

Gender Lens Investing Landscape: Barriers & Opportunities

Intentional
Endowments
Network

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Nearly four decades before they were even allowed to vote, women in the U.S. were placing their bets within the financial markets. In 1880 Mary Gage opened the first stock exchange in Manhattan for women – prior to this, women depended on men to invest in public equities on their behalf. Fast forward to the 21st century, the financial markets and companies more broadly only recently started to realize the value of female representation. The gender lens discussion was further fueled by the United Nations in late 2015, when it listed gender equality among its 17 Sustainable Development Goals.

Nevertheless, some market practitioners have long understood the importance of gender lens investing, and in particular, its impact to the bottom line. The **Intentional Endowments Network (IEN)** approached thought leaders within the Gender Lens Investing space to get their outlook on the associated risks and opportunities, real-life examples of such risks and opportunities and perspective on how gender lens investing relates to environmental, social and governance (ESG) factors, including the gender-climate nexus. IEN approached:



SUZANNE BIEGEL

Founder, Catalyst At Large



NATASHA LAMB

Managing Partner at Arjuna Capital



LAWLER KANG

CEO and Founder, League of Allies

IN: How do you define Gender Lens Investing?

BIEGEL:

Gender lens investing is the deliberate incorporation of gender factors into investment analysis and decisions. We can be intentional about moving capital to women as leaders, entrepreneurs, investing in products/services companies that address women's markets intelligently, investing in companies and funds that invest in companies where gender equity and opportunity for women is there across the value chain – from leadership through to employees, supply chains, customers.

But we can also recognize that gender patterns in all organizations or funds are material as a relevant factor of ESG analysis – in both the S and the G. That spans not only what a company or fund does (its products or services) but also how it does it (governance and policies and practices.) And while we often speak about this as being about women, the reality is that gender is a social construct that refers to men, women, and a spectrum, and one can look at where gender patterns in policies and practices, as well as products and processes, might positively or negatively affect the

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–BIEGEL

women contribute to the global market, whether that's through investing in women-owned businesses, women-led corporations, or women-run investment strategies. Investors also have a role in pressing companies to improve their gender diversity and equity through shareholder engagement on issues like the gender pay gap and women on boards.

performance of a business or organization across the board.

LAMB:

Gender lens investing recognizes the value that women offer our society and economy. Investors have an opportunity to tap into the innovation and tenacity that

KANG:

We define it as applying criteria that both assess gender representation, from board level down, and efforts made to promote gender parity, balance and inclusion, as both, per research, are accretive to top and bottom line growth, and they can impact your cost of capital. These efforts should include a variety of factors including employee engagement, compensation, benefits, the physical workplace, policies and procedures to deal with unprofessional behaviors, and overall culture. This requires employee feedback as you may have the best-intended policies on the planet however if no one follows them (typically due to biased cultural norms), they can actually do more harm than good. Fox News had an 800 number to report harassment yet it rarely, if ever, rang.

IN: What are the risks and opportunities/benefits associated Gender Lens Investing - is there data that these strategies can perform well financially?

BIEGEL:

The opportunities to use gender as a factor of analysis in investing are myriad and the data is starting to be proven out. Seeing opportunities from better governance from diverse teams, leveraging the best talent, managing supply chain risks and opportunities and realizing the dividends of higher productivity, lower turnover from paying attention to the needs of a diverse workforce, realizing opportunities from better customer insights, all of these things and more are starting to be correlated with higher performance and lower volatility.

If 80% of those making decisions in your customer base are women you might benefit from understanding how women make decisions and choices and adapting features and benefits of products with women's input in the process. Many firms - Credit Suisse, McKinsey, Nordea, to name a few, are writing about the financial implications of looking at gender in investment, whether it is about lower volatility or whether it is about higher return on equity, higher dividends, higher revenues. The academic research is not conclusive about the positive correlation of women on boards and c-suite roles and economic performance in

public companies but there are no negative correlations. While we need more research, there is enough evidence to move forward.

LAMB:

Investors that ignore the leadership power of women are at a competitive disadvantage. Companies with more gender diverse leadership teams are shown to out-innovate and outperform across a host of metrics. MSCI finds gender diverse boards led to a 36% improvement in return on equity. While McKinsey & Company identifies gender diverse executive teams as a corporate performance driver with companies boasting 91% higher profits and 36% higher stock price growth than the industry average.

KANG:

There is a large and growing body of research from a variety of reputable sources that underscores the power gender has on performance, and funds like SHE have forensically generated returns of 300bps over the S&P and Russell indexes. As time and returns continue to progress, we will see more evidence that gender lens investing will not only perform well, it could register the largest Sharpe/Information Ratios in the markets. This said, the whole effort is being hampered by an inability to collect the kind of data referenced in my answer above. While publicly available data is sorely lacking, efforts such as the Human Capital Management Coalition are pushing for more data because of its material impact on results.

LEN: Can you share real-life examples of either the investment risk/opportunity and associated benefit of Gender Lens Investing?

BIEGEL:

Look at Uber and the Weinstein Company as recent examples from a risk perspective. Not paying attention to gendered factors of how a business is run. Paying attention to gender factors in products, in marketing, in talent – watch what Unilever is doing to re-examine

gender stereotyping in marketing. Watch what femtech product companies are doing to seize the multi-billion dollar market opportunities at looking at the intersection of women's health needs, dollars spent, disruptive tech.

InBev (who bought SAB Miller) realized several years ago that they were missing a huge market

opportunity – moving from looking at women as buying beer for the men in their lives to women as customers in their own right. They realized massive financial gains from that shift. Look at product companies recognizing that women are actually making product-purchasing decisions for 80% of what is bought in the household but also comparable decisions in corporate purchasing, and shifting where women are in design, development and marketing.

Salesforce, SAP, and Patagonia can tell you the implications of paying attention to women's needs in the workplace. This is not only in obviously gendered industries – it is almost everywhere. McKinsey, Mercer (See When Women Thrive), EY (Women. Fast Forward), PwC, most of the big consulting firms and many of the banks are writing about this more and more because this is material.

LAMB:

Arjuna Capital has pressed over 20 companies from Silicon Valley to Wall Street to commit to publish and close their gender pay gaps. The broader investor community has supported our shareholder proposals to close the gender pay gap because they recognize the business case—companies that pay women fairly are at a competitive advantage in attracting and retaining top talent and removing the structural barriers that keep women from advancing into leadership.

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–LAMB

IEN: Are there product classes that are lacking in their offerings in this space, if so which ones?

BIEGEL:

We can get sharper in real estate / REITs. We can get sharper in better supply chain financing vehicles and production financing vehicles. But if you want public equities and debt – it's there. It can be better - it will get better.

We need more vehicles that, for example, integrate a sophisticated gender analysis with a sophisticated climate analysis. The public gender lens product can get better in terms of analysis of products and services, supply chains, and customer data. Right now it is heavily weighted on governance and leadership, with some information about policies and practices. That's great and governance is so essential, but to really look at whether these strategies are highlighting companies that are really good for women, improving women's lives, we can keep getting better. But right now there is more than enough product for college/university/school endowments to move with.

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strategies. In the public markets, too few women hold executive and board positions, making it near impossible to invest in a well-diversified portfolio of women-led companies. Investors with a gender lens can't just say they

invest in women-led companies, they need to shape the opportunity by pressing companies to effect change and move more women into leadership.

KANG:

Almost all asset managers, regardless of product class, have notably weak gender representation in their front office positions.

IEN: What is the gender-climate nexus — how do climate risks relate to considering investments with a gender lens? How does looking at climate risks with a gender lens create opportunity or minimize potential risk?

BIEGEL:

Women in vulnerable climate areas are disproportionately affected by climate change. They are the farmers who are affected by droughts and floods. Women versus men in emerging markets are disproportionately in poverty and those in poverty are disproportionately vulnerable in climate disasters.

Women in emerging markets are the ones absorbing indoor air pollution from kerosene and firewood and over 4 million people per year – disproportionately women- are dying from indoor air pollution from cooking over open fires and inhaling fumes, double more than malaria and HIV/AIDS put together. If they had clean cookstoves, clean electricity, they would not have this specific vulnerability. Women are innovating new solutions – products, services, processes, companies as leaders, co-founders, in clean and green technologies (reference Drawdown and PwC).

One key to unlocking climate safe solutions and adaptation solutions will be in paying attention to women as innovators, leaders, entrepreneurs, customers. Finally, access to education for girls and access to family planning for women and girls. Girls who are educated and stay in school marry later, have fewer children, have a better chance of not being in poverty. Those with access to family planning choose to have fewer children.

LAMB:

More than anything there is a dearth of female leadership across the board. In the private markets, women entrepreneurs and venture capitalists are underfunded and therefore discouraged. Here, investors have an opportunity to channel more capital to women-run businesses and investment

If you believe that the carrying capacity of the planet, the vulnerabilities around water and food are real as we grow in population, the stress on the built environment, are real, then you would be investing in girls education and access to family planning globally. It is a material risk to people and planet NOT to be paying attention to this. From an investment standpoint, there are innovations, markets and opportunities [for those] paying attention to women and girls' needs in all of these areas.

LAMB:

Climate change is a symptom of a world with a dysfunctional power structure. Bringing our power structures into gender balance will help reshape the way we make decisions as a collective, as businesses, as investors, as politicians, and as citizens. By adopting a more balanced philosophy, we can create an economy that works for people and planet, addressing the existential threat from climate change in a meaningful way.

KANG:

Women are biologically more inclined to focus on mitigating and minimizing ESG risks, with the correlating positive impacts, per SASB and other data sources, on returns. We believe, the more women that are in leadership positions (board, C-suite with a focus on front-office positions, and senior management) and the more women percentage-wise that are in your workforce will have a material effect on climate-related risks ranging from corporate and operational strategies to minimizing single-use plastics.

IEN thanks our respondents for their insights on how gender lens investing is critical to all areas of a healthy society, from reducing poverty to promoting the health, education, protection and the well-being of girls and boys. More resources on gender lens investing are available on our site [here](#), and if you are interested in joining IEN's new working group focused on gender lens investing, please reach out to Nicole at nicole@intentionalendowments.org.