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Mapping of policies towards groups of women business angels

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# Summary

# Abstract

The aim of this research is to have an overview of the initiatives that are aimed at supporting business angel activities by women. It is well known that business angels are mostly men, the world of finance is still very closed to women. However, for some years now, a number of initiatives have been emerging (for example, the creation of specific women BA clubs) around the world. The purpose of this research is to have an overview of these initiatives: to map out women angel clubs around the world, to see how many members they have, in what sectors they invest, also providing a critical analysis of the differences, what are the best practices and to have an overview of policies supporting the development of the women's business angels market.

Key words: academy; business angels; business evaluation; entrepreneur; government; informal investor; innovation; innovative firm; networks; policy; SME; startup; tax incentives; women.

# Introduction

In the investment landscape, business angels play a key role as investors for seed and early stage companies. They bring important capital for the starting phase of a start-up or small company, but also knowledge and experience, being for the most part entrepreneurs and people with a high level of business experience.
Business angels, as class of investors, are not still well known or widely developed in the world and for this reason it is very important to create ecosystems that connect this type of investors with novice entrepreneurs who often do not know the possibility to receive financial support from them.
Over time, to promote the business angels, networks and later groups were created to provide greater amount of money to support entrepreneurs and share the risk.
In many countries, governments have implemented incentive actions with various instruments such as tax incentives, tax reductions or the creation of co-investment funds to improve ecosystems and increase the number of business angels alongside innovative businesses.
A topic still underdeveloped in the literature is that of female business angels which are very underrepresented: in the U.S. only 29% of business angels are women, in Europe the number drops to 23% (EBAN Statistics Compendium - 2018). The majority of women invest in groups that are therefore predominantly made up of men. There are small realities in which the groups are made up only of women or have a very small percentage of men (in most cases spouses of women members).
This research in the first phase aims to identify groups composed only of women around the world, map them, reconstruct their investment portfolio and describe their behavior.
Alongside the active research, an analysis of the present literature was also made highlighting not only the studies made on women business angels but also on the gender gap in entrepreneurship, as women business angels and women entrepreneurs can be very closely linked to each other thanks to the concept of homophilia.

In the second phase, the study focuses on the policies enjoyed by women's groups by investigating whether, in addition to the general policies for investors and especially for business angels collected in the study, there are incentives targeted at women.
Since there are no interventions targeted only at women, we proceeded in two ways: first, we considered academies and projects around the world to see where the government and the entire business ecosystem, even without policies, are trying to increase and sensitize women to this type of figure; second, we proceeded with interviews directly with representatives of women-only groups. In the interviews, we asked about all the information that are not available on the group's website, for example, the profiles of the members, what they think of groups composed only by women and why they founded them or, for example, how the Covid-19 crisis has affected the groups' investments.
To conclude, the most important part of the interviews is on the policy issue, in fact, in the absence of specific policies, we investigated what improvements women would like to see implemented in their countries, in place to improve the angel investing experience for women and include more of them in this activity.

# 1. Business angels

## *1.1 What about business angels?*

Business angels are high-net-worth individuals (HNWI): they invest their money mainly in unlisted seed or start-up companies.

### *1.1.1 Type of investiment*

Business angels, as shown in Figure 1, bridge the financing gap between friends and families on the one hand and banks, credit institutions, venture capital companies and private equity firms on the other (Freear and Wetzel, 1990; Sohl, 1999).

As shown in Figure 1, each step in a company's life cycle corresponds to a financing stage and thus an instrument. Due to the complexity present in the seed and early stage phases, a mix of tools is needed to deal with the various growth phases of a company.

The seed and early stage market is now left to "informal" investors (OECD, 2011) because, contrary to what is commonly thought, most venture capital companies have switched to subsequent investments. The "angelic" investors have therefore become increasingly recognized as an important source of equity capital in the early stage of the establishment of a company (Harrison and Mason, 2010).

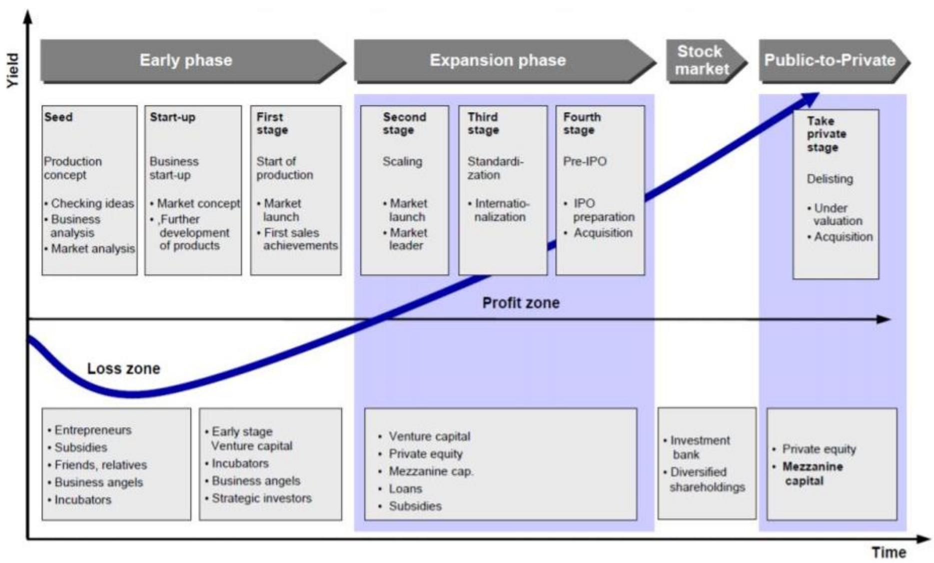


*Figure 1 Life-cycle of a firm and stages of financing [OECD (2013)]*

### *1.1.2 Who the business angels are and how they operate*

Business Angels are retired professionals or managers with a lot of experience in the field in which they want to invest and have a great personal wealth. In addition to the economic investment that can range from €25.000 to €500.000 ($30.000-$600.000) they also offer the specific knowledge to concretely develop the new idea and an expert guide that follows the crucial phases of a firm's growth.
They are also called informal investors because the relationship created between the investor and the entrepreneur is based on trust: the business angel does not require any particular form of guarantee for his investment.
The investor ensures a good investment that guarantees the realization in the medium term of capital gains to be obtained with the sale, partial or total, of the initial participation.

The process of preparation and realization of the investment by business angels provides (OECD,2011):

- Business plan: a document that describes the company, product, vision and strategy, long-term goals and how they intend to achieve them.
- Initial assessment of the investment plan: an assessment of the future potential of the project presented in the business plan.
- Due diligence: analysis of the company from the financial point of view, management, market position and future perspectives, comparison with competitors. The purpose of this activity is to evaluate the convenience of the investment and to identify the risks and related problems, to negotiate terms and conditions of the contract.
- Definition of the terms and conditions of the investor's entry: determination of the conditions for the realization of the investment, the amount of the investment, the investment schedule, the investor's stake in the company, the investor's decision-making powers and the investor's exit strategy from the company.
- Investment contract: written acceptance of the investor's entry conditions, definition of the rights and obligations of both parties.

- Entry of capital into the company: transfer of funds to the equity capital of the company, in some cases, the creation of a new company for the purposes of the business plan.
- Valuation of the company: as a result of good economic results, the market value of the company will increase.
- Investor exit: a pre-agreed exit of the investor from the company that can be achieved by selling to a financial or strategic investor, respectively the original owner of the company.

## *1.2 How business angels have evolved over time*

### *1.2.1 The birth of business angels network*

A recent study (Mason, Botelho and Harrison, 2016) highlighted that in the 1980s and 1990s, angels operated anonymously, mostly investing alone or with small groups of friends and business associates. One of the major issues with business angels' investments was the invisibility of individuals who were prepared to take an interest in the business.

The angel market operated inefficiently as investors and entrepreneurs incurred in high research costs to identify one another. Investors, using their personal social and business networks, often gave up while entrepreneurs on the other hand did not understand how to make themselves "investment ready".

An important factor in the U.S. and Canada, and later adopted in Europe, was the creation of business angel networks - introductory services - that provided a channel of communication to enable entrepreneurs to bring their investment proposal to the attention of potential investors and angels to examine investment opportunities without compromising their privacy. Subsequently, some of these networks also provided investment preparation and training programs for angels.

As with all service organizations, the European Commission in 2015 has highlighted that a significant part of the operating expenses of an angel business network are human resources. Some networks employ only one or two people, while others employ more. Depending on the size of the network, costs can range between €150.000 and €500.000 per year, which can be higher for very large and active networks.

As reported in the study by Knyphausen and Westphalb (2007), networks have tried many different ways to generate revenue through the services offered, for example by including membership fees for business angels, successful fees for young technology companies or fees for consulting services such as support in the development of a business plan. Despite this, most networks remain powered by public institutions or sponsors.

The most important service offered by business angels is therefore access to maximum business flow. However, there are many players in the capital market who offer the free service of correspondence between firms and business angels (e.g. banks, tax accountants).

The advantage of the mobilization and selection services generated by a closed market as a network is however not very convincing when compared to the same services offered on the open market and consequently this could be a reason why there is still little organization of BAN since these individuals have strong reasons to withdraw from the closed network market.

According to the European Commission, in order to facilitate the creation of a business angels network, reputable regional institutions can be invited to collaborate in the activities of the future network: banks, incubators, chambers of commerce or regional development agencies. These institutions can not only sponsor the network, but also authorize it to use their infrastructure and share events and customer addresses. This collaboration can be offset, for example, by guaranteed loans for banks and a contribution to job creation, where it is possible to engage in research and development activities together with regional authorities.

Lange, Leloux, and Surlemont (2003) list seven typological dimensions to characterise BANs:

- Private vs. public

- For profit vs. not for profit
- Early stage focused vs. all stages
- Specialist investors vs. generalists
- Active screening and support vs. passive
- Regional or local geographical reach vs. national or pan-national
- Introduction services only vs. a broader range of services offered

### *1.2.2 The birth of business angels groups*

The angel market began to transform in the late 1990s, when angels started to organize themselves into groups to invest collectively. There are different ways in which angel groups are called: portals, unions, associations.

As Mason, Boteltho and Harrison (2016, 2019) also report, policy makers have sought to encourage the creation of angel groups through specialized support agencies and the creation of co-investment funds to fill gaps in the scalar capital supply.

The specialization of groups can take place for (Mason, Boteltho and Harrison (2019)):

- industrial sector (e.g. health care, cleantech);
- type of investor (e.g. women-only angel groups);
- affiliation (e.g. university groups).

The groups were created with the aim of sharing knowledge and transferring best practices, research and data collection and representation of the angel community with policy makers.

The emergence of angel groups reflects the need for greater financial resources to make greater investments, including subsequent investments; in fact, angels have recognized the need to group together to create the "deep pockets" needed to make both substantial initial investments and subsequent investments. Traditionally, companies that have exhausted their angel investment had to seek additional financing from venture capital funds.

### *1.3 Business angels groups*

Among the greatest advantages of investing as part of a group rather than alone, recognized by the angels, are the volume, quality of the deal flow and the sharing of experience and knowledge, for example, in the phases of evaluation and due diligence; all this leads to a reduction of the personal effort involved in the investment process. Other group attractions are the opportunity for individual angels to invest on special occasions where they could never have invested as individuals, the opportunity to learn from more experienced investors and to offer opportunities for networking with like-minded individuals.
There is evidence that younger angels are more likely to join angel groups when they start investing, while older angels - because there were fewer angel groups when they started their careers as investors - only joined angel groups later.

There are different organizational models of groups, as reported by Mason, Boteltho and Harrison (2019):

- dinner club: members meet regularly to hear pitches by entrepreneurs who have been pre-screened by the group's management team;
- core periphery: it consists of a tight inner circle of lead investors who provide the central decision-making function alongside the "gatekeeper" and lead the group's investments, and a larger, outer ring of semi-passive investors who are given the opportunity to invest alongside these lead investors;
- coalescing of members around an experienced angel who takes the lead role in an investment;
- chapter model basis: in this model groups operate in several locations, in some cases in more than one country, under the same brand management, but each has its own gatekeeper, use standard procedures for generating deal flow, screening and due diligence, and run common training sessions, seminars and other events which build collaborate social relationships between members across the group.

It can therefore be said, in summary, that the advantages of the existence of groups for the entrepreneurial ecosystem are (Mason, Boteltho and Harrison (2019)):

- they reduce research costs for both angels and entrepreneurs;
- they are able to develop efficient routines for managing investment requests and screening opportunities and have developed standardized investment documents;
- they are focused on achieving outputs compared to most individual angels;
- they have stimulated the supply side of the market;
- they involve the export of money from local and regional economies;
- the members of angelic groups invest a greater share of their wealth than those who are not;
- the range of business skills found among the members of the angels' union: in most cases they are able to bring much greater added value to investee companies than individual business angels, or even most early-stage venture capital funds.

### *1.3.1 The role of the gatekeeper*

The creation of groups of angels led to the birth of a new actor, the group manager or "gatekeeper". There are two main types of angel gatekeeper: the "member gatekeeper" and the "manager gatekeeper" (Paul and Whittam, 2009). Gatekeeper members are members of smaller and newer unions. The implication is that the gatekeeper function changes as the group's activities increase and portfolio management becomes a longer and more critical function.

The gatekeeper roles outlined by Mason, Boteltho and Harrison (2016) are:

- external: promoting the group to attract new investors and entrepreneurs by increasing the business flow;
- internal: interaction and communication with members, internal liaison and coordination role with union members and liaison role, which unites the union to its environment;
- management of the investment process;
- organizational: he carries out the initial screening of investment opportunities, the individual members of the group then consider these pre-examined agreements in more detail.

The differences that this role entails, compared to the behavior of solitary angels, are:

- Gatekeeper are slower to deny an investment, they take more time than solo angels to select the investment opportunity.
- Personal issues, often idiosyncratic, are prominent in the screening of individual angels. In contrast, the screening of gatekeepers is less personalized because they place considerable emphasis on the group's investment criteria (these are typically few in number and dominated by industry, the size of the investment and the likelihood that future funding cycles will be needed). Within these constraints, they are open to consider a wide range of opportunities, not least because of the collective expertise of the group they can draw on and their extensive experience.
- Gatekeepers place much more emphasis on the financial aspects of the proposal, not only in terms of the frequency of comments, but also in terms of evaluation, the need for future funding cycles and returns.

### *1.3.2 Investment process in a group*

According to the study of Croce, Tenca, Ughetto (2016) based on the Italian Angels for Growth (IAG) group, the investment process of a business angel group is divided into the following phases, differing from a solo process especially in the initial phase as more points of view are taken into consideration.

- The initial pre-screening is carried out by a certain percentage of group analysts: they provide a primary assessment of a company's business plan and often have a preliminary interaction with the entrepreneur (to ask for further materials and clarifications, for example). Analysts assess whether the business proposal fits the group's investment preferences, taking into account the sector in which the company operates, the development phase and the level of financing required. Based on these factors, the 'desk' analysts reject a proposal or move it to the next stage.
- Business proposals that progress through initial pre-screening are sent to all group members.

- In the screening phase, each angel member can examine the proposal in more detail. If the proposal arises enough interest from at least a certain percentage of members, a meeting with the entrepreneur is organized; entrepreneurs are invited to present their projects with a short presentation and to answer questions from interested BAs. A positive evaluation of the entrepreneur is essential to advance the investment process.
- The proposal is then examined by a Screening Committee; if the Screening Committee believes that the company should be pursued by the group, the entrepreneurs are then invited to a second presentation in front of all members of the General Assembly.
- Initiatives that generate the greatest interest enter into a due diligence process. In this circumstance, each member has a certain amount of days to consider whether to provide a "financial commitment" to invest in the business and must indicate the amount of money they are willing to invest in the deal. If the capital is sufficient, a due diligence process is carried out and lasts on average 2-4 months.
- After the due diligence phase, the individual members are completely independent in deciding whether to contribute to the investment and the amount invested. If a company collects a good level of interest from group members, a "sample" of the deal is selected in order to coordinate the investment process with the support of the group.

In addition Croce, Tenca, Ughetto (2016) identify several factors that influence the financing decision of a group:

- financial information easily verifiable at company level (e.g. sales);
- the target market;
- the innovative capacity of the product and its level of patent protection
- the business model;
- the skills and experience of the entrepreneur/manager.

### *1.4 Investment instruments*

One of the most important phase of the investment is the choice of the instrument to use. Taxation has a significant impact on the way such investment schemes are structured and therefore particular attention must be paid to the tax rules of the country in which business angels are located. As reported in the European Union guide "Fostering business angel activities in support of SME growth", among the examples of tax incentives available is the British system of relief for entrepreneurs, from which young companies benefit or government guarantees and tax rate reductions for individuals, such as capital tax reductions in France or tax credits. In some countries, such as Italy, capital gains obtained by business angels may be exempt from taxation under certain conditions. In chapter 6, the tax policies and regimes of the these and other countries will be discussed in more detail.

As written in the European Union report "Effectiveness of tax incentives for venture capital and business angels to foster the investment of SMEs and start-ups" (2017), taxes on income generated during the holding period are less relevant in the context of business angels' investments in start-ups, as they are unlikely to make dividend distributions. However, the tax treatment of capital gains or capital losses realized on the sale of an investment will influence the risk appetite and decision-making process of a potential investor. For example, the tax relief for capital gains or the granting of a relief for losses on a more favorable basis than the basic tax system could support the de-risking of investments in young, growing and innovative companies. Other important factor are bankruptcy laws.

Money, as reported in the European Booklet for Entrepreneurs, can be invested in a company through one or more financial instruments. A financial instrument is the form that an investment takes. The main instruments are:

- Ordinary shares: this is the most basic form of equity participation in a company. Ordinary shares receive dividends and exit proceeds after all creditors, debts and other classes of shares have been paid. The amount received per share is proportional to the total number of ordinary shares outstanding. The total number of ordinary shares held divided by the total number of ordinary shares in issue gives the percentage ownership of the company.

- Preference Shares: gives the holder preference over ordinary shareholders over dividends and exit proceeds. This preference is usually fixed, although a variable element may be used.
- Convertible loans: cash can be invested as a loan that can be converted, usually at the holder's discretion, into shares (usually common shares) at some point in the future. The loan may also carry an interest rate, although any interest payments are usually rolled up at a future date. The basis for the conversion (i.e. the valuation of the company) can be set at a later date. For example, the valuation used by a future round of equity financing (sometimes with a discount to offset the "initial risk" assumed by the investor) could be the basis for the conversion.

#### *1.4.1 SPV*

In some cases, the creation of a new company in which the investor's and entrepreneur's risk is limited to their participation plays a key role and this prevents the company's creditors from recourse to the partners' private assets. This is the case, for example, with a Special Purpose Vehicle (SPV) also known as a Special Purpose Entity (SPE); it is a subsidiary company created by a parent company to isolate the financial risk. Its legal status as a separate company makes its obligations secure even in the event of bankruptcy of the parent company.

A company can set up the SPV as a limited partnership, a trust, a corporation or a limited liability company; for example, in Italy, the most commonly used legal form for business bngel's investment is the Società a responsabilità limitata (Srl), in the USA there is the Limited Liability Company (LLC).

The financial data of an SPV may not appear in the balance sheet of the parent company as equity or debt. Instead, its assets, liabilities and shareholders' equity will only be recorded in its balance sheet.

Business angels use the so called "Syndicate" that is a Special Purpose Vehicle (SPV) created to make a single investment. A Syndicate pools capital from a variety of investors into an LLC (Limited Liability Company) that invests in a single startup alongside the Syndicate lead. Syndicate leads invite their LPs (Limited Partners) to participate in or pass on any given deal. The Lead Investor is responsible for the investment and reporting and takes care of the invested company.

An interesting fact is that, as reported on the Miami Herald website, https://www.miamiherald.com/news/business/business-plan-challenge/article229601039.html , a panel of experts has decided to nominate Digital SPV, as the winner of the 2019 Miami Herald Startup Pitch Competition's Community Track. Digital SPV is a niche product which idea meets an important market need because it is very challenging to take a stake in a company as an angel investor. With Digital SPV, the process of managing a large angel investment is automated. Among the tasks that angels no longer need to perform manually are communication with investors, or with a company, all the paperwork, including tax documents, tax tabulation and performance reports.

### *1.4.2 Side-car funds*

It is useful to make an in-depth study on the operation of side-cars, a tool widely used by groups that set up funds in the United States to raise investments also by passive angels.

As written in the report by Rosenblum and Hoag of the Angel Capital Association, "a sidecar fund is a pooled investment vehicle that invests alongside an angel group. In this regard, it is different from the vehicles that some groups form for particular investments or as the main investment structure of the group (SPV).
The basic reasons why an angel group considers a side-car fund are:

- The sidecar fund opens the angel investment and the group's assets to people who want to be passive investors or who do not feel qualified to invest on their own.

- The sidecar fund offers group members the opportunity to allocate part of their funds to angel investment in a balanced way in all group investments. This can supplement their personal active portfolio.
- The sidecar fund gives the group an additional "critical mass" when investing with institutional investors or guides the investment cycles themselves. The ability to invest more money through the group can give it a place at the negotiating table with institutional investors or governance or allow the group to conduct a somewhat larger investment cycle than the group members themselves could afford.
- The investors in the sidecar fund are usually charged a management fee compared to the capital under management. The commission can be used to cover the costs of the angel group (such as the salaries of an executive director and other staff or the costs of group meetings) and to lower the units.
- No passive investor willingly accepts financial risk beyond his or her capital commitment and in this respect a side-car fund provides strong liability protection for the fund's investors and is a vehicle of passage for tax purposes.

In practice, this means that in most states the fund will be a limited liability company or limited partnership. Properly structured, each of them normally provides strong liability protection and good tax characteristics.

An important factor is that the documents for the sidecar angel fund are relatively short and simple, in line with the size of the fund. This helps to reduce the costs of preparing the documents and also facilitates understanding by the group and investors. Many of the provisions that contribute to the length of the venture capital fund documents are unnecessary in a sidecar fund context.

Ideally, investment decisions for the sidecar fund should reflect the decisions of the group's angels. In a classic model, the fund should invest if a certain number of angels (perhaps 5) invest at least a minimum amount (perhaps $250.000 in total). This assures the fund's investors that they are benefiting from the investment expertise of the group's angels and that their interests are truly synchronized with those of the decision-makers (who are "putting their money where their mouth is"). The fund would then invest according to a formula (in a sense pro rata) with the angels of the group. For subsequent investments, different decision-making rules can be applied.

Some groups follow more of a venture capital fund model in which investment decisions are made by designated persons, perhaps even professional staff. This works well for some groups but may be a little less interesting for investors looking for a group perspective".

### *1.5 Women business angels*

In the panorama of business angels, there are groups and networks with specialization in the type of investor: this study will do an in-depth examination of women angels.

#### *1.5.1 Results of previous research on women business angels*

It is known that women are underrepresented as angel investors. As reported by EBAN in the "Statistics Compendium" of 2018: Central and Eastern Europe show the highest percentage of women investing as business angels (about 30%). In Western Europe, women who invest as angels still represent a small part of the angel community and represent about 11% of the population. This behavior is visible in Chart 1. By comparison, in the United States in 2018, female angel investors accounted for 29.5% of the angel market. As a result, there is a growing interest in female angels and new initiatives to support and encourage them.

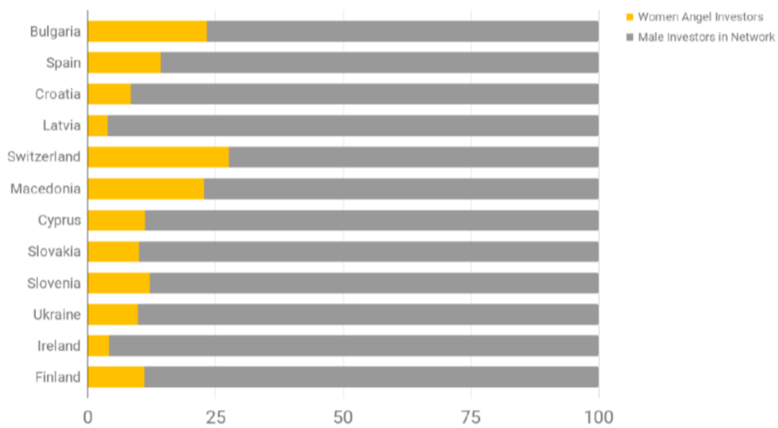


*Chart 1 BA Investors distribution by gender in 2017 [EBAN (2018)]*

There has been various research to identify women's behaviors; they are based on the notion of "difference" and assume that male entrepreneurship is the point of reference against which to judge female entrepreneurship. There are systematic differences between women and men investors that continue to limit women's participation in the angel investment market.
This paragraph summarizes the results of the major researches conducted so far on this issue.

Colin and Mason (2005) have highlighted that:

- Women investors are relatively younger.
- Both groups are well educated.
- Women are a little more likely to have professional qualifications.
- Both male and female investors have different work experience in terms of company type, industry sector and function.
- Women have worked in a wider range of industries.
- Women are much more likely to have worked in business services than men.
- Women are more likely to have human resources and marketing skills.
- Women are more likely to be partners in a professional firm.
- The participation of women in a management buyout or purchase is much lower than that of men.
- Women are relatively more likely to invest from their spouse's/partner's inheritance, salary and assets than from the family firm's assets.
- The overall rate of return for women business angels is higher than for men.

Business angels are motivated primarily by two factors, first, satisfaction with being involved in the business process and, second, financial considerations.
Women are also motivated by the desire to support the next generation of entrepreneurs and to support socially beneficial products or services. They have also given more emphasis to "a way to have fun with my money".

In addition, it has been emphasized that:

- in the business flow sources used by women angels, they rely more on business partners and professionals and less on active personal research.
- In their networked behavior, women are less likely to invest alone, rely solely on their own judgment in due diligence and less well-connected or know other business angels, including female angels.
- In their value-added post-investment contribution, women are more likely to assist in developing strategies and short-term issues, establish contacts with suppliers and customers, and recruit management teams.

The results of Harrison and Mason's studies (2007) also led to the statement that:

- women make greater use of business partners, accountants and lawyers.
- Investors, both men and women, claim to be gender neutral in their investment valuations.
- Increasing the visibility and number of female business angels could attract additional business flow from women entrepreneurs.

In addition, Sohl and Hill (2007) report:

- one of the reasons why organizations are formed was to encourage more women to participate as investors and to provide support for women entrepreneurs.
- Women are more likely to join groups with significant numbers of female members than men.
- In terms of administrative structure, most groups have a paid manager, executive director or president, while maintaining a reasonable level of member management. In this regard, women angel groups differ from groups dominated by men, in fact for women angel groups, the size of the group (total number of members) is not determined by the presence of a paid manager.

Most angel women's organizations conduct educational seminars for angel investors, while some also conduct seminars for entrepreneurs. These results indicate that angel women's organizations want to try to address the problem that women do not have the adequate training and experience to be successful angel investors by using the seminars to increase the collective and individual human capital of their members. However, this practice only targets women who have already been involved as angel investors through membership of an angel group, while the real concern may be women who are not involved as angel investors.

Research by Becker and Blease (2010) reports that groups provide important support to encourage greater participation of female investors in the angel market, especially in the form of predominantly or wholly female groups (Abramson, 2001; Hudson, Kenefake, & Grinstead, 2006). The study suggests that when female angels have considerable representation within a group of angels, their tendency to invest will reflect that of men. As a result, if women entrepreneurs, due to homophilia, are more likely to know and seek funding from groups with more women, and these groups invest at rates similar to those of groups that receive high percentages of proposals from men, then this will help ensure equal access for women entrepreneurs to vital early stage capital.

As also reported on http://womensequitylab.com/ having more women involved in the investment (Wanczyk 2017) is advantageous because:

- women investors are more likely to finance women-led businesses and female entrepreneurs are more likely to achieve a successful exit if their investors include women.
- The addition of female investors in the industry provides more money to the start-up ecosystem and provides the community with new skills, contacts and experience to help successful companies grow.
- More women involved in company ownership and boardrooms translates into more effective business decision-making and more effective results.

In addition, according to the study “WA4E - The Barriers and Opportunities for Women Angel Investing in Europe” (2018), supporting entrepreneurs to grow their business, "get their business back on track" and support their local economy was considered the main motivation for women to become angel investors - and this was more significant than getting a financial return. Keeping pace with

technological and commercial innovations and developments was also a strong motivation for many female investors.
The opportunity to meet like-minded people and make new friends and contacts within a network, establish new social contacts and exchange experiences with their peers was also considered important for many women.

Finally Harrison, Boteltho and Mason (2020) report that in terms of investment experience:

- women investors have less years of investment experience;
- has made minor investments;
- made fewer investments overall;
- were less inclined to invest in innovative initiatives.

The next chapter will highlight the behaviors of female business angels in groups, using all the groups found during this research, taking the information from the websites and interviews.

## 2. Network of women business angels

Regarding the differences between women-only and mixed networks identified by Harrison, Boteltho and Mason (2020):

- there is no significant difference in the age profile of women who were part of women-only networks compared to that of members of mixed networks;
- members of women-only groups are much less likely to have board level experience;
- members of women-only groups are much more open to the opinion of others;
- women-only group members make more investments and rely more extensively on gatekeepers and other group members for advice and support than members of mixed gender groups;
- women use social contacts to learn about potential future investments.

There are several main reasons to join a W-BAN (Women Business Angel Network), from how you can learn in different sites dedicated to business angel women like https://www.angelacademe.com/investors:

- Women join with passion to become part of a fund that has at the core of its mission the intention to invest also in women entrepreneurs.
- Women unite by trying to create a "collaborative" space that allows women to invest together, to learn together, to make their voice heard and to gain social credibility.
- Women will join the financial mission to become part of the potentially profitable arena of angel investment with the ultimate goal of improving their financial position.

BANs that are tasked with collaborating, cultivating women's angelic voices and developing business angel investment skills are not necessarily driven by women whose interests are to join a class of at-risk businesses with a small chance of success. They are driven by camaraderie, learning processes, the potential to cooperate with others, to make some investments collectively and to achieve social status through associations and networks.

Finally, women who are interested in improving their financial position will understand that many investments will have to be made so that the few winners pay for the many losers.

### *2.1 Mapping*

The following female business angels networks have been identified during this research:

- NFBAN: Helsinki, Finland
- NNE WIN: Northern New England, USA

They are only two as can be seen in Figure 2:

*Figure 2 Distribution of women angel business networks in the world [own elaboration]*

### *2.2 Brief description of the networks*

#### *2.2.1 NFBAN*

Born in 2015 and since then part of the European Business Angel Network, the Nordic Female Business Angel Network in 2019 has been transformed into a group of supporters and no longer accepts the membership of individual investors but maintains a network of high profile investors.

NFBAN provides a means for angel investors, both new and experienced, to network, learn and participate in various in-depth events and strongly supports gender diversity in organizations.

### *2.2.2 NNE WIN*

This is a network of northern New England women investors interested in learning more and actively participating in Angel's investment opportunities. NNE WIN currently sponsors Tri-State events throughout New England, and has active regional meetings in Maine, New Hampshire and Vermont. These group meetings and events give women the opportunity to expand their investment knowledge, meet and network with like-minded women and be more involved and committed to investing in their communities.

Finally, this network accepts donations: the support is deeply appreciated and helps to provide training and services to support many women in growing businesses.

## 3. Women business angels groups

### *3.1 Mapping*

The Business angel women groups presented in this research were found starting from all the networks distributed worldwide and selecting the groups belonging to every network formed mainly by women. As can also be seen from the following map (Figure 3) these groups are not many in number and are mainly concentrated in North America and Europe.

- Angels4Women: Milan, Italy
- Arcangels: Auckland, New Zealand
- Auxxo: Berlin, Germany
- Broadway Angels: San Francisco Bay Area, West Coast, Western US
- Citrine Angels: Washington, DC
- Femmes Business Angels: Paris, France
- Investing Women Angel: Edimburgh, United Kingdom
- Neome: Tel Aviv, Israel
- Pipeline Angels: Houston, Texas
- Scale Investor: Melbourne, Victoria
- She1k: Singapore
- WAIN: MENA Region
- Women Angel 4 steam: Barcelona, Spain
- Women's Capital Connection: Fairway, KS
- xElle Ventures: North Carolina

*Figure 3 Distribution of women angel groups in the world [own elaboration]*

### *3.2 Brief description of the groups*

*3.2.1 Angels4Women*

Angels For Women is an Italian association made up of Business Angels that invest in startups founded by women or that mainly target the female market. These companies must have at least one woman in an operational role at managerial level, in particular, women's governance must be able to influence the company's strategic choices through their own corporate role or through participation in the share capital.

Startups present themselves during periodic meetings and are selected during a screening process that involves both the team and the companies.

The members are 62 and they are also selected through a screening process; the portfolio is composed of 4 investments, the analysis of the portfolio showed that out of 4 investments, two are start-ups are particularly close to the environment and its preservation.

This group also offers executive courses for new business angels developed to acquire expertise in early-stage investing and courses to train top managers, suppliers or clients of the sponsoring partners, who want to enter the world of start-ups. The entire interview is present in the appendix.

### *3.2.2 ArcAngels*

This New Zealand group invests in start-ups founded by women entrepreneurs, their platform is designed to attract investors but also to give them knowledge. So far they have invested more than 1.6 million in 18 start-ups whose sector is mainly related to the ICT and software frontier.
Since 2019 they have created the Arcangel fund which is a practical fund for those who do not want to invest individually, it invests in start-ups related to the vision of the group.

### *3.2.3 Auxxo*

The main objective of the small German group (consisting exclusively of 3 women) is to push more and more women to become entrepreneurs by supporting them by investing in their business and in sectors that mainly focus on creating a positive impact (portfolio consisting of 7 start-ups). Investors are figures in private equity and start-up consulting. Since May 2019 they invest together with a group of VCs.

### *3.2.4 Broadway Angels*

The West Coast group consists mainly of women (53) who have been general partners in venture capital or senior executives in top technology companies. They invest mainly in the IT sector and not exclusively in women's companies; their portfolio is composed of 48 investments and they have made 6 exits so far selling, with acquisitions from external companies or with IPOs. They also invest together with other business angels groups and together with VC.

### *3.2.5 Citrine Angels*

This group, located in Washington, DC, invests in early internships exclusively in companies of women entrepreneurs. There is a current annual membership fee of $875. Their decisions are based on group discussions, but investment decisions are made by individual members, not as a group, the amount of money invested

is at the discretion of the investor who can decide if invest solely on in the SPV. There are also courses to educate women entrepreneurs. The portfolio is not available online, over the 2019 they invested in 4 companies.
The entire interview is present in the appendix.

#### *3.2.6 Femmes Business Angels*

A French BA group, completely composed of women (150 members), that have always invested in the creation and growth of innovative start-ups independently led by women or men. The associates hold the roles of executives, entrepreneurs, freelancers, etc. The study of projects is carried out in teams, but each investor chooses freely and independently their investment. Currently the group receives 600 applications per year through their website for funding and invests in 2 start-ups per month, reaching now 180 start-ups some of which have been very successful. Currently it has invested more than 11 million in start-ups: among the sectors with the highest percentage of investment there is the one related to education and follow up to food and water.

#### *3.2.7 Investing Women Angel*

Investing Women is a Scottish community of women angel investors that welcomes women who are interested in investing in early stage companies. They offer a friendly and supportive environment where investors can feel comfortable with the angels they invest; they request a membership fee.
Investing Women Angels meet six times a year. They welcome visitors who are thinking of joining the group and see how it works. At each meeting, members have the opportunity to hear proposals from 2 or 3 entrepreneurs in which they can invest, giving priority to the companies led by women. In addition, they have updates from portfolio companies in which members have already invested; for now the portfolio consists of 14 companies, including various sectors, from medical to fashion. The members are entrepreneurs and professionals from a wide variety of sectors and each of them offers a unique blend of knowledge and experience to the group.
The network also offers introductory briefings to help new members understand the basics and direct them towards more information on investment topics. Some

investors even take on non-executive directorships with portfolio companies as investors' directors. The entire interview is present in the appendix.

### *3.2.8 Neome*

Neome is a Tel Aviv club in which every investor can choose to play an active role, depending on their level of involvement. As a collaborative community led by women from all walks of life, they encourage women to become investors and, more importantly, strive to create a wide-ranging impact together. They do also have an option to include up to 35 women who are not accredited, usually they leave this part for young women at their early career stage that want to enter our network and also learn how we do an investment

Neome's members play an active role in screening and due diligence processes. Each member makes their own individual investment decision, based on their discretion, preference and choice. There is no portfolio information on the website.

The group also offers a professional program that puts participants in touch with the material know-how and key competencies to make sound investments.

Neome has an annual membership fee, which entitles members to receive the full list of club benefits, including access to the business flow of the best startups, training, enrichment events for members and a community support for joint investments.

The Neome management team is also entitled to a success fee (a carry) for each successful investment, at a rate of 15%, above the 5% barrier. The Neome leadership team will share this share with the investment team that created the successful investment and helped the startup grow.

The entire interview is present in the appendix.

### *3.2.9 Pipeline Angels*

Composed of 400 members, the American group has so far invested in 88 companies with a total capital of $6 million. The portfolio includes investments with a high percentage of start-ups related to education, food and water. Training is provided for new investors and the group also has a VC program within the group.

*3.2.10 Scale Investors*

Scale Investors is a group of Women's Business Angel originating from Australia. The main objective is to invest in companies founded by women in order to achieve gender equity. So far they have invested over $10 million in 19 projects mainly in areas related to development and networking.

Membership types: family, individual, affiliate (with different fees and different rights and benefits).

*3.2.11 She1k*

With the start-ups presenting their project through a pitch and then, if taken in charge, the Singapore network deals with the negotiation of terms and collects expertise to help the start-up to grow.

To join them an executive professional or angel investor, people have to give a membership fee and members can decide whether to be active, passive or anonymous.

She1K connects female business executives from around the world, from all sectors, to drive innovative entrepreneurship with high growth potential. Incentives are provided to reward efforts to gain a seat on the board of directors. The C-Shark Tank program connects Corporate Angel Investors with startups.

*3.2.12 WAIN*

First network for women in MENA region (Middle East and North Africa). They invest in the projects of women entrepreneurs not only economically but also through their knowledge, trying to grow start-ups. So far they have made investments in 8 start-ups, currently they are not looking for further funds as they are dedicating themselves to these last investments. They have strict parameters on the type of investment: start up must have at least one woman founder / cofounder with a significant equity stake.

*3.2.13 Women Angels 4 STEAM*

The Spanish group tries not only to financially support groups of women but also to help them with their experience. The portfolio, composed of 9 start-ups, is closer to the STEAM (Science, Technology, Engineering, Arts, Mathematics) sector.

They have a network of strategic partners and they also invest together with other BA groups in order to increase the capital invested.

#### *3.2.14 Women's Capital Connection*

Women's Capital Connection (WCC) is a regional network of accredited business angels in Kansas (USA) dedicated to identifying and financing the most promising start-up opportunities in the region. More than 125 women investors have been involved in support to date and 25 companies have received funding, with nearly $5 million invested. Start-ups involved are close to the food and pet care sectors in particular. Once the proposal is received by the WCC, it is examined by a pre-screening team. Regardless of the outcome, the application and Executive Summary are published in the member area of the website and will be accessible for review for 90 days. If a member indicates an interest in the opportunity, the entrepreneur is contacted so that a meeting with the potential investor can be scheduled. After pre-screening, the application is submitted to the Screening Committee. After the screening meeting, the entrepreneurs receive an email informing them of the committee's decision. Once the agreement has been approved by the Screening Committee, the entrepreneur will be invited to present himself again before full membership of the WCC at a member meeting. Two or more members of the Screening Committee will assist the entrepreneur with appropriate information to present at the meeting. If a presentation generates sufficient interest, due diligence will be conducted. A possible outcome of due diligence is that the entrepreneur will be asked to consider a Strategic and Business Plan Review. This might include reshaping the strategic plan, refining the product offering, expanding the management team, focusing the sales effort, etc. The due diligence team will report its findings to WCC members along with a recommendation. If the recommendation is to proceed with an investment in the company, a term sheet will then be negotiated with the entrepreneur. At this point, the entrepreneur is ready for the final stage of Investment and Closing, where each interested member of WCC invests individually in the company and signs the appropriate investment agreement.

### *3.2.15 xElle Ventures*

The xElle Ventures mission in North Carolina is to invest in women's ideas, products and services with the goal of increasing the number of sustainable, women-based businesses and increasing women's well-being.

The model, which they call 3M, includes Mentoring, Marketing & Money:

- Mentoring - xElle's team has experience in a myriad of industries and disciplines and will support the portfolio through mentoring in business development, unique to the needs of companies.
- Marketing - xElle's team will advise portfolio companies on best practices to address their specific market opportunities. They tell the founders what works and provide them with the connections they need for high-impact business execution.
- Money - xElle Ventures offers new ways of financing the potential portfolio through various debt strategies that will not necessarily touch the organization's capital chart.

While their investment process is similar to that of other angel groups, there is a fundamental difference: their goal is to provide debt financing to the company (as opposed to equity financing which in the initial phase of a company often leaves the founder with a significant impact on ownership).

The decisive investment process can take 6 to 18 weeks. They keep the entrepreneur who applies along the way informed. They review all proposals. The best way to be considered is to be addressed by one of their members or someone they know. Currently, according to the co-founder Manju Karkare interviewed, are moving to a fund structure to include women angel investors from beyond NC though the commitment to support NC based start-ups that are women-led remains.

### *3.3 Taxonomy and descriptive analysis*

On the basis of the data available on the websites of the groups, and with the information collected through the recomposition of the portfolios, the groups can be classified in this way (Table 1).

According to the type of education provided:

a) groups include education programs on business angels' investments
b) groups include education programs for entrepreneurs who want to make start-ups

Depending on the type of investment:

c) groups that invest only in companies founded by women or that are mainly aimed at the female market
d) groups that invest in companies founded by men and women

Based on collaborations:

e) groups that collaborate with VC or also have a VC program.
f) groups that also invest with other BA

Depending on how they invest:

g) teams in which the project study is carried out as a team, but each investor chooses their investment freely and independently.
h) groups that also create a fund for those who do not want to invest individually

*Table 1 Classification of WBA groups [own elaboration]*

| | Education | | Investments | | Collaboration | | Way to invest | |
|---|---|---|---|---|---|---|---|---|
| | a | b | c | d | e | f | g | h |
| Angels4Women | x | x | x | | | | | |
| Arcangels | | | x | | | | | x |
| Auxxo | | | x | | x | | | |
| Broadway Angels | | | | x | x | x | | |
| Citrine Angels | x | | x | | | | x | |
| Femmes Business Angels | | | | x | | | x | |
| Investing Women | x | | | x | x | x | x | |
| Neome | x | | x | | | | x | |
| Pipeline Angels | x | | | x | x | | | |
| Scale Investor | | | x | | | | | |
| She1k | | | | x | | | | x |
| WAIN | | | x | | | | | |
| Women Angel 4 steam | | | x | | | x | | |
| Women's Capital Connection | | x | x | | | | x | |
| xElle Ventures | | | x | | | | | |

On the basis of the available portfolios (which on average consist of about 33 start-ups) it was possible to make a detailed analysis of the sectors in which women business angels invest (Chart 2). In addition, in 8% of cases, the start-ups in which the groups have invested deal with issues close to women. Moreover, on average the groups invest 89% in companies belonging to their region. The case more than lowers the average is the Australian case, Scale Investors.

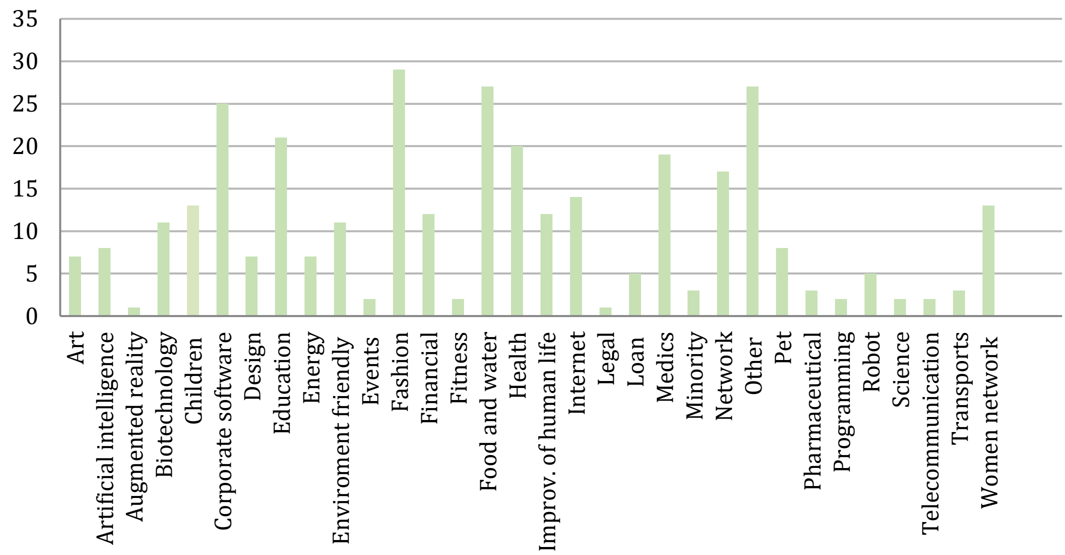


*Chart 2 WBA groups sectors [own elaboration]*

## 4. Women business angels funds

Some groups form themselves as real funds, especially in USA, as shown in Figure 4, to collect also passive investors who do not want to actively participate in due diligence and star-up selection.

### *4.1 Mapping*

- Belle funds: Michigan, US
- BELLE VC: Great Lakes, Midwestern US
- Next Act Fund: Pittsburgh, PA
- Next Wave Impact: Greater Denver Area, Western US
- Sofia Fund: Greater Minneapolis-Saint Paul Area, Great Lakes, Midwestern US
- The JumpFund: Tennessee, US

*Figure 4 Distribution of women business angel funds in the world [own elaboration]*

### *4.2 Brief description of the funds*

*4.2.1 Belle funds*

The US fund supports every aspect of the growth of women-led companies as they are the fastest growing sector. This fund focuses on women-owned or managed privately held seed and early stage growth businesses in the digital, mobile, cloud technology, life sciences, medical device and advanced manufacturing and alternative energy spaces (10 firms in the portfolio) with a preference given to companies located in or impacting Michigan and other underserved geographic markets. They invest by leveraging the skills of successful female investors who are part of the group. They also invest with other funds to achieve adequate capital shares.

They use also side-car funds; the entire interview of BELLE Michigan is present in the appendix.

*4.2.2 Belle VC*

Belle VC, in the Great Lakes region, invests in projects led by women; the portfolio (consisting of 11 companies) focuses on the IT, digital health and clean tech sectors. They typically invest between $100.000 and $1.5 million in tranches depending on the milestones reached and preserve 25% of the capital for follow on investment. They also ask for a position on the board as a condition. Their key criteria in evaluating prospective investments are:

- Management team's ability.
- Size of the market (large or fast growing).
- Can reach over $20 million in revenues within 5 years.
- Urgency of the problem to be solved ("must have" vs. "nice-to-have").
- Significant barriers to competitive entry.
- High capital efficiency.
- Preferred stock, board seat.
- Quality of exit plan; time expected to exit.

The entire interview of Belle VC is present in the appendix.

#### *4.2.3 Next Act Fund*

Women who invest in business led by other women. Next Act Fund does not invest in the design or prototype phases. They invest in scalable companies led by talent management teams with market-ready solutions that solve problems or create unique value in revolutionary ways. Their portfolio is comprised of 17 companies, the most affected sector is the medical one.

#### *4.2.4 Next Wave Impact*

Currently the U.S. group consists of 250 female investors, 25 of whom are women of color, led by an experienced investment committee of ten women. They have built a portfolio of 10 companies, diversified by sector and geography, over a three-year investment period and are now focused on subsequent investments. The 100% of the companies in the portfolio are led by women and people of color. They usually invest in the form of fund, and sometimes they use a SPV where people (also external ones) can come in below the minimum threshold and so help entrepreneurs even if the fund didn't accept the investment in their companies. The group also provides courses for investors.
The entire interview is present in the appendix.

#### *4.2.5 Sofia Fund*

They invest in women's businesses to achieve gender equality, they are interested in sectors such as IT, wellness, enterprise solutions; the portfolio is still made up of 11 companies and they are looking for:

- Excellent, experienced management teams.
- Scalable business models focusing on B2B markets.
- Proprietary positionings.
- Growing, large markets.
- Well-defined, demonstrable business model with proof of concept revenues.
- Future exit that can be leverage with Sofia's network and resources.

They typically invest $100k - $500k or $500k-$2 million.

*4.2.6 The JumpFund*

They invest in companies run by women. They have already created two funds, they invest in all kinds of industries. They are currently concentrating on their latest fund of 24 companies and therefore are not looking for further investments.

### *4.3 Descriptive analysis*

Based on the available portfolios (which on average consist of 15 start-ups) it was possible to make a detailed analysis of the sectors in which women's business angel funds invest (Chart 3). In addition, in 13% of the cases, the start-ups in which the funds have invested deal with issues close to women. On average, the funds invest 98% in companies in their region.

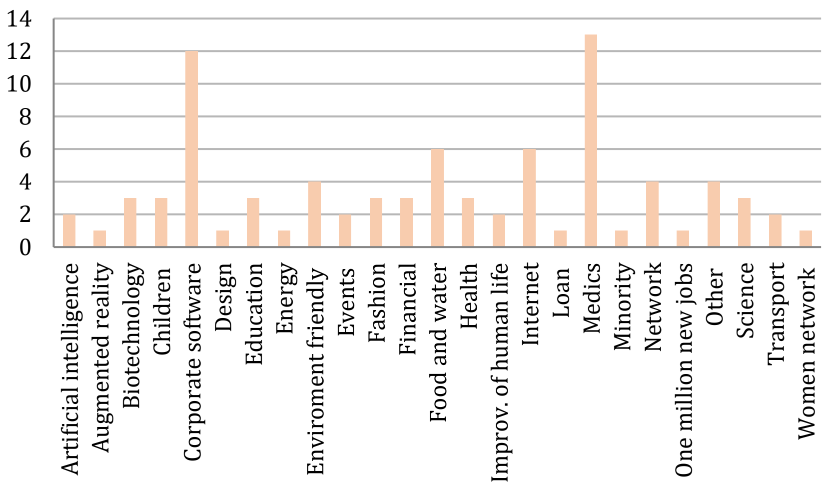


*Chart 3 WBA funds sectors [own elaboration]*

In general, from the study of the portfolios of groups, networks and funds, a figure is interesting: of all the companies in the portfolios (a total of 424 companies), 4% received more investments from different groups.

# 5. Policy

## *5.1 Entrepreneurial ecosystem*

Mason and Brown, in 2014, report the definition of entrepreneurial ecosystem in the background paper prepared for the workshop organized by the OECD LEED Programme and the Dutch Ministry of Economic Affairs; it is based on a summary of the definitions in the literature and it is as follows: "a set of interconnected entrepreneurial actors (both potential and existing), business organizations (e.g. enterprises, venture capitalists, business angels, banks), institutions (universities, public sector agencies, financial institutions) and business processes (e.g. the birth rate of enterprises, the number of high-growth companies, the levels of "blockbuster entrepreneurship", the number of entrepreneurs in series, the degree of sales mentality within companies and the levels of entrepreneurial ambition) that formally and informally come together to connect, mediate and govern performance within the local business environment". This definition is well represented in Figure 5.

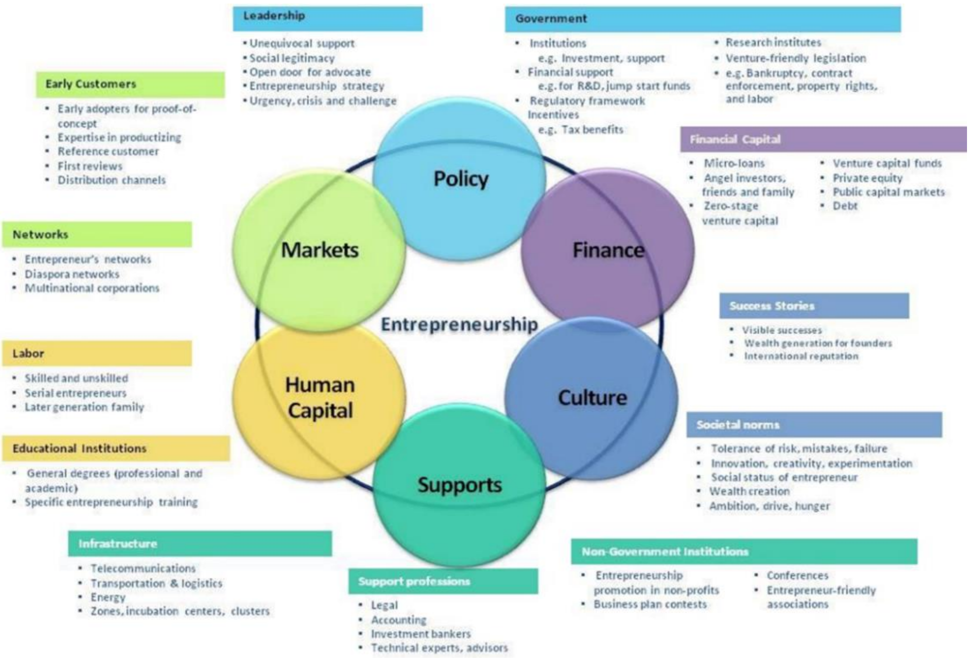


*Figure 5 Domains of the Entrepreneurship Ecosystem [Isenberg (2011)]*

The government must help create the conditions for the emerging of entrepreneurial ecosystems, however, according to Mason and Brown, it is doubtful that politics can systematically "create" entrepreneurial ecosystems. In fact, each system is unique, dynamic and complex and with it, also political systems must evolve over time as they influence the nature of ecosystems through the structure of local banking systems and educational policies.
The development of entrepreneurial ecosystems must be a mix of approaches: both business and individual taxation must provide adequate incentives both to reward risk-taking and to encourage reinvestment.

The aspect of the entrepreneurial ecosystem that must be targeted by policy makers (both national and regional), are the providers of entrepreneurial resources within ecosystems. In fact, a key point of the entrepreneurial ecosystem aspect are the resource providers: banks, business angel groups, venture capital companies and even service providers; access to them and thus to financing must be improved by increasing their supply (Lerner, 2010).
In response to perceived market failures, the public sector has been actively involved both directly and indirectly in the creation of new sources of mixed-effect venture capital (Murray, 2007; Lerner, 2009; Mason, 2009). Encouraging business angels to invest is the most effective option as it provides seed capital and its "hand-on" nature means that investors typically invest in companies that are close to them.

Mason and Brown (2014) also report that on the legislative and policy side, "Policy makers throughout the OECD are strongly focused on promoting high growth firms (HGF)" (OCSE, 2010; 2013). The reason for this focus is that HGFs are thought to drive productivity growth, create new jobs, increase innovation and promote the internationalization of enterprises (OECD, 2013; Brown et al, 2014), thus creating a vicious circle throughout the business ecosystem.

The study of the European Union report "Effectiveness of tax incentives for venture capital and business angels to foster the investment of SMEs and start-ups" of 2017 has in fact identified positive macroeconomic results associated with investments in young and innovative companies including economic growth and job creation through a series of transmission channels, as shown in Figure 6.

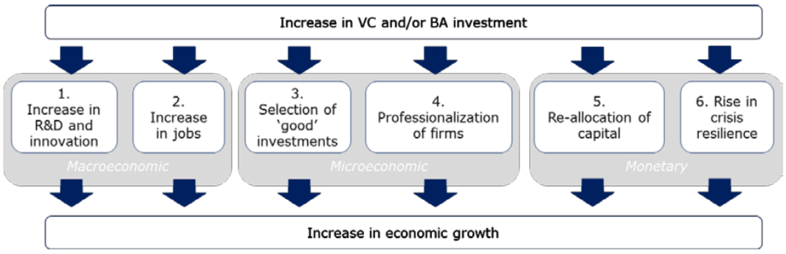


*Figure 6 Channels through which VC and BA financing increase economic growth [European Union report (2017)]*

For example, the statistics of the report "Fostering business angel activities in support of SME growth" in 2015 showed the impact of business angel investments on employment: investing in companies that employ on average five employees makes it possible to triple the number of employees over three years.

According to Mason and Brown (2014), tactics related to the promotion of high potential companies lead to policy changes:

- Main unit of focus is on specific types of entrepreneurs, networks of entrepreneurs or 'temporary' clusters.
- Policy objective is to focus on the high potential or 'blockbuster entrepreneurs' with the largest economic potential.
- Policy is targeted at connecting components within ecosystems to enable the system to better function.
- Main forms of assistance are 'relational' forms of support such as network building, developing connections between entrepreneurial actors, institutional alignment of priorities, fostering peer-based interactions.
- Recognition that different businesses have different funding requirements such as debt finance, peer to peer, crowdfunding etc. As businesses grow and upscale different firms require access to a 'funding escalator' and 'cocktails' of different funding sources.

- Focus on developing innovation systems and fostering connections with customers, end users, suppliers, universities etc. Increasing recognition of unprotected and 'open' sources of innovation. Innovation is porous transcending many sectors and industries – both new and traditional.
- The bulk of systemic policies are enacted at the regional or local level. Multi-scalar policy frameworks are emerging.

### *5.2 Globalization, innovation, policy*

Carlsson and Mudambi (2003) also studied the effect that globalization has on business conditions: local conditions remain important. In particular, three important discoveries from the literature stand out:

- some geographical regions are more dynamic and attract more economic activity than others, particularly in research and development intensive sectors (Cantwell and Janne 1999);
- high-tech firms tend to cluster close to each other (Sabety and Griffin 1996; Sabourin and Pinsonneault 1997; Walcott 1999);
- regions spend competing resources to attract FDI (Foreign Direct Investment) and are particularly interested in R&D investment (Guisinger 1986; Young et al. 1994; Mudambi 1998).

In addition, the authors emphasize that innovation is a combination of factors that contribute to it, such as skills, finance, production, links between users and producers, the ability of organizations to learn, and government policies at multiple levels (De La Mothe and Paquet 1998). Policy should focus on making this entrepreneurship easy.

Most studies indicate that one of the key policies that would improve the functioning of this marketplace is to improve the flow of information between angels and potential entrepreneurs (Prowse 1998); as can be seen in Figure 7, reported by Lipper in 2002, in the essay "Encouraging angel capital: what the US states are doing", the intervention of business angels would lead to better economic development and thus wealth creation.

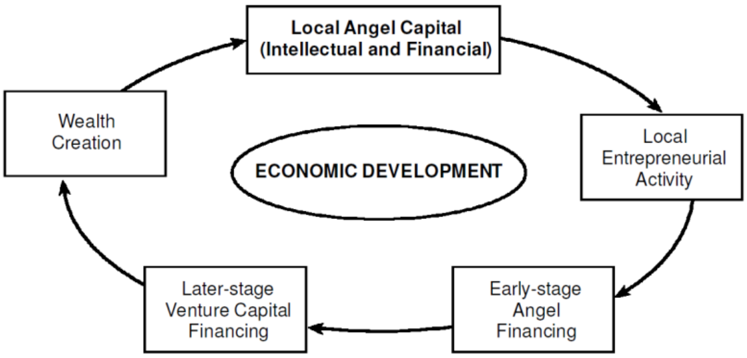


*Figure 7 Path to economic development [Lipper et al. (2002)]*

### *5.3 Promising strategy for increasing the supply of start-up and early stage*

As reported by Mason and Harrison in their 1995 essay on the role of informal venture capital, a promising strategy for increasing the provision of venture capital for start-up and early-stage venture capital is the promotion of informal investment (Walker, 1989).

The informal venture capital market is the most profitable because of:

- the nature of the investments made by business angels;
- the localized nature of their investments because business angels are much more geographically dispersed than venture capital funds (Gaston, 1989);
- the overall size of the market.

The authors also report important elements on which leverage to increase and improve the business angel market:

- involvement of virgin business angels;
- business introduction services;
- investment readiness;
- investor education;
- development of securities legislation;
- creation of public support tools.

An interesting aspect is the encouragement of business angel network creations, remember that the study is from 1995 and in these years have been created many more networks than in those years.

*5.3.1 The importance of virgin angels*

As Harrison and Mason (1995) report, "virgin angels" are individuals with the same high net worth characteristics as active angels but who have not entered, for whatever reason, the informal venture capital market as individual investors and in number are significantly higher than active investors. This, according to Mason and Harrison, implies that many of them have acquired the kind of experience that it takes to start, manage and raise a successful business venture. "In a sense, their entire professional careers have prepared them to conduct the due diligence necessary to assess the merits and risks of future investments and to add the value of their know-how to the companies they finance”.

According to a KPMG study (1992) on the informal venture capital market in Scotland, these individuals were not active because of unacceptable risk and lack of tax benefits. Among the factors recognized by virgin angels to induce them to become active are a reduction in capital gains tax and the opportunity to participate with more experienced investors (Freear et al, 1992).

*5.3.2 Business introduction services*

An important factor, according to Mason and Harrison (1995), to achieve the goal of BA development is the establishment of local or regional networks of business introduction services. Providing an efficient channel of communication between business angels and entrepreneurs can help improve the flow of both active and virgin angel investments.

For this approach to work, networks need to be well funded because in view of the operation of such services and their profit, they are unlikely to be able to operate without funding, and therefore public sector support will be required. This can be justified in terms of the broader economic and technical benefits that will result from enabling companies to overcome financial difficulties and know-how constraints for start-up and growth.

The main function of BANs, as reported by Mason (2009), similar to "dating agencies", is to improve the efficiency of the flow of information to the market by providing a communication channel that allows entrepreneurs seeking finance to come to the attention of business angels and at the same time allows business angels to receive information about investment opportunities without compromising their privacy (Mason and Harrison, 1996).

In addition, Christensen, with his study on the situation in Denmark, reports that, in terms of indirect effects, BANs can act as market "hubs" (Christensen 2008; Paul and Whittam 2010). An example of this type of indirect effect is that business angel financing is often a shift to other types of financing such as banks, government support programs and other equity investments.

In addition, business angels are geographically widespread, which means that their investments also contribute to financing in peripheral regions.

A further function of BANs is their coordination function: through the development of standard legal documents and codes of conduct, they provide guidance on issues such as tax, and so on, thus minimizing the aggregate transaction costs in the company.

Table 2 shows the direct and indirect effects of creating BANs according to Christensen:

*Table 2 Direct and indirect effects of BANs [Christensen (2011)]*

| Direct effects | Indirect effects |
|---|---|
| Jobs created | Awareness |
| Number of investments | Screening of projects |
| Amount of invested capital | Behavioural changes |
| Number of sub-networks | Upgrading of competences |
| Number of matches made | Syndication and network development |
| Number of angels registered | Regional distribution of capital |
| Number of firms registered | Lower transaction costs |
| | Increased information increases effectiveness of other programmes |

*5.3.3 BAN in emerging economies*

Scheela et al. add an important contribution in 2012, regarding the creation of BANs in emerging economies such as some in Asia. “In relation to this, it should be noted that institutions, especially legal and financial ones, tend to be more developed and transparent in developed economies than underdeveloped institutions in emerging or developing economies (Pissarides 1999; Ramamurti 2000).

Emerging economies may be characterized by limited private savings, intermediary financial weakness, shallow equity markets, ambiguous property rights and underdeveloped legal systems (Peng and Heath 1996; Ramamurti 2000). Organizations operating in these countries face increasing bureaucracy and information processing due to the lack of fully developed institutions (North 1990; Peng and Heath 1996)”.

Networking in an emerging economy seems to be an important component of the BA investment strategy. They rarely invest alone, and collectively agree, collaborating in conducting due diligence and sharing monitoring responsibilities. The sample BAs in Thailand mainly invest with family members, while BAs in the Philippines invest with other, typically unfamiliar BAs. This reinforces previous research supporting networking as a mandatory survival strategy in doing business in emerging economies, which lack developed institutions (Ahlstrom and Bruton 2006; McMillan and Woodruff 2002; Peng and Heath 1996).

*5.3.4 Investment readiness*

Another problem is that many companies looking for financing are not "Investment ready" (Mason and Harrison, 2001). “This concept encompasses all aspects of the business that relate to an investor's perception of its 'investability', including the skills of the management team, the clarity with which the opportunity is defined, the business model, the path to market, governance arrangements and presentation (Shepherd and Douglas, 1999). Thus, a form of intervention are investment preparation programs that aim to improve the number of opportunities in which to invest for business angels.

There are special programs for entrepreneurs, since being ready is fundamental for business development; however, this often takes a long time and, therefore, is expensive, well beyond the means that most start-up have at their disposal. An interesting approach is to use the business angels themselves to help companies become ready to invest".

In this research, some groups of women who provide programs for entrepreneurs are highlighted.

*5.3.5 Investor education*

As pointed out by Mason (2009) "angels may lack the skills, expertise and understanding necessary for the investment process. This may be an additional factor contributing to market underdevelopment. This will prevent some potential angels from making their first investment, while those who make investments despite their lack of expertise are unlikely to succeed, inducing their early withdrawal from the market.

Both virgin and active angels recognize the need to improve their investment skills (San Jose et al., 2005). This has promoted the training of investors to provide them with the knowledge and specialist skills they need to invest successfully".

According to San Jose´, Roure & Aernoudt (2005), education through academic programs should allow investors called virgin business angels to increase their business and investors to improve their choices. The role of academies combined with the role of BANs is described in the diagram in Figure 8; especially in Europe, a higher level of syndication is a must to address the problem of a smaller equity gap, as the average amount invested by a business angel in a project does not allow the investor to survive until the company is ready to receive formal venture capital.

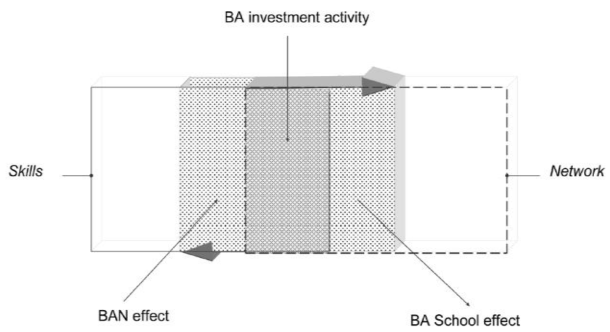


*Figure 8 Role of business angel schools and BAN in the market [San Jose´, Roure & Aernoudt (2005)]*

San Jose et al., (2005) continue: "It was clear that angels, especially those with less experience, felt it was essential to create a platform that would allow the exchange of experience, provide access to expert advice or more sophisticated investors and facilitate syndication. It could be very beneficial to generate opportunities for experienced business angels to act as mentors and catalysts for other groups of investors and to establish diverse social gatherings to further foster interrelationships between different types of investors".

### *5.3.6 Securities legislation*

Mason (2009), cites securities legislation as another potential obstacle to the dissemination of information on investment opportunities. “Each country has its own legislation but the general effect is to impose restrictions on the ability of "unauthorized persons" to promote particular investments or encourage people to engage in investment activities unless approved by an authorized person, such as an accountant or stockbroker. The very laudable goal is to protect "widows and orphans" from unscrupulous promoters”.

Most EU Member States have concluded that BANs do not make investment recommendations and are therefore exempt from securities legislation because they do not provide investment advisory services. In the UK, BANs have been granted a specific exemption under the Financial Services Act (1986) to promote investment opportunities for their registered investors, provided that at least one of their main objectives is the promotion of "economic development" and that they have no pecuniary interest in the outcome of the introduction, as well as in the recovery of the costs of providing the service (Clarke, 1996). This has allowed a non-profit service such as the BAN to disseminate information on investment opportunities to its investor members, but only if it included an important "capital warning" on the potential risk of investing in unlisted companies. However, they were not authorized to give any particular investment advice or investment recommendation.

As reported by Mason (2009) supporting the informal venture capital market by these means was, however, “largely an act of faith on the part of governments”, as results are not measurable. Therefore, according to the author, a priority for governments must be to invest in appropriate methodologies that can accurately measure over time the performance of risk capital market investments in the early stages of the life cycle, and in particular the investment activity of angels, so as to demonstrate the need for public sector intervention and measure the impact of such interventions.

### *5.4 Public support instruments for business angels ecosystem*

*How does the tax system influence BA investments?*

In practical terms, an investor should take into account all applicable taxes and incentives throughout the life cycle of the investment when making the initial investment decision as shown in Table 3.

*Table 3 Taxes and incentives applicable during the entire life cycle of the investment [European Union report (2017)]*

| Investment stage | 1) Pre-seed | 2) Seed | 3) Early stage | 4) Later stage | 5) Expansion |
|---|---|---|---|---|---|
| Relevant aspects of tax system | Loss relief | Loss relief<br>Payroll taxes<br>Capital gains taxes | Profit taxes<br>Simplified business taxes<br>Loss relief<br>Payroll taxes<br>Capital gains taxes<br>Indirect taxes | Profit taxes<br>Payroll taxes<br>Capital gains taxes<br>Indirect taxes | Profit taxes<br>Payroll taxes<br>Capital gains taxes<br>Indirect taxes |

Taxes on income generated during the holding period are less relevant in the context of BA investments in start-ups, which may not generate any income in the early stages. However, income taxation can also affect business activity through differences in corporate and employee income tax rates. This, in turn, may affect the demand for BA investments. Increased Capital Gains Tax rates (CGT) can have a negative impact on the quantity and quality of investments. Some representatives of the BA investment community have pointed out that their main objective in investing in SMEs and start-ups is to grow the company in question into a capital event. Therefore, the CGT treatment of an investment will influence the risk appetite and decision-making process of a potential investor. For example, tax relief for capital gains or the granting of loss compensation on a more favorable basis than the basic tax system could support the de-risking of investments in young, growing and innovative companies.

The instruments to overcome financing gaps, according to Wilson and Silva (2013), in OECD countries are:

- Grants, loans and guarantee schemes
- Fiscal/tax incentives
    - Young innovative company programmes
    - Front-end or back-end tax incentives
    - Regional tax incentives
- Government equity financing instruments
    - Direct public funds
    - Fund of funds
    - Co-investment Funds
    - Regional programmes
    - Cross-country programmes

### *5.4.1 Grants, loans and guarantee schemes*

This instrument provides direct financing to small, young and innovative credit-linked businesses through loans or grants. Sometimes governments act as guarantors for loans through loan guarantee programs targeted at businesses under a certain age or size.

*5.4.2 Fiscal/tax incentives*

- *Young innovative company programmes*

These programs offer tax relief and a reduction in social security contributions for young companies that have a focus on innovation. This is often specified by a commitment of resources for research and development. The rationale behind these programs is to address the lack of funding during the first years of a company's development, as well as a low rate of investment in innovation by young companies. Policies that provide tax relief during the first years of a start-up help to increase cash flow and encourage investment (Lerner & Sahlman, 2012).

- *Front-end or back-end tax incentives*

Front-end tax incentives are tax deductions on investments in seed and early stage companies. In several countries they are provided, in particular to encourage investors to invest in innovative young businesses. Back-end tax reliefs are linked to capital gains and losses, including rollover or carry-forward. Back-end tax relief often aims to encourage investors not only to invest, but also to reinvest in seed and early stage companies.

- *Regional tax incentives*

Some countries provide tax incentives at regional, not national level. These include the United States, where tax incentives are implemented at the state level, and Canada, where tax incentives are implemented at the provincial level, as well as some other countries.

*5.4.3 Government equity financing instruments*

- *Direct public funds*

They are public funds that invest directly in start-up companies; however, for the most part, the results have not been positive. “Issues such as exclusion, lack of adequate incentives, lack of skills and experience to invest often prevented these funds from achieving their objectives” (Lerner, 2009).

- *Fund of funds*

A "fund of funds" is an investment strategy that consists of holding a portfolio of other investment funds rather than investing directly in companies. For example, instead of investing directly in start-up companies, public funds of funds invest in private venture capital companies.

- *Co-investment Funds*

Co-investment funds use public money to match private investments. They are often seen not only as a way to leverage private money, but also as a driver in building, growing and professionalizing the seed and early stage investment market, providing a more structured investment process. Co-investment programs can also be an effective way to attract foreign investors, provided the regulatory environment allows it.

Previous work has shown that these programs have had a positive impact on returns when the fund is managed by a private sector manager (Murray, 1999).

- *Regional programmes*

These are regional co-investment funds, such as the Scottish Co-Investment Fund (SCF) which was one of the first co-investment funds for seed and early stage investments and has been a model for the development of other programs around the world.

- *Cross-country programmes*

These are co-investment funds at inter-regional level such as in Europe, the European Investment Fund (EIF) which is a financial institution active in the private equity market. The EIF invests in venture and growth capital, from the earliest stages of intellectual property development to technology transfer, to the more mature stages of development.

All these interventions will be mapped in the next chapter.

### *5.5 In-depth analysis on instruments for business angels*

Government support is necessary to develop and maintain the angel investment market: tax incentives and co-investment systems are among the most used in the world.

#### *5.5.1 Tax incentives*

According to Aernoudt et al. (2007), tax incentives represent the greatest financial commitment for the development of the angel market:

- stimulate the investment of angels;
- encourage more angelic investments in high-risk enterprises in the early stages of life;
- help correct market imperfections and distortions resulting from moral hazard and information asymmetries;
- support the success of fundraising campaigns;
- increase returns for angel investors.

Tax incentives reduce the actual marginal cost of investing in smaller companies. As a result, more investors should be willing to provide more capital to smaller companies through business angels benefiting from tax incentives, and lower pre-tax rates of return.

The tax incentive should use qualification criteria that limit the extent to which the scheme can be used for pure tax evasion purposes; in addition, schemes could use qualification criteria that screen out unqualified investors, such as company experience criteria.

As Mason (2009) reports, tax incentive schemes also have disadvantages:

- They can attract "dumb money" i.e. passive investors who do not want to provide practical support to their investee companies or who do not have the expertise to do so;
- there is a danger that financial intermediaries will try to distort the regime in an attempt to reduce investment risks (Mason et al., 1988);

- tax incentives are administratively complex and costly to monitor and the interpretation of eligibility creates uncertainty for investors;
- the effectiveness of tax incentives is influenced by the state of the economy;
- the increase in the supply of financing does nothing to address the problem that investors have in finding adequate investment opportunities.

### *5.5.2 Co-investiment funds*

As rested by Aernoudt et al. (2007) the most recent form of intervention in support of the business angels market is the co-investment scheme. As with similar forms of intervention, the purpose of co-investment programs is to stimulate the investor's appetite for the early-stage segment by improving its attractiveness. In particular, given the growing size of the capital gap and the preference of venture capital funds for larger operations, these programs seek to complement the limited financing possibilities of active business angels.

This initiative also has the consequence of promoting job creation in high-risk companies by combining relatively limited public investment with concrete benefits:

- it attracts new funds from private investors to the business ecosystem in the early stages;
- it makes available to entrepreneurs the mentoring of more experienced investors;
- it facilitates the creation of networks.

Co-investment schemes with business angels have an added value compared to subsidies, both for public authorities, due to their higher leverage effect, and for business angels, as they reduce risk and allow more investments to be made. They therefore represent a win-win solution for all parties: business angels, public authorities and companies that benefit from these investments.

The creation of co-investment funds with business angels usually involves two scenarios:

- Public-private co-investment funds help to create investment communities for the early stages, thus creating a virtuous circle. Private and public entities no longer invest on their own. The investment risk decreases for both parties; this decrease contributes to the definition of perceived "political" risks.
- By bringing together more parties within the framework of common financing instruments, it is possible to raise more money for the ecosystem and, consequently, make more investments. Expenditures are also reduced, as the assistance, networks and expertise of business angels are directly shared with more people.

In most cases, co-investment funds co-invest under the same conditions, following the principle of equal treatment and strictly preserving their autonomy, so that the co-investment fund can also decide not to invest in an operation proposed by a partner, if the outcome of the due diligence does not satisfy the internal investment committee. In general, there are several possibilities for the organization of co-investment schemes:

- Fund on a purely commercial basis: this is a co-investment fund that only co-invests with business angels from a region or country who have proven investment experience.
- Support for the current business angel community: this is a co-investment fund that co-invests with the current active business angel community (with those who already have some experience in business angel investment and are willing to actively support entrepreneurs in addition to investing money). It has proven to be the way to provide maximum support to business angels to enable them to continue investing in their start-ups.
- Development and promotion of the business angel community: this is a co-investment fund that co-invests with experienced business angels but allows inexperienced investors to co-invest with more experienced business angels. The idea behind this type of co-investment fund is to promote a virtuous cycle in which inexperienced business angels begin to learn and gain experience and then pass it on to others. This mechanism has a significant impact on the market.

Some of the main features of co-investment funds that contribute to their adoption by the angel business communities are asymmetric exits, tax relief and management fees.

- There is an asymmetric exit when several parties invest in the same project. In the case of a co-investment fund between business angels and a public fund, at the time of exit the business angels will achieve a higher return on investment than other investors. This is due to the fact that, in addition to financial resources, business angels invest time, experience and networks of contacts in the project. They create more value and can therefore benefit from a higher return.
- Tax relief differs from one country to another. Incentives, which include state guarantees, tax rate reductions or tax credits, help to increase the business angels' volume of activity.
- Management fees are a periodic payment made by an investment fund to its investment and portfolio management services advisor. In many cases the commission covers not only investment advisory services, but also administrative services, and is usually calculated as a percentage of the managed capital.

Mason (2009) distinguishes between passive and active co-investment funds:

- "There are passive funds, such as the Scottish Co Investment Fund, which follows the lead of its private sector partners who have been authorized to invest under the program. It does not undertake its own due diligence and plays no role in the investment. Any investment that the investor makes that meets the criteria of the program will automatically qualify for co-investment. The co-investment fund invests under the same conditions as private investors. This eliminates any uncertainty for the investor and reduces the operating costs of the scheme to a minimum (Hayton et al., 2008). Because of the maximum investment size under the scheme (£500.000) the partners are almost exclusively groups of angels.

- Other co-investment funds are more actively managed, inviting investors to bring them offers but they make their own investment decisions and can invest on different terms than the angel group. For example, London Seed Capital co-invests with the London Business Angels Network and the Great Eastern Investment Forum (GEIF) has a co-investment fund that invests only in companies that receive investments from GEIF angels".

As the author reports, "co-investment programs seem to have had considerable success in increasing the volume of investment activity in the venture capital market in the early stages. However, the only scheme that has been evaluated is the Scottish Co-Investment Scheme (Hayton et al., 2008). This highlights angel groups as the main beneficiary, representing 82% of co-investments. It has provided adequate funding, allowed these groups not only to make more investments but also to make investments that they would not have made in the absence of the co-investment fund, in particular larger investments that will require significant follow-on funding".
Some limitations have also been highlighted: funds are constrained by the lack of investable companies and are more appropriate in mature markets where there are groups of angels with whom the fund can co-invest.

# 6. Mapping of policies

This chapter will map and describe the implementation of the policies described in the previous chapter in the regions of all the groups found during the research. The policies, in favor of young companies and business angels, reported in the research, are valid at least until 2020 or beyond.

## *6.1 Europe*

At European level, the European Investment Fund (EIF) has also provided funds for business angels: among these is the Europen Angel Fund (**EAF**), its structure is shown in Figure 9.

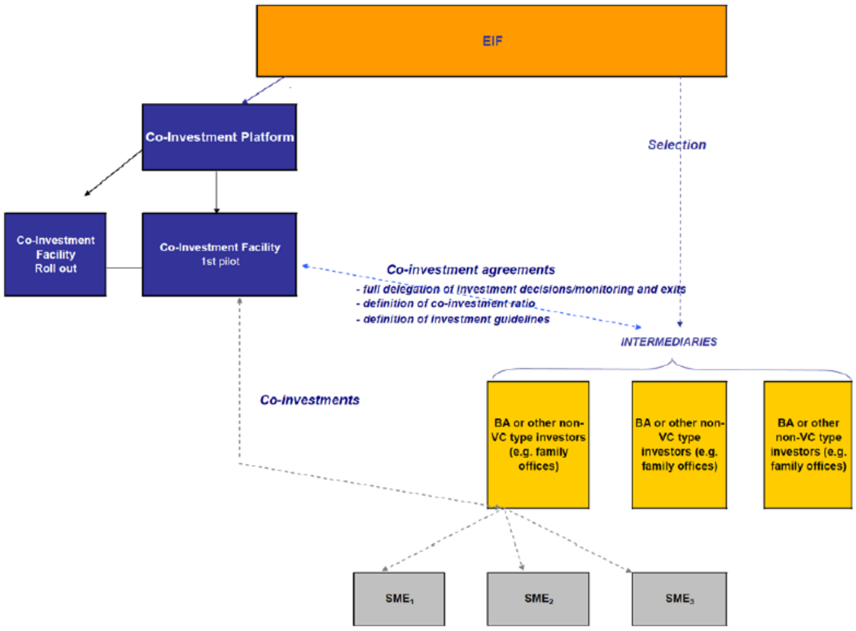


*Figure 9 Structure of EIF European Angels Fund [OECD (2012)]*

EAF, operating in Germany and Spain, helps Business Angels in these countries to increase their investment capacity by committing in advance a predefined amount for each business angel for future investments. The fund guarantees business angels maximum freedom of management and investment decision making.

### *6.1.1 France*

*Table 4 French instruments [own elaboration]*

| Instrument name | Period | Classification |
|---|---|---|
| Aqui-Invest | From 2010 | Regional Programme |
| Jeune Entreprise Innovante (JEI) | From 2004 | YIC |
| Dispositif Madelin | From 1994 | Front End Tax |
| Fonds d'investissement de proximité (FIP) | From 2003 | Front End Tax |
| FCPR fiscaux (early or later stage) | From 1983 | Back End Tax |
| Fonds communs de placement dans l'innovation (FCPI) | From 1997 | Back End Tax |
| Angel Source | From 2012 | Co-Investment |
| Ecotechnologies | From 2012 | Co-Investment |
| InnoBio | From 2009 | Direct public fund |
| Loi TEPA | From 2007 | Front End Tax |

As shown in Table 4, among the incentives provided for investors in France and therefore also for Business Angels there is the **Madelin Provision** program, which provides for each investor an income tax reduction of 18% of the amount invested with a limit of €50.000 (€100.000 for married couples). To be entitled to this incentive, investors must keep the investment for at least 5 years and make it on SMEs. In addition, if the shares are held for more than 8 years, a tax deduction of up to 65% applies in case of sale with capital gain. A second tool available to business angels is the **Angel Source II**, it is the continuation of the first nationwide co-investment born in 2012. The fund invests together with the accredited business angels doubling their share of investment both in early stage and later stages. The large business flow (about 4000 projects per year) that follows is given mainly by the business angel networks and their capillarity on the territory. They are the same business angels to guide the investment choices of the fund.

Another co-investment fund present in France is the **FCPI** (Fonds Communs de Placement dans l'Innovation), it allows individuals to participate in the fund's investment, 70% of which is invested in innovative and unlisted small and medium-sized companies, the remaining 30% is entrusted to a delegated company that invests in variable capital securities; this is what makes the return on investment more secure.

The **TEPA** law provides a tax advantage applicable to FCPI for taxpayers subject to the Solidarity Tax on assets: thanks to the TEPA, they are entitled to an ISF reduction of up to €45.000 per year. The remaining part gives the right to an income tax reduction of 18%.
Another advantageous tool for investors is the **FCPR Fiscaux**, thanks to which they benefit from an exemption from income tax on sums or securities distributed. To be entitled to these benefits, the investor must hold the shares for at least 5 years and reinvest the distributed amounts for at least another 5 years.
Another fund present in France, which can be supported by private investors is **Ecotechnologies**, a fund for environmental technologies that must deal with renewable energy, the circular economy, smart grids and vehicles of the future.
For those interested in biotechnology, **InnoBio II** was launched in 2019, after the first one that closed with 135 million, with the aim of reaching over 200 million.
In the Aquitaine region, **Aqui-Invest** was launched in 2010, with the aim of bridging the equity gap in the creation of innovative companies. It attracts business angels to invest in the initial phase of innovative enterprises. It also creates partnerships with other national and regional funds. An independent committee within the fund takes the final decisions of each investment.
Finally, we find **FIP**s (Local Investment Funds), investment funds at risk, which invest in regional companies in the early stages. Those who invest in this funds are entitled to tax relief if they hold the shares for at least 5 years after subscription; in addition, realised capital gains are tax-free on exit (but remain subject to social security contributions). A particular detail is the increase in the tax reduction from 18% to 25% in the period from 10 August to 31 December 2020, due to the difficulties created by Covid-19.
On the side of the incentive to the creation of new and innovative businesses, for young entrepreneurs, the main instrument is the **JEI** (Jeune Entreprise Innovante) which allows various tax reductions and reduction of social security contributions for young SMEs:

- total exemption from corporation tax in the first year of profit and a 50% relief in the second;
- total exemption from annual fixed tax for as long as it maintains JEI status;

- by decision of local authorities, exemption from territorial contribution and developed income tax;
- exemption from employer charges and social security contributions applicable to employees engaged in R&D activities.

### *6.1.2 Germany*

*Table 5 German instruments [own elaboration]*

| Instrument name | Period | Classification |
|---|---|---|
| ERP/EIF Fund of Funds | From 2004 | Fund of funds |
| LfA-EIF Facility | From 2009 | Fund of funds |
| European Angels Fund (EAF) | From 2012 | Cross country prog. |
| ERP-Startfonds | From 2004 | Co-investment |
| Invest | From 2013 | Grant |
| Technologie-Beteiligungs-Gesellschaft (TBG) | From 1989 | Fund of funds |

As shown in Table 5, the European Fund **EAF** operates in Germany with the aim of increasing Business Angels activity in the region.

Among the local instruments aimed specifically at incentivising BA, we find **Invest**: this instrument provides a grant of 25% on each investment of at least €10.000 in innovative startups, with headquarters in the SEE area and a permanent branch in Germany. In addition, business angels can apply for an acquisition grant for investments of up to €500.000.

Among the investment instruments for German business angels, to support young entrepreneurs, there is the **Technologie-Beteiligungs-Gesellschaft** (TBG - Technology Investment Company) which passively invests alongside venture capitalists and business angels who manage all business independently.

An important instrument created by a joint initiative of the German Special Fund (ERP) and the EIF is the ERP-FEI, consisting of the following sub-programs:

- The VC **fund of funds ERP-FEI** (Dachfonds), which invests in VC funds with an aggregate volume of €2.7 billion (including EAF Germany), with around 100 fund investments in mid-2020.
- The **European Angels Fund Germany** (EAF Germany), which invests in joint portfolios with experienced business angels with an aggregate volume of

€270 million, through approximately 50 business angels and family offices in mid-2020.

- The **ERP-EIF Growth Facility** (Wachstumsfazilität), with an aggregate volume of €500 million, which invests in co-investment funds managed by VC fund managers already supported by the Facility, in order to provide financing for the expansion of high-growth companies within their portfolios; with around 10 fund investments in mid-2020.
- **LfA-EIF Facility**, structured funds financed by the LfA Förderbank Bayern, for the Bavarian economy, the LfA-EIF is expected to close at €50 million in 2020. They invest with business angels, in every technology sector, in companies outside Germany as well.
- **ERP-Startfonds,** co-investment fund alongside KfW (Kreditanstalt für Wiederaufbau -bank group) which participates alongside another (main) investor on its own terms. This facilitates access to equity capital to invest in research, development and market introduction of new products.

The ERP-FEI covers all technology sectors and invests in companies, including non-German companies, and it is making a very positive contribution to the development of the German venture capital ecosystem.

### *6.1.3 Italy*

*Table 6 Italian instruments [own elaboration]*

| Instrument name | Period | Classification |
|---|---|---|
| Relaunch Decree, strengthening the ecosystem of innovative start-ups, article 38, paragraph 7, (Dl 34/2020) | From 2020 | Tax+Fund of funds |
| New legislation on start-ups (Law no. 221/2012). Articles 26 and 27 bis. | From 2012 | YIC |
| New legislation on start-ups (Law no. 221/2012). Article 29. | From 2012 | Front-end tax |
| New legislation on start-ups (Law no. 221/2012). Article 27. | From 2012 | Back-end tax |
| National Fund for Innovation (FNI) | From 2019 | Co-Investment |
| Decreto del Ministro dello Sviluppo Economico | From 2013 | Fund |

As reported in Table 6, the Italian State started in 2012 with the law in support of start-ups **221/2012**. Articles 25 to 32 are dedicated to specific measures to encourage the birth and development of innovative start-ups. The Decree of the Minister of Economic Development and Finance of **April 26, 2013**, "Simplified criteria and procedures for access to the intervention of the Guarantee Fund for

small and medium enterprises in favor of innovative start-ups and certified incubators", grants start-ups the guarantee of the Fund free of charge without evaluation of the accounting data of the company.
From 2017, investors who make investments in start-ups are entitled to a deduction of gross IRPEF tax equal to 30% of the amount invested, up to €1 million, provided if the participation is maintained for at least 3 years.
With the "**Relaunch Decree**" of May 19, 2020, (Decree-Law 34/2020), during the Covid-19 period, this tax deduction was increased to 50% (but this measure has not yet been implemented) with a maximum ceiling of €300 thousand for those in innovative SMEs (remaining at €100 thousand for startups). However, the holding period has not been reduced in order to take advantage of the tax breaks. Also with the "Relaunch Decree", for the year 2020, €10 million have been allocated to innovative start-ups in the form of non-refundable grants aimed at the acquisition of services provided by incubators, accelerators, innovation hubs, business angels and other public or private entities working for the development of innovative companies.
In this context, in November 2020 the implementing decree was published in the Official Gazette, which regulates the use of a further €200 million to support Italian start-ups and innovative SMEs. The fund will operate by co-investing, together with qualified and/or regulated investors, up to a maximum of 4 times the value invested by them, up to a limit of €1 million per individual company. Specifically, qualified and/or regulated investors may apply for startups or SMEs, which are the object of their investments and which meet the requirements of the implementing decree.
It is also important to remember the **FNI** (National Innovation Fund) established in 2019 with the Budget Law. The fund has a budget of €1 billion managed by Cassa Depositi e Prestiti and it will make direct and indirect investments with other funds to support start-ups, scaleups and innovative SMEs, and thus improve the entire ecosystem with job creation and increase innovation in the country.

### *6.1.4 Spain*

*Table 7 Spanish instruments [own elaboration]*

| Instrument name | Period | Classification |
|---|---|---|
| Ley 14/2013 | From 2013 | Back/Front-End tax |
| European Angels Fund (EAF) | From 2012 | Cross country prog. |
| Real Decreto Ley 4/2013 | From 2013 | YIC |
| Real Decreto Ley 1/2010 | From 2010 | Back/Front- End tax |
| Ley 18/2014 | From 2014 | YIC |
| Ley 14/2011 | From 2011 | YIC |

As shown in Table 7, **EAF** operates in Spain to stimulate business angel activity where the ecosystem is not as mature as in other countries.

From the point of view of incentives to BA, there is the **Law 14/2013**, which provides for a 20% deduction on investment income tax, up to a maximum of €50.000 in new businesses. This law has introduced innovations in the field of taxation to stimulate the creation of new businesses.

In addition, in the Region of Catalonia, BA can also apply for a regional deduction of 30% on the money invested up to a maximum of €6.000.

For BA in Madrid, thanks to the **Royal Decree 1/2010**, the deduction is 20% of the investment with a maximum of €4.000.

To stimulate youth entrepreneurship, job creation and self-employment, the Royal Decree **Law 4/2013** has intervened, to which Law 18/2014 has been added with measures to support the YIC, through incentives in the contribution to social security, entrepreneurial culture and capitalization of unemployment benefits.

For the consolidation of technological companies, classified as innovative, there is the **Law 14/2011**.

### *6.1.5 United Kingdom*

*Table 8 English instruments [own elaboration]*

| Instrument name | Period | Classification |
|---|---|---|
| Enterprise Investment Scheme (EIS) | From 1994 | Front-end tax |
| Seed Enterprise Investment Scheme (SEIS) | From 2012 | Front-end\Back-end tax |
| UK Innovation Investment Fund (UKIIF) | From 2009 | Fund of funds |
| Enterprise Capital Funds (ECF) | From 2005 | Co-Investment |
| Angel CoFund (ACF) | From 2011 | Co-Investment |

The UK was one of the pioneers to create a tax system to encourage potential investors in young companies that would otherwise have difficulty obtaining equity financing. The instruments used are shown in Table 8.
Under the Enterprise Investment Scheme (**EIS**), UK investors receive 30% of the amount invested as a deduction from their tax liability, on a maximum investment of GBP 1 million and holding the shares for at least 3 years. In addition, if the shares are sold with a capital gain, there is no tax payable.
As an incentive to invest in start-ups in the initial phase, the **SEIS** (Seed Enterprise Investment Scheme) was introduced in 2012, thanks to which investors are immediately paid back 50% of their investment in income tax relief on up to £100.000 per year. Investors can also benefit from 100% tax relief on profits (if the company is successful and the shares are sold) or they can offset their loss with income tax if the company goes bankrupt. Finally, the Capital Gain Tax paid on a previous investment made in the current or previous year can be reduced by 50% if reinvested in an asset eligible for SEIS. This instrument is still the most effective at European level.
At fund level, there is the **UKIIF** (UK Innovation Investment Fund) which supports the creation of investment funds for UK high growth companies based on digital technologies, life sciences, clean technology and advanced manufacturing.
In 2019, 29 **ECF**s (Enterprise Capital Funds) were launched, they are financial programmes to support the provision of equity investment in small and medium sized companies in the UK; they operate with private sector funds such as business angels, the progam lends twice the money invested.
Specific for BA's is the **ACF** (Angel CoFund) an active co-investment fund that works with Business Angels to help finance and scale businesses in the early stages. Like all instruments supported by BA provides, in addition to capital, experience and support to companies.

### *6.2 MENA Region*

*6.2.1 Israel*

*Table 9 Israeli instruments [own elaboration]*

| Instrument name | Period | Classification |
|---|---|---|
| Angel law | From 2011 | Front-End tax |
| Capital gains tax exception on the sale of securities in Israeli or Israeli-related companies | From 2009 | Back-End Tax |
| Bio-Technology Fund | From 2011 | Fund of funds |

As shown in Table 9, **Angel Law** was introduced in Israel in 2011, which provides investors with a deduction of 23% from their total taxable income on an investment of up to 5 million NIS in a company incorporated in Israel. The deduction is made over a period of three tax years from the year in which the investment is made.

It should be noted that since 2009, there has been a **capital gains tax exemption** on the sale of securities in Israeli or Israeli-related companies.

An important contribution is made by the **Israel Biotech Fund**, which invests exclusively in biotech companies that create drugs to develop their full potential.

*6.2.2 Other countries*

As for the other countries belonging to the MENA Region, where the WAIN women's network operates, the most present form of investment is the FDI (Foreign Direct Investment) according to the OECD (2020).

The instruments most used on average in the region to promote these instruments are:

- Tax holidays (the number of years varies from State to State)
- Reduced CIT (Corporate Income Tax) rate for certain sector
- Exemption CIT for export companies
- Accelerated depreciation
- Location Based incentives
- Exemption from indirect taxes/duties
- Export/free zones

With regard to innovation and tax incentives, apart from Syria and Iran where there is no taxation, there is no information about Kuwait, Lebanon, Libya, Saudi Arabia and Yemen. There are no incentives in Bahrain, Egypt and Iraq.

Some incentives are present in the following countries:

- Algeria: new investors in early stages or exploitation, can benefit from grants for a period of 3-5 years depending on the type of investment. Young entrepreneurs can take advantage of a grant for their start-ups, with exemptions on CIT (Corporate Income Tax) and VAT (Value Added Tax).
- Jordan: in the State there are incentives to reduce the CIT, depending on certain sectors and the financial year. In addition, a public-private agreement has recently been signed to increase private participation.
- Morocco: in 2017 the Innov Invest Fund was launched, a global investment of 700 million Dirhams (MDH) to help and finance start-ups and innovative projects. This project is developed in two forms: Innov Idea, in the form of grants and Innov Start in the form of loans.
- Oman: in this state there is an income tax holiday for a period of 5 years on manufacturing and mining, tourism and agriculture and fisheries. There are also Free Trade Zones where 100% foreign ownership and tax exemption is allowed.
- Qatar: with the QSTP hub (Qatar Science & Technology Park) a tax exemption has been granted to all companies with research and development activities.
- Tunisia: here the "Start-up Act" provides:
    - Tax incentives and tax relief
    - Exemption from tax on capital gains
    - Ability to invest via contributions-in-kind
    - A Start-up Guarantee Fund
    - Various financial tools

  An important fact of the Tunisian annual report is that 11% of the funds for new start-ups were derived from Business Angels' interventions.
- United Arab Emirates: in this state there are still 45 FTZ (Free Tax Zone) that provide tax holidays or even 0% tax rate.

### *6.3 Oceania*

*6.3.1 Australia*

*Table 10 Australian Instruments [own elaboration]*

| Instrument name | Period | Classification |
|---|---|---|
| Early Stage Venture Capital Limited Partnerships (ESVCLP) | From 2007 | Back-End tax |
| Tax Incentives for Innovation Bill | From 2016 | Back-End tax |
| Innovation Investment Follow-on Fund (IIFF) | From 2009 | Co-Investment |
| Pre-Seed Fund (PSF) | From 2001 | Co-Investment |

Among the instruments contained in Table 10, Business Angel incentives in Australia are contained in the **Tax Incentives for Innovation Bill**, which from 2016 has provided a tax incentive for this category.

This tool provides for qualified investors:

- Tax compensation equal to 20% of the investment, for a maximum amount of $200.000.
- Tax exemption on profits from the sale of shares if held for at least 1 year and a maximum of 10.

Investors also benefit from the **ESVCLP** (Early Stage Venture Capital Limited Partnerships), through which they receive full tax exemption on their share of the fund's income. The fund must be structured as a limited partnership and for each investment, which must be maintained for at least 1 year, there is an "early stage" test.

An interesting program is the **IIFF** (Innovation Investment Follow-on Fund), which provides a committee that selects the fund managers to offer funding to. Each fund chosen will have to respect the investment parameters established by the program.

Finally, one of the most long-lived programs is the **PSF** (Pre-seed Fund), which sees public and private sector together to invest in innovation and high technology.

### *6.3.2 New Zealand*

*Table 11 New Zealand's instruments [own elaboration]*

| Instrument name | Period | Classification |
| --- | --- | --- |
| Venture Investment Fund (VIF) | From 2002 | Fund of funds |
| Seed Co-Investment Fund (SCIF) | From 2005 | Co-Investment |

The **NZVIF** (New Zealand Venture Investment Fund) is the main body working to bridge the capital market gap for emerging companies in New Zealand, thanks to the instruments contained in Table 11. It works with private investors such as business angels to increase the available capital and focuses on software companies, biotechnology, technological hardware and farm-goods.

One of the funds created is the **SCIF** (Seed Co-Investment Fund), an equity co-investment fund aimed at seed and start-up companies with strong growth potential. The fund operates with business angels and foresees that the two subjects put equal amounts in each investment and under the same conditions, the SCIF then assumes the role of tracking the performance of each investment.

Another fund is the **VIF** (Venture Investment Fund), which works with private individuals to finance innovative companies. This fund is even more important than the one in which the Angels participate because a lack of investments in the phases following the start-up and a lack of a solid eco-system has been identified. Moreover, the VIF assumes a fundamental role for the State Coffers themselves, which, by participating at national level, would obtain very high returns.

## *6.4 Singapore*

*Table 12 Singapore instruments [own elaboration]*

| Instrument name | Period | Classification |
| --- | --- | --- |
| Angel Investors Tax Deduction Scheme (AITD) | 2010-2020 | Front-End tax |
| Startup SG | From 2017 | YIC |
| Financial Sector Technology and Innovation (FSTI) scheme | To 2023 | Loan |
| Innovation and Capability Voucher (ICV) | From 2015 | Grant |
| Early Stage Venture Fund (ESVF) | From 2008 | Fund of funds |

Among the instruments contained in Table 12, the most important one for BA in Singapore is the **AITD Scheme** (Angel Investors Tax Deduction Scheme), this entitles an accredited investor investing a minimum of S$100.000, to enjoy a tax deduction of 50% of his investment, at the end of a holding period of at least two years. The deduction reaches a maximum of S$250.000.

In the panorama of ecosystem development in the start-up phase of a company, in Singapore, the **STARTUP SG** program has been established, which offers various services:

- Mentorship and contributions for young entrepreneurs
- funding to improve the development of proprietary solutions
- co-investment together with private individuals in technological startups
- financing and support for incubators and accelerators
- Facilitation of entry of talents into the country

The start-up aid is provided through government guaranteed loans.

A scheme dedicated to financial institutions is the **FSTI** (Financial Sector Technology and Innovation) scheme that supports them in the development of innovative solutions to the problems of the financial industry, providing 50-70% of the cost of building technological infrastructure and innovation laboratories, up to S$200.000 up to a maximum of 18 months.

Always in aid of start-ups or SMEs, the **Innovation and Capability Voucher** (ICV) (maximum 8 for each start-up), of S$5.000, has been established to help them to invest in order to improve their business.

To encourage investor participation, the Government of Singapore has established the **Early Stage Venture Fund** (ESVF) through which it invests S$10 million to create venture capital funds that invest in technology companies.

### *6.5 USA*

An important resource for understanding the taxation policies of U.S. is the ACA (Angel Capital Association) which has a repository of incentives for investors in those states and has a Public Policy Team.

The situation in the U.S. is clearly visible in Figure 10 where the blue shade indicates the percentage of tax credits based on the degree of intensity, the gray shade indicates states that do not have a state income tax and the white shade indicates that there are no angel tax credits.

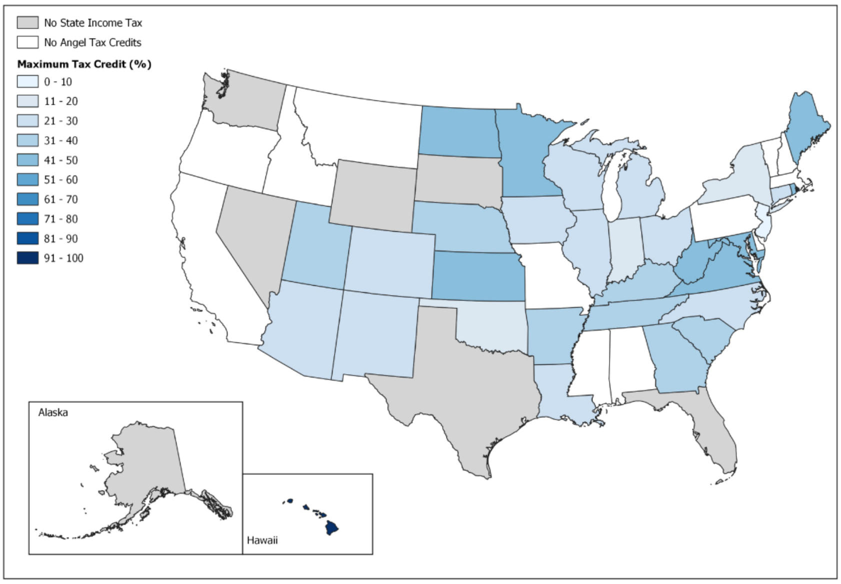


*Figure 10 Map of states that have adopted angel tax credit programs from 1988 to 2018 [Denes, Wang, and Xu (2019)]*

American tax regulations are very diverse: each state is independent and decides what incentives to give to investors and entrepreneurs. Only one benefit is granted to all business angels and investors in all states as Congress has extended **Section 1202 of the Revenue Code**: 100% tax exemption on capital gains related to investment gains, up to $10 million investment. This incentive only applies to qualified small business stock acquired after Sept. 27, 2010, that is held for more than five years.

Of all the American States to which the groups of women business angels identified in the research belong, only three have tax incentive programs still valid:

- Colorado: The **AITC** (Advanced Industry Investment Tax Credit) aims to reduce the risk of investors such as business angels by providing a tax credit of 25% of the investment (if qualified), up to a maximum of $50.000. The credit is raised to 30% if the investment takes place in a rural or economically disadvantaged area. Each investor can request the incentive for each farm in which he or she invests.

- Kansas: **Kansas Angel Investor Tax Credit** (KAITC) provides a 50% tax credit for the first angel investors who request it because the program has a maximum limit of $6 billion per year available. Each angel investor can take advantage of up to $50.000 for each company in which he or she invests.
- Tennessee: The **Angel Tax Credit** grants a 33% tax credit of up to $50.000 to business angels, even in groups, who invest in state-based companies.

In North Carolina there is an instrument other than tax incentives, which however allows investors to have benefits and entrepreneurs to have more help to found and develop new businesses: the **Carolina angel investment fund**. This was established in 2015 by the State Treasurer's Department, which decided to allocate $60 million to early stage companies based in the State, through the establishment of a fund that invests both directly and indirectly.

### *6.6 Summary policy considerations*

Table 13 summarizes the use of all the instruments reported in the chapter in favour of innovative entrepreneurship and investors in the mentioned countries.

*Table 13 World's instruments [own elaboration]*

| | Grants, loans and guarantee schemes | Fiscal/tax incentives | | | Government equity financing instruments | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | *Young innovative company programmes* | *Front-end or back-end tax incentives* | *Regional tax incentives* | *Direct public funds* | *Fund of funds* | *Co-investment Funds* | *Regional programmes* | *Cross-country programmes* |
| Australia | | | x | | | | x | | |
| France | | x | x | | x | | x | x | |
| Germany | x | | | | | x | x | | x |
| Israel | | | x | | | x | | | |
| Italy | x | x | x | | | x | x | | |
| MENA Region | | | x | | | | | | |
| New Zealand | | | | | | x | x | | |
| Singapore | x | x | x | | | x | | | |
| Spain | | x | x | | | | x | | x |
| United Kingdom | | | x | | | x | x | x | |
| USA | | | x | x | x | | | | |

From the point of view of the number of interventions, from the overall picture that emerges from Chart 4, it can be seen that among the instruments most used in favour of investors are tax incentives.

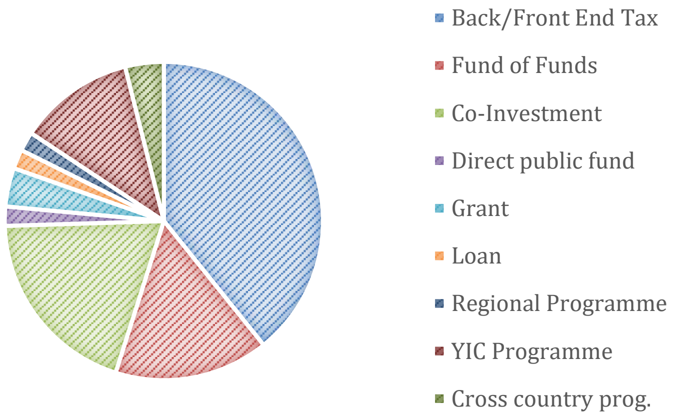


*Chart 4 Use of policy instruments in favour of business angels [own elaboration]*

Tax incentives are not used in Germany, partly for a matter of the state budget, and partly this reflects the constitutional requirement of equal treatment of all taxpayers; they are also not present in New Zealand where the government has adopted a line of low corporate tax rates, no capital gains tax and a stable, low inflation economy.

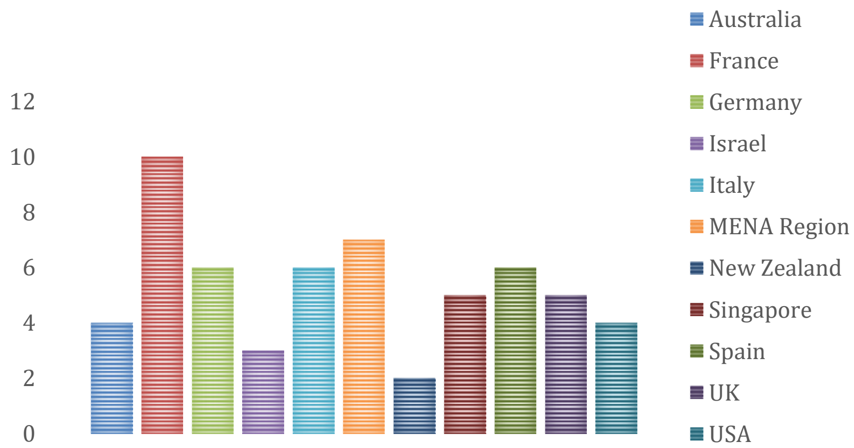


*Chart 5 Number of instruments used in each country [own elaboration]*

Although the country with the highest number of policy interventions is France, as shown in Chart 5, the most effective business angel incentives in Europe are in the United Kingdom, where the State has been benefiting investors for the longest time to encourage the creation of innovative business, youth entrepreneurship and therefore job places. Very advantageous are also the incentives present in Singapore (AITD), together with KAITC in Kansas, which however has a maximum limit of $6 billion and this does not guarantee that all business angels benefit from them.
In second place among the most used instruments are the co-investment funds: in this way governments help to stimulate private investment by sharing the risk. It would be interesting, for example in Europe, for some programs such as EAF to be extended to all states and not just a few.
Last on the podium is the fund of funds instrument, this helps all passive investors, who in this way invest in a fund that manages a large investment portfolio.
A further consideration, also reported in the interviews carried out during the research, is the inequality of the instruments used in the U.S. because each state has its own tax system and this greatly influences the creation of innovative poles.
Finally, an important fiscal and entrepreneurship initiative should be undertaken in the MENA region, where, due to the external nature of most investments, as reported in the OECD report "Investment in the MENA region in the time of Covid-19", it will suffer many losses due to the Covid-19. In fact, in some regions, such as Israel, Tunisia and a few others there are incentives, but in other regions there are no interventions.

In the Chapter 8 all the previous instruments will be studied from a women's point of view, especially if incentives are more convenient for women and if there are funds or programs specifically for women.

# 7. Female entrepreneurial ecosystem

## *7.1 Gender gap in the entrepreneurial ecosystem*

As the studies on women business angels, those on women entrepreneurs, focus on comparisons with men, highlighting the differences between the way men and women are entrepreneurs.

In 2007, Kray pointed out that the threat of stereotypes influences the thinking of the whole ecosystem; in fact, as far as negotiation is concerned, it is thought that "men are more rational, assertive and highly protective of their own interests, they are more effective negotiators than women who are thought to be more passive, emotional and accommodating to the needs of others" and this puts women in search of investors in a disadvantageous position.
The disadvantageous position is also underlined by the fact that the majority of investors are male, and it has been demonstrated in several studies that investors follow the concept of "homophilia", so they invest in companies led by people of the same gender (Becker-Blease and Sohl 2007; Harrison and Mason 2007).
Other studies have shown that both male and female investors prefer to invest in male-led businesses, as reported by Coleman, Henry, Orser, Foss & Welter (2019), "assessing male performance as more persuasive, logical and fact-based, even when the content of the proposal is the same".
Furthermore, women entrepreneurs have been defined as "discouraged borrowers", people who would be able to repay the amount lent but who do not ask for loans for fear of being refused (Coleman 2002; Kwapisz and Hechavarría 2018).
A gap that needs to be filled is also the lack of information women have about debt and equity financing options, to which is added a widespread thought that sees women's businesses as deficient, too small, in the wrong or not growth-oriented sectors.

In 2006 Barbara J. Orser, Allan L. Riding and Kathryn Manley formulate some theories confirmed in their study:

- Role investment theory: women and men bring different human capital (education, years of management experience) and social capital (length of the relationship banker, regardless of whether or not the investment banker is the personal banker) to the business; moreover, women entrepreneurs are less likely than male business owners to pursue the growth of their companies.
- Occupational crowding theory: women-owned businesses are more likely than men to operate in the service and retail sectors and are relatively smaller.
- Socialisation theory: women entrepreneurs are less likely to apply for all forms of external capital than men.

An important contribution is made by the study "Do women-owned businesses have equal access to angel capital?" by John R. Becker-Blease and Jeffrey E. Sohl in 2007, which tries to test different hypotheses on the relationship of women entrepreneurs with business angels through a regression and concludes that:

- Women are discriminated by business angels because they believe that women are less capable or less reliable than men, because of their less relevant work experience or less responsibility in the business world.
- Women are considered riskier investments, ceteris paribus, because women are expected to be discriminated by clients or suppliers and therefore their activities are less likely to be successful.
- Women give away more of the company's ownership in exchange for an equity investment than men, but this depends on the riskiness of the industry and the investment phase.
- And finally, a determining factor in this research: "If WBOs are more likely to submit proposals to women angels, then increasing the supply of women angels will encourage greater flow of WBO deals to investors, and thus greater participation of women entrepreneurs in the high growth, high-return industries typically financed by private equity".

This study was followed in 2018 by Linda F. Edelman, Roisín Donnelly, Tatiana Manolova and Candida G. Brush, "Gender stereotypes in the angel investment process", which is inexorably linked to social identity theory which argues for in-group and out-group stereotypes as a mechanism for uncertainty reduction, and when it comes to receiving angel investment, women are the outgroup. In this context, in fact, the authors point out that female entrepreneurs receive more negative than positive comments from angel investors than male entrepreneurs, even on their individual characteristics compared to male entrepreneurs, and that business angels interpret the signs of a new quality of enterprise that is less favourable for female entrepreneurs than for male entrepreneurs.

The European Union Commission has also tried to answer the question "What are the challenges women face when starting and growing a business?" and thanks to the data collected in 2016 has reported these results:

- culture and society are often not in favour of female entrepreneurship;
- women tend to perceive a lack of entrepreneurial skills;
- women are less likely than men to feel that they have the skills, knowledge and experience needed to start a business;
- women are less likely than men in almost all EU Member States to report having access to training to start and grow a business;
- women entrepreneurs are more difficult to access finance than men;
- women tend to have smaller and less effective business networks;
- family and tax policies can discourage female participation in the labour market, including entrepreneurship;
- regulatory institutions such as the social assistance system, tax policies and family policies have an impact on the cost and feasibility of entrepreneurship for women; in fact, female entrepreneurship is also influenced by the extent to which women are able to reconcile family obligations with work outside the family, and there are particular barriers in those countries where traditional gender roles go hand in hand with the lack of public or private child and elderly care services. Moreover, maternity leave provisions have a confirmed impact on the overall rate of female entrepreneurship.

The role of government is crucial in breaking down these barriers: only by creating an inclusive ecosystem, things can change. Fortunately, most governments recognize that women entrepreneurs face greater challenges than men and that access to finance is crucial.

### *7.2 The role of policies*

The policy objectives are to promote women's entrepreneurship and fill the gaps in the system: the most widely used instruments, recognised in the study by Coleman, Henry, Orser, Foss & Welter in 2019, range from equity financing to regulatory changes aimed at increasing the flow of private equity capital to fledgling companies.

In addition, the authors explain that the government's initiative should be geared towards improving the image of women entrepreneurs and reconciling family and entrepreneurship, increasing the education of financiers on the prospects of women entrepreneurs and calling for higher education to play a greater role in attracting more women to investment fields.

Using data from the OECD and the World Bank, this research figured out the situation of the self-employed in the countries of the business angel groups found: Chart 6 represents the employment data of self-employed women as a percentage of the number of people employed, compared with male data, between 2009 and 2018.

As can be seen, in most countries, the self-employment index is decreasing over the years for both women and men. This trend highlights a need to raise awareness among young people, who are increasingly seeking employment as employees, for the lack of entrepreneurial education they receive, as also highlighted by some candidates for the business angel of the year award in Italy, held on 29 October 2020 online.

The country, among those considered in the research, with the highest rate of self-employment for both men and women, although decreasing, is Italy. It is worth pointing out that although there is a high rate of female entrepreneurs, the gap with males is still the highest among the countries considered. Another interesting Italian figure for the first half of 2020 is reported by the IAG (Italian Angel for

Growth), which with its observatory, reports that 23% of the companies supported by the Italian business angel network were founded by a woman, in contrast to an international average of 20%.

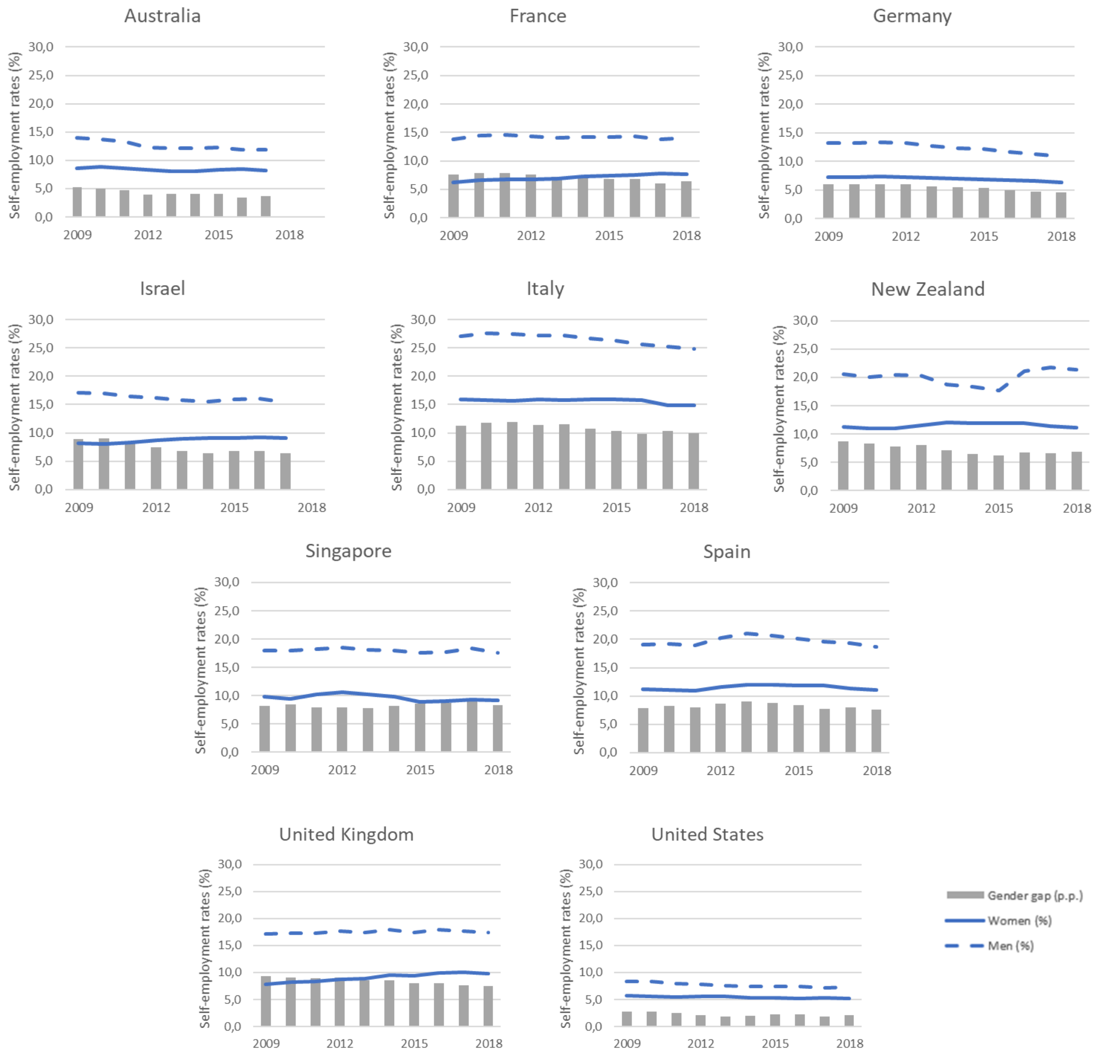


*Chart 6 Word's Self-employment rates (%) [own elaboration]*

In Europe the countries with the smallest entrepreneurial gap are Germany and the UK followed by France and Spain. Finally, the United States is the state with the smallest gender gap but is also the one with the lowest level of general self-employment. This was also highlighted in the interview with the business angel women group Belle Michigan, in which the social problem in the country was highlighted: people tend to work in multinationals in order to have greater security, especially with regard to health care and education services.

In the European Union (EU) there remains a substantial gender gap in self-employment. Less than one woman in ten (9.6%) works as a self-employed woman in 2018, significantly below the male quota (16.9%).

The OECD study "Policy Brief on Women's Entrepreneurship" also reveals important data:

- women are less likely than men to be active in business start-ups;
- self-employed women tend to run different types of businesses than men;
- women entrepreneurs were as likely as men to offer new products and services to potential customers in the period 2014-18;
- the average annual net income for women and men who worked full-time in self-employment was approximately the same in the EU in 2018;
- the average annual net income for women and men who worked full-time in self-employment was approximately the same in the EU in 2018;
- women face several obstacles to entrepreneurship, particularly in the area of entrepreneurial skills.

*How does policy support women entrepreneurs?*

Although the gender gap has narrowed slightly over the last decade, policy makers can do much more to unlock the potential of women entrepreneurs and this is also reflected in the EU's "Entrepreneurship Action Plan 2020".

One of the most important points is to promote a positive attitude through role models and ambassadors. Germany has already created such a program by creating the FRAUEN unternehmen, a network of role models.

A key point is to help women to overcome the skills barrier through training, coaching and mentoring and to increase access to finance through financial literacy and a range of funding instruments. For example, in France, the Plan Entrepreneuriat des femmes has been created for training and mentoring and in Italy, access to finance for women has been increased by National Law 215/92 in support of female entrepreneurship, which gives grants to female entrepreneurs through a call for applications.

In Australia there is the "Boosting Female Founders Initiative" which is part of the Women's Economic Security Package, which helps to support more Australian women into work and supports Australia's international obligations under the Convention on the Elimination of all forms of Discrimination against Women (CEDAW). The program will provide targeted support on a co-contribution basis to female founders of startup businesses to launch and scale their businesses into domestic and global markets.

Also in Israel incentives have been provided to promote female entrepreneurship: under the new plan, women-led start-ups (requiring at least 33% ownership and a managerial or technological role in the company) will be eligible for research and development grants of up to 75% of the company's R&D funding in the first year of the programme, and 70% of funding in the second year, with a budget cap of up to NIS 2.5 million in the first year and NIS 4.5 million in the second year. In addition to the grants, the Innovation Authority plans to open a dedicated support programme for women to enable access to all the support tools available through the organisation.

Another way besides the grants is to reduce the contribution rates for women, an action implemented in Spain with the "Promoting women self-employment" programme, for a fixed period of time.

The construction of entrepreneurial networks and links with traditional infrastructures are at the heart of every initiative, both for women business angel and women entrepreneurs.

For example, in Europe "WeGATE" has been created as an information hub, training programs and online platform for networking for women entrepreneurs. In addition in Brussels there is the WEP (Women Entrepreneurship Platform) representing, promoting, supporting, and advocating on behalf of women entrepreneurs across Europe.

The National Association of Women Business Owners (NAWBO), an organization in the United States founded in 1975, has the purpose of networking the approximately 10.6 million women-owned businesses so as to provide mutual support, share resources, and provide a single voice to help shape economic and public policy.

Last but not least, it is important to promote work-life balance and access to social protection, which is why the EU has promoted a commission initiative to support work-life balance for working parent and carers.

# 8. Women business angels' panorama

In the women's business angel scene, the situation of difference with men does not change. As Professor Harrison reports on www.realbusiness.co.uk in terms of attitudes and mentality, women tend to underestimate their ability to make "risky" investments. In the absence of role models, they have less understanding of the "rules of the game" and may be constrained by the conflict between the time demands of household management and their careers.

Another substantial difference is the business flow of men and women: while men can rely on relationships to directly identify profitable investment opportunities, women must rely on "borrowed" capital to identify profitable investments (business partners, lawyers and accountants).

Also for the concept of homophilia reported by Becker-Blease and Sohl in 2007: if WOBs are more likely to submit proposals to women angels, then increasing the supply of women angels will encourage greater flow of WOB deals to investors, and thus greater participation of women entrepreneurs in the high growth, high-return industries typically financed by private equity.

It is therefore important to support efforts to encourage greater participation of women investing in the angel market, especially in the form of women-only groups (Abramson, 2001; Hudson, Kenefake, & Grinstead, 2006).

## *8.1 The key barriers perceived by women who are not angel investors*

From the European Union study "WA4E - The Barriers and Opportunities for Women Angel Investing in Europe", it was highlighted in a survey of 330 potential investors that the majority felt that there was a lack of information for women on the subject of angel investment as an asset class and most women were not aware of the details of the angel investment process. A key area of concern was the fact that they did not know which companies to invest in and did not know how to start when it came to invest in unlisted companies and did not have sufficient understanding of how to make angel investing.

A significant proportion of non-investors identified this area of investment as very risky and that successful exits could take a considerable amount of time, an important deterrent to engaging in angel investment. Many were unaware of the tax relief available in the partner country to support investment in start-ups or early stage businesses. The vast majority indicated that their financial advisors did not mention angel investing as an investment option for them.

This clearly indicates the need for various awareness and education programmes on the angel investment process to increase understanding of how to identify the right offers to invest in and how to address the risks inherent in investing in small businesses.

There is also a strong need for messages that address both risk concerns and how these are addressed by female angelic investors. This includes the need to increase awareness and information about the opportunity to mitigate risks through access to government-backed tax relief.

In addition, there is an important opportunity to engage proactively with the financial and wealth advisory community to improve the level of understanding of angelic investment as an asset class and to address the barriers that may be perceived by the advisory community in recommending women to engage in this asset class.

### *8.2 What do women think should be done to increase the number of women angel investors?*

The number of female angel investors could be increased through targeted awareness-raising campaigns aimed at increasing the general understanding of the angel investment opportunity and highlighting the contribution angel investors can make in supporting entrepreneurs, together with information on how to proceed (and access related tax benefits in their own country), as well as highlighting some of the softer benefits, such as collaboration and learning new skills and showing that it is fun and rewarding. Women mentioned the importance of being clear about how long it might take to participate in the angels' investment, so that it can be part of their busy agenda.

Many women identified the need to have more women involved in angel investing to talk about their activities and provide their motivation to participate and talk about their investments and results, particularly about the entrepreneurs they have supported and the impact that their investment has had on their growth, particularly any successful exits.

Almost all women interviewed felt the need to access more personalised educational programmes, such as workshops, to help women understand the investment process and demystify much of the jargon surrounding it. There is a need for a better understanding of what the angels' investment process entails and specific aspects such as financial, legal and fiscal knowledge that will help women feel more aware and in control. This, combined with the mentoring and support of women who are already investing, has been seen as an important aspect.

Some women said that ideally, they would like to know the idea of an angel investing in women-only groups, with others in the same boat, so they would feel comfortable asking questions, etc. Then they would "graduate" to participate in mixed groups once they felt comfortable enough.

### *8.3 Why should a woman enter an only women group instead of a mixed one?*

According to interviews with business angels in various parts of the world, it was clearly underlined that women are really underrepresented in the category of business angels in general. The need for women to join a more welcoming group of women, where women are not intimidated by men who are usually more experienced in this field, emerged. There is a need to break down barriers when it comes to thinking about money, investment, because women need to feel that they have the necessary knowledge, expertise and know-how to do so, to feel experienced. Women members love networking among themselves, but it is more than just networking, it is mutual support and it is very useful, and they always want to learn by being hungry for knowledge. One of the most important step is learning the jargon, not being ashamed to ask questions.

The women-only group thus becomes a comfortable space, without pressure to advance the mission but also to learn personally to engage in this kind of investment. The dynamic of the women's group is massively interactive and very supportive and differs from those of groups with a low percentage of women.

Another key point is that most groups focus on investing in women-founded startups, so they understand the needs and outlook of the founders as well.

The fund structure (5 out of 23 identified in the research), for women, can be optimal as it gives women, who tend to collaborate more than men, the opportunity to work with each other and to leverage each other to make the decision whether to invest or not. Women enjoy being with other women and gain an energy from women to women discussions.

### *8.4 Mapping of projects for women business angels*

One of the key factors identified by women to increase the number of business angels is raising awareness of the subject; in this research several projects have been identified to bring women closer to this reality.

#### *8.4.1 Canada - Women's equity lab*

Women's Equity Lab provides a collaborative and fun environment for women to experience investing in early stage companies with a small amount of venture capital. Here the investor can access innovative companies, learn the pros and cons of investing, build a successful women's network and create a portfolio of investments from one or more companies.

Women's Equity Lab welcomes a minimum of 20 women to invest at least $6.000 to create a combined co-investment in early stage companies of $100.000 or more. During the program, they will learn from the best investors how to invest in early stage companies. At the end of the programme, the investors will actively make investments as a group, each participant will have a portfolio of early stage companies, working closely with companies at many levels.

This is a community-focused initiative where all members of the group benefit equally. There are no management fees or interest. All participants benefit equally.

The participant can be involved as much as wants. Engaging with companies, attending meetings, talking to entrepreneurs, conducting research, these are all parts of the programme where women can choose their level of involvement.

They have the opportunity to participate as silent investors (invest alongside the group but not actively participate in the investment selection process).

Some people will continue to make early stage investments through the Women's Equity Lab, others will prefer to invest alone, syndicate with another group and/or invest through an angel fund. The group will choose to invest in companies that it believes will generate the best return regardless of who the founders and CEO are. The group will co-invest through a single corporate entity, so the investment adds only one investment entity to the table of the company invested. The group will appoint a representative to interface with the company and this individual will relay the company information back to the group.

#### *8.4.2 Egypt*

On 29 May 2019- USAID's seed Women Entrepreneurship Network (WEN), in collaboration with the Technology Innovation and Entrepreneurship Center (TIEC), held a roundtable discussion on how to launch a Women Angel Investment Network. The roundtable aimed to gather knowledge of existing angel investment networks and key female investors in Egypt.

WEN is launching a network of female angel investors to increase the number of female entrepreneurs in the market. The round table was attended by the Egyptian Angels Investors Association (Malaikah), a leading association of angel investors, together with several leading female entrepreneurs who were initially funded by angel investors. Both sides shared their knowledge and experience on the subject, which further enriched the discussion.

Discussions highlighted the importance of angel investment in helping entrepreneurs get their first investment, as well as its mentoring offer necessary for the expansion of their business. Angels usually contribute much more than just cash, they often have industry knowledge and contacts that they pass on to entrepreneurs. Discussions have also highlighted the importance of conducting training courses on angel investment mechanisms to induce more investors to work with entrepreneurs.

USAID's seed plans to hold monthly networking meetings for angel investors and conduct training courses for all potential angel investors and champions. In addition, awareness and awareness-raising sessions will be held in other governorates to reach more female angel investors.

#### *8.4.3 Europe - CROSS EUWBA*

In the last decade, the role of women entrepreneurs has gained considerable importance. The EU recognizes women entrepreneurs as a source of untapped entrepreneurial potential that needs to be supported more efficiently. In order to support the growth and development of start-ups and early-stage businesses run by women, the project "CrossEUWBA" (or "Enhancing the cross-sectoral emergence of new women business angels across Europe"), a two-year project (2018-2020) co-funded by the European Union, was launched. The overall objective of the project is to facilitate the financing of women entrepreneurs (WE) through women business angels (WBA) and to contribute to the creation of a sustainable basis for private investment in Europe.

The CrossEUWBA project brings together the expertise of six entities from 5 European countries with the experience of women entrepreneurs: Poland, Germany, Greece, Slovakia and Spain.

The consortium partners intend to channel this experience by focusing on the general objective which pursues the following specific objectives:

- to better understand the success factors, obstacles and challenges women are facing to become WBAs in order to increase the number of WBAs in Europe, particularly in low participation countries;
- increase the diversity of WBA and the number of sectors benefiting from WBA investments;
- increase the number of projects by women entrepreneurs ready to invest;
- effectively combine WBA and WE, including through cross-border investments;

- create a network, build a community and help promote a favorable and sustainable environment for the emergence of WBA networks/associations/clubs.

*8.4.4 Europe - Rising Tide Europe*

The Rising Tide Fund is a new initiative that uses a new collaborative investment model, with nine women angel/consultants to the fund located throughout the United States and 90 women accredited as non-executive or passive investors. Their aim is to provide a transparent and interactive process, as well as a competitive return, to prepare a new wave of intelligent and sophisticated women investing in entrepreneurial companies.

The Rising Tide Europe movement strives to create opportunities for women to thrive in their professional and personal lives and to increase the number of women making decisions in various sectors. They do this by promoting financial knowledge and independence and increasing women's access to an important class of business through a portfolio of early stage companies.

*8.4.5 Europe - SEEWBAN*

They increase the number of Women Business Angels (WBA) in Europe (with a specific focus on South East Europe), and facilitate the financing of Women Entrepreneurs (WE) by Business Angels.

They want to facilitate the transfer of experience and transnational community cooperation and networking, to identify success factors and increase the number of WBAs.

*8.4.6 Europe - WA4E*

The WA4E programme, co-funded by the European Union, has given impressive results over the two-year period (2016-2018), responding to high expectations of action on the ground to stimulate investment by women angels.

Under the guidance of UKBAA (UK Business Angel Association), they explored the obstacles and motivation factors that drive women to become angel investors. The document has proven to be a crucial ammunition to raise women's awareness that they too can become angels, and above all to demystify the investment process.

Concrete results - key figures:

- over €20 million generated in angel financing by women (10 times the initial target);
- 115 projects financed (4 times the target);
- over 500 WBAs trained off line, 267 accessing on line training material (double the targets);
- 279 WBAs mentored (more than twice the target);
- 1436 WBAs attending 74 pitching events (again, above target);
- increased participation of women angels in networks involved: numbers at least doubled in each of the (mixed) partners' networks; the net increase in the women only network is 12%.

*8.4.7 Germany - WBAY 2020*

Business Angels Network Germany (BAND) declares 2020 "Women Business Angels Year 2020" and launches a large-scale initiative to mobilise angelic investors under the patronage of the German Federal Minister of Economy and Energy.

The investment of angels is dominated by men in Germany and beyond. Therefore, targeted awareness is needed to change the ecosystem of business angels towards greater gender diversity.

Women business angels need to be increasingly brought to public attention to motivate more women to become active than business angels, which will also indirectly encourage more founders to start their own business idea and raise capital and know-how for growth and success. These are changes in both directions: angel investors need more women founders which need female investors.

The forecast is that by 2025, the proportion of female business angels in Germany will rise to 25%. Women Business Angels Year 2020 objectives:

- more female business angels;
- more exciting start-ups by female founders;

- more publicity for women angel investing;
- more female founders who become angel investors after an exit;
- more female investors investing in female founders;
- more networking to encourage more women to invest in startups.

*8.4.8 Hungary - Women Business Angel*

Since 2017, in Central and Eastern Europe, especially in Hungary, a missing element has been added to the innovation ecosystem, providing information to the public and those potentially or actually interested in business angels' investments. The Association is a professional, non-profit, non-political organisation that supports women's participation in decision-making on innovation in the hitherto lacking ecosystem of the EEC. The Association promotes and enables women and men to become internationally competitive business angels and/or entrepreneurs. In Hungary, female participation in both areas is still insignificant. As business angels' investments involve not only the provision of financial resources but also the sharing of knowledge, experience and social capital, we believe that the involvement of women in more and new forms would bring economic benefits to all. Their attention is focused on the quality critical elements that drive cultural change.

They share what women need to become business angels or founders of an internationally competitive company in today's digital age, the proven knowledge and experience available in business. They give people concerned a vision of the complex cooperation between investors and innovative and competitive companies.

Having completed a pilot training programme for business angel investors in 2017- 2018, they now aim to facilitate the development of business angel groups. The Women Angels Association acts as a centre of knowledge and methodology at both national and international level. It strengthens the culture of competition and cooperation to improve the competitiveness of both countries and companies. In addition to the theme of including more women in innovation decision-making, they link co-working offices and networks of women's enterprises on the local and international market. Their aim is to expand and strengthen the region's rapidly developing innovation ecosystem.

#### *8.4.9 New Zealand - Nelson Angel Women's loan fund*

The Angel Women's Loan Fund offers three different types of loans for women living in the Nelson-Tasman-Marlborough region:

- loans for the start-up or expansion of a company;
- loans for training/education providing funds for a course or training;
- loans for the workforce that provide funds to enter or re-enter the workforce.

#### *8.4.10 Worldwide – Investfem*

The definitive global database of female-founded businesses, and investors 100% committed to funding female entrepreneurs.

They are a group of female entrepreneurs and innovators who know first-hand the challenges that come with building a business from scratch, with the odds stacked against them. They strive to connect female founders with the network they need for success. Their mission is to empower, break barriers, and accelerate success for women in business. They are committed to building a comprehensive database that connects women founders and co-founded companies with investors who believe in their potential.

### *8.5 Mapping of women business angels academies*

Another important factor is training: women have the expertise and capital to make an impact and through education, access to investment opportunities and a global community, academies will give them the tools to become investors early in their careers and ultimately shape the future of funding.

The results of the Rising Tide Angel training Program study, reported by Coleman and Robb (2018) stressed that the goal of the training is to increase the number of female angel investors able to invest in growth-oriented women's companies through an education, training and practical experience with the angel investment process.

Motivations, expectations and attitudes of training participants:

- opportunities to become part of an entrepreneurial investment network;
- opportunities to get to know and support growth-oriented women entrepreneurs;
- opportunities to learn how to become an angel investor;
- opportunities to access a high-quality, growth-oriented business flow;
- opportunities to further diversify my investment portfolio;
- opportunities to achieve above-average financial returns;
- more training and practical experience with the due diligence process that focuses on identifying the companies that should be included in the investment portfolio;
- more subjective and intuitive skills needed to assess the experience and skills of the management team.

Below some business angel academies specific for women are illustrated.

#### *8.5.1 Angel Academe - UK*

Angel Academe is a fast-growing, award-winning academy of angels, to help more women "go big" with their technology companies, they want to increase the number of women investing. Through mentoring, training and collaboration with experienced angels as well as technology and industry specialists, they help members pool their money, expertise and resources to perform due diligence, build a smart investment portfolio and support the companies they invest in.

#### *8.5.2 Female Funders - Vancouver, Toronto, New York*

Women have the expertise and capital to make an impact. Through education, access to investment opportunities and a global community, Female Funders is giving them the tools to become early-stage investors and ultimately shape the future of funding.

Female Funders offers an investor acceleration program that provides business and technology leaders with the knowledge, access and network they need to become successful early stage investors.

Benefits:

- Develop a deep understanding of the world of angel investors.
- Join a global network of experienced aspiring investors.
- Receive access to pre-screening investment opportunities.
- Pooling resources alongside experienced investors.
- Acquire the tools and knowledge to make more informed decisions.
- Supporting women entrepreneurs and founders.

#### *8.5.3 Rising Tide Angel Training Program - Europe*

The Angel Capital Association (ACA) has developed six new one-hour webinars for the Rising Tide Pilot Angel training programme. These programmes are broadcast live by top angels, often also by the main investors in their pilot fund and archived for viewing at any time. Topics:

- Angel Investing Portfolio Strategy: what to know before your first investment.
- A beginner’s guide to terminology sheets.
- Key points of the terminology sheets.
- Evaluation of Pre-Revenue companies.
- Conduct due diligence like professionals.
- The basics of the Cap Tables.

These webinars intentionally overlap some of the podcast programmes to build learning and understanding (sometimes people need to hear things twice or differently in order to really understand the concepts) and they also provide live programme participants with questions.

#### *8.5.4 Inteviews*

In addition, among the groups identified in the research, 8 have paths for the training of angel women. Thanks to the interviews, however, we know that many groups have tried to create their own programmes but have understood that it is better to rely on public networks that have more comprehensive ones, for example the ACA to which the American groups refer. Others, on the other hand, are pushing the concept of "learning by doing", in a protected network of women only combined with short tutorials that can be used at any time you want, or group meetings sometimes during the year to be combined with an educational session.

### *8.6 What do women think should be done in policy?*

As seen in the previous chapters, most of the country covered in this study have put in place actions to support angel investing through tax breaks or subsidies to support national business angel networks which in turn promote this type of investment class.

In no state are there direct incentives specifically for women, France can be seen as an exception, having had some national government subsidies to establish and support the Femmes Business Angels network as part of the national association of Business Angels.

At the same time, countries have put in place policies to promote start-up and increase support for the seed and early stage of businesses, both using national funding sources and drawing on international sources such as in Europe; this also includes specific policies in some states to increase the number of women entrepreneurs.

Thanks to the interviews carried out, the contacts found during the research (11 contacts out of 23 groups) and the previous European Union study "The Barriers and Opportunities for Women Angel Investing", the opportunity to improve the existing policy for women at national and international level was identified.

Among the interventions designed there is the support for national and regional co-investment funds for women, in fact there are opportunities for the establishment of a national or regional co-investment fund for women angels at national or regional level in each of the countries, to stimulate and leverage angel women's associations and lead angel women, providing additional incentives for angel women and encouraging associations and the development of more lead angel women. Funding of the match through the fund could be based on the requirement that a significant part of the investment syndicate be made up of female angels and in particular have a female lead angel who will play a key role in supporting the company's post investment. This could include an additional priority for investment in female founders or co-founders.

Another key point are the tax incentives: we know that business angels' investments are taxed at the capital gain rate, as they are not ordinary income. Many women do not care about this side or even do not even know the difference in rate between a normal equity investment and a business angel investment. For some of the women interviewed this is not relevant: as business angels they would do so regardless of taxation because of their experience and commitment to helping start-ups and therefore the greater emphasis put on the community support side.

A key aspect is to make tax policies easier and more understandable.

For some women it is very important to improve and intensify these actions, this was highlighted for example by the board members of the Italian group Lorenza Morandini and the general partner of Belle VC in the USA Barbara Boxer. It is very important to increase as much as possible the tax relief on angel investing and maybe for women to take it to the maximum, in fact it is necessary to make it competitive with other forms of tax relief such as the introduction in Italy of bonuses on real estate renovations.

In order to make it more attractive, the deduction should be raised to 100%, if not even 110% to encourage investments in start-ups, which we know well, have a very low survival rate. In addition, the deductions should be spread over few fiscal years (for example 3) in order to see the result more quickly. In addition, an extra point of support would be to eliminate the maximum limit of "fiscal niches" and not to tax outgoing capital gains.

Another highlighted factor could be the creation of "Opportunity zones", in which an investor can invest to enjoy extra tax benefits (in addition to the capital gains tax rate), for example this zone could be to invest in companies founded by women.

Already mentioned above, according to all women, it is necessary to create a well-developed and inclusive ecosystem for women, made up of more state-sponsored educational interventions that make potential female angels aware of the opportunity and existence of this investment class, also using more communication channels such as social media and universities.
Furthermore, all women interviewed agree that the more groups of women are created the more they would attract the attention of institutions or at least sponsorship from reputable regional institutions: banks, incubators, chambers of commerce or regional development agencies.

Finally, an all-American factor is the need to harmonize and homogenize tax policy, since the heterogeneity of the tax system means that more investment opportunities are concentrated in some member states than in others, leaving fewer opportunities for the latter. Another limitation is the difficulty faced by entrepreneurs (often left on their own) and investors in dealing with high risk activities due to statewide social policies. It should be pointed out that the absence of social policies on education and health limits the activity of these people, who prefer to save money for their children's college or work in large multinationals that provide health insurance. Therefore, a more protective system of social policies should be introduced for young entrepreneurs and female investors.

## Conclusions and directions for future research

Literature about women business angels has always been very poor; due to the small percentage of women in this market it has always been more difficult to reach them and to be able to do both a qualitative and quantitative study on them. An even more unexplored topic is that of women only business angel groups: this research has taken a step forward on this very subject.

The analysis of groups belonging to networks all over the world showed the existence of 23 women-only groups (or with a negligible percentage of men). Thanks to their websites and direct contacts through interviews and LinkedIn with 11 members of these groups, it was possible to find out more about the groups, how they behave and how they invest.

The groups reached are scattered all over the world and an interesting factor is that groups in different countries hardly know each other: this may suggest that there are still groups of only women who are little known and not found in this first analysis.

Another little explored topic is that of policies: studies are mainly carried out on Europe and the USA, literature on the status of policies on MENA region and Asia is almost absent. On this last point, this research has taken a step forward by studying the current state of policies in these countries.

Surely this is a good starting point to start a worldwide study to compare policies and look for best practices in the world, not only in Europe and America.

This study has mapped all the groups, taking into account numerical data such as the number of members in each group and portfolio, we should start from here to keep track of all the data and look for the absent ones to move on to a quantitative analysis.

A quantitative analysis of the world of women's business angels and policy groups would also be useful in order to raise governments' awareness on this issue. The improvement policies for women business angels identified in this study are:

- ecosystem improvement with creation of policy team in every group;
- support for co-investment funds for women;

- increase tax relief for women;
- increase relief threshold for women;
- decrease the years in which the relief is received;
- no taxes on capital gains for women;
- creation of opportunity zones for women;
- improve social policies for women.

These improvement hypotheses should be taken into account by governments and the numbers would show that women business angels groups would really benefit both the State and women entrepreneurs.

There should be publicly available databases in which all investors are collected in order to make research easier, especially in emerging countries, where angel groups and BANs are fewer in number to create more quantitative results, so as to give quantitative demonstrations to governments.

The study highlighted the need for further research on female business angels in emerging economies, especially in some fast-growing markets that have received very limited attention from previous literature.

Another point touched on by this research is that of women entrepreneurs; a good starting point for the future is to start with the groups collected and investigate whether there is an important relationship with the number of start-ups in which women entrepreneurs have invested, this outside of the groups that claim to invest in start-ups founded exclusively by women.

# Appendix

*Table 14 Detail of contacts with groups [own elaboration]*

| Group | Country | Member | Role | Material | Duration |
|---|---|---|---|---|---|
| Femmes Business Angels | France | Elizabeth Pauchet | Board Member | PDF about Policy | / |
| Angels for Women | Italy | Lorenza Morandini | Board Member | Interview | 40 min |
| Belle Funds | USA | Nancy Philippart | General Partner & Co-Founder | Interview | 40 min |
| Belle VC | USA | Barbara Boxer | General Partner | Interview | Written |
| Citrine Angels | USA | Aurelia Flores | Executive Committee Member | Interview | Written |
| | | Stephanie Marshall | Board President & Due Diligence Committee Chair | Interview | Written |
| Investing women | UK | Jackie Waring | Founder & CEO | Interview | 41 min |
| Neome | Israel | Orit Alperovitz | Co-founder & CEO | Interview | 30 min |
| Next Wawe Impact | USA | Jodi Pederson | Investment Committee Member | Interview | 35 min |
| She1k | Singapore | Christina Teo | Chief builder | LinkedIn chat | / |
| xElle Ventures | USA | Manju Karkare | Co-founder | LinkedIn chat | / |

## ***Angels 4 Women Interview*** - Lorenza Morandini, Board Member

*What do you think about the present policies in place to support angel financing (e.g. tax incentives, state contributions)? Do you think there will be some kind of improvements to incentivize women participation?*

There are two important topics, it would be interesting to talk about it also with the heads of other groups of business angels; one is that if you look at the population of the rich in Italy, which can be measured in various ways, for example people with at least 10 million assets, or people with at least 5 million assets, or measured in other ways, the number varies between 0.5% and 1%. Since 1% of 60 million is 600.000 and 0.5% is 300.000 people, then if we are in 1000 business angels in Italy there is a pool of 299.000 or 599.000 who do not participate.

Then, I've only been doing it for a couple of years as a job, but every time I see a Porsche pass by now, I think it's a missed investment in a start-up and so I wanted to launch the campaign "Take the Porsche out of the garage and put the start-up in it" which I think could be fun and have its appeal. This means, let's look at the Porsche park in Italy today: those are all missed investments in start-ups.

All this to say that there are 900/1000 business angels and that outside there are other 300.000 that if they knew what could be done with €10.000 they would probably do it.

As for the 50% tax incentive included in the relaunch decree, in reality, without implementing decrees, it is not yet applied and so for now it is only 30%. So we need policies that can lead to invest in start-ups, which is still a somewhat unexplored asset class that gives returns, and has a very important theoretical return, which in a world of negative rates is worth looking at. This leads us to the famous investments in start-ups through peers, which would bring a lot of capital into the world of start-ups, and will also lead in the first instance to an inflation of the average value of a startup, so all things being equal we will start to cost a little more and this will obviously lead to the fact that these start-ups can grow faster.

Why Italian start-ups are worth less than French or American start-ups? Because if you have the constraint on capital, it is also important growth projected by the same business case between the said and unsaid, it also counts what our local entrepreneurs have in mind. This is a bit the issue then, 50% tax incentive, make the implementing decrees, and as for peers and other investments do it in the right ways.

As far as women and female investments are concerned, there is basically no investment. Looking at the data: women Business Angels are 15% of the total, female start-ups are 13% of the total, we take less and less money, but we do it better. If we want to make a difference, the tax exemption should not be 30% or 50% but 110%. If you want to have an impact, you do not play on the second decimal place, play on 110. In how many years? 3. Not 50% in 10 years but 110% in 3 years. Because when the rich make the 730 (tax return) they can say "I paid it in December and I already see my return on investment". And it must be more for women than for men to really make a difference. We should talk about it behind closed doors, with the right people, at the right times even to make a difference for a few but good people and let's make it immediately implemented so that good people know it immediately.

I am in favor of any intervention in the legislative and fiscal framework, but with some extremes. This is a very important tool because to make it operational the tax agency had to put in place a series of controls, they have to do controls in a certain way, so I am not inventing something that may seem strange, you take what there is (the tax credit) and amplify, it's okay whatever goes in this sense to the female, with the will to make a difference, because the numbers are gruesome. So I would bet on the same law, without improving it from the technical point of view but from the numerical point of view.

Then if you say “1 out of 100 of start-ups will survive”, it is game force that the tax must be 99, because you pay for one, I pay for the others (State).

***Belle Michigan Interview -*** Nancy Philippart, General Partner and Co-Founder

*Which are the main differences between Business Angels Funds and Groups? Do you follow different processes? Do you feel more to be like a Business Angel or a Venture Capital? Why?*

The biggest difference of why we are a fund, is we are a committed capital fund; when people join our fund, they buy a unit in the fund, so in our fund a unit is $100.000, we tell people that we will invest that ($100.000) generally over a four to five year period of time, they are committed to loan that amount of money in investment. We are a very participative fund because not only is our fund objective to make capital available to women or gender diverse companies, but we also have a mission of teaching to women how to do this type of investing. In our first fund about 95% of our LP had never done this kind of investing before. In our second fund we have many people who have invested in our first fund, still a majority of our LP are learning how to do it, so they are really collaborative, they are involved in the investment decision, they help with the screening of companies, they help with the due diligence, they actually do some of the work of the fund, but when a decision is made, that we are going to invest in a company, everybody has to invest unlike in the angel network were every investor decides if she wants to invest or not. In our, everyone invests if we decide to.

*How many angel members is your fund made up of? What is their profile (ex. average age, professional experience)?*

We have 64 LP but those are not individual, we are certified as social impact fund and as a result of that certification, we were able to have institutions involved that want to support social impact issues. We call ourselves 64 entities of which 1 of those is an institution, and some of them are families fund or some other kind of legal structure.

*What is the process to be accepted as an angel member of the fund? Any fee to be paid to be a member? Any process of referral from current members?*

In USA security in exchange commission has several requirements, as to how much wealth or assets that you need in order to do this kind of investing, so people are certified, but the only other requirement is to believe and support our mission. Our mission is that we are going to make capital available to female entrepreneurs. Then they have paper to sign and fees to pay and they are in.

*Why do you think should a woman enter an only women BA fund instead of a mixed one?*
Because this is new for many women, women are really underrepresented in angel group in general, maybe because those groups could not be much welcoming making women feel intimidated to be in a group of men who might be experienced doing this. We also find that the fund structure is very good for women because we tend to collaborate a bit more than men, so being part of a fund structure gives women the opportunity to work with each other and to leverage each other with making the decision about where should we invest or should we not. I would say this though because even if we are a majority of women investors (mens are 8 out of 64) we also have a number of men investing, who are also part of other angels group, but they believe in our mission and how we do our work; we have also couple of husband and wife teams which is an opportunity for them to work together. We have promoted ourselves to say that this is a comfortable space for women, to be able to advance the mission, but also to personally learn how to engage in this type of investment.

*How many investments do you make on average in a year? What does it depend on? Do you only invest or you usually take care of the companies you invest on, helping them?*
In our first fund we invested on 14 companies. In the second fund we are in year three now and we have invested into 10 companies by now.
We generally invest in 3 to 5 companies a year. This year we only made 2 investments, even though we have tried to actually work despite Covid-19; things have been slow, because we've gone totally virtually and the participation of our members has increased because of working from home.

*Has the Covid-19 crisis affected the way in which you usually invest?*
We didn't change our kind of investment specifically for Covid-19 but of course there are different opportunity that have come up but we were pretty brough in the types of companies we wanted to invest in. We like to invest in companies where we have some expertise in but because we have 64 people in this group, we are pretty brought expertise.

In our first fund we only had 24 people and we didn't have a lot of consumer package goods experience (retail experience), because even though we invest nationally and we have LP (they don't have to live in Michighan), because of network many LP actually are in Michigan, and if you look at Industry in Michigan, many of us are part of automobile industry, healthcare, our tendency has been to invest in industry that we know. But since now we have 64 LP we invested in food and beverage, we've also invested in a company involved in retail. Covid-19 has changed how we work with our portfolio companies, obviously many of them had to pivot they business models, so we helped them to raise a bridge round, because they needed cash, because customers used to pay in 60 days, now because of Covid-19 they pay in 120 days.

*Tell me briefly about the investment process: Which feature makes you realise that the startup could be a good investment? What are the criteria considered to screen start-ups? Do you usually invest in a peculiar sector? Which are the main sources of information used to pick up investment opportunities (ex. information from website applications, or that comes from other members, VCs, incubators…)?*
We like to be rather active investors, that doesn't mean that we want to micromanaged them but we want to be more than a check, we want to know if we are first money in (with equity of course), we help them set up a board of directors, maybe a three people board (very small), often we take a board seats and we help them start to establish a good governance procedures. We also ask how can we help, we have a strong network, sometimes we can make introduction to potential customers or potential suppliers, we have a lot of expertise, in our fund we have a kind of people who are entrepreneurs themselves and maybe that are CEOs so they know better how to help. Companies become part of our family.

*Do you have an educational program to teach investors how to be Business Angels? If yes, how does it work?*
We do some advance with our limited partners to educate BA, in our first fund we created our own train, but we found out that so many other organizations that have good information that we can just leverage. We are part of groups in the USA like ACA (Angel Capital Association), we are also part of the Michigan VC Association and then we are

also part of a nation-wide network fund, the largest group is called the Golden Seeds (started in New York in 1990) by a number of women.

*Do you co-invest with other Business Angel funds or with VCs?*

We always try to syndicate our deals, because we think that we can help a company to raise their fund quickly is in them and in our interest. We syndicate in two ways. In the fund that we made there are two of us that are general partners. My partner because of her work, has very strong network within the State of Michigan so she participates every month with 7 different angel funds or early stage funds in Michigan, they share deals so we can syndicate in that way. I, in the other hand, participate in syndicate through the ACA were there are 27/28 funds that focus on women and gender diversity, we do a call once a month. And every time we invest in a company, I try to reach out the other investors, because we want to know who the other investors involved are. We share due diligence.

*What do you think about the present policies in place to support angel financing (e.g. tax incentives, state contributions)?*

It could be stronger in my region. In USA a lot of the policies are more local, there are local policies that impact in the way people do this kind of investment; for example, in California there are very favorable policies, it is no coincidence that many people start their activities there. The area to start with is make it easier for example with tax policies (the tax on money that you invested and on the return you get, can have positive or negative forces).

*Are you aware of any policies that are going to be implemented or that have already been implemented in your region/ country to promote BA investments by women?*

I belong to an international women's organization that gives the opportunity to go in many places around the world, every time I had the opportunity, I talk about it. The biggest impediment that we have in USA, as women, is the fact that when you are an entrepreneur here, you are on your own, in USA you do not really have good social services, and entrepreneurs don't have the health opportunities that people who work in big companies have. The problem with entrepreneur is that on one hand you can find very young people, who are at university and have parental support, on the other one you can find people with a successful career that made money in their main career and are embarking on a second career.

In other countries like Sweden the typical investing women have 30-40 years, they have worked in their profession for 10/15 years and have a good understanding of the business in their industry, these women have children, families, and when we speak with them, we are kind of “Hey, there is a lot of risk involved!! How can you pay your children college, how do you pay health insurance?”. This problem does not happen in their countries because of their national policies!
One thing they talk about at the ACA is even trying to figure out, if is there a way to let entrepreneurs go after affordable health care. When you are 28 years old and without children you may say “I take the risk” but there are social policies that make entrepreneurship heavy especially for women. Some have a husband with a job, and health insurance, with savings for the children's college and therefore have no problems.

*Do you think the creation of only women networks could influence the policies?*
It could, someone says to us “The only way you gonna drive change is you need to diversify”, I don’t think this is the only system. It was a hard decision, you know, to focus on women. We are going to develop forms that value diversity and have forced a diverse and that is why we start the network the way that we did. Are we doing this system of service because we are segregated? We have man, in 64 partners we have 8 men, they are in minority, it is a good thing for them, I guess our philosophy is you can implement what you can implement. We cannot solve all of the problems for the country or in the world, but I can assure you that for the 10 entrepreneurs in second fund, we have changed their trajectory and their ability to make the difference.

*Do you think being a fund helps to reach more women compared with business angel groups or networks?*
I think because we focused on women, on gender diversity (the companies we invest in have at least either a female CEO, or a woman that have an ownership position).

I like the fund structure because we all know what happens to money and we make decisions. From an entrepreneur perspective they like that because elsewhere (for example Golden Seed) there are too many meetings, presentations or other, but then only three people decide, it is too centralized.
There are two ways in which we invest:

- We have a fund, we usually invest between $200 and $250 thousand, and since there are 64 of us you should do a lot of checking, then we set up a side car fund; if you like this company, the check size is small, if you believe in this company you can put more money in the side-car.
- We have another example, a fund that is not a sidecar, in which we have invested $400 thousand but the sidecar has generated about $600 thousand: in total with the two funds we have invested $1 million in this company.

We make events twice a year in which we invite all entrepreneurs, socializing kind of event: the more an entrepreneur develops relationship with individuals among the fund the more the investors can think “this is a good company for the next round of investment”.

*In the side-car fund, who can invest? only limited partners or others?*
We have opened it to other people but we do not want to complicate the cap-table, because we invest a lot of money and do not want to toil, we let other angels that are outside the fund to invest in side-car just paying a little hiring fee, because we have to provide all the documentations; nobody has taken advantage for that.
We do not ask for special requirements because we are a small group.

***Belle VC Interview*** - Barbara Boxer, General Partner

*Which are the main differences between Business Angels Funds and Groups? Do you follow different processes? Do you feel more to be like a Business Angel or a Venture Capital? Why?*

In what you call groups vs funds, the funds have a structure that does all the due diligence (DD) for the LPs (Limited Partners). In groups the LPs do their own due diligence and decide based on their DD to invest or not. In a Fund there is usually an investment committee who has the expertise or knowledge to do the due diligence on the industry and the potential investment. Belle Capital USA operates more like Venture Capitalists.

*How many angel members is your fund made up of? What is their profile (ex. average age, professional experience)?*

Belle has about 75 members and the age range are from 35-75. All difference professions are represented from lawyers, doctors, bankers, financial advisors, real estate agents to non-working women who have college degrees.

*What is the process to be accepted as an angel member of the fund? Any fee to be paid to be a member? Any process of referral from current members?*

All our investors have to be accredited investors and sign that they fit that definition. Basically they make $250.000/year or combined assets with partner, spouse of $375.000 and have $1 Million in assets besides their home. This is something you can look up in the US Federal regulations or google definition of accredited investor for Angel investing. Referrals from other LPS are accepted, but each potential LP is interviewed by a General Partner. Each LP commits to invest $100.000 based on when a call is made for an investment. We have several LPs that have 2 units.

*Why do you think should a woman enter an only women BA fund instead of a mixed one?*

I believe women only funds have similar values of helping other women. I believe women listen to other women better when it is an all women group instead of mixed. Women enjoy being with other women and gain an energy from women to women discussions.

*How many investments do you make on average in a year? What does it depend on?*

We made 2-4 investments per year one a 3 1/2 period. It depends on if the companies meet our criteria and we have enough bandwidth to do the DD with our LPs and General partners.

*Tell me briefly about the investment process: Which feature makes you realize that the startup could be a good investment? What are the criteria considered to screen start-ups? Do you usually invest in a peculiar sector? Which are the main sources of information used to pick up investment opportunities (ex. information from website applications, or that comes from other members, VCs, incubators…)?*

Due Diligence list:

- Corporate records
- Intellectual property
- Material agreements
- Personnel and employee benefits
- Rights, permits and other regulatory matters
- Litigation, investigations and other disputes
- General financial information
- Cash/investments
- Property and equipment
- Purchased and developed software
- Accounts payable and accrued liabilities
- Revenue
- Product expenses & other operating expenses
- Taxes

*Do you have an educational program to teach investors how to be Business Angels? If yes, how does it work?*

We have semi-annual LP meetings pre Covid-19 and we had educational sessions at those. Plus each region had dinner meetings that we invited speakers to, like a CPA that educated us on spotting red flags in a P+L statement for example.

*Do you co-invest with other Business Angel funds or with VCs?*
Yes, we co invest and syndicated to other Angel groups our portfolio companies.

*Has the Covid-19 crisis affected the way in which you usually invest?*
We stopped investing before Covid-19 hit so not applicable question to our Fund.

*What do you think about the present policies in place to support angel financing (e.g. tax incentives, state contributions)?*
I support Angel Tax Credits because they encourage people to invest in start ups. I have spoken and written on this and will send you my article on this subject [Krista Tuomi & Barbara Boxer (2015): The costs and benefits of early-stage business tax credits: a case study of two US states, Venture Capital: An International Journal of Entrepreneurial Finance].

*Are you aware of any policies that are going to be implemented or that have already been implemented in your region/ country to promote BA investments by women?*
I am unaware of any policies that promote investments by women vs men and women to promote investing in start ups.

*Which improvements would you make to incentivize woman participation as angels?* Ideally, what kind of policy would you like to introduce? Which are the best forms of support and incentives that would encourage angels (and especially women) to make more investments?

*Do you think the creation of only women funds could influence the policies?*
I believe women have to commit and reach out to other women to support black and minority entrepreneurs. Women who are Angels have to get on boards of their portfolio companies and help advise the women entrepreneurs in the C- Suite of the company. This is how women in women only funds influence policies. Also, women investors getting involve in speaking and writing articles as I have done will and do influence policies.

***Citrine Angels Interviews***

<u>Aurelia Flores, Executive Committee Member</u>

In the meantime, our angel group is very new - we've only been in operation for one year, so take these answers with a grain of salt, since I don't know that they'll be our 'averages' - rather, they're what happened during the first year.

*How many angel members is your group made up of? What is their profile (ex. average age, professional experience)?*
Over the first year, we've had 47 members. Since we just started going through renewals, hard to say how many will stay, and how many new members we'll get. I don't have a profile of the women since we don't collect data on them specifically, but I would say most are over 45, but not all, and unsure the breakdown after that. They come from professional careers, and some are in corporate, but many have had their own businesses (after being in corporate settings).

*What is the process to be accepted as an angel member of the group? Any fee to be paid to be a member? Any process of referral from current members?*
Anyone can join our group that wants to. We specifically made it very open. There is a current membership fee of $875 (we expect that fee to go up in the next year or so), and every member has to certify they are an accredited investor. We do not (yet) require a specific amount to be invested per year (similar to other groups), but it is under discussion within the Board.

*Why do you think should a woman enter an only women BA group instead of a mixed one?*
We know that women behave differently when they invest, and since the majority of angel groups are majority men, we wanted to make this group open and welcoming to new angel investors. Many of our members who have been in other angel groups say they were one of only one or two other women among dozens of men. So this makes our group quite

different. Additionally, we focus on investing in women-founded startups, so we understand the needs and outlook of the founders as well.

*How many investments do you make on average in a year? What does it depend on?*
Over the past year, we invested in 4 companies. Investment decisions are made by individual members, NOT as a group. So, anyone is welcome to invest directly with the companies that pitch to us. Additionally, if a member cannot (or does not want to) invest the minimum the company requires, several members can come together to invest via a Special Purpose Vehicle (SPV), set up specifically by several people to invest in a company. For example, say a company's minimum is $20k, and a member only wants to invest $5k, she needs to find 2-3 or 1 other person to invest with her to make up the $20k. So, investment depends on how many people in the group are interested in investing, how much they want to invest, and how committed they are to the project. We won't even take a company into due diligence unless they're a number of people interested in the company.

*Tell me briefly about the investment process: Which feature makes you realize that the startup could be a good investment? What are the criteria considered to screen start-ups? Do you usually invest in a peculiar sector? Which are the main sources of information used to pick up investment opportunities (ex. information from website applications, or that comes from other members, VCs, incubators…)?*
We have a standard application process (you can see on our website). once someone submits, their application goes into a screening process. If the company looks like a possible good fit, they get a pre-pitch interview where they do their pitch for a screening committee and then are asked questions. The committee decides if they pitch to the whole group, and then the group decides if they're interested.
You can see our minimum criteria to consider a company on our website - good traction, some investment, etc. - but we do not limit our investments to any one industry.
Re our deal flow, we get recommendations from other groups in our geographic area, we source deals from a group who helps us find them, members refer companies to us, and we look at all applications that come through our website.

*Do you have an educational program to teach investors how to be Business Angels? If yes, how does it work?*

We have education sessions, but we're not set up as a 'bootcamp' to teach women to be angels. I do recommend that women go to Pipeline Angels for that (another organization). That said, we do have meetings where we give people information about investing, the terms, the process, etc.

*Do you co-invest with other Business Angel groups or with VCs?*

We definitely join in other investments with other groups if members are interested. We post opportunities on our internal message board/forum.

*Has the Covid-19 crisis affected the way in which you usually invest?*

Pre Covid-19, we used to have in person meetings, and since the pandemic started, we've only had remote meetings via Zoom.

*What do you think about the present policies in place to support angel financing (e.g. tax incentives, state contributions)?*

I don't know of policies or actually any governmental institution that encourages angel investing. My sense is that government doesn't know much about it or understand it.

Regarding tax incentives, income from angel investments does get treated differently than regular income. That is, we're taxed at the 'capital gains' rate, which is generally different than the 'ordinary income' rate. But all investments get treated differently. So, it doesn't matter if I invested in the stock market or an angel investment. The income that comes from investments gets treated differently.

If you're doing a more in-dept dive into whether or how tax law would affect angel investment, I don't know how many women who qualify as accredited investors have intense tax law knowledge, and if/how it drives their decision-making. I don't think, however, that it would incentivize them to invest as an angel any more than any other type of investment. Hope this makes sense.

*Are you aware of any policies that are going to be implemented or that have already been implemented in your region/ country to promote BA investments by women?*

I do think that our startup eco-systems need to share information about women investing, as well as other under-represented groups. For example, when we put on a panel about women angels, we made sure the panel was diverse - had two Black women, one LGBTQ. We also work to keep our angel group diverse as well - not just in membership, but in governance.

*Which improvements would you make to incentivize woman participation as angels? Ideally, what kind of policy would you like to introduce? Which are the best forms of support and incentives that would encourage angels (and especially women) to make more investments?*

When you asked about 'policy' I thought maybe you meant different kinds of things. For example, we do have 'Opportunity Zones' that an investor can invest in that gets *extra* tax advantages (over and above the capital gains tax rate), and I could think of how that might be applicable to angel investments to women, for example. But never considered that before and would have to think about it a bit.

I'm sure if there were a number of incentives to do this type of investing, more people would know about it since it would be discussed more frequently.

*Do you think the creation of only women groups could influence the policies?*

So I think that those of us in the eco-system need to encourage more to join. I also co-host a podcast where we talk about the importance of diverse investors.

<u>Stephanie Marshall, Board President, Due Diligence Committee Chair</u>

*How many angel members is your group made up of? What is their profile (ex. average age, professional experience)?*

40-50 members, wide age range, most have professional experience (lawyers, doctors, corporate executives, women-business owners, consultants)

*What is the process to be accepted as an angel member of the group? Any fee to be paid to be a member? Any process of referral from current members?*

- Our membership fee is $875
- Members do refer other members
- Requirement is that they are a female investor, or identify as female

*Why do you think should a woman enter an only women BA group instead of a mixed one?*
No preference - diversity is good all around

How many investments do you make on average in a year? What does it depend on?
*We launched in Sept 2019 and have made 4 investments in the first 6 months. Would probably have made more if it weren't for Covid-19.*

*Tell me briefly about the investment process: Which feature makes you realize that the startup could be a good investment? What are the criteria considered to screen start-ups? Do you usually invest in a peculiar sector? Which are the main sources of information used to pick up investment opportunities (ex. information from website applications, or that comes from other members, VCs, incubators…)?*

- We invest in all sectors as long as there is a female founder, female led, generally US mid-Atlantic region
- We have a Gust application, build relationships with the ecosystem, and get referrals from members

*Do you have an educational program to teach investors how to be Business Angels? If yes, how does it work?*
Yes, we are members of the Angel Capital Association as well as host our own education sessions

*Do you co-invest with other Business Angel groups or with VCs?*
Yes

*Has the Covid-19 crisis affected the way in which you usually invest?*
Yes, we cancelled our March meeting and investment slowed. I think that will change.

*What do you think about the present policies in place to support angel financing (e.g. tax incentives, state contributions)?*

Would like to see more tax incentives for angel investors to reward the risk.

*Are you aware of any policies that are going to be implemented or that have already been implemented in your region/ country to promote BA investments by women?*

I am not aware of any incentives to invest in women other than it is good business sense.

*Which improvements would you make to incentivize woman participation as angels? Ideally, what kind of policy would you like to introduce? Which are the best forms of support and incentives that would encourage angels (and especially women) to make more investments?*

tax incentives, education

*Do you think the creation of only women groups could influence the policies?*

Yes, absolutely. That said, important that men are part of the conversation and need to be part of the solution

***Investing Women Interview*** - Jackie Waring, Founder & CEO

*How many angel members is your group made up of? What is their profile (ex. average age, professional experience)?*

So at the moment I think we have a couple of people joining, I think it's 10 since that some people join profile and then maybe move, and so in total if we had probably 10 a year or more than that, so we are at least 40. It's been because there are so few women angel investing and obviously, we have to find a weapon to begin with, so that's it, we're not huge yet but it's growing. About half, more than half I think, of our players have run their own company, some of them are still running their own companies; we have quite a few professionals and we have people in very specific professions, like bio-scientists and I think I've only got one physicist. I think members coming on board here are, for example, very senior women and worked across the public and private sector, in a very big talk rules, they are extremely well connected and that's very useful for doing the network.

*What is the process to be accepted as an angel member of the network? Any fee to be paid to be a member? Any process of referral from current members?*

So this is a legal requirement here, in the United Kingdom, it's that people have to possess a self-certification and it's really just a form. They are high net worth individual or sophisticated investors, and I think that both those terms takeaway many women because for instance high net worth makes it sound like you have to be a multi-millionaire and you don't have to be a multi-millionaire, you need to have enough money that you can afford to worst case of lose whatever you invest; but in reality you don't lose it all because of the tax environment could probably come back to them. For instance people who have been really well paid jobs, which qualifies high net worth, also need other conditions to be up to investing, such as understanding the rules of finance, because all of that self-certification is all about just government protection for individuals so that was basically signing to see: "I understand enough about investment and I understand the risks and I know that it's not just give money and know what's trying to fool me". Our lawyers keep a register of angels to do a quick check to see that the people haven't been struck off as a director, and then they have to sign like a membership agreement which is really about

ethics and about confidentiality. Then in our membership we have some extra things in there which are about supporting female founders and wanting to help. So people just have to do the documentation but they can come to a meeting to see a pitch as a guest and they can listen and speak to the other to make their mind up and then they do the documentation: they can't invest until they've done the documentation and we have a deal management platform which is for startup and all of our members and they can access documents and communicate with companies each other which is really useful. There is an annual membership fee that's actually not really high enough, it's 350 UK Sterling and then there's BT on top of that so it comes to 420 pounds that's what it costs per year.
People do not know that Angels groups aren't just a membership organisation with members but there's a lot of administration that we thought behind the scenes: for example people that we need to pay and so there's a membership fee going towards to cover the costs.

*How many investments do you make on average in a year? What does it depend on?*
So we have being investing for five years now, with backed 19 companies, now in the process other two actually pipeline, so right now we'll go up to 21 but if we concentrate on the 19, we've done multiple investments, our forward is not fine with our longest standing company which is a biotech company, they need to raise lots of money in that sector. So in I think I'm right in saying it's no probably over 40 actually investment ratings that we've done.

*Why do you think a woman should enter an only women BA group instead of a mixed one?*
This is very interesting because some of the women that have joined our group, and I always speak to all of the new members well ahead of them joining. Some will say: "I'm really interested in investing, but I don't know about all women". And many are quite cautious of it and I've had a number of women who have said "Oh great, all women, this is super I want to do this!" so you get different approaches to begin with.
But what we found without exception is that even the women that have been slightly unsure of that, probably because they've had maybe not so great experiences of things that have been 'just for women' before. I think [the women] haven't had a high enough

aspiration level. But when they join, they have all said they are so glad of women on their group because they love the dynamic and we get paid back. All the time entrepreneurs told us that they see a very different dynamic with our view from what they see was predominantly male group which have some women but maybe one or two and not enough to really change the dynamic; and the dynamic of female group is massively interactive and very supportive and that's what we get back from entrepreneurs: they see us healthy even if you can't invest and you will have members should be volunteering to give them a little bit of time to make connections and they don't get that from the other groups, necessarily something but not all. And then there is the dynamic with each other, so our members are just loving the networking with each other but it's more than networking it's very much of giving each other support and it is very useful and also we find that everyone wants to learn all the time and so we're hungry for the knowledge and there's no complacency that and I have seen this in other groups maybe; I think things are getting better in some of the other groups in the early days but there's no hunger for learning so I think it brings to for there's no calendar for learning and I think that it also make some kind of blind to see some opportunities.

*Tell me briefly about the investment process: Which feature makes you realise that the startup could be a good investment? What are the criteria considered to screen start-ups? Do you usually invest in a peculiar sector? Which are the main sources of information used to pick up investment opportunities (ex. information from website applications, or that comes from other members, VCs, incubators…)?*

Opportunities come to us from many places, we have a separate company that runs, AccelerateHER, thanks to which we do a lot of work to help great female founders really to get ready to grow their companies, to full understand, to pull together really good proposals for investors, that a woman should get them in front of investors, not just ask, as we're not big enough to mark everyone but we encourage them to go elsewhere.

We have started now, it takes time to develop that, we usually give priority to the companies led by women. We get to know about some start up thanks to other angel groups, also there are the festival sites that are almost useful because quite often means that due diligence process of checking paperwork and everything is basically right.

Another way to meet some companies are events that now are digital, but it's still better to almost oversee the pitch of the companies.
We occasionally invite companies that we've seen, that we know are starting to look for money, to come and give us the information, as we like the look of them and then there are the people that just make an approach without any background and they would be well.
In all cases, we will ask all of the companies to upload some information and register to some questions and answers on our platform and then from there we have a screening group that used to be the old way with a gatekeeper.
From day one I never liked that because I always felt that was absolutely limiting, you know what might look cute by the knowledge of one person that's not getting us because none of us know enough; so we have five members of our group on a voluntary basis forms and they looked at what we've got, maybe some of the companies are not ready yet so we will be back to the type of account, there are others who are ready but maybe it doesn't look attractive enough but we still try to help them and we make a donation.
Once the company's system is good, it's ready and looks attractive and we decide that the business can be solid enough, we put them in front of the investors and then from there we have companies to pitch to us. Almost there, documentation becomes visible to all of our members of the platform so ahead of them coming to talk to us, the investors ask the last questions. We usually allow companies to pitch in front of us six times a year; we try to keep the pitch of all the companies.
From now on, we are testing altogether the details of how much each member wants to invest and it depends if we are the angel group that is leading on the investment which is usually forever spitting the most money yet, because we're still small and growing, we have led but you know more often for coming alongside other angel group, in that case is a lot easier because we just followed their process, there's the anti-money laundering checks that have to be done, every time of the investment need. There's process with documentation that you have to sign up to and eventually there is a term sheet with the company, that's the starting point they had promised investment agreement and in between there may be some extra due diligence done on the company and that information is shared with everyone. Everyone signs the documents and the funds are transferred to the company on the day that that's all signed off.

We are not a fund, so we do invest together and the amount we invest we total-up (add together) but on the companies share table, the cap table as it is referred to, we all appear as individual investors. It's completely individual decisions every time, never an obligation [to invest].

*Do you have an educational program to teach investors how to be Business Angels? If yes, how does it work?*
We have some general open sections, which are very top level, but just a little bit top line information about being an angel investor, that anyone can come and join us. Once people are members, we have one of our members that [she] leads on this everytime, her background was in investment banking, so she is really good at delivering these sessions. We have something we called Intelligent Investor, it's not expensive program, it’s just a kind of common sense and good practice and then we have regulars get together (on Zoom now), people get more comfortable they understand how other people make their decisions, what they look at, we don't have endless resource so we do a massively extensive education for people, and there's a lot of material that exists online, some of that it's really good, so on our platform with our members, we are giving them links to videos and information that they can look at as well just to talk their knowledge.

*Do you co-invest with other Business Angel groups or with VCs?*
I think we've done all these things actually.

*Has the Covid-19 crisis affected the way in which you usually invest?*
It definitely affected, the interesting things is that the ones reacted worst were definitely Venture Capitalists. Two of our companies, they are both biotech companies, so big sums of money involved, one of these companies actually had their settled documents that needed signing with a venture capital organisation in the USA and one of them would actually have been signed, even partially, but since Covid-19 has started, Venture Capitalists just walked away so we didn't order any agreement which left the company in a terrible position because of course they start to get more stuff, there are very high cost operational in clinical trial, in the middle of clinical trials, so that was really difficult: they had to take some quite radical action and to survive they came back to the obviously

smaller angel investors and others in the network including some extremely wealthy individuals that will invest in the biotech sector and they have the knowledge because they have been medical partners themselves.

Between them and us and the Scottish Investment Bank, that is funded through the private sector but comes in alongside private investors, we were able to raise 3 and half million, with the company which wasn't the amount that the VC were looking at, it was bigger. But it’s enough for that company for the next year and they are also doing clinical trials for Covid-19, and it will complete funders trials and actually that may have created a new opportunity for that companies, quite exciting but very difficult to the companies to understand, really quite advanced companies that has happened to and it has been venture capitalists everytime.

The angel investors in Scotland, all of us have problems when Covid-19 came along and every single one of those commitments were followed through one; there were new dropping off companies at all and some of the Angel investor groups haven't stopped at all, we've been really busy, some of the other Angel groups haven’t be looking at any new opportunity but they continue with their commitments with the existing companies. So that’s what happened this year and actually, it's been exceptionally here in Scotland because there's been more activity than normal and so that's good but it is very difficult for any companies, that are raising for the first time and they haven't yet got a relationship with investors.

*Do you invest more in a Covid-related sector?*

Before Covid-19 we have invested in biotech companies and it is relevant, but you know some of the investments that we're looking at are technology and in fact they had new opportunities because of Covid-19: one of the companies come up with a new sort of contactless type of technology and with an application, nothing to do with Covid-19, and they have seen a big demand.

I think it's just looking longer term, where the longer term market opportunities are going to be in health, digital, biotech, life sciences are definitely very big, always have been big, but are going to be even bigger for the future, for example technology based companies, there's generally speaking a lot of opportunities there.

*What do you think about the present policies in place to support angel financing (e.g. tax incentives, state contributions)?*

Sadly, none of these taxes are for women only, but Scottish government it’s been very good trying to supporting women entrepreneurs in Scotland. A lot of activity actually has support from Scottish Government, they put money into it, so that allows us to do a lot of activity, that's more for the entrepreneurs. For Angels it’s really hard just having to use our network to get to them, we don’t have the usual events, we do things in the media, so it's hard work.

The tax incentives that all investors get, not just women, in the UK are probably the best globally so that's why it is good for investment in this country; there's the Seed Enterprise Investment Scheme (SEIS) and the Enterprise Investment Scheme (EIS) and the first one is for earlier stage companies and they can take up to £150.000 worth of the investment under the scheme and then the actual benefits are for the investors: so if for instance I invest £10.000 into a company within SEIS if I was paying income tax, I could receive £5.000 worth of that base with 50% back.

Enterprise Investment scheme it’s same but it's 30% that you get back and that's for companies that have therefore established big amounts of money, they have been around longer, so most companies qualify for that.

The really big game is if you leave your money in those companies for three years or more and the company has a successful exit, and there is a profit, I'm not saying for everybody, most, if not all of that profit for investors, is tax free. Some of it has to be rolled over [keep using the money] you have to use that money to do other things. Sometimes I think that people maybe imagine that investors might take the big risks and this is the riskiest end of investment, so there really should be some rewards but it’s not just about the financial rewards, it’s actually about risk mitigation and it takes the level first down and that it encourages more investments, it's a very clever scheme.

*Which improvements would you make to incentivize woman participation as angels? Ideally, what kind of policy would you like to introduce? Which are the best forms of support and incentives that would encourage angels (and especially women) to make more investments?*

I imagine, in an ideal word, if there were any extra tax to help women specifically, I don't know how well seen that would be in the larger community, I mean government can do a lot to promote this and actually, the government probably can involve more actor, for example banks, to level up the investment. I think that to do that, you need more women Angels, you need more women investors and I don't think anyone's really, the Scottish government, love to hear all our statistics, about Angel investment even if they are very encouraging.

Another thing it's not tax, it’s about putting money into the awareness raising and for the education side of it. That for us we're limited by having so little resource, in the Angel group, it's hard to get your head around because the angels themselves might have money to invest and say “there’s a lot of money in that!” but the operating of it there's hardly any money in it at all. It makes it hard to pay people to do lots of education so we can just do ourselves, amongst ourselves, because we do have the money to do it, so that probably would help, can go into that whole education system and initiatives, programs that could be run at the more social media attention around, that would really help.

***Neome Interview*** - Orit Alperovitz, Co-founder and CEO

*How many angel members is your network made up of? What is their profile (ex. average age, professional experience)?*

Well, we currently have in our club around 52 or 53 women, they come from very multidisciplinary background, we have women from the High-Tech which have very extensive technical experience and know how, we have lawyers, we have accountant, we have doctors, physician, we have women from the pharmaceutical, from biotech, in general people from the retail, food and fashion, PR marketing. I think that the main advantage is that for almost every startup that we review, we have an industry expert in the club so it is easy for us to evaluate really the problem, the needs and whether the solution is really a good answer, what will be the implications of the company that requires inventing lots of efforts, time and money. I think that the fact that we are not a club that is addressing one sector gives a lot of advantages in the due diligence.

*What is the process to be accepted as an angel member of the network? Any fee to be paid to be a member? Any process of referral from current members?*

First of all, there is a regulation: in Israel not everyone can do private investing in startups so they need to meet certain criteria to be categorized as eligible, classified or accredited investors. We do also have an option to include up to 35 women who are not accredited, usually we leave this part for young women at their early career stage that want to enter our network and also learn how we do an investment. So first we have the regulation, second thing for women in high positions that can really contribute to the growth and the success of our investments and third one, they do have to pay an annual membership fee, do at least one investment in here.

*Can you tell me more about young women? How do you find or select them?*

Basically most of the time they are reaching us, sometimes we do encourage our members to bring with them their daughters, if they have young daughters at the age of 20 and above, we encourage them to bring them along because we believe that what you see, then you would believe you can do it. We believe that we need also to educate our daughters and give them the role model of women investors. There come doctors, or members or mostly young women come from the high tech industry either that are working in some very high tech company or they come from accelerators or incubators and they would like to have the broader picture of how you really make your assessments and how you decide to invest in companies.

*Do they also have to pay a fee?*

Yes, they pay a fee but what we do up today is we all pay the same fee. We start something new: we built an educational program, so they will pay an extra fee for the educational program, and then they will have the ability to have access to our meets and all the deal flow that we share with our members and all the other teams events that we have and will bring a lot of contact, so they will have a full length free access to that furniture.

*Why do you think should a woman enter an only women BA network instead of a mixed one?*

Well, at the beginning I never thought that I will establish something that is only designated for women, and I come from the financial industry, I'm a lawyer, I worked also in big financial institutions and I never really thought gender as an issue until the last 7-8 years: I worked in one of the big global enterprise and then I actually saw few issues. First, I've noticed the man clubs, how they really support each other and how it works when one is being promoted, all his team is going with him and they're all male. Second I learned that for all the investment events, where we invited women always to joint, they never really raise their questions during the event and they would come after the events and provide us with a question, which, by the way, were very good question, but they were not sure if they are really good question or they will look very stupid asking. So I understand that there are some barriers for women when it comes to thinking about money, about investment, they feel that if they have not learned it, in diversity, they might not be very good investors, so we understand that we first need to create the environment. It came out a female investment club giving them the confidence in what they need, in order to feel that, they have the skills and know how. I pretty much hope that in the next few years we can also open our club to male angel investors to participate because then it will not be any longer an issue and by the way, already today, some male Angel investors join our investment, they even choose to invest under our umbrella structure but they are not part of the club.

*Tell me briefly about the investment process: Which feature makes you realise that the startup could be a good investment? What are the criteria considered to screen start-ups? Do you usually invest in a peculiar sector? Which are the main sources of information used to pick up investment opportunities (ex. information from website applications, or that comes from other members, VCs, incubators…)?*

We have few processes: there are companies that come into the club through our website, members, personal connections, other VC we coinvest along with, other Angel investors and so on. We created a group of leading investors out of our club, they are 12 females who have extensive background in investment or extensive background in business, they let companies, they were entrepreneurs themselves, they made an exit, they invested in more than five companies. Basically, together with them we try to evaluate a company. So we start with lead investor who find a company that comes through our channels, very interesting, she will take the lead of that investment and then we have two option:

- we can carry all the due diligence process and before we bring the company to pitch in front of all members; this is the case for an early startup, pre-seed or something like that; then there's not much really to look into, it's usually to evaluate the team, the value, it's really the market, the market size and the potential of the product and then she come with the conclusion and, if she decides to invest, she will present the company. The company will come to pitch, we open the discussion for Q&A to everyone and then she will present her conclusion from the due diligence she feels, so she will say that she is interesting, she decides to invest and call for other Angels to join her. This is the first case but it's a very early stage company.
- There are some other cases when there are more progress, if we have the lead investors interested, then with the company we make initial checks on the market and the potential, then if we decide it's interesting we bring it to pitch before the entire club, and only there is a majority of female, for at least $150k, and checking the disinvestment with stablish due diligence team and go forward due diligence process. Then if the due diligence process in the team is positive and they decided to invest, they summarize their conclusion, their pros and cons into the due diligence report and then they do a general report that will be brought before all members; and again those who already said that they were interested now will

give their commitment size and those who didn't were, they have the opportunity to change mind and to jump in and join.

*Do you co-invest with other Business Angel networks or with VCs?*

Yes, we also invest with some groups or VCs abroad, less with institutional partners because we invest in early stage companies, from pre-seed to A-round, while institutions mostly do invest in much more progress stages. So we basically mostly invest with VCs that focus on early stage companies, or with other angel investors or similar groups like Neome. For example, with Golden Seed in the USA and we invested in Israel with other VCs and other angel investors.

*Has the Covid-19 crisis affected the way in which you usually invest?*

No, I think it did not affected the way we usually invest, I think that at the beginning it impacted on certain members who told us that they decided to put the investment on hold until there will be a better understanding of the economic effects of the Covid-19, so there are members who decided not to invest. In my view, I think that Covid-19 brought many opportunities, so even valuation got more reasonable and very good companies that ran out of money and then needs urgently money and you can invest. In the other hand we were more selective. What we did was that we looked into companies that are not nice to have but must have. So I think that's the way it impacted and, by the way, we closed three investment since the Covid-19 has arrived. So I think we became more selective, some member decided their account and then we do search and we do believe that opportunities and also valuation can get more reasonable.

*Did you invest more in Covid related sectors?*

We invested in life science in this very advanced search engine, two months before Covid-19, disruption was crazily high during that period. We did invest in Telehouse: it's hearing tests that can be done through your mobile. After the test the hearing tools is being installed in your device and raised the audio so you hear better and since the Covid-19, because we use more Zoom and we use many other remote communication, that improves the way people actually can hear their conversation if they had hearing issues, so you

don't need to use the volume anymore to increase it or decrease it, it actually gives you the right level that fix your condition.
We closed another deal in the foodtech: it's less connected to the Covid-19 but it is also a company that develops very unique technology based on enzymes then now has to break all the sugar locals in fresh juices and they reduced the sugar level by 80%. It is the only solution today that really dissolve all the sugar molecules fructose and glucose from the juices.

*What do you think about the present policies in place to support angel financing (e.g. tax incentives, state contributions)?*
For Angel investment there are no policies that supports female investments or increasing number of women that are involved in the investment industry, there are many other programs for female entrepreneurship. I think we tried to initiate a discussion with the authority of information in Israel but it didn't work so good, maybe it's time for us to reconnect with them. There is one very old tax regulation, but it only focuses on a deep technology so if the startup is not considered deep-deep technology that require long hours of developments you will not be able to enjoy those steps. So unfortunately, up today none of our investments are under this and we didn't enjoy tax incentives.

*Do you think there will be some kind of improvement to incentivize  women participation?*
I don't see it in Israel unless we fight for that, I don't see anything that is really down, basically when we established Neome that was our agenda, our goal is to increase the number of women who are involved but we even didn't succeed to get any sponsorship from the local bank so others because, I think, the conception or the assumption is that if a woman has money to invest she doesn't need our support, they said, this is the assumption. What they don't understand is that we need to motivate those women to actually use their money in a way that supports innovative disruption solution and so on; so we are working on it and we just initiated Neome three years ago so we are kind of start up by ourselves but I hope that in the next year we will be able to have more progress on that level.

*Do you think your group could influence future policies?*

I hope, I really hope we will create an impact.

*What made you started Angels, why?*

Me and my partner, we both used to work in one of the biggest financial institutions, we both invested for many years and we manage our publicly traded portfolio, but also in the last 10 years we started to invest in startups and we were always so amazed to see how few women were used to invest. We didn't understand how it comes because we know women today are in their best position if you look at the last 100 years, we did so many progress, we've achieved so many goals and are leaders in so many industries.

Why the financial industry is still lagging behind that was a big question mark and we also understand that a big key player in this junction of investor in the early stage companies, we can lead ourselves for a gender equality policies in the companies we invest and we can be active and to mitigate this inequality gender. When I invested in companies, I appoint women to the board of directors, I don't need to wait to their CEO or other shareholders to appoint a woman to the board of directors. I appointed as my representative and she, as a board member, can lead to a gender equality policy in those companies so that's why we wanted to establish this agent to have active role in this topic that you know is so such annoying. We are in the 21st century and it's really unbelievable that still women earn less than men, there are so few women at board level, there are so few women on management and CEO level so come up, we don't need to wait to the regulator or to other CEO to do it for us, we need to take the responsibility and create a better future for our daughters.

***Next Wave Impact Interview***– Jodi Pederson, Investment Committee Member

*How many angel members is your group made up of? What is their profile (ex. average age, professional experience)?*

The interesting piece for us is that we have a model where you can be as hands on as you would like or you can be a passive investor; so for us, there wasn't a requirement to participate in the due diligence, we prefer that, but we also happily took money to invest passively for folks. There was a minimum of investment of $50.000 over three years, then beyond that, it was through referrals that we didn't go through an extensive vetting process there was a discussion, but we didn't do any background checks or anything like that.

*What is the process to be accepted as an angel member of the network? Any fee to be paid to be a member? Any process of referral from current members?*

The way it works is, there is 10% of your investment went for fees. So $200.000 goes for legal and accounting to manage the deals and then the other half goes to the investment committee that was involved in the deal during the due diligence and the investment committee only gets paid if the fund is successful, or if the deal is successful. And I think that is something in our model that has to change, they need more compensation.

All of us did this voluntarily and hopefully they are fine down the road, but there has to be for the general partners especially compensation. And I think that's something, as women have a tendency to give away our expertise and our time and that's what we're looking at going forward is, but it has to be a bigger fun to justify the means. They are payed only if the deal is successful, and I think that it should change, even for the general partner it has to change, because we are using our time and experience to help.

*Why do you think a woman should enter in an only woman business group?*

Women have been shown to be much more timid investors and risk adverse and in general women have a tendency to feel like they need to be an expert at something before they do it. I think this gives women a low-pressure environment to learn about it and get more comfortable. I always think 80% of angel investing is learning the lingo and then after you get through that, so much of it is common sense, what you have just done in your career anyways; but I think angel investing and VC gets kind of wrapped up in their own internal lingo just like any industry does and once you get through that and you understand the basic there is so much of common sense involved and I think that helps women remove the mystery and you can ask questions you might not ask in a different environment. So I think that's a key piece.

*How many investments do you make on average in a year? What does it depend on?*
Next Wave Impact has three funds to date. Next Wave Impact fund is the most recent fund that is still active. There were two more funds prior to that, they were more pilot funds. They were both a million. One Rising Tide Europe, one Rising Tide US.
On average it's about 6-8 investments a year and about $1 million total. So anywhere from about $100-200.000 in early stage investments and then follow-on investments could be another $200-300.000.

*Do you help the start up to raise?*
Our early phase is typically seed or pre-seed where we do our first round and we like to do companies where there will be follow on rounds, so when we invest in a first stage, we don't like to be the lead typically, it's pretty uncommon for us to be the lead but we will introduce them to connections in our network. So as they're raising, we will reach out to others who they seem to be a fit for. If they are education based, we have our network that we know like to invest in that. We have a number of other angel funds that invest solely in women or, in our case, solely in impact companies. We do an initial round, we won't always do follow-on, but it's our objective to do follow on, that's what we would like to do.

*Do you usually invest in a peculiar sector?*
No, that's actually what is pretty unique about us. Besides impact investing, it must have an impact, for people or the planet. We actually think that's one of the values a women network is we have a really diverse sector experience and so usually we can find someone who has consumer package goods experience or has something related to water based or mental health based experience. Using that network, we can usually find a subject matter

expert. There are a few areas, we don't do pharmaceuticals, and there are certain areas that are too specific. And we don't go into because of the complexities of them.

*Which are the main sources of information used to pick up investment opportunities (ex. information from website applications, or that comes from other members, VCs, incubators…)?*

So that's again another benefit of the network. Probably about half the women in our network are in another angel fund. If they are not, we encourage them to go to local accelerators and really start identifying in their area creating networks. We want to be geographically diverse as well. In the US so much of the angel investing takes places on both coasts and the middle of the country can have a lot of opportunity because it has been underinvested in. So that's the joy of having 99 women across the country sourcing deals.

*Do you have an educational program to teach investors how to be Business Angels? If yes, how does it work?*

So actually, we're super proud of that. I think our biggest educational program is 'learning by doing'. I think the best way is to jump in and participate in due diligence. Our due diligence is actually led by two women on the investment committee who have experience so we know, no matter what, that there are going to be two women who have done due diligence before. Then anyone can volunteer to be on it. It's nice to jump into something you know, if you have the industry expertise to look and evaluate the company. But also if you have never evaluated a term sheet, join me on that section and I'll go through the term sheet with you. So I think 'learning by doing' is the best model then we also have videos that have 5 minutes, 30 minutes and hour, on different topics. Just at any time, you can go and download a video and watch snippets of training. We also meet twice a year in person, where we do all day education topics as well.

*Do you co-invest with other Business Angel Networks or with VCs?*

There are a couple of different models we have done now on the coinvesting. We never take full round, so every round we are a part of, we are one of many. In addition to the fund investing, if there is enough interest for the individual angels in our group we will also create an SPV. Individuals can come in below the minimum threshold so often people come in with $5-10-20.000 and at the end we will end up with $100.000-150.000. That's when we have a lot of excitement with a company, we will do an SPV and we'll open that up to external folks as well. We have a third party that creates an LLC and we manage it and we open up that SPV to everybody.

*Which are the pros of the SPV?*

I think the biggest pros are for the entrepreneur keeping minimizing the number of investors to communicate with and manage paperwork with. Often entrepreneurs, especially with females who are finding it hard to find funding, it's hard to say no to $10.000 even if you want $50-100.000. I think the biggest benefit is for the entrepreneur and to make sure they have a better chance of success. I also think is a nice way to empower women in our network to choose for their own. They choose on their own if they want to go in more.

*Do you decide what to invest on all together?*

The investment committee decides. The due diligence team will make a recommendation. We adjusted the process along the way. We do a 'shallow dive' to start. We were finding we were spending too much time on companies. So we shall dive and bring that to the investment committee, find out if they have deal breakers, and understand if is worth to go 'deep dive' and do the due diligence. Out of that the due diligence team will come forward with the recommendation and then the investment committee votes, and it needs a majority of the investment committee. There are 10 women on the investment committee that decide.

*Has the Covid-19 crisis affected the way in which you usually invest?*

We were wrapping up our fund's first investment, so we were $4.2 million in our fund and we had set aside $X amount for second investments. We decided we had enough for one more investment when Covid-19 hit. We actually had money for two more investments, but we decided to make only one more investment and use that money to help our existing portfolio companies. We did an analysis of our portfolio and decided that we wanted our companies have 18 months of burn rate at the start of Covid-19 and we had to make a decision about whether we thought they were going to make it. We wanted to support, if they were doing a bridge or a round, to make sure they had burn, we figured 18 months is what they needed to get through. It was amazing how our entrepreneurs pivoted through this, it was just amazing to watch them. It helped us think about how to help the ones we thought could make it through Covid-19 but might need a little more cash, because they might need to hunker down through it. Others it actually created huge opportunities for, one example is we have an amazing woman. In order to be a therapist, you have to get coached by another therapist and you have to have 200 hours of supervision, and she had done that online. Before Covid-19 only 1/3 of States allowed it online. After Covid-19 2/3 of States allowed coaching online so she was really able to take advantage of that. We still did make a new investment in a new company, but we focused on what our existing companies needed to get through this. We ended up doing a few investments that we hadn't planned on. In the angel community it was amazing to see the support people gave to their companies.

*What do you think about the present policies in place to support angel financing (e.g. tax incentives, state contributions)?*

I think they are important, there is not enough education about them, it is important for women to understand what those opportunities are, I think there is more education needed. As a part of Next Wave we are part of the angel capital association in the US and it is a nice side benefit. Angel Capital Association has a group to deal with policies around angel investing and one great example that they were just successful on. There was a limit of 99, that could be part venture group so we had to cap out at 99. When we started Next Wave it was limited at 99, they have successfully lobbied and now that number is at 250. That creates opportunity. You can raise a much larger fund when you have 250 LPs. We haven't been involved on our own with policy work, but that partnership with Angel Capital Association and being a member of that association that is involved in policy, makes a lot of sense. I think you need one associate that is looking and doing that work.

*Are you aware of any policies that are going to be implemented or that have already been implemented in your region/ country to promote BA investments by women?*

I'm not no.

*What kind of policies would you introduce?*

I would love to give you a really insightful answer, but I have to say that I cannot come up with a specific policy. It's much more about how we create an ecosystem of participation and how do we educate women about the opportunity, giving them the confidence to participate in this.

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