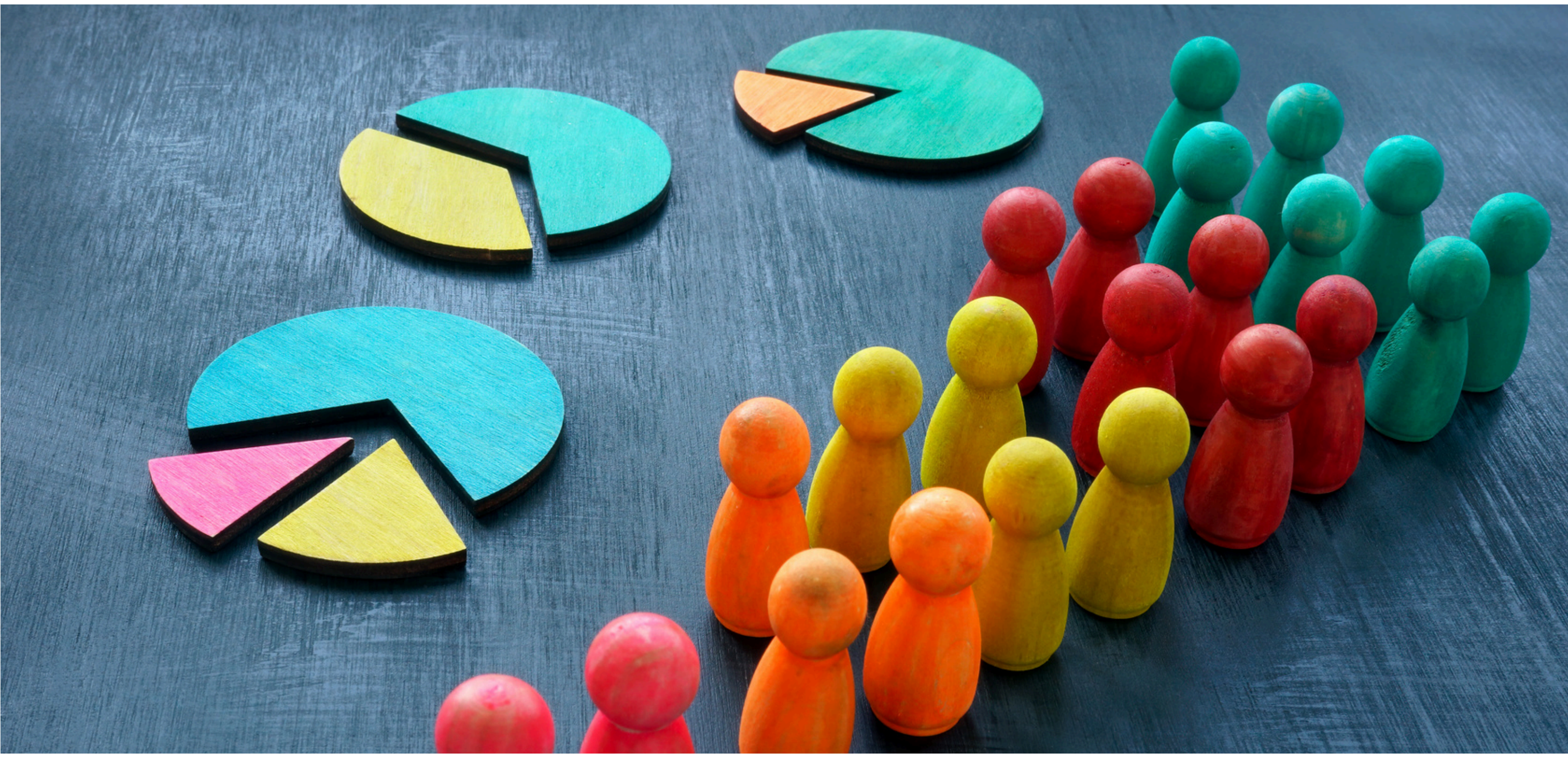
2. Gender-related metrics tracking and target setting

How do you know if you are making progress on your gender commitments? Or even that your investment work does not reinforce inequality, prejudices and stereotypes? Does your fund track gender data at the right level and in the right way? Are you setting time-bound goals for improving gender balance across your team, operations, pipeline and/or portfolio? Or are gender considerations not formalized through clear metrics or targets that hold your team and investees accountable?



What do we mean by gender-related metrics tracking and target setting?

It refers to systematically embedding gender considerations into how investment vehicles and teams measure and manage financial, operational, and social performance. This effectively means collecting gender-disaggregated data and establishing time-bound targets across three key levels:

1. The fund's own team and leadership (e.g., DEI practices)
2. Portfolio characteristics (i.e., investees' composition and diversification)
3. Social and business performance of portfolio companies (e.g., quality of employment for women, inclusive outreach, and growth).

For gender metrics to matter, investors must go beyond minimum compliance or “do no harm” guidelines and see gender diversity as a competitive advantage for their own performance and fundraising goals.

Why aren’t gender-related metrics tracked and targets set?

Although many investors acknowledge the value of gender equality or believe they should demonstrate some level of commitment toward gender-lens investing, few of them actually track related metrics, fewer set targets, and even fewer report on them. Only 30% of business leaders globally report having clear, measurable gender targets in place [1]. Even among those that do, transparency remains limited. A review of 14 major development finance institutions (DFIs) and multilateral development banks, all of which subscribe to the 2X Challenge, found that only 6 disclose information about their portfolio composition [2]. In the past, one of the main barriers used to be the lack of standardised frameworks across the investment community. It was only in 2020 that 15 DFIs agreed to harmonise their metrics using the 2X Challenge and IRIS+ frameworks, a move that now enables more meaningful and streamlined tracking and accountability across the sector. Despite the availability of these frameworks and tools, many funds still operate without consistent metrics or reporting practices: some investors hesitate to set concrete gender goals out of concern for falling short. Others perceive gender targets as a “box-ticking” compliance exercise, rather than a meaningful lever for performance. Yet this scepticism often becomes self-reinforcing: without systematic metrics and time-bound goals, teams lack motivation to strive harder, as well as visibility into where disparities exist, nor can they assess the benefits of reaching targets.

Why is tracking gender-related metrics and setting targets important?

Setting clear and challenging goals is a proven driver of performance. As demonstrated by Locke and Latham in their Goal-setting Theory, 90% of empirical studies show that individuals perform significantly better when working toward specific, ambitious targets compared to vague or easy goals [3]. This principle holds for gender-lens investing too, as a 2024 survey found that 97% of gender-lens investors who implemented structured tracking frameworks reported achieving their self-set impact targets [4]. Reaching gender diversity goals not only fulfils social mandates but also unlocks measurable financial value. A 2019 study revealed that private equity and venture capital funds with gender-balanced senior investment teams generated 10-20% higher returns than those dominated by one gender [5]. Similarly, a 2023 report found that companies in the top quartile for gender diversity achieved 29% higher return on assets compared to the bottom quartile [6].

These performance advantages are reflected in the acceleration of capital flows available for gender-lens investing: from USD 2.4b in 2018 to USD 12b in 2021 [7]. For funds and companies, this represents a clear opportunity: those that systematically track gender metrics,

[1] https://www.globalcompact.de/migrated_files/wAssets/docs/Reporting/SDG_Ambition_All_Tearsheets_200923.pdf

[2] https://www.publishwhatyoufund.org/2023/09/taking-stock-2x-challenge/

[3] https://psycnet.apa.org/record/2013-00428-001

[4] https://thegiin.org/publication/research/in-focus-gender-and-impact-investing-in-2024/

[5] https://www.ifc.org/en/pressroom/2019/ifc-study-funds-with-gender-balanced-leadership-generate-up-to-20-higher-returns

[6] https://www.blackrock.com/corporate/literature/whitepaper/lifting-financial-performance-by-investing-in-women.pdf

[7] https://www.veriswp.com/the-data-shows-gender-lens-investing-is-growing-there-is-more-work-to-do/

set clear targets, and transparently report on progress, are increasingly well-positioned to attract capital, outperform peers, and lead in an investment landscape where diversity is fast becoming a material differentiator.

How does one implement gender-related metric tracking and target setting?

Implementing gender-related metrics and targets can be done pragmatically at three levels. As with any target, gender-related targets should be set in ways that are specific, time-bound, and measurable in a pragmatic and recurring manner. More specifically:

1. **Internal team and leadership**

- **Don't overlook this dimension:** While many investors prefer to focus on portfolio-related metrics, setting internal diversity, equity, and inclusion (DEI) targets is also essential to "force the mirror" onto one's own practices and culture, and hence drive accountability, ownership, and commitment at large.
- **Establish clear targets:** Define measurable DEI goals, related to both outputs (e.g., leadership or functional teams composition) and outcomes (e.g., gender-disaggregated employee satisfaction, productivity levels, talent retention, etc.), to demonstrate how the former lead to the latter. Make sure to do this across functions and seniority levels.
- **Track and report on progress:** Regularly monitor and share progress with staff, management, and your various committees to drive accountability and continuous improvement.
- **Examples of practical and relevant metrics we recommend tracking:**
  - Leadership and career progression:
    - Representation of women in leadership and senior positions
    - Gender-disaggregated promotion and retention rates
  - Pay equity and workplace policies:
    - Pay equity analysis by gender
    - Satisfaction ratings (e.g., regarding company culture, work-life balance, work prospects, etc.) across genders
    - Implementation of inclusive/ flexible workplace policies
  - Workforce diversity and inclusion:
    - Balanced functional teams' composition (e.g., investment or portfolio teams)
    - Provision of/ participation in gender-specific training and career development/skills-building opportunities.

2. **Portfolio composition and diversification**

- **Establish clear targets:** Define measurable goals with regard to portfolio composition, not only at the level of company founders and owners, but also at the level of employees and other levels of leadership.
- **Track and aggregate gender data systematically:** Monitor gender composition and other gender-related metrics throughout the portfolio-building process (from outreach efforts, to pipeline building, to the pool of ventures reviewed, undergoing due diligence, shortlisted for investment committee review, and invested in, as well as amounts invested per venture), to understand where in the process the biggest gaps happen, and how to address them. Share results in internal reviews and external reports to strengthen accountability and influence sourcing and due diligence practices.
- **Examples of practical and relevant metrics we recommend tracking:**
  - Entrepreneurship and ownership:
    - % of women ownership

        - % of businesses founded by a woman
    - Leadership:
        - % of women in senior management
        - % of women on the Board
    - Employment:
        - % of women in the workforce and across functional teams
        - Quality employment indicators (e.g., equal pay, work satisfaction, etc.).

3. **Social impact and business performance of investees**

- **Ask investees to track gender data:** Encourage or require portfolio companies to collect key gender-disaggregated data on their customers and suppliers, which are reasonably easy to obtain and regularly track.
- **Establish clear targets:** Set or co-develop gender performance goals in alignment with each company's size, sector, and stage, notably in terms of inclusive impact and growth. These should include both output and outcome metrics to better understand how the former lead to the latter. Include some of these goals in term sheets or action plans.
- **Aggregate gender data systematically:** Consolidate data at the portfolio level to obtain overall trends and an overview.
- **Facilitate compliance:** Support investees with resources, training or tools to meet gender targets, especially for early-stage ventures with limited capacity.
- **Examples of practical and relevant metrics we recommend tracking:**
    - Output metrics related to gender inclusion and diversity:
        - % of women among customers/ users/ end beneficiaries served
        - % of strategic suppliers achieving better gender inclusion and diversity among their teams, leadership, and/or Boards of Directors (when supply chain is core to investee's business)
        - Annual % increase in the number of customers/ end beneficiaries served, gender-disaggregated
        - % of customers/ end beneficiaries (very) satisfied with product/ service, gender - disaggregated
        - % of women customers/ end beneficiaries who feel (very) empowered by the product/ service, gender-disaggregated
    - Outcome metrics correlated with gender inclusion:
        - Annual growth rate in earned revenue
        - Level of average productivity achieved by the investee's staff (in pre-defined terms)
        - Effectiveness of communication activities aimed at users (in pre-defined terms)
        - Average level of production/productivity of strategic suppliers, as a result of the implementation of gender-inclusive policies (in pre-defined terms).