Gender Lens Investing

5 minute read - from V.E

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INTRODUCTION

Gender inequalities are deeply-rooted within our socioeconomic systems. As well as impacting individual human rights, structural gender inequalities have negative economic impacts. The World Bank estimates around USD 160.2 trillion is lost annually in human capital wealth[1] as a result of these issues. The COVID-19 pandemic is further widening the poverty gap between men and women[2]. New research from United Nations indicates that by 2021 around 435 million women and girls will be living on less than USD 1.90 a day, including 47 million pushed into poverty directly as a result of COVID-19[3].

Gender equality is a key component of the United Nations Sustainable Development Goals (SDGs). While SDG 5 is specifically focused on "Gender equality and the empowerment of all women and girls", more than half of the other SDGs have dedicated gender dimensions with measurable indicators integrated within them. In this context, the redirection of capital in favour of gender focused initiatives is increasingly recognised as a critical step in converting goals into progress. In this 5 minute read, we look at the rising trend of "Gender Lens Investing" (GLI).

GENDER LENS INVESTING

Whilst there is no standard definition, GLI generally refers to "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"[4]. In other words, it implies combining financial and gender analysis in the investment decision making process.

The common goals that GLI strategies pursue are improving access to capital, boosting workplace equality and investing in products and services that positively impact women[5]. Other outcomes that may be targeted by investors include supporting businesses owned by women, addressing gender-based violence, improving women's health and improving the participation of women to capital markets.

Gender lens investing can be implemented through a variety of mechanisms. These include gender bonds, private equity funds focused on the empowerment of women in business, gender or diversity investment index funds, products (e.g. Women in Leadership Exchange Traded Notes), venture capital funds, blended finance, exchange traded funds (ETFs), mutual funds and women term certificates[6].

[1] "Unrealized Potential: The High Cost Of Gender Inequality In Earnings" – The World Bank – May 2018

[2] "COVID-19 will widen poverty gap between women and men" – UN Women – 02/09/2020

[3] "From insights to action: Gender equality in the wake of COVID-19" – UN Women - 2020

[4] Private Equity and Value Creation. A Fund Manager's Guide to Gender-Smart Investing – IFC & CDC - 2020

[5] Gender Smart Glossary – GenderSmart – accessed 10/02/2021

[6] Gender Lens Investing: Bending The Arc Of Finance for Women And Girls – Veris Wealth Partners - 2018

A RISING TREND

Over the course of 2020 we have seen a number of new gender investment commitments and initiatives take shape. Public development banks made a "Statement on SDG 5" during the Finance in Common Summit. These signatories pledged to adopt "an intentional gender lens investing approach"[7]. In July 2020, the UN Women LATAM, together with the International Labour Organisation and the European Union launched the "Innovative Financing Initiative" and the "Gender Lens Investment Initiative". The objectives of these were to attract private sector partnership and investment[8] in order to strengthen the ecosystem of gender-sensitive investments. InvestEU, the new investment programme launched under the 2021-2027 multiannual financial framework and financed by the Next Generation EU, was designed with the intention of mobilising private and public investment in Europe for more sustainable, inclusive and innovative growth with a strong emphasis on measures to promote gender equality[9].

The number of gender lens funds has also grown in recent years. Project Sage have counted 58 funds being managed with a gender lens in 2017. This rose to 87 in 2018 and 138 in 2019[10]. Alongside this, the share of assets under management with a gender lens mandate is also growing (from USD 2.4 billion in 2018 to USD 3.4 billion as of June 30, 2019[11]).

We have also seen social bonds issuances triple in 2020 compared to the previous year[12]. This rise in social bond issuances is tied closely to the COVID-19 pandemic and the need to raise finance for projects to address a multitude of social risks. Within this segment, we have seen a number of "gender bonds" issued in 2020. Mexico and Indonesia issued gender bonds in October and March 2020 respectively. IDB Invest and Davivienda issued a gender-linked bond in August 2020. IIX's Women's Livelihood Bond 3 was launched in December 2020. In June 2020, the International Capital Markets Association updated their Social Bond Principles to explicitly include "Women and/or sexual and gender minorities" among its proposed examples of targeted population.[13]

The GLI approach can also be used by investors to recognise companies with demonstrably strong approaches to gender equality. Studies outlining a correlation between the presence of women in leadership (WIL) and a company's economic return[14] have supported the growth of funds structured

[7] Paris Development Banks statement on Gender Equality and Women's Empowerment – Finance in Common - 12/11/2020

[8] "UN Women launches Innovative Gender Financing Initiative" – UN Women - July 2020

[9] e.g. Article 7 of the partial agreement on the Proposal for a regulation of the European Parliament and of the Council establishing the InvestEU Programme COM/2018/439 final -2018/0229 (COD)as amended by the European Parliament.

[10] "Project Sage 3.0" - The Wharton Social Impact Initiative & Catalyst At Large – July 2020

[11] "Gender Lens Investing: Assets Grow To More than USD 3.4 billion" - Veris Wealth Partners - March 2020

[12] "Social Bonds Propel ESG Issuance to Record $732 Billion in 2020" – Bloomberg – 01/2021

[13] "Social Bond Principles" – ICMA – June 2020

[14] "Is Gender Diversity Profitable? Evidence from a Global Survey" – Peterson Institute for International Economics – 02/2016

according to WIL criteria[15], and gender lens equity funds applying this type of approach totalled USD 2.7 billion in AUM as of Q4 of 2020[16].

A final example of GLI growth is the FemTech industry, which refers to software, products and services that use technology designed for women's health, such as pregnancy and nursing care, period care or sexual wellness. The sector saw a growth from USD 57 million invested in 2012[17] to USD 800 million in 2019.[18]

CONCLUSIONS

Despite its growth, GLI remains a comparatively small segment of the ESG investing and sustainable finance space. However, the diversity seen at product level indicates that the actors involved in GLI are also diversifying. Investment in gender equality used to be the prerogative of development finance. Now, we see private actors such as commercial banks, asset managers, foundations and investment funds fuelling the growth of the GLI segment.[19] Alongside this, the "ecosystem"[20] for GLI is also developing with a network of institutional investors, professionals, and organisations emerging to support this type of investment strategy.

V.E has supported organisations to align part of their strategies with GLI. We have worked in partnership with LeaderXxchange, a sustainability research and data provider organisation, to develop products that promote gender diversity. We also provide Second Party Opinions for gender bonds[21]. The events of 2020 placed a spotlight on the fundamental importance of social issues (including diversity) in our societies and capital markets. This is being carried into 2021 and as such, the actions of governments, companies and investors are likely remain under scrutiny in this area. Given that prevailing context, we expect to see GLI continue as a trend to watch in 2021 and beyond.

AUTHORS

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[15] "Gender Lens Equity Funds: Key Stats" – Parallelle Finance – accessed 10/02/2021

[16] "Q4 2020 Gender Lens Performance: Equity funds" – Parallelle Finance – 03/02/2021

[17] "Global VC investments in femtech from 2012 to 2020" – Statista - 19/06/2020

[18] "Femtech in 2020: Investors Share Trends And Opportunities In Women's Health Technology" – Forbes – 08/01/2020

[19] Gender Lens Investing: How Finance Can Accelerate Gender Equality in Latin America and the Caribbean – IDB Invest – March 2019

[20] "Gender Lens Investing: Bending The Arc Of Finance for Women And Girls" – Veris Wealth Partners - 2018

[21] "Vigeo Eiris provides Second Party Opinion on the first Gender Bond issued in Latin America by Banistmo in collaboration with IDB Invest" – Vigeo Eiris – 07/08/2019

ABOUT

V.E is a global leader in ESG assessments, data, research, benchmarks and analytics. Leveraging our extensive proprietary database, we equip market players with the ESG insight they need to manage risks and better understand and address their social and environmental impact. With a team of nearly 300 experts of 30 different nationalities, V.E is present in Paris, London, Brussels, Casablanca, Hong Kong, Milan, New York, Rabat and Santiago. Since 2019, V.E has been an Affiliate of Moody's Corporation.

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