



J U S T
G O O D
I N V E S T I N G

**Why gender matters
to your portfolio and
what you can do about it.**

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EXECUTIVE SUMMARY

WHAT?

There is growing evidence and collective understanding that gender equity is good for investment, good for businesses, good for society. However, this understanding has not translated into widespread action in the investment world.

WHY?

We found two reasons for this lack of action in the impact investing markets within which we operate: 1.) the business case for incorporating gender in investment decisions needs to be strengthened from a private markets perspective and 2.) investors are confused about how to incorporate gender into their process and analysis. We wrote this report to address these two issues.

BUILDING THE BUSINESS CASE

A quantitative analysis of our portfolio over 11 years revealed that on average, companies with the highest percentage of women on boards and in leadership positions outperformed those with the least. Our data sample showed a strong relationship between women in leadership positions and financial performance, suggesting it could be a key leverage point for investors and businesses.

GETTING TO ACTION

We share practical guidance for creating a gender inclusive investment strategy, learned from evolving our own gender-lens investment approach over the past 7 years:

- 1 **Set realistic expectations based on the type of capital you are investing.**
This, more than anything, practically defines the opportunities that are available to you to invest for impact and the approach you can take to incorporate gender
- 2 **Understand the tools at your disposal.**
The tools to incorporate gender into investment decision-making and analysis vary based on the type of capital and the level of influence and ownership that capital affords the investor
- 3 **Gender-lens investing is an art, not a science, and context matters.**
Gender's role in investing is nuanced and success looks different depending on the context (e.g., market, geography, sector, etc.)

CALL TO ACTION

Incorporating gender into investment analysis might be the quickest route to better performing investments and a more equitable and sustainable world.

There's no one, right way to incorporate gender into your investments. It's not rocket-science, it's not niche. It has the potential to improve both financial performance and social impact. In short, it's just good investing, so get started today.

I . I N T R O

The evidence is in and it's clear— gender equity is good for investment, good for businesses, and good for society.

You may have seen research that shows that the financial returns of companies with three or more women on their board are significantly higher than companies that have no women on their board.¹

Or you may have read that inclusive work environments “are associated with better organizational outcomes and that gender diverse teams at all levels make better decisions”.² Or perhaps you saw the report calculating that if women play an identical role to men in the labor force, as much as \$28 trillion could be added to global annual GDP by 2025.³

These reports help demonstrate that gender equity is not only a moral obligation, but also a critical business consideration that companies and investors should not ignore.

With the evidence mounting and investors chasing any hint of alpha, one might expect considering gender in investment analysis to be commonplace. Hardly. Despite the growth of the “gender-lens” investing movement and the proliferation of publicly-listed products that screen companies based on gender criteria, considering gender as part of an investment process is still far from a mainstream practice, or even a mainstream idea. Why? In the private impact investing markets we found two issues holding investors back:

1 THE BUSINESS CASE STILL NEEDS TO BE BUILT IN THE PRIVATE MARKETS.

While evidence to date demonstrating the link between gender and financial out-performance has been compelling, it mostly comes from public markets and doesn't resonate as strongly outside of them. In the private markets in which we operate, investors and businesses alike don't see themselves presented in the research. Gender considerations primarily remain in the social impact category, and are not seen as a critical element of investment performance or business strategy, unless that strategy includes an explicit goal of targeting women.

2 INVESTORS ARE CONFUSED ABOUT HOW TO APPLY A GENDER-LENS.

Investing with a gender lens means incorporating gender into an investment process, either as a tool to decrease risk and increase portfolio performance or to advance specific gender outcomes. However, the conversation around gender-lens investing has been focused on theory more than practice. As a result, investors are often confused and overwhelmed, fearing they lack the resources or expertise to undertake what seems like a highly involved process for a niche group of investors.

This report is intended to address these two challenges with data from our portfolio and lessons learned from our experience executing a gender-lens investment strategy.

A quantitative analysis of our portfolio covering 11 years and 160+ borrowers from around the world revealed that, on average, companies with the highest female representation in board and leadership positions outperformed those with the least. The results suggest that the percentage of women in leadership positions is especially important to financial performance.

The markets we operate in and the types of organizations we invest in are different than many of the previously published reports,¹ but our findings are similar: you risk leaving money on the table if you don't consider gender.

We also share practical guidance for investors on how to adopt a gender lens. As practitioners who have developed our own gender-lens strategy over the past seven years, we can speak to the confusion, the evolution, and ultimately, the rewards, of incorporating gender into investment analysis.

The importance of gender equity goes beyond any one individual company or investment outcome. It is about systems change. We have an economic system that does not distribute resources in a sustainable way and that undervalues and ignores women. We need to change behaviors around where, why, and how we invest our assets as a society.



Whether we acknowledge it or not, gender is a major determinant of life outcomes around the world.

\$300B

The shortfall in access to credit facing women-owned small businesses⁴

\$0.80½

Amount American women earn for every dollar earned by men⁵

217 YEARS

Time projected to take women globally to achieve parity with men on job opportunities and wages⁶

2X ILLITERACY

Women globally are twice as likely to be illiterate than men⁷



Gender-Lens Investing

The Global Impact Investing Network (GIIN) defines gender-lens investing as “investment strategies applied to an allocation or to the entirety of an investment portfolio, which seek to examine gender dynamics to better inform investment decisions and/or intentionally and measurably address gender disparities.” As the name “gender-lens investing” makes clear, gender is a lens—a way of seeing that helps an investor highlight opportunity, illuminate risk, and understand strategy in a more nuanced way.⁸

But we know that gender equity could be transformative for economies and for society.

If women play an identical role in labor markets to that of men, as much \$28 trillion (or 26%) could be added to global annual GDP by 2025.⁹ From an impact standpoint, it is also clear that investing in women has a tremendous multiplier effect. When women earn a competitive income, they often invest in their families¹⁰—food, healthcare, and education—setting off a virtuous cycle that improves outcomes for future generations.

The challenges that we face as a globe from climate change to wealth inequality are urgent and massive. Addressing them will require between \$5-7 trillion of investment capital per year, according to the United Nations' Sustainable Development Goals.¹¹

It will require between

\$5-7 TRILLION

of investment capital to address critical challenges outlined in the United Nations' Sustainable Development Goals.

And it will require women. The UN recognized Sustainable Development Goal 5, gender equality and women's empowerment, as a "pre-condition" for the achieving the other 16 SDGs.¹² Gender-lens investing isn't a silver bullet, but it may be the closest we can get to one.



Defining Gender

Gender is only part of a larger conversation about diversity that is critical to investment. The focus of gender-lens investing is typically on women's equality and empowerment, but gender refers to both a biological and a socially-constructed identity. The term gender is used "to emphasize that making change means looking at the socially constructed roles, relationships, and expectations of women and men and the ways that these are reinforced by educational, political, economic, and cultural systems."¹³

II. OUR JOURNEY

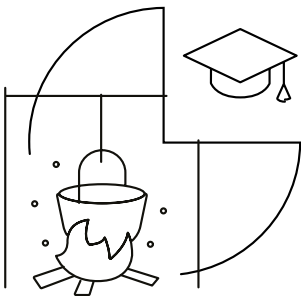
The evolution of Calvert Impact Capital's gender-lens strategy:

Calvert Impact Capital examines gender across our portfolio for both financial and impact reasons. We use gender as both a lens and a lever: a lens to see investment risk and opportunity more clearly, and a lever to pull for greater social impact.

Calvert Impact Capital has invested in women since our founding nearly 30 years ago. As an investment firm dedicated to providing capital to communities left behind by traditional markets, we helped to grow the microfinance and community development finance industries, both of which are important sources of capital for female entrepreneurs. In 2012, we adopted a more formal approach to investing in women, screening potential deals for gender impact and inclusiveness and creating specific metrics to track our progress. We built a diverse global portfolio, from affordable housing in Texas to off-grid solar solutions in Tanzania. As we analyzed the data from this portfolio, it was clear that to understand our impact over time and better tailor our underwriting approach, we needed to take a sector and region-focused approach.

As a result, our gender-lens investment strategy is both wide and deep. Wide because we collect gender-specific metrics for all our investments to understand gender dynamics across our multi-sector, global portfolio and deep in each sector to understand where the need for our capital intersects with the potential to make a difference in women's lives at scale.

Renewable Energy is the first sector we've explored deeply with a gender-lens. We chose this sector for two reasons: 1.) it is a relatively young sector, but mature enough to need patient debt capital to scale; and 2.) the outsized impact that access to clean energy has on women.



Energy poverty disproportionately affects women and girls

Access to clean energy can improve women's health by reducing indoor air pollution, and it can improve their economic situation by allowing more time in the evenings for productive activities like education and managing businesses.¹⁴

This deep sector focus has allowed us to understand the renewable energy market and the role of gender in a more nuanced way, improving our underwriting, data collection, and investment strategy going forward.

Without a business case that is compelling to a broad audience, gender considerations will be perceived as optional for investors and part of an “impact box” that businesses need to check, as opposed to an essential part of strategy and operations.

Engaging Other Investors

Interest and enthusiasm for the idea of gender-lens investing has grown significantly since we began our strategy in 2012. An article from *The Economist* published earlier this year reported that “by last June \$910mm was invested with a gender-lens mandate across 22 publicly traded products, up from \$100mm and eight products in 2014. Private markets are hard to track, but according to Project Sage, which scans private equity, venture and debt funds, \$1.3bn had been raised by mid-2017 for investing with a gender-lens.”¹⁵

This progress was exciting but still a drop in the bucket in the context of the \$79 trillion¹⁶ market of professionally managed assets. The conversation around gender-lens investing was focused on articulating reasons why to invest in women, but we didn’t see similar attention paid to the question of how to invest in women.

London-based Shell Foundation, an independent UK charity and longtime partner of Calvert Impact Capital in investing in renewable energy solutions in emerging markets, shared our interest in shifting the focus of the conversation to how to move more capital with a gender-lens.

In 2018 we partnered with Shell Foundation to organize a series of investor events around the world to share our methodology for creating a dedicated gender-lens investment strategy. We hoped to help other investors recognize that gender is not niche, but fundamental to understanding risk, opportunity and impact.

Across five events on three continents and through dozens of individual meetings and calls, we talked to hundreds of people investing billions across public, private and philanthropic markets.

During these gatherings we found that investors were indeed eager to learn more about the “how” to invest with a gender-lens, but many also still needed more specific information about the “why.” The evidence from public markets and the private equity/venture capital industry was interesting but represents a specific world that many of our attendees—investors and companies—felt was unrelatable. As a result, they didn’t feel the conclusions were as relevant to their work.

Without a business case that is compelling to a broad audience, gender considerations will be perceived as optional for investors and part of an “impact box” that businesses need to check, as opposed to an essential part of strategy and operations.

Investors also needed clarity in what had become a very confused space. They wanted practical guidance on what it means to incorporate gender into investment strategy and some simple examples of how to do it.

To address these issues we did two things. First, we conducted a quantitative analysis to understand what, if any, links there are between gender diversity and financial performance within our own portfolio. Our results indicate a positive relationship between the percentage of women in leadership and board positions and average financial performance across the sample, with the percentage of women in leadership positions appearing to have a particularly strong relationship to financial performance. The results of this analysis are explored in detail in Section III of this report.

Second, we created two frameworks to help investors take action. The first framework provides an overview of how to incorporate gender across asset classes (see Appendix 2) and the second framework provides a list of questions for due diligence processes (see Appendix 3). We introduce these frameworks along with key steps to developing a gender-lens strategy in Section V.

III. BUILDING THE CASE

A quantitative analysis of our private market portfolio

We analyzed data from current and former borrowers over an 11-year period to assess the impact of women's participation in senior leadership and board positions on financial performance. Our analysis is unique in that it is an analysis of a real investment portfolio. The data sample is longitudinal and diverse in terms of geography, size, and sector and includes both direct investments in companies and indirect investments in funds and financial intermediaries. The cumulative assets under management represented is approximately \$23 billion.

For complete analysis methodology, please see: <https://www.calvertimpactcapital.org/gender-lens-methodology>



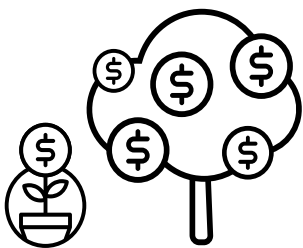
160 BORROWERS

past and present, foreign and domestic (U.S.).



ACCESS TO 100 COUNTRIES

Borrowers have direct and indirect exposure to over 100 countries. Aside from the United States, most are in emerging markets. 40% of the sample was international and 60% was U.S.



\$300K TO \$2 BILLION

Borrowers range in size from Assets under Management (AUM) of under \$300,000 to over \$2 billion. Cumulative AUM of roughly \$23 billion.



8 PRIMARY SECTORS

Borrowers work across eight primary sectors (in order of concentration). Almost 80% of the sample is concentrated in the top 3 sectors:

1. Community Development
2. Microfinance
3. Housing
4. Sustainable Agriculture
5. Small Business
6. Education
7. Renewable Energy
8. Environmental Sustainability

We organized borrowers into two sets of quartiles based on the percentage of women’s participation in both leadership positions (meaning senior management) and on boards. The quartiles are organized from lowest percentage of women participation to highest. All results are observations based on our sample.

WOMEN IN LEADERSHIP POSITIONS (WLP) QUARTILES	COUNT	% OF TOTAL
Top 25% (more than 57%)	40	24.8%
3rd (more than 40%)	40	24.8%
2nd (more than 20%)	39	24.2%
1st (less or equal than 20%)	42	26.1%
TOTAL	161	100.0%

WOMEN BOARD OF DIRECTORS (WBD) QUARTILES	COUNT	% OF TOTAL
Top 25% (more than 46%)	39	25.0%
3rd (more than 33%)	37	23.7%
2nd (more than 20%)	36	23.1%
1st (less or equal than 20%)	44	28.2%
TOTAL	156	100.0%

We measured the financial performance of each quartile using three ratios:



Return on sales (ROS):

measures a company’s performance by analyzing what percentage of total company revenues are actually converted into profits.



Return on assets (ROA):

indicates how well a company is performing by comparing the profit it generates to the capital it invested in assets.



Return on equity (ROE):

measures an organization’s profitability by revealing how much profit a company generates with the money investors/ shareholders have invested.

Note: The calculation of quartiles and the use of these ratios was selected to mimic studies done on S&P companies, such as the Catalyst report.¹⁷



Methodology: Measuring Gender

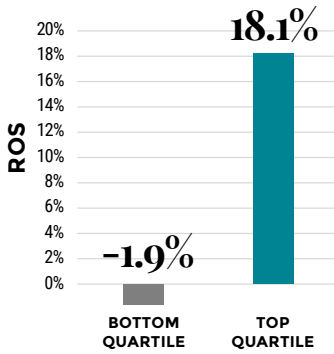
Gender is extremely nuanced and contextual and the impact of gender on an organization goes beyond measuring female representation on boards and in leadership. We focused our analysis on this aspect for two reasons. First, we wanted to mimic the major reports that have been conducted to determine if the findings were relevant in private markets and second, leadership level data is our strongest gender-disaggregated data set. Over the past several years, we have begun to collect high quality data at the client level and we look forward to exploring that dynamic in the future (i.e. the relationship between financial performance and the gender of clients served). However, outside of leadership, we don’t have enough high-quality longitudinal gender-disaggregated data to draw conclusions yet.

Key Takeaways

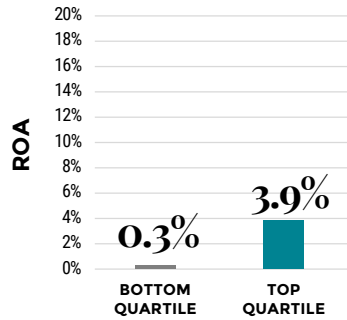
1 ON AN AVERAGE BASIS, GREATER GENDER DIVERSITY = BETTER FINANCIAL PERFORMANCE

On average, over 11 years, companies with higher percentage (%) of Women in Leadership positions (WLP) and higher % of Women on Board positions (WBD) outperform companies with the lowest % of WLP and WBD as measured by ratios ROS, ROA, ROE.

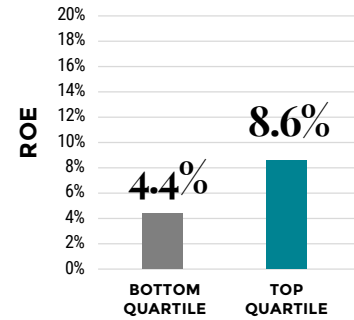
Return on Sales by Women in Leadership Positions



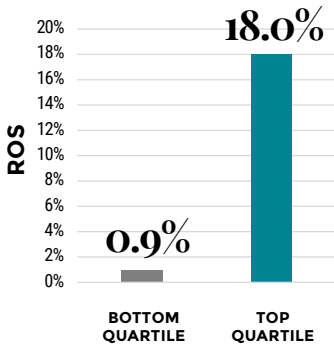
Return on Assets by Women in Leadership Positions



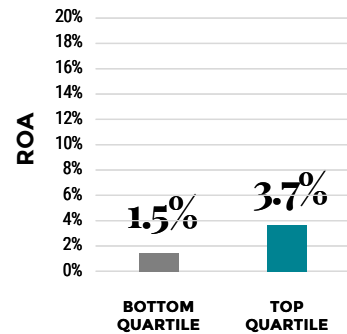
Return on Equity by Women in Leadership Positions



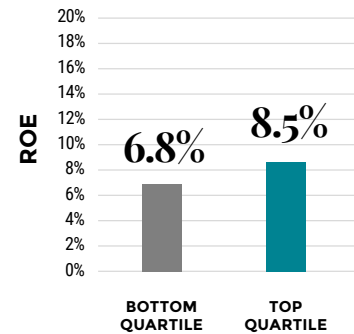
Return on Sales by Women Board Directors

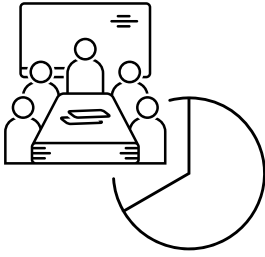


Return on Assets by Women Board Directors



Return on Equity by Women Board Directors





It's not just the number of women that are important, it's the ratio. Once a borrower exceeds 33% WLP,

we observe a more significant increase in financial performance that tapers off around 70% WLP.

Examining the Extremes:

The number of borrowers with 100% male participation far outnumbers the number of companies with 100% women participation in our sample.

	% PARTICIPATION	# OF BORROWERS IN STUDY
0%	Women in Leadership positions	29
0%	Women in Board positions	21
0%	Both	15
100%	Women in Leadership positions	4
100%	Women in Board positions	3
100%	Both	2

2

DIVERSITY IS IMPORTANT

The ratio of women to men positions is important not just the number of women

The data suggests that it is not just the numbers of women in leadership and board positions, but the ratio of women to men in those positions that matters.

- Once a borrower exceeds 33% WLP, we observe a more significant increase in financial performance. This benefit to performance tapers off around 70% WLP. All women teams are not necessarily better than all male teams—it's diversity that matters.
- The tipping point for % WBD appears to be greater than 30% participation.

3

WOMEN IN LEADERSHIP POSITIONS

The % of WLP appears particularly important to financial performance

Across the entire sample, the top quartile of % WLP outperformed the bottom quartile in terms of average ROA and ROS on a nearly year-by-year basis.

The relationship between %WBD and financial performance is less consistent on a yearly basis. However, boards in the private markets in which we work tend to have a less direct role. We believe diverse boards have a critical role to play in private markets, particularly in advocating for diversity in leadership positions.

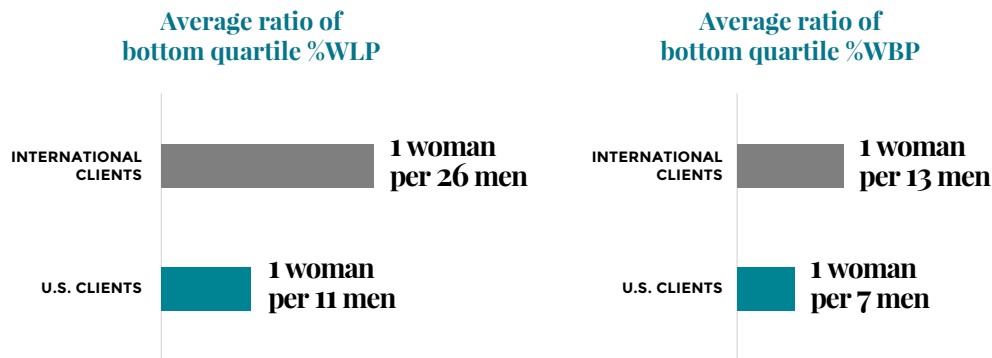
- For example, PwC's 2018 Annual Corporate Directors Survey¹⁸ found male and female directors have very different opinions on several issues, including "corporate culture, social issues and talent management, as well as on the topic of board diversity itself." Specifically, female board directors were more critical than their male counterparts of their companies' progress in developing workforce and executive level diversity.

4

LOCATION MATTERS

There are significant geographic differences in our dataset that further reflect the importance of gender diversity to financial performance

Women's participation at both the leadership and board levels is significantly lower for international borrowers.



International borrowers have more extreme differences between the most and least gender diverse quartiles. Performance between quartiles is more varied and performance of the least diverse quartile is highly volatile.

- Whereas the most and least diverse U.S. quartiles are both less varied in terms of participation and performance and the least diverse U.S. quartile is less volatile than its international counterpart.
- However, there is admittedly a lot of “noise” in international data and US borrowers are generally operating in more stable markets and sectors.

5

GOING FORWARD

- **Our study reinforces the importance of gender diversity, particularly at the leadership level.** Investors should pay close attention to the percentage of women in leadership positions as our data suggests it could be a key leverage point for better financial performance. Moreover, investors should pay attention to a company's practices for hiring, training, promoting and retaining women in management roles.
- **While our findings are compelling, they do not prove causation.** To prove causation will require more data and more diverse data. For younger sectors like renewable energy in emerging markets, it will also require more time. To do any longitudinal analysis also requires that impact investors align with industry and sector-standard efforts like *IRIS* and *Social Performance Taskforce*. We won't be able to identify any patterns or determine causation if we aren't using the same metrics. Investors commitment to standardized metrics also eases the reporting burden on investees.
- **This is a work in progress and to some extent, it will always be.** Our analysis is compelling, but not exhaustive. Impact investing approaches are inherently iterative. You develop a strategy, invest, gather data, refine your strategy using that data, and invest again. We will continue to do this for our gender-lens investing strategy.
- **Numbers only tell half the story.** The qualitative evidence that speaks to the benefits of incorporating a gender-lens is harder to categorize, but extremely powerful. For examples of from our portfolio of borrowers who have benefited from incorporating gender into their strategy and operations, please see Section IV.

Investors should pay attention to a company's practices for hiring, training, promoting, and retaining women in management roles.

IV. APPLICATION

How can investors capitalize on this opportunity?

Over the past seven years, we have not only collected financial and impact metrics, but we've learned important lessons and developed tools to share with the broader industry. Incorporating gender into your investment process doesn't need to be complicated, but it does need to be contextual. We offer three steps to developing a gender-inclusive investment strategy below.

STEP 1 SET REALISTIC EXPECTATIONS BASED ON THE TYPE OF CAPITAL YOU ARE INVESTING

Investors need to develop their strategy—whether for gender-lens or impact investing more broadly—by focusing on the type of capital they have available to invest. This, more than anything, practically defines the opportunities that are available to you and the approach to incorporating gender you can take. Investors should begin with the following questions:

What kind of capital do I have?

Debt or equity? In private or public markets?
Philanthropic capital? All the above?

Where is it housed?

This helps determine the legal, operating, and regulatory realities surrounding your capital. For example, if your money is advised in a large financial center, your financial advisor is subject to her firm's rules. This may limit investment opportunities you have available to apply a gender-lens to public markets or private opportunities that have been approved on the firm's internal platform.

How much do I have?

The size of your investable assets matters as well; if you are not an accredited investor, meaning that you do not meet certain levels of wealth, then your investment opportunities narrow. You may be mostly limited to investment products like mutual funds, ETFs or perhaps Notes (like our Community Investment Note*). The opportunities available to you expand with the size of your investable assets. For example, accredited investors could join an angel network like Golden Seeds and invest in early-stage companies with women leaders.

We developed a framework organized by asset class to help investors through this process. The framework is meant to provide high-level guidance for investors to understand how they can integrate gender into their investment strategy whether they are a financial advisor or fund manager, an institution or an individual investor.

The key point this framework highlights is that different types of capital have unique limits and advantages, particularly when it comes to the social impact outcomes they can achieve. For example, grantmakers can direct capital to a hyper-specific population, location, or problem of their choosing (e.g. increasing primary school attendance rates for girls in rural Rajasthan), whereas for typical investors in public markets, the options are more limited, and impact is more removed, given the sheer size of public markets and the companies that operate in them. Private investments offer opportunity for a more direct connection to impact, but at varying degrees depending on the type of capital. Equity investors can have a much more prescriptive and direct impact than debt investors, requiring change and enforcing adoption of key criteria over time.

*The Community Investment Note, which is subject to certain risks, is not a mutual fund, is not FDIC or SIPC insured. Any decision to invest in the Community Investment Notes should only be made after reading the prospectus.

STEP 2 UNDERSTAND THE TOOLS AT YOUR DISPOSAL

The tools to incorporate gender into investment analysis vary based on the type of capital and the level of influence and ownership that capital affords the investor.

In public markets

investors have two tools at their disposal:

Screens:

Investors can screen investments in or out of a portfolio based upon performance against a variety of gender benchmarks, including:

- **Board and leadership diversity** (set a threshold for the number of women on board and/or in senior management);
- **Workplace equity** (pay equity; practices for hiring, training and promoting women, family leave policies);
- **Goods or services produced** and their impact on women as well as how women are portrayed in the marketing of those goods or services;
- **Track record of EEOC** (equal pay/compensation and sex discrimination) violations.

Asset managers (e.g. Pax, State Street, Morgan Stanley amongst many others) offer products that target companies with high scores on measures of gender equity.

Voice:

Advocates of sustainable investing often argue that it's not necessarily what stocks you hold, but what you do with them that matters. Investors can use their voice to affect change by participating in shareholder voting and advocacy that encourage progress towards gender equity and/or contact companies directly to express their views.

Client demand often drives product creation, so if you use a financial advisor, ask them about gender-lens products and strategies that are available to you. If you asked your financial advisor about your portfolio's carbon footprint 30 years ago, they would have thought the question was crazy. Today, it's a standard one. But if clients don't start asking the question it will never be answered.

In private markets

there are more tools available to incorporate a gender-lens, but they must be tailored to the investor's market and theory of change that connects the capital they invest and the outcomes they hope to achieve.

Screens:

Similar to public markets, investors can use inclusive or exclusive screens. For example, at Calvert Impact Capital, we "screen in" investments around three measures:

- A commitment to gender equity stated or implicit as part of organization's mission or strategy;
- Diversity at the governance and leadership level, as well as gender inclusive human resources policies;
- Products and services that have a positive effect on women's lives;

It is important to note that investors must respect market context when setting screens or they might screen themselves out of a portfolio. For example, if Calvert Impact Capital had retained the screens we had used for our initial gender-lens strategy (companies had to have 30% women on boards and in leadership positions and/or at least 50% women clients served for inclusion in the portfolio), our current renewable energy portfolio would not exist. Not only would we have lost the opportunity to successfully advocate for our borrowers to add women board members and hire with a gender inclusive lens, we would have missed a massive opportunity to improve the lives of women and their families. For the renewable companies we invest in, primarily through intermediaries, the majority of their clients on paper are men. However, women are often the ones who advocate for (or against) purchasing products like solar home systems and clean cookstoves for the household, and whose lives are transformed the most by them. Benefits include better health as a result of reduced indoor air pollution and improved safety from not having to make dangerous trips to collect firewood and from better lighting outside the home. Solar household products also extend time for productive activities, like running a business or studying. It is important to remember that gender impact is nuanced and screens are a relatively blunt tool.

Private Markets continued on next page.

Private markets, cont.

Underwriting:

Incorporating questions about gender into standard due diligence is a low barrier way to adopt a gender lens. Standardizing questions about gender reinforces the idea that gender is not an “extra” consideration, but a critical part of understanding an organization’s strategy and potential for success. It is also an important step to gathering context required to properly deploy other tactics like setting screens, milestones, and financial and impact reporting requirements.

Milestones

Investors can set milestones with their investees that outline progress towards gender-focused goals, such as increasing the percentage of women in board and leadership positions, developing or improving human resources policies to promote gender equity, hiring, and/or training to support women employees. Milestones can also be related to improved collection of gender disaggregated data or a more in-depth understanding of the implications of gender on a company’s strategy (i.e.

Reporting

Investors can request gender-disaggregated data ranging from simple to complex. The metrics should be reflective of the investor’s theory of change, but also tailored to the operating environment. The most successful reporting process is the one in which the investor and investee work together to determine how to measure success and most importantly, how the data will be used to further inform and improve business strategy. Data collection must be anchored in improving business performance, rather than only focused on social impact outcomes. If companies don’t understand how the data is pertinent to their bottom line, it will not be prioritized and will be perceived as an investor preference. To the extent possible, metrics should align with industry standards such as the Global Impact Investing Network (GIIN)’s IRIS catalog. Standardization is essential to improving the quality of data collected, offering the potential to observe patterns over time and lowering the burden on investees who are often frustrated and distracted by investor requests for custom impact metrics.

Just because a potential investee lacks an awareness of how gender affects their business, does not mean that they don’t currently have a positive impact on women.

Calvert Impact Capital developed a second framework for investors to provide basic guidance for incorporating gender into the underwriting process. The framework is built from our perspective as a lender and offers sample questions, to be refined and adapted depending on the deal being reviewed, that can serve as a starting point for a deeper conversation with a potential investee about gender. Having a conversation is essential. Just because a potential investee lacks an awareness of how gender affects their business does not mean that they don’t currently have a positive impact on women (they might not acknowledge it as anything other than business as usual) or that they cannot or will not shift their operations to be more gender-inclusive. This has happened regularly with our investees.

at what point do you engage women in your value chain? When could you engage them to make your product better or more accessible?). Milestones can be ‘soft’ or ‘hard’—meaning there can be varying degrees of formality to establishing them and repercussions for missing them. We have incorporated milestones into loan documents and tracked them through more informal agreements, such as quarterly borrower reports.



Further Reading

Investors looking for tangible examples of how businesses can incorporate gender into operations to improve the bottom line should read Value for Women’s report: [*A Business-First Approach to Gender Inclusion: How to Think About Gender Inclusion in Small and Medium Enterprise Operations.*](#)

STEP 3 GENDER-LENS INVESTING IS AN ART, NOT A SCIENCE, AND CONTEXT MATTERS

Gender is nuanced, and success looks different depending on the context of an investment.

Progress on gender diversity looks different in Boston and in Baghdad; it looks different for a renewable energy start-up and a well-established microfinance network. Gender equity is a worthy goal that should be pursued across the globe and in all sectors, but the social, political and economic contexts vary drastically across locations. Therefore, investors' strategies for pursuing gender-inclusive investment strategies and measuring success should vary as well.

Investors must also be realistic when determining reporting requirements because gender disaggregated data is difficult to collect, especially in emerging markets. Collecting data is not like flipping a light switch and companies operating in challenging markets have often have limited resources to dedicate to data collection. Allowing a runway for improvement is essential to quality data collection.

Impact evolves over time. Behavior change, which is what we are ultimately seeking, has a long trajectory, so don't let the pursuit of the perfect strategy blind you from potential for powerful impact.

The key to a successful gender-lens investment strategy is iteration; to build upon the experience you have and the data you gather to continually refine your goals and evolve your strategy.

Example 1 – “Hidden Influencers”

A borrower operating in renewable energy was initially reluctant to be highlighted through our gender portfolio as they were gender diverse from a leadership and client perspective but told us they took a “gender-neutral” approach to their business. However, they promised to investigate this aspect of their operations as we presented them with performance data of gender diverse organizations from our portfolio. We also nudged them with very simple questions, e.g. “Don’t you want to know how much of an untapped market there might be in the countries you operate in?” It made business sense that they should know the client opportunities their expansion plans presented. While getting specific gender disaggregated client data for some of the countries in which they operate was practically impossible at that point, anecdotal and empirical evidence from their sales agents was a good first step.

As they focused on collecting market intel to expand their reach and continued to grow as a company, they looked at staff performance and noticed their female sales agents were significantly outperforming their male sales agents, who represented the bulk of their sales staff.



They hypothesized that, whereas it would be culturally inappropriate for a male sales officer to approach a home while only a woman was at home, female sales agents could. They also acknowledged that they might have been benefiting from acquiring raw talent that other employers ignored, due to the male-dominated cultures they operate in. In addition to attracting talented staff members, gender diversity on staff helped them attract funding. Investors—impact investors and traditional investors—viewed it both as a business strength and as having a positive impact on women’s empowerment.

They dug into the implications of gender throughout their sales process and committed to collecting better data. As a result, they made several changes to their operations. They noticed that while men often make the final decision to purchase and sign the contract, women are the “hidden influencers” of the decision. They tweaked their sales process by having agents approach homes at times when both women and men are likely to be home—enabling the household to make faster and better decisions. This revised sales strategy not only made for a quicker sales process, but cultivated a more reliable customer base that made timely repayments and grew with the company by upgrading their solar systems over time as they realized the benefits of increased energy savings.

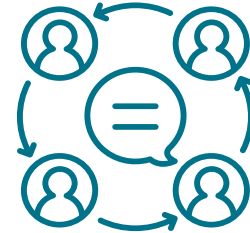
Example 2 – “Gender Disaggregated Data”

Another renewable energy borrower in our portfolio did not and still does not consider themselves gender-lens investors. They liked the idea of collecting gender-disaggregated metrics from their clients, but they did not think the market was ready for it. We decided to incorporate gender-disaggregated data collection as a milestone in their impact reporting over time, first, focusing on their ability to strengthen their own operations, and then getting better data from their clients.

They strengthened their HR process, ensuring they had a diverse board and team. They then incorporated gender nuanced questions in their own underwriting process for their borrowers —e.g., “How many of your clients are women? How do you market to them?” All aimed at getting to the heart of their business issue: how well the company knew their client base and how effectively they could sell to them.

After introducing the idea to their borrowers that gender is important to competitive advantage, they began to standardize the request for collecting gender disaggregated data from their clients. We did not receive any gender disaggregated data the first year, but in year two we had good assumptions around the gender composition of their borrower’s client base. They have indicated that they are now ready to report on actual gender disaggregated data as part of their standard reporting.

Collecting gender disaggregated data is possible if it’s done with understanding and without imposing harsh requirements. It is also important to note that we would not rescind our financing if the data doesn’t meet our expectations initially, but would work with them over time to improve it.



After introducing the idea to their borrowers that gender is important to competitive advantage, they began to standardize the request for collecting gender disaggregated data from their clients.

“Human beings adjust behavior based on the metrics they’re held against. Anything you measure will impel a person to optimize his score on that metric. What you measure is what you’ll get. Period.”

DAN ARIELY

PROFESSOR OF PSYCHOLOGY AND
BEHAVIORAL ECONOMICS, DUKE UNIVERSITY

N E X T : G E T S T A R T E D

Begin a conversation about gender with your portfolio companies, with your financial advisor, or within your institution.

And don't get discouraged if you don't find what you are looking for; this is still a very underdeveloped market from a product and process standpoint. There are resources and partners available to work with you; a spirit of collaboration is one of the defining features of the gender-lens investing movement.

While the challenges we face are enormous, so is the opportunity. We must make gender a standard part of the investment equation and central to our concern for creating a better world.

There is not a magic formula, no one right way to do gender-lens investing and only one wrong way—ignoring it all together.

With this report we add our voice to the chorus of others who have made the business case for adopting a gender-lens for investments. Our hope is that by building the business case from the private markets perspective and making the practice of gender-lens more approachable, we can move more capital and create the more equitable and sustainable world that we need.

Again, including gender in investment processes isn't rocket-science or purely an impact goal. It has the potential to improve financial performance, highlight risk, uncover opportunity and empower women.

It's just good investing, so get started.

“Saving our planet, lifting people out of poverty, advancing economic growth...these are one and the same fight. We must connect the dots between climate change, water scarcity, energy shortages, global health, food scarcity, and women's empowerment. Solutions to one problem must be solutions to all.”

BAN KI-MOON

**EIGHTH SECRETARY-GENERAL
OF THE UNITED NATIONS**

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A P P E N D I X 1 GENDER REPORTS

- The International Monetary Fund's 2016 working paper [Gender Diversity in Senior Positions and Firm Performance: Evidence from Europe](#) examines the link between gender diversity in senior corporate positions and financial performance of 2 million companies in Europe and finds a positive association between corporate return on assets and the share of women in senior positions (the unique aspect of this study is that the almost all of the companies examined are private).
- Credit Suisse 2016 report [The CS Gender 3000: The Reward for Change](#), mapped 27,000 senior managers at over 3,000 companies globally and reaffirmed earlier findings that companies with a higher participation of women in decision-making roles continue to generate higher market returns and superior profits.
- A 2016 [Morgan Stanley report](#) assessed 1600 stocks globally and found that "high gender diversity companies have delivered slightly better returns, with lower volatility, compared with their low diversity or sector peers, and they have moderately outperformed on average in the past five years."
- An analysis of a global survey of 21,980 firms from 91 countries conducted by the [Peterson Institute](#) in 2016 found that the presence of female executives is associated with "unusually strong firm performance as measured by both gross and net margins."
- MSCI's 2015 report [The Tipping Point: Women on Boards and Financial Performance](#) shows that having three women on a corporate board represents a "tipping point in terms of influence, which is reflected in financial performance" and that companies with strong female leadership outperform those without it; an updated analysis in 2016 provided further evidence.
- A 2015 RobecoSAM paper [Does corporate gender equality lead to outperformance?](#) found that gender diversity and equality contribute to better corporate performance and investment returns.
- McKinsey's 2015 report [Why Diversity Matters](#) found that companies in the top quartile for gender diversity are 15 percent more likely to have financial returns above their respective national industry medians.
- McKinsey's report "[Women Matter. Time to Accelerate: Ten Years of Insights into Gender Diversity](#)" makes the case for gender parity on both a micro and macro level with insights from 2007-2017.
- A new IMF staff paper, [Economic Gains from Gender Inclusion: New Mechanisms, New Evidence](#), released in Oct 2018 finds that decreasing barriers that prevent women from entering the workforce and narrowing participation gaps between women and men is likely to produce even larger economic gains than previously thought.
- Harvard Business Review has published a variety of articles detailing research on the relationship between diversity, investment practices and performances, including:
 - [Why Gender Balance Can't Wait](#) a 2016 article by Sodexo on a company-wide study that showed more gender-balanced units within Sodexo have greater client retention rates and customer satisfaction, are 13% more likely to deliver consistent organic growth and 23% more likely to show an increase in gross profit. They saw positive operating profit more consistently than less gender-balanced units.
 - [The Other Diversity Dividend](#) in summer 2018 which details research findings focused from the venture capital world that "diversity significantly improves financial performance on measures such as profitable investments at the individual portfolio-company level and overall fund returns."
 - [The Comprehensive Case for Investing More VC Money in Women-Led Startups](#) published in 2017 cited evidence that "lopsided gender composition may be hurting venture capital performance portfolios" and outlined steps VCs could take to improve performance.
 - The article "[Male and Female Entrepreneurs Get Asked Different Questions by VCs — and It Affects How Much Funding They Get](#)" published in 2017 outlined how common biases in the questions that VCs ask potential investees impacts funding.

A P P E N D I X 2

	CAPITAL MARKETS						FLEXIBLE PHILANTHROPY				PHILANTHROPY
MARKET	PUBLIC		PRIVATE								
ASSET CLASS	DEBT	EQUITY	DEBT		EQUITY		DEBT		EQUITY		GRANTS
			Inter- mediary	Direct	Inter- mediary	Direct	Inter- mediary	Direct	Inter- mediary	Direct	
INVESTMENT VEHICLE EXAMPLES	• ETFs • Mutual Funds		• Note, Structured Fund • Direct Loan		• Equity Fund • Direct Investment		• Note, Structured Fund • Direct Loan		• Equity Fund • Direct Investment		Grants
EASE OF USE	Easy	Easy	Medium	Difficult	Medium	Difficult	Difficult	Difficult	Difficult	Difficult	N/A
OWNERSHIP & INFLUENCE	Low	Low	Medium	Medium	High	High	Medium	Medium	High	High	High
VALUE TO INVESTEE	Growth Capital		Scale Capital		Strategic capital		Growth capital (bridge to capital markets)		Strategic capital (proof of concept)		Highly tailored capital to a specific issue/challenge
TOOLS											
SCREENS	Exclusive/Inclusive		Inclusive/Tailored		Inclusive/Tailored		Inclusive/Tailored		Inclusive/Tailored		N/A
MILESTONES	Depends		Formal/Informal		Require		Formal/Informal		Require		Require
REPORTING	Standard		Tailored		Highly tailored		Tailored		Highly tailored		Highly tailored
GENDER OUTCOMES											
GOVERNANCE AND WORKPLACE EQUITY	Influence change over time		Influence change over time		Require change		Influence change over time		Require change		Require change
STRATEGY/ BUSINESS MODEL	N/A		Influence gender inclusive strategies throughout the organization's value chain		Embed gender inclusive strategies throughout the organization's value chain		Influence gender inclusive strategies throughout the organization's value chain		Embed gender inclusive strategies throughout the organization's value chain		Require adoption of gender inclusive practices
IMPACT ON END CLIENTS/ BENEFICIARIES	None		Indirect		Direct		Indirect		Direct		Direct

GLOSSARY

This list is not an attempt to redefine terms, but to enable a common understanding when using the framework tailored to gender equity.

Gender-Lens Investing (GLI): The deliberate incorporation of gender factors into investment analysis and decisions. It is also the deliberate use of capital to improve the lives of women and girls and/or to get capital to companies, funds, and investment vehicles with a focus on women throughout value chains, products and services, or leadership. Definition sourced from Wharton Social Impact Initiative's Project Sage: <https://socialimpact.wharton.upenn.edu/general-news/five-things-know-project-sage>.

Capital Markets: Markets for buying and selling equity and debt instruments. Capital markets include primary markets, where new stock and bond issues are sold to investors, and secondary markets, which trade existing securities. Capital markets are defined as markets in which money is provided for periods longer than a year. The money is subject to particular legal, regulatory and operating realities.

Flexible Philanthropy: Investments that augment philanthropic-oriented activity which focuses on specific populations and challenges. This includes the work to bring more sustainable solutions to bear on traditional challenges through the application of financial tools. These solutions are often tailor-made and built with the localized social or environmental outcome as the primary driver. This market is subject to different legal, regulatory, operating realities than capital markets are.

Public Capital Markets and Private Capital Markets: There are many characteristics that differentiate the private and public capital markets, such as:

- Liquidity: securities that are efficiently traded (public) versus illiquid securities inefficiently traded (private); and
- Democratization: companies that raise capital in the private markets are often subject to investor qualification requirements and/or other offering limitations which can result in the average investor being unable to participate.

Investment Vehicle: Investor qualification (retail, accredited, etc.) and access to product are correlated. Investment options expand as assets under management (AUM) increases.

Ease of Use: Characterizes the effort required for an investor to invest. Organized by:

- Easy: products that are regulated and easily accessed by all investors;
- Medium: accessed through financial intermediaries that may offer a prospectus or private placement documents that can facilitate underwriting efforts; and
- Difficult: generally direct investments in a business or intermediary that require sophisticated financial analysis to understand risk and underwrite investment opportunity.

Ownership and Influence: Degree of agency and control investors can exercise over the organization.

Value to investee: The strategic function a specific type of capital provides to an organization.

Screens: Screens are a tool that can be used to apply a gender-lens and can be exclusive or inclusive. Exclusive screens are focused on avoidance and eliminating investments that do not meet specific gender criteria. Inclusive screens are used to seek out investment opportunities that are actively advancing gender equity. Screens applied to private market investments are more dynamic and can be further tailored to specific geography/sector/impact.

Milestones: Tool an investor can use to influence or require action by an organization through their investment. In public markets, investors can use their voice to set milestones (e.g. through shareholder advocacy and voting).

Reporting: Reporting includes financial and impact reporting.

Workplace Equity: Valuing and promoting diversity in leadership and throughout the organization's HR policies and practices.

CALVERT IMPACT CAPITAL INVESTING FRAMEWORK: GENDER EQUITY

MARKET
ASSET CLASS
THEORY OF CHANGE

Capital Markets

Private Debt

Use private capital to achieve gender equitable outcomes in the context of universal energy access

GENDER-LENS APPROACH TO INTERMEDIARY

GENDER-LENS APPROACH TO DIRECT

SCREENING & FIT

INCLUSIVE SCREENS

- Commitment to SDG 5: gender equality
- Governance and leadership diversity
- Positive impact on women and their families

- Gender equality integrated in the business' strategy (or clear commitment to do so)
- Gender equality integrated in the business' value chain (or clear commitment to do)
- Positive impact on women and their families (through the products and services offered)

KEY AREAS FOR ANALYSIS

- Gender incorporation within mission, strategy and operations
- Governance diversity
- Workplace Equity
- Investment process (origination, underwriting, monitoring of financial and impact outcomes)
- Management and reporting of progress to gender goals

- Gender incorporation within the mission, strategy and operations
- Design of products/services
- Production, manufacturing, processing
- Sales and after sales service
- Marketing and advertising: strategies and messages

**Based on work by Acumen^a and Value for Women^{aa}*

UNDERWRITING

STRATEGY AND EXECUTION

- How does gender factor into your investment strategy and operations?
- How is gender factored into your origination, underwriting, financial and impact monitoring?

- How does gender factor into your organization's strategy and operations?
- How is gender factored within your value chain?

WORKPLACE EQUITY

- How important is gender diversity within your governance and leadership team?
- What is your current gender composition of: governance & advisory board, management team, staff?
- How difficult it is to hire and manage a gender balanced team?

- How important is gender diversity within your governance and leadership team?
- How difficult it is to hire and manage a gender balanced team?
- What type of professional development do you offer to your staff?

PRODUCTS AND SERVICES

- Do you have formal workplace policies and procedures designed to equalize opportunities and competitiveness of your staff?
- What type of professional development do you offer to your staff?
- How can we help influence a gender balanced team, leadership and governance within your intermediary?
- What are realistic gender diversity milestones to set over time?

- Do you have formal workplace policies and procedures designed to equalize opportunities and competitiveness of your staff?

- How do the products/services that your borrowers offer impact women?

- What is the existing gender composition of your clients?
- What is the potential opportunity to reach women clients? Does this open up an untapped client base?
- What is the demographic profile of your clients?
- Are you incorporating specific needs/desires and preferences of women in product/service design?
- How are you selling to these clients? Are you hiring women in sales or after sales services?
- How are you marketing to your clients?
- How are you seeking and incorporating feedback from your women clients?
- To what degree does your advertising/marketing messages challenge traditional gender roles?

Additional questions regarding intermediary's clients on the right.

MONITORING & REPORTING

METRICS

- Gender disaggregated metrics at the leadership & governance level
- Gender disaggregated metrics at the enterprise & end beneficiary level
- Sector specific metrics to understand the dynamics & impact of the intersection of gender and a specific sector

- Gender disaggregated metrics at the leadership & governance level
- Gender disaggregated metrics at the end beneficiary level
- Sector specific metrics to understand the dynamics & impact of the intersection of gender and a specific sector

^a https://acumen.org/wp-content/uploads/2017/09/Women_And_Social_Enterprises_Report_Acumen_ICRW_2015.pdf
^{aa} <http://www.v4w.org/index.php/resources-new.html>

This framework is not an exact replica of Calvert Impact Capital's underwriting process and is not comprehensive. It's meant to serve as an example, with basic questions that can be a starting point for incorporating gender into an investment selection process. Questions must be refined and adapted based on experience and depending on the deal being reviewed.

Calvert Impact Capital has invested in women since our founding nearly 30 years ago by virtue of our work providing capital to communities left behind by traditional markets. In 2012, we adopted a more formal approach to investing in women, screening potential deals for their contribution to women's empowerment and creating specific metrics to track our progress. We called these efforts "WIN-WIN" or the Women Investing in Women Initiative. We allowed investors to target their Community Investment Notes to WIN-WIN and we sought not only to get more capital to women, but to engage women as investors.

WIN-WIN was created in response to a desire we saw in the marketplace for two things we observed: investors' desire for investment options that deliberately supported women, and a phenomenon we saw in our own portfolio of our borrowers having a strong positive impact on women, but not receiving recognition for it. By layering a gender focus on top of Calvert Impact Capital's Community Investment Note, it became the first widely available investment product that worked towards empowering women.

Through WIN-WIN, we developed a global portfolio of organizations doing inspiring work for and with women across sectors from affordable housing to microfinance to healthcare. The diversity of the portfolio was powerful from an impact perspective, but also made it challenging to draw conclusions from the data we were collecting. It became clear that to understand our impact over time on gender equity issues in greater depth, we needed to take a sector and region-focused approach. At the same time, we began to understand the outsized impact of our investments in renewable energy on women's empowerment.

Today we no longer use the name WIN-WIN, but our commitment to gender-lens investing is stronger than ever. As mentioned in the report, our gender-lens investment strategy is both wide and deep. Wide in the sense that we collect gender-specific metrics for all our investments to understand gender dynamics across our multi-sector portfolio, and deep in each sector to understand where the need for our capital intersects with the potential to make a difference in women's lives at scale. Renewable energy is the first sector we've explored deeply with a gender-lens and we plan to explore others in the future.

The name WIN-WIN was a helpful short-hand for highlighting our borrowers impact on women, however it proved both appealing and confusing to investors. Many thought WIN-WIN was a different organization than Calvert Impact Capital so we decided to stop using the name WIN-WIN and start using the more clear and accurate term "gender equity." This change in name allows us to speak directly to the issue WIN-WIN was designed to highlight and incorporate it more fully throughout all our operations.


Our gender equity strategy has taught us that there is significant appetite for opportunities that connect investors to the people, places, and issues they care deeply about, like women's empowerment. By connecting investors to a specific issue they care about it, we create stronger engagement. The overwhelming enthusiasm of investors helped us focus on the issue of gender equity initially and our success is due to our investors support. We extend thanks to our investors for both trusting us with your investments and encouraging this work. We could not do it without you.

NOTES

NOTES

This work would not have been possible without the many individuals and institutions who have supported our gender equity work over the past seven years. A special thanks to The Shell Foundation and their partners Department for International Development (DFID) and United States Agency for International Development (USAID), The Wallace Global Foundation, Woodcock Foundation, Citi Foundation, several anonymous donors and the many investors who have encouraged our focus on gender.

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