



British International
Investment

Gender and Diversity Finance Position Statement

Investing for Inclusion

2022-26 Strategy Period



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1. Introduction

In 2018, we made our first public commitment to investing for Women's Economic Empowerment in our first [Gender Equality Position Statement](#).

Since then, we have made considerable progress building the field of 'gender-smart' and 'diversity lens' finance through our commitments to the [2X Challenge](#) and as a founder of the new [2X Collaborative](#) industry body, and more recently through our newly-established **BOLD Investing** initiative to promote *Black Ownership and Leadership for Development*.

We have learned a lot about **Gender and Diversity Finance** over the past several years and have also made strides to strengthen our internal investment frameworks to achieve our inclusive investing goals for 2022-26.

The purpose of this updated position statement is to renew our commitment to Women's Economic Empowerment through gender-smart investing and to set out our ambition to invest for broader diversity outcomes over the next five years, including increasing the representation of black African-owned and led businesses in our sub-Saharan Africa portfolio.

2. What is Gender and Diversity Finance?

Defined simply, Gender and Diversity Finance is the investment practice of intentionally considering how a business affects women and other diverse and marginalised people as part of investment decision-making and management.

The goal of Gender and Diversity Finance is to increase the participation of women and under-represented groups across the private-sector by promoting more inclusive practices at all levels of business operations (ownership, governance, leadership, workforce, supply chains) and to encourage the development of products and services that meaningfully support all segments of society, particularly those that have been traditionally under-served.

The ultimate impact goal of our Gender and Diversity Finance approach is to improve the lives of women and other systemically under-served groups in our markets by intentionally opening economic opportunities to them.

Until the past few years, most investors (including ourselves) did not consistently consider gender or other dimensions of diversity as part of standard investment processes, but today that is changing as more investors realise that adopting this approach is not only impactful by reducing inequalities and providing economic benefits to underserved groups, but also a smart investment strategy to realise commercial returns.

There are two primary ways that, as investors, we can increase diversity in our portfolios:

1. **Origination** - actively seeking investments that are already gender-balanced and inclusive, so that our capital supports inclusive businesses and helps to fill existing finance gaps.
2. **Value Creation** – working with our investments to help support and 'nudge' them to make improvements in gender balance and diverse representation across their business, or to design products and services for women or other underserved consumer segments.

Since 2018, we have worked with our peers across the investment industry to develop the standards and metrics needed to invest in this way (like the [2X Criteria](#)), which we have mainstreamed across our operations and now conduct as our 'business-as-usual' assessment for all of our investments.

3. Gender and Diversity Finance in our 2022-26 Strategy

Being intentional about promoting gender balance and diversity at all levels of business operations is a core part of our investing approach as an impact-led, inclusive investor.

As part of our [2022-26 strategic commitment](#) to invest for **Productive, Inclusive and Sustainable** development, we aim to ensure that the benefits of our investments are shared across all sections of society. Indeed, one of the ‘universal values’ behind the Sustainable Development Goals (SDGs) is leaving no-one behind, which is about eradicating poverty but also ending discrimination and other forms of systemic exclusion.

We aim to intentionally invest in businesses that commit to creating quality jobs for women and marginalised groups, and to increase access to affordable and high-quality products and services for women and diverse consumers.

As investors we also believe that broadening the representation and participation of women and diverse groups in business leadership and decision-making is a critical pathway to economic development and achieving the SDGs, in particular SDG 5 Gender Equality.

Diverse business owners and leaders understand what it takes to attract and retain a more diverse workforce and are better prepared to innovate new products and services to meet the needs of underserved consumers.

Similarly, gender-balanced and diverse fund managers and capital allocators in financial institutions are more likely to provide finance to women and diverse business owners and to companies with these inclusive business models.

With this in mind, we have developed an intentional approach to Gender and Diversity Finance for 2022-26 that initially focuses on two areas of diversity finance:

1. **Gender Finance** (using the 2X Criteria)
2. **Promoting black ownership and leadership in Africa** (using our BOLD Investing criteria)

Our approach is based on opportunity – the 2X and BOLD investment criteria provide a positive screen and recognise economic benefits for women and black Africans.

We have committed to assessing all of our investments using the 2X framework and all of our investments in sub-Saharan African using the BOLD framework in order to intentionally drive our capital toward the most inclusive businesses. We will monitor and report on our progress over the coming five years in order to share our learnings publicly and support wider adoption of Gender and Diversity Finance practice in the market.

We will also continue to collaborate with our peers to align around best practice and to innovate new investment models to address new and emerging dimensions of diversity or thematic focus, such as promoting ‘gender lens investing’ funds, increasing participation of women and under-represented groups in infrastructure and power sectors, and integrating a gender and diversity lens into Climate Finance frameworks (building on the [Gender-smart Climate Finance Guide](#) that we launched with 2X partners at COP26 in 2021).

4. Our approach to Gender Finance

As an investor that cares about inclusion, it is imperative that our capital addresses significant imbalances in terms of who benefits from our funding.

Across our products, women continue to access capital at significantly lower rates than men. Our portfolio data indicates our reach to female-led fund managers, female entrepreneurs and female leaders is limited. Across the globe, women's economic participation is still significantly limited, and women remain chronically underserved by the private sector, which means that local economies can't fully benefit from their contribution.

We believe that the key to building sustainable and inclusive businesses is advancing gender equality and women's economic empowerment more deliberately in the way we invest, so that both men and women are provided with the same opportunities.

We recognise the structural and discriminatory barriers women in our markets face, which are driving gender gaps. We see it as our responsibility to help close these gaps and demonstrate the social and economic value of investing in women to the wider investment industry.

4.1 The 2X Criteria

Women's economic empowerment was a priority area of focus in our 2017-2021 Strategic Framework. Over that period, we played a leadership role to develop the 2X Criteria and investment framework, which is quickly becoming the industry standard for gender lens investing. We also developed our [Gender Toolkit](#), which is a suite of publicly available resources to promote the uptake of gender lens investing practices among investors across the industry.

Gender lens investing is not just about investing in women-owned businesses – it is about valuing and promoting women's participation across all levels of business operations. It is also about providing goods and services that are tailored to the needs of women consumers. The **2X Criteria** provides a guide to investors on the minimum thresholds that we should be seeking for women's economic participation at every level (as owners, leaders, workers and consumers). It also provides guidance on how to invest in financial intermediaries to ensure that they are not only gender-balanced themselves but also investing to promote women's participation and economic empowerment in their own portfolios.

Gender-based violence and harassment (GBVH) is a systemic risk in many of the geographies and sectors we invest in. That's why we have also developed an [ESG Good Practice Note](#) on managing GBVH risks which reflects our experience proactively assessing these risks alongside our 2X assessments.

Looking ahead to the next five years, we will increase our intentionality to invest for positive outcomes for women. Our priority areas of focus are:

4.2 Origination priorities

- ✚ **Women workers:** investing in businesses that create quality jobs and opportunities for women, particularly women in low-income and fragile countries
- ✚ **Women consumers:** investing in businesses that improve the affordability and quality of products and services that are intentionally tailored to meet women's needs
- ✚ **Women investors and 'gender lens investing' funds:** investing in women-led and gender-balanced fund managers who intentionally invest with a gender lens
- ✚ **Women entrepreneurs:** financing women entrepreneurs through directed lending (SMEs) and venture capital (start-ups)

4.3 Value Creation ('nudging') priorities

- ✚ **Women workers:** working with investees to make commitments and implement action plans to increase the number and quality of jobs for women
- ✚ **Women leaders:** supporting investees to improve gender balance in leadership (Management, Boards, IC) through commitments, targets and action plans
- ✚ **Financial institution capabilities:** supporting financial institution investees to better understand and target the women's market (women business owners as a priority)
- ✚ **Funds and platform capabilities:** supporting our fund managers and platform owners to promote gender diversity internally, to target 2X-aligned businesses in their portfolio and better invest with a gender lens as a complement to their investment strategy

5. Our approach to BOLD investing (Black Ownership and Leadership for Development) in Africa

As an investor that cares about inclusion, it is imperative that our capital addresses significant imbalances in terms of who benefits from our funding.

In some of our sub-Saharan Africa markets, black entrepreneurs continue to access capital at significantly lower rates than other races. Capital reaching black sponsors across the region is limited, with a skew towards sponsors who are non-black and often expatriates or immigrants to the markets they operate in. For example, 70 per cent of startups in Kenya that received \$1 million or more of venture capital investment in 2018 were led by a white expatriate founder, despite the expatriate community making up 0.15 per cent of the population. This industry trend is evident across the region and is also apparent in our own sub-Saharan Africa portfolio.

For comparison, in our North Africa and South Asia portfolios, we have almost exclusive reach to sponsors that are local and/or populations indigenous to those regions. As a result, we have prioritised black ownership and leadership as a Diversity Finance focus area, with an ambition to increase the number of black-owned and led businesses in our sub-Saharan Africa portfolio. This will not only directly enable more black African-owned and led businesses to access capital at greater rates but also help accelerate broader positive spill overs to other aspiring entrepreneurs, while supporting development of local human capital ecosystems.

We have played a critical role as a leader in shaping and championing gender lens investing with 2X. Leveraging this experience and lessons learnt to-date, we will continue to expand our Gender and Diversity Finance approach to investing in recognition of where we have gaps in our own portfolio. Our BOLD investing framework presents an opportunity for us to enhance indigenous and local representation in our investments, while seeking to influence broader capital markets to deliver more equitable and inclusive economic development.

5.1 The BOLD Criteria

When setting out our BOLD investment framework for sub-Saharan Africa we considered definitions carefully.

We have chosen to define ‘black Africans’ as individuals who self-identify as black African regardless of nationality.

With this starting point, we have set our focus on ‘black ownership’ meaning businesses that are demonstrably owned or founded by black African individuals and ‘black leadership’ meaning C-suite (or equivalent), Board or Investment Committee.

Looking ahead to the next five years, we will be investing to increase the representation of black owners and leaders in our Africa portfolio. Our priority areas of focus are:

5.2 Origination priorities

- ✚ **Black entrepreneurs:** intentionally investing in businesses in sub-Saharan Africa that are founded and/or owned by black Africans
- ✚ **Black leaders:** investing in businesses in sub-Saharan Africa that are majority led by black Africans
- ✚ **Black investors:** investing in black-led fund managers who intentionally invest in black-owned and black-led businesses in sub-Saharan Africa

5.3 Value Creation (‘nudging’) priorities:

- ✚ **Black Leaders:** supporting investees to increase black representation in leadership (Management, Boards, IC) through commitments, targets and action plans
- ✚ **Funds and platform capabilities:** supporting our fund managers and platform owners to promote black leadership internally and to target black-owned and led businesses in their portfolio

6. Monitoring, Learning and Reporting

We will continue to enhance our data collection capabilities to collect more detailed information on the impact of Gender and Diversity Finance approach and to inform its continued evolution.

We will report on the implementation of this strategy to our Board’s Development Impact Committee on a regular basis and through our Annual Review as well as to our peers in the 2X Collaborative and EDFI.



British International Investment

123 Victoria Street
London SW1E 6DE
United Kingdom
+44 (0)20 7963 4700

CDC is changing its name to British International Investment
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