

Investing for Inclusion: Exploring an LGBTI Lens

A Guide for Investors



About IFC

IFC — a member of the World Bank Group — is the largest global development institution focused on the private sector in emerging markets. We work in more than 100 countries, using our capital, expertise, and influence to create markets and opportunities in developing countries. In fiscal year 2023, IFC committed a record \$43.7 billion to private companies and financial institutions in developing countries, leveraging the power of the private sector to end extreme poverty and boost shared prosperity as economies grapple with the impacts of global compounding crises. For more information, visit www.ifc.org.

Copyright and Disclaimer Notice

© International Finance Corporation 2023.
All rights reserved. 2121 Pennsylvania Avenue, N.W. Washington, D.C. 20433
Internet: www.ifc.org

The material in this work is copyrighted. Copying and/or transmitting portions or all of this work without permission may be a violation of applicable law. IFC encourages dissemination of its work and will normally grant permission to reproduce portions of the work promptly, and when the reproduction is for educational and non-commercial purposes, without a fee, subject to such attributions and notices as we may reasonably require.

All information is provided “as is” IFC does not guarantee the accuracy, reliability, or completeness of the content included in this work, or for the conclusions or judgments described herein, and accepts no responsibility or liability for any omissions or errors (including, without limitation, typographical errors and technical errors) in the content whatsoever or for reliance thereon. The boundaries, colors, denominations, and other information shown on any map in this work do not imply any judgment on the part of the World Bank Group concerning the legal status of any territory or the endorsement or acceptance of such boundaries. The findings, interpretations, and conclusions expressed in this volume do not necessarily reflect the views of the Executive Directors of the World Bank Group or the governments they represent.

The contents of this work are intended for general informational purposes only and are not intended to constitute legal, securities, or investment advice, an opinion regarding the appropriateness of any investment, or a solicitation of any type. IFC or its affiliates may have an investment in, provide other advice or services to, or otherwise have a financial interest in, certain of the companies and parties (including named herein).

IFC expressly disclaims any responsibility or liability for damages of any kind, including special, indirect, incidental, consequential, or compensatory damages, arising from or relating to the use of or failure to use or reliance on any information, methods, processes, recommendations, conclusions, or judgments contained in this guide, and IFC makes no representations about the alignment or conformity of this guide with the international, national, or subnational legal requirements of any jurisdiction or any industry standards.

Nothing herein shall constitute or be construed or considered to be a limitation upon or waiver of the privileges and immunities of the IFC, all of which are specifically reserved.

All other queries on rights and licenses, including subsidiary rights, should be addressed to IFC Communications, 2121 Pennsylvania Avenue, N.W., Washington, D.C. 20433.

International Finance Corporation is an international organization established by Articles of Agreement among its member countries, and a member of the World Bank Group. All names, logos and trademarks are the property of IFC and you may not use any of such materials for any purpose without the express written consent of IFC. Additionally, “International Finance Corporation” and “IFC” are registered trademarks of IFC and are protected under international law.

October 2023

To describe the cluster of identities under discussion, the World Bank Group uses SOGI as shorthand for the acronym SOGIESC: sexual orientation, gender identity, gender expression, and sex characteristics. When referring to people, the World Bank Group sometimes uses the acronym LGBTI (lesbian, gay, bisexual, transgender, intersex) or LGBTI+ to represent the full spectrum of people of diverse sexual orientation and gender identity/gender expression/sex characteristics. The term “sexual and gender minorities” can also be used when referring to country or local contexts in which it is not common for sexual and gender minorities to use LGBTI+ or are more likely to use local, culture—specific, terms instead.

Table of Contents

1	■	About IFC
1	■	Copyright and Disclaimer Notice
3	■	Acknowledgments
4	■	Foreword
5	■	List of Abbreviations
6	■	Executive Summary
8	■	Introduction
13	■	LGBTI Investment approach
16		Step 1: Select an LGBTI Lens
17		Step 2: Apply an LGBTI lens to pre-investment activities
18	■	Action 1: Consider geographical focus and legal frameworks, as well as social norms concerning SOGI
19	■	Action 2: Build a diverse pipeline
20	■	Action 3: Screen prospects with an LGBTI lens by conducting a gap analysis
24	■	Action 4: Identify factors investors can consider across the stakeholder groups in the LGBTI Lens Investment Pyramid
24		Leaders
24		Employees
25		Consumers
27		Entrepreneurs
29		Beyond direct investment: the role of financial intermediaries
31	■	Action 5: Consider relevant issues for structuring deals with an LGBTI lens
32		Step 3: Measure Results
34	■	Moving Forward: Key steps
36	■	Appendix 1: Concepts and Definitions
36	■	Intersectionality
37		Definitions
38		Appendix 2: LGBTI Lens Market Assessment Across Regions
39	■	Latin America and the Caribbean
40		Africa
41		Asia & the Pacific
42		Appendix 3: Resource List
44	■	Endnotes

Acknowledgments

This guide, *Investing for Inclusion: Exploring an LGBTI Lens*, was produced by IFC's Gender and Economic Inclusion Group (GEIG) in collaboration with Palladium. It was developed under the guidance of IFC Vice President, Cross-Cutting Solutions, Emmanuel B. Nyirinkindi; IFC Director, Sustainability & Gender Solutions, Mary Porter Peschka; and IFC GEIG Managers, Henriette Kolb and Heather Mae Kipnis (Acting). The creation of this publication was led by Rudaba Zehra Nasir and Kelly Widelska with John (Ioannis) Arzinos and Daniela Zuluaga from IFC GEIG. The publication was prepared in collaboration with Anastasiya Litvinova, Clemence Gomis, and François Ritchot from Palladium.

This guide was peer reviewed by many colleagues, to whom the team is deeply thankful. From the World Bank Group: Clifton John Cortez (Global Advisor on Sexual Orientation and Gender Identity). From IFC: Ricardo Martin Garcia Tafur (Operations Officer, Financial Institutions Group, Latin America and the Caribbean), Felipe Sanint (Investment Officer, Financial Institutions Group, Latin America and the Caribbean); Laurien Field (Investment Officer and Global Gender Lead, Disruptive Technologies and Funds); Andrea Cullinan (Lead — Gender and Gender-Based Violence, Environmental, Social and Corporate Governance); Pramita Ray (Gender Specialist, Gender and Economic Inclusion Group, South Asia); Kathleen Mignano (Operations Officer, Gender and Economic Inclusion Group). From Dreilinden: Stefan Bollier (Impact Investment Advisor). From British International Investment: Katharine Tengtio (Executive, Gender and Diversity Finance); Alex Woods (Investor Desk Associate); From FinDev Canada: Yolanda Banks (Director, Corporate Affairs and Operations). From the University of Massachusetts Amherst: Dr M.V. Lee Badgett (Professor of Economics).

The team extends its appreciation as well to Carter Dougherty for editing this guide, and Beatriz Calvo Garro, the designer, along with Bhattiprolu B. Murti, and Evangelia (Vally) Tsiftsi from IFC Communications, who were critical to the production process.

Foreword

Lesbian, gay, bisexual, transgender, and intersex (LGBTI) people represent a significant population globally, one that is, most likely, severely undercounted due to fear, stigma, and discrimination. Across the world, LGBTI people are often subject to social exclusion with wide-ranging negative impacts on individual potential, business performance, and economic growth. In a World Bank study conducted in Thailand in 2018, 77 percent of transgender, 49 percent of gay, and 62.5 percent of lesbian respondents reported that employers rejected their job applications because they were sexual or gender minorities.¹

As we focus on a green, resilient, and inclusive recovery from world crises, we imagine a global economy that truly works for everyone. Nobody should fear someone discriminating against them because of their sexual orientation or gender identity as they apply for a job, compete for a leadership role, or pursue their business idea. Investors have an important role to play.

This guide expands upon the increasingly adopted approach of gender-lens investing — an investment strategy that seeks to use capital to address gender inequalities — and adapts that well-established framework to include other socially excluded groups/identities, specifically LGBTI people. It aims to generate ideas, encourage dialogue, and highlight this topic for further discussion, development, and action.

This guide shows how investors can invest with an LGBTI-lens and realize business benefits and social inclusion opportunities across a company's entire value chain. There are many entry points for investors to address the inequalities faced by LGBTI people: from promoting LGBTI people in leadership and employment, to serving LGBTI people as a targeted consumer segment and working constructively with LGBTI people in the community.

While LGBTI inclusion remains a nascent agenda for Multilateral Development Banks (MDBs) and Development Finance Institutions (DFIs), it represents a tremendous opportunity to do what is right while also generating business, investment, and economic development. The sustainable finance market has grown significantly, and investor appetite is high for innovative financial instruments that address social issues and strengthen the "S" for "Social" in ESG (Environmental, Social, and Governance), which includes LGBTI issues. In essence, LGBTI inclusion is not only the right thing to do; it is also the economically smart thing to do.

Overlapping crises including the COVID-19 pandemic, climate change, conflict, and fragility have differentiated impacts on all gender identities, and significantly impede progress. For LGBTI people disparities in access to economic opportunities, goods, and services have deepened, compounding existing inequalities in education, employment, safety, and health. There has never been a more opportune time to adopt and implement a LGBTI Investing approach. At IFC, we are committed to using our role as an investor to help address inequalities. We are confident this guide will help investors increase investments targeted towards LGBTI people to achieve greater economic inclusion and better business outcomes for all.

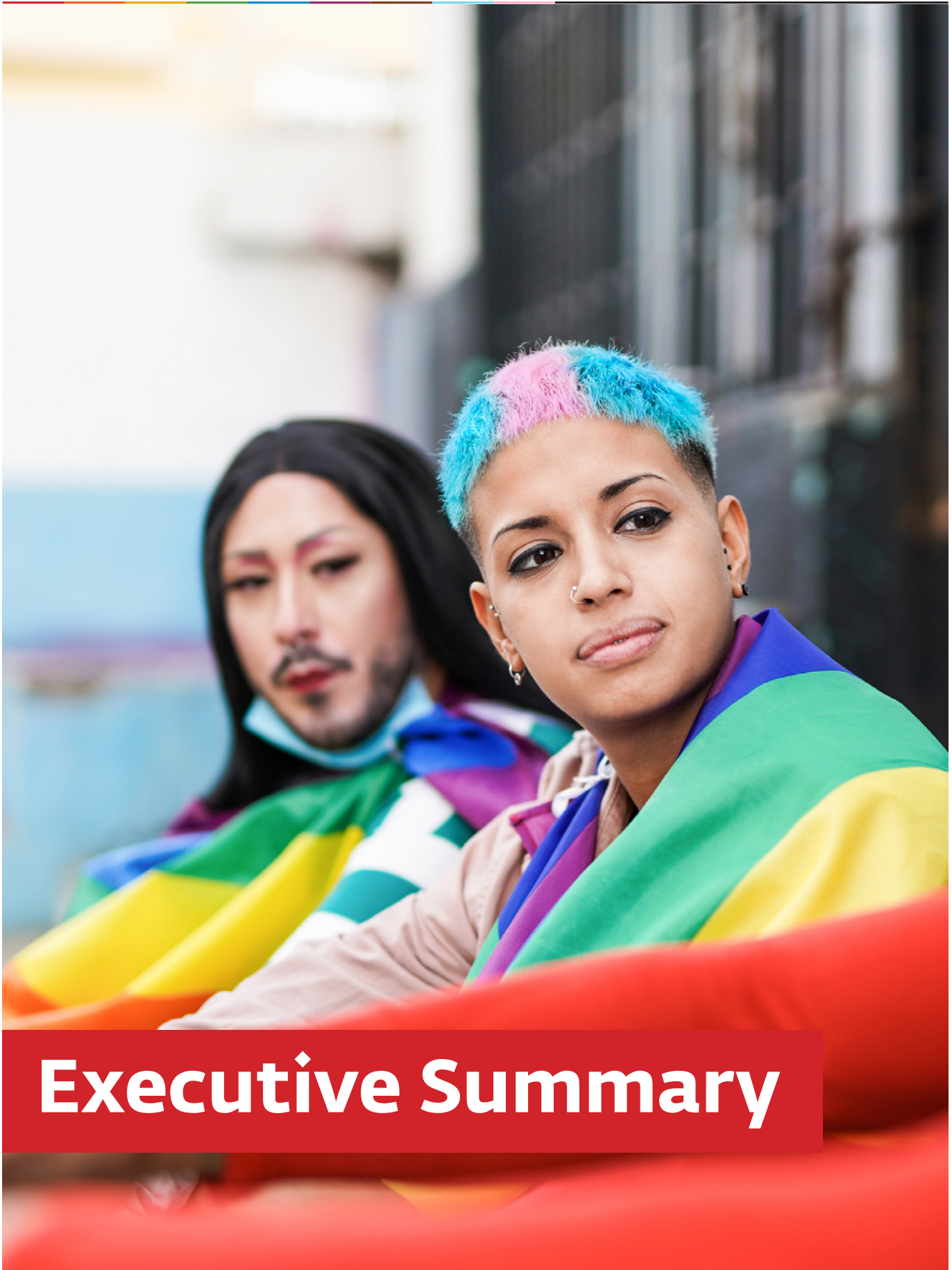


Mary Porter Peschka

Mary Porter Peschka
Director of Sustainability (ESG) and Gender Solutions
International Finance Corporation

List of Abbreviations

BII	British International Investment
CEE	Caribbean and in Central and Eastern Europe
DFC	Development Finance Corporation
DFIs	Development Finance Institutions
DEI	Diversity Equity and Inclusion
ESG	Environmental, Social, and Governance
FDI	Foreign Direct Investment
FIs	Financial Institutions
GBT	Gay, Bisexual, Transgender
GDP	Gross Domestic Product
GNI	Gross national income
GRID	Green, Resilient and Inclusive Development
ICT	Information and Communications Technology
IFC	International Finance Corporation
IFC We-Fi	International Finance Corporation Women Entrepreneurs Finance Initiative
JEDI	Justice Equity Diversity and Inclusion
LAC	Latin America and the Caribbean
LBT	Lesbian, Bisexual, Transgender
LGBTI	Lesbian, Gay, Bisexual, Transgender, and Intersex
MDBs	Multilateral Development Banks
SDGs	Sustainable Development Goals
SME	Small, and Medium Enterprises
SOGI	Sexual Orientation and Gender Identity
SOGIESC	Sexual Orientation, Gender Identity, Expression, and Sex Characteristics
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UN IE SOGI	United Nations Independent Expert on protection against violence and discrimination based on Sexual Orientation and Gender Identity
VC	Venture Capital
We-Fi	Women Entrepreneurs Finance Initiative
WEF	World Economic Forum



Executive Summary

Executive Summary

Lesbian, gay, bisexual, transgender, and intersex (LGBTI) communities represent between 560 million and 800 million people worldwide and \$4 trillion to \$5 trillion in purchasing power, with \$1.1 trillion of that in emerging consumer market in Asia and Latin America.² There is mounting evidence to support the business case for LGBTI inclusion for economies, enterprises, and individuals alike. But investment flows lag. This guide makes the case for LGBTI-inclusive investment and provides guidance to fill knowledge gaps on how impact investors can apply an LGBTI lens and evaluate investment deals at various stages of the investment cycle to ensure inclusion of LGBTI people as leaders, employees, consumers, entrepreneurs, and community members.

The LGBTI lens investing approach presented in this guide follows in the footsteps of the gender lens investing framework, an approach to investing that has gained momentum over the past decade and considers gender-based factors across the investment process to advance equality and better inform investment decisions. The LGBTI lens investing approach builds on the gender lens investing approach and expands it by going beyond the gender binary (male versus female) and integrating an analysis of sexual orientation and gender identity (SOGI).³ There are strong linkages between gender and LGBTI lens investing approaches because LGBTI people experience inequities and exclusion resulting from similar socio-economic barriers and norms and beliefs about gender roles that prevent women from accessing opportunities.

Globally, the impact investment landscape has shifted towards fostering a broader and intersectional focus on diversity, equity, and inclusion (DEI), including race and ethnicity, disability status, sexual orientation, gender identity, gender expression and sex characteristics, age, and a host of other factors. A growing number of private sector businesses, regulators, and investors are playing an increasingly important role in fostering DEI, especially in the COVID-19 recovery era, as they embrace social and environmental considerations and turn towards Environmental, Social, and Governance (ESG) and Sustainable Development Goals (SDGs)-focused investing across all asset classes. Sexual orientation and gender equality, for example, are referred to in IFC's Performance Standards as part of the non-discrimination and equal opportunities requirements.⁴ Other investor frameworks such as the International Capital Markets Association's (ICMA) [Social Bond Principles](#) mention SOGI more broadly. Such mentions create entry points for investors to consider an LGBTI lens when making investment decisions. While the opportunity is promising, this guide seeks to provide the clarity and guidance needed by investors to understand how to invest with an LGBTI lens.

LGBTI lens investing is grounded in strong evidence of the economic, business, and individual case for LGBTI inclusion, which has been extensively documented by organizations such as Open for Business.⁵ Inclusive and diverse economies enjoy higher levels

of productivity and economic growth, especially in emerging markets. LGBTI acceptance correlates with long-term gross domestic product (GDP) growth.⁶ LGBTI inclusivity correlates with, on average, 4.5 times higher Foreign Direct Investment (FDI).⁷ Companies that are LGBTI-inclusive tend to show better financial performance across multiple indicators, including higher return on equity, cash flow per employee, stock returns, and profitability, and consistently outperform benchmarks.⁸ Better performance is attributed to companies' ability to attract and retain talent, innovate, attract foreign investment, and build customer loyalty and brand strength.⁹ Both LGBTI people and their allies — supporters outside the community — are healthier, more motivated, satisfied, innovative, and productive when working in diverse and inclusive environments.¹⁰

This guide aims to fill a crucial knowledge gap for investors by providing a detailed road map to strengthen LGBTI inclusion within portfolios and incorporate an LGBTI lens into decision-making (Box 1). It combines lessons from various organizations and draws on emerging best practices. The primary audience is impact investors looking to add an LGBTI lens to their work. This group includes, but is not limited to, Development Finance Institutions (DFIs), financial institutions, asset allocators and managers. The guide aims to generate ideas and encourage dialogue, and highlight this topic for further discussion, development, and action.

Box 1

Summary of key steps to applying an LGBTI lens investing strategy

• Step 1: Select an LGBTI Lens

- Pick stakeholder groups to focus on
- Consider different business models and markets

• Step 2: Apply the lens to pre-investment activities

- **Action 1:** Consider geographical focus, legal frameworks, and social norms
- **Action 2:** Build a diverse pipeline by broadening networks
- **Action 3:** Screen prospects with an LGBTI lens by conducting a gap analysis
- **Action 4:** Identify actions investees can take:
 - Leaders
 - Employees
 - Consumers
 - Entrepreneurs
 - Financial intermediaries (indirect investments)

- **Action 5:** Consider relevant issues for structuring

• Step 3: Measure results post-investment



Introduction

Introduction

LGBTI lens investing is a strategy that seeks to intentionally and measurably use capital to address inequalities faced by LGBTI individuals, and to better inform investment decisions. It builds on gender lens investing and is the understanding of gender roles and identities as a material factor of analysis that strengthens investment decision making. It is an approach that helps an investor highlight opportunity and eliminate risk to achieve better financial and social outcomes for all.¹¹ Investors can utilize one, all or a combination of the following strategies when investing in companies or financial intermediaries:

- LGBTI representation in leadership
- LGBTI representation in the workforce, including LGBTI friendly policies
- Products and services that address the needs of LGBTI people
- LGBTI entrepreneurship
- Support for the LGBTI community

The LGBTI community numbers 560 million and 800 million people worldwide and possesses \$4 trillion to \$5 trillion in purchasing power, with \$1.1 trillion of that sum in emerging consumer markets in Asia and Latin America.¹²

Across the world, LGBTI people often face social stigma and exclusion with wide-ranging negative impacts on individual performance, business performance, and economic growth; the COVID-19 pandemic has exacerbated all of them. In addition, challenging legal frameworks around the world further hamper the economic inclusion of LGBTI people. The community remains a largely underserved and untapped market, a missed opportunity for multiple business sectors.

DEI for all groups, including LGBTI individuals, is a clear and present socio-economic and business-performance imperative. As the multilateral system, businesses, and governments prioritize recovery from the COVID-19 pandemic, they can build back more inclusive and resilient economies. Tackling LGBTI inclusion in emerging markets supports this goal and strengthens development impact.

The macroeconomic case

Inclusive and diverse economies enjoy higher levels of productivity and economic growth. Data on LGBTI acceptance correlates strongly with historical long-term GDP growth, while less inclusive countries are more likely to have a lower Gross National Income (GNI) per capita.¹³ Similarly, net approval of same-sex relationships is positively correlated with the World Economic Forum's (WEF) Global Competitiveness Index, which measures a country's ability to provide the conditions for productivity growth and improved quality of life for its citizens.

Inclusive countries' stronger economic performance may stem from their greater connectivity and competitiveness on the global economic stage and higher levels of entrepreneurship. Multinational brands are increasingly important in the global economy, and more inclusive countries attract more foreign labor and FDI from such brands. LGBTI inclusivity is associated with an average 4.5 times higher FDI levels than in countries where acceptance lags. More open societies also attract a greater number of tourists and skilled workers, and are more conducive to entrepreneurship, while less tolerant societies tend to experience brain drain.¹⁴

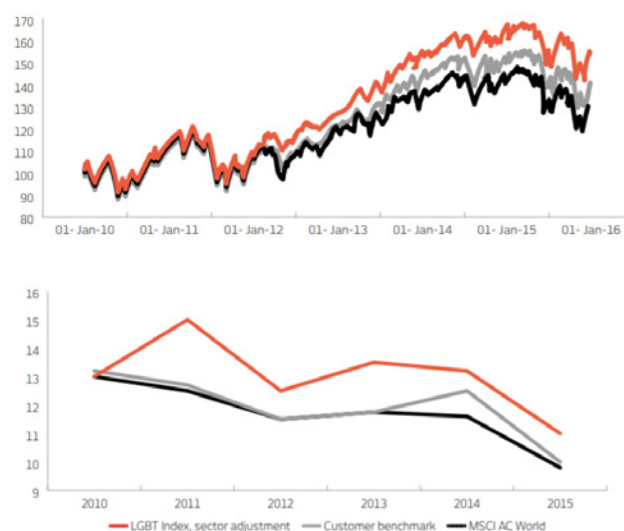
This correlation holds true in emerging markets, especially in cities. Cities in emerging markets provide a more supportive environment, boosting competitiveness.¹⁵ They are more likely to have stronger innovation ecosystems and stand a better chance of becoming globally integrated hubs for high-value businesses, in part because they boast a greater concentration of skills and talent than their less LGBTI-inclusive counterparts.

Conversely, anti-LGBTI policies and discrimination worsen health outcomes for LGBTI people and contribute to lower overall levels of national productivity. Multiple research studies across emerging markets show that the cost of homophobia — the opposite of LGBTI-inclusive — can be substantial.¹⁶

Figure 1

A basket of 275 LGBTQI inclusive public firms*
In the US outperformed global stocks and benchmarks.

Share price performance of LGBTQI 275 basket vs benchmark |
Return on equity of LGBTQI 375 basket vs benchmark



* Companies with openly LGBTQI management, openly supportive of LGBTQI, or whose employees are openly members of local LGBTQI business networks.

Source: Open For Business. 2018. Strengthening the economic case.
<https://drive.google.com/file/d/1q7AhvaxXCZDLz7M6TL03Q6LiW1Aoi/view>

The firm-level business case

Companies that are LGBTI inclusive tend to have better financial performance across multiple indicators (see Figure 1). Studies using US publicly traded companies have shown that LGBTI inclusive companies have higher stock returns and higher profitability, outperforming benchmarks.¹⁷ Similarly, overall cash flow per employee is 2.3 times higher at large inclusive companies and 13 times higher among smaller inclusive firms.¹⁸

Better financial performance stems from companies' greater ability to attract and retain talent, innovate, build customer loyalty, and brand strength. Several factors are at play:

- **First**, inclusive workplaces attract, retain, and motivate LGBTI and other talent; discrimination is associated with increased turnover. In Hong Kong, a study found that 22 percent of LGBTI employees left their jobs because of discrimination.¹⁹ Further, the ability to be out at work without fear of discrimination improves co-worker relationships and teamwork.²⁰ Across the world, employees, including senior executives, prefer to work for companies that promote LGBTI inclusion.²¹
- **Second**, LGBTI inclusion helps foster human capital skills and strengthens innovative capacity. Inclusivity enables companies to tap into diverse perspectives, which empowers innovation. Corporate cultures at such companies tend to demonstrate higher levels of innovation and creativity, as evidenced by a higher number of patents and patent citations, as well as stronger team collaboration and productivity.²²
- **Third**, LGBTI-inclusive companies are better positioned to serve the large segment of consumers and savers that the LGBTI community represents. Studies show that LGBTI consumers are 25 percent more likely than heterosexual and non-transgender consumers to be brand loyal.²³ Moreover, 82 percent of LGBTI allies say they are more likely to purchase from LGBTI inclusive companies while 80 percent say they would stop purchasing from brands that are against LGBTI rights.²⁴

The business costs and reputational risks from LGBTI discrimination and exclusion are also risks that investors bear. Workplace discrimination can lead to costly lawsuits and damage a company's reputation and stock price. For instance, in the US, more than \$346 million was spent by companies to settle the ten largest employment discrimination lawsuits in 2010.²⁵ It has also been demonstrated that employment discrimination settlements and verdicts that involve monetary payouts have a more pronounced negative impact on the stock price of the company at fault.²⁶

The business case is equally strong for companies in emerging markets. Firms in emerging markets that openly support LGBTI inclusion do not suffer negative impacts on

revenue growth or profitability.²⁷ In fact, they demonstrate proportionally higher international revenues, suggesting they can more effectively tap into global markets and supply chains. The results from Open for Business research demonstrate a company that openly supports LGBTI inclusion located in the same region and operating in the same industry as a company with no public statement against discrimination has an average of 20 percentage points more revenue coming from international sources.

Why this guide and why now?

The sustainable finance market has grown significantly, and investor appetite is high for innovative financial instruments that address social issues and strengthen the "S" for "Social" in ESG, which includes LGBTI issues. A growing number of private sector businesses, regulators, and investors, including Development Finance Institutions (DFIs), are playing an increasingly important role in fostering greater DEI based on race and ethnicity, disability, sexual orientation, gender identity and expression, sex characteristics, age, and a host of other factors, especially during the recovery from COVID-19. Investors recognize the business case and prioritize investing based on ESG and SDGs across all asset classes. Yet, in many cases, knowledge gaps remain, and investors seek practical ways to transform their commitments into action.

The COVID-19 pandemic continues to have a disproportionately adverse impact on LGBTI people worldwide.²⁸ While the pandemic upended businesses around the world, several studies found that LGBTI people, especially ones at the intersection of identities, were also more likely to have lost their jobs or seen a reduction in work hours.²⁹ Yet, LGBTI inclusion has largely been left out of the economic recovery agenda. According to the Global Philanthropy Project, only 1 out of 4,467 global COVID-19 response philanthropic initiatives explicitly included support for the LGBTI community.³⁰

In some markets, legal frameworks and social norms concerning SOGI present distinct challenges for supporting LGBTI economic inclusion. The challenge is particularly severe in areas with entrenched and widespread social stigma against LGBTI people and a lack of legal protection against discrimination or harassment on the grounds of SOGI, non-recognition of the identity of trans people, and criminalization of homosexuality. In 66 countries, there are still criminal penalties associated with consensual same-sex relationships, and in six countries, these sanctions include the death penalty.³¹

Investors and investees have an opportunity to promote more inclusive frameworks and advocate for legal change and better treatment of LGBTI people. Gaps in social attitudes and legislation pose considerable difficulties for companies that are committed to respecting human rights

and promoting LGBTI inclusion. Coqual,³² a leading global think tank, describes three possible approaches for investors and multinational companies operating in markets with anti-LGBTI laws, each with progressively higher levels of commitment and positive impact on LGBTI rights (see Figure 2).

Figure 2

The three models of engagement

The “When in Rome” model

- Companies adhere to local laws and norms.
- Companies may create exceptions to global pro-LGBTI policies and practices and may permit international staff to refuse certain postings.
- There is no formal stance on LGBTI rights, protection or support of LGBTI local staff.

The “Embassy” model

- Companies enforce pro-LGBTI policies in the workplace but do not seek to apply them outside their walls.
- LGBTI people and staff are protected in the workplace and an inclusive culture is promoted within the organization, but the company does not take a public stand on LGBTI rights.

The “Advocate” model

- Companies seek to bring about change outside the workplace.
- This may involve efforts to influence local laws to decriminalize homosexuality or strengthen legal protections for LGBTI people, or to enhance social acceptance of LGBTI people.
- Subject to the local context, advocacy may involve public statements or more quiet diplomacy.





Objectives, Target Audience, and Methodology

This guide provides information and examples to assist investors in applying an LGBTI lens. It explains why more investment in LGBTI-inclusive opportunities in emerging markets is important for economic growth and recovery from shocks like COVID-19. The guide begins by highlighting the context and the existing business case for LGBTI inclusion and explores how the gender lens framework can be expanded to include LGBTI considerations. It includes case studies of how companies in emerging markets are engaged in greater inclusion. The guide serves investors directly allocating capital to private-sector companies, such as DFIs and other institutional investors, private equity and venture capital (VC) fund managers, and financial institutions, and can be used by other private capital investors.

This guide aims to:

- 1.** Provide a business case for investors focused on emerging markets to allocate more capital to solutions that advance various aspects of inclusion, particularly SOGI, by closing knowledge gaps that currently inhibit action.
- 2.** Inform investment decisions and operations of investors, by developing guidance that can be used by investment teams, ESG specialists, impact officers, and other entities in the investment cycle.
- 3.** Create momentum for further discussion, research, knowledge-sharing, collaboration, and pilot investments in the field of LGBTI lens investing.



LGBTI

Investment approach

LGBTI Investment approach

Gender lens investing and LGBTI people

The practice of gender lens investing has gained significant momentum over the past decade and in particular after 2018. Gender lens investing can be defined as the use of capital to simultaneously generate financial return and advance gender equality by integrating gender analysis into financial analysis. As part of an annual study by the Wharton Social Impact Initiative and Catalyst at Large, Project Sage 3.0 and 4.0 estimate that private funds, including private equity, venture capital, and private debt, have increased capital deployed with a gender lens from \$1.3 billion in 2017 to \$2.2 billion in 2018 and reached approximately \$6 billion as of June 2021.³³

To date, however, gender lens investing approaches have rarely integrated an analysis of sexual orientation and gender identity. In 2021, only 15 percent of gender lens investing funds that participated in Project Sage 4.0 explicitly included LGBTI considerations. LGBTI people experience economic inequities and exclusion resulting from similar socio-economic barriers and norms that prevent women from accessing opportunities. Hence, an LGBTI lens can be embedded in the frameworks already employed in gender lens investing. This change would unlock opportunities for more people and accelerate progress made on LGBTI lens investing.

To promote LGBTI inclusion, we can consider the factors of exclusion, as is the case with gender lens investing. The discrimination of women comes from socio-cultural expectations related to gender roles, how people should look and behave, what they can and cannot do, and how they interact with one another. However, these expectations do not concern only women. Anyone, including LGBTI people, not conforming to gender and sexual norms may be subject to discrimination that gender lens investing aims to alleviate.

LGBTI lens investment strategies: The Investment Lens Pyramid

IFC has developed an approach to LGBTI investing, the LGBTI Lens Investment Pyramid (see Figure 3) that accounts for inclusion of five stakeholder groups across a company's value chain. This guides direct investment in companies as well as indirect investment in financial intermediaries that support LGBTI people. Each stakeholder group provides a specific investment strategy.



Five LGBTI lens investment strategies for direct investments in companies that currently have or are willing to commit to:

- **Leadership:** Investee has LGBTI representation in senior management and/or Board, with active roles.
- **Employment:** Investee has a share of LGBTI people in the direct and contracted workforce; policies and tools to hire, retain and promote LGBTI people; LGBTI-sensitive policies like family-friendly benefits, paid family and parental leave, adoption/surrogacy, childcare, medical benefits (including for gender affirmation); human resources headhunting for LGBTI candidates; screening software focused on DEI/LGBTI inclusion.
- **Consumers:** Investee offers products, financing, and services geared towards meeting the needs of LGBTI people and communicates these offerings in an inclusive way; investee has a significant LGBTI customer base; investee promotes inclusive treatment of customers.
- **Entrepreneurs:** Investee is LGBTI-founded (active role) and/or owned and/or has LGBTI entrepreneurs as primary suppliers.
- **Community:** Investee provides support for LGBTI groups and organizations, both financial and non-financial, gives them international and national exposure, and consults them when wanting to engage LGBTI people, for example, in product design.

Figure 3
LGBTI Lens Investment Pyramid

LGBTI Inclusion can happen on multiple levels / Indicators of LGBTI inclusion include:



© International Finance Corporation 2023
This model is developed by IFC and if reproduced needs to be attributed to IFC.

LGBTI lens investing strategies for allocations to financial intermediaries that currently have or will commit to:

- Including LGBTI investments as part of their impact investment thesis and are committed to closing gaps for LGBTI people as leaders, employees, entrepreneurs, consumers, and community stakeholders within their portfolio.

Three Key Steps to applying an LGBTI lens investing strategy

Integrating an LGBTI lens in investment involves three steps:

Step 1: Select an LGBTI Lens

Step 2: Apply the lens to pre-investment activities

Step 3: Measure results post-investment







Step 1:

Select an LGBTI Lens

When selecting a LGBTI lens, investors can consider two factors:

- a. Which stakeholder groups to focus on. IFC’s approach to providing solutions that promote gender equality and inclusion spans five company stakeholder groups, where LGBTI people are often under-represented and face higher barriers/gaps. Investment teams then determine which stakeholder roles are most relevant based on their client’s business opportunities and challenges.
- b. Relevance of the LGBTI lens to the investee company business model and the sectors and markets they operate in. (See Table 1)

Table 1
Incorporating an LGBTI lens enables the uncovering of new investment opportunities across sectors



 HOUSING & PROPERTY	 EDUCATION	 FINANCIAL SERVICES	 CONSUMER INDUSTRIES	 HEALTH	 HOSPITALITY & TOURISM
<p>Problems & barriers</p> <ul style="list-style-type: none"> • Rejection from family discrimination from landlords, sellers, levels mortgage lenders • Lack of support at all educational levels • Discrimination from financiers • Lack of LGBTI-friendly product & services or for unique needs • Refusal of services • Lack of specific mental & physical healthcare services • Lack of safety and/or comfort in certain destinations 					
<p>Negative outcomes</p> <ul style="list-style-type: none"> • Homelessness • Frequent relocation • Limited access to ownership • High(er) drop-out rates leading to low(er) employability • Lack or limited access to financial services, esp. credit • Exclusion from economic participation/ untapped market • Lack of access to healthcare services • Delay or foregoing care • Limited mobility • Missed economic opportunities (for destinations) 					
<p>Relevant investment areas</p> <ul style="list-style-type: none"> • Affordable housing • Accessible mortgage • Inclusive schools (e.g. with LGBTI support groups and sensitive curriculum) • Skills and vocational training providers • Inclusive financial service providers (e.g. specific target segment, alternative approach, etc.) • Inclusive products (e.g. gender neutral beauty products) and services e.g. LGBTI network apps & media) • Inclusive healthcare service providers • Inclusive travel offerings (e.g. tours for specific LGBTI groups, same-sex wedding destination, etc.) 					

Source: iGravity, 2021, "Mission-driven impact investing."

Step 2:

Apply the lens to pre-investment activities

Figure 4
Pre-Investment Stages: Deal Analysis and Sourcing



GENDER CONSIDERATIONS	LGBTI CONSIDERATIONS
 <p>I. Prerequisites</p> <ul style="list-style-type: none"> • Assess networks for gender imbalance and adapt sourcing channels. 	<ul style="list-style-type: none"> • Build a diverse team to source a diverse pipeline. • Broaden your networks (LGBTI chambers/Civil Society Organizations). • Make sure you are attend/sponsor LGBTI community events. • Ensure your application process, wherever applicable, encourages diverse applications (application and rejection rates).
 <p>II. Analysis</p> <ul style="list-style-type: none"> • High level screening with a gender lens. • Gather sex-disaggregated data from the prospects. • Ask questions to assess gender-based opportunities and risks. • Identify the gender gaps the project could reduce thanks to your analysis. 	<ul style="list-style-type: none"> • Start by identifying prospects with a clear diversity value proposition (DEI or LGBTI focused) and flag those with social sustainability risks (SOG-based violence, reputational risk). • Build your analysis with data. LGBTI data can be inexistent, sensitive or inconsistent. Direct dialogue with prospects is the best way to get insights. When the environment is hostile, don't force visibility or explicit data. When data is not available, consult local LGBTI organizations. • At the firm level, focus on wider qualitative/quantitative diversity data to get a glimpse of prospects' DEI culture to establish a baseline. If data is insufficient, analyze the macro data to provide context on SOGI gaps (legal, norms). • Emphasize on impact to improve LGBTI-related issues and/or wider inclusivity (holistic targets to forge inclusivity, solid DEI practices beyond box ticking, understanding of LGBTI consumers' needs, forward-thinking action plans). • Articulate the development impact case and ensure you challenge gender assumptions & unconscious bias (Does the definition of gender go beyond the binary? Were all LGBTI groups considered?).

Action 1: Consider geographical focus and legal frameworks, as well as social norms

At the pre-investment stage, a starting point is to look at the legal, policy, socio-cultural, and business environment through an LGBTI lens using a three-pronged assessment, as demonstrated in Table 2 using the example of Mexico. Geographical considerations (see Appendix 2) are important when applying an LGBTI lens. While there are still 66 countries where LGBTI people are criminalized, even in those contexts it is still possible to lead LGBTI-inclusive projects and make investments with an LGBTI lens to support better business and development outcomes. In most cases what is criminalized is same-sex sexual relations. Assessing the market is the first step, using a tool like at Figure 4 and Table 2.



Table 2
LGBTI lens market assessment – Mexico

 LEGAL STATUS & POLICY ENVIRONMENT	 SOCIO-CULTURAL ENVIRONMENT & POPULAR ATTITUDES	 BUSINESS & WORKPLACE ENVIRONMENT
<ul style="list-style-type: none"> • One of the most advanced countries regarding legislations protecting the rights of LGBTI groups. • Pioneer in decriminalizing same-sex sexual acts (1871). • Has adopted several laws that range from employment protection, to hate crime or even joint adoption. 	<ul style="list-style-type: none"> • Cultural support for the LGBTI community has increased over the last two decades. • Yet, the LGBTI community still faces high rates of homophobia and violence; over 1,000 homophobic murders in only two decades (1995-2015) and most cases go unpunished. 	<ul style="list-style-type: none"> • Continually achieving outstanding progress around inclusive workplaces. • 39 percent of companies that achieved top ratings in 2021 "HRC Equidad MX" report (assessing LGBT inclusion policies and practices) were Mexican (77 percent increase over last year's).

Source: Out Leadership. LGBT+ Business Climate Score: Mexico CEO Business Brief.

2 Action 2: Build a diverse pipeline

When sourcing new deals, investors can maximize their impact by educating themselves on the implications of intersectional exclusion, building a diverse team, expanding their networks (e.g., LGBTI Chambers of Commerce), and ensuring diverse investees. While asking investees directly for LGBTI related data might not always be feasible or even advisable, consultations with local community and civil society organizations can provide useful insights. Furthermore, investors may state upfront that they welcome LGBTI-inclusive investment, thus encouraging potential portfolio companies to volunteer this information themselves. Once information is acquired, maximum efforts need to be made to ensure data safety, security, and confidentiality, especially in countries where same-sex relations are criminalized.

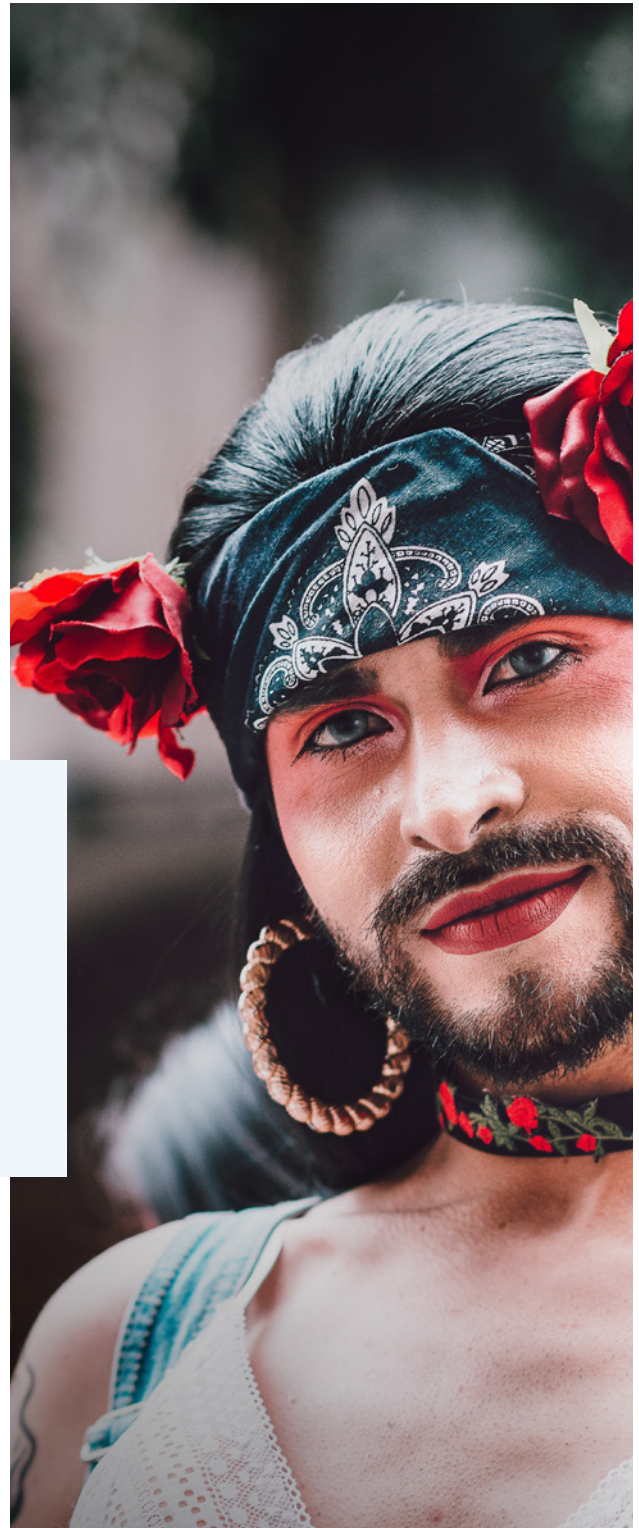
When sourcing investment opportunities with an LGBTI lens, seek companies with culture and leadership that makes LGBTI inclusion a strategic imperative. The most promising LGBTI-friendly companies share common characteristics: evidence that inclusivity is truly embedded in the company's culture, policies, and practices; LGBTI champions within senior management; and ambitious DEI goals.

“

We always start with a top-down approach. [We seek] to understand where the organisational intent is with regard to LGBTIQ+ inclusion which gets reflected in conversations with their top executives. If needed, we conduct sensitization training to educate them because without their support the culture will not change.

*Samavesh Chamber of Commerce,
an Indian LGBTIQ+ Chamber of Commerce*

”



3 Action 3: Screen prospects with an LGBTI lens by conducting a gap analysis

When applying an LGBTI lens, investors can identify prospects with a clear diversity value proposition and flag those that present potential social risks such as LGBTI-based bullying, harassment, and violence in or outside the workplace or reputational risk of being seen in the market as a company that is not open to DEI or has ongoing harassment or discrimination-related lawsuits. To assess DEI culture and LGBTI-friendliness, investors can ask questions related to the stakeholder groups from the LGBTI Lens Investment Pyramid. If data is insufficient, investors can analyze macro data to provide context on LGBTI-specific gaps, including legal gaps and social norms in the market and/or sector, that the project could help improve. Investors can seek prospects that have high ambitions to incorporate LGBTI considerations using, for example, inclusion targets, DEI best practices, targeting LGBTI consumers, suppliers, etc.

During due diligence, investors can glean insights through dialogue with prospects, as LGBTI data can be non-existent, sensitive, inconsistent, or insufficient. It is important to not force visibility or explicit data in a hostile legal or cultural environment for LGBTI groups; knowledge of local contexts is critical.



“

As an investor, if you want to outperform thanks to LGBTI investing, you need to look at the companies that are doing DEI well, that are truly inclusive, and while sometimes data points are challenging to gather, it is important to have a direct interaction with the company.

LGBT Capital

”

“

Although there is a lack of data readily available and disaggregated by SOGI in emerging markets, it can be overcome by working hand in hand with local stakeholders close to the LGBTI community.

World Bank

”

Finding and collecting relevant metrics is a key challenge when applying an LGBTI lens. The financial analysis for LGBTI lens investing requires refined data collection. The investor must avoid potential biases and look beyond representation by analyzing power dynamics through the lived experiences of LGBTI people (see Figure 5).³⁴

Figure 5
Metrics for LGBTI Investing by Stakeholder Group³⁵

LEADERSHIP



Senior positions

- Percentage of senior management positions filled by women or **LGBTI individuals**.



Board or investment committee

- Percentage of board or investment committee members who are women or **LGBTI individuals**.

By expanding this category, investment officers can get a broader sense of the diversity of a company's top management without forcing visibility on anyone (aka forcing people to be more visible than they are comfortable being). Collecting such data is only recommended if the collecting methods are anonymous, not allowing to attribute answers to individuals.

EMPLOYMENT



Workforce

- Percentage of employees who are women, **LGBTI, or belong to other groups previously excluded** within direct workforce, contracted workers and supply chains.

When the local legal context and the cultural norms allow it, investment officers must ensure that businesses have a process for safely and ethically collecting such data.



"Quality" Indicators — Policies, Programs and Practices

- At least one policy or program — beyond those required by local law or compliance addressing barriers to women's or **LGBTI individuals** quality employment (e.g. wage inequity, lack of paid leave and childcare, SOGIESC-based discrimination / harassment), with evidence of implementation / commitment to implement including in supply chains.
- Practices that address contextual barriers to employment for women or **LGBTI individuals** (e.g. safe transport, adding human rights and non-discrimination contractual clauses in the procurement process for suppliers).
- Existence of employee protection policies, including antidiscrimination, sexual harassment, worker safety, and fair hiring; **absence of forced arbitration clauses or NDAs for instances of harassment, discrimination, or other misconduct** and extension of LGBTI rights in supply chain policies.

While anti-discrimination policies are critical, they are a baseline upon which proactive inclusion policies and practices should be built.

CONSUMERS AND USERS OF PRODUCTS AND SERVICES



Feedback loops

- Description of the mechanisms in place to gather input from **target stakeholders** on product or service design, development, and delivery.

This can be converted into a quantitative question, making it easier to incorporate into a diligence process.



Product or services benefiting target groups

- Number of products or services specifically benefiting women or **LGBTI individuals**:
 - Designed for women's or **LGBT people's** unique needs.
 - Address a problem that disproportionately impacts women or LGBTI people.
 - Have a majority of women customers or **LGBTI customers**.
 - Have a majority of women beneficiaries or **LGBTI beneficiaries**.

Again, such metrics must be context-specific; investment officers should be mindful of not putting investees and customers at risk in countries that criminalize LGBTI individuals.

ENTREPRENEURSHIP



Ownership

- Percentage of company shares owned by women or **LGBTI individuals**.



Active Role

- Investee founded by (a) a woman or an **LGBTI individual** (b) a group of women or a group of **LGBTI individuals** that retain an active role in the organization.

By expanding this category, investment officers can get a broader sense of the company's ownership diversity without forcing visibility on anyone. Collecting such data is only recommended if the collecting methods are anonymous, not allowing to attribute answers to individuals.

COMMUNITY MEMBERS



Support community organizations

- Businesses that support LGBTI community organizations and the LGBT community overall through public engagement, funding or other support.






Inclusion in consultative process






- Investee is consulting with community members or organizations on their needs when developing new products and services addressed towards (but not exclusively) the LGBTI community.attribute answers to individuals.

Examples of metrics are also provided for investors providing capital to financial intermediaries:

Metrics on the capacity to deploy an LGBTI lens

 INVESTMENT STRATEGY	 PROCESSES	 DEAL
<p>Investment strategy incorporating an analysis of LGBTI including both current patterns and how anticipated future shifts in cultural norms will shape investments.</p> <ul style="list-style-type: none"> • Who was at the table and who had influence in the design of the investment strategy? What resources were spent on research of LGBTI trends relevant to the specific market? • For established strategies: how can they applied in an LGBTI inclusive way? 	<p>Sourcing, diligence, and investment decision making processes regularly assessed to check for privilege or LGBTI bias (consider trainings by LGBTI experts to get familiar with concepts)</p> <ul style="list-style-type: none"> • Review of the data systems around entrepreneurs for both privacy and accurate representation of LGBTI issues/people. 	<p>The structures and terms of the vehicle enable the investor to use their influence to advocate for or protect the rights of LGBTI individuals.</p> <ul style="list-style-type: none"> • Participation in voting proxies on LGBTI workplace equity.

Metrics in alignment with gender criteria for funds, banks or on-lending facilities

	<p>Ownership</p> <ul style="list-style-type: none"> • Women-owned or LGBTI-owned. • Financing women-owned or LGBTI-owned enterprises.
	<p>Leadership</p> <ul style="list-style-type: none"> • Women or LGBTI individuals in leadership positions. • Expanding opportunities for women or LGBTI groups by providing finance to companies committed to attaining or maintaining high representation of women or LGBTI groups in senior positions.
	<p>Employment</p> <ul style="list-style-type: none"> • Fair and equal career opportunities for women or LGBTI groups (share of employment and quality indicators). • Improving women's or LGBTI groups' potential for income generation by financing companies promoting fair and equal career opportunities for women or LGBTI individuals.
	<p>Products and services</p> <ul style="list-style-type: none"> • Prioritizing women or LGBTI individuals within their customer base or fund pipeline. • Contributing to helping women or LGBTI individuals' access to priority goods or services by providing finance to companies delivering them.
	<p>Communities</p> <ul style="list-style-type: none"> • Consulting with LGBTI community members or organizations on their needs.

4

Action 4: Identify factors to consider across the stakeholder groups

Leaders

Investing in companies that support LGBTI leaders delivers benefits across the entire business.³⁶ Findings from a five-year study by Kirk Snyder showed gay male executives produced 35 to 60 percent higher levels of employee engagement and satisfaction compared to heterosexual male executives. Diversity in leadership – including LGBTI – indicates a fair working place for employees, which results in better team morale, and is associated with greater organizational strength – a positive signal to the market. Investors can look for:

- Significant LGBTI representation in Board or Investment Committee, with active roles.
- Significant LGBTI representation in senior management.
- Policies and tools to retain LGBTI talents and prepare them for leadership positions.
- HR headhunting services identifying LGBTI candidates for leadership positions and other third-party providers promoting inclusive leadership.

Employees

Companies promoting LGBTI inclusion and equity in the workplace tend to outperform relative to their sector peers.

Analyzing a set of 350 US LGBTI-friendly companies, Credit Suisse found that the set outperformed the MSCI AC World Index, which covers approximately 85 percent of the global investable equity opportunities, by 3.78 percent a year since 2010.³⁷ Similarly, since its inception in 2019, the US LGBTQ100 ESG Index, composed of companies promoting equality in the workplace, has outperformed the S&P 500 by 6.01 percent.³⁸ Actions that enable companies to support LGBTI people in the workforce can include:

- Significant share of LGBTI people in the direct and contracted workforce.
- Policies and tools for hiring, retention, and promotion of LGBTI people.
- LGBTI sensitive policies and practices, such as family-friendly benefits, paid parental leave, childcare, medical benefits, and flexible work.
- Existence of employee protection policies including anti-discrimination, sexual harassment, worker safety, and fair hiring.
- Absence of forced arbitration clauses or non-disclosure agreements for instances of harassment, discrimination, or other misconduct.
- Third-party providers advancing LGBTI employment such as human resources headhunting services, and technology platforms focused on DEI and LGBTI (e.g. Artificial Intelligence tackling biases in job ads).



Example of company with diverse leadership in India



Kineer Services Pvt. Ltd

Social enterprise with at least 25 percent LGBTI representatives in senior management.

Activity

- Targeted efforts to empower and employ the LGBTI community.

Milestones

- Built a unique water brand and set up packaged drinking water manufacturing plants managed by LGBTI individuals.
- Provides various services including job placements and DEI training to renowned brands, such as Lalit Hotels or Vistara Airlines.

Source: Kineer Services website

Case Study India



Pride Circle

India's first dedicated LGBTI hiring consultancy firm

Activity

- Hybrid for-profit/not-for-profit company offering DEI consulting services with a mission of social equity.

Milestones

- Organized Asia's first LGBTI job fair.
- Partnered with 350+ firms worldwide to provide executive leadership development, DEI training, and professional networking opportunities.

Source: Pride Circle website

Box 2

Wow! Momo is leading the way in employing LGBTI people³⁹



Wow! Momo, one of the fastest-growing food brands in India, is at the forefront of LGBTI workplace inclusion. Backed by Lighthouse Fund II in which IFC is an investor, the company has shown how diverse and inclusive workplaces help businesses thrive. The company is one of the largest private employers of transgender people in India; approximately 125 of its 5,500 plus employees are transgender. Its staff not only includes transgender people but also members of India's half-million-strong intersex community, who are rarely seen in public-facing service professions.

Co-Founder Sagar Daryani: "One person gets a job, others see a possibility to follow...Customers were surprised to be greeted by the hijra* community; but once they interacted with them, their perceptions changed, and they gained tolerance." The company's diverse workforce creates a joyful ambiance that draws customers in. Revenues growing more than 100 percent annually over the last couple of years. The company works with a foundation to promote jobs and training for the intersex community.

**A traditional term primarily used in South Asia to refer to people with a non-binary gender identity. Hijras are assigned male or intersex at birth and often do not identify with the gender binary. Their gender expression is primarily feminine. Traditionally they have been thought to hold spiritual positions within society.*

Consumers

An LGBTI lens reveals opportunities across consumer sectors.

The number of LGBTI-friendly firms and companies that address the needs of LGBTI individuals is growing – in healthcare, tourism, education, housing, financial services, and other areas. Companies can attract new customers and improve satisfaction for LGBTI customers through products and services that respond to their needs. For instance, in the financial sector, Pride Bank, Brazil's first LGBTI digital bank offers LGBTI consumers customized digital banking services. In real estate, Property Equality offers a global search portal with properties filtered to suit the requirements of LGBTI groups. Pink Coconuts connects travelers to LGBTI friendly residences, experiences, and communities worldwide.

Investors in the consumer value chain can look at companies with products or services that:

- Are designed for LGBTI groups' unique needs, in consultation with the community.
- Address a problem that disproportionately impacts LGBTI groups.
- Have a substantial share of LGBTI customers and a majority of beneficiaries workforce.

Case Study United States



Euphoria

LGBTI focused fintech

Activity

- Founded in 2019, Euphoria is building digital platforms and solutions in the U.S. specifically designed for and by the LGBTI community
- Euphoria developed various apps such as Bliss or Solace to help people with various aspects of gender transition
- The banking app Bliss launched in partnership with Jiko (fintech startup) provides bank accounts and financial planning support for gender transition
- Solace supports transgender individuals with the legal, medical and social aspects of gender transition

Milestones

- Raised about \$85K through crowdfunding in 2019-2020, \$0.5M in a Seed round funding and about \$0.11M through accelerators and incubators in 2021.
- The financing rounds were led by Product Trust Investments, Gaingels, Backbone Angels, Techstars, Halcyon Incubator and involved the platform Kickstarter.

Source: Bliss website, Pitchbook, Crunchbase, TechCrunch

Case Study United States



Plume

Transgender HealthTech Company

Activity

- \$99 per month app-based membership for gender-affirming hormone therapy.

Milestones

- "Trans and allied" executives and clinicians.
- Raised \$14M Series A funding round in 2021 and \$24M in Series B funding in 2022.

Source: Plume website

Case Study South Africa



Queer Wellness Centre

LGBTI focused healthcare

Activity

- Provide stigma-free sexual and mental health services plus treatments that focused on LGBTI people's needs.

Milestones

- Established Africa's first Queer Wellness Center
- Claudia Do Vale, co-founder of the center, used her life savings of about R1m (\$62,221) to fund the project after realizing LGBT+ patients were not receiving the care they needed.

Source: Reuters, 2020, "South Africa opens continent's first Queer Wellness Centre"



Entrepreneurs

The hurdles LGBTI enterprises face accessing capital create opportunities for investors. According to Backstage Capital, LGBTI people receive less than 1 percent of venture capital (VC) funding.⁴⁰ The first VC fund for LGBTI entrepreneurs, Colorful Capital, published a baseline study on LGBTI people's lack of access to funding. They report that in the US alone, LGBTI founders have raised \$13 billion in VC, compared to \$1.8 trillion raised overall.⁴¹ Since LGBTI individuals often face rejection from their own family and other traditional networks, alternatives to friends-and-family seed funding are important. As diverse venture investing teams are more likely to fund diverse entrepreneurs,⁴² venture financing for high-growth LGBTI entrepreneurs could come from LGBTI-founded or -owned businesses and investment managers, or other funds with an explicit diversity focus. For example, Loud Capital's \$10 million VC fund, Pride Fund 1, launched in 2020⁴³ and LGBTI Capital focus on companies actively supporting the advancement of LGBTI Equality and Rights globally. Funding diverse entrepreneurs is gaining momentum with increased interest from investors or the launch of LGBTI-oriented VC firms. In 2021, Chasing Rainbows focusing on pre-seed tech companies led by LGBTI founders and 360 Venture Collective targeting pre-seed and seed-stage US companies led by women and LGBTI founders were launched.

Investors looking to target LGBTI entrepreneurs can look to:

- Provide targeted capital for LGBTI entrepreneurs.
- Provide financial education programs and support.
- Create incubators specifically targeted towards LGBTI entrepreneurs.

Case Study United States



Backstage Capital

LGBTI owned business

Activity

- VC company investing in LGBTI founders, people of color and women.
- Focuses mostly on early-stage venture and seed.

Milestones

- Founded in September of 2015
- Has raised more than \$41 million.
- Invested more than \$7 million in 200+ companies led by underrepresented founders.

Source: Backstage Capital website, Pitchbook

Case Study Uruguay



GPSGAY

LGBTI owned business

Activity

- Mobile app offering a free safe place and resources for the LGBTI community.

Milestones

- "Audience Award" by the Mobile Premier Awards (the largest cross-platform app showcase in the mobile industry).
- Raised \$300,000 from Angel investors and \$320,000 in seed funding.
- Aim to close a \$1 million investment round to launch the application in the US.

Source: GPSGAY website, Crunchbase

Supporting LGBTI incubators promotes entrepreneurship in this community. LGBTI-focused incubators and accelerators, such as San Francisco-based StartOut Growth Lab in the United States, or the Q Networq in South Africa, are important. Technical assistance, such as the Bisi Alimi Foundation training program for LGBTI entrepreneurs in Nigeria, is also critical. University programs that encourage entrepreneurship among LGBTI students create a diverse entrepreneurial pipeline. Challenges are also layered in with more universal problems like connectivity, transportation, power, and access to workspaces.

Case Study South Africa



Q Networq

Nonprofit incubator for LBTQ+ women

Activity

- Deliver an African class business incubation program that provides the best business development, access to network, and funding opportunities for LBTQ+ women and non-binary business owners, to advance their success, resilience, and create generational prosperity and inclusion for the entire African LGBTQIA+ community.

Milestones

- Started off as "Queer Women in Business + Allies" in 2018 by 4 South African entrepreneurs.
- Hosted for 3 years the "Start-Ups Pitch Challenge (SPC)", a competition among 65 entrepreneurs.
- SPC is evolving into the "Q Business Academy" which is an incubation program. It's implemented by Hybr and lasts 3 months. It teaches fundamental business skills like pitch decks, business plans, business communications, the meaning and impact of entrepreneurship, how to look for funding, etc. Upon completion, participants are given access to a Crowd Funding platform to pitch their ideas to investors.
- 100 women entrepreneurs reached so far.
- 3 major donors: Google South Africa, Gender Links (Canada), the Other Foundation (program based).

Source: Q Networq

Case Study Mexico



Excited, INC

LGBTI owned business

Activity

- Fashion and beauty brand focused on the gay community in the Americas.

Milestones

- 5 employees.
- Closed corporate partnerships with Mondelez, P&G and Symrise.
- Raised \$100,000 in seed funding from Hillman Accelerator.
- Raised early-stage VC funding from private investors in US (undisclosed).

Source: Excited, INC LinkedIn, Crunchbase, Pitchbook



Beyond Direct Investment: The Role of Financial Intermediaries

Financial institutions (FI) are a channel for investors to support LGBTI economic inclusion in emerging markets.

FIs are well positioned to adopt LGBTI inclusive working environments for staff, offer products and services that meet LGBTI needs, and provide capital to LGBTI businesses. A recent IFC study showed 11 international banks and financial institutions leading the way in these efforts.⁴⁴ Funds and other intermediated solutions, especially those already adopting a gender lens, represent another good entry point for investors to promote LGBTI investing, using the LGBTI Lens Investment Pyramid.

For the financial sector, the costs of inclusion gaps may be especially high. IFC has published research on inclusive banking highlighting specific emerging practices and ways forward.⁴⁵ Banks that lag competitors in DEI practices will have difficulties attracting and retaining top talent and customers, break into new markets, innovate, and build a good reputation among stakeholders. But the precise business case for inclusive banking practices will differ according to a bank's strategy, location, and needs of employees and customers.

For financial institutions to qualify for LGBTI lens investing criteria, they could benefit by meeting both:

- A direct criterion, either related to the leadership, the workplace, or products and services specifically for LGBTI people.
- An indirect criterion, i.e. having a significant portion of their total portfolio supporting LGBTI consumers or businesses.



Case Study Global



Pro Mujer

Inclusive microfinance services

Activity

- Empowering women in Latin America through access to finance and essential services.

Milestones

- Created an open and safe space for all clients, including lesbian and trans women, in Argentina, Bolivia, Mexico, Nicaragua, and Peru.⁴⁶

Source: Pro Mujer website

Case Study Global



Gaingels

Promoting LGBTI leadership through venture capital

Activity

- Network of investors offering early-stage capital to worldwide companies with LGBTI founders/C-suite leaders or those interested in having C-suite and board diverse leadership.

Milestones

- 2000+ investors including 350+ women, and 300+ Black Indigenous People of Color members
- Deployed \$500+ million in over 800 companies since 2014.

Source: Gaingels website



Case Study Cambodia



Micro Rainbow International

Nonprofit offering microloans to LGBT borrowers

Activity

- Nonprofit social enterprise supporting LGBTI individuals with provision of finance, access to housing, training, and employment.

Milestones

- Designed an innovative microfinance model targeting LGBTI community living in poverty.
- Facilitated micro credit for LGBTI individuals in Cambodia.
- Facilitated startup capital for LGBTI refugees in the UK.

Source: *Micro Rainbow International website*

Case Study Global



Equitas

Small enterprise lender that supports transgender women

Activity

- Equitas specializes in providing loans to small entrepreneurs.

Milestones

- Since its creation in 2007, the company has become one of the leading microcredit businesses in India. It is publicly listed and holds a small finance bank license from the Reserve Bank of India.
- Based in Chennai, southern India, it lends money to three million microfinance customers in 616 locations across 12 Indian states.
- British International Investment (formerly CDC) invested since 2013 a total of about \$40 million in Equitas, \$22 million in equity and \$18.1 million in debt.
- The investment has helped Equitas grow and diversify the products and support it offers companies and individuals, allowing it to reach more poor and unbanked customers with a broader range of financial services. The company offers loans to transgender women who tend to have no other funding options.
- Before loans are made, borrowers attend trainings, where they learn about how the loan is to be used.
- Once loans have been made, Equitas support for its customers continues. The company offers skills training and health services, supports low-income households with food and grocery expenses, and provides affordable education for its customers' children.
- Since the BII investment, the company has been able to create 10,000 new direct jobs – going from 3,000 employees in 2013 to 13,000 today.

Source: *British International Investment*


5

Action 5: Consider relevant issues for structuring deals with an LGBTI lens

Investors can factor in LGBTI considerations when negotiating the terms of investments. An example could be the introduction of quantitative or qualitative LGBTI targets, plus positive incentives for investees achieving them (see figure below, "Structuring"). Depending on the country, it can happen through explicitly targeting LGBTI individuals or implicitly as part of broader DEI efforts. Investors can start by advocating for more inclusive policies and practices in employment and leadership (e.g., expand medical coverage to LGBTI person's partners, covering gender affirming care, providing equal parental leave) or mandating the usage of capital to be spent for inclusivity in legal investment agreements.

Figure 6
Structuring

STRUCTURING Investors can structure in LGBTI considerations when negotiating the terms of their investments.




GENDER CONSIDERATIONS	LGBTI CONSIDERATIONS
	
<p>III. Interventions</p> <ul style="list-style-type: none"> • Define & agree with prospects on interventions and sex-disaggregated indicators to achieve outcomes. • Consider how to influence progress towards gender outcomes with investment products and structures. • Incorporate levers into legal agreements that promote gender outcomes. 	<ul style="list-style-type: none"> • Agree on quantitative and/or qualitative LGBTI targets plus define positive incentives/rewards for prospects achieving them. Based on the country context, it can happen through explicitly targeting LGBTI individuals or implicitly as part of broader D&I efforts. • Focus on easily achieved targets, such as advocating for more inclusive policies/practices in employment and leadership (expand medical coverage to LGBTI individuals' partners, introduction to organizations operating in a similar legal and cultural context). • Ensure the capital being invested in LGBTI entrepreneurs meets their needs and is structured to support them in their context. • Mandate the usages of capital to be spent with inclusive purposes in legal documents.

Step 3: Measure Results

Investors can improve inclusivity in the measurement and reporting of outcomes or in responsible exits (see Figure “Post-Investment”). In measuring LGBTI outcomes, investors can overcome hurdles such as lack of data by looking at proxies to assess progress, for example, anonymous employee satisfaction surveys. For investors looking to exit, identifying buyers who are best suited to continue (and grow) the LGBTI mission is essential.

Finally, to further strengthen the case for LGBTI lens investing, investors can communicate success stories and examples of LGBTI Lens Investing and demonstrate the business and impact case internally and externally.

Figure 7
Post-Investment

POST-INVESTMENT		In post-investment, DFIs can develop standards to improve inclusivity, seek responsible exits, and establish reporting standards.		
GENDER CONSIDERATIONS		LGBTI CONSIDERATIONS		
	IV. Measurements <ul style="list-style-type: none"> • Ensure investee ownership and monitor investee in milestones towards gender outcomes. 	<ul style="list-style-type: none"> • When data is not readily available for monitoring outcomes, use alternative solutions to assess progress (employee satisfaction survey). 		
		V. Responsible exits for equity investments <ul style="list-style-type: none"> • Ensure exit maintains gender lens strategy. • Calculate return on investment for gender outcomes with a linkage to commercial KPIs. 	<p>As the LGBT context may be unfavorable in some markets, ensuring responsible exits with buyers willing and capable of sustaining the mission while ensuring LGBT individuals' safety is critical.</p> <ul style="list-style-type: none"> • Identify buyers who are best suited to continue (and grow) the LGBTI mission. • Reflect on progress made and milestones that still needs to be reached. 	
		VI. Reporting <ul style="list-style-type: none"> • Report on Impact principles and Social Bonds principles when relevant. 	<ul style="list-style-type: none"> • Further build the D&I best practices by including LGBTI considerations in Impact principles and Social Bonds principles reporting. • LGBTI lens investing perfectly aligns with the use of proceeds under the Social Bond Principles as eligible target populations explicitly include sexual and gender minorities” but also as LGBTI considerations can fit under broader target populations such as the underserved, the unemployed or the excluded communities. • Communicate back the lessons learned and demonstrate the business and impact case. • When possible, produce external facing reporting to enhance the business and impact case for LGBTI investing. Keep in mind the privacy and safety of entrepreneurs, employees and customers. 	
				

Case Study Mexico



Viwala

LGBTI financing through a Financial Intermediary

Description: Provide financing to woman and LGBTI owned/ led businesses in Mexico through fixed-payment, revenue-based and pay-for-impact loans.

Location: Mexico

Business Activity:

Established in 2018 and incubated by New Ventures, Viwala lends on and off-balance sheet, with ticket sizes between \$5K to \$500K, using a debt instrument where repayment of principal and interest is linked to revenue generated or a discount is received when the SME achieves predetermined inclusion impact KPIs. The “Financiación Diversa” program was implemented in partnership with Dreilinden – a philanthropic funder focused on SOGI – to break the boundaries that limit LGBTI entrepreneurship.

Number of employees: 9

Key milestones for growth of credit program:

- Disbursement goal by 2030 of \$30M
- 110 credit applications within first 5 months of operation
- 9,039 credit applications to date
- \$10M in disbursed loans by FY2030

Funding:

- \$200K startup grant capital from USAID PACE
- \$1M in equity
- Undisclosed debt for specified portfolios

LGBTI Leadership:

VIWALA's designed investment vehicle to reach LGBTI led/ owned enterprises with:

- Loans for informal businesses run and owned by entrepreneurs from the transgender and intersex communities.
- Loans for businesses (formal) owned by LGBTI entrepreneurs.
- DEI loans for SMEs with no LGBTI ownership. Baseline assessment conducted to identify specific DEI milestones that need to be delivered over the tenor of the loan. For each milestone SME receives a rebate on the interest rate.

Gender:

- Adopted LGBTI credit products that specifically target the LGBTI entrepreneur community and delivery channels to reach them.
- Provides capital to LGBTI led/owned SMEs
- Provides monthly mentorships to LGBTI led/owned SMEs

Source: Interview with Viwala

Box 3

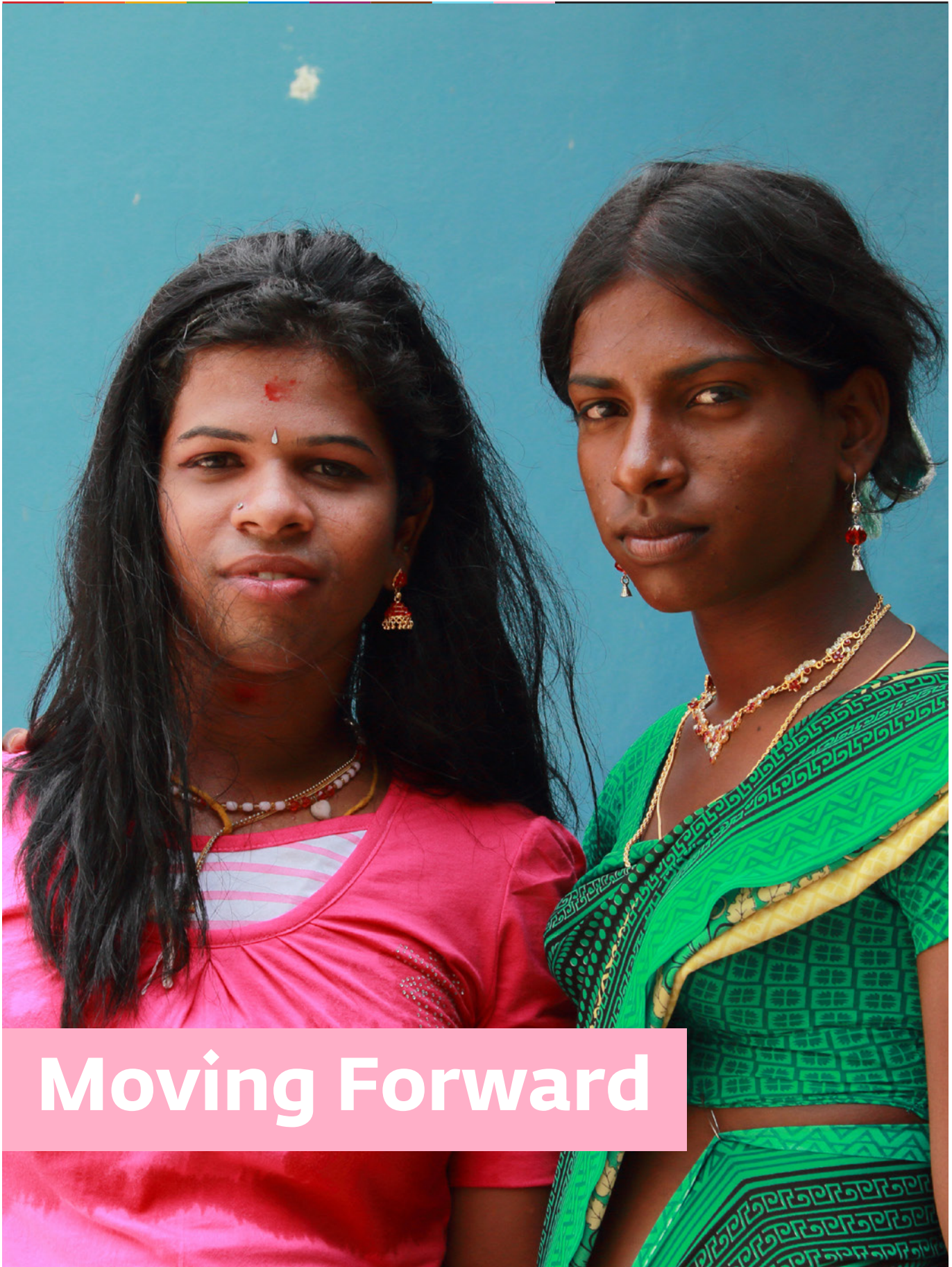
IFC's investment and advisory journey with Banco Davivienda in Colombia.



In 2022, IFC processed a first of its kind investment with an LGBTI lens: a US\$275 million senior loan to Banco Davivienda in Colombia, which will be complemented with an advisory services project focused on supporting the bank to develop a meaningful value proposition towards LGBTI customers — that may include tailored products and services, appropriate channels and customer service, marketing and communications strategy, enhancement of the staff capabilities to serve LGBTI people and so on. Namely, IFC will support Davivienda in: (i) conducting an internal diagnostic and qualitative market assessment; (ii) designing a tailored value proposition for LGBTI people and designing products and services that meet their needs; and (iii) providing employee training on the awareness and knowledge of socially inclusive business development toward this population. The proceeds of the loan will also support Davivienda to increase access to finance for other segments of population that remain underserved, specifically: (i) female headed and low-income housing (or social housing as locally defined by the Colombian government), (ii) women-owned/led SMEs (WSMEs), and (iii) climate-smart projects. Furthermore, IFC in collaboration with the Colombian banking association is planning to conduct a market study in Colombia to assess LGBTI market profile and business opportunities for sensitizing financial institutions on the potential to serve LGBTI segments.

Link to disclosure:

<https://disclosures.ifc.org/project-detail/SII/47215/dav-co-inclusion>



Moving Forward

Moving Forward: Key steps

LGBTI lens investing is as economically promising as it is critically needed to achieve a just and prosperous society. Leading organizations, publicly and privately, have amassed important learnings, insights, and tools for investors. This report outlines tools for applying a LGBTI lens investing at each stage in the investment process, with the aim to enable the impact investor community to increasingly incorporate, implement, and role model SOGI inclusivity practices. This guide outlines key strategies that investors can implement to ensure the allocation of capital is more inclusive of LGBTI people, including:

- Define and track LGBTI impact data while embracing standards to avoid “pinkwashing” – a term commonly used to describe when companies declare allyship to LGBTI people but act differently in practice.

- Empower and prepare LGBTI people for leadership and senior management roles.

- Recruit, train, and promote LGBTI people and cultivate policies that fit their needs, like inclusive HR policies, family leave, and healthcare.

- Sensitize leadership, management, and staff to address biases and become DEI champions.

- Work with LGBTI-friendly suppliers and third-party providers, so that value chains amplify the effects of inclusive policies.

- Accommodate the needs of LGBTI consumers by creating inclusive and tailored products benefits everyone.

- Ensure that LGBTI communities are included and consulted about their needs and support community organizations.

Attempts to increase the inclusion of LGBTI people through investing will demand a concentrated effort from stakeholders across the investing ecosystem, starting with addressing the inequalities LGBTI people face. Including people from the LGBTI community in the discussion and design of financing solutions will also be essential.

Ultimately, LGBTI people are we, our friends, our family and relatives, our colleagues and the people we meet on the street. They have the same needs, dreams, and aspirations as any of us and they deserve to live the same dignified lives as any of us; they have so much to offer to society and businesses. LGBTI Lens Investing is a first step we use toward as greater inclusion; a first step we all can and must take!



Appendix 1

Appendix 1: Concepts and Definitions

LGBTI groups experience unequal economic opportunities grounded in similar socio-economic phenomena and norms that hold back women.

- Gender is socio-cultural construct about how we expect people to look and behave, what they can and cannot do, and how they interact with one another.
- Cis gender binary and heteronormativity are reinforced by a host of norms and expectations related to patterns of marriage, reproduction, consumption, labor, care, economic participation, etc. Anyone not conforming may be subject to discrimination.
- Gender lens investing has so far been grounded in cis gender binary & heteronormativity. Upgrading gender lens investing and building a more powerful LGBTI-sensitive approach will enable investors to reap the benefits on greater diversity and inclusion.

Intersectionality

The term "intersectionality" was introduced by Kimberlé Crenshaw in 1989 (although women in the Global South have discussed the concept for some time) to highlight how multiple overlapping forms of inequality reinforce each other. The term now references how multiple identities, such as race, ethnicity, sexual orientation, gender identity and expression, sex characteristics, age, and disability status, intersect to influence experiences and societal expectations. Other dimensions of identity and characteristics – religion, race, class, and disability status – also shape experiences of gender identity and sexual orientation.

The multi-dimensionality of identity creates a need to understand different factors of exclusion, including economic exclusion. Human lives cannot be explained by any one single category. Multiple dimensions of identity can produce experiences of both privilege and oppression.

Gender and race compound underrepresentation of LGBTI people in the workplace. Representation in corporate America is lower for LGBTI men and women, but the magnitude is worse for LGBTI women. LGBTI women of color face another level of exclusion.⁴⁷

Definitions⁴⁸

Asexual (or ace)	Used to describe people who experience little to no sexual attraction. Many asexual people do desire romantic relationships, by which they communicate who they prefer to date or form relationships with.
Bisexual	A term that describes someone who is attracted to both women and men, or to more than one gender identity.
Cisgender	Someone whose gender identity matches the sex they were assigned at birth.
Gay	People who are physically, romantically, and/or emotionally attracted to others of their same sex or gender.
Gender-nonconforming	A broad term referring to people who do not behave in a way that conforms to the traditional expectations of their gender, or whose gender expression does not fit neatly into a category.
Genderqueer	Someone whose gender identity is not only man or woman. People using the term may see themselves as being both male and female, neither male nor female, completely outside these categories. This identity has a high degree of subjectivity.
Intersex	Used to describe people who are born with a sex that doesn't fit the typical definitions of female or male due to genetic, hormonal, or anatomical differences.
Lesbian	A woman who is predominantly attracted to other women.
Nonbinary	Used to describe people who experience a gender identity and/or gender expression outside of the male-female binary. Many other words for identities outside the traditional categories of man and woman may be used, such as genderfluid, genderqueer, polygender, bigender, demi gender, or agender. These identities are similar but not necessarily interchangeable.
(being) Out	Publicly disclosing an identity, affiliation, or orientation that does not conform to socially defined norms, often a sexual orientation or gender identity.
Outing	Exposing a lesbian, gay, bisexual transgender or gender non-binary identity to others without their permission. Outing someone can have serious repercussions on employment, economic stability, safety, or religious or family situations.
Pansexual	Sexual, romantic, or emotional attraction regardless of sex or gender identity.
Pinkwashing	Claiming to be supportive of the LGBTI community for purely commercial gain, without making any tangible commitment to progress.
Queer	A broad term that is inclusive of people who are not straight and/or cisgender, including gender-nonconforming people. In the past this word was used disparagingly. Today the word is often used in a positive way by people who identify as queer as well as by allies of queer/LGBTI people.
Transgender	An umbrella term used to describe people whose gender identity does not correspond to the sex or gender they were assigned at birth.
Transgender man	Person assigned the sex of a female at birth but identifies and lives as a man.
Transgender woman	Person assigned the sex of a male at birth but identifies and lives as a woman.



Appendix 2: LGBTI Lens Market Assessment Across Regions

This section provides information on the legal and policy rules, socio-cultural environment and popular attitudes, and business and workplace environment for LGBTI people in emerging markets.

Laws and policies related to the LGBTI community are generally improving across emerging markets.

Figure 8

Mapping of current legal frameworks per ifc regions and countries of operations



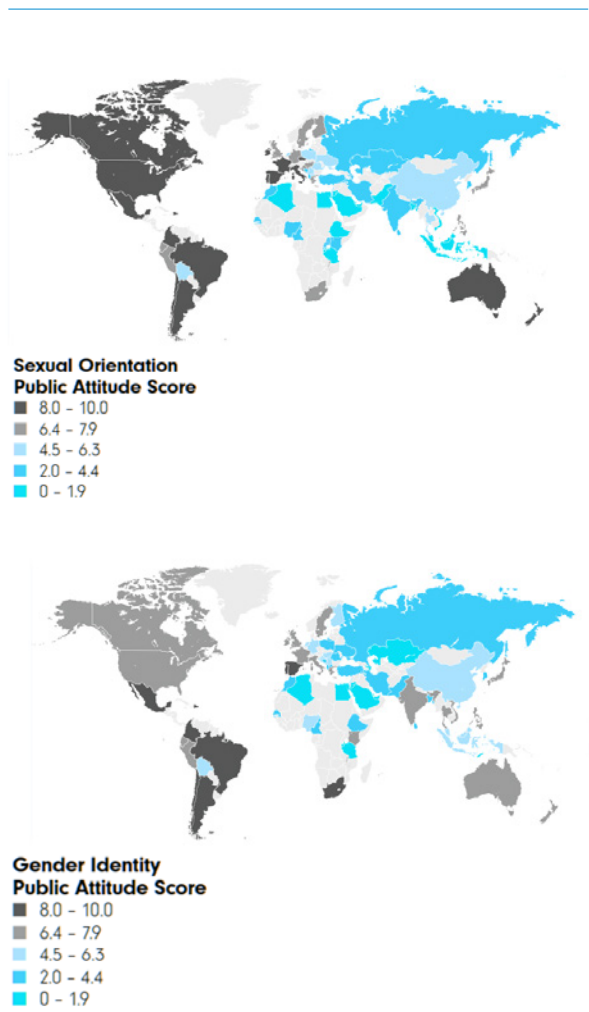
NB: This map is addresses emerging markets only

Source: ILGA. 2020. State-Sponsored Homophobia 2020: Global Legislation Overview Update.

Legal frameworks across Asia, Africa, and Latin America, among others, have improved to expand freedoms and combat discrimination.⁴⁹ However, globally, homosexuality remains illegal in 66 countries (punishable by death in 6) and 9 countries criminalize forms of gender expression that target transgender and gender nonconforming people (Figure 5).

LGBTI people are achieving greater socio-cultural acceptance globally, but at inconsistent pace and scope, which widens gaps across regions. Many of the countries surveyed by the Pew Research Center in 2013 and 2019 have seen a double-digit increase in acceptance of homosexuality including in South Africa (+22 percent), India (+22 percent), and Turkey (+16 percent). But levels of acceptance still vary widely (Figure 8). For example, while Brazil and Tunisia’s acceptance increased by 7 percentage points, Brazil went from 60 to 67 percent whereas Tunisia increased from 2 to 9 percent.⁵⁰

Figure 9
Mapping the public attitude towards lgbtqi clearly illustrates the regional differences in levels of acceptance around the world



Source: Pew Research Center, 2020, “The Global Divide on Homosexuality Persists but Increasing Acceptance in Many Countries Over Past Two Decades.”

A new generation of global businesses is embracing LGBTI inclusivity in the workplace, sometimes in defiance of national norms. Since 2015, support for LGBTI inclusion has doubled among leading, fast-growing companies in emerging markets. According to Open for Business, the number of companies increased from 19 in 2015 to 37 in 2019. This number includes 7 countries that have laws that can lead to the arrest of LGBTI people, 12 that do not have workplace protections, and 14 that do not recognize marriage equality. Many of these businesses have a strategic imperative to create a culture of inclusion and diversity that extends to LGBTI people, even though about three-quarters are based in countries with no legal protection for LGBTI people.⁵¹

Latin America and the Caribbean

Legal Status & Policy Environment⁵²

The LAC region has led on progress in decriminalization, with 73 percent of its UN Member countries allowing consensual same-sex sexual acts. The region has led the way in explicitly including sexual orientation and gender identity in their non-discrimination laws. For example, 34 member countries of the Organization of American States condemn human rights violations based on SOGI.

Advocacy for marriage equality has brought change to LAC. Many countries built on these reforms by enacting inclusionary laws. For example, Argentina became the tenth country in the world to legalize same-sex marriage, and Brazil (2013), Uruguay (2013), and Colombia (2016) soon followed suit.

Country spotlight: Brazil

Brazil has often promoted LGBTI rights on the world stage and encouraged other countries to advance equality. Brazil passed laws in favor of LGBTI group such as the legalization of same-sex adoption or union. But there are no federal anti-discrimination laws, and a recent surge in evangelism slowed progress.⁵³

Socio-Cultural Environment & Popular Attitudes⁵⁴

Within LAC, some countries are backsliding. In Central America, a weak rule of law and violence have stalled progress. LGBTI people continue to be victims of hate crimes and violence. LAC is home to 4 of the 5 countries with the highest murder rates of trans and gender-diverse people in the world.

Country spotlight: Brazil

According to the National Association of Transvestites and Transsexuals, 175 trans people were killed in 2020 in Brazil. An increase of 41 percent over 2019.⁵⁵

Business & Workplace Environment

In LAC, given the positive enabling environment, investing in pro-LGBTI shows signs of emerging. For example, the organization VIWALA launched the program “Financiación Diversa” in Mexico to increase financial inclusion for LGBTI entrepreneurs.

Country spotlight: Brazil

In an Out Now consulting study, 68 percent of LGBTI employees experienced workplace discrimination. According to Out Leadership, a federal anti-discrimination law on the basis of SOGI could enable Brazilian companies to save more than \$400 million.⁵⁶

Africa

Legal Status & Policy Environment

LGBTI legal status remains low in Africa compared to other regions. Only 41 percent of UN Member States have decriminalized consensual same-sex sexual acts, up from 30 percent in 2010.⁵⁷ South Africa was a global pioneer in incorporating the “gay rights clause” in its post-apartheid constitution, becoming one of the few countries in the world to protect LGBTI rights in its foundational document. Other countries in Southern Africa, including Angola, Botswana, and Mozambique, are following suit. However, Nigeria and Uganda passed discriminatory legislation.⁵⁸

Country spotlight: South Africa

In South Africa, a law passed in 2003 allowing transgender people to apply for their gender marker to be changed, whether or not they've had gender affirmation surgery (Intersex people can also apply). South Africa was also the first (2016) and remains the sole African country to legalize same-sex marriage.

Socio-Cultural Environment & Popular Attitudes

While there is a lack of data in Africa, the levels of acceptance of homosexuality and gender identities is overall low.

Country spotlight: South Africa

Despite the supportive legal and political context in South Africa, acts of violence and discrimination against LGBTI people are still commonplace. These acts impose an estimated economic cost of \$10.5 to \$64.8 million. Attitudes toward LGBTI people are improving but remain quite split with only 54 percent seeing the LGBTI community positively. Only half of Black LGBTI individuals are completely open about their sexuality.

Business & Workplace Environment

Legal protections vary across Africa and public opinion remains low, yet a great deal of progress has been made.

While there are still a number of countries in Africa that are not positively disposed towards LGBTI people, there are also great opportunities to be had. South Africa is the leader in LGBTI inclusion in Africa but others are making progress too. Global companies look at a country's openness and inclusion, including on LGBTI issues when considering investments and operation expansions. In Kenya, for example, an estimated 1.7 percent of GDP may be lost due to LGBTI exclusion. The country's FDI inflows to the ICT (Information and Communications Technology) sector lag behind countries with similar economies and levels of development.⁵⁹

Country spotlight: South Africa

South African employers have a legal responsibility to remove all forms of discrimination experienced by LGBTI employees in their workplace and to create a safe working environment. The Employment Equity Act 198 forbids discrimination and harassment in employment based upon sexual orientation, and sexual orientation-based discrimination has been constitutionally illegal since 1997. Nevertheless, LGBTI people are less likely to be employed than gender-conforming heterosexual people. When they are, their monthly earnings are 30 percent lower, resulting in an estimated \$316.8 million economic loss.

Asia & the Pacific

Legal Status & Policy Environment

In Asia and the Pacific, legal frameworks in the region are becoming more LGBTI friendly. Same-sex activity is legal in about two-thirds of countries, but only a few have antidiscrimination laws. Despite having strict anti-homosexuality laws, South Asia is making progress in gender identity inclusion. Nepal was the first in the world to register citizens under a third gender category, one now also recognized by Bangladesh, India, and Pakistan.

But Asia is falling behind in explicitly protecting LGBTI people in their anti-discrimination laws. Indonesia, Malaysia, and most countries in South Asia still have some of the world's strictest anti-homosexuality laws.

Country spotlight: India

In September 2018, India's Supreme Court delivered a landmark judgment in which it decriminalized homosexuality. The same year later the Transgender Persons (Protection of Rights) Bill was introduced in Parliament to the right to self-determine gender identity.

Socio-Cultural Environment & Popular Attitudes

In Asia and the Pacific, levels of acceptance of homosexuality and gender identities vary widely. Despite a history of acceptance, colonial-era policies stifled permissiveness in Asia. There is little consensus in public opinion today, ranging from 73 percent acceptance in the Philippines to only 9 percent in Indonesia.

Country spotlight: India

In India, LGBTI groups report that they face widespread discrimination and violence throughout society. The economic impact of homophobia costs India anywhere from \$1.9 billion to \$30.8 billion annually, according to a World Bank study.⁶⁰

Business & Workplace Environment

Asia and the Pacific show significant workplace progress on LGBTI inclusivity. India's economy is predicted to see an annual boost of \$26 billion by allowing LGBTI people to participate freely and openly in the economy. In addition, according to Samavesh, an Indian LGBT business group, large financial institutions are leading in adopting inclusive workplace policies in India; large nonfinancial firms lag somewhat. Discrimination remains a concern in many countries. Thailand made significant progress to protect the rights of LGBTI groups with its anti-discrimination law. But challenges remain. According to an IFC survey conducted in Thailand, 40 percent of LGBTI participants experienced harassment and discrimination in the workplace.^{61, 62}

Country spotlight: India

India has no workplace protections or other anti-discrimination laws. But LGBTI business groups are active, including several supporting LGBTI entrepreneurs and others backing corporate DEI policies. Indian firms increasingly supporting LGBTI inclusion publicly. Godrej Group promotes a culture where LGBTI colleagues are comfortable being out at work. Tata Steel has a target of 5 percent of its workers from the LGBTI community. Mahindra Group made a clear statement by firing an employee that made homophobic comments. Infosys has an internal group to discuss processes and policies that affect LGBTI employees.



Appendix 3

Appendix 3: Resource List

[1. State-Sponsored Homophobia report — ILGA](#)

ILGA World publishes its State-Sponsored Homophobia report, a world survey of sexual orientation laws.

[2. LGBTQ+ CEO Business Briefs — Out Leadership](#)

Out Leadership's LGBTQ+ CEO Business Briefs seek to help business leaders understand and respond to the operational and reputational risks they face when they do business in countries where the legal and/or social environment makes it difficult for LGBTQ+ people to live openly. The CEO Business Briefs include the "LGBT+ Business Climate Score" which is a snapshot of the current environment for LGBTQ+ people, through the lens of international business. The business Climate Score rating is out of 10 possible points and is based on ten independently verifiable equally weighted indicators of the legal, cultural, and business context for LGBTQ+ people.

[3. Open For Business Special Focus Reports — Open For Business](#)

The Special Focus reports expand on the economic and business case by providing in-depth analysis on certain regions, topics, or industries.

[4. The Williams Institute](#)

The Williams Institute conducts independent research on sexual orientation and gender identity law and public policy.

[5. LGBTQ Economics](#)

The Center for LGBTQ Economic Advancement & Research (CLEAR) is a nonprofit with a mission to empower LGBTQ households, organizations, and communities with fair and equal access to LGBTQ-affirming financial education and services to meet under-served LGBTQ financial needs and help the LGBTQ community achieve their unique economic goals.

[6. LGBTQ Funding Resources in the COVID-19 response](#)

Funders for LGBTQ Issues is a network of more than 75 foundations, corporations, and funding institutions that collectively award more than \$1 billion annually, including approximately \$100 million specifically devoted to LGBTQ issues. This page is a hub of resources and information for funders seeking to address the unique needs of the LGBTQ community in the COVID-19 pandemic.

[7. LGBT Market Statistics – LGBT Capital](#)

LGBT Capital has carried out extensive research to estimate the size and value of the Global LGBT market. It produces an estimated of the LGBT population, its estimated spending power (LGBT-GDP) and the financial impact of LGBT tourism and travel.

[8. Equality of Opportunity for Sexual and Gender Minorities – World Bank Group.](#)

The Equality of Opportunity for Sexual and Gender Minorities (EQOSOGI) is the first in a series of studies assessing laws and regulations that affect the lives of sexual and gender minorities in an initial set of 16 countries in six important areas of their life: education, employment, access to public services and social protection, civil and political inclusion, protection from hate crimes, and decriminalization.

[9. Investing in Equality: Integrating LGBTI Issues into Total Portfolio Activation – Trillium Asset Management.](#)

Trillium Asset Management invites investors to consider opportunities to integrate LGBT issues into decisions across the full spectrum of asset classes.

[10. Investing with an LGBTQI Lens – Criterion Institute](#)

Criterion Institute, with support of Dreilinden, has released “Investing with an LGBTQI Lens: Rethinking Gender Analysis Across Investing Fields,” a guide on investing to further the rights and empowerment of lesbian, gay, bisexual, transgender, queer, and intersex individuals.

[11. The Queer Impact Investment Universe – Dreilinden](#)

Dreilinden examines companies focusing on queer communities and how they struggle to finance their transition from micro to a medium-sized enterprises.

[12. Queer Lens Investing](#)

QLI is a website that aggregates available and recent resources on LGBTI lens investing.

Endnotes

¹ Economic Inclusion of LGBTI Groups in Thailand: Main Report (English). Washington, DC: World Bank. <http://documents.worldbank.org/curated/en/269041521819512465/main-report>.

² Based on estimates of 7-10 percent of global population. Statista, 2023, "[LGBT identification worldwide](#)"; Gallup, 2023, "[U.S. LGBT Identification Steady at 7.2%](#)"; LGBT Capital, 2020, Estimated LGBT Purchasing Power.

³ Trillium Asset Management, 2016, "Integrating LGBT Issues into Total Portfolio Activation."

⁴ IFC's Performance Standard 2 and its Guidance Note on Labor and Working Conditions

⁵ Open For Business, 2018, "Strengthening the economic case," <http://bit.ly/LGBTCities>.

⁶ Open For Business, 2018; Badgett, M.V. Lee & Waaldijk, Kees & Rodgers, Yana van der Meulen, 2019. "The relationship between LGBT inclusion and economic development: Macro-level evidence," *World Development*, vol. 120(C), 1-14; Badgett, M.V. Lee, Park, A, and Flores, A., 2018; Badgett et al, 2018, "Links between economic development and new measures of LGBT inclusion," The Williams Institute.

⁷ Using data from UNCTAD, Open For Business found that, on average, countries that do not criminalize consensual same-sex relations attract 4.5 times more FDI than countries that do. Open For Business, The Economic Case for LGBTQ+ Inclusion in Uzbekistan, 2021

⁸ Badgett, M.V. Lee, 2020, The Economic Case for LGBT Equality. Beacon Press.

⁹ Credit Suisse, 2020, "Strong diversity and inclusion practices are good for business."

¹⁰ Open For Business, 2018; Badgett, M.V. Lee, 2020.

¹¹ This definition has been adapted from IFC's [Private Equity and Value Creation: A Fund Manager's Guide to Gender-Smart Investing](#).

¹² Based on estimates of 7-10 percent of global population. Statista, 2023, "[LGBT identification worldwide](#)"; Gallup, 2023, "[U.S. LGBT Identification Steady at 7.2%](#)"; LGBT Capital, 2020, Estimated LGBT Purchasing Power.

¹³ Open For Business, 2018; Badgett, M. V. Lee, et al., 2018.

¹⁴ Open For Business, 2018.

¹⁵ Open For Business, 2022, "[Open For Business City Ratings](#)."

¹⁶ Badgett, M.V. Lee, 2014, "The Economic Cost of Stigma and the Exclusion of LGBT people: A Case Study of India," Washington, DC: World Bank Group; Badgett, M.V. Lee, 2020.

¹⁷ Shan, Liwei, Shihe Fu, and Lu Zheng, 2017, "Corporate Sexual Equality and Firm Performance," *Strategic Management Journal* 38 (9): 1812-26; Credit Suisse, 2016, "Environmental, Social and Governance Research." ; Shanaev, Savva, Skorochodova, Arina and Vasenin, Mikhail, 2022 "LGBT CEOs and Stock Returns: Diagnosing Rainbow Ceilings and Cliffs."

¹⁸ Bersin, Josh, 2015, "[Why Diversity and Inclusion Has Become a Business Priority](#)."

¹⁹ Community Business, 2012, "Hong Kong LGBT Climate Study, 2011-2012."

²⁰ Out Leadership. 2014. "Out On The Street: Europe LGBT Leadership Summit Learnings Summation."

²¹ Out & Equal, Harris Interactive, and Witeck Combs Communications, 2006, "Majority of Americans: Companies Not Government Should Decide Benefits Offered to Same-Sex Employees"; Economist Intelligence Unit, 2017, "Pride and Prejudice: Agents of change."

²² Gao, Huasheng, and Wei Zhang. 2017. "Employment Nondiscrimination Acts and Corporate Innovation." *Management Science* 63 (9): 2982-99. Open For Business, 2018.

²³ Open For Business, 2018.

²⁴ Centre for Talent Innovation, 2016, "Out in the World: Securing LGBT Rights in the Global Marketplace."

²⁵ Center for American Progress, 2012, "The Costly Business of Discrimination."

²⁶ Hirsh, C. Elizabeth, and Youngjoo Cha. 2015. "Employment Discrimination Lawsuits and Corporate Stock Prices." *Social Currents* 2 (1): 40-57.

²⁷ Open For Business, 2019, "Why fast-growing companies from emerging markets are embracing LGBT+ inclusion."

²⁸ United Nations Office of Human Rights, 2020, "An LGBT-inclusive response to COVID-19."

²⁹ U.S. Census Bureau, 2023, "Measuring Household Experiences during the Coronavirus Pandemic"; Human Rights Campaign, 2021, "COVID-19 and the LGBT Community: Vaccinations and the Economic Toll of the Pandemic"; LGBTQ Economics, 2022, "LGBTQ-Owned Small Businesses in 2021,"; Human Rights Campaign, 2020, "COVID-19 Continues to Adversely Impact LGBTQ People While Initial Phase of Reopening Creates New Problems."

- ³⁰ Global Philanthropy Project, 2020, "Where Are the Global COVID-19 Resources for LGBTI Communities?"
- ³¹ Human Dignity Trust, 2023, "Map of Countries that Criminalise LGBT People."
- ³² Coqual (formerly Center for Talent Innovation), 2016, "Out in the world: securing LGBT rights in the global marketplace."
- ³³ Wharton Social Impact Initiative, 2020 and 2021, "Project Sage 4.0: Tracking Venture Capital, Private Equity, and Private Debt with a Gender Lens."
- ³⁴ Criterion Institute, 2020, "[Investing with an LGBTQI lens: Rethinking Gender Analysis Across Investing Fields.](#)"
- ³⁵ Source: 2X Challenge Criteria
- ³⁶ Snyder, Kirk, 2006, "The G Quotient: Why Gay Executives Are Excelling As Leaders... and What Every Manager Needs to Know."
- ³⁷ Credit Suisse, 2020, "The LGBT 350 report."
- ³⁸ GlobeNewswire, 2021, "LGBTQ Loyalty Announces Strong 2-Year Performance of LGBTQ Index and Ambitious Plans to Advance Equality."
- ³⁹ Kelly Suzanne Alderson, 2023, "Where Respect and Profits Go Hand in Hand," World Bank.
- ⁴⁰ Pitchbook, 2020, "How Loud Capital's Pride Fund 1 is uplifting LGBTQ startups."
- ⁴¹ De Leon, Martin and Megan Kashner, 2022, "[Barriers & Exclusion: a baseline study on the LGBTQ+ Experience in Venture Funding.](#)" Colorful Capital.
- ⁴² West River Group, 2021, "The Power of Diversity: Why Homogeneous Teams in Venture Capital Are Bad for Business."
- ⁴³ Pitchbook, 2020.
- ⁴⁴ IFC, 2022, "[Inclusive Banking: Emerging Practices to Advance the Economic Inclusion of LGBTI People.](#)"
- ⁴⁵ IFC, 2022.
- ⁴⁶ Prequin, 2020, "Global Private Equity & Venture Capital Report."
- ⁴⁷ McKinsey, 2019, "Women in the workplace 2019."
- ⁴⁸ The following list of definitions relies on information from the following sources: The Trevor Project, Criterion Institute, Human Rights Campaign, The Communications Network and Out Leadership, 2020, "Authentic engagement: The antidote to 'Pinkwashing.'"
- ⁴⁹ ILGA, 2020, "State-Sponsored Homophobia 2020: Global Legislation Overview Update."
- ⁵⁰ Pew Research Center, 2020, "The Global Divide on Homosexuality Persists but Increasing Acceptance in Many Countries Over Past Two Decades."
- ⁵¹ Open For Business, 2019.
- ⁵² Corrales, Javier, 2019, "The Expansion of LGBT Rights in Latin America and the Backlash." Edited by Michael J. Bosia, Sandra M. McEvoy, and Momin Rahman. The Oxford Handbook of Global LGBT and Sexual Diversity Politics, 184–200.
- ⁵³ Out Leadership, 2022, "LGBT+ Business Climate Score: Brazil CEO Business Brief."
- ⁵⁴ Advocate, 2018, "Why Does the World Disregard LGBT People in Latin America?"
- ⁵⁵ Reuters, 2021, "Threats against trans councilwomen stir violence fears in Brazil."
- ⁵⁶ Out Leadership, 2022. "LGBT+ Business Climate Score: Brazil CEO Business Brief."
- ⁵⁷ ILGA, 2010 and 2020, "State-sponsored Homophobia 2010: A world survey of laws prohibiting same sex activity between consenting adults."
- ⁵⁸ ILGA, 2020, State-Sponsored Homophobia 2020: Global Legislation Overview Update.
- ⁵⁹ Open for Business, 2019, "The Economic Case for LGBT+ Inclusion in Kenya."
- ⁶⁰ Badgett, M.V. Lee, 2014.
- ⁶¹ Out Leadership, 2022, "LGBT+ Business Climate Score: Thailand CEO Business Brief."
- ⁶² IFC, 2018, "Economic inclusion of LGBTI groups in Thailand."



Creating Markets, Creating Opportunities

© 2023