

Tip Sheet: Assessing Gender based Value Creation during an Investment Committee

What are the objectives of CDC's 2017-2021 Gender Strategy?

- + A growing body of evidence demonstrates the many ways that women add value to a companies' bottom line across the corporate value chain - as leaders, employees, entrepreneurs, suppliers, customers, and community members.
- + Yet market failures, conscious/unconscious bias, social constraints have led to women being undervalued, undervalued or missed entirely from commercial decision making.
- + CDC's gender strategy seeks to demonstrate value additionality and build the business case for how gender smart investing leads to more profitable, sustainable and inclusive growth across CDC markets.
- + We have made a public commitment to proactively pursue gender-based additionality across the corporate value chain and to build and shape the field of gender smart investing through systematically and explicitly applying a gender lens through the way we work.
- + We have also committed to the G7 2X Challenge- to invest and mobilise \$3bn towards women's economic empowerment by 2020 (see Table 1 within the Annex for further information).
- + Our research suggests that financial institutions, off-grid energy, food and agriculture, healthcare and education sectors present the greatest opportunity to realise the business case for gender smart interventions. See Table 2 within the Annex for further information on sector/product prioritisation.

Key topics by gender theme and considerations for IC members

- + Applicable to funds and their underlying portfolio, financial institutions, sponsors and companies. Note that disproportionate risks or vulnerabilities faced by women will be monitored by our ESR team, this table is focused on the "upside" only.

Indicative questions along the gender corporate value chain	Key sectors	Rationale behind the question
Women in leadership 1. What does the deal team think about the proportion of board and senior management who are women? How might this impact the overall performance of the transaction? 2. If there was a corporate target in place to improve gender balance at leadership, which member of the deal team will champion this and through which lever (see Table 3) would this be monitored?	Infrastructure, Power, Off-Grid Energy, Telecoms, Financial services, Manufacturing, Food and Agriculture, Consumer, Healthcare, Education	Diversity of leadership teams enable funds and companies to broaden their lens and ultimately their performance on portfolio construction, employee base and customers. Evidence has shown there exists a strong positive correlation between women in leadership and better environmental and social management and corporate governance practices.
Women as employees (including suppliers, distributors and sales agents) 1. What does the deal team think about the gender balance of the workforce (incl. direct and the supply chain) and how might this impact business activity? 2. Does the deal present opportunity for employment creation or career mobility for women and/or policies	Financial Services, Manufacturing, Off-Grid Energy, Food and Agriculture, Healthcare, Education, Consumer, Telecoms, Power	Good human capital management should consider how advancing the position/role of women in the workforce might help to deliver corporate/fund objectives and create value in terms of (for example) customer/client acquisition and service, sales, operational efficiency, innovation and product design, new market growth, quality control.

<p>and practices that would both improve women's work lives and business outcomes?</p> <p>3. Are there departments across the workforce that would benefit from an increase of female staff as it could positively and materially affect business activity?</p> <p>4. What gender smart interventions could the deal team put in place to encourage more gender diversity in the workforce? Which levers should they use?</p>		<p>Gender balanced workforce also helps manage reputation risks related to gender-based harassment by addressing power dynamics.</p>
<p>Women as entrepreneurs (including suppliers, distributors and sales agents)</p> <p>1. What proportion (% and #) of main suppliers/distributors are women-led or women owned?</p> <p>2. What is the materiality of having women owned/women led businesses as part of the distribution or supply chain?</p> <p>3. What are the barriers or reasons for a lack of women? (e.g. access to finance, access to networks, gender-blind recruitment or procurement processes, mobility constraints, lack of technical knowledge) and how could CDC help close some of these barriers?</p> <p>4. Have the deal team engaged the company on their appetite to build a more inclusive supplier or distribution channel? Have they consulted the gender team about this?</p>	<p>Consumer, Financial Services, Off-Grid Energy, Food and Agriculture, Manufacturing</p>	<p>Globally, less than 1% of spending by large businesses on suppliers is earned by women-owned businesses. Yet evidence has found a positive correlation between a diverse supplier base and profitability - companies that adopt supplier diversity programmes generate one third greater return on cost of procurement operations compared to average.</p> <p>Women entrepreneurs, particularly within the SME segment still face significant barriers in access to finance. Yet evidence suggests women founders tend to employ more women in the workforce, are more credit-worthy and more able to cater to the female consumer segment – a market growing faster than India and China combined</p> <p>Adopting inclusive and diverse supply chains can also enhance brand reputation, diversify distribution channels, and attract new customers.</p>
<p>Women as consumers</p> <p>1. How and where does this transaction seek to close gender-based market gaps? Could this be a new market proposition for the investment?</p> <p>2. Does the company/founder consider this a strategic priority or opportunity?</p>	<p>Consumer, Financial Services, Off-Grid Energy, Food and Agriculture, Healthcare, Education</p>	<p>Investments should consider gender-based market gaps and how the specific transaction may close the gap or reach unserved, underserved or niche markets to improve their market position. If it is a saturated or competitive sector, building the value proposition for female customers could be a key point of differentiation.</p>
<p>Women in the community</p> <p>1. How might community initiatives be designed in a way that would eventually create shared value for the company also? For example, are there local skills deficits which the company could begin to invest in? How materially significant might this be, especially if the company plans to grow the workforce or reach more remote/rural/underserved audiences?</p>	<p>Power, Off-Grid Energy, Healthcare, Education, Agriculture</p>	<p>Women often face difficulties accessing jobs in the market due to a lack of knowledge or accessibility. At the same time, women in the community offer a source of employment and are trusted members of the community which may help improve company relations or advance corporate goals such as through sales and marketing.</p>

Annex

Table 1: 2X Challenge Qualifying Criteria

Category	2X threshold
Female ownership (#shares owned by women/total # shares)	51%
Founded by a woman (or group of women that retain active control in the organisation)	Yes/No
Female board membership or IC (they must play an active role on the Board and threshold must exceed the legal minimum)	30%
Women in senior management (C-suite or equivalent (e.g. managing directors, partners)	20-30%*
Share of female employees & evidence of quality-based interventions for women in the workforce (includes direct, indirect and/or supplier employees as makes sense)	30-50%*
Product or service disproportionately benefitting women	Yes/No
Percentage of the underlying portfolio that meets any of the above criteria (funds only)	30%

*These thresholds vary depending on the sector of the investment and will have to meet sector-specific thresholds.

- ✦ The 2x challenge is a public initiative which CDC has joined alongside the DFI's of the G7 to commit and mobilise \$3bn of investments to advance women's economic empowerment by 2020. The counting commenced from June 2017.
- ✦ The table below provides a summary of the thresholds within each key category which investments would need to meet to count towards the 2X Challenge
- ✦ For a transaction to be 2X eligible it should meet one of the thresholds outlined in the table. Deal teams should have checked 2X eligibility with CDC's gender team prior to seeking IC approval. If the transaction meets the criteria pre-investment, this supports the IC case because it helps CDC put forward investments which would help to meet the 2X goal of \$3bn and no further questioning would be needed. If the transaction does not yet meet the criteria, the 2X narrative will be presented as part of the additionality case - CDC will work with the company to become eligible post-investment. If the latter, IC should ask the deal teams how they plan to do this.

Table 2: Sector and product prioritisation

- ✦ The table below provides guidance on the likelihood of gender value addition presented at IC based on the sector and investment product. This is only an *indication* and may change depending on the underlying dynamics of the deal.
- ✦ The prioritisation for direct equity and intermediated equity are the same because the thesis and opportunity to use an equity position to exert influence in these areas are the same. However, it should be recognised that the execution of the hypothesis is different and more challenging for intermediated equity due to CDC's point of influence at the GP level rather than company level.

Sector	Direct equity	Debt-corporate finance	Debt-project finance	Intermediated equity
Infrastructure	Medium	Low	Low	Medium
Power	Medium	Low	Low	Medium
Off-Grid	High	Medium	Medium	High
Telecoms	Medium	Low	Medium	Medium
Financial Services	High	High	High	High
Manufacturing	High	Medium	Low	High
Food and Agriculture	High	Medium	Low	High
Consumer Services	High	Medium	Low	High
Healthcare	High	Medium	Low	High
Education	High	Medium	Low	High

Table 3: Levers the deal team may use to secure gender-based value additionality

Type of lever	Investment product			Guidance
	Equity	Intermediated Equity	Debt	
Pre- investment				
Investment committee papers	x	x	x	Work with the gender and impact teams to build the narrative for the value additionality which should include identification of the gender gap, measures agreed with the company to address the gender gap as well as indicators which would help to monitor and evaluate performance. This should also be monitored through internal quarterly portfolio monitoring meetings.
Gender indicators	x		x	Should be integrated into annual monitoring reports which might include bespoke indicators if the gender value additionality angle is high.
Loan agreement			x	Include narrative on the gender value additionality plan within relevant E&S or DI schedules. Minimum gender reporting metrics should also be included within templates and under the relevant schedule(s).
Shareholders agreement	x	x		Include narrative on the gender value additionality plan within relevant E&S or DI schedules. Minimum gender reporting metrics should also be included within templates and under the relevant schedule(s).
Side letters to the shareholders agreement		x		Include qualitative and quantitative narrative on the gender value additionality plan/2x commitments within relevant policy or reporting sections.
2X Challenge soft agreement	x	x	x	If the company/client has met or has signed up to meet the criteria within the 2X challenge we will need a letter signed by an executive of the company, progress of which would be monitored via other mechanisms and depending on the investment product.
Post-investment				
Pre/post investment Gender action plans	x	x	x	If the company has expressed an interest in advancing women within its business, work with the gender team to design and develop a gender action plan which should include: specifics on targets, roles and responsibilities, interim targets, allocated resources, monitoring system.
ESG/DI committees	x	x	x	Monitor gender smart interventions as may have been agreed either pre or post investment by having a running agenda item on gender.
Board and sub-board committees	x	x		Monitor progress of key gender smart interventions - might include board nominations, senior management structures, policies and practices building new markets or services.