

PRIVATE EQUITY AND VALUE CREATION

A FUND MANAGER'S GUIDE TO
GENDER-SMART INVESTING



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CONTENTS

Foreword	4
Acknowledgements	5
Executive Summary	7
Abbreviations and Acronyms	9
Introduction	11
What is Gender-smart Investing?	11
Objectives, Audience and Methodology	12
The Investor's Journey	15
Getting Started: Set a Focus	15
Five Gender-smart Investment Strategies	16
Firm Level	19
Strengthen Gender Diversity at the Firm/Fund Manager Level	19
Implement a Firm-wide Gender Strategy	32
Steps to a Successful Strategy	33
Portfolio Level	45
Select a Gender Lens	46
Gender-smart Investment Strategies	46
Apply a Gender Lens	47
Deal Origination	48
Due Diligence	51
Gender Analysis	56
Deal Structure and Terms and Levers	59
Measure a Gender Lens	68
Portfolio Management	68
Portfolio Measurement	74
Exits	77
Conclusion	80
Appendices	82
A: The Business Case for Closing Gender Gaps	82
B: Firm Level HR Indicators	84
C: Three Steps to Baseline	87
D: Deal Level Indicators	91
E: Deal Level Benchmarks	94
F: Resources on Gender-based Risks	97
G: Gender-smart Investing Tools	98
H: Sample Gender Action Plan	100
Key Gender Definitions and Terms	102
Boxes, Case Studies, Figures and Tables	103
Notes	105

FOREWORD

Gender-smart Investing – a growing asset class that supports an inclusive and resilient private sector

The ongoing COVID-19 pandemic has delivered a significant shock to the global economy, provoking deep recessions in many countries that are taking an enormous toll on millions of people's lives and livelihoods. We know from previous economic shocks that the Private Equity (PE) industry will quickly contract as General Partners (GPs) stabilize their portfolios and investors hesitate to make new commitments. According to IFC research, GPs will have to contend with shifting valuations as demand and supply shocks lower the performance of businesses.¹

However, the pandemic also provides an opportunity for the industry to transform its business model and support companies and economies differently. PE funds contribute to the growth of industries by providing not just capital, but also operational capabilities to firms. To ensure portfolio companies become resilient to future shocks, it is vital for PE funds to pursue strategies that focus on long-term sustainability and value creation.

One approach that GPs and Limited Partners (LPs) are increasingly adopting is gender-smart investing – an investment strategy that seeks to use capital to address gender gaps between women and men which will ultimately expand the total addressable market size for private sector businesses. The uptake of investing with a gender lens is increasing: capital raised with a gender lens across private equity, venture capital, and private debt vehicles cleared \$4.8 billion in 2019, up from \$1.1 billion in 2017.² This may be due to the compelling business case for gender focused private equity investments. IFC research conducted in 2019, [Moving Toward Gender Balance in Private Equity and Venture Capital](#), found that PE and venture capital (VC) funds in emerging markets with gender-balanced senior investment teams generated up to 20 percent higher returns compared with other funds. Additionally, portfolio companies with gender-balanced leadership teams outperformed in valuation increases by as much as 25 percent compared to non-diverse teams.

Given the evidence for value creation through gender-smart investing, and the fact that [women around the globe have been impacted more severely by the pandemic](#), it is more important than ever for GPs and LPs to direct capital towards solutions that drive gender equality. While the opportunities are promising, more clarity is needed by investors to understand how to implement gender-smart investing. This Guide aims to help GPs and LPs sharpen their focus and scale up investments with a gender lens. It also provides Fund Managers with a road map to strengthen gender diversity within their firms, and incorporate a gender lens into investment decision-making. It synthesizes learnings from CDC and IFC's experience and dialogues with more than 160 GPs and LPs, and draws on best practices with a series of case studies from stakeholders across the private equity industry.

There has never been a more opportune time to adopt and implement gender-smart investing. At CDC and IFC, we are firmly committed to using our role as investors to help close gender gaps between women and men. We are confident this Guide will help Fund Managers to apply a gender lens to their operations, while uncovering new opportunities for inclusive value creation that ultimately results in higher investment returns.

We count on you to join this critical agenda with us.



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A handwritten signature in black ink, appearing to read "Stephen Priestley".



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A handwritten signature in black ink, appearing to read "William Sonneborn".

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EXECUTIVE SUMMARY



EXECUTIVE SUMMARY

Key Messages

- **The COVID-19 pandemic is increasing the importance for the Private Equity (PE) industry to pursue more focused value-creation strategies to help portfolio companies recover with resilience.** Gender-smart investing – an investment strategy that uses capital to address gender inequalities between women and men – is one such approach that General Partners (GP) and Limited Partners (LP) are increasingly adopting.
- **Gender-smart investing is a growing asset class with a compelling business case.** Billions of dollars are held in assets under management, in both private and public capital markets, and the opportunities to mobilize capital and invest to close gender gaps are promising and growing. Latest research shows that volumes of capital raised with a gender lens across private equity, venture capital and private debt has quadrupled in the last two years, clearing \$4.8 billion in 2019, up from \$1.1B in 2017, and continues to increase.³ Private sector investments can close gender gaps and create markets that work better for all, while improving business performance.
- **Gender-smart investing both capitalizes on new opportunities (such as a new consumer market), and manages risks (such as gender pay gap inequities and harassment) that can have reputational, operational, and ultimately financial implications on investee company performance.** Evidence shows that gender-smart investment strategies can help grow a company’s competitiveness, solidify its supply base, improve its human capital, and help build an overall enabling business environment. By considering the full scope of the business case, companies can unlock opportunities for increased profit, growth, and innovation.
- **While the opportunity is promising, more clarity and guidance is needed by Fund Managers – both GPs and LPs – to understand how to put gender-smart investing into practice at a firm and portfolio level.** This Guide, *Private Equity and Value Creation: A Fund Manager’s Guide to Gender-Smart Investing*, fills this knowledge gap, providing Fund Managers with a road map to strengthen gender diversity within their firms, and incorporate a gender lens into investment decision-making. It combines lessons from CDC and IFC’s experience with over 160 Fund Managers and draws on best practices with a series of case studies from stakeholders across the private equity ecosystem. While the primary audience is Fund Managers, many of the approaches set out in this Guide can be adopted by other private sector investors too.
- **At the firm level, Fund Managers can drive the adoption of gender-smart investing by starting within their own investment house.** Fund Managers can strengthen the gender diversity of their own teams by following five key steps, ranging from the leadership setting clear targets, to building a respectful workplace culture, to making public commitments to gender diversity. They can also adapt the culture of the firm to invest with a gender lens by applying the four-action framework presented in this Guide. The framework includes: designing a gender-smart investment strategy; engaging, training, and rewarding people within the firm; enhancing or adapting investment processes and systems, and identifying and collaborating with partners and external stakeholders.
- **At the portfolio level, Fund Managers can adopt strategies in both origination and portfolio management.** These strategies enable Fund Managers to allocate capital to companies that are committed to:
 1. Women’s representation in leadership as founders, co-founders, and senior management
 2. A gender-diverse and equitable workforce
 3. A gender-inclusive value chain
 4. Offering and designing products or services that consider the distinct needs of women
 5. Ensuring their operations do no harm to women in the community
- **Gender-smart investing is not only about counting women and men. It is about analyzing the way gaps between women and men influence a company’s business performance, and in turn the performance of Funds that allocate capital to companies.** Counting the representation of women and men is an important first step in gender-smart investing, as it brings to light gender inequalities with data that may not have been obvious within a company’s operations. But it is important to go beyond counting the number of women and men within a business, to identify the behavioral changes needed to address gender gaps. Valuing is an intentional and measurable investment approach whereby Fund Managers identify behavioral changes needed to address underlying barriers that cause gender gaps. The approaches, tools, evidence, best practices, and case studies provided in this Guide support Fund Managers to do this.

- **Deal structuring with a gender lens is relatively new and will support Fund Managers to innovate and grow in sophistication.** Both GPs and LPs are influencing progress towards closing gender gaps by using structural considerations in legal agreements and investment documentation. This Guide provides both GPs and LPs with detailed and emerging examples of structural considerations and illustrations of investment structures to support allocating capital with the intention of closing gender gaps.
- **Fund Managers are starting to consider what it means to maintain a gender-lens when exiting an investment.** This Guide introduces six principles that Fund Managers can adopt to ensure their exits are aligned with their gender-smart investment strategies. These principles guide Fund Managers on how to maximize gender outcomes, and mitigate the risk of losing progress on gender equality with buyers that may not (yet) be as committed.
- **LPs have a critical role to play in driving the adoption of gender-smart PE investing in emerging markets.** They have an opportunity to influence GPs to strengthen their gender diversity, especially within their investment teams, and to adopt gender-smart investment strategies across their portfolio. This guide will support LPs to do more to drive long-term change towards gender-smart investing.

Recommendations

Limited Partners allocating capital to Funds:

1. **Ask GPs about gender-smart investing strategies in due diligence for new deals, and in portfolio management for existing investments.** Research from IFC found that about 65 percent of LPs view gender diversity of a firm's investment team as important when committing capital to funds; however according to GPs only about 25 percent of their LPs ask about it.⁴ LPs could start by asking GPs how they are addressing gender gaps. For example, Institutional Limited Partners Association (ILPA), a global organization of over 500 members representing more than \$2 Trillion USD of private equity assets under management, made changes to its due diligence questionnaire to enhance LPs' understanding of GPs policies on gender-smart investing, and to encourage LPs to ask about it.⁵

General Partners managing Funds and investing capital:

Firm level:

1. **Strengthen gender diversity within the firm, especially the Investment Committee.** The Investment Committee (IC) drives decision-making, and is a key tool to channel capital towards closing gender gaps. Fund Managers should think critically about how IC dynamics work, and what factors may drive investment decisions.
2. **Build a respectful workplace, including an effective anti-sexual harassment mechanism.** Harassment is more prevalent where there is an unequal sex ratio, and large power differentials between women and men. This is a pervasive issue in PE, observed by both women and men. Fund Managers can follow five steps to build an effective anti-sexual harassment mechanism, starting with a strongly worded policy statement.
3. **Develop a firm-wide gender-smart investing strategy** that guides how the five gender strategies can be applied to individual deals.

Portfolio level:

4. **Select a gender lens: Collect sex-disaggregated data and use it to select the gender-smart investment strategy relevant to the Fund's core investment thesis.** Collection of sex-disaggregated data is a prerequisite to knowing where gender gaps can occur in an investee company's operations. Fund Managers can work with companies to enable them to analyze their data, examine where gaps are largest, and establish how to close them with enhanced business outcomes in mind. Sex-disaggregated data is important to enforce accountability and track progress, but it is often challenging to obtain. Fund Managers can gather data following several tools in this guide: Three Steps to a Base Line, Deal-Level Indicators and Benchmarks, Gender Due Diligence Tool, and references to Diagnostics and Tools.
5. **Apply a gender lens using one or more of the gender-smart investing strategies within each investment deal, and across the portfolio.** Fund managers can apply each strategy across the investment life cycle during origination, due diligence, investment analysis and decision-making, deal structuring, and portfolio management and reporting.
6. **Measure a gender lens:** Fund Managers can drive gender-smart investing for existing investments through three mechanisms: portfolio management, portfolio measurement, and exits.

Abbreviations and Acronyms

AIF	Alitheia IDF Fund	IPO	Initial public offering
AVCA	African Private Equity and Venture Capital Association	IRR	Internal rate of return
CAGR	Compound annual growth rate	ITU	International Telecommunication Union
CEDAW	Convention on the Elimination of Discrimination Against Women	KPI	Key performance indicator
CEO	Chief Executive Officer	LP	Limited Partner
CSR	Corporate social responsibility	LPAC	Limited Partner Advisory Committee
D&I	Diversity and inclusion	MEDA	Mennonite Economic Development Association
DFI	Development finance institution	MIS	Management information system
DGGF	Dutch Good Growth Fund	NGO	Non-governmental organization
DPI	Development Partners International	NPL	Non-performing loans
EMPEA	Emerging Market Private Equity Association	NVCA	National Venture Capital Association
EPS	Earnings per share	PBI	Performance-based incentives
ESG	Environmental, social and governance	PE	Private Equity
FTE	Full-time employees	PEWIN	Private Equity Women Investor Network
GAP	Gender action plan	PTE	Part-time employees
GBF	Grassroots Business Fund	ROA	Return on assets
GBVH	Gender-based violence and harassment	ROE	Return on equity
GEM	Gender equality mainstreaming	SDGs	United Nations Sustainable Development Goals
GES	Gender equality scorecard	SEAF	Small Enterprise Assistance Fund
GIIN	The Global Impact Investing Network	SME	Small and medium size enterprise
GLI	Gender lens investing	STEM	Science, technology, engineering and medicine
GP	General Partner	TA	Technical assistance
GSI	Gender-smart investing	TAF	Technical assistance facility
HIPSO	Harmonized Indicators for Private Sector Operations	TBR Africa	The Boardroom Africa
HR	Human Resources	UN	United Nations
IBCF	Incentive-based contract farming	UNDP	United Nations Development Program
IC	Investment Committee	UNESCO	United Nations Educational, Scientific and Cultural Organization
ICRW	International Center for Research on Women	VC	Venture capital
ILO	International Labor Organization	VP	Vice president
ILPA	Institutional Limited Partners Association	WEF	World Economic Forum

INTRODUCTION



INTRODUCTION

What is Gender-smart Investing?

Gender-smart investing, also referred to as gender lens investing, is an investment strategy that seeks to intentionally and measurably use capital to address gender disparities between women and men, and to better inform investment decisions.⁶ It is the understanding of gender roles⁷ as a material factor of analysis that strengthens investment decision making.⁸ It is an approach that helps an investor highlight opportunity and illuminate risk⁹ to achieve better financial and social outcomes for all. While the definition for gender-smart investing is quite broad, Fund Managers in emerging markets tend to invest in companies utilizing, one, all, or a combination of the following five gender-smart investment strategies:

Companies that are:

1. Owned by women and/or with women represented in leadership
2. Committed to a gender-diverse and equitable workforce
3. Committed to a gender-inclusive value chain
4. Committed to offering and designing products or services that consider the distinct needs of women as a consumer segment
5. Committed to ensuring their operations do no harm to women in the community

Fund Managers are also increasingly applying gender-smart investment strategies to their own firms, by committing to strengthening the gender diversity of their workforce and investment teams.

A Growing Opportunity with a Compelling Business Case

Billions of dollars are held in assets under management within these five strategies, in both private and public capital markets, and the opportunities to mobilize capital and contribute to investments that seek to close gender gaps are promising and growing. Although data is limited in emerging markets, increasingly there are sources that are tracking gender-smart investments. Project Sage, a Wharton Social Impact Initiative with Catalyst at Large, tracks capital raised with a gender lens across private equity, venture capital, and private debt vehicles. This cleared \$4.8 billion in 2019, up from \$1.1 billion in 2017, and is increasing.¹⁰ The same report found that in 2019, 138 Fund Managers were investing with a gender lens, up 58.6 percent from the previous year, reflecting increasing demand for gender-smart investing solutions.¹¹ The majority of these had Asia, sub-Saharan Africa and Latin America as their target investment geography, reflecting the importance of gender-smart investing across the globe. Moreover, public market strategies with a gender lens are growing. According to Veris Wealth Partners, publicly-available investment vehicles with a gender lens have increased 300 percent over the last four years. Assets under management as of 2019 were estimated at more than \$3.4 billion, up from \$2.4 billion in 2018.¹²

Despite gender-smart investing representing a small portion of the \$74 trillion in global assets under management,¹³ the market holds great potential. Across the investment ecosystem, institutional investors are increasingly reporting to have considered equal opportunity and diversity as factors in investment decision-making.¹⁴ Gender equality is also considered an integral part of impact investing, and investor appetite for impact investing is as high as \$26 trillion— \$21 trillion in publicly traded stocks and bonds, and \$5 trillion in private markets.¹⁵

This trend in both public and private capital markets is likely to continue as more investors come to understand and experience the compelling business case for gender-smart investing.

It is smart business. Gender-smart investing aligns with Fund Managers' priorities of delivering strong financial performance, increasing shareholder value, delivering top line growth, widening access to high-quality products and services, and improving the performance of investments, both financially and in terms of environmental, social and governance (ESG) performance.¹⁶ Positive performance also correlates with gender-diverse Fund Managers. Recent research conducted by IFC found that PE and VC firms with gender-balanced senior teams delivered between 10 percent and 20 percent higher returns than teams with majority male or female leaders.¹⁷ A similar study of 22,000 publicly-traded companies found that an increase in women in leadership from zero to 30 percent correlated with a 15 percent increase in profitability.¹⁸ Gender-focused products and services also represent significant market opportunity. For example, based on a study of insurance firms in 10 emerging markets, the insurance sector could capture up to \$1.7 trillion in new business by 2030 if insurance firms provided more products and services targeted at women.¹⁹

It is also good for economic growth and sustainable development. Across the world, countries are losing a combined \$160 trillion in wealth because of differences in lifetime earnings between women and men, according to a recent World Bank Group study.^{20,21} The SDGs put forward by the United Nations (UN) provide a global framework for addressing the most urgent global social, environmental, and developmental challenges (SDGs). [SDG 5](#) is solely dedicated to achieving gender equality and is also relevant across all 17 SDGs. The 2019 SDG Gender Index finds that with just 11 years to go until 2030, nearly 40 percent of the world's girls and women—1.4 billion—live in countries failing on gender equality.²² Gender-smart investing presents greater opportunities for Fund Managers to contribute to the SDGs by addressing many of the development challenges, including women's access to education, employment opportunities, water and sanitation, and reducing gender-based violence.²³

Today's Challenge

Given the business case for gender-smart investing is well established, and the fact that [women around the globe have been impacted more severely by the pandemic](#), it is more important than ever for private investors, including private equity funds, to direct capital towards solutions that drive gender equality. While the opportunity is promising, more clarity and guidance is needed by investors to understand and put into practice gender-smart investing. Fund Managers are eager to know how to incorporate a "gender lens" into their investment process and analysis. IFC research has found that while most LPs believe applying a gender lens is important when investing, the majority are still not asking about gender diversity during due diligence.²⁴ Despite compelling evidence on the business case, several challenges remain that contribute to the slow pace of adoption in private equity and debt funds. These include unconscious biases in investment decision-making and allocation of capital to women, low representation of women in senior investment decision-making roles, and low levels of engagement with portfolio companies to adopt gender-smart practices.

Objectives, Audience and Methodology

Objective

The objective of this Guide is to support GPs that are keen to expand gender-focused investments by answering two questions identified by Fund Managers as the most critical for further clarification:

- How can Fund Managers drive the adoption of gender-smart solutions across their own firm, including moving investment teams towards gender balance? (See Section: [Firm level](#))
- How can Fund Managers apply gender-smart approaches to their investment operations; including during origination, due diligence, investment analysis and decision-making, deal structuring and negotiations, portfolio management and reporting, and exit? (See Section: [Portfolio level](#))

This Guide is therefore organized across the [Firm level](#) and the [Portfolio level](#). It provides Fund Managers with guidance on how to apply a gender lens within their own investment house (e.g. strengthen gender diversity of the investment team) and across investment operations by applying a gender lens in origination and portfolio. It is also focused on the operational processes which help Fund Managers make improvements at either level.

Audience

This Guide is intended for PE Fund Managers, typically operating within a GP and LP structure, that invest through funds focused on providing capital to emerging markets, although many of the strategies and tools used can be applied to a global context. It has been developed to support Fund Managers become more gender-smart in the way they invest. LPs can benefit from this Guide and, where relevant, this is flagged throughout.

While PE Fund Managers are the target audience of this Guide, it can be used by other private capital investors, including but not limited to, fund of funds, VC funds, angel investors, mezzanine funds, and private credit funds.

Methodology

This Guide was informed by CDC and IFC's engagement with over 160 GPs and LPs through CDC's gender-smart masterclasses, IFC's gender workshops for Fund Managers, roundtable discussions on gender-smart investing, collaboration with industry stakeholders, and Fund Manager interviews. Through these activities, coupled with a comprehensive literature review of existing gender-smart investing tools in the industry, this Guide seeks to provide a complete picture of what gender-smart investing is today, and the many ways in which it can be applied in practice. It is intended to consolidate best practices for gender-smart investing in the industry, but neither CDC nor IFC claim to have adopted all the information contained within this document.

It is important to note that this Guide examines a binary gender identification and does not assess non-male or non-female gender identities (see: [Definitions](#)). CDC and IFC recognize that additional research is needed to fully assess the spectrum of gender identities and the role that the intersectionality of sex, race, class, gender, and other key identifiers play in gender-smart investing. It should also be noted that many of the analytical approaches and recommended solutions set out in this Guide can be used in principle not only for a gender focus, but can also be applied to wider aspects of diversity and inclusion.



THE INVESTOR'S JOURNEY



THE INVESTOR'S JOURNEY

Getting Started: Set a Focus

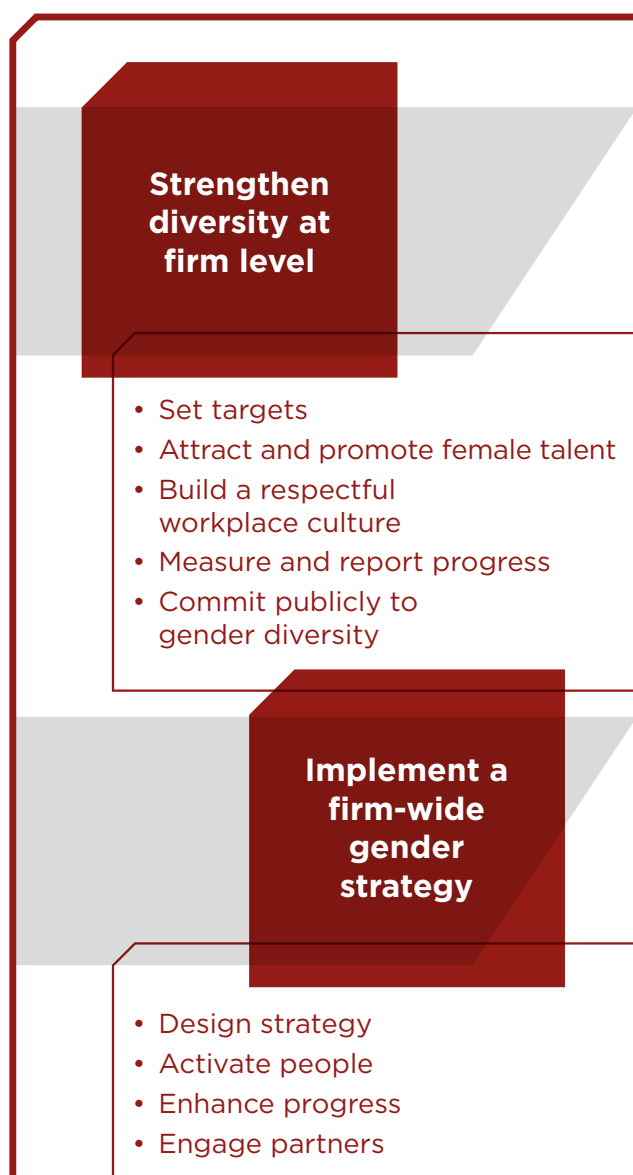
The Guide is organized along two levels of ambition: [Firm](#) and [Portfolio](#) level. Fund Managers looking to adopt gender-smart investing may set their ambition internally by considering the gender composition of their team and strengthening its diversity. Some Fund Managers may set their ambition on their investment portfolio. New firms may start to implement a gender lens in their investments – either setting a preference for gender-smart deals in origination or embedding gender considerations in the decision-making of the IC. If a Fund Manager already has committed investments, getting started may entail nudging portfolio companies to become more gender-smart through active portfolio management.

- I. **Firm Level:** Fund Managers can drive the adoption of gender-smart investing by starting within their investment house. This section shares five themes of best practices that Fund Managers can adopt to strengthen gender diversity across a firm's leadership and workforce, including how to create more gender-balanced investment teams by addressing biases in recruitment, retention and promotion. This also includes steps to address bullying and harassment. There is also a comprehensive framework for how Fund Managers can drive the adoption of a gender-smart investing strategy across their people, processes, and partners, to institutionalize gender-smart investing within the firm.
- II. **Portfolio Level:** Fund Managers can intentionally and measurably use capital to promote gender equality within each investment deal. This section addresses how Fund Managers apply gender-smart approaches to their investment operations during origination; due diligence; investment analysis; decision making, deal structuring; portfolio management and reporting; and exit. The section describes a six-step approach for embedding a gender lens into investment operations – both pre-investment and post-investment.

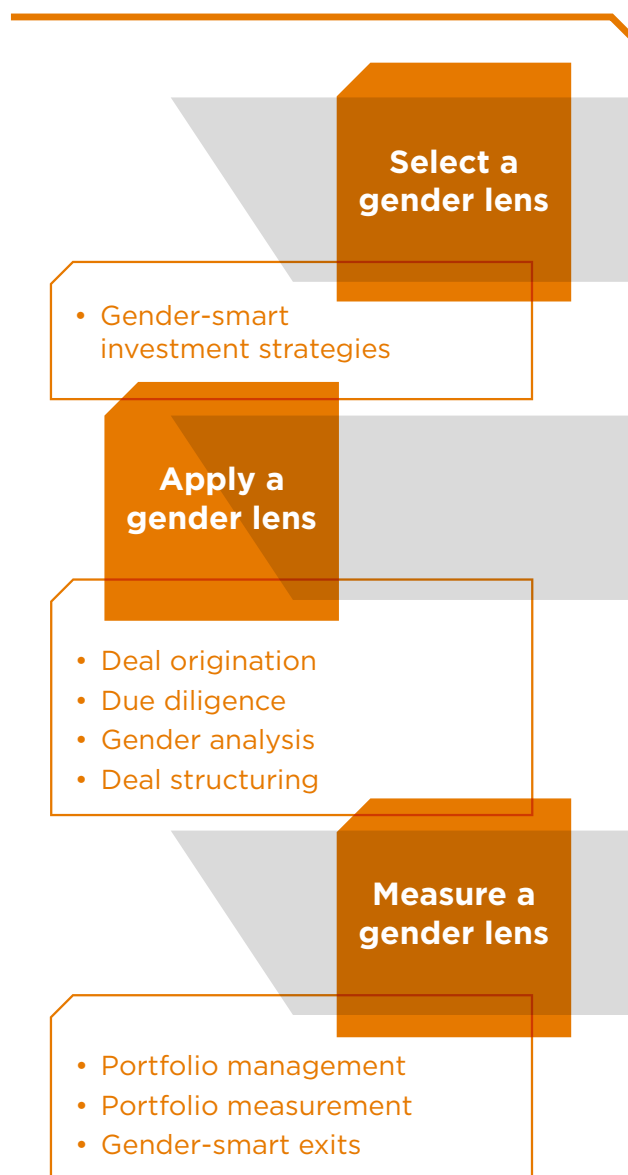


THE INVESTOR'S JOURNEY

FIRM LEVEL



PORTFOLIO LEVEL



Five Gender-smart Investment Strategies

At the portfolio level, there are five strategies that Fund Managers can adopt in both origination and/or portfolio management. [Table 1: Five Gender-smart Investment Strategies for Fund Managers](#) defines each strategy (also referred to as a gender lens throughout this Guide) and how Fund Managers can apply each strategy pre- and post-investment.

LPs can adopt the same five strategies. Additionally, LPs can consider influencing the Fund Manager to strengthen gender diversity within the firm, especially within investment teams. (See [Table 2: Gender-smart Investment Strategies for Limited Partners](#))

Each strategy is grounded in a strong business case, which can be found in [Appendix A: The Business Case for Closing Gender Gaps](#).

Table 1: Five Gender-smart Investment Strategies for Fund Managers²⁵








	Strategy (gender lens)	Gender-smart Origination (for new investment opportunities)	Gender-smart Portfolio Management (for existing investments)
	Invest in companies...	Identify and consider...	Support portfolio companies to...
 LEADERSHIP	1. With women represented in leadership (i.e. founder, co-founder, gender-balanced leadership team)	Companies where women are represented as founders, co-founders, majority-owned by women and are committed to increasing gender diversity within their leadership as represented in senior leadership and the Board of Directors	Increase gender diversity of leadership
 EMPLOYEES	2. Committed to a gender diverse and equitable workforce	Companies that have a gender-diverse workforce or that are committed to increase diversity throughout the workforce or supply chain	Increase the gender diversity of employee base and enhance workplace equity for both female and male employees
 SUPPLY CHAIN	3. Committed to a gender-inclusive value chain	Companies that: a) buy goods and services from women-owned and led producers and suppliers, or b) distribute and sell products via women-owned and led distributors and retailers	Develop a gender-inclusive supplier base and distribution network
 PRODUCTS/SERVICES	4. Committed to offering and designing products or services that consider the distinct needs of women as a consumer segment	Companies that serve women by providing products and services tailored as closely as possible to the reality of women's lives	Access and serve the women's market with a tailored offering that meets women's needs (e.g. insurance or healthcare)
 COMMUNITY	5. Committed to ensuring their operations do no harm to women in the community	Consider the representation and needs of women community stakeholders that could be impacted by company operations	Develop gender-inclusive community engagement processes and operations

Table 2: Gender-smart Investment Strategies for Limited Partners

	Strategy (gender lens)	Gender-smart Origination (for new investment opportunities)	Gender-smart Portfolio Management (for existing investments)
	Invest in companies...	Identify and consider...	Support portfolio companies to...
 INVESTMENT ROLES	Committed to gender diversity in investment roles	Consider the gender balance of the IC and the fund's overall investment team	Increase the gender diversity of the IC and overall investment team
 INVESTMENT STRATEGIES	Committed to any or all five gender-smart investment strategies in Table 1	Consider funds that include gender-smart investing as part of their investment thesis and are committed to closing gender gaps for women as leaders, employees, entrepreneurs, consumers, and community stakeholders	Support Fund Managers to develop gender-smart investment strategies and processes, using this Guide as a tool for conversations, trainings, and guidance

FIRM LEVEL



FIRM LEVEL

Fund Managers seeking to adopt gender-smart investing can start within their own investment house and lead by example with their investee companies. Ambitions should include **strengthening gender diversity** within the leadership team and **developing a firm-wide gender-smart investing strategy** that guides how the five strategies described in [Table 1](#) can be applied to individual deals. LPs wishing to influence Fund Managers on gender-smart investing may also wish to apply the same principles.

For Fund Managers seeking to develop gender-balanced leadership teams and organizations, this section outlines five best practices they can implement to strengthen gender diversity across ICs, investment teams, and the broader workforce. This includes how to assess the talent pipeline and investment operations from the perspective of whether equal opportunities are provided to both women and men employed by the fund, and how to build a respectful workplace.

This section also supports Fund Managers aiming to systematize the adoption of a gender-smart investment strategy across all operational aspects of their firm, covering four key areas of activity: Strategy Design, Activating People, Enhancing Processes, and Engaging Partners. It is important to note that the implementation of a gender-smart investing strategy should be timebound, but can evolve and be adapted as Fund Managers build and learn from experience.

Strengthen diversity at firm level

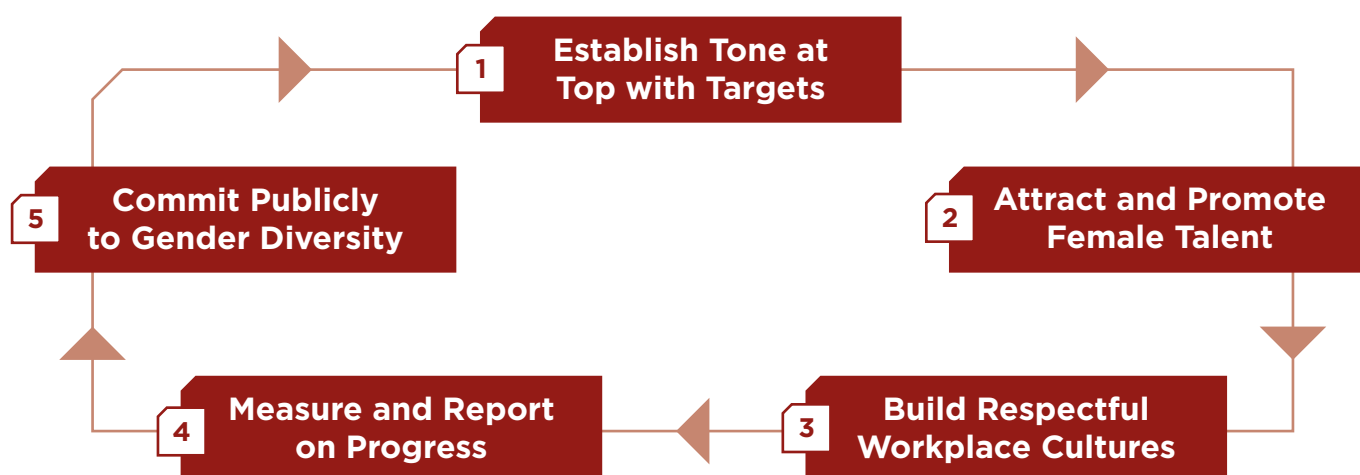
There is mounting global evidence of the positive correlation between gender-diverse leadership teams and investor returns. In emerging markets, it has been found that gender-balanced Fund Managers – those with at least a 30 percent representation of women in senior investment roles – generate up to 20 percent higher returns than those that are not gender-diverse.²⁶ In addition to overall performance, having a gender-diverse leadership team supports more inclusive outreach strategies. Research²⁷ has found that Fund Managers with diverse leadership teams, including female partners, tend to have a more diversified portfolio of investees. Female partners invest in twice as many female-founded companies as male partners. Nevertheless, female founders are not the only gender stakeholder group that benefits from gender-diverse leadership teams. A trend that has emerged from the analysis of the World Bank's Enterprise Surveys data demonstrates that female-led firms employ more female employees as a share of total workforce when controlling for sector, age, and type of firm.²⁸

Despite these benefits, gender-diverse teams are limited. Female senior investment professionals are significantly under-represented, as well as in the leadership of companies that receive investment capital. For Fund Managers planning to start or enhance gender-smart investing capabilities, considering gender diversity within investment teams cannot be ignored. Research conducted by IFC in more than 6,000 emerging markets investment teams found that only 11 percent of senior investment professionals are women. Moreover, only 15 percent of senior investment teams are gender-balanced and nearly 70 percent are all-male. As such, most investment and capital allocation decisions are being made by teams that are male-dominated and likely not reaping the potential benefits afforded to gender-balanced teams, specifically enhanced investment decision-making and deal-sourcing.²⁹

Promising practices are emerging across five commitment themes (See [Figure 1](#))³⁰ that both Fund Managers and the leadership teams of their investee companies are undertaking:

1. Establish Tone at Top with Targets
2. Attract and Promote Female Talent
3. Build Respectful Workplace Cultures Free from Bullying and Sexual Harassment
4. Measure and Report on Progress
5. Commit Publicly to Gender Diversity

■ **Figure 1: Five Commitments Towards Gender Diversity**



1 Establish Tone at Top with Targets

Two-thirds of Fund Managers view achieving gender balance in investment partners as a priority, but fewer than half have strategies for achieving it.³¹ Senior leaders can follow four actions to establish gender diversity as a priority and communicate their commitment to setting the tone from the top. The four actions are outlined in [Table 3](#). These actions move leaders from assessing the degree of gender diversity in their management and workforce; to setting goals and targets and measuring progress; to communicating with teams at every step.

It is important to note that gender diversity policies at the firm level also set the tone for the portfolio companies a Fund Manager invests in. For example, Kapor Capital, an early-stage VC firm, applies this philosophy to its portfolio companies through a Founders' Commitment, which asks CEOs to commit to building a company with an inclusive culture that is explicitly looking for talent from diverse backgrounds. The Founders' Commitment embeds diversity and inclusion in the DNA of companies, before the organizations become too large to turn around.³² Fund Managers have a tremendous opportunity to give guidance and best practices on diversity and inclusion initiatives, but only if they have built an inclusive culture and a team with diverse backgrounds that can "walk the talk".

Another example of walking the talk is increasing the gender diversity of the Fund Manager's IC to ensure that investment decision-making and the selection of investee companies aligns with the ambition for gender-smart investing. RockCreek, a leading global investment firm with approximately \$14 billion in assets, is such an example. About 90 percent of its senior management team comes from diverse backgrounds and over half of their portfolio companies are led by women. (See [Case Study 1: RockCreek](#))

CASE STUDY

Case Study 1: RockCreek - Impact of Gender-Diverse Leadership on Talent Management and Investment Decision-Making

RockCreek, founded in 2001, is a leading global investment firm that applies cutting-edge technology and innovation to investments, managing approximately \$14 billion in assets. The firm provides various services to institutional investors, including investments in PE funds, public equities, fixed income, and hedging markets across the globe. The firm is female-founded and majority-owned by women and other diverse team members.

RockCreek is deliberate in its recruitment approaches to ensure candidates represent a diverse mix of talent. RockCreek knows that the traditional pools from which PE talent is sourced, including investment banking, tend not to be great sources of gender-diverse talent. Therefore, it seeks out diverse candidates from other backgrounds, including science, technology, engineering, mathematics (STEM), and analytics. The firm hires junior employees based on capabilities, including analytical problem-solving and quantitative analysis, instead of solely finance sector experience. This allows it to look at candidates with backgrounds outside of finance. Finally, RockCreek asks headhunters and its school recruiting partners to source diverse candidates for its hiring processes. The firm has a robust internship program for high school and college students to increase the supply of new talent.

RockCreek demonstrates the impact that culture and tone from the top can have on diversity outcomes throughout the organization. Today, about 90 percent of its senior management team - and over 60 percent of the full team - comes from diverse backgrounds. The diverse lens through which RockCreek's team views the world also flows through to its investment decisions. As of January 2019, more than 55 percent of its underlying portfolio companies are female-led businesses, and more than 60 percent of its private investments have at least one minority partner.

Source: IFC, [Moving Toward Gender Balance in Private Equity and Venture Capital](#) (2019).

Table 3: Four Actions to Establish Tone at Top with Targets

<p>1 Baseline Gender Diversity in the Firm</p>	<p>The first step a Fund Manager can take is to conduct an internal firm-level assessment and collect sex-disaggregated human resources (HR) data to examine the talent pipeline and fund operations. It should consider whether equal opportunities are provided to both women and men. The internal assessment should collect and analyze both quantitative and qualitative data on several factors, ranging from women's representation in various roles, the gender composition of the IC and investment team, pay gaps, and employee experiences across recruitment, retention, and promotion opportunities. The data collected will inform and establish a firm's baseline on gender diversity. See Appendix B: Firm-Level HR Indicators for a list of HR data needed to establish a baseline. See Appendix G: Gender-smart Investing Tools for resources and examples of internal firm level assessments.</p>
<p>2 Communicate Ambitious Long-Term Goals and Targets</p>	<p>Changing the gender balance of the organization will not happen overnight. Leaders must set SMART³³ goals to signal their commitment and targets to measure progress. A reasonable time frame is five to 10 years. Goals should be communicated and positioned as a priority to improve firm performance, but must be backed by concrete action, and not a "check-the-box" compliance activity. An example of this process in action is The Canada Pension Plan Investment Board. In 2012, it found fewer than half of new hires were women, which senior leaders believed was a skewed gender mix of the available talent.³⁴ The organization publicly established a recruitment target of 50 percent women new hires by 2020.³⁵</p>
<p>3 Collect Data to Assess Progress</p>	<p>On a quarterly basis, data should be collected across the talent management pipeline to measure progress from baseline data towards long-term goals and targets. Quarterly reporting helps identify and remove biases embedded in current processes that preclude the company from meeting gender diversity targets. A best practice is to set targets for all stages of the talent pipeline including recruitment, retention, and promotion. Often, only recruitment targets are set, which limits a Fund Manager's ability to address gender gaps in retention and promotion. See Commitment Areas 2 and 3 in this section for more information on recruitment, retention, and promotion targets.</p>
<p>4 Hold Leadership Accountable for Progress</p>	<p>Fund Manager should assign ownership and allocate resources for diversity initiatives. This is a critical action to demonstrate that gender diversity is a priority and sets a tone across the organization to reach diversity targets. Clear accountability is important and can take several forms such as, a formal diversity manager or a diversity taskforce or committee. Taskforce members should be senior investment professionals within the organization, with authority and influence to ask questions and drive solutions. Compensation can be tied to goals as well. (See Case Study 2: Actis)</p>

Source: IFC, [Moving Toward Gender Balance in Private Equity and Venture Capital](#) (2019).

CASE STUDY

Case Study 2: Actis Views Diversity and Inclusion as a Journey

Actis, a leading emerging markets investor across Africa, Asia, and Latin America, believes that diverse teams operating within inclusive cultures make better decisions and deliver superior performance. This belief is applied both to Actis and the companies it invests in.

To ensure accountability within the firm, Actis set up an Inclusion and Diversity (I&D) Committee, which includes representation across geographies, functions, nationalities and practice areas, along with support from an Actis senior adviser with expertise in organizational change.

The I&D Committee has launched multiple initiatives and focuses on Actis as well as the portfolio. Initiatives include the Actis Female Network, which is open to all colleagues, and which features internal and external speakers. Discussion topics range from female leadership, working fathers, challenges in juggling family commitments and 'storytelling' from senior women. The firm also set up an initiative where every female partner and director has pledged to an 'open-door policy' to provide female peer support – this has included hosting breakfasts and dinners to share experiences.

Unconscious bias training is being rolled out across the firm and has been delivered to the c-suite of portfolio companies within the energy sector. The firm is broadening recruitment channels and creating a platform for minority role models.

In 2019, Actis launched a pilot mentoring programme for African portfolio companies – mentees are all women or from minority backgrounds. Work is also underway to create a platform to showcase women and diverse leaders from portfolio companies, enabling these individuals to be more visible as role models and to celebrate their successes. More broadly, Actis is reviewing due diligence and investment decision-making processes to incorporate a stronger gender lens throughout.

Actis considers itself to be on a journey of fostering diversity and inclusion and, while important strides have been made, more work lies ahead.

2 Attract and Promote Female Talent

Research points towards a host of external and internal factors that drive women out of investment careers and prevent women from entering or re-entering the profession. Women and men have significantly different views on the factors that influence low representation of women in investment professions. A survey of more than 500 fund managers conducted by IFC found that men believe external factors – such as a lack of qualified women and a lack of women who are interested in investment professions – are the drivers. Women believe internal factors – such as biased recruiting practices, issues in retention, and a lack of senior leaders prioritizing gender diversity – are significant drivers.³⁶

The good news is that there are ways in which leaders can address the internal factors women have identified by establishing inclusive hiring practices to **recruit female talent**, and by instituting family-friendly workplace policies to **retain top talent**. This can include practices like narrowing the pay gap, offering equitable caregiver leave for both women and men, as well as flexible/work-from-home policies and other efforts to support inclusive corporate culture.

Recruitment

Many companies make efforts to focus on recruitment, where talent management often starts.³⁷ Leaders of these firms typically implement two promising practices throughout recruitment activities: 1) assess and collect data, and 2) remove unconscious gender biases.

Assess and Collect Data

The practice of assessing and collecting data involves mapping out the recruitment process and collecting data on when and where women and men advance or exit. Many firms find this to be a meaningful and eye-opening exercise, as the data helps shine light on the extent of gender gaps or biases in recruitment activities. While this may seem like an exercise only available to large firms, it can also apply to the typically smaller teams employed by PE firms. For example, one firm that participated in IFC's Gender Workshops for Fund Managers found that the ratio of female to male applicants was very low, at one female to 30 males.³⁸ The leadership of this fund began to question which networks they were targeting to source their candidates. While the actual team was quite small, the data showed that a lack of diversity in candidates could be addressed. Other data indicators that firms track include: interview invitations per position, offers made per position, and gender wage gaps at hiring. See [Appendix B for Firm-Level HR Indicators](#) to collect and assess. Refer to Recruitment.



Remove Unconscious Gender Biases

The second practice aims to remove common unconscious biases in recruitment to develop inclusive hiring practices. Steps include:

a) *Diversify the applicant pool:*

- Assess and expand existing networks to source an equal amount of female and male candidates. Depending on the role, this may entail leveraging female investor networks such as the [Private Equity Women's Investor Network \(PEWIN\)](#), [Level 20](#), [Thirty Percent Coalition](#) or others; contacting female leaders in the sector for candidate recommendations; proactively seeking out diverse candidates on university campuses and requiring headhunting firms to provide a balanced mix of candidates.³⁹
- Change job descriptions to recruit capabilities, not experiences, by demystifying the skills needed for the role. This is done by including sector-specific skills or capabilities in negotiations, financial modeling, and analytics versus a time period of experience such as 10 years within PE in emerging markets.⁴⁰
- Expand recruitment beyond traditional fields, such as investment banking and strategy/management consulting, to unconventional backgrounds or industries where similar skills or capabilities are utilized and can be transferred to PE. Fund Managers in emerging markets have raised the concern that the pool of female candidates is not available, as social norms restrict women's participation in professional roles such as private equity. Expanding recruitment based on skills can increase gender diversity in the candidate pool and potentially influence cultural acceptance over time.
- Ensure language encourages both female and male applicants. For example, one venture capital fund advertised for a "coding ninja" and received only male applicants. When they re-advertised for a software programmer, they received both female and male applicants.

b) *Level the interview playing field:*

- Standardize interview processes to be consistent with questions and candidate evaluations, and to reduce subjective interpretations by interviewers.
- Ensure, where feasible, a gender balance of interviewers and interviewees.
- Adapt case interviews (i.e. where the applicant is presented with a challenging business scenario and must investigate and propose a solution) to include sectors that the firm invests in versus only providing case studies from traditional sectors such as investment banking (where there tends to be fewer women).

[Box 1](#) provides a checklist tool for Fund Managers to review and reflect on their own firm's recruitment process.

Box 1: Recruitment Checklist

- We conducted assessments to see if our policies and practices are having the right impact.
- We have developed explicit gender-inclusive recruitment policies and practices.
- We actively look outside of existing networks to source diverse candidates.
- We explicitly encourage both women and men to apply for positions by stating this in recruitment communications.
- We recruit capabilities not experiences.
- We are consistent with interview questions, candidate evaluations, and gender-balanced interviewers.
- We use case interviews that align with the sectors in which we invest. We know that investment experience does not only come from traditional financial sectors.
- We have a diverse mix of candidates throughout recruitment activities (i.e. application, interviews, and offer) – and can prove it.

Source: IFC, Gender Workshops for Fund Managers (2018).
Content adapted from IFC SheWorks Knowledge Report, 2016.

Retention

The key to retention is understanding that all employees need varying kinds of support and policies at different stages of their careers and lives.⁴¹ In the case of investment firms, supporting an internal environment that does not force a choice between family and career is necessary. However, not every firm is large enough, or has enough resources, to offer a full spectrum of work-life and family-friendly policies and practices. Best practice shows that firms that start small and then expand programs based on success and uptake find it easier to get buy-in and build a successful track record.⁴² Lessons from investor roundtables and gender training with Fund Managers suggest that work-life balance is a barrier that some leaders do not feel equipped to address.

The first step they can take is to assess what policies and practices are in place and which are missing. Do the policies support the demographics of employees, or only senior leaders who are post child-bearing ages? Are policies intended to enhance work-life balance being utilized by both women and men? Why or why not? When and how have policies been communicated to staff? Have employees been asked what they need and whether they think the policies are having the desired impact? Answers to these questions will not only help leaders field questions from staff, but also from candidates during the recruitment process.

After assessing policies, firms that are serious about retaining high-performing talent can address whether their practices or culture are intentionally or unintentionally leading female employees to unnecessarily opt out. There are four initial steps that Fund Managers can take:

- 1. Facilitate career progression – either within the firm or externally.** See the section on [Promotion](#) that provides actions on how to do this. It is important to acknowledge that opportunities to progress professionally influence the retention of employees, including women.
- 2. Provide and support equal maternity and paternity leave benefits.** Nearly 25 percent of surveyed Fund Managers do not offer maternity leave, and more than half do not offer paternity leave.⁴³ A starting point when developing leave policies is to consider International Labor Organizations (ILO) standards, which sets paid maternity leave at a minimum of 14 weeks (according to the provision of the most up-to-date ILO Maternity Protection Convention 2000 No. 183) and states that at least two-thirds of previous earnings be paid to ensure basic maternal and infant health needs. The ILO Maternity Protection Recommendation, 2002 (No. 191) calls for at least 18 weeks' leave paid at 100 percent of previous earnings. Leaves longer than a year, when exclusively taken by women, often discourage companies from hiring women and make it more difficult for women who leave to re-enter the labor force after the birth or adoption of a child. For more guidance on family-friendly benefits such as leave, refer to [IFC's Guide to Tackling Childcare](#) and additional resources in [Appendix G](#).
- 3. Enable work/family management upon return from parental leave.** Steps include: i) phasing the return of employees by starting with part-time work and gradually increasing to a full-time schedule, ii) designating a colleague to bring returning employees up to speed and developing transition work programs, and iii) providing flexible working arrangements (e.g. different working hours, telecommuting), emergency leave, medical assistance, breastfeeding and lactation support, and childcare support (e.g. can take the form of subsidy, voucher, resource and referral services, subscriptions to online care platforms, partnerships with local care providers, setting up own facility or partnering with other funds to set up a joint facility shared by all), and iv) consider keep-in-touch policies and utilizing technology for when employees are on parental leave, while being mindful of employee preferences. When in doubt, ask employees what they need.
- 4. Encourage synchronous work/family management,** rewarding output instead of “face time”, and reducing travel requirements with the use of technology, changing the narrative of work intensity. For example, the leadership of Multiples Alternate Asset Management (Multiples), an India-dedicated PE buyout firm that manages over \$1 billion in assets, frames the work-life balance discussion in a family-inclusive manner. The high work intensity of private equity is a continuum between work and home – as opposed to it simply being a “demanding in-the-office job” – thereby changing the narrative that performance can be inclusive of various personal obligations.⁴⁴

To measure progress on retention goals, firms can track indicators and metrics on turnover, maternity return rates,⁴⁵ and the average length of tenure disaggregated by sex (i.e. women and men by number and percentage of total) to determine who is leaving the company, when, and why. See [Appendix B for Firm-Level HR Indicators](#) to collect and assess. Refer to Retention.

Box 2: Three Tips to Keep in Mind

- 1. Senior leadership must walk the talk:** Work-life policies might not have the desired impact if the senior leadership team does not use the policies and devote enough time, people, and money to make the company culture more family-friendly.
- 2. Patience and resources are required:** Recruitment and retention policies – and measuring their effectiveness – can seem challenging since employers sometimes do not immediately see the returns on their investments. It takes time, sustained effort, and effective monitoring and evaluation to fully realize, quantify, and communicate results.
- 3. Create an accepting culture:** Women and men should be encouraged to take equal advantage of parental leave benefits. This is often best demonstrated by example of senior male leaders. Also, the firm's tone on parental leave should clearly emphasize that a break of months does not impact a career of decades.

Sources: IFC, 2019; IFC, 2016, Collings, Freeney, and van der Werff, 2018.

Promote

Few female role models in senior investment positions and sponsorship gaps are reducing the promotion of junior female talent.⁴⁶ An IFC-led survey of mid-level and junior investment professionals in emerging markets suggests that women believe they are disadvantaged in their career paths, with women 22 percentage points less likely than men to believe they have sufficient senior sponsorship to continue progressing; and 38 percent points less likely than men to believe women and men have equal opportunity to be promoted to partner.

Management of investment firms must strengthen the female talent pipeline and prepare women to initiate and lead teams and projects at all levels of the organization.

A promising practice is to close the sponsorship gap by developing formal sponsorship programs that go beyond mentoring, and to make senior employees formally responsible for employee sponsorship. (See [Box 3: Mentors vs. Sponsors](#)) Only 31 percent of emerging market Fund Managers offer formal sponsorship programs. The omission of formal sponsorship programs, particularly in male-dominated PE firms, may be allowing women to fall through the cracks.⁴⁷



Box 3: Mentors vs. Sponsors

Mentors have mentees	Sponsors have protégés
A mentor could be anyone in a position of experience who can offer advice and support to a mentee who desires it	A sponsor is a senior level staff member invested in a protégé's career success. A protégé is a top performer who is trustworthy. The sponsor-protégé relationship is a two-way street and both have "skin in the game", each providing opportunities and perspectives the other would otherwise not be privy to
Mentors support mentees through formal or informal discussions about how to build skills, qualities and confidence for career advancement	Sponsors promote protégés, using their influence and networks to connect them to high-profile assignments, people, pay increases and promotions. The goal is advancement of the protégé as opposed to development of the mentee
Mentors help mentees craft a career vision	Sponsors help drive the career vision of their protégés
Mentors give mentees suggestions on how to expand their network	Sponsors give protégés their active network connections and make new connections from them
Mentors provide feedback to aid a mentee's personal and professional development	Sponsors are personally invested in the upward movement of their protégé
Mentors offer insight on how a mentee can increase visibility through finding key projects and people	Sponsors champion their protégés visibility, often using their own platforms and reputation as a medium for exposure. Protégés promote initiatives, priorities, and the legacy of a sponsor
Mentors passively share the "unwritten rules" for advancement in their organizations with mentees	Sponsors actively model behavior and involve protégés in experiences that enable advancement

Sources: SLAC Stanford, [The Key Role of Sponsorship](#).

Leadership can undertake one or both of the following:

- **Establish a formal and equitable sponsorship program.** Align high-performing staff with senior investment staff who provide ongoing guidance and support. Accountability is created by monitoring promotion rates, representation of women at partner level, and assessing engagement and satisfaction via survey scores and feedback.⁴⁸
- **Create a culture of sponsorship.** For example, Development Partners International (DPI) is a leading pan-African PE firm that manages approximately \$1.6 billion in assets, has more than 35 employees, and has invested in 20 companies. DPI facilitates opportunities for its leadership to observe and encourage junior professional staff. DPI includes the full professional team in IC meetings (not just partners), so junior team members can be a part of the discussion. Diverse teams take longer to arrive at investment decisions, but the benefit of more participatory IC meetings is demonstrated in fund performance and DPI's success at creating a diverse and equitable workplace.⁴⁹

To measure progress on promotion goals, see [Appendix B for a list of HR data to collect and assess](#), and refer to the Promotion section.

3

Build Respectful Workplace Cultures Free from Bullying and Sexual Harassment

Gender-based violence and harassment (GBVH), in particular sexual harassment, can be more prevalent in jobs where there is an unequal sex ratio and large power differentials between women and men.⁵⁰ Eighty percent of private capital professionals say sexual misconduct, harassment, and gender bias are an issue in the industry.⁵¹ In this same survey conducted by Semaphore, a global professional services provider of PE funds under management, only 15 percent of the respondents were women, suggesting that this is a pervasive issue for Fund Managers, observed by both women and men.

Harassment and bullying in the workplace⁵² can take many forms. It may include:⁵³

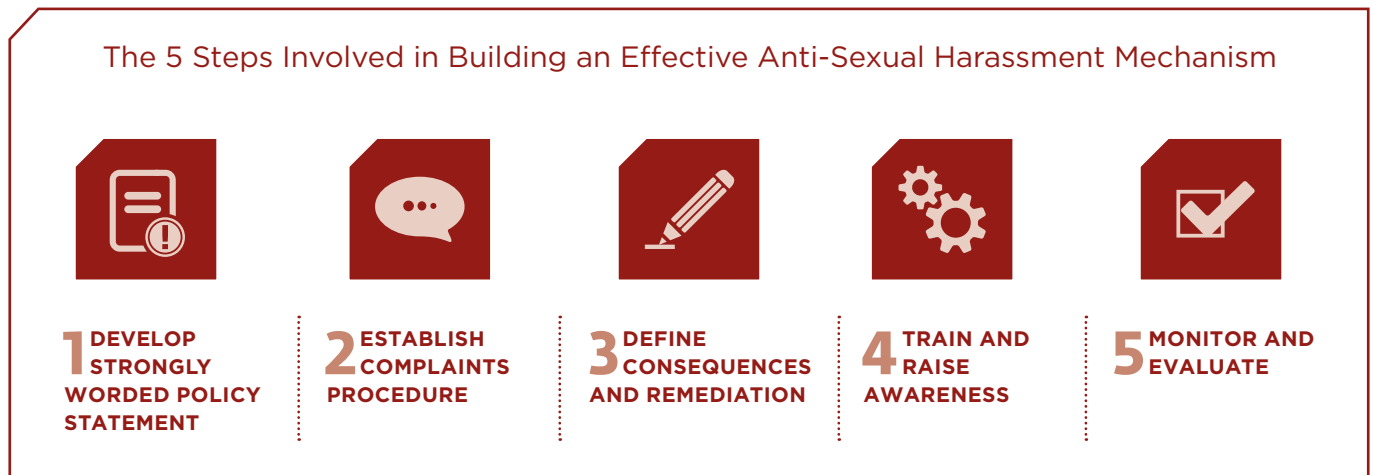
- **Customer and client aggression:** Unacceptable or hostile behaviors targeted toward employees.
- **Workplace bullying:** Repeated and unreasonable behavior directed toward a worker or a group of workers that creates a risk to health and safety.
- **Workplace sexual harassment:** Unwelcome conduct of a sexual nature which makes a person feel offended, humiliated or intimidated.
- **Sexual exploitation and abuse connected to the workplace:** Any actual or attempted abuse of a position of vulnerability, differential power or trust, for sexual purpose, including but not limited to, profiting monetarily, socially, or politically from the sexual exploitation of another.
- **Domestic violence** including physical, sexual, psychological, or financial abuse perpetrated by intimate partners, family or household members.

Examples from PE firms include harassment during: 1) work-related trips, travel, training events or social activities (e.g. offensive jokes made about female colleagues or sexually explicit images portrayed in the workplace); 2) during the recruitment process (e.g. a hiring manager soliciting for sexual relationships with candidates on the basis that they will give them a job); and 3) similarly in the investment process, where a member of the deal team solicits a sexual relationship with the founder of a potential investee company, on the basis that they will give them capital.

The costs of sexual harassment can easily derail employers, particularly Fund Managers who lack the capacity to accommodate lengthy lawsuits and pay the high legal fees associated with settling sexual harassment lawsuits. It results in high levels of stress, demotivation, decreased morale, job dissatisfaction, compromised teamwork, increased turnover, and reputational damage to a business. For example, workplace sexual harassment in Cambodia costs the garment sector an estimated \$89 million a year due to staff turnover, absenteeism and presenteeism. Presenteeism incurred the highest cost, with an estimated 13.5 percent of workers saying sexual harassment meant they worked less effectively.⁵⁴ Many firms are putting in place practices promising to take a more active role in being part of the solution to address sexual harassment in the private capital industry. These include strongly-worded policies, complaints and remediation procedures, and training to raise awareness. Fund Managers can do the same within their own operations.

It is important to view efforts to prevent bullying and sexual harassment as part of wider efforts to address gender inequality and discrimination in the workplace.⁵⁵ Prevention efforts should be proportionate to fund manager size, as well as the scale and complexity of the bullying and harassment. There are several actions that can be taken to build an effective anti-sexual harassment mechanism. Figure 2 outlines the five steps which have been adapted from IFC's [SheWorks Knowledge Report: Putting Gender-smart Commitments Into Practice, Chapter 3: Effective Anti-Sexual Harassment Mechanisms](#). Fund Managers can also reference the recently released publication [Addressing Gender-Based Violence and Harassment – Emerging Good Practice for the Private Sector](#), which responds to the need raised by companies and investors for practical tools and guidance on emerging best practices to prevent and respond to the wider risk of violence and harassment.

■ **Figure 2:** Five Steps to Building an Effective Anti-Sexual Harassment Mechanism



Source: IFC, [SheWorks Knowledge Report: Putting Gender-Smart Commitments Into Practice at the Workplace](#) (2016).

- 1. Develop a strongly-worded policy statement and appoint a champion/sponsor in senior leadership to own the agenda and promote it from the top.** The Institutional Limited Partners Association (ILPA) has developed a [Diversity & Inclusion Roadmap](#), which includes [examples of policy statements](#) from Fund Managers and LPs. Additionally, Annex 6 of the IFC publication [Addressing Gender-Based Violence and Harassment – Emerging Good Practice for the Private Sector](#) provides a template for a policy statement to guide firms. Increasingly, a best practice for firms in the financial services sector is to set up a committee or taskforce made up of women and men in senior leadership who are held accountable for these five steps, and have an open-door policy in case employees want to talk to them directly.
- 2. Establish complaints procedures that are fair, efficient, and transparent, and ensure confidentiality and security while reporting an incident – with detailed steps on how to report a concern or lodge a complaint.** Reporting mechanisms should include multiple channels (such as informal, formal, online or physical) and should offer at least one anonymous way to report. The [Code of Conduct Guidelines](#) produced by the Institutional Limited Partners Association (ILPA) provides a blueprint for setting up complaints procedures. Annex 7 of [Addressing Gender-Based Violence and Harassment – Emerging Good Practice for the Private Sector](#) provides advice on how to design, implement, and monitor grievance mechanisms and investigations procedures that Fund Managers can reference to set up or improve their own process. Examples of procedures can include anonymous comments and complaints boxes throughout the office where employees can drop in their written complaints, and hotlines where employees can call in anonymously (or otherwise) to make a complaint.
- 3. Define consequences and remediation.** Firms can define measures that are tailored to the nature of the offense, ranging from warnings to dismissals and applicable to all employees. Examples include: an official warning, requirement to attend harassment awareness training, a requirement to provide a formal apology to the complainant, disciplinary action (e.g., demotion, transfer, suspension, probation, or dismissal), participation in mediation to restore relationships in the workplace, and disciplinary counseling. Any disciplinary action taken should be proportionate to the impacts of the harassment. The complainants themselves should also be provided with support, such as referral to counselling or victim support lines.

Given the unique relationship between Fund Managers and company founders, measures should also cover what happens between the firm and founders of portfolio companies where instances of sexual harassment have been heavily reported. For example, Silicon Valley Bank included a [morality clause](#) in a recent Series A investment to this effect.⁵⁶
- 4. Train and raise awareness among staff at all levels on how to recognize, prevent, manage, and mitigate harassment of all kinds.** Content should include anonymous, firm-specific case studies, information on the complaints procedure, and details about who to contact if a complaint needs to be made. Contact persons and teams also require specialized training to stay abreast of issues, since complaints can be complex, sensitive, and potentially volatile. Fund Managers can introduce [bystander initiatives](#) as part of their work to reduce and prevent sexually-harassing behaviors. All staff should be encouraged to act on sexist and sexually-harassing behaviors, even if they are not directly involved in an incident as a victim or perpetrator of harassment. If contact persons or other staff will be undertaking investigations, gender-sensitive training on how to conduct investigations should also be undertaken.

- 5. Monitor and evaluate.** Once the policy, complaints procedure, remediation measures, and training have been developed and implemented, companies can regularly monitor and evaluate them to ensure and enhance effectiveness. It is important to ensure that employees are updated on any action that is taken or not taken, so that they trust the system and see that their complaints do not go unrecognized.

These five steps are written to support a Fund Manager's efforts to prevent bullying and sexual harassment within the workplace. However, Fund Managers can promote and share these steps with their own investee companies as part of a gender-smart investing strategy to increase the gender diversity of their employee base and enhance workplace equity for both female and male employees.

CASE STUDY

Case Study 3: National Venture Capital Association Unveils Resources to Help Address Sexual Harassment in Venture Ecosystem

In response to a series of news reports in 2017 of incidents of sexual harassment involving VC Fund Managers, the National Venture Capital Association (NVCA) released a set of model documents and resources to help address sexual harassment in the VC industry. These were created with guidance from working groups consisting of legal, human resources, and employment experts, as well as VC Fund Managers. The industry resources available on the [NVCA website](#) include: 1) [Sample HR Policies for Addressing Harassment & Discrimination](#); 2) [Sample HR Best Practices for Addressing Harassment & Discrimination](#); and 3) [Sample Code of Conduct Policy](#). While these documents support the VC industry in North America, they can also serve as illustrative examples for Fund Managers in other markets.

Source: NVCA, [NVCA Unveils Resources to Help Address Sexual Harassment in Venture Ecosystem](#) (2018).

4 Measuring and Reporting Progress

There are several practices that firms can undertake to measure and report progress towards diversity goals. Practices such as third-party gender assessments are more resource-intensive than others. Included below are three practices that require fewer resources, such as staff time and budget.

- Establish baselines for all targets. A list of HR indicators is provided in [Appendix B](#) to help guide Fund Managers on data to collect and analyze.
- Review HR data, policies and practices, to determine where there are gaps and where to focus resources. Increasingly, tools are being developed to help Fund Managers assess their policies. Examples include the [Gender Equality Mainstreaming \(GEM\) self-assessment](#) developed by the Mennonite Economic Development Association (MEDA); and the [Economic Dividend for Gender Equality \(EDGE\) Gender Certification](#), an IFC partner, and [IFC's Women's Employment Solutions Program](#).
- Conduct feedback and engagement surveys on the perceptions of equal opportunities to determine perceptions of progress.
- Analyze data over time. Fund Managers can track changes over years. This is especially important when looking at promotion and retention. For example, a firm may always have 50 percent women employees, but if this is due to high turnover, and not because of retention as female talent grows with the organization, it should be noted and used to re-assess the firm's culture and internal policies.

Rule of Thumb: Sex-Disaggregate Employment Data

It is important to focus on collecting and analyzing sex-disaggregated data to provide a more complete and accurate picture of workplace experiences, specific cultural contexts, and needs of women and men. Data collection and analysis allows firms to come up with better, more informed solutions, and helps prioritize efforts to address gender gaps. Either the Head of HR or Diversity should be responsible for leading the collection and analysis of such data, and communicating the results, working closely with the CEO on how to communicate and determine corresponding actions. See [Appendix B](#) for the List of HR Data to Collect and Assess.

Source: Content adapted from the IFC report: *SheWorks: Putting Gender-Smart Commitments into Practice at the Workplace* (2016).

5 Publicly Commit to Gender Diversity as an Investment Strategy

For Fund Managers that are keen to apply a gender lens to their investments, it is important that they demonstrate credibility in gender-smart investing by walking the talk. (See Section: [Develop a Firm-Wide Gender Strategy. Refer to People](#)). The role of leaders entails:

- Influencing the firm's key decision-making for actively addressing gender gaps in employment and leadership.
- Ensuring that gender-smart policies are implemented.
- Holding staff accountable to goals and targets.
- Providing strategic direction and vision on solutions to recruit, retain, and promote more women in senior investment roles.

Given that more than 70 percent of PE firms in emerging markets are dominated by male leaders,⁵⁷ senior male leadership support is critical for change. Male leaders can leverage their influence, networks, and visibility to drive stakeholders to deliver concrete results that advance workplace gender equality. They can:

- Join roundtables and working groups on the topic of gender diversity, to share their experiences and learn approaches from others. Specific actions can include accepting invitations to speak on gender issues rather than delegating gender issues to female staff.
- Leverage media tools – such as blogs and op-eds – to make the case and provide suggestions to others. Some can even be bold enough to publicize their gender gaps, acknowledging that a low representation of women is not acceptable and must be remedied.
- Join national and international platforms to leverage public speaking opportunities with large audiences and gain recognition for a firm's approach. Platforms include: [HeForShe](#); [Male Champions of Change](#); [Promundo](#); [Gender-Smart Investing Summit](#); the Emerging Markets Private Equity Association (EMPEA) Gender Diversity Working Group; regional PE and VC associations including the African Venture Capital Association (AVCA), East Africa Venture Capital Association (EAVCA); and women investor networks such as PEWIN.
- Explore unconscious bias and how it may affect decisions – whether around gender or not. This can include quizzes like the [Harvard Implicit Bias tests](#), or videos on raising female and male children. Unconscious bias also plays out beyond gender, and can include race, ethnicity, sexual orientation, religion, and socio-economic dynamics. If it is easier to begin by identifying and acknowledging unconscious bias in areas other than gender, that is at least a good place to start.

The value in publicly committing to gender diversity not only leads to progress towards gender diversity goals benefiting financial performance,⁵⁸ but also leads to pipeline development (attracting investment opportunities from gender-smart founders) and fundraising opportunities with LPs committed to gender equality. Research from IFC found about 65 percent of LPs view the gender diversity of a firm's investment team as important when committing capital to funds.⁵⁹ Moreover, ILPA, a global organization of over 500 members representing more than \$2 trillion of PE assets under management, has underscored the importance for GPs to address the under-representation of women in private equity.⁶⁰

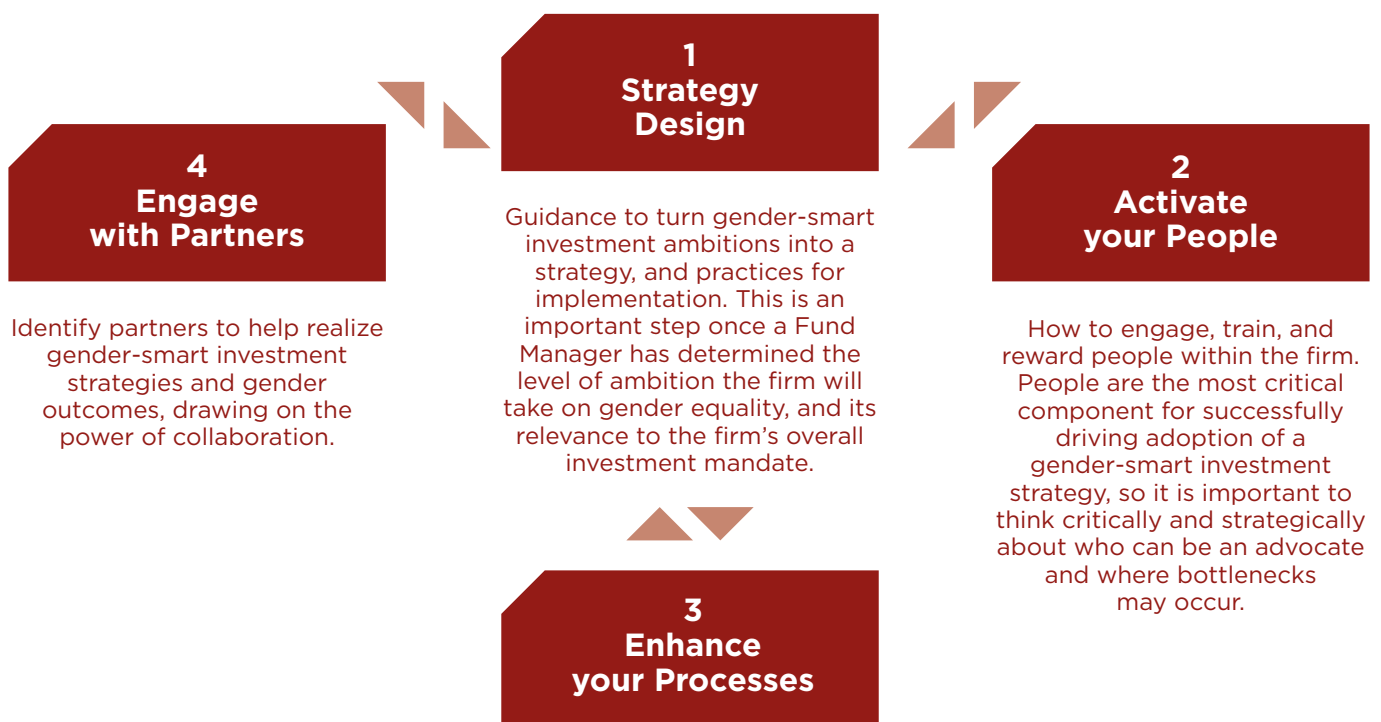
Implement a firm-wide gender strategy

To support Fund Managers in identifying and considering the many components of implementing a firm-wide gender-smart investing strategy, this Guide proposes a four-action framework covering: **Strategy Design**, **Activating People**, **Enhancing Processes**, and **Engaging Partners**. The framework is designed to be customizable; Fund Managers can adapt, enhance or align it broadly to their firm's existing strategies or practices.

Throughout this section, guidance is provided on how to navigate communications – both internal and external – at various levels and modalities. Communication plays a key role in securing internal buy-in for gender-smart investing, and helping to demystify or debunk areas of concern or resistance from stakeholders.

[Figure 3](#) maps out **key objectives of the four-action framework**, and the latter content describes how Fund Managers can implement each action.

■ **Figure 3:** Four-Action Framework to Drive Adoption of a Firm-Wide Gender-smart Investment Strategy



Enhancing or adapting investment processes and systems to integrate gender as a key factor for consideration is essential to formalize a gender-smart investment strategy across the firm's operations. This action covers operational processes to consider throughout the investment cycle. It can also be used for new Fund Managers or funds setting up a gender strategy for the first time.

Case Studies 4, 5 and 6 provide examples of how firms have used the four actions, demonstrating the variety of ways in which firms can adopt a gender-smart investing strategy across their organization.

CASE STUDY

Case Study 4: Large Asset Manager and Private Equity Firm, BlackRock

Strategy: Another example of Fund Managers working to improve gender lens adoption is BlackRock, the world’s largest asset manager. As a part of its proxy voting guidelines for US securities, BlackRock announced in 2018, it would “encourage companies to have at least two women directors on their board,” as part of its approach on board diversity.⁶¹

Activating People: Other efforts to drive gender lens adoption by BlackRock include hiring a diversity lead to advance careers of women within the firm and build a Women’s Initiative Network to help retain talented female employees. BlackRock has also recently launched the [Women’s Leadership Forum](#) to prepare senior women for director roles, matching women with sponsors from their Global Executive Committee.⁶²

Steps to a Successful Strategy

A firm-wide gender-smart investment strategy looks different for all Fund Managers. There is no standard format, and this four-action framework seeks to provide guidance to Fund Managers on the most critical actions to drive adoption of a strategy across the firm and its funds. Successful implementation depends on several factors, such as the level of ambition for gender-smart investing (See [Getting Started: Set an Ambition](#)), the organizational structure of the firm, amount of resources available, access to external support, and institutional and shareholder priorities. To help navigate these factors, [Table 4](#) provides a checklist to review and identify what is suitable to meet their specific needs.

■ **Table 4:** Gender-smart Investing Strategy Checklist

Four-Action Framework		Notes
1. Design Strategy		
<input type="checkbox"/>	Identified gender-smart investing ambition, whether at firm level, portfolio level, or both (See Getting Started: Set an Ambition)	
<input type="checkbox"/>	Established baseline of gender diversity for the firm (See Firm level and Appendix B: Firm-Level HR Indicators)	
<input type="checkbox"/>	Established baseline for the fund’s portfolio (See Portfolio Level and Appendix C: Three Steps to a Baseline)	
<input type="checkbox"/>	Assessed and benchmarked the firm and portfolio against relevant peers (See Appendix E: Deal-Level Benchmarks)	
<input type="checkbox"/>	Agreed and aligned gender-smart investing starting position and ambition with owners, shareholder(s) and other key high-level stakeholders (See Navigating Resistance and Difficult Questions)	
<input type="checkbox"/>	Developed a gender-smart investing strategy (which could take the form of a strategy document, a position statement, policy etc.) and implementation framework	
<input type="checkbox"/>	Considered, negotiated, and established targets for the firm (mandatory/ non-mandatory) at both portfolio and firm-wide levels (Appendix D: Deal-Level Indicators and Appendix B: Firm-Level HR Indicators)	
<input type="checkbox"/>	Defined how to measure and report progress of the gender-smart investing strategy, including key performance indicators (KPIs) (See Appendix D: Deal-Level Indicators)	
<input type="checkbox"/>	Communicated new or adapted gender-related policies, positions or strategies to all relevant stakeholders	
<input type="checkbox"/>	Considered how the firm’s own gender diversity activity can complement the approach to gender diversity at the portfolio level (See Box 8)	

2. Activate People		Notes
<input type="checkbox"/>	Secured buy-in and ownership from leadership team and the board to commit and adopt a gender-smart investing strategy	
<input type="checkbox"/>	Identified a dedicated gender focal point, working group, teams or individuals to drive adoption	
<input type="checkbox"/>	Established “gender champions” across investment and operations teams to support the firm meeting its ambitions	
<input type="checkbox"/>	Integrated gender lens adoption within KPIs, incentives and all other compensation frameworks within the firm	
<input type="checkbox"/>	Integrated a gender lens in the recruitment of senior management, operation teams, board participation, and the IC to drive balanced teams across the portfolio (See Firm Level: Strengthen Gender Diversity)	
<input type="checkbox"/>	Strengthened firm’s own gender diversity including – but not limited to – internally identifying gender champions, revising recruitment policies and procedures, putting in place gender diversity targets (See Firm Level: Strengthen Gender Diversity)	
<input type="checkbox"/>	Established clear governance and accountability frameworks for gender-smart investing strategy and implementation	
<input type="checkbox"/>	Communicated the firm’s position to all staff, explaining the role they play in helping to achieve the firm’s ambition on gender-smart investing	
3. Enhance Processes		Notes
<input type="checkbox"/>	Developed and implemented a gender-smart investing plan	
<input type="checkbox"/>	Trained all teams involved in the investment process on gender-smart investing, and specified what their roles and responsibilities are across pre-investment and post-investment phases	
<input type="checkbox"/>	Upgraded IC processes in order to explicitly and deliberately originate, assess, structure and classify investments as gender-smart	
<input type="checkbox"/>	Identified funding sources to drive gender-smart investing strategy and implementation plan at both firm and portfolio level (e.g. gender consultants, technical assistance, training)	
<input type="checkbox"/>	Influenced investee companies to adopt gender-smart investing practices by providing relevant guidance materials and support	
<input type="checkbox"/>	Ensured processes are in place to assess gender-related opportunities and risks as part of due diligence and portfolio management (See Due diligence with a Gender lens)	
4. Engage Partners		Notes
<input type="checkbox"/>	Identified trainers, consultants, partners and organizations that can help deliver the gender-smart investment strategy at the firm level	
<input type="checkbox"/>	Identified sources of funding that the firm could draw upon to support investee companies to close gender gaps in their operations and deliver gender-smart actions at the portfolio level	
<input type="checkbox"/>	Checked that third parties (e.g. partners, consultants, vendors, etc.) demonstrate gender-smart practices and principles themselves	
<input type="checkbox"/>	Engaged with gender initiatives across the broader investment ecosystem to further advance the firm’s gender-smart ambitions and commitment	
<input type="checkbox"/>	Mandated sex-disaggregated data into all reporting required by investees within the portfolio (Appendix D: Deal-Level Indicators)	
<input type="checkbox"/>	Reported on progress of the firm’s gender commitments through established governance and accountability frameworks	
<input type="checkbox"/>	Developed and implemented internal and external communications and materials to generate awareness across the firm	
<input type="checkbox"/>	Integrated gender-smart exit strategies (See Exits)	

Source: Content adapted from CDC’s Gender-smart Investing Training for Fund Managers, with input from IFC

CASE STUDY

Case Study 5: General Partner, Development Partners International

Development Partners International (DPI) is a leading pan-African PE/VC firm that focuses on buyout and growth equity investing. Today, DPI manages over \$1.6 billion of assets across three PE funds.

Strategy: DPI applies a gender lens investing strategy at both firm and portfolio level. At firm level, over 45 percent of the team is represented by women. DPI demonstrates a commitment to gender-balanced teams through the promotion of good corporate governance practices across recruitment, promotion and progression. At the portfolio level, DPI has analysed its investments to determine a baseline and has committed to integrate, monitor and report on the progress of its gender-smart investing activities to its key stakeholders. It has set targets for its latest fund to meet gender-smart investing criteria, as aligned with the [2X Challenge](#). These ambitions have been agreed across the firm.

Activate People: DPI has long recognized the value of gender-balanced teams for its business. It has an Equality and Diversity Policy which outlines how the firm promotes equality and diversity, including gender-smart recruitment practices such as gender-balanced shortlists of candidates from recruiters and gender-balanced interview panels. The firm also applies the same principles across performance management and compensation frameworks. To continue to build diverse thinking and comfort within the group of people already working at DPI, the firm is in the process of organizing unconscious bias training across the business, as well as implementing a formal mentoring program for women. These efforts are reaffirmed at the leadership level, with its co-founder and CEO Runa Alam acting as the firm's gender lead, along with a Gender Balance Working Group comprising women and men at various levels at DPI. This committee includes Managing Director Joanne Yoo, along with Sustainability Managers Michael Hall and Vincent Lecat. DPI's long-standing and top-rated ESG work also contributes to this initiative.

Enhancing Processes: DPI has fully integrated gender considerations across all stages of its investment process, from origination through to exit. It has enhanced its "Environmental and Social Management System" to ensure ESG measures are formalized, and that all teams are clear on their roles and how to embed gender-smart considerations during due diligence, discussion at IC in shareholder agreements, and during "value-add" work. DPI's value creation and impact priorities have also been upgraded to align to the criteria of the 2X Challenge, so that it can actively assess gender opportunities across the investment process.

Engage Partners: DPI has become the first PE firm to be qualified under the 2X Challenge as a "2X Flagship Fund", based on its long-standing commitment to advancing women's economic empowerment and promoting gender equity – both within DPI and across the portfolio companies in its third fund, ADP III. DPI is working closely with several of its LPs to reach its gender-smart investing commitments, and will work to build out its ambitions, such as the provision of technical assistance (TA), under the [2X Flagship Fund](#) commitment to bring out the benefits of gender-smart investing across its portfolio and within its firm. Lastly, DPI provides thought leadership across the industry by leveraging networks such as PEWIN, National Association of Investment Companies, and helping to develop the pipeline through programs such as the Sponsors for Education Opportunity Alternative Investment Programme.

CASE STUDY

Case Study 6: Limited Partner, FinDev Canada

Strategy: For a successful adoption, having a gender lens should be a central part of an investment strategy and operating mandate. Investors like FinDev Canada, a bilateral development finance institution (DFI), prioritizes investments that enhance women's economic empowerment and provide tailored support for clients on addressing gender gaps in their operations. FinDev Canada is a new DFI and started its investment practice with a gender lens fully integrated into its core operations. FinDev Canada also has a [Gender Equality Policy](#), formally adopted by the Board, which stipulates that a gender lens is applied to 100 percent of its transactions. This can only be changed through another Board resolution.

Activating People: FinDev Canada also works to ensure its governance and advisory structures reflect the gender diversity expected of its investees. A key component of this governance process is having a Head of Gender and Impact sit on the IC to ensure gender is considered in investment decisions.⁶³ FinDev Canada has also identified the need to adopt a gender lens in its HR operations across the recruitment process, performance management, and benefits management, to ensure women and men have equal opportunities, which are key features of its annual report.

Engaging with Partners: FinDev Canada is also a founding member of the [2X Challenge](#), launched at the 2018 G7 Summit in Canada. It calls for DFIs to join forces to collectively mobilize \$3 billion in gender-smart investing commitments by the end of 2020 to advance women's economic empowerment. Two years after the launch, the 2X Challenge has exceeded its initial target and has committed and mobilized \$4.5 billion in capital. It has grown to include a total of 13 DFIs from around the world, working collaboratively to set standards and best practices for investing in women. As part of the 2X Challenge, [Invest2Impact](#) was introduced in 2019 by FinDev Canada, DFC, CDC and PROPARGO, with the collaboration of the Mastercard Foundation, as an innovative business competition to bolster and support women entrepreneurs in East Africa. The first cohort of 100 winners was announced during the 2019 Global Gender Summit in Kigali, Rwanda.

Enhancing Processes: FinDev Canada has embedded the criteria of the 2X Challenge within its Development Impact Framework, which is used to screen and conduct due diligence on all potential transactions. This means that its impact framework steers towards investments with high impact for women. In early 2020, FinDev Canada inaugurated its Technical Assistance Facility, through which clients can obtain support for business enhancements – with activities that contribute to gender equality as a priority topic and cross-cutting theme. As its portfolio grows, it will also support co-learning opportunities for clients. FinDev Canada also leverages roles on client boards and committees to promote the value of gender-inclusive businesses and taking strategic actions.⁶⁴

1 Design Strategy

Establishing a firm-wide position on gender-smart investing across both firm and portfolio level activities is important to set the tone for the firm. Whether starting from a bottom-up baseline (covering firm and portfolio levels) and then benchmarking to peers, or a top-down position with a public commitment, it is critical to work with leadership teams and gender champions within the firm to deploy steps for a successful adoption of a gender-smart investing strategy. This section complements the above checklists and features tips on how Fund Managers can design a strategy, including a policy and operational framework, and a good governance and accountability framework.

Tips and Best Practices:

1. Determine the level of ambition for gender-smart investing by establishing a baseline and benchmarking to peers

Fund Managers can begin by determining how ambitious they would like to be with a gender-smart investing strategy (See [Getting Started: Set an Ambition](#)). Establishing a baseline – counting where women and men are represented across a fund's portfolio as well as within the firm – can help to identify gender gaps to address. Once a baseline is established, Fund Managers can contextualize the findings by benchmarking the baseline against the relevant data of peers, ideally of similar size, focus and location. Resources for benchmarking can be found within the [Appendix E: Deal-Level Benchmarks](#).

2. Establish a business case for why a gender lens can strengthen a firm's investment thesis

Fund Managers can link findings from baselining and benchmarking to the firm's overarching investment mandate, to establish the business case for where and how gender can enhance, add, or strengthen investment strategies and operations (See [Appendix A: The Business Case for Closing Gender Gaps](#)). Both the commercial and impact case should be woven throughout a gender-smart investing strategy and integrated within existing strategies and policies. A robust gender-smart investing strategy combines qualitative and quantitative assessments – including linking baselines to gender outcomes of where the firm will be in a specified period, as well as setting out a clear methodology on how to measure and report on improvements over time. It is best practice for a firm to publicly share its ambition and commitments with a quantitative target; however, they can also be shared with key stakeholders and shareholders, or be kept as an internal management document depending on the appetite of the firm.

3. Communicate a position and set up feedback mechanisms

It is essential to communicate the firm's gender-smart investing strategy as it is being developed and during implementation. This is to secure buy-in from the start and to debunk concerns or lingering skepticism. It is best practice is to draw upon statistics that demonstrate the commercial and impact case for addressing gender gaps. Also important is developing an open and inclusive feedback mechanism that can support designing a strategy. The approach to collecting and sharing feedback will differ depending on the firm's organizational structure and culture. Communications teams and experts are often helpful in determining the most appropriate feedback and internal communication channels.

2 Activate People

People within the firm are fundamental to the implementation of a firm-wide gender-smart investing strategy, from securing buy-in and ownership across the firm; identifying gender teams, and champions; to establishing accountability frameworks for people to hold themselves responsible. To begin, the firm should select an individual or individuals who are willing and capable of driving the execution of the gender strategy. These individuals should be provided with resources and time to execute the strategy. When determining the right people within the organization to engage, consider their capacity to influence others to adopt gender-smart investing.

Tips and Best Practices:

1. Identify gender focal points, champions, and supporters

Fund Managers can begin by determining who within the organization can convince others⁶⁵ to adopt a gender-smart investment strategy (note: this is important for LPs to push internally also). Those individuals should be senior representatives capable of advocacy on behalf of the firm and able to make key decisions. They can also be people passionate about the topic. Above all, it is important that the supporters have influence over organizational culture and are decision-makers themselves.

It is important to determine what team structure is needed to implement a gender-smart investing strategy across the firm, for example, a centralized or decentralized team, focal points or a working group.⁶⁶ Consistent senior level leadership – and ownership of the strategy at senior management, partner, or Board level – is important to reinforce and support the day-to-day activities of gender focal points, working groups, teams, and champions.

Fund Managers can reference Table 5 and Box 4 to support the process of identifying and selecting the right people to execute a gender-smart investment strategy.

Table 5: Roles and Responsibilities of Internal Stakeholders

Fund Managers can extract this checklist as a standalone page and use the right-hand column to assess current activities and plan next steps and actions. This checklist is comprehensive and aims to cover roles and responsibilities for all Fund Managers. For larger firms, this may entail engaging multiple people across roles. For smaller firms, this may be the full deal team where each person is responsible for multiple roles and responsibilities in the table. Fund Managers can adapt this to their needs.

Critical Roles within Every Private Equity Firm (internal stakeholders and teams)	Stakeholder Responsibilities	Name of Champion(s)
List potential member: Provide at least two champions for each of the internal stakeholder groups: Champion 1 and Champion 2. In addition, list the business purpose of each role:		
Board: Audit and Compliance Committee, Risk Committee, People Development and Remuneration Committee, Development Impact Committee, and Nominations Committee Investment Committee	Provide top-level governance, accountability and leadership by championing and communicating the business value and social impact of using gender-smart investing Actively explore and apply a gender lens to decisions made by the IC	
CEO/Chair		
Senior management	Demonstrate that using a gender lens is a priority, set the tone and support the development of a gender-equitable organizational culture	
Investment	Apply a gender lens throughout the investment cycle, including deal origination, negotiation of gender-smart outcomes and actions to achieve outcomes, and monitoring and tracking gender and financial performance	
Portfolio management	During portfolio monitoring, track the social impact of using gender; assess performance alongside financial performance	
Corporate strategy	Integrate a gender lens across all other corporate and firm-wide strategies	
Legal	Integrate agreements on gender within legal documentation	
Human Resources	Drive internal gender diversity at the firm level	
Communications	Develop materials to improve understanding of the business case for gender lens investing and provide transparency on the firm's performance	
Roles within larger Private Equity Firms (internal stakeholders and teams)	Stakeholder Responsibilities	Name of Champion(s)
Economists	Conduct macro/micro economic analysis to support a case for greater gender inclusion	
Advisory/Technical Assistance	Provide additional support for identifying and addressing unconscious bias and help develop team skills for using a gender lens across the firm; support deal team and investee companies in achieving their gender outcomes as part of the firm's gender-smart investing strategy	
ESG	Direct interface and monitor the investees compliance and risk management using a gender lens	
Gender specialists	Provide expertise on gender-smart investing directly to the organization and to the investment portfolio	

Source: Adapted from the Gender Finance Collaborative, a platform founded by CDC for DFIs practicing gender-smart investing (2019).

Box 4: Identifying the Champions and the Skeptics

Internal Stakeholder	Characteristics
Gender Champions	<ul style="list-style-type: none">• Take a proactive gender approach in the firm’s pipeline and investing activities• Believe in the business case of closing gender gaps• Deliberately and actively fund gender lens strategies (See Table 1) in portfolios. Believe the organization’s diversity composition should reflect the firm’s ambition
Gender Supporters	<ul style="list-style-type: none">• Supportive of gender-aware approaches and activities• Advocate for more consideration of where gender shows up in the firm’s operations, and the way the firm implements its gender approach
Gender Skeptics	<ul style="list-style-type: none">• Ascribe to the belief that there is no reason why gender should be a consideration in the work of the firm• Believe there is no reason to pursue gender equity in the firm or IC• Blind to unconscious bias, how it affects the organizational culture or the investment process

Sources: Adapted from the Dutch Good Growth Fund, *Serving the financial needs of women-owned businesses* (2019).⁶⁷

2. Put in place incentive and accountability frameworks

It is important to formalize a gender commitment for the firm by putting in place both incentive and accountability frameworks. Incentives provided to people to own and drive gender-smart investing efforts can take many forms, from internal recognition and awards to linking performance more formally to the firm’s compensation framework – such as setting targets for teams who would need to meet or evidence gender efforts in annual reviews and appraisal processes. Approaches will differ depending on the firm’s starting point and the scale of ambition it chooses to set.

Similarly, putting in place governance and accountability frameworks helps to maintain momentum and drive further execution. Fund Managers can consider what the highest and most relevant form of accountability and governance should be – whether it is providing a regular update to the Board, a sub-Board committee, Limited Partner Advisory Committee (LPAC), or to members of the firm’s Executive Committee. The aligned incentives should also extend to IC and deal teams.

3. Amend processes for recruitment, retention and promotion of people within firm and portfolio

Fund Managers can determine where to exert influence and advocate for gender diversity across workforces and portfolios. The same principles should apply to engagement with third parties that represent or act on behalf of the firm. At the portfolio level, Fund Managers have direct and significant influence on senior management and boards of companies and can, at a minimum, inquire about the gender diversity of the companies it invests in and the impact or risks that may be posed to the business by not addressing gender gaps. Fund Managers can provide support by identifying, recruiting, and placing women into companies across the portfolio wherever necessary and strategically important to advance diversity.

Signals can be made to recruitment agents and search firms acting on a firm’s behalf by signing contracts with clauses written into them stating that an equal balance of female and male candidates must be recruited. Similarly, firms “walk the talk” by applying these principles and approaches to their own internal gender diversity efforts (See [Strengthen Gender Diversity, Recruitment Section](#)).

CASE STUDY

Case Study 7: The Boardroom Africa

[The Boardroom Africa](#) (TBR Africa) is the largest regional network of female executives in Africa. Its goal is to improve access to board opportunities for women, thereby accelerating the presence of women on boards. It was founded with support from CDC.

TBR Africa created this movement recognizing that when women and men lead side-by-side, business succeeds and society thrives. Members of the platform so far include nearly 1,000 C-suite, vice president and director-level executives from every major industry, spanning more than 45 countries across Africa.

TBR Africa aims to double the number of women on boards across Africa. It brings together businesswomen of diverse occupations and provides opportunities for them to grow personally and professionally through a host of initiatives, including, but not limited to, board training, mentorship programs matching first-time board members with seasoned female executives, monthly webinars and masterclasses, as well as facilitating connections to board opportunities.

TBR Africa has also recognized that women directors who are minorities in the boardroom require educational resources, tools, and networks to elevate their boardroom status. It created Open Doors, a flagship CDC-supported accredited board training, which not only boosts the skillsets of attendees but also provides them with a strong social and professional network to support their continued growth. This is particularly important as 73 percent of Open Doors participants come from heavily male-dominated industries with fewer than 30 percent female representation at senior management level, such as finance, professional services, oil and gas, and transportation. Before Open Doors training, 60 percent of delegates surveyed indicated they felt adequately prepared to serve on boards; post-training, 100 percent of delegates felt they had gained confidence, knowledge and skills in order to more effectively navigate a board position.

Through events, research and publications, TBR Africa also inspires and educates the business community on the power of diverse leadership—and raises the bar for board service and diversity in Africa.

4. Communicate and invite frank and open discussions

Generating awareness of the business case for adopting a gender lens is essential to addressing skepticism and may be done by highlighting gender-smart investing as a priority in both internal and external communications. Throughout the communications process, and development of materials for firm-wide distribution, it is critical to articulate the gender gap (See [Appendix A: The Business Case for Closing Gender Gaps](#)), explain why it should be addressed and describe specific actions on how to do so at the firm and portfolio level. Profiling success stories from well-respected and credible gender champions and investee companies is an effective way to do this. Anticipating and preparing for difficult conversations is a normal part of stakeholder engagement and management. [Box 5](#) outlines common areas of resistance and responses.

3 Enhance Processes

For most firms, establishing a process for gender-smart investing will involve embedding or integrating a gender lens more deliberately and intentionally into existing management system frameworks and processes, rather than building them from scratch. It is important to think of processes from multiple perspectives: the firm itself, the investment process, as well as the everyday interactions with the investment portfolio. This section features tips across all three perspectives, thinking about resources and changes required to put in place a gender-smart investment strategy, the changes or upgrades that may be required for existing investment processes to be more gender inclusive, and the changes or additional considerations required to be able to effectively monitor and manage investment portfolios. Underlying this is the importance of consistent and ongoing communications.

Box 5: Navigating Resistance and Difficult Questions

Potential areas of resistance	Responses
<p>How is gender-smart investing different to what you are doing already?</p> <p>Why is affirmative action needed?</p>	<p>Gender-smart investing requires understanding the specific needs and requirements of women as leaders, employees, entrepreneurs, consumers, and members in the community. For example, women own or run more than a third of all small and medium enterprises (SMEs) in emerging markets, yet they account for an outsized share of the finance gap of about \$1.48 trillion, which is about 33 percent of the total SME finance gap of \$4.5 trillion.⁶⁸ This is not necessarily a case for affirmative action (although some may choose to do so), it is about addressing gender gaps and levelling up the position of women so they have equal opportunities to men.</p>
<p>Is this going to make us uncompetitive?</p> <p>This could be a distraction from commercial deals, and we don't want to decrease our standards. This is not bankable!</p>	<p>Gender-smart investing is not a limitation. It uncovers new opportunities and hidden solutions to mitigate risk. Applying a "gender lens" can identify unseen risks in our investments and new opportunities to serve the female economy. For example, women consumers represent a market more than twice the size of India and China combined. Additionally, gender diverse teams are positively correlated with higher performance. PE and VC funds with gender-balanced senior investment teams generated 10 percent to 20 percent higher returns compared with funds that have a majority of male or female leaders. Portfolio companies with gender-balanced leadership teams have outperformed companies with non-diverse teams in median valuation increases by as much as 25 percent.⁶⁹</p>
<p>Is it problematic that we ourselves do not reflect what we are asking of our investees?</p> <p>Do we need to get our own house in order first?</p>	<p>We need to look internally and make shifts over time, but do not need to wait to get started externally. We have an opportunity to learn alongside our investees. Efforts to look at leadership and governance, policies and practices, and decision-making will be essential part of "walking the talk" for the same reasons we're recommending for investees.</p>
<p>How are we going to resource this when there are other demands?</p>	<p>There is a business case, and this is not about adding more work but rather sharpening our ability to spot opportunities and risks and act on them. We can develop strategies for embedding this in our existing processes, recognizing the associated value from both existing and new investment opportunities. Gender should be integrated into our existing processes, not added as a separate activity.</p>
<p>Do we have the technical expertise to do this?</p> <p>This is not our area of expertise – how do we do this?</p>	<p>There is plenty of technical expertise available, either through tools, resources and reports online or through gender specialists and consultancies. As Fund Managers increasingly prioritize impact, many investment houses are also developing in-house skills.</p>

Sources: Adapted from the Gender Finance Collaborative Key Talking Points (2019).

Tips and Best Practices:

1. Formalize roles of investment and operations teams and provide adequate training

A key part of a gender strategy and action plan is to assign roles and responsibilities to individuals or teams across the firm to effectively execute the tasks and objectives and link them to some incentive and accountability framework as set out in [Activate People](#). It is important to consider how to delegate actions effectively across the organization. If one part of the action plan looks at firm-level gender diversity and executing an internal gender diversity plan, it may be that the firm's HR team leads this. If part of the action plan focuses on increasing the number of women serving on boards and senior management within the portfolio, this may be best handled by investment teams. If part of the action plan requires working to build the capacity of female entrepreneurs, it may require the expertise of an external partner, or, if available, a gender or impact/measuring and evaluation (M&E) specialist. Once these roles have been delineated, it is important to invest time and resources into upskilling individuals and teams who are involved, to ensure people feel equipped to carry out their roles with knowledge and confidence. There are also external specialists who could deliver training and capacity building to staff.

2. Upgrade or invest in systems that enable effective tracking

Upgrading, adapting, or embedding a gender lens as a factor of analysis across the entire investment cycle is essential to the process. This includes everything from sourcing, deal origination, and IC discussions to portfolio managing, monitoring, measuring and exit. In practical terms, it is important to think about which virtual and physical systems may need upgrading or developing to accommodate new fields for gender analysis and reporting. For example, do IC/Board papers need to be reviewed to ensure that gender gaps are based on evidence and include a proposed action to address them and track outcomes? Does the IC itself require training? If the firm decides to track all gender-smart investments, is there a system to record this and enable the firm to aggregate and report deals with a gender lens at the portfolio level? Is there a system to analyze and report on sex-disaggregated data reported by investee companies? All these considerations are important to formalize to be able to efficiently and effectively track progress along the gender-smart-investing journey.

3. Manage and engage the portfolio

Ongoing management and engagement of investees within the portfolio can take various forms, including assessing and supporting the improved gender diversity of senior management teams; providing technical assistance (TA); and measuring and tracking improved performance of gender-related risks over time. Portfolio management should be resourced adequately, and systems and processes should be in place to support investments in the portfolio according to the firm's expectations. For further information, see [Portfolio Level](#).

4. Communicate and report progress

In parallel to process changes, clear and open communications are important, so that the whole organization is aware of what is changing and why. It helps to document all changes that are being made and create space to have ongoing dialogue that brings the whole firm along the gender-smart investing journey. Communications can take different mediums, including staff intranets, external websites, firm-wide events and updates, and active participation in external events on the topic of gender lens investing.

4 Engage Partners

As the field of gender-smart investing continues to grow, so does the number of third parties available to support Fund Managers. The nature of partners that a Fund Manager selects to work with can vary depending on its existing capabilities, the availability of resources, and the level of effort required to implement activities to achieve gender outcomes. Partnerships can be a smart solution to scaling up ambitions and to achieve gender outcomes through collaboration.

Tips and Best Practices

1. Find technical experts to support with training and delivery

At times, the skills to effectively operationalize a gender-smart investing strategy will not necessarily be available in-house. It is important to identify specific needs and then search for partners (individuals or organizations) that can provide services. Skilled Fund Managers may be needed to address both firm and portfolio level activities, such as unconscious bias, managing human capital, and to conduct market assessments or company-level diagnostics. It may be prudent to collect a database of consultants that could meet these needs.

2. Partner or engage with industry initiatives

As gender-smart investing becomes more widespread, now is an opportune time to engage in dialogues within the industry and the broader investment ecosystem. This can help inform a firm's gender-smart investing ambition and commitment, as well as shape a Fund Manager's evolution of practice. In recent years, industry associations such as AVCA, EMPEA, PEWIN, and the Global Impact Investing Network (GIIN) have been leading various initiatives related to gender-smart PE investing.

CASE STUDY

Case Study 8: GenderSmart Investing Summit

The [GenderSmart Investing Summit](#) is a global initiative dedicated to unlocking gender-smart capital at scale by building the capacity and connectivity of gender finance investment influencers and thought leaders, intermediaries, and experts. GenderSmart was inaugurated in 2018 with more than \$14 trillion of capital represented across the private and public spectrum, including investment allocators, advisers, financial sector intermediaries, and fund managers. It is a highly-engaged community investing across all asset classes and geographies, and is a central platform to bring leading actors together. Today, over 1600 people are engaged in this community. GenderSmart's work revolves around a clear bias for action, shared learning, and dialogue. While it is important to engage in targeted dialogue on gender-smart investing, the theme of gender equity is beginning to enter more mainstream private equity convenings. It is important for firms to support the gradual progress into mainstream industry events and conversations to further amplify the message that gender-smart investing is a critical component of sustainable and responsible investing. GenderSmart believes it is only in unison that we can unlock the thriving, just, and equitable world we all know is possible. It aims to amplify the field's successes and innovations, challenge static thinking, and hold each other accountable. The community is a place for shared learning, commitment, co-investment partnerships, and amplifying the work of those on the leading edge. More information can be found on the [GenderSmart website](#).

CASE STUDY

Case Study 9: Global Impact Investing Network, Gender Lens Investing Initiative

The [Global Impact Investing Network \(GIIN\) Gender Lens Investing Initiative](#) was launched in October 2017, with support from Investing in Women and BNY Mellon, to help impact investors integrate and apply a gender lens strategy into their investment portfolios. The aim of the initiative was to build collective learning, interest, and evidence to support the case for gender lens investing, and increase the amount of capital being deployed with a gender lens.

Key activities of the initiative included:

- Advisory committee of gender-smart investors to support the content and focus of the initiative, including Calvert Impact Capital, IFC, Investing in Women, Catalyst at Large, Phatisa, and RobeccoSAM.
- Compilation of a database on gender lens investing allocations and strategies.
- Quarterly webinars on gender lens investing.
- Convenings of a Gender Lens Investing (GLI) Working Group.

The GLI Working Group comprised a subset of the existing GIIN membership and had more than 130 individuals from over 70 organizations participate, providing a great platform for interested parties to share information, generate engagement, and explore opportunities to scale efforts. The work of the Group led to the following resources:

- GLI Case Studies: a set of case studies outlining how GIIN members [Glenmede](#) and [Phatisa](#) developed their GLI strategies.
- [Navigating Impact Project Gender Lens Theme](#): created to help investors select GLI impact strategies and adopt metrics that indicate performance toward those goals.
- [Online GLI Resource Repository](#): a curated set of GLI reports and case studies to help make the business case for gender lens investing and showcase how to invest with a gender lens.

PORTFOLIO LEVEL



PORTFOLIO LEVEL

Fund Managers can intentionally and measurably use capital to promote gender equality within each investment deal and across their portfolio. This second part of the Guide answers the question of how Fund Managers apply gender-smart approaches to their investment operations, including during origination, due diligence, investment analysis and decision-making, deal structuring, portfolio management and measurement, and exits.

There is increasingly a need to deliver on gender-smart investing. The interest to pursue gender-smart investing may be motivated by requests from a firm's shareholders, the investment strategy or commitment of the firm itself, or perhaps the values and mission of an investee's company leadership. For example, IFC research found PE and VC funds with gender-balanced senior investment teams generated 10 percent to 20 percent higher returns compared with funds that are not gender diverse.⁷⁰ Additionally, companies that adopt gender-smart investing can reap an array of surprising benefits, such as an agribusiness identifying an annual \$1.58 million in additional income by addressing gender inequalities in its workforce, or an expanding financial institution finding female agents produce 12 percent more digital financial transactions per month than male agents.⁷¹

Roles and Responsibilities:

This Guide acknowledges that gender-smart investing requires a commitment and that Fund Managers have varying levels of resources (e.g. time, people and capital) to undertake all the steps provided at pre- and post- investment stages. It is down to the Fund Manager to determine what is most suitable for their operational structure. Larger firms may be able to implement all steps on their own with support from functions dedicated to impact measurement, diversity and inclusion and ESG. In smaller firms, the deal team may be responsible for all gender-smart activities. Basic steps, such as ensuring the IC is asking about gender in every transaction, may be the most a Fund Manager can implement. Further information on the types of roles and functions can be found in the section Firm Level: [Activate People](#).

Integrating a gender lens at the portfolio level is framed by three key steps:

SELECT

Gender Lens

APPLY

Gender Lens

MEASURE






Gender Lens



Select Gender Lens

Before diving into deals, Fund Managers can decide which gender-smart investment strategy to apply to their investments. Fund Managers can adopt any of the five gender-smart investment strategies outlined in Table 1. These strategies are often referred to as a gender lens, and they can be applied to new investments or existing investments in portfolio management. The business case with supporting data is provided in [Appendix A: The Business Case for Closing Gender Gaps](#).

■ **Table 1: Five Gender-smart Investment Strategies for Fund Managers**⁷²

Strategy (gender lens)	Gender-smart Origination (for new investment opportunities)	Gender-smart Portfolio Management (for existing investments)
Invest in companies...	Identify and consider...	Support portfolio companies to...
 <p>LEADERSHIP</p> <p>1. With women represented in leadership (i.e. founder, co-founder, gender-balanced leadership team)</p>	Companies where women are represented as founders, co-founders, majority-owned by women and are committed to increasing gender diversity within their leadership as represented in senior leadership and the Board of Directors	Increase gender diversity of leadership
 <p>EMPLOYEES</p> <p>2. Committed to a gender diverse and equitable workforce</p>	Companies that have a gender-diverse workforce or that are committed to increase diversity throughout the workforce or supply chain	Increase the gender diversity of employee base and enhance workplace equity for both female and male employees
 <p>SUPPLY CHAIN</p> <p>3. Committed to a gender-inclusive value chain</p>	Companies that: <ol style="list-style-type: none"> buy goods and services from women-owned and led producers and suppliers, or distribute and sell products via women-owned and led distributors and retailers 	Develop a gender-inclusive supplier base and distribution network
 <p>PRODUCTS/SERVICES</p> <p>4. Committed to offering and designing products or services that consider the distinct needs of women as a consumer segment</p>	Companies that serve women by providing products and services tailored as closely as possible to the reality of women's lives	Access and serve the women's market with a tailored offering that meets women's needs (e.g. insurance or healthcare)
 <p>COMMUNITY</p> <p>5. Committed to ensuring their operations do no harm to women in the community</p>	Consider the representation and needs of women community stakeholders that could be impacted by company operations	Develop gender-inclusive community engagement processes and operations

When selecting a gender lens, Fund Managers can consider three factors:

- 1. Relevance of the gender lens to the investee company** business model and the sectors and markets they operate in. To help guide Fund Managers, [Table 6](#) provides examples of the most common gender lens strategy per industry.
- 2. Largest gender gaps** where there is the opportunity to make a difference. This is often seen in consumer segments where women are underserved, such as in financial services, or in the workforce where changes to recruitment, retention, and promotion can be undertaken to promote gender diversity within the investee company.
- 3. Availability of data** that can be gathered, and the level of effort required. Data that is more closely related to the company's own operations (e.g. employment, leadership) is typically easier to collect and analyze. The further away from the company's operations, the more challenging it is to obtain this data. It is typically easier to collect company data in the following order: 1. leadership; 2. workforce; 3. consumers; 4. value chains (e.g. suppliers, distributors); 5. community stakeholders.

Table 6: Examples of Gender Lens by Industry Grouping

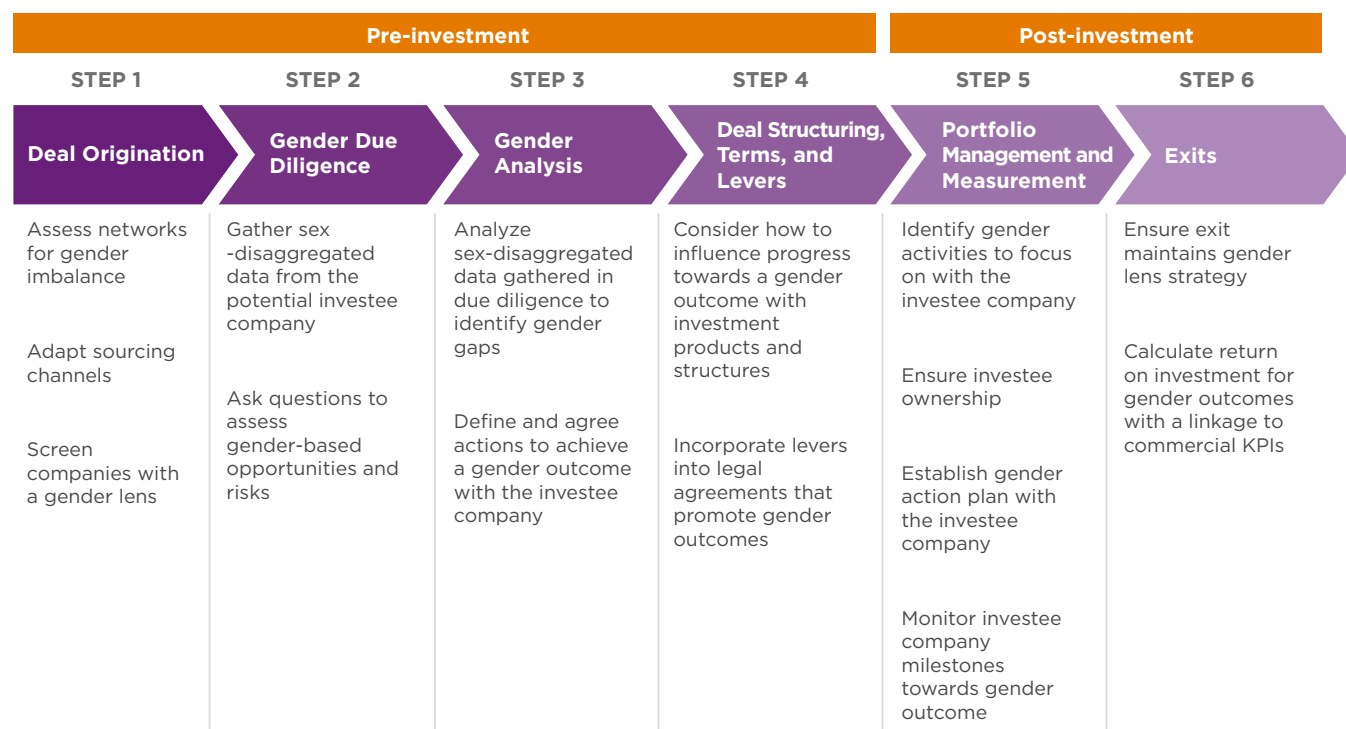
Industry Grouping	Target Groups				
	Leaders of Company	Workforce in the Company	Leadership along Value Chain (Suppliers, Distributors, Retailers)	Consumer Segments	Community Members
Financial Markets	Women as bank/ financial intermediary leaders, Board members	Women employed by banks or financial intermediaries	Women-owned and led suppliers to commercial banks; mobile money agents	Women (or women-owned business/ entrepreneurs) as borrowers or retail clients	n/a
Infrastructure	Women as managers, Board members	Women employed by infrastructure firms	Women-owned and led SMEs in the value chain	Women as consumers of infrastructure services	Women in the community close to construction and extractive sites
Manufacturing, Agriculture, and Services	Women as managers, Board members	Women employed in manufacturing, agribusiness, and services firms	Women suppliers distributors, retailers in the value chain; women-led producer networks	Women consumers of goods and services	Women in the community, particularly those in rural areas

Source: IFC, How to Incorporate Gender-Smart Solutions in Your Investment Project (2018).

Apply Gender Lens

Once a gender lens is selected, Fund Managers can apply it throughout their investment process. [Figure 4: Gender-smart Investment Life Cycle](#) outlines how to do so along the six stages of an investment deal's life cycle. The steps, and their underlying actions, are not exhaustive and are drawn from best practices implemented by Fund Managers, service providers, and gender-smart investing thought leaders. Detailed guidance with case studies, tips, and tools are provided at each stage of the investment life cycle.

Figure 4: Gender-smart Investment Life Cycle



Pre-Investment

➤ DEAL ORIGINATION

To identify new deals using a gender lens, Fund Managers can improve how they build their pipeline, by 1) assessing the firm's collective networks and adapting sourcing channels; and 2) screening companies through a gender lens.

1. Assess Networks and Adapt Sourcing Channels

Deal flow is a function of networks. Traditional models for pipeline development often rely upon informal referrals or recommendations through networks. Research by IFC found that female deal partners invest in almost twice as many female-led businesses than male deal partners, which suggests networks play a key role.⁷³ Most investor networks are male-dominated and gender imbalanced, often providing leads to male-dominated portfolio companies and funding calls that are tailored to the availability and needs of men. For example, in many emerging markets, sourcing channels include pitch events. These are often held in event spaces in a capital city after work hours during the weekday. This poses a challenge for women entrepreneurs who have family care demands or where social norms do not support women's participation. It is important for Fund Managers seeking to improve opportunities for gender-smart investing to assess gender biases in their networks and review the way they develop their pipeline. Fund Managers can consider the collective network of the deal team and how sourcing channels are not meeting women's needs. Once this is addressed, the often-cited challenge of limited deal flow with a gender lens can be mitigated.



CASE STUDY

Case Study 10: Lightspeed Venture Partners - Gender Diversity on the Deal Team Yields a Gender-Diverse Pipeline

Lightspeed Venture Partners is a global venture capital firm focused on consumer and enterprise investing. It manages more than \$6 billion in capital and has made over 250 investments across China, India, Israel and the United States. Lightspeed has exited over 125 companies through initial public offering (IPOs) and acquisitions. Lightspeed sees female founders as a differentiated opportunity in the consumer space, and found that increasing the gender diversity of its senior investment team led to greater diversity in its portfolio companies. In 2015, 29 percent of Lightspeed's consumer portfolio was in female-founded companies, which increased to 35 percent after the team added its first of five female investment partners. This change was driven in part by the fact that the new partners disproportionately sourced and invested in female-founded companies – as much as 65 percent of their investments were in female-led businesses – which increased the portfolio's aggregate diversity levels. Lightspeed's experience underscores that different networks may lead to skews in deal sourcing, and the benefit that moving toward balance could have on sourcing, understanding and closing investment opportunities in a diverse set of businesses.

Source: Adapted from IFC, *Moving Toward Gender Balance in Private Equity and Venture Capital in Emerging Markets* (2019).

Other proactive strategies to adapt sourcing channels are those taken by Fund Managers supported by [Investing in Women](#), an initiative of the Australian government, and their portfolio funds.⁷⁴ These include proactively attending and presenting at women-focused entrepreneurship events, mentoring women entrepreneurs to build relationships, and actively asking deal teams for referrals of women-led businesses. Additionally, tracking investment pipeline metrics by gender to assess when and why gender-smart investments may fall out of the pipeline is helpful. Metrics include: companies engaged, screened out, in pipeline, approved, terms sheet presented, term sheet signed, approved, and closed.⁷⁵

Box 6: Tips on Addressing Unconscious Bias in Deal Origination

Using the same personal and professional networks can contribute to hidden biases or unconscious bias when identifying new deals. Inherent gender biases can influence the types of portfolio companies selected, and how – and to what amount – they are financed. Deal teams can review their approaches by asking themselves the following questions to minimize unconscious biases:

- **Diversity of team** – Is there enough diversity among the investment team, enabling us to source a diverse pipeline of companies?
- **Networks** – Could our networks be affecting the composition of our pipeline? Are the referrals received male- or female-dominated?
- **New approaches** – Have we considered how to diversify our pipeline by reaching out to women business groups, women's organizations and conferences, and women entrepreneurship support organizations, as well as events focused on women to establish relationships? Have we considered attending targeted events focused on investing in women-centric sectors such as healthcare or childcare, and have we proactively sought out female founders and partnerships with female entrepreneur networks?
- **Due diligence questions** – Are we consciously or unconsciously asking different questions of women and men in due diligence? Research⁷⁶ has shown that fund managers tend to ask male entrepreneurs questions focused on promotion (e.g. how do you plan to acquire customers?) and ask female entrepreneurs questions on prevention (e.g. how many daily and monthly active customers do you have?) leading to a gender disadvantage in funding outcomes.⁷⁷
- **Rejection rates** – Look at rejection rates. Is the team rejecting more female-led companies than male-led companies? If so, has the team considered taking the [gender-bias self-test](#)?
- **Decision-making** – Are the individuals responsible for making decisions about which investments pass through the deal process diverse? Are the criteria used to screen deals diverse and is our criteria inclusive of business leaders and founders from non-traditional backgrounds?

2. Screen Companies with a Gender Lens

When Fund Managers screen deals, the investment team looks for alignment with the fund's investment criteria. Depending on the gender-smart investment strategy (See [Table 1](#)), deals can be screened to see if there is a negative or positive alignment with a gender lens. Negative screens are used to minimize potential financial, operational, and reputational risks owing to gender gaps. Most funds with ESG management responsibility will be undertaking negative screens as part of ESG requirements. Negative screens tend to be more compliance-driven, to identify companies from the pipeline that do not meet minimum standards for a gender lens or seek to mitigate risks of exacerbating these gender inequalities post-investment. For example, a negative screen may identify high risks of gender-based violence due to the sector or organizational structure of the company creating certain power dynamics, or where the business presents specific reproductive health risks to women due to exposure to certain chemicals or toxins. A company that screens for this may have selected, for example, the gender to invest in companies that are committed to ensuring their operations do no harm to women in the community.

Positive screens are used to proactively build a portfolio of investee companies that are either already demonstrating or are willing to commit to a gender lens. Figure 5 below provides an example of a positive screen and additional information on negative screening.

■ **Figure 5: Example of Screening Investments by a Gender Lens**

+ Minimize gender diversity risk

Negative screen

Lack of gender diversity viewed primarily as a risk that requires mitigation.

Often referred to as a “do-no-harm” approach, it involves identifying high-risk companies from an investment portfolio/pipeline that do not meet minimum gender lens standards (e.g. must have anti-discrimination policies, etc.) or are not willing to commit to develop one. Negative screens can be used for elimination if the Fund Manager has a specific mandate to not proceed if the gender lens is not met. More common though, is that deals are not eliminated, but gender gaps are identified as an area to focus on, with an agreed-upon gender outcome included in deal terms. For example, AHL Ventures, an African impact investing venture capital firm, does not preclude a deal from investment if it finds the company does not have women on the Board. Instead, it requires the company to agree to a corrective gender action plan, as one would with an ESG policy, to improve the gender balance in the company with the investee management and Board. This approach is about alignment to get buy-in from a potential investee of the need for change. The Fund Manager can then work with the investee company to implement that change.

+ Capture value through gender diversity

Positive screen

Gender diversity viewed both as a risk that requires mitigation, and an opportunity to identify long-term outperformance.

Proactively building a portfolio of investments, capturing one of the five gender-smart investing strategies (See [Table 1](#)).

Source: IFC (2018), IFC Technical Module Training with CDC inputs, Frank Impact (2020).⁷⁸

CASE STUDY

Case Study 11: Women's World Banking - Example of a Gender Lens Integrated into Investment Criteria

Screening investments by a gender lens assumes that the Fund Manager has integrated a gender lens into its investment criteria. Women's World Banking Capital Partners Fund is a private equity limited partnership that makes direct equity investments in women-focused financial institutions. Its investment strategy builds on the belief that investors can influence institutions to ensure women clients are part of its growth strategy and future profitability, and that women leaders are part of the institution's future. Identifying prospects is an important part of its gender lens investing process. The fund uses the following criteria to guide its investment approach and screen investments in financial institutions. Investees must be:

- Engaged either in providing targeted financial products or their delivery channels to financially un-served or under-served populations, with a focus on women.
- Operating in emerging markets.
- Committed to building and maintaining gender-diverse organizations over the long-term.
- Committed to reporting detailed sex-disaggregated data on clients and staff.
- Projected to achieve a commercially attractive return over the investment horizon with a reasonable view to an exit.

Source: Women's World Banking⁷⁹ and IFC, Gender Workshops for Fund Managers, Technical Module (2018).

➤ GENDER DUE DILIGENCE

Conducting due diligence with a gender lens is the process of gathering gender-related data and information from the potential investee company. This data is then analyzed to determine whether there are business performance opportunities or risks that may affect a company's operations, financials, and reputation. For example, insurance companies sell insurance to the whole population, but insurance products are often not targeted to the unique health and life cycle needs of women. If an insurance company were to tailor their products and delivery channels to women, this could open up a market estimated at \$1.7 trillion,⁸⁰ and if they don't, they could lose a new market opportunity to a competitor. A firm that assesses for an opportunity where female customers or clients are currently underserved may have selected the gender lens to invest in companies committed to providing products that consider the distinct needs of women as a consumer segment (See [Table 1](#)).

Depending on the size and resources of the firm, there are varying key functions and team members that can be assigned to lead the task of ensuring a gender lens is applied at due diligence: deal team principal, or if available, ESG, gender, and impact specialists.

To effectively conduct due diligence with a gender lens, the team lead can follow two steps: 1) gather sex-disaggregated data to establish a baseline; and 2) ask questions to assess gender-based opportunities and risks within the investee company operations and determine opportunities for value creation.

1. Gather Sex-Disaggregated Data

Collection of sex-disaggregated data is a prerequisite to knowing where gender gaps can occur in an investee company's operations. Fund Managers can work with companies to enable them to analyze their data, examine where gaps are largest, and determine how to close them with enhanced business outcomes in mind. Sex-disaggregated data is important to enforce accountability and track progress, but it is often challenging to obtain. For success, the Fund Manager must have buy-in from the investee company. Often, the elephant in the room is low buy-in. In many cases, the leadership of investee companies may direct these questions to female staff members, irrespective of their role, as a gender lens can be seen as "something for the women".⁸¹

Few companies know how many of their customers, suppliers, distributors, producers, and partners are women. Data that is more closely related to companies' own operations (employment, leadership) is typically easier to collect and analyze. The further away from the company's operations, the more challenging it is to obtain this data. It is typically easiest to collect data in the following order of gender-smart investing strategies: leadership, followed by employment, then consumers, followed by the company's value chain (e.g. suppliers, distributors, retailers,) and lastly with members of the community. For this reason, the most commonly-adopted gender-smart investing strategies are those where Fund Managers and investee company leadership have the most influence to gather data, such as in leadership, the workforce, and in the consumer base.

In due diligence, the first step is to gather sex-disaggregated data in the form of a baseline to determine the representation of women and men within the investee company's operations. For example, when assessing whether a company is committed to providing products that meet the needs of women, the deal team would want to find out the male/female ratio of customers overall, by product or service, and by consumer segment to identify any gaps. See [Appendix D: Deal-Level Indicators](#) for examples of data to collect to assess the representation of women and men across each gender lens. For more information on how to establish a baseline, see [Appendix C: Three Steps to a Baseline](#).

Fund Managers can use this part of the investment process to not only identify potential gender gaps, but also to determine if there is capability and commitment from the company leadership to address them.

Box 7: Counting vs. Valuing

Many of the current approaches to applying a gender lens to deals are focused on counting the representation of women and men. For example, the number of women in a company's workforce, the number of women-owned companies in a Fund Manager's portfolio, or the number of women on boards. Counting is an important first step, as it brings to light gender inequalities with data that may not have been obvious within a company's operations. It often leads to commitments, action plans, and measurement of progress to close gender gaps. However, counting alone can limit the range of analysis and does not identify the behavioral change needed to understand the underlying barriers that cause gender gaps.⁸²

Fund Managers and investee company leadership can go beyond counting the number of women and men⁸³ in their operations. They can capture the value of a gender lens by gathering more in-depth data on the factors that influence gender gaps.⁸⁴ For example, assessing the pay gap between women and men, the availability and uptake of maternity and paternity leave in a company, and the perceptions of whether such leave influences career advancement, can provide insights into actions that an investee company's leadership can undertake to increase opportunities for women in senior leadership and promote a gender-equitable workplace. Gathering qualitative and quantitative information on data, policies, strategies, and stakeholder (including employee) perceptions, can provide a deeper, more nuanced understanding of the issues behind the gender gaps identified in counting.

Moving beyond counting is a challenge for Fund Managers, as it requires more resources to undertake the analysis to produce evidence of how gender gaps influence business performance. Several diagnostic tools and gender certifications are available to support Fund Managers with this exercise. For example, AHL Ventures engaged Value for Women, an advisory firm focused on gender inclusion, with a gender-diagnostic exercise across a sample of their portfolio companies to help it understand how applying a gender lens could identify a correlation between employing women and reducing fraud.⁸⁵

Table 6: Gender Due Diligence Tool and [Appendix D: Deal-Level Indicators](#) provide questions and metrics on additional data, policies and strategy that can be assessed to help Fund Managers and investee companies evolve their gender lens strategy – from counting gender gaps to valuing gender equity. [Appendix G: Gender-smart Investing Tools](#) provides links to several diagnostic tools.

It is important to note that often this is the first time that companies are being asked questions about gender gaps in their operations. Investee company leadership may need support to be able to capture and interpret data through existing systems. They may also need time to develop an awareness of the business case for adopting a gender lens and could be skeptical. Fund Managers can address this through frank and open discussions. Providing examples and data on the business case can be helpful (See [Appendix A: The Business Case for Closing Gender Gaps](#)). The following key talking points in Table 7 below offer options for fund managers to address common misconceptions.

Table 7: Common Gender Misconceptions

Strategy (gender lens)	Target Group	Gender-smart Misconceptions	Sample Fund Manager Response
All	All	<ul style="list-style-type: none"> Gender initiatives may be good public relations, but they are not core business. They are just corporate social responsibility (CSR) Gender initiatives are loss-making, and not bothered with the “numbers” 	<ul style="list-style-type: none"> Gender impacts go way beyond CSR and influence core business operations Several studies quantify the business benefits of investing in women as leaders, suppliers, employees, consumers, and members of the community Several investor initiatives track and report back on business impact, helping companies make a solid business case internally
Women represented in leadership	Women as entrepreneurs (founders, owners); women as leaders (Board of Directors, senior leadership)	We’re working to promote women. Aren’t we doing enough? A few women leaders are sufficient, even if women are not represented at the same rate as men	<ul style="list-style-type: none"> Globally, women still hold only 12 percent of board positions and four percent of chair positions. In senior management, women leaders are often isolated in HR or other “feminine” roles and under-represented elsewhere Nominal diversity doesn’t have nearly the same business benefits as a substantial representation of at least 30 percent women in senior staff
Committed to a gender-diverse and equitable workforce	Women as employees	<ul style="list-style-type: none"> We don’t discriminate, so this isn’t relevant for us, right? Promoting gender equality for workers just means following the law Gender equality at work is about counting the number of women in the workplace 	<ul style="list-style-type: none"> Identifying and addressing external barriers to women’s employment is crucial. These often include issues like unbalanced care burdens, social norms about appropriate roles for women, or unfavorable legal constraints The number of women represented at each level of the organization is important, but so are several other factors, like the department’s women are concentrated in, how much they are paid, and what training and resources they have access to
Committed to offering and designing products or services that consider the distinct needs of women as a consumer segment	Women as consumers	<ul style="list-style-type: none"> Aren’t most products for women and men the same? Women’s consumer preferences and needs are rarely different from those of men Selling to women just means changing the marketing – a pink credit card, for example Isn’t this a pretty niche market? Targeting the women’s market will not meaningfully impact the bottom line Women-specific and generic products perform equally well This might work in other markets, but not ours Targeting women will alienate male consumers 	<ul style="list-style-type: none"> Breaking down consumer patterns by gender often unveils unexpected differences between women and men’s products, or service expectations and experiences. Failing to obtain this data often leads to mismatched opportunities The women’s market is the biggest in the world. Globally, women make more consumer decisions than men Women are often dissatisfied with existing offerings and quickly migrate to targeted products given the option Once launched, “women’s” products can often outperform generic ones Women-specific products have been successfully launched across Asia, Africa, Europe, and the Americas Research shows that male consumer perceptions or actions are not negatively impacted by products targeting women
Committed to a gender-inclusive value chain	Women-owned/led producer groups, suppliers, distributors, and retailers	<ul style="list-style-type: none"> Shouldn’t we focus on gender equality within our own company? A supplier is a supplier, regardless of gender 	<ul style="list-style-type: none"> Sourcing from women-owned businesses can substantially diversify a firm’s supplier base Female employees of Tier 1 or 2 suppliers often play informal or unpaid roles that directly influence the supply and quality of available suppliers
Committed to ensuring their operations do no harm to women in the community	Women as community stakeholders	<ul style="list-style-type: none"> We already have internal gender initiatives. Why bother with even more external groups? Our stakeholder outreach covers women and men equally It’s better to focus on initiatives in which our company has explicit ownership 	<ul style="list-style-type: none"> Not targeting women’s groups explicitly often means that the specific community impacts and needs of women are implicitly ignored

Source: IFC, Communication Guidelines, with inputs from CDC.

2. Ask Questions to Assess Gender-Based Opportunities and Risks

After initial baseline data has been gathered from the investee company, deal teams can integrate questions into existing due diligence processes. Data gathered in due diligence will be driven by the gender lens (or lenses) selected (See [Table 1](#)). For example, when asking the potential investee about the number of employees and salary expenses, specific questions about the number of women employees – and pay gaps between women and men in the same role – should naturally be part of the conversation.

Table 8 lists sample gender questions to consider when conducting due diligence. It purposely divides questions into two categories: 1) data-based inquiries to estimate gender gaps, and 2) data, policy, and strategy inquiries. (See [Box 7](#)).

To determine the extent of a gender gap, deal teams can find it useful to draw upon relevant benchmarks. [Appendix E: Deal-Level Benchmarks](#) outlines the types of benchmarks used in gender-smart investing, tips for deal teams, and data sources.

Fund Managers should consider whether to conduct gender due diligence as a standalone process or whether they should integrate it into other due diligence workstreams. One caveat is that having a separate meeting or component of the due diligence process that is only focused on “gender” can sometimes send mixed signals about the importance of gender equity across businesses. Furthermore, few companies will want to analyze their business through only a gender lens. Gender-smart investing should be embedded and integrated from an operational and perspective.⁸⁶

Managing Gender-Based Risks During Due Diligence

There can be hidden operational and reputational risks that affect business performance if gender gaps are not assessed and closed. Gender-based risks vary in range and can include inadequate labor and working conditions for women, such as a lack of gender-inclusive facilities; or health and safety issues, such as inadequate provision of personal and protective equipment for female staff; or issues with company’s operations, such as exposure to chemicals and toxins affecting women’s reproductive health and causing potential harm to women in the community; or gender-based violence and harassment (physical, verbal or mental) of female employees, clients or customers.

Improper management of such risks can have a significant detrimental impact on a company’s performance in terms of operational costs, reputational damage, stakeholder engagement, employee productivity, and overall loss of confidence with shareholders. Many of these risks and vulnerabilities surface as a result of unequal power dynamics, which continue to suppress the voices, concerns, and capabilities of women in the economy. In this respect, managing both the opportunity to address power dynamics by looking at ways to advance women’s voice and decision-making agency across the target groups, while at the same time managing ongoing risks, is essential. In some instances, risks identified through the due diligence process may require specific gender-based violence and harassment expertise. The likelihood and severity of the risk will inform mitigation and management measures to limit the potential risks to women and girls and should be addressed as a compliance requirement prior to closing the investment deal (See [Deal Structuring and Terms and Levers](#)). Further resources on how to conduct due diligence and manage and mitigate gender-based risks can be found in [Appendix F: Resources on Gender-based Risks](#).

Table 8: Gender Due Diligence Tool

Strategy (gender lens)	Target Group	Data-Based and Binary (Y/N) Questions	Data-Based, Policy, and Strategy Questions	Roles
Invest in companies...	that support women in the roles of...	Establish investee company starting point	Determine value creation opportunities	Who to ask within investee company
With women represented in leadership	Women as entrepreneurs (founders, owners)	<ul style="list-style-type: none"> What is the number and percentage of female/male ownership in your company? What is the number and percentage of female/male founders? 	<ul style="list-style-type: none"> What everyday roles and responsibilities do they have in the business? What business networks is the founder part of? Are there skills development that the entrepreneur needs? Does the company recognize the value of developing a gender-diverse workforce? Relationship with consumer markets: is there a potential to unlock or access a market opportunity or deepen market penetration by looking at the women's market (client or customer base)? Is accessing the women's market a strategic priority or opportunity? 	<ul style="list-style-type: none"> Founders/owners Senior Management Corporate Finance Corporate Strategy
	Women as leaders (Board of Directors, senior leadership)	<ul style="list-style-type: none"> What is the number and percentage of women/men in board positions? In senior management positions (C-suite or equivalent)? Of the total senior management with profit and loss (P&L) positions, how many are female/male? What are the senior management positions held by women/men? Are female board positions due to local legal requirements? 	<ul style="list-style-type: none"> How important is the commitment to diversity in the leadership team? How has this been demonstrated; is there a corporate target in place? What sub-board committees are female boards members responsible for? Is there an opportunity for female board members to chair board committees that are P&L focused? What measures is the company taking to create or maintain gender diversity in management positions and at the board level? How much revenue is generated by functions led by senior women in management? Does the company have a female talent pipeline and succession plan in place to ensure leadership teams are or will continue to be gender-balanced? Relationship with consumer markets: How would advancing the representation of women in leadership unlock or access a market opportunity or deepen market penetration? 	<ul style="list-style-type: none"> Founders/owners Senior Management Corporate Strategy Corporate Governance Human Resources
Committed to a gender-diverse and equitable workforce	Women as employees	<ul style="list-style-type: none"> What number and percentage of the total workforce are female/male? What is the share of part-time employees (PTE) who are female? What is the number and percentage of women/men in middle-management positions? What is the workforce breakdown in terms of job type and pay level? Has the company measured the gender pay gap? 	<ul style="list-style-type: none"> Does the company have a target for women's recruitment, retention, and promotion? What policies and procedures are in place to ensure equal opportunity for career advancement for women and men? What are the policies on gender equality, non-discrimination, anti-sexual harassment, gender-based violence, childcare and flexible work that support workplace equity? Relationship with consumer markets: How would advancing the representation of women in the workforce unlock or access a market opportunity or deepen market penetration? How could it drive operational efficiencies such as productivity, sales, turnover or absenteeism? 	<ul style="list-style-type: none"> Senior Management Operations Human Resources Corporate Finance
Committed to offering and designing products or services that consider the distinct needs of women as a consumer segment	Women as consumers	<ul style="list-style-type: none"> What is the number and percentage of female/male customers by product or service, by consumer segment? 	<ul style="list-style-type: none"> What is the client or customer value proposition for women? Is accessing the women's market a strategic priority or opportunity? How do female consumers drive household decision-making for products and services? 	<ul style="list-style-type: none"> Corporate Strategy Business Development Business Line Heads Marketing, Product Development

■ **Table 8 continued: Gender Due Diligence Tool**

Committed to a gender-inclusive value chain	Women-owned and led producer groups, suppliers, distributors, and retailers	<ul style="list-style-type: none"> • What is the number and percentage of suppliers that are women-owned or led businesses compared to male-owned or led businesses? Of those, what is the percentage of total spend? • What percentage of the client's sales and profits is attributable to female/male distributors or retailers? 	<ul style="list-style-type: none"> • Does the company have an inclusive procurement strategy? • What is the value proposition for procuring from women-owned or led businesses? • How might the company expand market share and sale of products and services if it targeted more female producer groups, distributors and retailers? 	<ul style="list-style-type: none"> • Corporate Strategy • Business Development • Procurement, Sustainability • Marketing, Distribution
Committed to ensuring their operations do no harm to women in the community	Women as community stakeholders	<ul style="list-style-type: none"> • What is the number and percentage of female/male stakeholders included in community assessments and consultations? • Does the company work with women's community groups or organizations as part of its CSR? 	<ul style="list-style-type: none"> • How might community initiatives be designed in a way that would eventually create shared value for the company also? • Does the company consider the representation and needs of women community stakeholders that could benefit from its business model and operations? 	<ul style="list-style-type: none"> • Corporate Strategy • CSR • Sustainability

Source: Adapted from IFC Gender Flag Guidance, IFC Technical Training Module and CDC Gender Tip Sheet for the Investment Committee; CDC Gender Diversity Questionnaire.

➤ GENDER ANALYSIS

Gender analysis involves three key actions. To effectively conduct a gender analysis, Fund Managers can:

1	Analyze sex-disaggregated data to identify gender gaps	2	Define and agree actions to achieve a gender outcome with the investee company	3	Present and discuss gender outcomes with the Investment Committee
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When completed, both the fund manager and investee company should have a clear sense of gender gaps that can be addressed over the investment period, the actions the investee company will implement to resolve the gaps, and an agreed-upon gender outcome, with progress measured by both parties.

1 Analyze sex-disaggregated data gathered in due diligence to identify gender gaps that can be addressed within the potential deal

Based on the responses from the client, and the Fund Manager's gender-smart investment strategy (See [Table 1](#)), investment teams can identify barriers or gaps that women or men are facing at the company level. This may include a gap in the representation of women in the investee company's senior management or board positions, or a gap in the ratio of procurement spend for women/male-owned businesses to total company spend. The gap is identified with data from the company. If this is not available, deal teams can refer to country or sector-level information related to women and men's economic participation. [Appendix D](#) provides deal-level indicators by gender lens strategy, and [Appendix E](#) provides benchmarks for each indicator.

2 Define and agree actions to achieve a gender outcome with the investee company

Analysis of the findings from due diligence should seek to identify where the most "material" gender gaps remain with the potential investee, and whether there is alignment on the value that may be gained by the business in closing these gaps. Depending on the sector and business model, the Fund Manager and investee company can agree on what activities will be specifically undertaken. Activities could either be undertaken by the company directly (pre- or post-investment), whereby the company would report back to the Fund Manager, or by a client in partnership with the Fund Manager (e.g. provision of technical assistance). Activities can include, amongst others: developing a new customer proposition to capture more of a female consumer market; putting in place a corporate target to improve the gender diversity in leadership; or establishing paternity leave to increase workplace equity. There may be mutual agreement to conduct further analysis post-investment during portfolio monitoring.

Several tools are available to support deal teams with a gender analysis. While there is no standard approach, tools tend to be guided by a firm's investment strategy. The best examples go beyond counting the number of women and dig deeper to determine how to value women in a business context (See [Box 7](#)). Case Studies [12](#) and [13](#) provide two examples of gender-analysis tools utilized by fund managers.

CASE STUDY

Case Study 12: A Publicly-Available Tool Developed by ICRW Advisors

Gender analysis is contextual and dynamic. Understanding how gender affects business may require more nuanced data than top-line metrics often reveal. Yet companies may not always have the resources to deeply investigate where and how to strategize with a gender lens.

For this reason, ICRW Advisors, the International Center for Research on Women, developed a Gender-Smart Investing Resource Hub that uses a sector-specific lens to dive deeper into gender-related opportunities and risks of specific value chains. Currently featuring both educational and diagnostic resources for enterprises in agriculture, off-grid energy, power infrastructure, and soon apparel manufacturing, the Hub targets investors in developing countries and emerging markets. Sector scoring tools are available for use during screening or due diligence with potential investees and can guide investors in identifying strategic gender opportunities within current portfolio companies.

Each sector scorecard provides a series of weighted questions that surface insights for investors, companies, and organizations to understand the potential gender opportunities and risks of an investment. The scorecard weighs each question differently based on the resources required to implement and the potential for gender and business impact. The tool is divided into four sections:

1. **Overall Score**, which considers five domains: Governance, Workforce, Suppliers and Distributors, Consumers, and the Community. Up to three sub-scores may also be generated:
2. **Value Chain Score**, with segments varying based on the sector. For example, off-grid energy includes research and design, production and manufacturing, marketing and sales, distribution/installation, and after-sale service.
3. **Gender Equity in the Workplace**, which scores women's representation, leadership, recruitment and hiring, promotion and employee evaluation, pay equity, anti-sexual harassment, flexible work and care, skill building and other internal operational considerations.
4. **Products/Services Impacting Gender Equity**, which includes questions that assess if the company targets women consumers, volume of women customers reached, or whether products or services impact women's empowerment, where relevant.

For example, if an investor is exploring an opportunity to invest in an agribusiness, but is uncertain about the company's commitment to gender equality in its operations or supply chain, the ICRW Gender Scorecard could be used to assess the level of gender integration across the five domains, also referred to in this guide as gender investment strategies, including leaders (Governance), employees (Workforce), entrepreneurs (Suppliers and Distributors), consumers, and community stakeholders. For investors taking a broader stance on equity and inclusion, there are also supplemental diversity data surveys available for download that can be adapted for use in key sectors and markets.

Investors using the ICRW scorecard represent PE, impact investing, and DFIs. The tool can be used across asset classes. The scorecard can also be used to establish a baseline and subsequently measure change in post-investment gender evaluations. Investors can adapt the tool to screen and track their investment decisions, as well as the performance of a company.

The Gender-Smart Investing Resource Hub is available on the [ICRW website](#).

Source: CDC and IFC interview conducted with ICRW Advisors.⁸⁷

If Fund Managers are seeking a tool that integrates their own investment criteria, aligns with their target markets, and prioritizes gender as a factor of analysis, then it may be useful to develop a bespoke tool to analyze gender performance. The Small Enterprise Assistance Fund (SEAF), a private equity firm, developed the Gender Equality Scorecard, a proprietary tool used to assess gender performance and its impact on improving women's economic empowerment. [Case Study 13](#) highlights the key features of the scorecard as an example of tools available in the market.

CASE STUDY

Case Study 13: A Proprietary Tool Developed by the Small Enterprise Assistance Fund (SEAF)

SEAF provides growth capital and business assistance to SMEs in emerging and transition markets that are underserved by traditional sources of capital. It has managed 40 funds and 14 Centers for Entrepreneurship and Executive Development (CEED) centers across 33 countries.⁸⁸ SEAF believes that opportunities exist to build value in companies by shaping gender equality and women's empowerment in leadership, business practices and workforce policies, and compensation.

The Gender Equality Scorecard[®] (GES[®]) was developed by SEAF to better assess women's economic empowerment, generate insights on gender opportunities of an investment, and examine SEAF's portfolio companies. This scorecard offers a rating system that can be used pre- and post-investment with the objectives to:

- Identify deals that prioritize women's economic empowerment and gender equality.
- Measure and track the performance of six vectors over SEAF's holding period.
- Inform SEAF's approach around work and value creation, using metrics focused on six gender equality performance vectors (24 parameters).
- Use data as a resource to validate SEAF's gender investment thesis and approach.

SEAF designed its scorecard around six key vectors: pay equity, women's workforce participation, gender-diverse leadership and governance, benefits and professional development, safe and healthy workplace environment, and women-powered value chains. The rating system is used to track gender equality-related value creation over time. By working closely with the entrepreneur, both parties determine the appropriate metrics and reporting processes to support the collection of relevant data, without overburdening their limited finance resources.

Recognizing the value of using gender indicators to improve company performance, SEAF's GES[®] tool was used to assess the performance of the Women's Opportunity Fund, its first gender-smart fund, which aims to improve the performance of women-led and owned SMEs by unlocking capital to address financing gaps in Southeast Asia. The fund allocated equity and quasi-equity investments, with the expectation to create jobs, support sustainable agribusiness, healthcare, education, and environment sustainability. The GES[®] is now used by all SEAF's funds globally, and the scorecard is now being adopted and piloted by other investment organizations in their own investment processes, including development finance institutions and other fund managers with a gender lens focus.

Sources: Adapted from the Investing in Women Southeast Asia, Case Study Series: SEAF Women's Opportunity Fund⁸⁹ and SEAF Launches SEAF Women's Opportunity Fund Release.⁹⁰

3 Present and discuss gender outcome with the Investment Committee

Once outcomes are discussed and agreed between the Fund Manager and investee company, it is important to take the outcomes back to the IC to integrate gender analysis into the investment decision-making process and discuss how the commitments to close material gender gaps will be prioritized and factored into the deal for the IC to sign-off during the final stage. This could take different forms, such as through deal structuring and terms and levers (See [Deal Structuring and Terms and Levers](#)) or other implementation approaches, such as a Gender Action Plan (See [Appendix H: Sample Gender Action Plan](#)) and, depending on which form is most suitable to the specific deal, may occur either pre-investment or post-investment in the investment life cycle.

Role of the IC in Gender-smart investing

The IC itself is a critical driver for decision-making and channeling capital towards closing gender gaps. Fund Managers should think critically about how IC dynamics work, and what factors may drive the decisions being made. Research by Vanguard shows that diverse ICs achieve better decisions than less diverse ones, and can avoid issues such as groupthink, confirmation bias, and group polarization. Without adequate gender diversity within ICs there remains a risk that gender factors are largely ignored when it comes to rational decision-making.⁹¹ Investors are recognizing that it is particularly important that IC's reflect the markets and audiences in which investments are being made. Fund Managers can build an IC with a gender lens through proactive recruitment of female IC members; ensuring the IC papers adequately flag gender dynamics of a deal, including gender-smart investment strategies within the terms of reference of IC members; and by providing gender-smart training to all IC members, so they are fully informed of where and how to support or influence the gender dynamics of the deal.

DEAL STRUCTURING, TERMS, AND LEVERS

Consider how to influence progress towards a gender outcome with investment products and structures.

The deal structure of a gender-smart investment is first and foremost influenced by the capital requirements of the investee company. Some Fund Managers may have a range of financing options available, including a mix of equity and debt to accommodate the capital needs of the investee. The type of investment product, and the way it is structured, can influence the types of gender outcomes the Fund Manager and investee would like to see achieved over the investment period.

For example, if the Fund Manager's investment strategy is focused on the fast-moving consumer goods sector and its gender lens (See [Table 1](#)) is to invest in companies committed to or willing to establish a gender-inclusive distribution network, it may seek to increase the representation of female distributors in the investee company's network. In this instance, an agreed-upon gender-based target (e.g. moving from 10 percent to 20 percent representation of female distributors) could be explored. This may be of particular use for an investment that is structured in tranches, where reaching both financial and gender-based milestones are required to receive pre-negotiated or additional finance.

As another example, if the Fund Manager's gender lens is to invest in companies that are committed to or willing to develop a gender-diverse and equitable workplace, it may negotiate with the company to include conditions in the deal agreement to establish a diversity and inclusion policy, and a target to increase the representation of women in roles throughout the organization to parity over the next five years.

In both examples, the Fund Manager's deal team has identified a potential gender barrier or gap (based on sex-disaggregated data gathered from the investee company in due diligence) at the company level and agrees upon a specific gender outcome with the investee company to address the gender gap. The next step is to codify these as part of the deal structure into the legal agreement and investment documentation, to ensure alignment on gender outcomes between with the investee company and the Fund Manager.

Outlined below are emerging practices of structural considerations and terms that leading gender-smart fund managers are considering to ensure that the gender outcomes agreed upon before closing by the investee company are implemented after the investment and are enforceable by the Fund Manager or LP. The practices tend to take two forms:

- a) The Fund Manager puts in place positive incentives and rewards for the investee company to reach gender outcomes
- b) The Fund Manager puts in place punitive measures if the investee company does not realize gender outcomes as agreed

It should be noted that there are still relatively few examples being included in investment documentation, indicating that there is room for this area of practice to grow as gender-smart investing continues to evolve. As the field grows, and best practices are established, gender lens considerations may be codified in the investment documents and therefore be enforceable, following the pathway that ESG has taken over time to become a mainstream part of investing.

GPs or LPs wishing to structure a deal to integrate a gender lens can begin by considering three factors to achieve desired gender outcomes: 1) key target groups; 2) gender-based milestones; and 3) structural considerations in legal documentation. These are based on the use of principal capital:

1. Key target groups

GPs or LPs should have a clear idea in mind as to which gender lens strategy they want to select (See [Table 1](#)) and the subsequent target group to close gender gaps (See [Select a Gender Lens](#)) across women as leaders, founders, employees, entrepreneurs (e.g. suppliers, distributors, retailers), consumers, or community members.

2. Gender-based milestones

For each target group, the deal team selects a gender-based milestone to identify when progress has been made towards an agreed-upon gender outcome and can introduce measures to support advancement. Measures can be implemented during portfolio management (See [Table 10](#)).

For example:

- Investee reaches specific targets for groups, such as percent of women entrepreneurs; percent of women customers; percent of women suppliers; percent of women distributors; percent of women retailers. Selecting this milestone would enable a greater level of influence to reach key target groups.
- Investee agrees to workforce targets, such as percent of women employees; percent of women managers; percent of women in senior management; percent of women on boards; percent women on the IC (in the case of an LP investing in a GP). Selecting this milestone would enable a greater level of influence to reach key target groups.
- Linked to workforce target groups, the investee could also introduce measures to support women in the workplace such as providing childcare support; maternity and paternity benefits; health insurance to cover reproductive health; access to safe transport; flexible work policies; anti-sexual harassment policies; career coaching, etc. Selecting this milestone would enable a greater level of influence to address factors contributing to gender gaps between women and men in the workforce, going beyond reaching a target group.

Table 9 provides a list of gender-based milestones to reach a target group. See also: [Appendix D: Deal-Level Indicators](#).

CASE STUDY

Case Study 14: Alitheia IDF Fund

[Alitheia IDF Fund \(AIF\)](#) is a pioneering private equity fund that identifies, invests in and grows SMEs led by gender-diverse teams to achieve solid financial returns and tangible social impact for communities in Africa. It invests in sectors that engage a significant percentage of women, either as entrepreneurs, producers, distributors or consumers, across sectors including agribusiness, consumer goods, creative industries, and financial services.

AIF uses gender-smart investing to support high-growth African SMEs that help improve women's access to finance and foster their economic empowerment. The fund also targets SMEs that address unmet demand for essential goods and services, and operate in priority sectors where women entrepreneurs are dominant both as producers and consumers, such as agribusiness and consumer goods.

AIF is expected to invest in approximately 12 high-growth SMEs with regional and pan-regional scaling potential, and some of its specific targets regarding women are:

- Creating 5,000 jobs for women along the value and/or supply chain
- Providing up to 100,000 women with access to essential products and services
- Providing at least six women-owned or women-led businesses with access to capital
- Allocating and mobilizing \$100 million of capital to women-led businesses
- Helping 40 or more women access board, executive, management, or other leadership roles

Sources: Alitheia and FinDev Canada.

Table 9: Gender-Based Milestones per Target Group

Target Group Reached	Examples of Gender-Based Milestones
Women as entrepreneurs (founders/co-founders)	<ul style="list-style-type: none"> Number/percentage of female/male ownership (as a percent of total ownership) Number/percentage of company founder(s) that are female/male Cap Table⁹² percentage of female/male ownership (as a percent of total ownership)
Women as leaders (Board of Directors, senior management)	<ul style="list-style-type: none"> Number/percentage of board members that are female/male (as a percent of total board members) Number/percentage of the total senior management with P&L positions that are male/female Number/percentage of senior management that are female/male (as a percent of total senior management)
Women in the workforce within the investee company or supply chain	<ul style="list-style-type: none"> Number/percentage of total workforce that are female/male Number/percentage of middle management that are female/male Number/percentage of full-time employees (FTEs) that are female/male Number/percentage of PTEs that are female/male Workforce breakdown in terms of job type and pay level
Female-owned and led producer groups and suppliers	<ul style="list-style-type: none"> Number/percentage of suppliers that are female-owned/led businesses and male-owned/led suppliers Percent and value of purchases from female-owned/led suppliers and male-owned/led suppliers
Female-owned and led distributors, and retailers	<ul style="list-style-type: none"> Number/percentage of distributors/sub-distributors/retailers that are female-owned/led businesses and male-owned/led Number/percentage of the company's sales attributable to female distributors/retailers and male distributors/retailers
Women as consumers	<p>Number/percentage of female/male customers overall, by product/service, by consumer segment</p> <p>Sector examples:</p> <ul style="list-style-type: none"> Education: percentage of female/male students Financial Services: percentage of female/male borrowers and percent of lending portfolio to female/male borrowers Healthcare: percentage of female/male patients
Women as community stakeholders	<ul style="list-style-type: none"> Number/percentage of women/men stakeholders included in community assessments and consultations

3. Structural considerations for legal agreements and investment documentation

There are several structural considerations that Fund Managers can use in order to influence the behavior of an investee company to advance towards reaching gender-based milestones and achieving a gender outcome. These can include a combination of positive incentives for the investee company management team to achieve results, or punitive consequences should they fail to do so. These structural considerations could also be severe or soft in nature, though both Fund Manager and investee should be aligned on why the control (i.e. incentive or consequence) is being put in place and have agreed upon the gender outcomes they are aiming to meet. Below are examples of both types of structural considerations that GPs and LPs can consider.

A) Positive incentives

General Partners

Positive incentives are generally encouraged and easier to implement in practice by Fund Managers than punitive measures. Examples include incentives that:

1. **Reward company management with increased ownership** by improving terms of an employee stock ownership plan (ESOPs) for the investee companies' management team which is tied to gender-based milestones.
2. **Reward company management with increased compensation** by tying investee company bonus pool/percentage to achievement of gender-based milestones.
3. **Lower the cost of operations** for the investee company by providing an interest rate rebate (in the case of a loan) upon achieving gender-based milestones.
4. **Reduce dilution for the founder/investment company ownership** by structuring in ratchets that adjust entry share price (or discount on entry share price for convertible notes) if gender-based milestones are met. This could be structured in several ways, for example:
 - a. Structuring in a ratchet such that the effective share price of entry is tied to the achievement of a gender milestone, over a defined period (e.g. 12 to 24 months). Should gender milestones be met, the ratchet would reset the entry price, lessening the dilution of ownership percentage for the founder/investment company management.
 - b. Adjusting the discount for convertible notes should the investee company achieve its gender-based milestones. In this case, a convertible note converts at a smaller discount to the next round of financing, again lessening the dilution of ownership percentage for the founder/investment company management.
5. **Improve opportunities for future fundraising rounds:** Establish certain pre-agreed terms (or the investee company's follow-on investment round), should gender-based milestones be reached. The investee company is therefore incentivized to meet the milestones set in order to receive an improvement in the next round of financing. Improvement could be better pricing, terms, etc.

Codifying positive incentives

There are various requirements a Fund Manager could use to codify positive incentives within the legal agreements and investment documentation. These include:

- Rights to request information, appoint advisers, or conduct an assessment to retrieve information if not satisfied that effective measures are in place by the investee company to meet gender-based milestones and outcomes.
- Conditions Precedents⁹³ or Conditions Subsequent⁹⁴ the Fund Manager can negotiate with the investee to meet certain gender-based milestones/outcomes.
- An obligation to provide sex-disaggregated data to meet reporting requirements on gender-based milestones and outcomes.
- Develop a 100-day plan with line item actions to achieve gender-based milestones and reach gender outcomes.
- Build in updates on gender activities as agenda items for standing board or LPAC to measure progress on gender-based milestones and outcomes.
- Alternatively, the Fund Manager could develop a non-binding agreement in the form of a memorandum of understanding with the investee company to achieve agreed upon gender-based milestones. This could also take the form of asking the investee company to make a pledge to achieve a gender outcome by meeting agreed-upon gender milestones. This is a softer approach that can be implemented as encouragement for the investee company, leveraging the Fund Manager's ability to positively influence investee actions.

Determining a positive incentive

Fund Managers must consider how achievement of gender-based milestones will be measured and recognized, and what happens if milestones are not achieved and consequently, the feasibility to renegotiate or delay the positive incentive. If a milestone is not achieved, the Fund Managers must consider if the broader “health” of the investee is a contributing factor, or if there are other reasons the investee company has not met the agreed-upon gender milestones.

Fund Managers should also be careful that positive incentives do not lead to perverse incentives. For example, if the gender outcome is to increase women in workforce, the positive incentive must not reward investee companies for hiring women employees into low paid or low-grade jobs for the sake of increasing the representation of women employees overall. Additionally, if the gender outcome is to increase sales of financial services to female customers, the positive incentive must not reward companies for selling products without adequate consumer protection simply to unlock the incentive.

Limited Partners

LPs may also use similar positive incentives outlined above. Additionally, LPs may consider the following:

- 1. Fund Manager receives a higher compensation** (e.g. a reduced hurdle rate or increased percentage of carried interest) upon achieving specified gender-based milestones.
- 2. Increased management fee for the Fund Manager or cover costs of expenses** incurred (i.e. assessments, organizational processes, etc.) to achieve gender-based milestones. Covering costs outside a management fee will have lesser impact on the gross-net return gap.
- 3. Agree on gender-based milestones for investing in subsequent funds** led by the Fund Manager. Depending on the circumstances, this does not always need to be a structured control, but it could be explicitly expressed by the LP to the Fund Manager that reaching gender-based milestones and outcomes would be a key factor of analysis when considering subsequent funds.
- 4. If available to the LP, provide TA for the Fund Manager**, either as a pool of funding to support gender-based milestones across their portfolio or to cover costs of a dedicated resource (e.g. a gender specialist) for respective funds to help them reach gender milestones.



B) Punitive consequences

General Partners and Limited Partners

In certain situations, both GPs and LPs may find it appropriate to structure a gender-smart investment deal using punitive consequences. Generally, punitive consequences can be applied when: 1) gender-based milestones agreed upon are not met; or 2) seeking to manage or mitigate gender-based risks such as gender-based violence, harassment, and compliance with maternity and paternity laws.

Some examples of punitive measures include:

1. Delay or halt tranches of finance if milestones or managing risks are not met. For example, if a company is looking to raise \$5 million to cover funding needs for 24 months, it could be divided into tranches, with \$2.5 million upfront and \$2.5 million conditional upon achieving a gender-based milestone or managing a gender risk.
2. The Fund Manager agrees to a fee/carry rebate if gender-based milestones or management of risks are not met. These would need to be central to the core investment strategy of the fund, and therefore a way to hold the fund management accountable to its own commitment.
3. Penalties imposed on the investee if milestones or managing risks are not met. For example, the Fund Manager may require the investee company to manage gender-based risks, such as addressing gender pay gaps or implementing precautionary measures, such as safeguards to prohibit sexual harassment. Depending on the severity of these incidences, the investor would be able to buy back investor shares at net asset value.
4. Establishing rights to exit at a pre-determined internal rate of return or a higher interest on loans if gender-based milestones are not met.

Codifying punitive consequences

There are several options a Fund Manager or LP could use to codify punitive consequences within legal agreements and investment documentation. These may include:

- Specify a zero-tolerance approach to any form of discrimination against women. This can be reinforced through requiring compliance with the UN Convention on the Elimination of all Forms of Discrimination Against Women (CEDAW) within the language of contracts or through relevant annexes such as ESG Responsible Investing Codes. This would provide explicit contractual obligations for investees to adhere to equal pay and benefits, fair recruitment and promotion processes, and gender equity during individual or collective dismissal.
- Specify compliance with all legal entitlements related to maternity and paternity laws, board quotas, childcare provision, and that the company must at a minimum meet the local laws in the country of operation. However, as a responsible investor following ESG practices, Fund Managers are encouraged to enforce good practice beyond local law in instances where local laws do not support women's careers. [IFC Performance Standard 2](#) or the [2X Challenge reference guide](#) can be used as relevant annexes.
- Include safeguarding clauses prohibiting sexual harassment and gender-based violence and harassment, including specific investor rights to exit from, or, be excused from follow-on investments in the event of a serious incident. [ILO C190 on Violence and Harassment Convention, 2019](#) can be used as a reference. (See [Box 8](#))
- Report to the Fund Manager or LP immediately following any allegations of sexual harassment, gender-based violence, or other safeguarding issues affecting women and girls, such as modern slavery or child exploitation and abuse as per the incident management procedures of the Fund Manager or LP.
- Additionally, a Fund Manager can use the options provided in "Codifying positive incentives" (such as a 100-day plan to achieve milestones or manage risks) as appropriate.

Determining a punitive consequence

Punitive consequences should be used with caution given the difficulty to implement them in practice, unless it is to manage a gender-based risk. The GP or LP would also need to carefully consider the extent to which investments are made or follow-on financing is conditional upon meeting gender milestones, or the severity of the risk, as part of a set of broader factors, such as the strength of the business, the core strategy of the business and reasons for further capital raises. For example, if additional financing is needed for the survival of a business in times of stress, it would be better for the Fund Manager or LP to work with the investee company or fund to support them out of distress, and enable them to meet gender-based milestones, rather than cut off financing options and potentially damage relationships. If, however, there are serious allegations of gender-based risks, such as sexual harassment, this would likely warrant the Fund Manager to exercise the right to exit. Fund Managers should also be careful that positive incentives do not lead to perverse incentives, whereby gender-based milestones or risks are managed only superficially by the investee company because they are concerned about future financing requirements.

Box 8: Candor Clause

Demand for fair treatment between women and men can also come from the investee or entrepreneur themselves.

The Candor Clause, developed by Soona, a woman-led US media production company based in Denver, Colorado, is an open-source legal disclosure for inclusion in fundraising documents to foster conversations between founders and investors about gender equality. The precise clause is as follows:

Sexual Harassment; Discrimination. Except as has been disclosed by the Purchaser to the Company in writing, if the Purchaser is an individual, then to the knowledge of the Purchaser, there is not nor has there ever been any written or verbal complaint made against the Purchaser alleging actions of discrimination or sexual harassment (a "Discrimination or Harassment Complaint"). Except as has been disclosed by the Purchaser to the Company in writing, if the Purchaser is other than an individual, then to the knowledge of the Purchaser, there is not nor has there ever been any written or verbal Discrimination or Harassment Complaint made against any of the directors, officers, principals or managers of the Purchaser or of any venture capital firm or private equity firm that is the general partner of or otherwise manages the Purchaser.

It was put in place to facilitate conversations between founders and investors about core values and fairness for both women and men, and make it clear that there will be consequences in advance of anything happening. This also sets a tone for future engagements.

The desire to include this clause in investment agreements is discussed before a term sheet is sent, in order to frame the conversation from the beginning and discuss why this is important as an investee. The Candor Clause is included within representations and warranties in investment documentation and is non-negotiable.

Source: [The Soona Candor Clause](#).

Concessional/blended financing

In addition to providing commercial financing, Fund Managers may have the ability to structure deals through concessional financing. Concessional financing combines finance from donor or third parties alongside the Fund Manager’s own capital and commercial finance from other investors. This is a tool leveraged by LPs, namely DFIs, to develop a new market, address SDGs, and mobilize private sector financing when it would not be available otherwise. Concessional financing should use relatively small amounts of donor or third-party funds to mitigate specific investment risks and help rebalance risk-reward profiles of pioneering, high-impact investments so that they have the potential to become commercially viable over time.⁹⁵ Fund Managers using this blended approach should follow [five key blended finance principles](#) to fill financing gaps in areas of strategic importance, such as advancing gender equality.

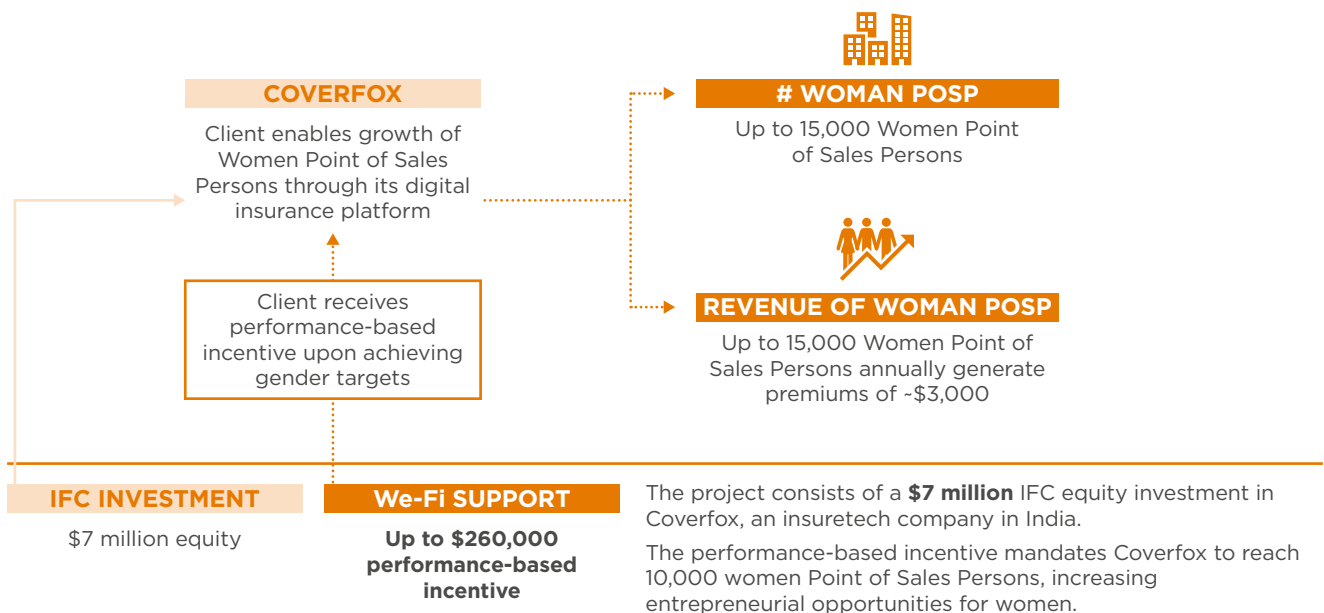
Examples of using concessional finance to achieve gender-based milestones include tools that incentivize achieving gender-based milestones through investment structures by lowering pricing, reducing risk, and providing incentives if gender outcomes are reached. Examples include:

Blended finance products and tools for consideration:

- a. Performance-based incentives:** The Fund Manager provides a performance-based incentive based on achieving predetermined gender-based milestones alongside the main investment on normal commercial terms. These incentives could be financial grants or TA. The incentive could be paid for by the investors or a donor institution. This structure allows the deal terms to be totally commercially negotiated along the market principles, while having the benefit of intentionally targeting an agreed-upon gender outcome and the investee is incentivized to do so in order to get the financial grants or technical assistance. (See [Box 9](#))

Box 9: Example using Performance-Based Incentives

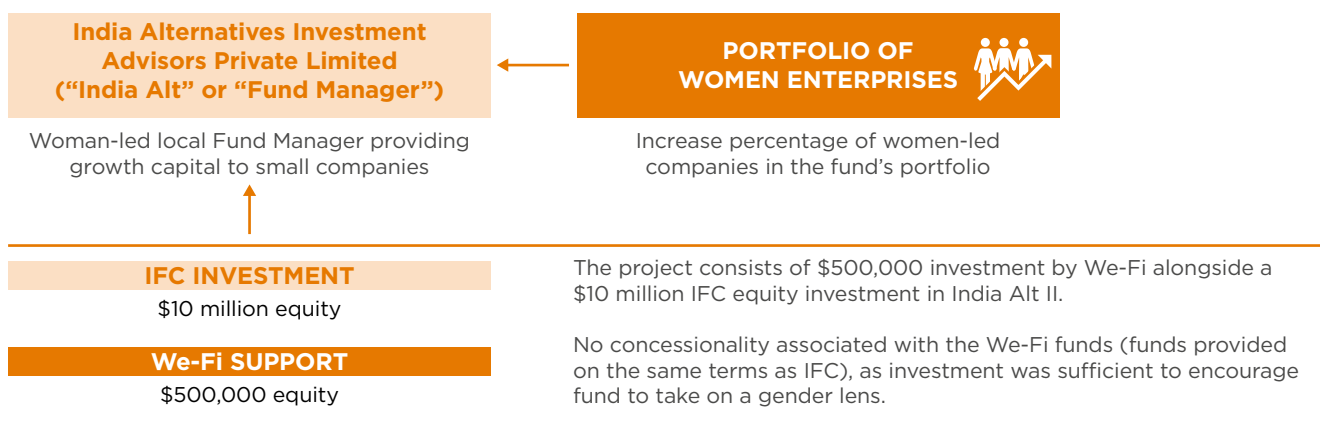
IFC made an equity investment in CoverFox, an insure-tech company, to increase risk mitigation tools for women business owners in India. Concessional financing, provided with support from the Women Entrepreneurs Finance Initiative ([We-Fi](#)), includes a performance-based incentive, should gender milestones and targets be met.



- b. **Pari-passu co-investment:** The Fund Manager makes a co-investment with pari-passu terms (i.e. on same terms). There is no subsidy or financial incentives involved. The co-investment provides extra risk capital, often with the aim to catalyze other investors at critical times and help the fund reach its closing targets (i.e. achieve its fundraising target size). (See [Box 10](#))

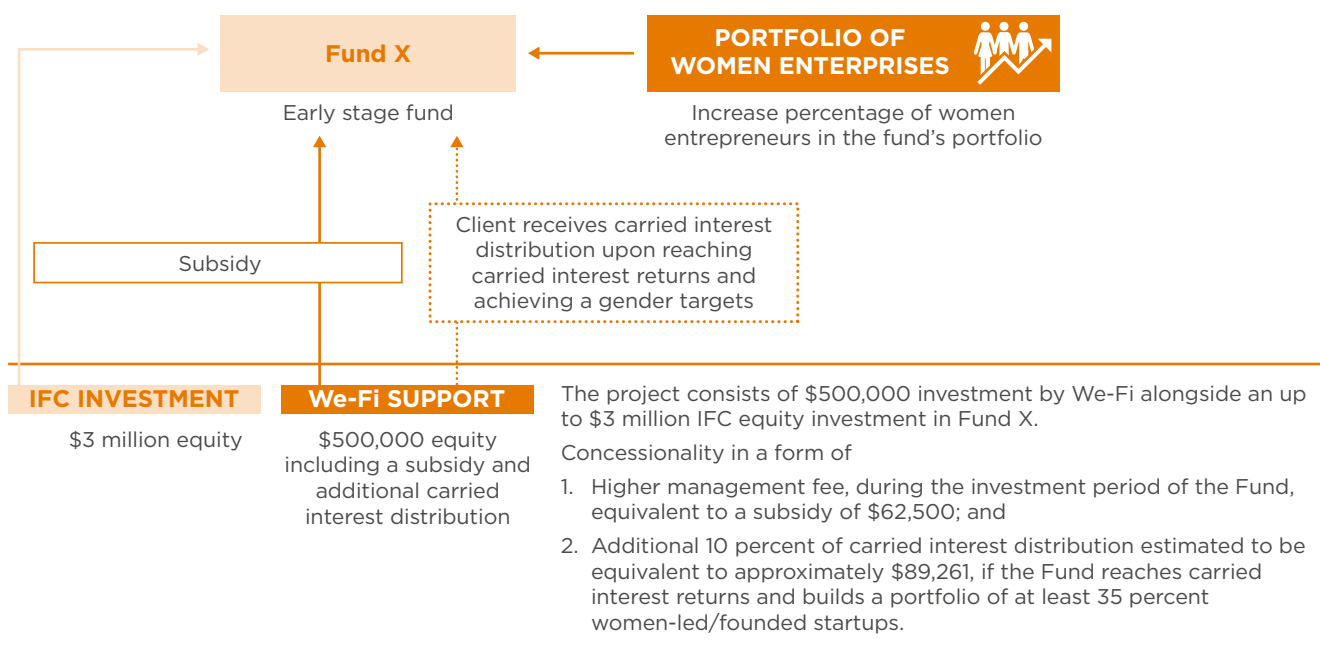
Box 10: Example using Pari-Passu Co-Investment

IFC made an equity investment in India Alt II, a fund managed by India Alternatives Investment Advisors Private Limited. The investment enables the Fund Manager to provide growth capital to small company investees that do not have access to public capital markets and need capital to expand and scale their operations. Unlike the previous example, where a performance-based financial incentive was structured into the deal, in this case, a pari-passu co-investment with concessional funds provided by We-Fi were provided on the same terms as IFC. There is no subsidy or financial incentives involved, the co-investment provides extra risk capital, with the aim to catalyze other investors and help the Fund Manager achieve its fundraising target size of \$70 million.



- c. **Co-investment with differentiated deal terms linked to gender milestones or targets:** The Fund Manager makes a co-investment or a separate tranche of an investment with differentiated terms (often softer or with some financial subsidies) that link to gender-based milestones or targets. The built-in financial subsidies in softer terms is meant to reduce the perceived risk (or in some instances real risk) of a deal, thereby making the total "blended terms" of the commercial tranche - and the concessional tranche - achievable from commercial investors' perspectives. (See [Box 11](#))

Box 11: Illustrative Co-Investment with Differentiated Deal Terms Linked to Gender Milestones and Targets



Measure Gender Lens

Post-Investment

Once invested in a company, Fund Managers have three mechanisms through which to drive gender impact:

1. Portfolio Management	This is where investors work with their investees to support them to adopt and scale a gender lens into their business practices, recognizing the strong commercial and impact case for doing so.
2. Portfolio Measurement	This is where investors require their investees to track and report against gender indicators to monitor whether the gender milestones agreed upon pre-investment have been achieved.
3. Exits	This is where investors can assess how their exit from a company may impact its gender lens strategy, and calculate any returns on investments on support provided to achieve gender milestones.

PORTFOLIO MANAGEMENT AND MEASUREMENT

Portfolio Management

In portfolio management, the deal team's role in gender-smart investing is to support the investee company's leadership in achieving the gender outcomes agreed upon in the deal agreement. The investee company is responsible for undertaking an action plan to realize gender outcomes. The Fund Manager is not typically driving the day-to-day process of ensuring activities to address gender-outcomes that are underway, rather the Fund Manager is expecting to receive reports on progress. To support the investee company, deal teams can follow three key actions as outlined in [Figure 6](#) below.

Figure 6: Three Steps to Design and Implement a Gender Action Plan



Box 10: Tip for Fund Managers:

Fund Managers that begin gender-smart investing within their committed portfolio (versus in deal origination) may set their ambition on 'nudging or refocusing' an investee company's leadership to commit to addressing gender gaps in operations. Instead of committing to a gender outcome in deal structuring, the deal would agree upon a gender outcome in a side letter, or a separate agreement can be put in place. The deal team can apply the same strategies as they would with a new investment by selecting a gender lens (See [Select a Gender Lens](#)), and then conducting an assessment (See [Due Diligence](#) and [Gender Analysis](#)). Table 1 outlines the five gender-smart investment strategies to select a gender lens and the typical areas of support a Fund Manager provides an investee company in portfolio management. Once an agreement is in place, deal teams can follow the three steps outlined in Figure 6: Three Steps to design and implement a Gender Action Plan to support investee companies to advance on a gender action plan.

1. Identify gender activities to focus on with the investee company

The deal team and investee company leadership jointly identify what activities the investee company can undertake to realize the gender outcome that has been codified within the deal agreement (See [Deal Structuring and Terms and Levers](#)). For example, if a lack of gender diversity in leadership was identified as a concern, and a gender outcome was agreed upon to increase female representation from 10 percent to 20 percent, the company might focus its efforts on activities to achieve this target. Activities could include identifying high-caliber female candidates for leadership positions, or the Fund Manager may support the investee to assess its talent pipeline to determine what specific actions or gender biases the investee company may need to address across recruitment, retention, and promotion practices. [Table 10](#) provides examples of potential gender activities that Fund Managers can explore and support with their investee companies across all five gender-smart investing strategies. [Appendix G](#) provides additional resources. Activities can range from data collection (typically requires a lower level of resources) to establishing and implementing policies and strategies (typically requires a higher level of resources). The selection of the activity will depend on the investee company's ownership of achieving the outcomes and its capacity and commitment to do so.

■ **Table 10:** Measures to Support Women and Close Gender Gaps

Fund Manager Strategy (gender lens)	Examples of Gender Gap Identified within Investee Company	Potential Gender Measures
Invest in companies...		
With women represented in leadership	Women are under-represented in senior management roles	<p><i>Data Initiatives:</i></p> <ul style="list-style-type: none"> Consider putting in place corporate diversity and inclusion targets, which form part of management's KPIs Establish baselines and consider setting targets to ensure hiring managers consider qualified female candidates for open positions and promotions Set corporate diversity and inclusion targets embedded in management KPIs <p><i>Policy and Strategy Initiatives:</i></p> <ul style="list-style-type: none"> Support investee to identify gender-balanced pool of candidates when recruiting non-executive directors, senior management, and IC members Establish, implement, and monitor gender policy; including recruitment, retention, and promotion policies (e.g. supporting working parents) Offer equal opportunity training, leadership development programs, equitable sponsorship and mentoring programs, succession planning programs, and women's networks/employee business resource groups Undertake awareness raising initiatives with board members and senior management to minimize unconscious bias Engage male CEOs and managers to take ownership of promoting gender issues and lead by example
Committed to a gender diverse and equitable workforce	Women are under-represented across the company's workforce, particularly from middle management upwards. There can be several reasons for this lag: disproportionate household care responsibilities at home; female staff being recruited and promoted at a lower rate to male staff, lack of female role models in senior management roles	<p><i>Data Initiatives:</i></p> <ul style="list-style-type: none"> Carry out an assessment of HR policies, organizational structures, and employee engagement to identify strategic interventions which could improve gender balance across the workforce, including staff gender sensitivity training Regularly track, collect, and analyze pay data to see if a wage gap exists between women and men <p><i>Policy and Strategy Initiatives:</i></p> <ul style="list-style-type: none"> Institute a strongly-worded and widely disseminated anti-sexual harassment policy, safe and anonymous complaints procedure, appropriate remediation measures, training, monitoring, and evaluation Review workplace safety and ensure risks for women are effectively mitigated; that staff grievance mechanisms are gender-sensitive; and that female-focused facilities (e.g. lactation rooms) are in place Obtain global gender certification (e.g. EDGE Gender Certification, UNDP Gender Equality Seal) Develop, implement, and monitor a corporate policy (or integrate within existing policies) on gender diversity and inclusion which should cover family-friendly benefits (e.g. childcare support), gender pay gaps, as well as paid maternity and paternity leave Engage all managers to promote overall female participation and to provide training and mentorship to upskill more junior women in the company

■ **Table 10 continued:** Measures to Support Women and Close Gender Gaps

Fund Manager Strategy (gender lens) Invest in companies...	Examples of Gender Gap Identified within Investee Company	Potential Gender Measures
Committed to a gender-inclusive value chain	Women-owned and led businesses are under-represented along the corporate value chains in both the supplier base, and distribution network, and tend to be among micro-, small-scale, and informal business owners; facing several barriers preventing them from starting and expanding their businesses or maximizing profit. The principal challenge is access to assets: capital, technology, and markets	<p><i>Data Initiatives:</i></p> <ul style="list-style-type: none"> Conduct a mapping of women-owned businesses in the value chain, and start collecting and reporting on data related to these businesses <p><i>Policy and Strategy Initiatives:</i></p> <ul style="list-style-type: none"> Diagnose barriers women face in accessing supplier and distribution roles or contracts, and support the company to develop a strategy or policy for the targeted recruitment and use of female suppliers and distributors Identify barriers faced by female suppliers and distributors in the company's supply chain, and design and implement strategies to overcome these issues, e.g. review distribution model to address women's more limited mobility, as well as travel safety concerns; delivering gender-sensitive training to increase women's knowledge of the products and ability to effectively market; review remuneration structure, etc. Consider upgrading procurement policy and team awareness to purchase proactively from female-led suppliers, or set corporate targets
Committed to offering and designing products or services that consider the distinct needs of women as a consumer segment	Women face substantial gaps in access to products and services because their needs or preferences are not adequately considered in products and service design, or because marketing and distribution channels do not effectively reach them. Among low-income women, these gaps are often exacerbated	<p><i>Data Initiatives:</i></p> <ul style="list-style-type: none"> Strengthen the company's customer segmentation capabilities to track sex-disaggregated data <p><i>Policy and Strategy Initiatives:</i></p> <ul style="list-style-type: none"> Solicit existing and prospective female client feedback on how product design or financing options could be made more inclusive of women Develop a marketing and distribution strategy specifically targeting women, based around their unique needs, preferences and behaviors
Committed to ensuring their operations do no harm to women in the community	Gender gaps can originate outside the workplace and in communities where companies operate. For instance, greenfield projects with large labor influx during the construction phase may also face the risk of an increase in gender-based violence and sexual harassment of women and girls	<p><i>Data Initiatives:</i></p> <ul style="list-style-type: none"> Consider disaggregating data by gender when conducting assessments and consultations <p><i>Policy and Strategy Initiatives:</i></p> <ul style="list-style-type: none"> Consider contributing to existing NGO and CSR initiatives on women's economic empowerment Identify opportunities for upskilling women from the communities to access jobs within the company, creating shared value Include both women and men when conducting community and stakeholder consultations during the project design phase and integrate their feedback into community and stakeholder management plans

Source: CDC, Gender-smart Investing Training for Fund Managers (2019), IFC, Gender Flag Guidance (2018).

2. Ensure investee company ownership

Ensuring the investee company has ownership over the design and delivery of gender activities is critical to success. There are several ways in which Fund Managers can encourage an investee company to take ownership of the initiative:

- Securing senior-level commitment:** Embedding gender inclusion at the Board level of the investee company is key to ensuring gender becomes a way of doing business. Buy-in and changing behavior at Board level makes it possible to drive important strategic decisions that operationalize and mainstream gender inclusion and promote better business.⁹⁶ Additionally, commitment from the investee company leadership that is stated publicly both internally and externally within the business – can be a powerful tool for demonstrating to the workforce that gender equality is a priority.

- **Identifying committed and empowered counterparts:** Identifying a counterpart that is both committed and empowered within the investee company will be essential for ensuring gender activities are effectively driven forward from the investee company. In some cases, it can be useful to have several representatives from across different company departments, e.g. HR, product design, etc. In these instances, it can be useful to set up a gender working group or committee within the investee company, whose role is to help drive forward the activities and establish and implement a Gender Action Plan (See [Appendix H: Sample Gender Action Plan](#)).
- **Agreeing on resourcing and which activities can be either done by the investee company, or in partnership with the Fund Manager:** This discussion typically determines the level of ambition; resource requirements, and implementation approach. If conducted by the investee company, the deal team may ask that gender activities be completed either before disbursement, or post-disbursement with appropriate reporting. This could be a low or light-touch intervention (e.g. asking the company to collect data and report on it). It could also be a medium-touch intervention (e.g. asking the company to conduct a gender assessment to further inform how best to address gender gaps). If a higher-touch intervention is necessary and desired, an investee company may establish a partnership with a firm to deliver TA. Alternatively, if the Fund Manager can provide TA, the investee company may work with the Fund Manager to design and implement a specific gender-related project to address gender gaps. [Table 11](#) outlines various implementation approaches.

■ **Table 11: Examples of Implementation Approaches for Gender Activities**

Fund Manager and Investee Company Roles	Implementation in Practice
Investee undertakes gender activity directly	Activities undertaken by the investee company
directly (pre- or post-investment), where the investee reports back to the Fund Manager	<ul style="list-style-type: none"> • Number/percentage of board members that are female/male (as a percent of total board members) • Number/percentage of the total senior management with P&L positions that are male/female • Number/percentage of senior management that are female/male (as a percent of total senior management)
Fund Manager collaborates with strategic partners (e.g. NGOs) to provide outsourced support to investee company	An investor forms partnership with strategic partners (e.g. NGOs, foundations, donor-funded programs) to provide outsourced support to the investee company
Fund Manager contracts a firm or consultant to provide outsourced technical assistance to investee company	The Fund Manager contracts a gender consultant or consultancy firm to provide support where it does not have the technical skills and internal resources to provide outsourced support to the investee company
Fund Manager provides direct TA support to investee company	This is an option for larger Fund Managers with an advisory arm, foundation, or in-house specialists in impact, ESG, or gender, that can provide direct support to the investee company (See Case Study 15)
Fund Manager works with its LP or a wider industry body to provide indirect TA to investee company	The Fund Manager works with its LP or a representative body to provide TA indirectly to the investee company

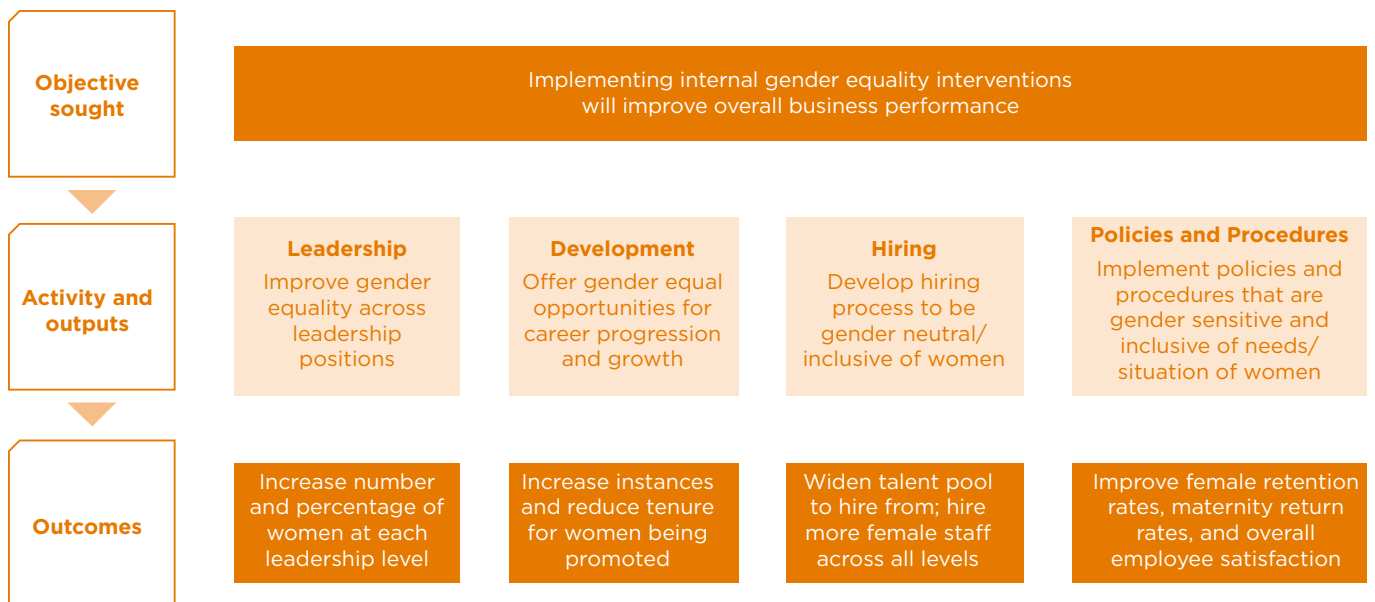
- Agreeing to a cost-share arrangement:** Where the selected gender activities mean that costs are likely to be incurred (e.g. through contracting a consultant to support an assessment or implementing TA), establishing a cost-share arrangement between the Fund Manager and investee company can support driving investee ownership and buy-in for the project. Cost-shares can vary in form. Some Fund Managers may require a monetary contribution, such as 50 percent of costs, while other cost-shares can involve a contribution “in kind”, such as a portion of investee company employee staff time to participate in a gender assessment or to select the firm conducting it) but all are designed to ensure the investee company has “skin in the game” and is proactively engaged in ensuring efforts towards achieving gender outcomes are a success. This step can be undertaken within the deal structuring if it is determined that costs are to be incurred for the gender activities, and the Fund Manager and investee company leadership can negotiate a results-based financing structure whereby a bonus or a performance-based incentive (e.g. pay for success) is built into the deal structure.

3. Establish gender action plan with the investee company

Once the gender activities have been decided upon, and the investee company is on board, depending on the level of data captured during due diligence, it may be helpful to undertake a gender diagnostic and wider analysis or mapping. Gender diagnostics vary depending on the gender lens and target group (e.g. women in leadership, workforce, etc.) but in general, Fund Managers and investee companies seek to develop a deeper understanding of the gender gap identified in due diligence and gender analysis using both quantitative and qualitative data. This can be gathered either through in-depth research, e.g. interviews with investee representatives, surveys, focus group discussions, or a more light-touch approach, in which investee representatives can populate a questionnaire to report on key data points. Depending on the gender gap being assessed, there are several diagnostic tools available. See [Appendix G](#).

Once a gender diagnostic is completed, the next step for the Fund Manager and the investee company counterpart is to develop a Theory of Change. This will determine how gender activities will lead to achieving the gender outcomes agreed upon pre-investment. [Figure 7](#) is an example of a Theory of Change for closing gender gaps in the workforce. This is often accompanied by a Gender Action Plan (GAP), a project plan comprising: proposed actions, associated activities, owners, prioritization, resources requirements, targets, monitoring system, timeframes, and impact and commercial indicators. [Appendix H: Sample Gender Action Plan](#).

Figure 7: Example Theory of Change



Source: Theory of Change plan adapted from CDC investee.

CASE STUDY

Case Study 15: Phatisa

Phatisa is a sector-specific African PE Fund Manager, with three funds under management, totaling more than \$400 million. Its impact strategy centers on contributing to the UN SDGs, with a particular focus on SDG 1: No Poverty, SDG 2: Zero Hunger and SDG 11: Sustainable Cities and Communities, and a secondary focus on SDG 5: Gender Equality, SDG 10: Reduced Inequalities, and SDG 8: Decent Work & Economic Growth, as well as a number of environmental-related SDGs, including SDG 13: Climate Action and SDG 15: Life on Land.

Phatisa has taken steps to integrate gender into each stage of the investment life cycle: from screening, to due diligence, to portfolio management and measurement. This case study highlights the steps Phatisa has taken to apply a gender lens (SDG 5) to its portfolio management.

The first step involved setting portfolio-wide targets: For Phatisa Food Fund 2, Phatisa requires all portfolio companies to have a gender policy and it works with companies to set targets to increase female employment. Phatisa and the investee company set ambitious but realistic targets informed by the sector and operating context. The firm would expect most companies in the sector that the fund is likely to invest in to aspire to at least 30 percent female employment, and to define a path to exceed 30 percent over time.

In addition to portfolio-wide target setting, Phatisa works closely with select investees across a range of industries, geographies, and business models, to support them in implementing gender projects to increase and improve women's employment and economic empowerment across the value chain. Key examples include:

- **Tackling domestic violence in Sierra Leone:** Phatisa is invested in a large palm oil mill in rural Sierra Leone. It does not tolerate sexual harassment and, as part of an ongoing outgrower training program prescribed by the Roundtable on Sustainable Palm Oil, Phatisa has educated approximately 7,500 of the investee company's outgrowers on sexual harassment. The outgrower suppliers were also advised that the mill would blacklist any outgrower convicted of committing domestic violence. As the mill is the only employer in the region, the investee company, with support from Phatisa, made patently clear the link between domestic violence and resulting income loss.
- **Extending technical training to female construction workers in Rwanda:** Phatisa is invested in a middle-income housing development in Rwanda. After observing that all technical tasks on the construction site were being undertaken by men, and menial roles undertaken by women, Phatisa lobbied the building site manager to extend the on-the-job stonemasonry training to women, whom it was previously assumed would not be interested in participating. To date, more than 30 women have participated in this program, with at least 25 percent of these being promoted to skilled permanent positions within the main contractor. One woman has used the skills she has acquired through the program to build a house for her family.
- **Supporting women to take-up non-traditional roles in Zimbabwe:** Phatisa is invested in a pan-African agribusiness specializing in heavy equipment sales, leasing and maintenance. Through its due diligence, Phatisa found that women comprised only six percent of employees, and that the company's Zimbabwe operations had a particularly high staff turnover, which were accepted as standard in the industry and the country. Phatisa spoke to the investee company about running a pilot program to test the business case for boosting retention by training women – often understood to be more loyal employees – to undertake forklift operation roles. Phatisa presented the theorized business case, pointing to the potential for women to be both more efficient and safer operators, resulting in fewer accidents. The pilot is in its early stages of implementation, but it is hoped the forklift training for female employees will serve as proof of concept for expanding women's uptake of non-traditional roles, as a means of increasing workforce retention and efficiency and lowering the accident rate. To date, four women have been trained and one has been offered a contract with the investee.

While Phatisa had a donor-funded Technical Assistance Facility (TAF) tied to its first food fund, the projects described above are those that have been undertaken over and above what was achieved by the TAF without grant financing. It has involved Phatisa conceptualizing gender interventions and identifying and coaching allies within the investee company to help drive these forward. Phatisa serves as a compelling example of the gender impact that is possible.

Portfolio Measurement

During portfolio measurement, Fund Managers can require investee companies to track and report on gender indicators, monitor whether gender-based milestones are being met and determine the gender outcomes agreed upon pre-investment have been achieved. Strong portfolio measurement helps the Fund Managers to understand the ongoing gender impact of its investments, to determine whether capital may be unlocked as per certain deal structures (See [Deal Structuring and Terms and Levers](#)) and – where appropriate – introduce or adapt support to strengthen the investee company’s ‘gender performance’.

Monitor milestones towards gender outcome

In addition to having clear counterparts, including a ‘point’ person on the deal team to drive forward the intervention, it is important for a clear governance and oversight function to exist, for example through an LPAC, or subcommittee of the Board, comprising representatives both from the investee company and the Fund Manager. This governance entity would typically meet on a quarterly basis to review progress against the GAP, review the impact and commercial metrics, and support the implementing owners (e.g. teams within the company, company gender working group or contracted consultant, etc) to adapt delivery if needed.

[Table 12](#) shows the three primary measurement approaches that Fund Managers can take to understand the gender impact of their investees: 1) require annual self-reporting by the investee company; 2) company visits; and 3) deep-dive evaluations.



Table 12: Measurement Approaches for Fund Managers

Measurement Approach	What does this Entail?	What Type of Investee is this Approach Appropriate for?	How is the Data Used?
Annual self-reporting	<ul style="list-style-type: none"> Investee companies are required (through the shareholder agreement) to report on an annual basis against a set of pre-determined gender indicators These indicators are included within the annual monitoring report, and tend to be the same for all investees, so that the data can be aggregated at portfolio level A list of recommended firm and portfolio-level indicators is included in Appendix D: Deal-Level Indicators 	<ul style="list-style-type: none"> It is recommended that all investees provide annual self-reporting data, irrespective as to whether the Fund Manager is implementing specific gender actions with them See Case Study 16 for an example of the steps that Phatisa has taken to apply a gender lens to its portfolio measurement In cases where the Fund Manager is running a gender intervention or project, additional intervention-specific metrics may also be requested, in addition to generic portfolio-level indicators. See Appendix H: Sample Gender Action Plan for more details 	<ul style="list-style-type: none"> Annual self-reporting does not need to measure every gender activity undertaken by the investee company, but should report on the most important indicators that establish a link between the gender gap identified in due diligence and analysis, the activities being implemented to address the gender gap, and the gender outcome that was agreed upon pre- investment – to assess whether it has been achieved Annual self-reporting can be used both to prove – and improve – gender impact at an individual investment level, portfolio level and firm level It can also be aggregated to assess and report the gender impact across the Fund Manager’s entire portfolio and observe trends based on sector, geography, business model and stakeholder Fund Managers can find a real benefit in conducting a portfolio analysis over time, to track changes, understand correlations and the cost/benefit of various gender activities being implemented. For examples of portfolio indicators see Appendix D: Deal-Level Indicators
Company visits	<ul style="list-style-type: none"> The Fund Manager can visit the company to assess progress – typically through qualitative research methods (including observational analysis, interviews, looking through key documents, etc.) 	<ul style="list-style-type: none"> Company visits are useful when: <ol style="list-style-type: none"> The deal structure is conditional upon the company achieving certain gender-based outcomes A gender activity or project is being implemented in collaboration with the Fund Manager (See Portfolio Management) 	<ul style="list-style-type: none"> Findings can be used to track progress and build a clearer picture of the gender impact happening ‘on the ground’, including impalpable aspects (e.g. leadership’s commitment to driving gender equality, etc.)
Deep-dive evaluations	<ul style="list-style-type: none"> This can take several forms, but typically entails comprehensive baseline, midline, and end-line data collection and analysis before, during and after a gender intervention (See Appendix G: Gender-smart investing Tools) The research method is typically mixed-method, comprising both qualitative and quantitative approaches, and help to assess the return on investment 	<ul style="list-style-type: none"> The Fund Manager may choose to work with investees to undertake a deep-dive evaluation to understand the gender and commercial impact of undertaking a targeted gender intervention 	<ul style="list-style-type: none"> The findings of the deep-dive evaluations can be used to prove – and improve – gender impact and build a nuanced understanding of the commercial case (including the return on investment) associated with the adoption of gender-smart practices The findings can be used to document the gender business case and encourage other companies to ‘crowd in’: imitate and adapt the gender innovations adopted, therein driving wider systems change at scale. For example, five Fund Managers committed to gender-smart investing recently, launched the Gender-Smart Enterprise Assistance Research Coalition (G-SEARCh) to conduct research to further substantiate the business case for linking a gender lens to business performance (See Case Study 17)

CASE STUDY

Case Study 16: Phatisa

In the same way that Phatisa has applied a gender lens to its portfolio management, so too has it taken steps to integrate gender into its monitoring and measurement systems. This case study highlights the steps Phatisa has taken to apply a gender lens to its portfolio measurement.

Phatisa started this process by incorporating standardized gender metrics across all investments. The standard indicators take into account whether the company has a sexual harassment policy and a reporting procedure in place; whether the company has clear maternity leave policies and the terms therein; whether a flexi-time policy is in place; and whether women are represented at different grades across the company. These are tracked on an annual basis and form part of the Annual Monitoring Report template circulated to all investee companies. In addition, where Phatisa is working with a given investee on a particular gender project or intervention, further metrics are required of the investee, such as sex-disaggregated retention, gender disaggregated incident data, and productivity rates.

CASE STUDY

Case Study 17: G-SEARCH

The Gender-Smart Enterprise Assistance Research Coalition (G-SEARCH) was launched at Women Deliver in June 2019 and comprises a group of five like-minded impact investors committed to investing with a gender lens. The consortium includes AlphaMundi, Acumen, SEAF, Root Capital, and AHL Venture Partners. The goal of G-SEARCH is to demonstrate the business case for incorporating gender-smart interventions across early- and growth-stage SMEs in emerging markets. Key G-SEARCH activities include:

- Each impact investor has committed to support at least three portfolio or priority pipeline companies with grant capital for gender-smart TA interventions.
- With Canada's International Development Research Centre (IDRC) support, identification of a qualified institution to develop a research approach to both: (1) document the approaches, tools, and frameworks each consortium member is utilizing to promote gender as a core business principle across their portfolio; and (2) testing the institution's assumptions and hypotheses and gathering qualitative and quantitative data spanning more than 15 SMEs to build the base of evidence for this approach.
- The development of a final report, toolkits, and case studies to facilitate knowledge-sharing with the broader sector.

G-SEARCH selected the William Davidson Institute at the University of Michigan as its research partner, and research development and data collection efforts are underway with a goal to deliver the results in late summer or early Fall 2021. Additional information about G-SEARCH can be found at the [AlphaMundi website](#).

EXITS

The role of the Fund Manager when exiting a gender-smart investment is threefold:

1. Assess how an exit from the investee company may impact its gender lens strategy;
2. Calculate any returns on investments on the support provided by the Fund Manager to achieve gender outcomes, including the influence that gender outcomes have had on the commercial KPIs of the company; and
3. Maintain the momentum of gender outcomes achieved thus far, so that they are not potentially lost under the leadership of the potential buyer.

Given the nascent but growing field of gender-smart investing, there are few best practices documented to draw upon to define a successful gender-smart exit. As the field grows, and investment periods of recent and newly-committed gender-smart investments close, examples will emerge from which Fund Managers can learn from. Based on learnings from the broader impact investing space, this Guide introduces six principles that Fund Managers can adopt to ensure their exits are aligned with their gender-smart investment strategies. These principles serve as guidelines on how Fund Managers can maximize gender outcomes and mitigate the risk of losing progress on gender equality with buyers that may not be as committed.

Principle 1: Demonstrate to potential buyers that the investee company's commitment and performance on gender equality measures is a downside protection and can potentially lead to increased valuation.

Investee company commitment to gender outcomes, such as improved female retention and maternity return rate, or increased capture of a female customer segment, is evidence of improved business performance. For example, recent IFC research found that gender-balanced leadership is positively correlated with higher performance; investee companies with gender-balanced leadership teams outperform in median valuation increases by as much as 25 percent compared to non-diverse teams.⁹⁷ Research from the US demonstrates that female-led companies are exiting more quickly than average: a median 6.4 years vs. a median 7.4 years for male-led companies.⁹⁸

Principle 2: Demonstrate to potential buyers that the investee company's performance on gender equality measures is a premium asset.

Focused efforts on tracking the gender milestones and outcomes achieved, and the linkage of gender-smart solutions to commercial KPIs, can offer proof to potential buyers that investee companies can innovate, grow, and profit by closing gender gaps.⁹⁹ IFC investee companies have provided substantial evidence, such as:

- An agribusiness in the Solomon Islands found that labor issues (including absenteeism and turnover) are often symptoms of hidden gender inequalities. The company addressed these to generate an expected \$1.58 million in revenues, due to increased productivity and costs reduction.¹⁰⁰
- A commercial bank in the Dominican Republic found new customer segments within the women's market with distinct needs and preferences. Developing new products and distribution channels to reach these sub-groups led to an internal rate of return of more than 35 percent.¹⁰¹
- A group of companies joined forces in Papua New Guinea to reduce the incidence of gender-based violence in the workplace and found they could save three to nine percent in overall payroll costs by doing so.¹⁰²

Principle 3: Demonstrate to potential buyers that the systems, processes, and people the investee company has put in place on gender activities will continue to perform (especially if the potential buyer does not already have a commitment to gender-smart investing).

Similar to how establishing good corporate governance ahead of an IPO is key to attracting outside investors,¹⁰³ an investee company's performance on gender outcomes can send a strong and positive message to potential shareholders (both private and public) who are increasingly valuing ESG practices, including commitments to gender equality. Early on, Fund Managers can build buy-in from the investee company's leadership to establish continuity of gender activities post-exit. A gender-smart Fund Manager will initiate this at the time of the deal commitment, and continuously provide support on gender activities throughout the investment period - with the goal of institutionalizing gender commitments across the company operations and culture. This will help to ensure that the company's gender management systems are self-sustaining, with the infrastructure and governance in place to maintain gender commitments.

Principle 4: Aim to attract buyers (both private and public investors) who share the same values and are committed to gender-smart investing.

High female representation across staff and leadership, commitments to gender diversity and supportive policies and processes, and successful female client acquisition, can all potentially attract buyers, especially for those whom gender equality is a priority. A growing number of investors across the investment ecosystem are investing with a gender lens,¹⁰⁴ and are therefore more likely to be interested in companies that demonstrate strong gender performance.

Project Sage, a Wharton Social Impact Initiative with Catalyst at Large, tracks capital raised with a gender lens across private equity, venture capital, and private debt vehicles—which surpassed \$4.8 billion in 2019 and is increasing.¹⁰⁵ In 2020, 138 funds investing with a gender lens were reported, up 58.6 percent from the previous year, reflecting an increasing demand for gender-smart investing solutions.¹⁰⁶ The majority of these funds had Asia, sub-Saharan Africa and Latin America as their target investment geography, reflecting the importance and interest of gender diversity in emerging markets.

The GIIN reports that gender-smart investments in public market strategies have grown from \$100 million to \$2.4 billion in just four years, as of 2018.¹⁰⁷ Major stock exchanges across the globe, such as Johannesburg, New Zealand, Australia, Hong Kong, and the UK, now require listed companies to provide a gender breakdown of their boards of directors and officers, have a gender diversity policy, and have diversity-related provisions in corporate governance requirements. In 2017, a European Union (EU) directive was passed requiring large, listed companies to disclose data related to diversity on boards by gender, age, educational and professional background in their annual reports. In 2019, 85 exchanges participated in “ring the bell” events led by the Sustainable Stock Exchange Initiative on International Women's Day, in order to bring attention to the important role the private sector plays in advancing gender equality.¹⁰⁸

Fund Managers can take this as a signal that investees wishing to list on these stock markets should commit to these requirements, so it is advantageous to prepare companies in advance.

Principle 5: Prepare investee companies for questions from prospective Fund Managers.

As part of its support of an investee company, the Fund Manager can prepare the company for questions from prospective buyers. Support can include providing relevant data and examples that show the extent to which business improvements have been achieved through gender outcomes and demonstrate a linkage with commercial KPIs.

Principle 6: Proactively prepare gender analysis and reports.

Fund Managers can prepare reports with credible sex-disaggregated data that has been gathered throughout the investment period to demonstrate how gender activities are a value-add. Fund Managers may consider proactively preparing such reports to address requests from buyers as well as to honor listing requirements. Increasingly investors, both impact and commercial, request data on gender. Even if the data may not directly affect valuation, it can serve as a ‘carrot’ or offer intangible value to buyers of interest.

CONCLUSION



CONCLUSION

Gender-smart investing is an investment strategy that helps an investor highlight new opportunities and illuminate risk¹⁰⁹ to achieve better financial and social outcomes for all. It is an inclusive value creation approach that Fund Managers are adopting to unlock opportunities for increased profit, growth, and innovation. There is no doubt that the field of gender-smart investing is on the rise and here to stay. As the latest research shows, volumes of capital raised with a gender lens across PE, VC, and private debt have quadrupled in the last two years, clearing \$4.8 billion in 2019, up from \$1.1 billion in 2017.¹¹⁰

The effects of COVID-19 are influencing governments, consumers, and LPs to think more intentionally about how they can better deliver impact and create value that is inclusive of both women and men. GPs will be increasingly asked to support LPs in more impactful investing, including in healthcare businesses that can respond to COVID-19; in companies that support economic and environmental resilience; and in supporting private sector funding to advance SDGs, including Gender Equality (SDG5).¹¹¹

While the opportunities are promising and intentions have been set, more needs to be done to provide investors with the right tools and frameworks to put gender-smart investing into practice and support inclusive value creation efforts. Moving the PE industry towards gender-smart investing will require action from both GPs and LPs.

CDC and IFC have consolidated, organized, and developed tools, evidence, best practices, and case studies across the investment ecosystem into this step-by-step guide for Fund Managers on gender-smart investing. Lessons from the operations of more than 160 fund managers have been drawn upon to guide Fund Managers on how to set their focus, choose their gender-smart investment strategies (i.e. gender lens), and put policies into practice within their firms and portfolios. Fund Managers, for instance, can set their focus by determining if they should start internally at the 'firm level' and within their deals at the 'portfolio level'.

At the firm level, Fund Managers can strengthen gender diversity by following five key steps: 1) establish tone at the top with targets; 2) attract and promote female talent; 3) build respectful workplace cultures free from bullying and sexual harassment; 4) measure and report on progress; and 5) make public commitments to gender diversity. Fund Managers can also drive adoption of gender-smart investing across their firms through a four-part framework that includes: 1) strategy design; 2) activating people; 3) enhancing processes; and 4) engaging partners.

At the portfolio level, it is through comprehensive integration of a gender lens across investment operations that returns are effectively realized. GPs and LPs can invest in companies across five gender-smart strategies: 1) have women represented in leadership (i.e. founder, co-founder, and gender-balanced leadership teams); 2) committed to a gender-diverse and equitable workforces; 3) gender-inclusive value chains; 4) offering and designing products or services that consider the distinct needs of women as a consumer segment; and 5) ensuring their operations do no harm to women in the community.

The approaches set out in this Guide support Fund Managers with gender analysis, moving from the notion of counting the representation of women towards valuing how closing gender gaps between women and men ultimately influence business performance. Data collected on women and men should be used to assess the factors influencing gender gaps, which – if addressed effectively – can help businesses create or deepen market penetration, grow sales, enhance productivity, and inform better corporate decision-making. While case studies in this Guide demonstrate how results are being realized, investors need to do and share more at scale for the field to keep growing. This includes structuring a gender lens into deals to incentivize both companies and Fund Managers. Deal structuring with a gender lens is relatively new territory, but one which will continue to support Fund Managers to innovate and grow in sophistication.

As the fields grows, Fund Managers are starting to consider what it means to maintain a gender lens when exiting an investment. Drawing on interviews with PE investment teams and leading gender specialists, this Guide provides six principles to help Fund Managers navigate how to consider a gender lens when exiting an investment.

Global gender imbalances represent an enormous lost economic opportunity. However, Fund Managers that have prioritized closing gender gaps have made tremendous progress. Adapting and creating new and inclusive systems and processes that promote gender equality will not happen overnight, but if efforts are effectively put in place now, Fund Managers will stay ahead of market trends and transform private equity – not only to support companies and economies, but to also reap the benefits of gender equality as a whole.

APPENDICES



APPENDICES

A The Business Case for Closing Gender Gaps

Gender gaps are often a consequence of an inefficient use of economic resources that result in worse outcomes for companies, economies, and society at large. Private sector investments in closing gender gaps can address this issue and create markets that work better for all, while also improving their own business performance. Evidence shows that gender-smart investment strategies can help grow a company's competitiveness, solidify its supply base, improve its human capital, and help build an overall enabling business environment. By considering the full scope of the business case, companies can unlock opportunities for increased profit, growth, and innovation.

Fund Managers can approach gender-smart investing through five gender lens strategies, in which women are often under-represented and face higher barriers and constraints compared to men.

Table 13: Gender-smart Strategies and the Business Cases for them

Strategy (gender lens)	Target Group	Business Case Overview	Evidence
Invest in companies...	that support women in the roles of...	Why address gender gaps for target group?	Sample data points on the business case
With women represented in leadership	Women as entrepreneurs (founders, owners)	Women entrepreneurs seeking capital at all levels still face significant barriers in access to finance. Yet evidence suggests women founders tend to employ more women in the workforce, are more credit-worthy and more able to cater to the female consumer segment - a market growing faster than India and China combined	<p>Only 11 percent of seed funding capital in emerging markets goes to companies with a woman on the founding team. The percentage is even lower for later-stage funding, despite the overwhelming evidence that investing in gender-diverse teams leads to stronger business outcomes¹²</p> <p>Portfolio companies with gender-balanced leadership teams have outperformed in median valuation increases by as much as 25 percent when compared to non-diverse teams¹³</p> <p>A study conducted by the Small Business Association determined that venture firms that invested in women-led businesses had more positive performances than firms that did not¹⁴</p> <p>Women own and lead roughly 6.6 million formal SMEs and 39 million micro-businesses in emerging markets, with a total estimated unmet credit demand of \$1.7 trillion¹⁵</p>
	Women as leaders (Board of Directors, senior management)	A growing body of research shows a range of business benefits associated with gender diversity on corporate boards and in senior leadership. Among these benefits: improved financial performance and shareholder value, increased customer and employee satisfaction, rising investor confidence, and greater market knowledge and reputation	<p>More women in executive management positions generate better financial performance and greater returns.</p> <p>Strong evidence shows that a higher proportion of women in business leadership, including on boards of directors and in senior management, leads to improved overall company performance.¹⁶</p> <p>Women in Business Leadership Boost ESG Performance</p> <p>Female representation in leadership in stock exchanges has shown to improve performance metrics such as return on assets, return on equity, and earnings per share, while reducing volatility¹⁷</p> <p>Companies with gender-diverse boards generate a higher return on equity than those without</p> <p>Companies with gender-diverse boards outperform those with no women in terms of share price performance during times of crisis or volatility</p> <p>High-performing companies are almost 50 percent more likely than low-performing companies to report that women and men have equal influence on strategy development</p> <p>Investors in companies with strong gender diversity strategies receive excess returns running at a compound annual growth rate of 3.5 percent</p>
Committed to a gender-diverse and equitable workforce	Women in the workforce within the investee company and supply chain	Companies that invest in women's employment gain an important competitive advantage, because they reach a wider talent pool, realize enhanced productivity, and improve staff retention. Better jobs for women lead to higher income levels and more decision-making influence. This is mostly applicable to full time employees (FTEs), but it is also important to consider PTEs or consultants	<p>If the gap in the labor participation rate between women and men were to be reduced globally by 25 percent by 2025, it could add \$5.8 trillion to the global economy and boost tax revenue by \$1.5 trillion¹⁸</p> <p>Globally, \$172.3 trillion is being lost in wealth because of differences in lifetime earnings between women and men¹⁹</p> <p>The ILO/IFC Better Work program's garment sector initiative, which works with a majority-female employee base, found that improved working conditions are closely linked with employer profitability as a result of increased output, reduced errors, and decreased turnover rates. In Cambodian factories, for example, improvements in working conditions decreased in-line product rejections by 39 percent and shipment rejections by 44 percent²⁰</p> <p>When companies support childcare, they can hire and retain talented people, helping to boost profits and productivity. Moreover, childcare provision can have a significant positive impact on women's employment and the number of hours women work, enabling more women and men to participate in paid labor²¹</p>

Table 13 continued: Gender-smart Strategies and the Business Cases for them

Strategy (gender lens)	Target Group	Business Case Overview	Evidence
Invest in companies...	that support women in the roles of...	Why address gender gaps for target group?	Sample data points on the business case
Committed to a gender-inclusive value chain	Women in leadership positions within the investee company's value chain, including suppliers, distributors, and retailers	Diversity in supply chains allows firms to access a wider variety of high-quality suppliers. Further, promoting supplier relationships with women entrepreneurs is associated with enhanced corporate responsibility and customer loyalty. Working with women entrepreneurs also adds new strengths to distribution networks, particularly when designing for last-mile sales	A US study found that companies with supplier diversity programs spent 20 percent less than competitors on purchasing operations ¹²² Globally, less than 1 percent of spending by large businesses on suppliers is earned by women-owned businesses. Yet evidence has found a positive correlation between a diverse supplier base and profitability. Companies that adopt supplier diversity programs generate one third greater return on cost of procurement operations compared to average ¹²³ Investing in women's human capital can also improve access to markets. For instance, a gender-diverse supplier base supports sales in countries with high standards in ethical and sustainable sourcing, such as the EU ¹²⁴ IFC's Lighting Asia/India program found that women sales agents were better able to access the "women's market" for solar lighting, helping to build a powerful distribution network and grow sales by 30 percent ¹²⁵ FINCA observed, in the Democratic Republic of Congo, that women agents had on average 12 percent more FINCA transactions and higher profit levels ¹²⁶
Committed to offering and designing products and services that consider the distinct needs of women as a consumer segment	Women as consumers	Designing for and marketing to women allows companies to target new customers, as well as to boost sales to existing customers. This strategy can open new markets and strengthen existing ones. This goes beyond "pink-washing" products and services and should include women as a segmentation strategy	For example, women, who typically tend to be underbanked and underinsured, present a growth opportunity (e.g. in market share) for financial institutions. A 2019 survey conducted with IFC's banking clients found that the average Non-Performing Loan (NPL) ratio for loans to women-led SMEs was 3.0 percent, significantly lower than the average Total SME Loan Portfolio (4.9 percent) ¹²⁷ There is both a clear business and social case for mainstreaming gender and targeting women in inclusive insurance – with the benefits of increasing insurance penetration and risk protection of the vulnerable in society. Women and men customer profiles exhibit different characteristics. A tailored inclusive insurance proposition for women can meet gender-specific needs and be commercially viable ¹²⁸ IFC's SheforShield study (2015) found that by 2030 the insurance industry is expected to earn up to \$1.7 trillion from women alone, half of it in just 10 emerging economies CDC conducted an evaluation with M KOPA (2019) to assess the differentiated benefits to women that could be gained through the introduction of an off-grid refrigeration product, and found a clear business case for directing the product towards female customers
Committed to ensuring their operations do no harm to women in the community	Women as community stakeholder	Companies that want to build broad-based and sustainable social license need to ensure that they are incorporating the perspectives of the entire community – including women, who are typically not specifically sought out regarding their challenges – as they develop engagement strategies that respond to communal concerns, experiences, and goals Increased diversity in the community will contribute to a more supportive company-community relationship that is less prone to protests and shut-downs. Strategic investments support companies' license to operate and ensure benefits and risks are more evenly distributed between women and men	In particular, in projects with large labor influx, the risk of GBV and sexual exploitation increases. ¹²⁹ As documented by recent IFC studies, such as Respectful Workplaces (2019) in Myanmar, sexual harassment and bullying affects both women and men and results in an estimated business cost of 14 percent annually. Another report, The Impact of Domestic and Sexual Violence on the Workplace in Solomon Islands (2019), found that every year, for every employee, seven days are lost due to employees feeling distracted, tired, or unwell due to domestic or sexual violence A study by CARE found that workplace sexual harassment in Cambodia costs the garment sector an estimated \$89 million a year due to staff turnover, absenteeism, and presenteeism. Presenteeism incurred the highest cost, with an estimated 13.5 percent of workers saying sexual harassment meant they worked less effectively ¹³⁰

Source: IFC, (2019) content adapted from internal IFC document: *Gender Strategy Implementation Plan (GSIP) II: FY20-23*, with input from CDC.

B

Firm Level HR Indicators

Indicators listed here are relevant for Fund Managers and LPs to assess gender diversity and workplace equity within their own firms. Indicators cover the representation of women and men in different roles, whether these roles control revenues (e.g. P&L roles), gender pay gaps, and indicators to assess gender gaps in recruitment, retention, and promotion. These can also be adapted to investee companies.

Table 14: Firm level HR Indicators

Representation of Women and men in Different Roles			
Board of Directors/Investment Committee			
# of Board Directors /Investment Committee (total)			
Men (#)	Women (#)	Men (%)	Women (%)
Employees			
# of employees (total)			
Men (#)	Women (#)	Men (%)	Women (%)
Level of responsibility (Indicators refer to investment teams. Larger firms may want to also look at employees with P&L responsibilities (see below))			
# of senior management (Managing Director or Partner) (total)			
Men (#)	Women (#)	Men (%)	Women (%)
# of middle management (Director, Principal, Vice President) (total)			
Men (#)	Women (#)	Men (%)	Women (%)
# of non-managerial staff (Senior Associate, Associate, Analyst) (total)			
Men (#)	Women (#)	Men (%)	Women (%)
Employees with P&L responsibilities			
# of senior management with P&L responsibilities (total)			
Men (#)	Women (#)	Men (%)	Women (%)
# of middle management with P&L responsibilities (total)			
Men (#)	Women (#)	Men (%)	Women (%)
Recruitment			
Total applications received			
# of applications received (total)			
Men (#)	Women (#)	Men (%)	Women (%)
Interview invitations per position			
# of interview invitations per position (total)			
Men (#)	Women (#)	Men (%)	Women (%)
Candidates interviewed			
# of candidates interviewed per position (total)			
Men (#)	Women (#)	Men (%)	Women (%)
Offers made per position (note: this indicator may not be as relevant for smaller firms)			
# of offers made per position (total)			
Men (#)	Women (#)	Men (%)	Women (%)
Total new hires			
# of new hires (total)			
Men (#)	Women (#)	Men (%)	Women (%)
New hires per level of responsibility			
# of senior management new hires (Managing Director or Partner) (total)			
Men (#)	Women (#)	Men (%)	Women (%)
# of middle management new hires (Director, Principal, Vice President) (total)			
Men (#)	Women (#)	Men (%)	Women (%)
# of non-managerial staff new hires (Senior Associate, Associate, Analyst)			
Men (#)	Women (#)	Men (%)	Women (%)
# of employees with P&L responsibilities (total)			
Men (#)	Women (#)	Men (%)	Women (%)

Gender pay equity at hiring (base + negotiated percentage of carry)			
Average hiring salary for senior management new hires (Managing Director or Partner) (total)			
Men (#)	Women (#)	Men (%)	Women (%)
Average hiring salary for middle management new hires (Director, Principal, Vice President) (total)			
Men (#)	Women (#)	Men (%)	Women (%)
Average hiring salary for non-managerial staff new hires (Senior Associate, Associate, Analyst) (total)			
Men (#)	Women (#)	Men (%)	Women (%)
Average hiring salary for senior management with P&L responsibilities			
Men (#)	Women (#)	Men (%)	Women (%)
Average hiring salary for middle management with P&L responsibilities			
Men (#)	Women (#)	Men (%)	Women (%)

Retention			
Employees leaving the company			
# of senior management new hires (Managing Director or Partner) (total)			
Men (#)	Women (#)	Men (%)	Women (%)
# of middle management new hires (Director, Principal, Vice President) (total)			
Men (#)	Women (#)	Men (%)	Women (%)
# of non-managerial staff new hires (Senior Associate, Associate, Analyst) (total)			
Men (#)	Women (#)	Men (%)	Women (%)
# of employees who left the company (total)			
Men (#)	Women (#)	Men (%)	Women (%)
# of employees who left the company involuntarily/job was terminated (total)			
Men (#)	Women (#)	Men (%)	Women (%)
# of employees who left the company voluntarily/resigned (total)			
Men (#)	Women (#)	Men (%)	Women (%)
Family leave and care			
# of women taking maternity leave in last fiscal year (total)		Women (% of total workforce)	
# of men taking paternity leave in last fiscal year (total)		Men (% of total workforce)	
# of employees taking adoptive leave in last fiscal year (total)			
Men (#)	Women (#)	Men (%)	Women (%)
# of employees taking parental leave in last fiscal year (total)			
Men (#)	Women (#)	Men (%)	Women (%)
# of employees that returned to work in the reporting period after maternity/paternity/parental leave ended in last fiscal year (total)			
Men (#)	Women (#)	Men (%)	Women (%)
# of employees that returned to work after maternity/paternity/parental leave ended that were still employed 12 months after their return to work (total)			
Men (#)	Women (#)	Men (%)	Women (%)
Flexible work arrangements			
# of employees			
Men (#)	Women (#)	Men (%)	Women (%)
# of senior management on a flexible work hours arrangement (total)			
Men (#)	Women (#)	Men (%)	Women (%)
# of middle management on a flexible work hours arrangement (total)			
Men (#)	Women (#)	Men (%)	Women (%)
# of non-managerial staff on a flexible work hours arrangement (total)			
Men (#)	Women (#)	Men (%)	Women (%)
Training and development opportunities			
# of training days (total)			
Men (#)	Women (#)	Men (%)	Women (%)
# of training days for senior management			
Men (#)	Women (#)	Men (%)	Women (%)
# of training days for middle management			
Men (#)	Women (#)	Men (%)	Women (%)

# of training days for non-managerial staff			
Men (#)	Women (#)	Men (%)	Women (%)
# of technical training days (total)			
Men (#)	Women (#)	Men (%)	Women (%)
# of leadership/soft skills training days (total)			
Men (#)	Women (#)	Men (%)	Women (%)

Promotion

Employees promoted

# of employees promoted (total)			
Men (#)	Women (#)	Men (%)	Women (%)
# of employees promoted to senior management (Managing Director or Partner) (total)			
Men (#)	Women (#)	Men (%)	Women (%)
# of employees promoted to middle management (Director, Principal, Vice President) (total)			
Men (#)	Women (#)	Men (%)	Women (%)

Performance reviews

# of employees receiving performance and career development reviews (total)			
Men (#)	Women (#)	Men (%)	Women (%)
# of senior management receiving performance and career development reviews (total)			
Men (#)	Women (#)	Men (%)	Women (%)
# of middle management receiving performance and career development reviews (total)			
Men (#)	Women (#)	Men (%)	Women (%)
# of staff (non-management) receiving performance and career development reviews (total)			
Men (#)	Women (#)	Men (%)	Women (%)

Identified as high potential

# of employees identified as high potential in middle management (total)			
Men (#)	Women (#)	Men (%)	Women (%)

Formal sponsorship programs

# of sponsorship program participants - sponsors (total)			
Men (#)	Women (#)	Men (%)	Women (%)
# of sponsorship program participants - sponsees (total)			
Men (#)	Women (#)	Men (%)	Women (%)

Gender pay equity: average gross yearly salary (calculate this with and without bonus)

Average gross yearly salary for senior management			
Men (#)	Women (#)	Men (%)	Women (%)
Average gross yearly salary for middle management			
Men (#)	Women (#)	Men (%)	Women (%)
Average gross yearly salary for non-managerial staff			
Men (#)	Women (#)	Men (%)	Women (%)
Average gross yearly salary for senior management with P&L responsibilities			
Men (#)	Women (#)	Men (%)	Women (%)
Average gross yearly salary for middle management with P&L responsibilities			
Men (#)	Women (#)	Men (%)	Women (%)

Gender pay equity: average carry percentages

Average carry for senior management (Managing Director or Partner) (total)			
Men		Women	
Average carry for middle management new hires (Director, Principal, Vice President) (total)			
Men		Women	
Average carry for non-managerial staff new hires (Senior Associate, Associate, Analyst) (total)			
Men		Women	
Average carry for senior management with P&L responsibilities			
Men		Women	
Average carry for middle management with P&L responsibilities			
Men		Women	

C

Three Steps to a Baseline

A baseline is a starting point that begins with an assessment of your current portfolio to determine where you are today, where you've come from, and what future efforts will be compared against. It is also useful to see how your current portfolio rates against certain metrics, and to better understand if this has changed over time.

This section is most relevant to those Fund Managers who already have an existing portfolio, rather than new funds. Nonetheless, new funds can use the approaches detailed below as they build out their portfolio.

Three Steps to Establish a Baseline






To develop a baseline, Fund Managers can take three steps: 1) identify the gender lens and target group; 2) assess gender gaps; and 3) benchmark.¹³¹ The persons responsible for this exercise are typically within the deal team. For smaller firms, this may be the associate or analyst on the deal team. For larger firms, this may be the same, or, if available, dedicated staff assessing social impact and gender.



Step 1: Identify the Gender Lens and Target Group

The purpose here is to identify target groups where gender gaps exist between women and men that Fund Managers could influence and close via their investment portfolio. The most common gender opportunities for Fund Managers are in five target groups. [Table 1](#) outlines these five groups, and the opportunity each group presents in origination and portfolio management.

Table 1: Five Gender-smart Investment Strategies for Fund Managers¹³²

Strategy (gender lens)	Gender-smart Origination (for new investment opportunities)	Gender-smart Portfolio Management (for existing investments)
Invest in companies...	Identify and consider...	Support portfolio companies to...
 LEADERSHIP 1. With women represented in leadership (i.e. founder, co-founder, gender-balanced leadership team)	Companies where women are represented as founders, co-founders, majority-owned by women and are committed to increasing gender diversity within their leadership as represented in senior leadership and the Board of Directors	Increase gender diversity of leadership
 EMPLOYEES 2. Committed to a gender diverse and equitable workforce	Companies that have a gender-diverse workforce or that are committed to increase diversity throughout the workforce or supply chain	Increase the gender diversity of employee base and enhance workplace equity for both female and male employees
 SUPPLY CHAIN 3. Committed to a gender-inclusive value chain	Companies that: <ol style="list-style-type: none"> buy goods and services from women-owned and led producers and suppliers, or distribute and sell products via women-owned and led distributors and retailers 	Develop a gender-inclusive supplier base and distribution network
 PRODUCTS/SERVICES 4. Committed to offering and designing products or services that consider the distinct needs of women as a consumer segment	Companies that serve women by providing products and services tailored as closely as possible to the reality of women's lives	Access and serve the women's market with a tailored offering that meets women's needs (e.g. insurance or healthcare)
 COMMUNITY 5. Committed to ensuring their operations do no harm to women in the community	Consider the representation and needs of women community stakeholders that could be impacted by company operations	Develop gender-inclusive community engagement processes and operations

Source: IFC, (2018) content adapted from IFC Gender Fund Manager Workshop, Technical Module, developed in partnership with Women's World Banking and Steward Redqueen.

When selecting a gender lens, Fund Managers can consider three factors:

- 1. Relevance of the gender lens to the investee company business model** and the sectors and markets they invest in. To help guide Fund Managers on what target group is most relevant, [Table 15](#) provides examples of the most common gender lens per industry, and [Appendix A](#) provides the business case for each gender lens strategy.
- 2. Largest gender gaps** where there is the opportunity to make a difference. This is often seen in consumer segments where women are underserved, such as in financial services, or in the workforce where changes to recruitment, retention, and promotion can be undertaken to promote gender diversity within the investee company.
- 3. Availability of data** that can be gathered, and level of effort required. Data that is more closely related to a company's own operations (e.g. employment, leadership) is typically easier to collect and analyze. The further away from the company's operations, the more challenging it is to obtain this data. It is typically easiest to collect company data in the following order: data on leadership, followed by workforce, consumers, value chain (e.g. suppliers, distributors), and lastly, community stakeholders.

■ **Table 15: Examples of Target Group by Industry Grouping**

Source: IFC, *How to Incorporate Gender-Smart Solutions in Your Investment Project* (2018).

Industry Grouping	Target Groups				
	Leaders of Company	Workforce in the Company	Leadership along Value Chain (Suppliers, Distributors, Retailers)	Consumer Segments	Community Members
Financial Markets	Women as bank/ financial intermediary leaders, Board members	Women employed by banks or financial intermediaries	Women-owned and led suppliers to commercial banks; mobile money agents	Women (or women-owned business/ entrepreneurs) as borrowers or retail clients	n/a
Infrastructure	Women as managers, Board members	Women employed by infrastructure firms	Women-owned and led SMEs in the value chain	Women as consumers of infrastructure services	Women in the community close to construction and extractive sites
Manufacturing, Agriculture, and Services	Women as managers, Board members	Women employed in manufacturing, agribusiness, and services firms	Women suppliers distributors, retailers in the value chain; women-led producer networks	Women consumers of goods and services	Women in the community, particularly those in rural areas

Step 2: Assess Gender Gaps

The purpose here is to quantify existing gender gaps between women and men with portfolio data. For most Fund Managers, collecting and sex-disaggregating portfolio data is a manual process. Fund Managers can consider adding a gender flag in their information systems to track sex-disaggregated data more efficiently. It is advisable for practitioners to start collecting sex-disaggregated indicators at the due diligence stage of an investment (see [Due Diligence with a Gender Lens](#)). This will set the baseline for the company and provide high-level analysis for gender impact assessment across the investment. Once the investment is closed, we recommend data is collected on an annual basis (see [Portfolio Management](#)). This could be either based on the financial year set by the company or by the practitioner. It is best practice to strive for consistency, whichever timeframe is chosen.

Efforts are underway to build industry standards and alignment on gender metrics. For example, the 2X Challenge has worked with the IRIS+, the GIIN's impact management system, to align gender indicators which can be found in [How to Measure the Gender Impact of Investments: Using the 2X Challenge Indicators in Alignment with IRIS+](#).¹³³ [Appendix D](#) lists the common indicators used to assess the representation of women in each target group. Case Studies [18](#) and [19](#) provide examples of how a Fund Manager and a Fund of Funds have recently established sex-disaggregated baselines for female ownership and leadership of their portfolio companies.

Step 3: Benchmark

The purpose here is to put the baseline into the context of the fund's operating environment. This can be done by comparing baseline findings to available benchmarks (e.g. number of female entrepreneurs in sector, in country of operations; access to finance gap for women in sector or market). See [Appendix E: Deal-Level Benchmarks](#) for examples of sources of benchmark data for target groups.

In some cases, benchmark data may not be available. Fund Managers can consider developing their own benchmarks over time within their portfolio. For example, IFC has done this within its portfolio of financial institution investments, using a database of 30-40 investments over the last five years to determine reasonable targets for investment in financial institutions that seek to support women-owned and led businesses.

Baselines in Action

CASE STUDY

Case Study 18: Grassroot Business Fund

The [Grassroot Business Fund](#) (GBF), a for-profit, private fund recently conducted this exercise to identify the representation of women-led businesses and male-led businesses in their portfolio, focusing on women leaders as their target stakeholder group. Although GBF has not historically had a specific gender mandate, investing in women-owned or women-led businesses, and creating a culture devoid of discrimination, has been in the fabric of the organization from the beginning. GBF has invested in 65 companies since its inception, 31 of which are led by women, have women on the management team, or women as co-founders. Additionally, GBF has invested in businesses (such as Jaipur Rugs in India) whose majority of beneficiaries are low-income women. While an in-depth review of the GBF portfolio is in progress, initial analysis suggests that there are somewhat better returns from gender-blended teams than all-male ones. Given the sector and type of businesses that GBF (and similar vehicles) typically invests in, many of the male-led businesses do promote and support gender equity. To be able to compare the financial performance of investments across regions with a gender lens, GBF has adopted its own approach to portfolio baselining that measures:

- Women in C-suite
- Women in management
- Women founders/co-founders
- Women on board
- Women influencers/decision-makers

GBF found that 48 percent of its portfolio is invested in female-led companies and 52 percent is invested in male-led companies.

Source: GBF interviews, 2020.

CASE STUDY

Case Study 19: The Dutch Good Growth Fund

The Dutch Good Growth Fund (DGGF), managed by a consortium of Triple Jump and PwC, is a fund of funds with a gender mandate that provides financing for local SMEs based in Africa, Latin America, Asia, and Eastern Europe. DGGF conducted additional assessments to support its baseline process. In addition to mapping gender criteria across all the funds that it has invested in, DGGF conducted a literature review, complemented with internal data sources, for DGGFs gender assessment. DGGF's primary gender lens strategy objective focuses on improving access to finance by women-led businesses. In alignment with definitions used by IFC, DGGF defines enterprises owned and led by women as follows:

- a) 51 percent or more ownership;
- b) 20 percent or more owned by women; AND
 - (i) has \geq one woman as CEO/COO/President/Vice President; AND
 - (ii) has \geq 30 percent of the board of directors composed of women, where a board exists.

Key findings include:

- Of DGGF's underlying SMEs, 33 percent are considered female-led, equating to 2,349 SMEs. This represents 22 percent of total capital invested by DGGF from 2015-2019.
- Out of the 2,349 female-led SMEs, 75 percent had female CEOs and 99 percent were majority-owned by women at investment
- As of the end of 2019, the portfolio has supported 24,632 jobs for women.
- A variety of capital instruments are serving female entrepreneurs' financial needs with 95 percent of female-led SMEs financed by loans from financial institutions. This is followed by mezzanine financing, suggesting a need of female entrepreneurs for more flexible financing terms.

DGGF also conducted interviews with female entrepreneurs, fund managers, institutional investors and staff for qualitative insights to supplement the portfolio data. Findings include:

- Female entrepreneurs systematically face bias when fund-raising, particularly during due diligence and negotiations.
- Female entrepreneurs are typically approached by fund managers and may not proactively look for external financing.
- Female entrepreneurs prefer patient capital.
- Female entrepreneurs do not need different or more technical assistance, rather they want providers to be gender-sensitive.

Source: [Serving the financial needs of women-owned businesses in emerging markets: Perspectives from the DGGF Portfolio, 2019 and DGGFs internal data sources.](#)

D

Deal Level Indicators

Indicators listed here are relevant for Fund Managers when applying a gender lens to a potential deal. For GPs, this pertains to investee companies, and for LPs, this pertains to funds, fund of funds, and financial intermediaries. This list has been compiled from multiple sources including: CDC; IFC; [2X Criteria](#); [How to Measure the Gender Impact of Investments: Using the 2X Challenge Indicators in Alignment with IRIS+](#); [HIPSO Working Group on Gender Indicators](#); [World Bank Group, Women Business and the Law, 2020](#); and [SEAF's Gender Equality Scorecard Rating Matrix](#).

It is recommended that Fund Managers start collecting sex-disaggregated indicators at the due diligence stage of an investment (see [Due Diligence](#) and [Gender Analysis](#) section). This will set the baseline metrics for the company. Once the investment is closed, it is recommended that data be collected on a regular basis, which can be quarterly, semi-annually, or annually. This could be based on the financial year set by the investment company or by the Fund Manager. It is best practice to use consistent timeframes when collecting data. (See [Portfolio Measurement](#) section of this guide for measurement approaches and tips).

While these indicators are presented at an individual deal level, gender metrics collected from unique deals can be aggregated to assess gender across a Fund Manager's portfolio. Fund Managers can observe trends across sectors, geographies, business models, target groups, and investment products. Portfolio analysis over time can help Fund Managers identify correlations and measure the cost/benefit of various gender activities.

[Table 16](#) below provides a list on indicators for each of five gender-smart investment strategies. These include indicators to establish a baseline during [Due Diligence](#) (i.e. counting indicators) and metrics to go beyond a baseline (i.e. valuing). For questions to ask during due diligence, see [Table 8: Gender Due Diligence Tool](#). Also, see [Box 7: Counting vs. Valuing](#).

Table 16: Deal-Level Indicators by Gender Lens Investment Strategy and Target Group

Strategy (gender lens)	Target Group	Indicators to Establish a Baseline	Metrics to Go Beyond a Baseline
Invest in companies...	that support women in the roles of...	Count the representation of women and men in company	Probe for underlying causes of gender gaps
Women represented in leadership	Women as entrepreneurs (founders and co-founders)	<ul style="list-style-type: none"> Number/percent of female/male ownership (as a percent of total ownership) Number/percent of company founder who are female/male Cap tableⁱ percent of female/male ownership (as a percent of total ownership) 	Percent of women-owned/led portfolio companies concentrated in/absent from certain sectors and geographies Difference in size of investment between female-owned/led, male-owned/led, and gender-balanced businesses What is the rate of non-performing loans between male/female borrowers? Difference in types of investment capital (debt, equity, mezzanine, etc.) between female/led, male-owned/led, and gender-balanced businesses Differences in financial performance of female-owned/led, male-owned/led, and gender-balanced businesses (internal rate of return, company valuation, market share, growth)
	Women as leaders (board of directors, senior management)	<ul style="list-style-type: none"> Number/percent of total board members who are female or male Number/percent of total senior management who are female or male Number/percent of total senior management who are female or male in P&L positions 	Does a baseline or corporate target exist for the client (or its subsidiaries) for recruiting women into management or board positions? (Y/N) Does a gender policy or a gender-related code of conduct (or code of ethics or D&I compact) exist? (Y/N) What measures are being taken to create or maintain gender diversity in management positions and at the board level? How much revenue is generated by functions led by senior women in management?

ⁱ A capitalization table (or cap table) is a table providing an analysis of a company's percentages of ownership, equity dilution, and value of equity in each round of investment by founders, investors, and other owners.

Strategy (gender lens)	Target Group	Indicators to Establish a Baseline	Metrics to Go Beyond a Baseline
Invest in companies...	that support women in the roles of...	Count the representation of women and men in company	Probe for underlying causes of gender gaps
Committed to a gender-diverse and equitable workforce (See also Appendix B: Firm-Level HR Indicators)	Women in the workforce, within the investee company, or supply chain	<ul style="list-style-type: none"> Number/percentage of total workforce are female or male Number/percentage of middle management who are female or male Number/percentage of FTEs who are female or male Number/percentage of PTEs who are female or male Gender workforce breakdown by job type and pay level 	<p>Female turnover ratio (percent of male turnover)</p> <p>Female absenteeism rate (percent of male absenteeism)</p> <p>Female staff retention (percent of male retention)</p> <p>Number and percentage of female staff promotions (percent of male promotions)</p> <p>Company conducts internal assessments of the composition in the talent pipeline of its workforce in terms of women and men (Y/N)</p> <p>Investee company has initiative in place to specifically advance women in workforce (Y/N)</p> <p>Company is aware of and abides by laws mandating non-discrimination based on gender in hiring (Y/N)</p> <p>Company assesses gender wage gaps, including average wage paid to female employees compared to average wage paid to male employees of the organization for the same position</p> <p>Law mandates equal remuneration for females and males for work of equal value (Y/N)</p> <p>Company has an effective anti-sexual harassment mechanism in place (Y/N)</p> <p>Legislation exists in the country addressing sexual harassment and domestic violence (Y/N)</p> <p>Company offers flexible work arrangements to female and male FTEs, PTEs, and temporary employees (Y/N)</p> <p>Law mandates paid or unpaid maternity leave (Y/N)</p> <p>Company has a target for women's recruitment, retention, and promotion, and policies and practices in place</p> <p>Differences in how women and men are represented across recruitment, retention and promotion metrics</p> <p>Sponsorship, mentoring, coaching, and leadership development training programs offered to strengthen the internal female talent pipeline</p>
Committed to a gender-inclusive value chain	Female-owned and led producer groups and suppliers	<p>Number/percentage of suppliers that are female-owned/led businesses and male-owned/led businesses</p> <p>Percent and value of purchases from female-owned/led suppliers and male-owned/led suppliers</p>	<p>Investee company has a supplier diversity program that includes women-owned and led businesses (Y/N)</p> <p>Company has a supplier diversity or inclusion Code of Conduct (Y/N)</p> <p>Focus on sourcing from female-owned/led SMEs (Y/N)</p> <p>Difference between average contract size for female and male-owned/led businesses</p> <p>Differences in representation of female-owned/led and male-owned/led businesses across procurement categories</p> <p>Female/male differences in financial (working capital) and non-financial needs (access to training, networks, etc.), and how the company supports these needs</p>
	Female-owned and led distributors and retailers	<p>Number/percentage of distributors, sub-distributors and retailers that are women-owned/led businesses and male-owned/led businesses</p> <p>Percent and value of the company's sales attributable to female/male distributors and retailers</p>	<p>Company has an approach to leverage women entrepreneurs (as agents) to access female customers or to target niche or underserved networks and markets (e.g. rural communities, remote areas, base of the pyramid)</p> <p>Company has assessed volume of sales between female/male sales agents and consumers</p>
Committed to offering and design products or services that consider the distinct needs of women as a consumer segment	Women as consumers	<p>Number/percentage of female/male customers overall, by product or service, and by consumer segment</p> <p>Sector examples:</p> <ul style="list-style-type: none"> Education: percent of female/male students Financial Services: percent of female/male borrowers and percent of lending portfolio to female/male borrowers Healthcare: percent of female/male patients 	<p>Female/male ratio in marketing and product design (percent of total marketing and product design staff)</p> <p>Investee's product or service specifically or disproportionately benefit women (Y/N)</p> <p>Company has mapped out distinct female/male needs and preferences (Y/N)</p> <p>Average length of female/male customer or client tenure</p> <p>Company has targeted designing, marketing or customer value proposition based on female/male preferences as market segments</p> <p>Client has mapped out female/male purchase patterns and product preferences (Y/N)</p>

Strategy (gender lens)	Target Group	Indicators to Establish a Baseline	Metrics to Go Beyond a Baseline
Invest in companies...	that support women in the roles of...	Count the representation of women and men in company	Probe for underlying causes of gender gaps
Committed to ensuring their operations do no harm to women in the community (specific to sectors such as infrastructure)	Women as community stakeholders	Number/percentage of female/male stakeholders included in community assessments and consultations	Company is considering different female/male legal and social roles in resettlement processes (e.g. who owns land, versus who uses it, in designing resettlement and compensation) (Y/N) Company has a policy or code of conduct on gender-based violence and harassment on-site or for the community (Y/N)
For Limited Partners			
Invest in GPs/ FI committed to gender diversity in investment roles	Women as leaders (e.g. senior investment roles, on the IC, represented on the board of investee companies)	Number/percentage of total LP portfolio that invest in GPs with a gender lens investing strategy Number/percentage of female/male IC members of a GP, a debt or equity fund, or a financial intermediary Number/percentage of female/male partners of a GP, a debt or equity fund, or a financial intermediary	GPs/FIs adopt a gender-lens investing strategy (See Table 1) GP/FI promote and maintain gender balance at the fund manager level GP/FI portfolio companies implement gender-smart practices GP/FI capture and report on gender outcomes GP/FI appoint internal lead for gender



E

Deal Level Benchmarks

Fund Managers can use several types of benchmarks to compare data gathered from an investee company. LPs can do the same to compare data gathered by Funds. [Table 17](#) provides examples and sources of benchmark data by gender-smart investing strategy and the associated common indicators.

There are three types of benchmarks often used by Fund Managers: market, company, and the fund manager's own portfolio. The decision of which type of benchmark to use is driven by available data. Lack of sex-disaggregated data is a challenge for all sectors. Efforts to better address the supply/demand gap for data are underway, including through multi-stakeholder partnerships—of which CDC and IFC are a part—such as the 2X Challenge, [Data 2x](#), the [Financial Alliance for Women](#), and the [Gender-Smart Investing Summit](#).

Market-level benchmarks: Sector-specific data or data at a country, region, or global level.

Company-level benchmarks: Data from private or public companies operating in similar sectors or similar geographies. Few companies know how many of their customers, suppliers, distributors, producers, and partners are women. Sex-disaggregated data is important to enforce accountability and track progress, but it is often a challenging task to obtain. Data that is more closely related to companies' own operations (employment, leadership) is typically easier to collect and analyze. The further away from the company's operations, the more challenging it is to obtain this data. It is typically easiest to collect company data in the following order: data on leadership, followed by employment, consumers, suppliers, and lastly, community stakeholders.

Fund Manager's portfolio: When market-level and company-level benchmarks are not available, Fund Managers may consider identifying their own benchmarks within their portfolios. For example, IFC has done this within their portfolio of financial institution investments, using a database of 30-40 investments over the last five years to determine reasonable targets for investment in financial institutions that seek to support women-owned and led businesses.

Tips for Fund Managers to consider when benchmarking data:

- Check the timeframes of the data collected. Data often becomes outdated quickly.
- Use more than one source.
- Use local data as much as possible.
- Consider the quality of the data. For example, some datasets allow for greater comparability, as datasets have been normalized to fill in gaps in timelines to allow for comparison.
- Closely read the definition of each indicator. While many definitions are similar, slight differences can impact comparability.
- Identify a portfolio benchmark to reflect the fund's specific gender-smart investment strategy. Beware of 'zombie statistics'. These are data points that are frequently cited by experts and institutions, despite having no research backing. A common one is "When an educated girl earns income, she reinvests 90 percent in her family, compared to 35 percent for a boy."¹³⁴

Fund Managers can also reference [Appendix C: Three Steps to a Baseline](#), and [Appendix D: Deal-Level Indicators](#). If interested in gender diversity, [Appendix B: Firm-Level HR Indicators](#) can also be useful.

Table 17: Benchmarks per Gender Strategy and Target Group

Strategy (gender lens)	Target Group Reached	Indicators	Benchmark Examples	Benchmark Sources
Women represented in leadership	Women as entrepreneurs (founders and co-founders)	Number/percentage of female and male ownership Number/percent of investees with female founders/co-founders vs male founders/co-founders	Share of investees with female founders and co-founders. Greater than 20 to 30 percent is above average according to IFC research, Moving Toward Gender Balance in Private Equity in Emerging Markets Share of women entrepreneurs by geographic location of comparison (e.g. country, region, or global) Share of women entrepreneurs by sector Share of women founded firms receiving equity, debt financing by sector or geographic location Size/value of finance gap for women-led micro, small, medium enterprises	World Bank Enterprise Survey Data (percent of firms with female participation in ownership, and over 50 percent ownership) Global Entrepreneurship Monitor, Women's Entrepreneurship Report World Bank, Doing Business Entrepreneurship Data Base (data on female entrepreneurial activity from 2014 – 2018 across LLCs and sole proprietorship) IFC, Moving Toward Gender Balance in Private Equity in Emerging Markets Project Sage 3.0: Tracking Venture Capital, Private Equity, and Private Debt with a Gender Lens IFC, Enterprise Finance Gap Other sources to check with include regional PE and VC associations that may have data specific to their respective regions, local women-business associations, and chambers of commerce
	Women as leaders (Board of Directors, senior management)	Number/percent of board members who are male/female Number/percent of senior management (C-suite or equivalent (e.g. managing directors, partners) who are male/female	Share of women in board seats; Target share of 30 percent of Board Share of women members of boards of state-owned enterprises or publicly-listed companies Share of women in top management varies by geographic location at country, regional and global levels Share of women in senior management by sector; target share of women in senior management from 20 to 30 percent depending on sector	2X Challenge Criteria Deloitte, Women in the boardroom Grant Thornton, Women in Business 2020 World Bank, Enterprise Survey Data (percent of firms with a female top manager) Sector-specific: <ul style="list-style-type: none"> Oliver Wyman, Women in Financial Services 2020 McKinsey, Closing the gap: leadership perspectives on promoting women in financial services Mercer, When Women Thrive 2020 global report Oliver Wyman, Women in Healthcare Leadership 2019 Silicon Valley Bank, Women in Technology Leadership 2019 Geography-specific: <ul style="list-style-type: none"> World Economic Forum, Global Gender Gap Index 2020
Committed to a gender-diverse and equitable workforce	Women as employees	Number/percent of middle management who are male/female Number/percent of FTEs who are male/female Number/percent of PTEs who are female	Share of women in the workforce. Target share of women in workforce varies from 30 to 50 percent depending on sector Labor force participation rates by country Gender pay gap Proportion of time spent on unpaid domestic and care work Legislation exists on sexual harassment in employment Legislation exists on domestic violence	2X Challenge Criteria World Bank's gender data portal World Bank ratio of female to male labor force participation rate World Economic Forum: The Future of Jobs Report (2018) The International Labor Organization has country data on labor statistics – includes indicators on female employment by age, education, economic activity, occupation, status in employment (incl. management), institutional sector, etc: <ul style="list-style-type: none"> Interactive database by region and country Care Work and Care Jobs Unpaid Care Work Database World Economic Forum, Global Gender Gap Index 2020

Committed to a gender-inclusive value chain ¹³⁵	Female-owned/led producer groups and suppliers	Number/percent of suppliers that are female-owned/led businesses Number/percent and volume of purchases from female-owned/led suppliers	Share of female entrepreneurs by geographic location of comparison (e.g. country, region, or global) Share of female entrepreneurs by sector Share of female entrepreneurs receiving private procurement contracts (volume and value), by sector Share of spend allocated to female entrepreneurs in public procurement set asides	World Bank, Enterprise Survey Data (percentage of firms with female participation in ownership, and over 50 percent ownership) World Benchmarking Alliance: Gender Benchmark Global Entrepreneurship Monitor - Women's Entrepreneurship Report Share of procurement spend to female owned/led businesses: <ul style="list-style-type: none"> • WEConnect International (2009): The average large corporation dedicates less than 2.2 percent of their procurement budget on women-owned suppliers • WEConnect International (2017): less than one percent of corporate spend goes to female suppliers Open Contracting Partnership : Data from government e-procurement systems (e.g. 30 percent of public contracts by volume and 27 percent by value in Chile in 2017)
	Female-owned/led distributors, and retailers	Number/percent of distributors, sub-distributors, retailers that are female-owned/led businesses Share of the company's sales attributable to female distributors or retailers	Share of female-owned/led businesses in the distribution network, by sector and region	World Bank Enterprise Survey Data (percent of firms with female participation in ownership, and over 50 percent ownership)
Committed to offering and design products or services that consider the distinct needs of women as a consumer segment	Women as consumers	Number/percent of female customers overall, by product or service, and by consumer segment	Share of consumers that are women, by sector Financial Institutions: <ul style="list-style-type: none"> • Outstanding microfinance portfolio (# and/or \$) • Outstanding SME portfolio (# and/or \$) Education: <ul style="list-style-type: none"> • Female students enrolled (#) Healthcare: <ul style="list-style-type: none"> • Female patients served (#) • Access to technology: female/male mobile and internet use 	Financial services: <ul style="list-style-type: none"> • World Bank Global Findex Database: access to bank accounts, credit cards, and more. • IFC Women's Insurance Market (Global and 10 countries) (2015) Education enrollment rates in primary, secondary, or tertiary levels: <ul style="list-style-type: none"> • UNESCO • World Bank "Little Book on Gender" database by country Technology access: <ul style="list-style-type: none"> • GSMA, Mobile Gender Gap report (2020) • ITU, Internet Usage by Gender in different countries (2012)
Committed to ensuring their operations do no harm to women in the community	Women as community stakeholders	Number/percent of female/male stakeholders included in community assessments and consultations	Share of women subject to physical and/or sexual violence by a current or former intimate partner, by region	UN Women Global Database on Violence against Women measures violence by country through an interactive map Violence Against Women Gender Statistics by Country

For Limited Partners

Strategy (gender lens)	Target Group Reached	Indicators	Benchmark Examples	Benchmark Sources
Committed to gender diversity in investment roles	Women as leaders (senior investment roles, on the IC, represented on the board of investee companies)	Number/percent of IC members who are male/female Number/percent of senior management in investment roles who are male/female Number/percent of board representation of Fund's investee companies who are male/female	Share of women in senior investor roles, by region At least ONE woman represented on each investee company's board	Moving Toward Gender Balance in Private Equity in Emerging Markets Target share of women in senior management is at least 30 percent to reach gender-balanced representation. Greater than 12-15 percent is above average
Committed to any or all the five gender-smart investment strategies in Table 1	See above	Number/percent of Fund's investees with a clear strategy or business model to address any of the five gender strategies	Share of GP portfolio companies that have a gender-smart investing approach	2X Challenge Criteria : Target share is at least 30 percent ¹³⁶

F**Resources on Gender-based Risks**

The following are resources for Fund Managers to address gender-based risks in due diligence and portfolio management:

- [Mapping gender risks and opportunities for investors in Africa and South Asia](#)
- [Addressing gender-based violence and harassment: Emerging Good Practice for the Private Sector](#)
- [World Bank, Gender-Based Violence \(Violence Against Women and Girls\)](#)
- Business Fights Poverty, [How Business can Tackle Gender-based Violence in the World of Work: A Toolkit for Action](#) (2019)
- ITC and FairWear Foundation, [Gender-based violence in global supply chains: Resource kit](#)
- IFC, [Toolkit of Actions and Strategies for Oil, Gas, and Mining Companies](#) for a model policy on sexual harassment, a model policy on intimate partner violence and GBV and a model code of conduct on GBV for companies, contractors and employees.



G

Gender-smart Investing Tools

Table 18 provides a list of tools and resources for Fund Managers, organized by gender lens strategy and gender gaps.¹³⁷ Tools include diagnostics (a mix of do-it-yourself and proprietary tools offered by LPs and service providers), best practices, reports, case studies, and toolkits.

Several organizations have resource and knowledge hubs with additional resources, including:

- [Gender-Smart Investing Summit](#)
- [ICRW/CDC Gender-smart Investing Resource Hub](#)
- [European Bank for Reconstruction and Development: Gender Tools and Publications](#)
- [Investing in Women Knowledge Hub](#)
- [The Global Impact Investing Network Repository of Gender Lens Investing Resources](#)
- [IFC Gender Resources](#)

Table 18: Gender-smart Investing Tools by Gender Lens Strategy

Strategy (gender lens)	Examples of Gender Gap within Investee Company	Diagnostic and Assessments	Best Practices, Case Studies, Guides, Reports, Toolkits
Women represented in leadership	Women are under-represented as founder, co-founder, on senior leadership team or Board of Directors	<p>Women's World Banking Gender Assessment: Measures an institution's current state of internal gender diversity and external client outreach. The assessment consists of 40 questions, culminating in a free, high-level report that includes an overall gender diversity result and initial recommendations for improvement</p> <p>IFC SheWorks: Putting Gender-Smart Commitments into Practice highlights the business case and good practices for recruiting, retaining, and promoting women:</p> <ul style="list-style-type: none"> • Firm-level gender assessments, measuring, and reporting on progress, obtaining certifications (Chapter 5) 	<p>IFC Women on Boards and in Business Leadership Training Program</p> <p>Private Sector Opinion 42: Women in Business Leadership Boost ESG Performance explores the existing body of research linking a higher proportion of women in business leadership – including on boards of directors and in senior management – to better overall company performance and enhanced environment, social and governance standards</p>
Committed to a gender-diverse and equitable workforce	Women are under-represented across the company's workforce, particularly from middle-management and downwards	<p>IFC Women's Employment Program provides a preliminary gender workforce assessment for investee companies, and tools and resources they need to strengthen gender inclusion within their operations, resolve labor issues, increase employee engagement, benefit from inclusive sourcing, and enhance company performance</p> <p>EDGE Certification: the global business certification standard for gender equality</p>	<p>Best Practices and Guides:</p> <p>Diversity in Venture Capital: A practical Toolkit for VC Funds</p> <p>IFC SheWorks: Putting Gender-Smart Commitments into Practice highlights the business case and good practices for recruiting, retaining, and promoting women:</p> <ul style="list-style-type: none"> • Good practices for recruitment and retention, including work-life and family-friendly policies (Chapter 2) • Effective anti-sexual harassment mechanisms, including IFC's five-step framework (Chapter 3) <p>IFC Tackling Childcare: The Business-Case for Employer-Supported Childcare highlights how companies can analyze their workforce and business needs to identify the type of childcare support they can offer to their employees</p> <p>ILO Gender Manual</p>

Committed to a gender-inclusive value chain	Women owned/ led businesses are under-represented along the corporate value chains in both the supplier base, and distribution network, and tend to be among micro-, small-scale, and informal business owners	WEConnect International, Gold Standard Checklist IFC Sourcing2Equal Diagnostic Tool	Reports and Case Studies: ITC, provides insights to decision makers on women's participation in trade, including an overview of initiatives by trade and investment support institutions, governments and multinationals that aim to facilitate the integration of women-owned businesses in international markets and global value chains IFC, Cherie Blair Foundation, Women Entrepreneurs in Mobile Retail Channels : a sector deep-dive on women retailers for mobile phones, comparing the business case and practices of eight companies across multiple countries in Africa and Asia Business Fights Poverty, How do we scale distribution and sales networks that create opportunities in low-income markets : how to design distribution and sales networks in low-income markets, including a focus on gender considerations (e.g., safety for women distributors)
Committed to offering and design products or services that consider the distinct needs of women as a consumer segment	Women face substantial gaps in access to products and services	Women's World Banking Gender Assessment : Measures an institution's current state of internal gender diversity and external client outreach. The assessment consists of 40 questions, culminating in a free, high-level report that includes an overall gender diversity result and initial recommendations for improvement IFC Banking on Women Program provides financing, a financial institution assessment, and TA to expand financial services and opportunities for women customers and business owners	Blogs, Case Studies, and Reports: IFC Banking on Women, Gender-Smart Solutions Banco BHD León uses Women-Centered Design to Grow its Market in the Dominican Republic : a case study that illustrates how a financial institution identified segments within the women's market with distinct needs and preferences to inform product/ service design Women's World Banking, Successful by Design: Why Creating Financial Products with Women in Mind Is a Win-Win shares three elements of gender-inclusive design when creating financial products for women customers More reports on women-centered design can be found here
Committed to ensuring their operations do no harm to women in the community	Gender gaps can originate outside the workplace and in communities where companies operate. For instance, greenfield projects with large labor influx during the construction phase may also face the risk of an increase in gender-based violence and sexual harassment of women and girls	Oxfam's Gendered Enterprise and Markets (GEM) Program	IFC, Unlocking Opportunities for Women and Business : A Toolkit of Actions and Strategies for Oil, Gas, and Mining Companies draws on a wide range of IFC and external sources to present concrete, practical guidance for assessing, addressing, and monitoring gender equality and inclusion in oil, gas, and mining operations. While the toolkit was developed with the oil, gas, and mining industries in mind, the business cases and tools are applicable to a broader range of infrastructure sectors. (See Appendix F: Gender-based risks , due diligence and portfolio management resources for resources on gender-based violence)
All	All	The MEDA GEM self-assessment measures a company's performance on gender equality mainstreaming across ESG components. Designed for companies to complete themselves, the self-assessment builds upon ESG investment standard by mainstreaming gender across a range of ESG criteria. The self-assessment is made up of three surveys, with each survey asking gender-specific questions related to ESG components. UN Women Economic Empowerment Principles, Gender Gap Analysis Tool UNDP Gender Equality Seal for Public and Private Organizations	Tools: <ul style="list-style-type: none"> • SEAF Gender Equality Scorecard • GIIN IRIS Reporting Tool: Metrics for Gender lens • Calvert Impact Capital Gender Lens Framework • FinDev Canada, Unequalopolis: A tool to raise awareness about barriers to women's economic • CDC ESG Toolkit for Fund Managers • SPRING, Investor Toolkit • Value for Women, How to Invest with a Gender Lens Reports: IFC report, Investing in Women: New Evidence for the Business Case , demonstrates how portfolio companies have benefited from developing and implementing gender-smart solutions

H

Sample Gender Action Plan

Below is a sample GAP from CDC’s Gender-smart Investing Training for Fund Managers. The GAP is based on an example company to illustrate the key components that Fund Managers should include.

Other resources and tips on GAPs:

- Criterion Institute: [Gender Lens Investing Tool: Designing an Action Plan](#)
- Asian Development Bank: [Tip Sheets for Gender Action Plans](#)

Proposed Action	Activities	Prioritization (high/med/low)	Owners/ Resources required (high/med/low)	Targets	Monitoring system	Timeframe	KPIs (DI & Financial)
Support female farmers to increase yields and quality and improve working conditions	Undertake a light touch gender diagnostic to: <ul style="list-style-type: none"> • Understand drivers impeding women’s increased yield incl. uptake of existing initiatives, (e.g. financial provider credit schemes) • Assess gender-based risks 	Medium Strong potential to decrease costs	Medium Fund Manager: <ul style="list-style-type: none"> • Time inputs of gender adviser Investee company: <ul style="list-style-type: none"> • Time inputs from management, sourcing agents, and aggregators Review of management information system (MIS)	Gender diagnostic completed	Report	Three months	<ul style="list-style-type: none"> • # farmer (M/F) participating in IBCF model • Percent increase in yield (M/F) • Per-farmer supply of crop (M/F) • Percent wastage/ returned crop Qualitative evidence of improvements to working conditions (where required)
	Adopt an incentive-based contract farming (IBCF) model, in which farmers receive additional high-quality inputs and productivity enhancing technology for each season that they sell increased crop to the investee	Medium Not necessary for developing new ‘gender-impact’ product line Strong potential to decrease costs	High Fund Manager: <ul style="list-style-type: none"> • Time inputs of consultant to support adoption of IBCF • Time inputs of impact adviser Investee company: <ul style="list-style-type: none"> • Management support to implement business changes • Mainstreaming IBCF model investing in training, staff, and systems to implement Investment in input loan to farmers by investee company	<ul style="list-style-type: none"> • IBCF model piloted and scaled • Review and dissemination of results, financial and development impact. 	Company data and MIS Special studies on farm productivity	Three seasons	

Key Gender Definitions and Terms

Baselining	A starting point that begins with an assessment of a current portfolio to determine where it is today, where it came from, and what any future efforts will be compared against. It is also useful to see how a portfolio rates against certain metrics, and to better understand changes over time.
Environmental and Social Action Plan (ESAP)	Mitigation measures and actions necessary for a company to comply with applicable laws and regulations, and to meet the requirements of the applicable standards, including investor's requirements. The Action Plan may range from a brief description of routine mitigation measures to a series of specific plans.
Gender-based violence and harassment (GBVH)	Umbrella term for violence and harassment directed at persons because of their sex or gender, or affecting persons of a particular sex or gender disproportionately, including sexual harassment.
GBVH risk	The potential for workers, community members or service users to experience GBVH.
Gender Action Plan (GAP)	A roadmap for gender activities or interventions to achieve specific gender targets or outcomes. Typically includes key objectives, time-bound targets, outputs and KPIs, stakeholder responsibilities, priority areas of action, mechanisms for implementation and measuring, and resources needed/budget.
Gender as a factor of analysis	Gender intentionally embedded as a factor of analysis in the investment process, including risks and opportunities.
Gender champion	Senior leader that promotes and advances gender equality through management of teams and work.
Gender diagnostic	A data-driven analysis of the status of women and men within a company's operations (e.g. workforce, supply chain, consumer base).
Gender equality	Requires equal enjoyment of socially-valued goods, opportunities, resources, and rewards regardless of gender (UNFPA). Generally, where inequality exists, women are excluded or disadvantaged in relation to decision-making and access to economic and social resources.
Gender equity	The process of being treated fairly, regardless of one's gender (UNFPA). To ensure fairness, strategies must aim to compensate for historical and social disadvantages that have prevented women from being on a level playing field.
Gender identity	A person's psychological identification as man, woman, or other, which may or may not correspond to the person's designated sex at birth and is not related to sexual orientation.
Gender indicator	A measurement of gender-related changes over time; can be quantitative or qualitative.
Gender intervention	A deliberate involvement in a process or system intended to influence events or consequences around gender roles and responsibilities. May refer to a single activity or set of activities organized within a project, program, or instrument. (Adapted from Belcher, Palenberg, 2018)
Gender scorecard	A tool that is typically a set of questions or criteria to assess women's economic empowerment and gender equality within investment opportunities.
Gender strategy	An approach or general direction set for a company or organization to address identified gender disparities, constraints, and opportunities.
Gender-based risk	Any sort of workplace risk related to gender roles or vulnerabilities (e.g. gender-based violence or sexual harassment, gender discrimination, etc.).
Impact pathway/theory of change	This shows how each proposed activity is going to lead to outputs; how these outputs will lead to outcomes; and how outcomes will ultimately lead to impact, which is the ultimate objective. The Impact Pathway includes key assumptions and conditions required for the impact narrative to hold true.
Sex-disaggregated data	Data collected and analyzed separately on males and females; for companies this is typically assessed across job function, level and location and across performance indicators, such as retention and absenteeism.
Sex-based harassment	A range of behaviors that do not always have a goal of sexual compliance, including: (1) gender harassment (verbal and nonverbal behaviors that demean women and/or femininity; (2) unwanted sexual attention; and (3) sexual coercion pertaining to behaviors that threaten loss of job, unfavorable work assignments or loss of pay, promotion or better assignments in return for sexual cooperation (Law & Human Behavior, 2010).

Sexual abuse	Actual or threatened physical intrusion of a sexual nature, whether by force or under unequal or coercive conditions (UN, 2017).
Sexual exploitation	Any act or attempted abuse of a position of vulnerability, differential power or trust, for sexual purposes, including, but not limited to, profiting monetarily, socially or politically from the sexual exploitation of another (UN, 2017).
Sexual harassment	Unwelcomed sexual advances, requests for sexual favors, and other verbal or physical conduct of a sexual nature (UN Secretary General, 2008).
Target group	A specific role or function in which women are often under-represented and face higher barriers or gaps compared to their male counterparts; typically listed as leaders, entrepreneurs, employees, and consumers.
Unconscious bias	Learned stereotypes that are automatic, unintentional, and influence behaviors and decision-making.
Violence against women	Any act of gender-based violence (GBV) that results in, or is likely to result in, physical, sexual or mental harm, or suffering to women, including threats of such acts, coercion or arbitrary deprivation of liberty, whether occurring in public or in private life (UN General Assembly, 1993).
Women's economic empowerment	Requires a woman to have both the ability to succeed and advance economically and the power to make and act on economic decisions (ICRW, 2011). GBV: violence that is directed against a person on the basis of gender. It constitutes a breach of the fundamental right to life, liberty, security, dignity, equality between women and men, non-discrimination and physical and mental integrity (Council of Europe, 2012).
Women's empowerment	Identifies and redresses power imbalances and gives women more autonomy to manage their lives. It is defined as the expansion in one's ability to make strategic life choices in a context where this ability was denied previously (Kabeer, 1999).
Workplace harassment	A form of employment discrimination that includes unwelcome conduct based on race, color, religion, sex, disability, or genetic information (US Equal Employment Opportunity Commission, 2018).

Boxes, Case Studies, Figures and Tables

Boxes

Box 1: Recruitment Checklist	24
Box 2: Attract and Promote Female Talent - Three Tips to Keep in Mind	26
Box 3: Mentors vs. Sponsors	27
Box 4: Identifying the Champions and Skeptics	39
Box 5: Navigating Resistance and Difficult Questions	41
Box 6: Tips on Addressing Unconscious Bias in Deal Origination	49
Box 7: Counting vs. Valuing	52
Box 8: Candor Clause	65
Box 9: Example Using Performance-Based Incentives	66
Box 10: Example using Pari-Passu Co-Investment	67
Box 11: Illustrative Co-Investment with Differentiated Deal Terms Linked to Gender Milestones and Targets	67

Case Studies

Case Study 1: RockCreek	21
Case Study 2: Actis	22
Case Study 3: National Venture Capital Association	30
Case Study 4: BlackRock	33
Case Study 5: Development Partners International (DPI)	35
Case Study 6: FinDev Canada	36
Case Study 7: The Boardroom Africa	40
Case Study 8: GenderSmart Investing Summit	43
Case Study 9: Global Impact Investing Network Gender Lens Investing Initiative	43
Case Study 10: Lightspeed Venture Partners	49
Case Study 11: Women's World Banking	51
Case Study 12: ICRW	57
Case Study 13: SEAF	58
Case Study 14: Alitheia	60
Case Study 15: Phatisa	73
Case Study 16: Phatisa	76
Case Study 17: G-SEARCH	76
Case Study 18: Grassroots Business Fund	89
Case Study 19: Dutch Good Growth Fund	90

Figures

Figure 1: Five Commitments Towards Gender Diversity	20
Figure 2: Five Steps to Build an Effective Anti-Sexual Harassment Mechanism	29
Figure 3: Four-Action Framework to Drive Adoption of a Firm-Wide Gender-Smart Investment Strategy	32
Figure 4: Gender-smart Investment Life Cycle	47
Figure 5: Example of Screening Investments by a Gender Lens	50
Figure 6: Three Steps to Design and Implement a Gender Action Plan	68
Figure 7: Example Theory of Change	72

Tables

Table 1: Five Gender-smart Investment Strategies for Fund Managers	17
Table 2: Gender-smart Investment Strategies for Limited Partners	17
Table 3: Four Actions to Establish Tone at Top with Targets	22
Table 4: Gender-smart Investing Strategy Checklist	33
Table 5: Roles and Responsibilities of Internal Stakeholders	38
Table 6: Examples of Gender Lens by Industry Grouping	47
Table 7: Common Gender Misconceptions	53
Table 8: Gender Due Diligence Tool	55
Table 9: Gender-Based Milestones per Target Group	61
Table 10: Measures to Support Women and Close Gender Gaps	69
Table 11: Examples of Implementation Approaches for Gender Activities	71
Table 12: Measurement Approaches for Fund Managers	75
Table 13: Gender-smart Strategies and the Business Cases for them	82
Table 14: Firm-Level HR Indicators	84
Table 15: Examples of Target Group by Industry Grouping	88
Table 16: Deal-Level Indicators by Gender Lens Investment Strategy and Target Group	91
Table 17: Benchmarks per Gender Strategy and Target Group	95
Table 18: Gender-smart Investing Tools by Gender Lens Strategy	98

Notes

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