



## How Gender Lens Investing Provides New Tools for Women's Economic Empowerment

Despite considerable progress over the past few decades, women around the world still face significant challenges when it comes to accessing financial resources and participating fully in economic life. While the policies and practices of companies can often serve as a catalyst for gender parity improvement, the current state of women's financial inclusion would indicate there is still progress to be made. For instance, as of 2021, women working full time earned, on average, 16 cents less than their male counterparts.<sup>1</sup>

While, historically, issues of gender equality and women's economic empowerment have been addressed largely by governments and nonprofits, there is an increased sense that the private sector can play a key role. In this whitepaper, we discuss how investors can use gender lens investing, or deliberate incorporation of gender factors into investment analysis and decision-making processes, as a tool to advance women's economic empowerment.

### Gender Lens Investing

In collaboration with the efforts of governments and philanthropic organizations, we believe there is opportunity for global capital markets to make a meaningful contribution to accelerating gender equality and women's economic empowerment. Individuals and institutions specifically looking to use their investment capital to positively impact the lives of women can invest in a manner that deliberately incorporates gender factors into investment analysis and decisions. This approach is called gender lens investing (GLI).

GLI takes many forms, including investing in companies, funds and other investment vehicles that consider gender in one way or another. Investors often assess the following criteria:

- **Gender diversity:** considers the composition of a company's employee base to promote gender diversity at all levels of the company;
- **Women in leadership:** considers investing in companies with women on the executive board and/or women in senior leadership positions;
- **Women founders and fund managers:** considers investing in women-founded companies and/or considers investing in vehicles with female portfolio managers;
- **Women-majority enterprises:** considers investing in companies established to hire women as a means for enhancing economic opportunity (especially in emerging and frontier markets) for its employees;
- **Policies and practices:** considers investing in companies that implement organizational policies and practices that advance gender equality (for example, gender pay equity); and
- **Products and services:** considers investing in companies that provide products or services specifically tailored to the needs of and impact on women as a consumer segment.

# Gender Lens Investing



In 2020, estimates placed portfolios considering gender lens issues in investment decisions at approximately \$868 billion in assets under management,<sup>2</sup> and one study indicated the number of gender lens-focused funds increased from 58 in 2017 to 206 in 2021.<sup>3</sup> With such a rapid increase in available investment products, it could be difficult for investors to assess and interpret the various approaches to gender lens investing. To support investors, the same study identified three primary ways gender tends to be evaluated across gender lens-focused funds:<sup>4</sup>

- 1. Gender consideration:** Investors may consider gender as one factor of analysis, but gender criteria do not necessarily serve as the determining criteria for final investment decisions.
- 2. Gender mandate:** Investors may use gender-related metrics as investment screening criteria. For instance, an investor might only consider investments into companies that employ women in executive positions or in funds with female portfolio managers.
- 3. Quantified gender mandate:** Investors may use quantifiable thresholds on gender-related metrics as investment screening criteria. For example, an investor could look for a company that has at least three women on its board of directors.

## Beyond the Board Room

While many gender lens-focused funds place an emphasis on investing in companies with women holding corporate board and/or leadership positions, we find that many investors wish to go beyond solely evaluating gender representation. In building upon a quantified gender mandate, gender lens-focused funds can also evaluate the policies and practices of both public and private companies in which they contemplate investing in or examine the effects of an investment company's product or service on women and girls.

For investors interested in understanding the effect of a company's operations on its female employees, the Wharton Social Impact Initiative created a framework called "Four for Women" that explores how to evaluate if a company is likely to have a positive

## Within the Board Room

### *An assessment of corporate board representation*

Gender lens investing can take many forms. One common approach is analyzing the representation of women in leadership at investment companies. Consider the Russell 3000® Index, of which there are 181 female CEOs, 204 female board chairs and 33% female board representation across the entire index.\*

### Female representation

Company	CEO	Chair	Board %
Alaska Air Group	✗	✓	40
Delta Air Lines	✗	✗	23
Lockheed Martin	✗	✗	31
Northrop Grumman	✓	✓	40
Coca-Cola	✗	✗	46
PepsiCo	✗	✗	31
Ulta Beauty	✗	✓	55
Estee Lauder	✗	✗	47
TJX Companies	✗	✓	50
Ross Stores	✓	✗	45
Netflix	✗	✗	25
Walt Disney	✗	✗	46

\*Index Average. As of 04/30/23. Source: FactSet®. FactSet® is a registered trademark of FactSet Inc., and its affiliates.

Note: These companies were selected as random samples to highlight gender diversity across Russell 3000 sectors.

impact on its female employees. While not exhaustive, the researchers identify metrics that can serve as evidence-based proxies for each category that companies can track. We have adapted the framework as part of our evaluation of fund managers in our due diligence process. When evaluating fund managers, we ask for responses to questions that seek to assess representation, pay, policies & practices and satisfaction.

We use these frameworks and combine them with additional data and voluntary disclosure to help our clients who wish to incorporate a gender lens into their investments better align their portfolios with their goals.

## A Framework for Assessing Gender Diversity



### Representation

What is the gender breakdown of the workforce within each major division of the company? Are women represented throughout all types of occupations at the company?



### Pay

What is the mean and median hourly pay by gender? What is the gender disaggregated mean and median pay by each major job category?



### Satisfaction

On a scale of 1 to 5, how satisfied are employees with their job in general?<sup>5</sup>



### Policies & Practices

Is there an employer-sponsored health insurance plan? How are policies around employee experiences of sexual harassment implemented and enforced? Does the company offer parental leave for all employees?

## Gender Lens Investing Across Asset Classes

Although GLI has grown in popularity in recent years, it can still be challenging to implement a gender lens strategy across an entire investment portfolio without carefully considering the unique contributions of each asset class. Investors looking to implement a gender lens strategy in their portfolios have a range of solutions from which to choose, but implementation requires an understanding of the degree to which each investment connects with the investor's desired GLI goals. The following are illustrative examples of how a gender lens might appear in different types of investments.

### Equities

For investors incorporating a gender lens in public equity portfolios, the most commonly employed strategy is one that accounts for women in leadership, even though some investment managers are also evaluating corporate policies and practices. Another key tool for GLI in equity portfolios is proxy voting, which allows investors to engage with corporate boards and management teams on business practices relating to gender diversity, equity and inclusion.

Investors can also consider gender criteria as part of a broader material risk assessment framework (e.g., litigation risk resulting from workplace discrimination or harassment). To understand which gender issues might be material to an investment's financial health, international standards setters such as the International Sustainability Standards Board (ISSB), part of the same organization as the International Accounting Standards Board, include gender considerations in their assessment of human and social capital factors across many subindustries as part of their guidance.

### Fixed Income

While fixed income investors can also use gender criteria as part of their process in assessing the risks and creditworthiness of potential investments, we believe the most straightforward way to incorporate a gender lens strategy within fixed income is to review the recipient of capital and use of proceeds.

# Gender Lens Investing

Like public equities, investments in taxable corporate bonds tend to focus on high-level themes like board and executive management diversity. Fixed income investments in projects financed by government entities (such as agencies or municipalities), however, can often offer externalities that benefit the lives of women. For example, investments in affordable housing can disproportionately affect outcomes for women, as nearly 75% of families served by rental assistance programs go to those with women as head of household.<sup>6</sup>

## Private Investments

Many of the same GLI approaches taken with traditional investments may be applied to private investments. For example, there are private debt funds that lend to women entrepreneurs or exclusively in funds that use a gender mandate in their investment selection process. Private debt, equity and real estate funds might also lend themselves to improved outcomes for women vis-à-vis the products, projects or services among a fund's underlying investments. An analysis of private funds that prioritized gender as “critically important” or “very important” to their thesis, indicated that the sectors most prevalent for investment were in healthcare, agriculture and fintech, and more specifically, companies focused on the “Care Economy” and the “Future of Work.”<sup>7</sup>

Just as different asset classes lend themselves to different risk-return profiles, diverse gender lens goals lend themselves to diverse responsible investing strategies.

## Our Approach to Gender Lens Investing

We define responsible investing (RI) as a goals-based strategy that aligns our clients' portfolios with their mission and values. We support our clients who seek to invest with a gender-lens approach through a process that evaluates the investment universe, integrates gender lens criteria and continually monitors alignment.

## Our Process

- 1 Evaluate the investment universe**  
We conduct a thorough review of the investment marketplace to find and select top investment managers and strategies.
- 2 Integrate gender lens criteria**  
We assess investment managers and strategies along predetermined gender criteria. Investment strategies and allocations may be readjusted to achieve a client's specified gender mandate.
- 3 Continually monitor alignment**  
We continually monitor and report on gender considerations in portfolios to assess fidelity to a client's desired gender mandate.



GLI is not a one-size-fits-all approach. Matching an investor's unique GLI goals with investment solutions is a deliberate process that should not be oversimplified. From accounting for women in leadership positions, to actively engaging with companies to enhance their policies and practices, to evaluating the impact of company's products on the lives of their female customers, we endeavor to find investment solutions that make sense — and cents — for our clients.

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