3 tips on engaging in impact investing for gender equality

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As the pandemic rages on, the financial effects continue to ripple through the economy, affecting many in its path. Especially in these times, it's getting more and more important for people to make investments that have a positive impact in the world.

Some may dip their toe in and simply avoid investing in companies that may be considered unethical. Some may take it up a notch by investing in a business that is actively trying to make the world a better place. These days, more and more investors are going even one step further by using the gender-lens approach – actively searching out companies that support women's equality.

First things first, what exactly is impact investing?

Impact investments, as defined by Global Impact Investing Network, are "investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return".[1] In other words, impact investing brings together the best of both worlds, profit-making and difference-making (something financial professionals refer to as a "double bottom line"[2]).

Since the beginning of the pandemic, impact investing has really been gaining ground. By the end of the second quarter of 2020, investments made through the ImpactAssets donor advised fund, or DAF, exceeded $143 million, more than total investments made in the fund all of last year.[3]

What's the difference between impact investing and ESG investing?

These two are often confused with each other because they're quite similar. They both involve positioning ethical values alongside financial values in investment evaluation, but here's how they're different.

Environmental, Social and Corporate Governance ("ESG") investing focuses on companies that support environmental protection, social justice, and ethical management practices. While ESG investors value returns, they do not prioritize profits above supporting companies that fit into their ethical frameworks.

Impact investing on the other hand, is about helping a business or organization complete a project, deliver a program, or create something positive to benefit society.[4] This growing market provides capital to address the world's most pressing challenges in sectors such as sustainable agriculture, renewable energy, conservation, microfinance, and affordable and accessible basic services including housing, healthcare, and education.

Does it mean that your ROI takes a backseat?

Many impact-curious investors question whether achieving a measurable positive impact goes hand-in-hand with returns or if they'll have to sacrifice these earnings for the greater good. The answer; however, can be quite complex. Some would say ROI is two-fold: you have the opportunity to make a return on your investment with the added value of making a difference.

The truth is, it's not always so cut and dry. Some investments provide better potential for a return on investment, while others tip the scale in the "feel good" department. Either way, results are tough to predict. The best thing to do is ask yourself what's important to you about investing and take it from there.

How is impact investing different than philanthropic giving?

Like ESG investing, philanthropic and impact investing seem similar but they have several differences. With philanthropy, investors set goals, research the social or environmental issues they want to address, and develop funding strategies. After deploying funds, they measure impact and refine their strategy.

Similarly, impact investors set goals, deploy capital, and measure and manage impact. The difference is, impact investors also expect their contributions to result in personal financial returns in addition to social or environmental benefits.[5]

How does impact investing contribute to gender equity?

COVID-19 has created an economic crisis for everyone. And while the virus doesn't pick favourites, it has definitely disproportionately affected women over men. In fact, women between the ages of 25 and 54 accounted for more than two-thirds of the job losses in March 2020.[6] In addition, women are over represented in informal sectors that provide little or no financial protection or benefits, and they have typically had to bear the brunt of home schooling and taking care of sick loved ones.[7]

The good news is that women's empowerment is shaping up to be one of the transformative economic trends of our time. There's a wealth of research out there showing that investing in women produces powerful results that benefit families, communities and entire societies – not to mention providing a good ROI.[8]

Investing for a positive impact on women

Many women are creating enterprises that target a wide variety of social and environmental issues, while some women-led ventures are explicitly addressing the needs of women and gender equality. In 2016, BMO created the **BMO Women in Leadership Fund**, providing investors looking for long-term growth with an opportunity to support North American entities that have 25% representation of women on the board of directors and/or a female Chief Executive Officer.

Integrate a 'gender-lens' approach within your own portfolio

Women-led enterprises that are driving solutions and impact would most certainly benefit from greater investment. If you're interested in gender-lens impact investing but don't know where to begin, here are three approaches to consider:

1. **Avoid gender equality bandwagon jumpers:** Investors can screen out posers, or companies that claim to support gender equality but have nothing to show for it. Do your homework and look out for companies that may have poor talent retention and/or productivity practices.
2. **Seek out gender diversity leaders:** Corporations that commit to promoting more women leaders while ensuring pay equity and inclusive workplaces are an important first step. Investors can focus on firms that lead in promoting gender equality at the board and senior management level, as well as firms with strong programs to support women in the workplace.
3. **Invest in companies that elevate women:** Look for companies that not only embrace women at all levels in the workplace, but also offer products and services aimed at improving their lives. Particularly, those who are marginalized because they are poor, uneducated, live in rural areas or are single mothers.

At the end of the day, there is no one-size-fits-all approach to gender-lens impact investing. At its core, this approach challenges investors to better allocate their investments with much more thought given to gender imbalances. Moving forward, it's a good idea to ask yourself: What do you want your future portfolio to look like? Which gender diversity metrics would you like to see change? And, where do you think you can you make a difference with your investments?

Reach out to your investment professional to learn how you can start making a difference with your investments

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