, we are keen to understand the potential barriers to accessing investment finance so that we can help to address them.

Access to finance can impact a wide range of people, with gender being just one of the nine protected characteristics which are identified in the UK Equality Act 2010. The Bank also considers socio-economic disadvantage (as set out in the Fairer Scotland Duty) as a tenth protected characteristic.

Protected characteristics	
Age	Race
Gender reassignment	Religion or belief
Being married or in a civil partnership	Sex
Being pregnant or on maternity leave	Sexual orientation
Disability	Socio-economic disadvantage

Individuals with protected characteristics are more likely to experience discrimination and at a group level may be socially and economically disadvantaged compared to the wider population. We also know that people will have multiple protected characteristics and our understanding needs to take intersectionality into account.



1. Diversity matters continued

The impact of socio-economic disadvantage

Socio-economic disadvantage refers to individuals “*living on a lower income compared to others in Scotland, with little or no accumulated wealth, leading to greater material deprivation, restricting the ability to access basic goods and services*” (Scottish Government, 2022). Evidence illustrates that low-income levels are a significant barrier to entrepreneurial endeavours and in turn access to investment finance.

A study into the UK’s entrepreneur economy illustrates the scale of the gap in access to funding¹. According to the data, four in 10 of its survey respondents are ‘bootstrapping’ – using personal savings for growth capital. Nearly one in three are using loans from banks and building societies. Beyond capital itself, 27% of this survey’s respondents said that a lack of contacts or networks was a barrier to accessing finance.¹ This issue is especially salient for entrepreneurs from socio-economically disadvantaged backgrounds, both bootstrapping and gaining access to the right advice and business connections are likely to be more challenging, especially in the early stages of funding and development.¹

“Four in 10 of its survey respondents are ‘bootstrapping’ – using personal savings for growth capital. Nearly one in three are using loans from banks and building societies.”



1. [‘The Entrepreneur Economy’](#). YFM Equity Partners, n.d.



1. Diversity matters continued

Addressing the barriers

Increasing access to finance for lower socio-economic groups is key; as well as seeking to address socio-economic disadvantage. This is a core theme of our Place mission which we explore in our [Interim Equalities Report](#).

The research we have carried out has indicated that, as well as having a focus on particular areas of disadvantage and targeting activity to increase opportunity of access to investment finance, there is a key opportunity to focus on reducing socio-economic disadvantage through our investment activity (i.e., the outcomes of our investments) as another way the Bank can create positive impact on increasing participation.

Our Equality Strategy and Interim Equalities Report set out how we're practically integrating equality, diversity and inclusion into our everyday and we are committed to continually exploring and working with others to find out how we can make a difference.

We all need better data

There is currently a lack of data on diversity and its impact on access to investment finance. In particular, meaningful information on characteristics beyond ethnicity, gender and socio-economic factors is especially limited. In the long term, further analysis needs to be undertaken in order to better understand the gaps and the impact of initiatives to address them.

When working with female investors and female-led businesses; they have stressed the importance to us of having access to better data to help us understand how to create fairer access to investment.

In a recent Bank-hosted event, we spoke to a group of female entrepreneurs about the information they think needs to be available from investors, such as:

- ◆ What amounts of capital are requested by female-led versus male-led businesses?
- ◆ What percentage of approaches from female-led versus male-led businesses get funded?

It can be complicated to increase investor information as data protection obligations must also be met, but more data can and should be obtained. Our Pathways Pledges (see page 12) set out our ambition on working towards better data for ourselves and with the wider ecosystem.



2. Supporting diverse businesses

The barriers to investment are likely greatest at an early stage, with the result that the number of diverse individuals leading businesses seeking a significant quantum of investment finance (as we provide) is likely to be low, and that the pipeline continues to narrow at every subsequent stage. As an investment bank, we are looking at how we can address this longer-term through working with the wider investment ecosystem (see section 4), via our investees and through the outcomes of our investment.

However, we do play an important role in being an investor that aims to be welcoming and active in supporting scaling businesses that meet our missions, whilst additionally supporting our investee companies with their own diversity journeys.

Growing a diverse pipeline

A core function of the Bank is to support scaling businesses to drive impact across our three missions. We know from our research that scaleups have a positive impact on the Scottish Economy, are more likely to be innovative, and help to create high quality jobs.¹

Whilst we are committed to doing what we can to help widen the pipeline of diverse businesses,

we also recognise that it will take time for greater participation at the incubator and pre-start stage to lead to an impact on the scaling businesses coming through the early stage and high-growth early stage. As a scaleup investor, we recognise that our investments (between £1 million - £50 million) are focused further along towards the high growth stages of the business cycle.

This means that the Bank must also explore ways it can help to support the growth of the whole scaling ecosystem, so that the number of diverse businesses seeking finance at the scaleup stage where we operate will grow. We are:

- ◆ Hosting events focussing on supporting female-led businesses, to enable better knowledge of the Bank and what investors look for, and to listen and learn from those businesses.
- ◆ Supporting EDI focussed events to support wider ecosystem efforts.
- ◆ Pledging our support and participation in initiatives such as Pathways Forward and the Women in Banking and Finance Code (see section 4 for more details).

“As a scaleup investor, we recognise that our investments (between £1 million - £50 million) are focused further along towards the high growth stages of the business cycle.”



1. It is worth noting that research by the Scale Up Institute found that 40% of Scottish respondents to their Scale Up Survey reported at least one female director. See our Scaling Up Scotland report. Available at: [Scaling Up Scotland | Scottish National Investment Bank \(thebank.scot\)](https://www.thebank.scot/scaling-up-scotland).



2. Supporting diverse businesses continued

Diversifying our existing portfolio

Whilst not directly concerning access to finance, we believe we can also make an impact through sharing and supporting positive practices within our investee businesses that support equality, diversity and inclusion as they themselves grow. These practices are intended to enable positive change over the lifetime of the investment for both the business and the wider ecosystem as consideration of and action to promote EDI become more normalised. To facilitate this all our investees are expected to:

- ◆ Collect and report diversity data.
- ◆ Develop and review their own EDI policies, and embed them within their business operations.
- ◆ Commit to the provision of high-quality employment and adopt the Fair Work First Principles, including an annual pay gap analysis and positive employment practices that support the recruitment and retention of a diverse workforce.

We believe that businesses are stronger and more resilient when they are able to recruit and retain the right staff, and that diversity at all levels is a key part of success.



“We believe that businesses are stronger and more resilient when they are able to recruit and retain the right staff, and that diversity at all levels is a key part of success.”



3: Challenging ourselves

We want to ensure that our people, policies and procedures are those that best support the development of diverse talent, and to do what we can to uncover unconscious bias and support diverse decision-making. Some evidence suggests that having a more diverse investor pool and diversity in decision-making leads to more equal access to finance and we are seeking to ensure that our people policies and our investment procedures align with progressive thinking and best practice in the industry.

People

The Bank is incredibly proud of the team it has established since launch, in particular the overall gender balance of the Bank's team, but we recognise there is always more to do. The Bank's ambition is for our team to reflect the society in which we operate, bringing diversity of thought. By creating an inclusive culture where difference is embraced and our talent can flourish, the Bank can play a full role in promoting greater equality, to the benefit of people across Scotland.

Some of the ways in which we have been doing this include:

- ◆ **Reviewing and updating our recruitment processes with the support of external recognised diversity partners to ensure inclusivity in all stages of our recruitment process.**
- ◆ **Creating employment opportunities working in partnership with Career Ready, Black Professionals United Kingdom, Saltire Scholar Programme.**
- ◆ **Creating mentoring opportunities through our partnership with Women in Banking & Finance.**
- ◆ **Creating networking groups and spotlight sessions to educate ourselves and create networks.**
- ◆ **Creating flexible working opportunities.**
- ◆ **Becoming a signatory to Women in Finance Charter, including setting targets for women in senior roles.**
- ◆ **Culture – putting our values at the heart of what we do, and ensuring that Bank events are family friendly, starting later to enable school drop off and earlier networking drinks to enable participation.**
- ◆ **Ensuring that Bank publications and events represent diverse voices and are accessible.**
- ◆ **Sponsoring events aimed at widening participation.**

Investment processes

We know that as well as getting the people and culture of investment right, it is of vital importance that EDI is embedded in our investment procedures, that we aim for a diverse mix of decision-makers in our processes and that we continue to track EDI impact through the whole lifecycle of our investments.

We are an official signatory to the Women in Finance Charter, and we will continue to work with and explore best practice in investment processes as we seek to improve and refine our own.



4. Changing the ecosystem

Solving the challenge of increased participation in entrepreneurship requires active engagement across the investment community and beyond. Many organisations are creating opportunities and developing experience from which we and others can learn. Given this, we have – and will continue to – engage widely across the ecosystem in which we operate both to benefit from these opportunities and experience and, through our participation, to help build positive momentum.

Bank participation in industry initiatives:

- ◆ Pathways Forward
- ◆ Women in Banking & Finance
- ◆ Black Professionals Scotland – internship programme
- ◆ Career Ready – internship programme
- ◆ Mentorship Scheme
- ◆ SFE – GEN network
- ◆ Saltire Scholars Programme – internship programme
- ◆ Supper Club – female investor networking events

We have supported internship programmes with Black Professional Scotland, Career Ready and Saltire Scholars Programme, creating opportunities to understand the investment world with the aim of increasing participation and understanding. We have taken huge value from the impressive interns we have hosted, and the feedback we have received from them about their experience with us has been very positive. We look forward to continuing this stream of work as a regular commitment to providing opportunities for participation.

We have led on several engagements, for example with Accelerate Her and Investing Women Angels supporting female-founded businesses, as well as hosting roundtable events to support women in their own investment career journeys. We will continue to work with other aligned organisations to support a diverse mix of investors and investees focused events and initiatives.

“The Scottish National Investment Bank has been a significant and visible supporter of the goals of Women in Banking & Finance in promoting diversity and gender equality across financial services and other sectors in Scotland.”

Maryla Wytrazek
Scotland Board Member
Women in Banking & Finance

“Within the dynamic partnership between Scottish National Investment Bank and Black Professionals Scotland, a symbiotic relationship unfolds, as the Bank embraces our Internship program. In this thriving ecosystem, emerging talents from our community find a nurturing environment, fostering innovation that not only generates opportunities but also shapes a future where possibilities abound.”

Benny Nmeholam
Black Professionals United Kingdom





4. Changing the ecosystem continued

'Pathways Forward' is a collection of organisations who recognise the challenges set out in the Pathways Report and are committed to helping to drive change, reflecting their role in the broader entrepreneurial ecosystem. The Bank was specifically cited within the Pathways Report in respect of two clear recommendations. We have publicly responded to these, showcasing how we are aligning with the recommendations. In addition to this we have worked with the Pathways Forward initiative to make further public pledges aimed at helping to provide increased levels of data on the EDI profiles of our investment and the actions we are taking to actively support increased diversity.

The pledges build on commitments that the Bank has already made following the initial publication of the Pathways Report.

Pathways Pledges¹

1. Our CEO, Al Denholm, is taking on the nominated role as Executive sponsor for EDI – this covers consideration for EDI across all aspects of internal and external activity.
2. Within the next year, we will formally review and implement changes to our data collection to capture EDI metrics, including gender, at the different stages of our investment process from enquiry stage through to investment. This data will be published on an aggregated and anonymised basis only.
3. We will regularly review and develop our investment process to identify and implement changes to improve access to finance; based on data collection, impact insights and evidenced best practice, and in line with our own ESG risk and impact management aims. This will include:
 - our ESG and impact assessment criteria
 - composition of our investment panels
4. We will work with our investee businesses to create communities of learning to support greater equality, diversity and inclusion for the businesses that we invest in.
5. We will, in partnership with other financial services organisations, representative bodies and specialist organisations, engage in the market and industry to support specific initiatives to improve representation, support and opportunities for individuals from under-represented groups. We will publish the specific action we have taken annually.
6. We will continue to deliver against our published EDI strategy, to ensure our own actions and policies as an employer support a diverse and inclusive workplace, consistent with enabling our aims for the wider economy and society.



We will continue to work on increasing access to finance through our strategy which will continue to evolve. We recognise the role we can play at the Bank and how we can influence change through working with others. We seek to both learn and push for change wherever we can and welcome any feedback and suggestions to support us in our journey.

1. Pledges 1-3 also enable us to work towards signing the Investing in Women Code.



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