3. Gender-inclusive investment management

Does your organization actively ensure that ventures led by founders of all genders are equitably represented in the investment pipeline, or is deal flow predominantly composed of a specific founder profile? Are there formalized processes or tools in place to identify and mitigate gender bias during due diligence and investment decision-making? Do your investment deal documentation and agreements incorporate gender-related targets or incentives to promote equitable outcomes and hold investees accountable for progress on gender inclusion?

What do we mean by gender-inclusive investment management?

Gender-inclusive investment management integrates gender considerations into all investment decisions and processes to ensure an equitable and diverse composition at the level of the portfolio, and/or at the level of end users of portfolio companies. This is done throughout the sourcing, evaluation, selection, and deal-making and closure phases. Unlike Gender Lens Investing (GLI), which mostly focuses on rebalancing investors' portfolios with women-founded or women-led ventures, gender-inclusive investment management takes a broader approach, embedding gender diversity as a performance lever for the investor and investees at large. While many investors claim to assess all deal opportunities equally, unconscious biases and structural gender disparities often shape decision-making in ways that systematically disadvantage certain types of ventures. A truly gender-inclusive investment approach proactively addresses these barriers to create equitable access to capital for women, non-binary, and other underrepresented entrepreneurs, but also creates incentives for investees to become more inclusive themselves. Hence, gender-inclusive investment management extends beyond the diversity of founding teams: it also considers how portfolio companies contribute to gender equity through their workforce, leadership, product or service design, as well as supply chain practices. By embedding these principles across all investment-related processes, investors can contribute to a more inclusive entrepreneurial ecosystem while unlocking new market opportunities and improving long-term portfolio performance.

Why are investment management processes not gender-inclusive?

Investment management practices have long favored male-led ventures. Efforts to change this trend have picked up, but arguably rather slowly: For many mainstream investors, gender is still often treated as a standalone issue rather than a cross-cutting theme to be applied throughout the investment process, causing investors to overlook how systemic inequities shape access to capital. As a result, sourcing, screening, and evaluation processes tend to reinforce familiar patterns, favoring founders who fit traditional profiles and excluding those outside established networks. Many standard sourcing practices, such as competitive pitch events or male-dominated, network-driven referrals, can unintentionally exclude women entrepreneurs, further narrowing the pipeline of investable opportunities. This dynamic is reinforced by the lack of representation of women in decision-making roles. With only 11% of senior investment professionals in PE/VC firms being women [1], sourcing and investment processes are often shaped in ways that result in female entrepreneurs being less likely to be represented or supported. Lastly, unconscious biases can influence investor perceptions in pervasive ways. For instance, during review and assessment processes, investors tend to ask “prevention-focused” questions to female entrepreneurs, emphasizing potential risks and losses, while directing “promotion-focused” questions to male entrepreneurs, highlighting growth and gains. As a result, women are often asked to discuss perceived risks, starting from a more constrained and scrutinized position, which dampens investor confidence.

Why are investment management processes not gender-inclusive?

Women entrepreneurs in emerging markets face a USD1.5 trillion financing gap [2], underscoring the systemic underinvestment in gender-diverse ventures. This disparity is apparent in terms of access to capital and amount of capital: women-led businesses receive only 7% of PE/VC deals in emerging markets, and when they do, the median investment is just 65% of what male-led businesses secure [3]. Addressing this gap is not only a matter of equity, but it also drives better financial outcomes. Research shows that diverse leadership teams make better decisions, innovate more, and generate higher returns. For example, gender-diverse executive teams are 25% more likely to outperform their peers on profitability, and yield a 19% increase in revenue from innovation [4], while companies in the top quartile for gender diversity on boards are 28% more likely to outperform financially [5]. Beyond portfolio

[1] https://www.ifc.org/content/dam/ifc/doc/mgrt/exec-summary-moving-toward-gender-balance-final.pdf
[2] https://documents1.worldbank.org/curated/en/653831510568517947/pdf/121264-WP-PUBLIC-MSMEReportFINAL.pdf
[3] https://www.ifc.org/content/dam/ifc/doc/mgrt/exec-summary-moving-toward-gender-balance-final.pdf
[4] https://www.bcg.com/publications/2018/how-diverse-leadership-teams-boost-innovation
[5] https://www.mckinsey.com/featured-insights/diversity-and-inclusion/diversity-wins-how-inclusion-matters

performance, gender-inclusive investing expands access to untapped markets and talent, and aligns with rising global expectations around Diversity, Equity, and Inclusion (DEI) and Gender Lens Investing (GLI) compliance. In a landscape where capital still disproportionately flows to male-led ventures, adopting a gender lens can create a competitive edge while supporting systemic change across the investment ecosystem.

How to achieve gender-inclusive investment management?

Implementing gender-inclusive investment management requires a structured and intentional approach across every phase of the process, from pipeline identification to deal structuring. While we provide practical "what-to-dos" for each step below, based on our experience, it is best that one starts by reviewing analytics for the whole pipeline building, review, and selection stages (e.g., by looking at the proportion of women-led ventures at each stage of the investment funnel), in order to identify whether gender-diverse ventures are disproportionately filtered out at one stage or another. This enables a more focused diagnosis and resolution of potential problems.

Pipeline identification

- **Vis-à-vis potential investees, (better) position your fund as gender-inclusive:** Ensure that your website and communication materials reflect values, imagery, and language that invite gender-diverse ventures to identify with your investment thesis and positioning
- **Choose diverse and inclusive channels for outreach, promotion, networking, and referrals:** Advertise in or seek a pipeline from platforms, conferences, and partners that have a track record in attracting a more diverse pool of investees. Avoid traditional male-dominated networks, which might limit opportunities for women and gender-diverse founders. Attend or sponsor events where gender diversity is prioritized, rather than traditional events with low female representation
- **Set a gender-inclusive tone in your direct communications with potential investees:** Use inclusive language that not only "carries" your commitment to gender diversity, but is also mindful of how investor-investee conversations are often gender-biased (e.g., promotion vs. prevention angle). Avoid using overly technical or narrow language.

Pipeline pre-selection

- **Establish clear and unbiased pre-selection criteria:** Define systematic criteria that are transparent and free from (implicit) gender bias
- **Create a gender-balanced and sensitized selection team:** Ensure that the team responsible for reviewing and pre-selecting investee candidates is diverse, as well as trained to recognize and mitigate unconscious biases. For instance, a gender-sensitive review of the process (e.g., masking information about the gender or background of founders) will help ensure fairer assessments and decisions based on merit
- **Review and adjust required documentation and surveys:** Be mindful of the information requested during the application process. Avoid requests that may disproportionately discourage women from applying, such as overly technical questions or requirements. Ensure that "nice-to-have" requirements or requests do not unintentionally disqualify or discourage women-led companies; and if they do, consider removing them. Keep the tone inclusive, collaborative, and welcoming rather than transactional.

Due diligence

- **Review due diligence assessment criteria:** Assess whether any criteria unintentionally disqualify or discourage women-led companies, especially those that may be less formalized or more risk-averse. As/if needed, adjust the criteria to include alternative indicators of business potential

- **Refine due diligence information requests:** Ensure requested documentation does not create unnecessary or excessive barriers for women-led ventures, where the leadership team might be narrow. In particular, provide support, guidance, templates, or alternative ways to assess financial and business health beyond requiring advanced financial analytics
- **Adopt a supportive communication approach:** Use a collaborative rather than transactional tone when requesting information. Avoid excessive focus on prevention topics when addressing a female-led company, and offer flexibility in deadlines and processes to accommodate diverse business (and personal) realities
- **Diversify and train due diligence teams:** Include diverse team members in the evaluation process and train them to recognize and mitigate unconscious bias. Encourage direct engagement with women-led ventures to better understand their strengths and challenges.

Investee selection

- **Ensure inclusive and consistent investment criteria:** To guide final selection, use structured tools (e.g., standardized frameworks or scoring rubrics) that also take into account performance and potential in terms of (gender-related) inclusion (at the level of the ventures' leadership, team, supply chain, and user base). Avoid overreliance on narrow financial metrics; instead, include qualitative indicators like leadership diversity, workplace practices, social inclusion focus, and alternative growth strategies to reach underserved markets, which may be more common in women-led ventures
- **Rebalance and train your investment committee (IC):** Revisit the composition of your IC to ensure more diversity of genders and perspectives, and/or train its members in recognizing unconscious biases. Use practices like anonymizing founder details to ensure decisions are based on merit, not gender or background

Deal structuring

- **Simplify contractual documentation:** Evaluate the terminology and structure of deal contracts, and seek further simplification, working closely with a legal professional to remove unnecessary (risk protection) clauses (that are unlikely to ever get enforced due to the costs of a lawsuit), as well as complex/ technical or intimidating language, which is often poorly understood and rather unnecessary. Ensure loan terms are clear, transparent, and accessible, even for founders with no access to a lawyer to advise them
- **Revisit investment terms:** Consider changing investment terms that disproportionately affect women and non-binary entrepreneurs, such as introducing lower collateral, smaller tickets, or more flexible repayment terms. This ensures equitable access to capital for founders with different resource levels. If you have even more leeway, consider changing the nature of your investment product (e.g., fixed payment loans vs. revenue-based loans)
- **Consider adding gender-related clauses to deal with conditions or inclusion-related impact incentives:** For instance, if/when establishing preconditions in deals, incorporate clauses that set clear gender-related targets (e.g., female representation in management, inclusive HR practices, or gender-disaggregated reporting) if vulnerabilities are identified (or if you set gender-related targets for your portfolio). If you use impact-related incentives, attach gender-specific or gender-focused objectives
- Finally, **seek to understand the bottlenecks throughout the stages above,** by overcoming what may be preconceived notions, and rather gather insights through consultations with (potential) female investees to understand what "puts them off" (e.g., investment size, deal terms, complexity, lack of transparency, etc.). If needed, revisit scoring models or evaluation processes to ensure fair representation and equitable selection.

Case study

Advancing gender-inclusive investment by ALIVE Ventures

ALIVE Ventures integrated a gender lens across its investment strategy and processes to ensure that it did not unintentionally reinforce existing gender inequalities, but rather actively contributed to reducing structural gender gaps across its portfolio and the communities it serves.

ALIVE Ventures is an impact- and Latam-focused fund manager dedicated to investing equity in companies that drive social and environmental change. It invests across four core themes: education and pathways to quality jobs, climate resilience and adaptation, income generation, and access to essential goods and services. With over USD 80 million in assets under management, ALIVE Ventures counted 14 active companies in its portfolio as of 2024, collectively impacting more than 10 million lives, mostly among low-income and vulnerable populations.

Given ALIVE's mission to improve the lives of low-income communities, the team recognized early on that women are disproportionately affected by poverty and exclusion. The team also realized that focusing only on beneficiary-level impact was insufficient to address the structural gender barriers faced by its portfolio companies, including a non-inclusive team composition, organizational culture, or product or service design. Without a deliberate and systematic approach, its investments risked perpetuating existing gender gaps rather than reducing them. The objective, therefore, was to proactively integrate gender considerations across ALIVE's internal operations and investment lifecycle. To do so, the team:
·integrated gender considerations into its investment processes, including due diligence (e.g. assessing workforce composition, leadership representation, and organizational practices), post-investment monitoring (e.g. tracking changes in women's participation in the workforce and leadership over time), and impact measurement (e.g. using gender-disaggregated indicators at the portfolio level)

- provided tailored, gender-focused technical assistance to portfolio companies, supporting the adoption of gender-smart practices across team composition, organizational policies, and products or services
- built internal capacity by training investment and impact teams to identify gender gaps and opportunities across sectors and business models
- commissioned and published applied research on gender dynamics across investees' value chains, to inform their own practices, as well as contribute to broader ecosystem learning.

As a result of this work, ALIVE Ventures has seen tangible improvements. Internally, women now represent 60% of ALIVE's team. Across portfolio companies, there has been a 121% increase in women in the workforce, while women's representation in leadership roles increased from 16% to 48%. In parallel, several investees started better integrating gender considerations into their core business strategies, products, and services. ALIVE's gender work has also generated broader ripple effects, as it published three papers on education, quality employment, and financial inclusion, contributing to sector-wide learning on gender inclusion.