

# INVESTING WITH AN LGBTQI LENS

Rethinking Gender Analysis  
Across Investing Fields  
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# EXECUTIVE SUMMARY

Lesbian, gay, bisexual, transgender, queer, and intersex (LGBTQI) individuals around the world face inequities. Through integrating an LGBTQI lens into process, structure and analysis, investment can be a tool to address these inequities. Produced with the support of Dreilinden gGmbH, a German LGBTQI funder and impact investor, this guide sets out a theoretical grounding demonstrating why LGBTQI lens is germane to investment decision making and providing the tools needed to conduct financial analyses. Investors currently investing with a gender lens would benefit from the integration of an LGBTQI lens to achieve their desired investment goals and their gender equality outcomes.

## Why an LGBTQI lens is essential to good investments

Incorporating an LGBTQI lens increases investors' ability to understand how and where sexual orientation and expressions of gender identity are material to investment decision-making. LGBTQI issues are not only human rights issues; they shape economic dynamics that directly affect the value of investment assets.

An LGBTQI lens incorporates three different perspectives:

- Sexual orientation: a person's physical, romantic, and/or emotional attraction to another person
- Gender identity: an internal, personal sense of one's own gender
- Gender expression: how one expresses one's gender identity externally

The lens allows investors to see opportunities for impact and return by moving capital to companies that are led by or serve LGBTQI individuals, or capture trends that result from shifting dynamics in norms and behaviors. In addition, the lens reveals risks to the investor. For example, it highlights how human rights abuses shape political stability or where discrimination undermines the ability of a company to create an effective workplace.



## How asset holders actively bring an LGBTQI lens to their investments

All approaches to socially responsible investing rely, at some point, on the power of the individual or institution that owns the asset to use their power and privilege to demand the investment strategies and products that they want. The guide includes tools for investors to design an investment strategy with an LGBTQI lens and approaches to actively engage with investment advisors and managers to ensure their investments align with their strategy.

Investors' interests regarding LGBTQI are diverse. While gender-lens investment relates to LGBTQI investment, not all gender-lens investors are interested in LGBTQI outcomes, and not all LGBTQI investors see themselves as gender lens investors. Building an ecosystem of LGBTQI investors can help to create demand for a range of targeted products as well as illuminate ways to incorporate an LGBTQI lens into existing products and approaches that may be targeting other issues.

## Opportunities to invest with an LGBTQI lens

Incorporating LGBTQI lenses will enable investors to uncover new investment opportunities that provide compelling returns while also having positive impact on challenges facing LGBTQI communities. By expanding the gender lens, we can strengthen existing investment actions and catalyze new ones that improve outcomes for LGBTQI groups. The guide highlights opportunities to invest in:

- companies having a positive impact on their employees and supply chains and signaling the value of LGBTQI rights in the market;
- companies' impact on LGBTQI individuals and communities by offering LGBTQI-friendly jobs as well as through their products and services; and,
- the visible leadership of LGBTQI as entrepreneurs, board members and investment managers who are challenging current norms and biases in business and investing.

## How an LGBTQI lens mitigates investment risks

Shifting the analysis to more accurately reflect how gender operates in the world is critical for a better understanding of risk and opportunity within investments. The current analysis in gender lens investing largely relies on a binary understanding of gender and normative expectations related to patterns of marriage, reproduction, consumption, labor, care, economic participation, and more. Construction of gender identity changes over time and, in turn, shapes cultural, social, and economic patterns and systems. These dynamics not only affect LGBTQI individuals, but all demographics, thus amplifying the impact of faulty assumptions on the financial analysis and decision-making.

# Systems of data and metrics to support an LGBTQI lens

Applying an LGBTQI lens to financial analysis requires more sophisticated data collections processes and a conscious attention to the bias in the gender data on which we currently base our investments. Most identity-specific metrics look only at representation. While expanding how we count and who we count, collecting data with an LGBTQI lens requires safe approaches that do not expose individuals in a way that would put them at risk. This is not insurmountable but requires care.

By expanding from counting to analyzing power dynamics, investors can create less binary, more intersectional approaches to collecting information about the patterns in a company or market that can predict discriminatory, exploitative practices on LGBTQI individuals. This power analysis extends from an assessment of the business, to assess the practices of an investor. Process metrics can track an investment manager’s potential to make investments that have a positive impact. For example, a process metric could indicate whether an investment manager went through a collaborative process that included a range of voices to integrate an LGBTQI lens into the investment analysis, process and structures.

## A road map to a field that promotes an LGBTQI lens

Gender lens investing must evolve to include a full spectrum of expressions of gendered identity and sexual orientation. While LGBTQI issues overlap with the issues gender lens investing seeks to address, a parallel LGBTQI lens field is required to provide a common understanding of best practices, amplification of the case for a LGBTQI lens, and coordinated effort to drive the development of new investment products and strategies across asset classes. Both upgrading the existing field of gender lens investing and building a more powerful ecosystem of LGBTQI investors will require philanthropists and investors use their resources and exercise their influence to build and shape both fields.



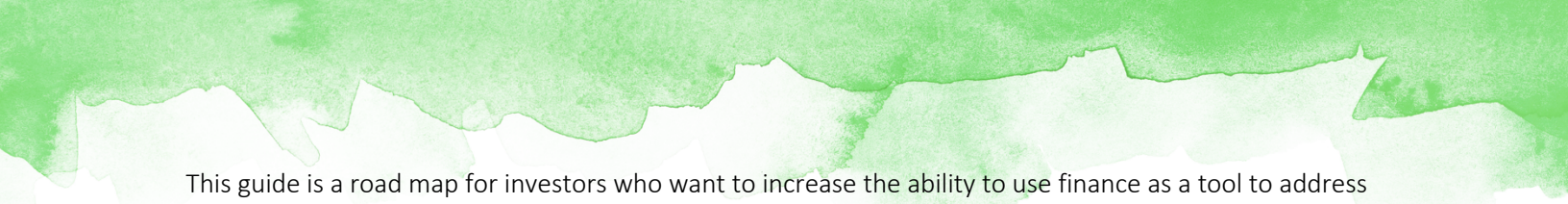
# 1. INTRODUCTION

We live in a moment where cultural norms, behaviors, and laws related to lesbian, gay, bisexual, transgender, queer, and intersex (LGBTQI) individuals are changing significantly but not uniformly. On the one hand, there are expanded freedoms for our sexual orientations, including a June 2020 Supreme Court decision in the US that protects the civil rights of LGBTQI workers. Work on marriage equality has successfully resulted in policy changes in many countries over the past decade. [29 countries now allow same-sex marriage](#). On the other hand, persecution and discrimination continue. In some regions, there has been a backlash to expanded freedoms, with major political parties in countries such as Brazil and Poland running on anti-LGBTQI platforms. In 71 countries homosexuality remains illegal and in 13 countries it is punishable by death. In all countries, discrimination is active.

On the one hand, human-rights-based LGBTQI movements around the world continue to be dynamic, garnering philanthropic funding and public attention and making space for trans and queer identities in addition to gender-normative same-sex relationship equality. These efforts have been reflected in culture and discourse: mainstream media in many countries celebrates diverse gender expressions, with [growing representation of LGBTQI individuals and experiences in, for example, streaming channels that reach global audiences](#). On the other hand, across the world we can also see a backlash and erosions of rights. In addition, the catastrophic rates of gender-based violence inflicted on transgender women and men continues, unabated. A recent report found [3,314 reported murders of trans and gender-diverse people globally from 2008-2019](#), a figure that likely significantly underestimates the actual number.

We need to continue to protect the rights of all humans and to address the systemic injustice faced by diverse gender expressions and sexual orientations. Finance and investments, as a system of power, has the potential to advance the fight against oppression and for gender equity in its fullest sense. Furthermore, the failure to bring an LGBTQI lens to investments means investors will fail to see how patterns affect assessments of financial risks and opportunity.

Movements are colliding to create urgency and opportunity regarding the intersection of investments and how we express our sexual orientations and gender identities. We have the potential to reshape gender lens investing to include LGBTQI identities and experiences and build momentum behind investors bringing an LGBTQI lens across their investments in order to ensure that we achieve a vision of social equity inclusive of all.



This guide is a road map for investors who want to increase the ability to use finance as a tool to address challenges that LGBTQI individuals and communities face. It maps out what needs to change in the field of gender lens investing to make the understanding of gender more fluid and grounded in an analysis of gender norms and how they shape expressions of genders.

## OUTLINE OF THE GUIDE

To understand the current and potential landscape of investing activities, we held two workshops in 2019 and conducted over 40 interviews with socially responsible investors, gender lens investors, traditional investors, funders, LGBTQI activists and gender activists. Through this guide and the discussions that it prompts, we aim to build on work that has been done within gender lens investing and those already investing with an LGBTQI lens.

The guide begins with defining the central concepts that inform an LGBTQI lens. Grounded in gender theory, we break out an LGBTQI lens into three constituent elements: sexual orientation, gender identity, and gender expression. The next chapter focuses on asset owners and investors and lays out a set of strategies for them to actively engage to build a portfolio with an LGBTQI Lens.

In support of these strategies, the fourth chapter lays out the current opportunities to invest with an LGBTQI Lens, the fifth chapter details an approach to bringing an LGBTQI lens to evaluating investment risk, and the sixth chapter examines approaches to data and metrics that support an LGBTQI lens. Finally, we set out actions needed for investors, activists, and funders to build out the necessary ecosystem in the final chapter, *A Roadmap to the Future of Investing with an LGBTQI Lens*.

## INVESTING WITH A GENDER LENS

In 2006, Criterion Institute, along with Root Capital, Calvert Impact Capital, Trillium Asset Management, and Pax World Funds, among others, named the field of gender lens investing as a way to create an umbrella around a disparate set of actors who believed that finance could be used to address some of the systemic barriers women and girls face around the world. The practitioners in the field went about proving that incorporating a gender analysis into financial analysis would enable investors to achieve better outcomes.

Over the past 10 years, a significant field has been built around this activity, with over \$3.4 billion in assets invested, 10+ dedicated funds, and 50+ public gender lens products (Farrar-Rivas & Pyott, 2020). Though initially viewed as a niche area of interest for investors, gender lens investing has steadily grown through the increased social and political pressures of national, regional, and international agendas such as the Sustainable Development Goals (SDGs), the #MeToo movement, and feminist foreign policies that have signaled clearly to the market that investing in women and addressing gender inequality is smart economics (World Bank, 2006).

However, challenges people face related to gender are not limited to the category of “women and girls.” People’s lived experiences—both social and economic—are impacted by how gender patterns play out in the world. Those patterns are multidimensional and complex, made up of societal expectations tied not only to biological sex but also to gender identity and sexual orientation, and exacerbated by various other forms of exclusion around race, class, ability, etc.

The field of gender lens investing drew its roots from women’s corporate leadership, women’s entrepreneurship, and approaches to women’s economic empowerment. While each of those fields has made strides, they are not known for questioning the underlying norms that limit broader expressions of gender identities or sexual orientations.

Often, actors in the field fail to incorporate a sophisticated gender analysis investment processes, products, and metrics. Gender lens investing metrics tend towards counting women—how many women are on boards, investing in businesses owned by women, and so on. For example, the Global Impact Investing Network (GIIN)’s IRIS metrics, the most widely used set of global metrics for measuring an investment’s social, financial, and environmental performance, only track the number of women, as the assumed underserved category. This is not an indictment of the GIIN’s valuable work, but rather a reflection of where investor activity, understanding, and demand lie.

A heteronormative, cis gender, binary understanding of gender has driven approaches to gender lens investing. Those assumptions have led to faulty analysis.<sup>1</sup> Gendered patterns in the world are premised not only on biological sex but also on norms and expectations, and how those norms and expectations are fluid and changing. A significant portion of the population does not conform to the definitions of “men” and “women” that underlie dominant economic and financial analyses. A gender binary comes with a host of expectations related to patterns of marriage, reproduction, consumption, labor, care, economic participation, etc. Anyone not conforming to those norms and expectations—people who identify as women but do not marry men or marry at all; people who identify as men who are primary caregivers to children; people who reproduce outside of partnerships or choose not to reproduce at all—may be subject to the kinds of oppression gender lens investing works to alleviate. An LGBTQI lens expands a gender lens and contributes to better analysis of gender expressions and sexual orientations and the implications for investment analysis.

## **INVESTING WITH AN LGBTQI LENS**

Over the past decade, alongside the growth of the field of gender lens investing, advocates have begun to build the evidence base for investing with an LGBTQI lens and chronicled the work that has been done to

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<sup>1</sup> Criterion has written extensively about the ways in which gender lens investing can evolve to be a more impactful practice in terms of both social and financial returns (see [Framing Gender Lens Investing](#) for a summary of our main recommendations).



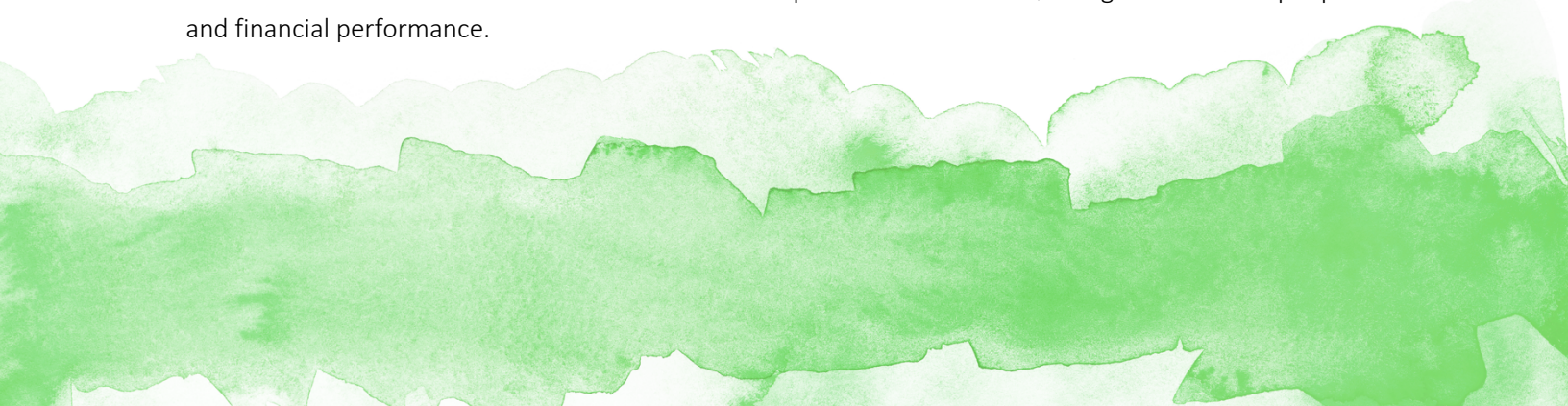
date within socially responsible investing. Of note is the work of organizations such as Trillium (Lang, Humphreys, & Electris, 2016), Cornerstone (Pease, Metrick, & Karp, 2019), the Williams Institute, Open for Business, and LGBT Capital, which have laid the groundwork for conceptualizing LGBTQI investment opportunities. The research on the business case for LGBTQI inclusion has focused on two levels: the role that inclusive workplaces play in improving company performance, and the macro-level consequences of that principle: that countries that treat their citizens in an open and inclusive way tend to have higher GDP (Badgett, Park, & Flores, 2018).

Corporate cultures and norms are changing and becoming increasingly oriented towards analysis and action on diversity and inclusion and marginalized individuals. As Cornerstone Capital Group puts it, there is a growing realization that “corporate cultures and practices that embrace all employees, customers, and stakeholders will benefit everyone.” These changes include a growing awareness among businesses that gender analysis and resulting internal policy changes are critical to better performance and lower risk and in the interest of companies seeking recognition as an LGBTQI- friendly workplaces, as measured by indices such as [Corporate Equality Index](#) and the [UK Workplace Equality Index](#).

That leading socially responsible investing firms such as Trillium and Cornerstone have undertaken research and advocacy on LGBTQI issues gives tremendous credibility to the fact that these issues are material to investing and can be addressed by investors. However, their efforts need to be further supported by the actors, activities, and capital needed to raise the issue’s salience in investing circles. A coordinated effort to establish a coherent and globally recognized field of LGBTQI investing can build the ecosystem needed to spur more economic activity and move it from niche to mainstream.

The central recommendations for this guide are strengthening existing efforts, creating new opportunities for learning and collaboration, broadening our conception of relevant research, and increasing the visibility of LGBTQI investing. In order to do so, philanthropists, impact investors, gender lens investors, non-profits, activists, all have a role to play in naming a field of activity that enables institutions and individuals to make the case that LGBTQI issues are material to investing analyses and to take action. We need to break through the current limbo, in which a lack of investment products means a lack of investor activity, yet the lack of movement of investors slows the development of products.

No shift in investments has ever happened without the power of asset holders to advocate for what they want. Asset holders can use their power to disrupt systems of power. A community of advocates would include investors who identify as gender lens investors and could begin to incorporate an LGBTQI lens as well as those who already invest with an LGBTQI lens. Through this guide, we hope to strengthen existing actions and catalyze new ones and invite new actors to participate. We know that more is possible than what currently exists—from products and services to company behaviors to new research that demonstrates the links between the inclusion and empowerment of LGBTQI and gender-diverse people and financial performance.





## 2. DEFINING AN LGBTQI LENS

Gender lens investing approaches have rarely integrated an analysis of sexual orientation and gender identity. While Criterion Institute and others have been advocating for gender lens investing to evolve to be more intersectional—including moving away from being premised on gender binaries—the field currently lacks a concerted effort to tackle the nuance of a broader understanding of a gendered experience. All of us working in the field of gender lens investing can do better.

Advancing gender equality has often been used as a synonym for empowering women and girls. This framing is a common practice in a variety of fields, including women’s movements and international development, which has played a central role in informing gender lens investing. Moving the needle on gender inequality requires us to understand and address the ways in which gender inequity is the result of socially constructed beliefs and practices around sex and gender that inform how we engage with others and the world around us.

For most investors, assumptions about the types of relationships between genders and expectations on gender-normative behavior do not include non-binary and non-heterosexual relationships. This failure to understand and recognize these gender patterns as material to investment decision-making means investors will not see risks and opportunities. Without analysis of these factors, investors seeking a positive impact from their investments might end up complicit in maintaining gender inequalities.

### GENDER, SEX, AND LGBTQI

The discourse around sexual orientation and gender identity is complex. Contrary to arguments sometimes made by anti-LGBTQI activists, notions of sex, gender, and identity have long been far more complicated than a male-female binary, both in terms of physiology and culture. For example, the category of intersex people refers to those who are born with reproductive or sexual anatomy that does not fit the typical categories of male or female. Some intersex people identify as male or female, some as both, and some as neither. And all over the world, for centuries, some societies and cultures have recognized more than two genders. The *Bugji* in Indonesia, for example, recognize five genders. In some cultures, individuals are categorized or categorize themselves as neither man nor women but a third, unspecified gender. In India a third gender is known as the *Hijra*; Hawaii and Tahiti recognize the *Mahu*;

Polynesia the *Fa'afafine*; and some Indigenous Americans identify as *two-spirited people* (PBS – Independent Lens, 2015).<sup>2</sup>

There is significant disagreement as to which terms are most useful and accurate and frameworks for thinking about these issues are evolving around the world. The terms can vary and are frequently evolving. An LGBTQI lens needs to be rooted in understanding norms, expectations, and power, not a single framework or set of terms. Bringing an LGBTQI lens requires seeing past the acronym to the range of identities and expressions that it represents. An LGBTQI lens is in fact multiple lenses to see sexual orientation, gender identity, and gender expression.

### **Sex and gender are terms which are often used interchangeably but have critically different meanings.**

**Sex** refers to physical or physiological differences between individuals. Commonly seen as binary (male and female), it is assigned at birth and informed by primary sex characteristics (reproductive system, sexual organs, chromosomes, and hormones); and secondary characteristics (features that appear during puberty). Having a certain combination of these will lead to an individual being assigned as male, female or intersex.

**Gender** is socially constructed and is related to the cultural or societal expectations that dictate specific roles, behaviors, and actions associated with being identified as a particular sex. We perform our gender which allows us to be seen as, or indicate, a particular sex based on normative assumptions about what we think females and males look like in terms of their dress, comportment, voice, body, and so forth. Gender is culturally and contextually specific; it is more rigid in some cultures and more flexible in others. In addition, women, girls and LGBTQI individuals can face additional discriminations based on class, race, religion, ability, ethnicity, and various other factors.

Gender is not just about women, or the relationship between women and men, and it does not only consist of women and men. It is about how diverse groups move through the world and have gendered experiences due to: a) Norms about how we expect people to look and behave; b) Assumptions about what they can and can't (or should and shouldn't) do; and c) Expectations regarding roles, responsibilities, and relationships to others.

The systemic oppression or discrimination experienced by LGBTQI groups, as well as women, is rooted in normative ideas around gender and what conforming to these ideas should look like. The gender norms and binaries upon which much investment decision-making is based do not reflect how gender functions at different times and in different places in the world—nor the fact that those norms and assumptions vary by culture and geography and are subject to change. All identities are intersectional – not only in terms of gender but across many other aspects of how we define ourselves and are defined in the world.

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<sup>2</sup> There is a sub-section of the women's movement—the so-called “trans-exclusionary radical feminists,” or TERFs—that believes the concept of gender identity as differing from biological sex is a groundless ideology designed to further oppress women (Burns, 2019).

Deconstructing gender is central to both gender lens and LGBTQI investing because many of the oppression women and LGBTQI individuals face are steeped in the same roots. Discrimination against LGBTQI individuals is rooted in notions about gender. As the gender theorist and educator Riki Wilchins puts it, “Homosexuality...is the most profound transgression of the primary rule of gender: Girls sleep with boys, boys sleep with girls” (Wilchins, 2004, p. 15). Expectations regarding gender roles in society are unconsciously embedded in our belief systems and practices, including the investment process. LGBTQI individuals, the realities of their lives (and relationships), are largely invisible in both mainstream finance as well as gender lens investing.

Understanding how gender operates in the investment context is not only about counting women and girls and how they are represented as workers, leaders, consumers, and stakeholders in enterprises, industries, or economies. Rather, it requires us to understand how gender shapes the ways individuals relate to systems and institutions around them. Assumptions and expectations around how gender operates within society, culture, and the economy limit how accurately we understand a market or the risks and opportunities around an investment. (Anderson & Miles, 2015).

## SEXUAL ORIENTATION

Sexuality and sexual orientation represent the eroticism and/or romanticism between individuals. The categories of sexual orientation include hetero (toward another gender), homo (toward the same gender) as well as bi (toward multiple genders).

- **Gay** - People who are physically, romantically, and/or emotionally attracted to others of their same sex or gender.
- **Lesbian** - A woman who is predominantly attracted to other women. (*Trevor Project*)
- **Bisexual** - A term that describes someone who is attracted to both women and men, or to more than one gender identity. (*Trevor Project*)
- **Pansexual** - sexual, romantic or emotional attraction towards people regardless of their sex or gender identity.

Sexual orientation informs patterns of social and economic behavior, including shaping how we associate, who we marry, and how cultural identities inform consumer behavior and therefore how we understand opportunities for investments. Discrimination in workplaces and societies creates tangible risk to investors and diversity has proven to have a strong return on investment.



## GENDER IDENTITY

Gender identity relates to a person's internal sense of what their own gender is. It is the internal, personal sense of what one's gender is - how individuals perceive themselves and what they call themselves.

- **Gender diverse** – Someone who either identifies with neither or both genders. (*The Communications Network*)
- **Cisgender** – Someone whose gender identity matches the sex they were assigned at birth. For example, if you were told you were “male” at birth, and you still identify that way, you would be cisgender. (*Trevor Project*)
- **Genderqueer** - Someone whose gender identity is not just a man or a woman. People who identify as "genderqueer" may see themselves as being both male and female, neither male nor female, or as falling completely outside these categories. This identity can mean different things to different people. (*Trevor Project* and *HRC*)
- **Intersex** – An umbrella term in which a person is born with a sex that doesn't fit the typical definitions of female or male due to genetic, hormonal or anatomical differences. (*Trevor Project* and *HRC*)
- **Transgender** - An umbrella term used to describe people whose true gender identity does not “match” the sex or gender they were assigned at birth. (*Trevor Project*)
- **Transgender man** – Someone who was assigned the sex of a female at birth but identifies and lives as a man. (*The Communications Network*)
- **Transgender woman** – Someone who was assigned the sex of a male at birth but identifies and lives as a woman. (*The Communications Network*)

Investment approaches within the field of gender lens investing and mainstream finance largely assume gender identity is based on the gender assigned at birth. The faulty logic inherent in these approaches drives strategies that do not encompass the breadth of gendered experiences.

## GENDER EXPRESSION

Gender expression is how one presents one's self through body or other outward signifiers of one's gender. This can be seen in cultural products like clothing or speech as well as highly individualized factors.

- **Gender-nonconforming** - A broad term referring to people who do not behave in a way that conforms to the traditional expectations of their gender, or whose gender expression does not fit neatly into a category.
- **Queer** - A broad term that is inclusive of people who are not straight and/or cisgender, including gender-nonconforming people. In the past this word was used disparagingly. Today the word is often used in a positive way by people who identify as queer as well as by allies of queer/LGBTQI people. (*Trevor Project*)
- **Womxn** – An alternative spelling of “women” considered more inclusive of non-cisgender women because it does not include the words “man” or “men.”

Truly inclusive investment practices require us to think not about fixed categories of people, but about gender equity and how we shift unequal dynamics of power for all people. There is no simplistic formula to categorize people's gendered experiences in the world, and any queer lens—within a field of LGBTQI investing and within gender lens investing—cannot be premised on a single set of definitions. The frame of LGBTQI seeks to capture the breadth of gendered experience. Investors need to resist oversimplification; rather translate the multiplicity it represents into financial analysis. When investors explore a new area of investing or approach to financial analysis, there is an initial cost in time and complexity until the faulty assumptions and analytical practices are removed and replaced by a more robust approach to seeing opportunities and analyzing risks. Working through that complexity so that an LGBTQI lens is built into day to day practices will require a set of investors to be the vanguard, demanding new investment strategies.

### 3. ACTIVELY INVESTING WITH AN LGBTQI LENS

Investing is a forward-looking practice. It requires understanding the factors that shape societies and markets and how those factors are changing, using that understanding to make informed predictions about the future, and in turn using those predictions to make decisions about what is likely to go up or down in value. For investors, understanding and changing how bias and normative ideas and assumptions about gender and sexual identity emerge in financial analysis is crucial to identifying, mitigating, and adequately pricing risk in investments. It is also a powerful way to disrupt traditional modes of deploying capital in a way that addresses inequity and creates real social change for traditionally marginalized groups.

Integrating an LGBTQI lens into the systems and structures of finance will require that a set of individual wealth holders and institutional investors use their power to disrupt the current practices and analytical frameworks in the field of gender lens investing, and sustainable investing more broadly.

This chapter outlines ways to integrate an LGBTQI lens into investment practices (including designing an inclusive investment thesis), engaging with managers and advisors to shape their practices, and shifting power dynamics in the structures and terms of transactions. Investors looking to have an impact on this issue can directly shape the field by their voice and networks to amplify their and their peers' efforts.

#### **Trillium Asset Management's Total Portfolio Activation Model**

In 2016, Trillium Asset Management published what is the most comprehensive look at LGBTQI investing to date. "Investing in Equality: Integrating LGBT Issues into Total Portfolio Activation" is a rich roadmap and framework for investors looking to identify opportunities that advance LGBTQI rights. Trillium's model, Total Portfolio Activation, lays out the wide range of ways that investors can use their capital to support LGBTQI rights and equality, including investment opportunities across asset classes, the selection of investment managers, and ways to push for the creation of more products. The report also looks at other ways investors can use the tools at their disposal in addition to capital, including active ownership and engagement, networks, and policy advocacy. The report is essential reading for investors and investment managers looking to begin or deepen their practice, as well as to understand the history of activity in this field.

## CHECKING PRIVILEGE IN INVESTING

When creating an LGBTQI lens for screening in investments, investors need to be cognizant of how bias and privilege operate within their investment process. It is important to remember that power, privilege, and bias function in relation to multiple parts of an individual's identity. For example, white, gay men can experience the systemic advantages of white privilege and male privilege that queer women or gender nonconforming individuals do not in accessing capital, while still experiencing systemic biases related to their sexual orientation. Therefore, LGBTQI screens, as an attempt to ensure portfolio diversification or inclusion, should ensure that investments in products or entrepreneurs represent diverse groups and market opportunities even within the category of LGBTQI. This requires investors to critically reflect on their pipeline and identify opportunities to increase access across the wide spectrum of identities.

## DESIGNING AN LGBTQI-INCLUSIVE INVESTMENT STRATEGY

An investment strategy is designed to either guide investors as they select an investment portfolio, or to create impact and risk adjusted returns, or both.

### 1. Develop an impact thesis.

- What is the intended impact of the portfolio?
- Who is the direct target? Who else can benefit indirectly?
- What impact(s) do I want to achieve for these populations?
- How are different groups impacted (women, men, LGBTQI individuals)?
- What other socioeconomic issues may be impacting those groups?

### 2. Craft an investment thesis.

An investment thesis reflects the investor's assumptions about where a market, sector or geography will move in the future. It is a reasoned argument for a particular investment strategy, backed up by research and analysis. With an LGBTQI lens, an investment thesis would consider trends about how gendered norms, dynamics, and relationships are changing.

An investment thesis rests on a picture of the future. To create investment thesis with a gender or LGBTQI lens requires imagining changes in gender norms and patterns. Implementing this thesis means investing as if the investor sees these changes as possible, and, therefore, they should be calculated into potential risks and returns. For an envisioning exercise, one might imagine a philanthropist who gives money to empower LGBTQI individuals, and who is looking to incorporate an LGBTQI lens in their financial investments. How would they invest if they believed their philanthropy brought about the intended effects?

### 3. Reflect on existing bias in both the impact thesis and the investment thesis.

Even investors who already integrate a gender lens into their investments may need to reflect critically on



where normative assumptions and unconscious biases guided their investment thesis and strategy to date.

- Is the definition of gender binary? Who is excluded or may be restricted by this definition?
- Do the theses consider differences in sexual orientation, gender diversity, and gender roles and responsibilities within this context?
- Do they homogenize groups or make restrictive assumptions about their collective experience?
- Do those designing the impact and investment theses represent diverse backgrounds, perspectives, cultures?
- Do the assumptions about impact reflect an intersectional understanding of gender expression, such as whether race affects patterns of how capital moves to the LGBTQI entrepreneurs.
- Were voices included in the design that do not conform to normative gender roles and expressions in context? What influence do they have?

In developing a strategy that integrates an LGBTQI lens, investors, fund managers, and investment teams and committees can also look internally. They can ensure that their own policies, practices, and teams are inclusive of LGBTQI individuals and responsive to their needs and learn together about ways to integrate these concerns into processes such as hiring, due diligence, and more.

#### **4. Translate the investment thesis into a specific investment targets and screens.**

Based on the assumptions about the future as stated in the investment thesis, the investor identifies types of companies to invest in now that will capture that future. What opportunities align with the investment strategy? Chapter four outlines opportunities to invest with an LGBTQI lens.


- Does the thesis shift the investor to look at new markets or sectors?
- Can the thesis shift or challenge the existing landscapes of impact investing opportunities? For example, most [landscape reports of gender lens investing](#) opportunities lack an LGBTQI lens.
- Does the strategy shift where viable pipeline opportunities are likely to come from? Does it require developing new pipeline partners?

An investment thesis should also shape how risk is assessed within the portfolio. Chapter five details various approaches to looking at investment risk with an LGBTQI lens.

#### **5. Check assumptions of how investments in the portfolio can create impact.**

Moving capital is not always enough to create the impact desired.

- Does the capital being invested in LGBTQI entrepreneurs meet their needs? Is it structured to support them in their context?
- How, as a limited or general partner in a fund, can an investor advocate for incorporating LGBTQI lens into the investment approach?
- Where, as a client in a public equity or debt product, can the asset owner or advisor challenge assumptions in the design of the product, or push for a separate account where the capital can test out an investment approach with a LGBTQI lens?

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- When, as an owner of stock in public equity, could a shareholder resolution put pressure on the discriminatory practices in a company or a sector
  - As a market leader, how can an investor signal through investment priorities and processes the importance of trends in the market that reflect more diverse expression of gender identity?

If their investment strategy is well focused, investors are better prepared to use their full financial and social capital to support, promote, and potentially accelerate the realization of their vision of the future and their desired impact. An LGBTQI lens can sharpen an investor's focus.

## **ASKING CHALLENGING QUESTIONS OF MANAGERS AND ADVISORS**

Investment strategies are not developed or implemented alone: they require wealth advisors, investment advisors, and fund managers. Socially responsible investors have learned the importance of partnering with these individuals and institutions, because through them you change how they talk to other clients. But it is not easy work and shifts the responsibility to the investor and the client, to demand alignment with their goals and equip their partners to implement on their behalf.


A critical part of building an ecosystem is educating and training those who manage much of the day-to-day work of identifying opportunities—namely, wealth advisors and investment managers. These actors may not know to ask about a client's interest in LGBTQI issues, or how to look beyond direct investment opportunities to meet a client's desire to have impact on LGBTQI issues. They may not be aware of the types of products available at all. The next two chapters on expanding the definition of "opportunities" and seeing "risk" are particularly relevant to wealth managers and investment advisors looking to meet growing demand for socially responsible approaches to investment.

Often activist investors are required to educate themselves ahead of their advisors to be able to ask detailed questions that challenge norms in analysis. Thus, it is very important that investors critically reflect on the biases and assumptions that might be guiding their gender analysis. For example, evidence about the pervasive human right violations toward LGBTQI individuals could support investors when they ask the advisor to determine where the portfolio is exposed to market risks. Multiple asset holders asking the same question of their financial advisors creates an echo effect within finance that an issue matters to clients.

More than about one question, this is about a process - a persistent dialogue that pushes the advisor or the manager to see that an easy answer is not enough and encouraging increased sophistication.

## **USING STRUCTURES AND TERMS TO SHIFT POWER**

In finance, money is always moving. How it moves is guided by how individuals and institutions are in relationship with each other. Those relationships are laid out in the structures, documents, and terms of



financial transactions. As such, shaping or changing the structures and terms of a transaction can change how the two parties are in relationship with each other in a way that is mutually beneficial. Asset owners, particularly investors who are the first in a transaction, have the privilege of defining the terms on which they will move capital.

Investors often modify structures or terms to support marginalized populations as part of meeting financial goals. Investors have the power to embed an LGBTQI lens within terms, structures, and agreements to meet these individuals' specific needs. Below are several possibilities suggested by investors Criterion spoke to over the course of this research.

### Investment Terms

- Using majority or minority **voting rights** to protect LGBTQI outcomes, e.g., via diversity and inclusion policies
- Creating longer **term lengths** for a) individuals who may have difficulty accessing capital due to systemic biases or b) businesses whose models depend upon certain types of social and norms change
- Defining the **uses of capital** to ensure that investment capital cannot be used to discriminate against LGBTQI groups, or even mandating that it be used in ways that are inclusive
- **Linking interest rates** to social goals, or giving investees concessions if they achieve certain goals
- Majority investors **can use drag-along rights** to force other investors to divest of companies that were found to be discriminating against or harming LGBTQI individuals or communities

### Investment Documents

- **Investment policy statement** – An IPS can define assumptions around risk that inform the work of advisors and managers. This can include naming ESG risks through an LGBTQI lens, or discriminatory practices in a workplace, or human rights violations in a country as material investment risks.
- **Shareholders agreements** – These can be used to advocate alignment with targets for inclusive business ownership
- **Letter of agreement** – In outlining the terms of the relationship, various supportive and protective measures can be built in, such as confidentiality clauses that include non-disclosure to governments or other hostile actors to protect potentially vulnerable investees
- **Subscription agreement** – General Partners can build into these agreements that certain targets or conditions concerning LGBTQI issues must be agreed upon by new investors, even if these targets are not the primary issue focus of the partnership
- **Term sheets** – Investors can build various conditions into direct investments into the KPI section, ensuring that investees use the capital in ways that are non-discriminatory. For example, they could mandate equal pay and certain workplace policies that support LGBTQI individuals or include morality clauses that enable them to withdraw capital if misconduct or discrimination occurs.
- **Non-Disclosure Agreement** – These contracts can be used to protect the safety and privacy of investors and investees if either of them represents populations that may be vulnerable to

discrimination or harm. For example, investors wanting to support LGBTQI-led businesses in countries that are hostile to LGBTQI rights could use these to protect themselves and investees from disclosures that may cause harm.

## **BUILDING AN ACTIVIST INVESTOR COMMUNITY**

Investors who are using their power to disrupt systems of inequity are the greatest force in any investment field. There are limitations to their ability to engage, though. Private wealth holders often lack the time, knowledge, and energy to engage deeply in investments. Institutional investors, such as foundations, also lack time and sit within preestablished investment policies and practices that might take years to shift. But there are many examples of investors bringing about change.

Collaborative campaigns that have succeeded in creating meaningful change have amplified the voice of an individual investor. For example, within climate finance, the divest-invest movement set a standard for divestment, enabling trustees to put pressure on their peers to join them in moving capital. In Criterion Institute's campaign to prove that finance can be used to address gender-based violence, the shared action was not to move capital, but to influence investment managers so as to incorporate an analysis of gender-based violence into their approach to investing, and to build products.

An LGBTQI lens will become relevant to investments as asset holders demand it. Within the emerging field of LGBTQI investing there is opportunity for both standards around issues such as discrimination in the workplace, and broader signaling campaigns that establish an LGBTQI lens as material to investment decisions. Neither will succeed as a single voice in the wilderness of the financial markets. Both require coordinated activity and the intentional reinforcement of multiple stakeholders' voice and influence.

## 4. OPPORTUNITIES TO INVEST WITH AN LGBTQI LENS

For LGBTQI-minded investors, multiple products, indices, and investor activism strategies are available – from indices that highlight companies supportive of LGBTQI individuals, to [coalitions of businesses](#) advocating for inclusive workplaces. However, the practice of LGBTQI investing is not yet so developed that we have a range of products across asset classes built on robust and quality data sets. As laid out in the previous section, it will take investor activity to help build an ecosystem not just of quality products, but also of investors who understand the value of an LGBTQI lens and therefore are creating demand for those products. In this chapter, we provide an overview of the investing activity to date and then a framework for how all investors can think more expansively about incorporating an LGBTQI lens in their current practice, whether they are impact-oriented investors or not.

Much of the work done in this field to date, including by thought leaders such as Trillium Asset Management, LGBT Capital, Dreilinden gGmbH, and Cornerstone Capital Group, has focused on how investors can influence companies to introduce policies and protections that create an environment in which all employees can thrive. Trillium’s 2016 paper, [Investing in Equality: Integrating LGBT Issues into Total Portfolio Activation](#), articulates a key distinction between investment strategies targeted at marginalized individuals, versus incorporating an LGBTQI analysis into existing ESG strategies. From the point of view of building an ecosystem in which multiple actors can see a path towards investing in LGBTQI issues, we need to target solutions towards specific marginalized populations, and we need to ensure that analyses of marginalized experiences are incorporated into broader analyses of investment opportunity and risk.

A well-established framework for what it means to invest in marginalized populations—one that Criterion has used in its work on gender lens investing and that Trillium has laid out in its research—posits that there are three main lenses for opportunity:

1. **Access to capital.** Marginalized populations tend to have less access to capital and credit, at an individual and business level. For example, [transgender people in the United States face credit discrimination](#) at high rates and most states do not protect against it.
2. **Workplace equity.** This opportunity relates to how workplaces treat marginalized workers, from protections to responsive policies to representation in leadership. This category includes diversity and inclusion initiatives currently being adopted across sectors.

3. **Products and services.** Which products and services directly address the needs of or benefit the populations in question? Examples include [wealth management firms dedicated to serving the LGBTQI community](#), [queer dating apps](#), [queer media companies](#), and so on.

The second lens—workplace equity—is the most developed, with multiple indices, ratings, and frameworks for what makes a “good” LGBTQI workplace. Years of corporate and investor activity focused on workplace non-discrimination and inclusion. As such, the two most widely used indices are the Human Rights Campaign’s [Corporate Equality Index](#) and Denver Investments’ [Workplace Equality Index](#).

Actions related to access to capital and direct products and services have a less established terrain. There are organizations addressing various needs, but there is less cohesion in terms of the whole landscape of LGBTQI issues and the need to mobilize partnerships and resources.

The bulk of LGBTQI investing activity is currently in public equities, a subject Trillium covers at length in [Investing in Equality](#). An increasing number of firms, such as Root Capital, Calvert Investments, and NorthStar Asset Management, integrate LGBTQI-specific considerations into their broader socially responsible investment criteria. Many of them are based on ratings and accreditations by the Corporate Equality Index, the Workplace Equality Index, and LGBT Capital’s [accreditation system](#). Few direct investment products focused solely on LGBTQI concerns exist, and those that do tend to be undersubscribed. For example, in 2018, UBS released an LGBTQI exchange traded fund (ETF) built off the Human Rights Campaign’s Corporate Equality Index. However, the fund was liquidated in early 2020. A similar product launched by Credit Suisse in 2013 is also no longer available.

While the folding of these products might be cause for consternation, we believe it serves to illuminate the larger point about the lack of an ecosystem. **Building quality products, while critical, is not enough to build an understanding of their value and demand for them.** The focus needs to be expanded to include the ecosystem around the products. This includes building the base of data that allows us to create better products, demonstrating the value of an LGBTQI lens to a broader range of investors, and finding ways to integrate LGBTQI analyses across a wider range of investment processes.

Finance has the power to influence a company’s behavior. Below we present a framework and recommendations for investors, fund managers, and members of investment committees on how to influence each other, investee companies, and peers in thinking more expansively about company-level impact. We suggest that investors frame how they think about companies and opportunities for impact into two categories:

- Impact inside companies
- The impact of a company on the world

An investor’s approach to assessing a company’s impact on LGBTQI individuals and issues will be most successful—and least likely to do harm—if it is rooted in an understanding of the company’s cultural context. For example, putting out open calls for LGBTQI-led businesses may not be safe or effective in countries where social discrimination is high, and people may be unwilling to risk self-identifying. By

partnering with organizations on the ground, as Dreilinden did in its recent work supporting LGBTQI entrepreneurs in South Africa (Bollier, 2020), is one way to ensure effectiveness and safety.

## IMPACT INSIDE OF COMPANIES

The impact of changing the behaviors of one or a handful of companies goes beyond the individuals directly affected by the policies. When business signals that something is important, other systems and institutions, like media and government, often follow. Moreover, competition among companies means that when one company demonstrates leadership on an issue, others follow, raising the bar of what is considered best practice.

Asset managers, individual investors, limited partners, and general partners who want to see results on these issues can have significant impact by educating their boards, investment managers, investment teams, and investment committees on the importance of issues related to diversity and inclusion and how they can be woven into the process. For example, adding questions about diversity, equity, and inclusion into due diligence processes not only removes biases from the investment process and helps to unearth hidden opportunities, but also signals to existing and potential portfolio companies that these issues are important to asset holders. Ensuring diversity and inclusion among one's own investment managers, investment teams, and investment committees, and educating them on how to weave these considerations into standard processes such as due diligence and post-investment support, are important to raising issue salience and demonstrating a path to implementation.

**Ensuring diversity and inclusion among one's own investment managers, investment teams, and investment committees, and educating them on how to weave these considerations into standard processes**

Investors of all kinds have more opportunities to make impact at the company level than simply by directing capital towards companies that, for example, score high on an LGBTQI index. The five strategies that follow seek to encourage investors to think expansively about ways to use their capital and influence.

### **Influencing corporate practices of public companies to increase shareholder value**

As we have noted above, most investing activity in LGBTQI issues exists on the public equities side. Thanks to a significant amount of shareholder activity over the past many years, as well as activism from leadership and employees and a growing recognition that inclusive practices attract a wider talent pool, a significant number of corporations have incorporated LGBTQI-related policies and practices such as anti-discrimination policies. This focus can also extend to activism in supply chains. Most of the large multinationals proactively open their procurement processes to include minority-owned businesses. They could also include LGBTQI.

LGBTQI data are not typically incorporated into gender indices or ESG tools, and therefore gender lens investing funds or ESG funds are not a consistent option for LGBTQI-minded investors. The scarcity of LGBTQI products has limited the ability of asset managers to integrate an LGBTQI perspective into portfolios. The products that do exist have often lacked a coherent strategy, partly because the field still lacks good data on which to build products. This is where funders have a crucial role to play. They can support the research and data needed to develop more and better products. They can also make grants alongside investments that serve as first-loss capital, thereby de-risking investments in order to help build the supply of options.

### **Influencing practices through lending and investment to small and medium-sized enterprises (SMEs)**

Banks, microfinance institutions, and those that capitalize them to support microenterprises and SMEs have a role to play in adopting non-discrimination policies themselves, encouraging their clients to adopt LGBTQI-responsive practices. Lenders can both incorporate an analysis of the LGBTQI-specific elements of workplace equity into their own assessments or by use their influence to encourage better practices at existing borrowers and clients. Lenders to small businesses can look to existing workplace equity models and ensure that their own staff and management team are diverse and can incorporate an LGBTQI lens into their practices. Expanding understanding of diversity to include an LGBTQI lens will strengthen and secure the positive impacts that diversity has on the bottom line of the investment.

### **Bringing an LGBTQI lens to existing investments in impact-oriented companies**

Investors who are already investing in companies that have an intentional social impact can assess where those companies might be falling short on LGBTQI issues. For example, is the company strong on environmental and sustainability issues but hasn't examined social dimensions such as human rights in its supply chain or workplace equity? Has the company supported gay rights but through a cis-normative lens that excludes a trans experience? The products might be beneficial to women and girls, but the advertising is driven by heteronormative assumptions. Socially minded investors can assess what the company is doing right and what it might be missing, and advocate for the inclusion of LGBTQI-inclusive models of workplace equity—for example, working with organizations.

### **Pushing companies addressing gender equality to think beyond binaries**

Those who are investing in companies aiming to have an impact on gender have an opportunity to incorporate a deeper analysis of gender into their policies and impact outcomes. Is it a gender lens fund with impact metrics predicated on binary definitions of gender? What are some easy adjustments that can be made to impact metrics that move beyond binaries? (See the end of this section for suggestions on LGBTQI-inclusive gender metrics.) Do workplace policies and practices go beyond one set of assumptions about womanhood (i.e., motherhood, heterosexual partnership, primary domestic caregiver, etc.) to support the full range of gender expressions and identities in the world?





## LGBTQI-oriented companies

This category encompasses what we might regard as “model companies”—those that have designed their policies and practices to support LGBTQI individuals, are owned by LGBTQI individuals, have LGBTQI representation on management and decision-making teams, and/or have LGBTQI-friendly employee policies and recruiting practices. Direct investments are a powerful tool that investors can use to shine a light on these progressive companies.

Investing in companies with LGBTQI individuals in leadership is, as with all marginalized populations, a form of change that goes beyond empowering a single individual. Whom we see in positions of leadership shapes our attitudes about who we think can be a leader. By breaking down traditional images about leadership and authority, the more we broaden who has access to power. This holds true not just of LGBTQI and gender-diverse individuals but of all populations that face structural inequities—women, racial and ethnic minorities, people with disabilities, members of different castes and tribes, and more. Moreover, historically, LGBTQI businesses have faced challenges in accessing capital. There are many efforts underway to get capital to businesses owned by underrepresented groups, some that are specifically focused at LGBTQI populations (such as LGBT Capital) and some that include LGBTQI as part of the audiences they are trying to serve, such as Pipeline Angels and Backstage Capital.


Publicizing an investment or portfolio of LGBTQI leaders should be done thoughtfully and in partnership with local groups to not endanger entrepreneurs or populations. Investing in LGBTQI entrepreneurs and LGBTQI-focused businesses in emerging markets is a valuable investor tool, but in countries hostile to LGBTQI individuals, the visibility of the investment can be a risk. Directly investing in LGBTQI-led or focused businesses can improve social outcomes for these groups, but also endanger individuals or the ability of entrepreneurs to do businesses in contexts where same-sex activity is illegal. Investors being visible in their commitments to an LGBTQI lens is essential to building momentum and conveying credibility, they must simply think about how to support entrepreneurs and the normalization of such businesses in that communication.

## THE IMPACT OF A COMPANY ON THE WORLD

In addition to influencing companies’ internal practices, investors can support companies that are having an impact on LGBTQI individuals and communities in the world. We break down below three ways investors can think about external impact.

### Products and services that impact LGBTQI people

As mentioned before, there is a growing number of companies dedicated to addressing specific needs faced by LGBTQI individuals and communities, such as lack of access to capital and barriers to health care and employment. These include financial products and services dedicated to LGBTQI individuals, for example, Equality Credit Union.



## Companies that are innovating to have an impact on LGBTQI individuals

A growing number of companies are innovating across various sectors in ways that are impacting LGBTQI individuals and movements. Some of the most prominent are beauty and fashion, where gender-fluid and gender-neutral looks and clothing have been gaining prominence over the past 5+ years, in a way that a Vogue writer recently described as “more substantial and politically engaged” than similar fashion trends in decades past (Sanders, 2019). This is also true in media and entertainment, where content geared at LGBTQI populations continues to proliferate. In our research, these kinds of companies were described to us as “the low-hanging fruit” of opportunities.

## Empowering LGBTQI people to leadership

LGBTQI individuals face barriers to employment, including discrimination and non-supportive work environments. Organizations such as StartOut are geared at LGBTQI entrepreneurship and other organizations such as Out & Equal provide trainings for companies on how to recruit and retain LGBTQI individuals. While much of the focus has been on leadership, it is also important to hire and train middle management on diversity and inclusion, as much hiring and day-to-day managing happens at this level. The opportunity for empowering LGBTQI business leaders extends beyond programs that serve exclusively LGBTQI individuals—which can in some cases be self-limiting because self-identifying as LGBTQI is not a safe or easy thing to do and is highly dependent on culture and geography. Instead, investors can also focus on entrepreneurship development programs that draw from a wide range of places, including those where discrimination is high, and intentionally build a supportive and inclusive environment into their design so that any LGBTQI participants are empowered whether they make themselves visible or not.

Throughout this variety of approaches, an inclusive investment process that identifies and eliminates biases throughout can help identify new opportunities for investors that add to pipeline and portfolio diversity and broadly support entrepreneurs who are systemically discriminated against get access to capital.





## 5. AN LGBTQI LENS ON INVESTMENT RISK

Measuring environmental, social, and governance (ESG) risk in investments has driven the expansion of socially responsible investment products and created new pathways for mainstream investors to move their capital. This market has topped [30 Trillion dollars](#) and provides a range of products that value the ESG factors into consideration as they determine investment risk. Changing what systems of finance value, and what they see as risky, can influence market behavior. Finance is a powerful system and when it signals what investors are paying attention to, companies and even governments sometimes follow. Climate finance has been an effective illustration of this kind of impact, as investment standards have shaped government action.

Oppression of LGBTQI communities is material. The systematic discrimination and structural inequities faced by gender and sexual minorities are not just externalities of our economic activity but rather tied to the success of economy. Influencing what data and expertise finance considers important and how it uses data and expertise to calculate and assign value to companies and markets is a way of creating equitable change in the world.

### AN LGBTQI LENS ON ESG RISK

We identify three avenues for an LGBTQI lens to uncover hidden or undervalued risks in a variety of investments:

1. LGBTQI oppression as a political and market risk
2. Shifts in cultural patterns as an operational, regulatory, and market risk
3. Changes in cultural acceptance, creating regulatory and reputational risks

It is worth noting that the second two patterns name risks in companies which may not be negatively affected in the current environment but will be adversely affected if they are unable to pivot as cultural norms shift to broader and more open expressions of diverse gender identities and sexual orientations.

## LGBTQI oppression as a political and market risk

A key component of valuing investments is assessing political and country-level risk as indicators for the stability of markets. Violations of human rights, including LGBTQI rights, directly impact the stability and economic productivity of regions and markets. This in turn creates a specific political and country risk as well as market risks not captured or measured in traditional analytical frameworks. These risks include:

**Political and country-level risk:** Research shows that there are links between how societies treat marginalized people and state stability. There is evidence that violence against women is a better predictor of state instability than more traditional measures such as wealth and the strength of institutions (Hudson, Caprioli, Ballif-Spanvill, McDermott, & Emmett, 2008), and human rights experts broadly believe that human rights violations in general are correlated with state security. High levels of violence against any group can indicate unseen instability in a country, including corruption and coercion.

**Market risk:** The Williams Institute, the World Bank, and other institutions have found a correlation in various country and state contexts between discriminatory laws and practices targeting LGBTQI populations and country-level economic performance (see Badgett, 2014 for one example). Failure to examine discriminatory laws and practices in target markets can lead to unseen risks to labor supply, consumer demand, and overall economic growth.

## Shifts in cultural patterns as an operational, regulatory, and market risk

How can investors evaluate the risks of an investment based on future shifts in cultural patterns? If/as a wider range of gender expressions and sexual orientations are accepted, which companies will be positioned to succeed in that environment, and which will fail? Companies that cannot adapt their culture or products to the realities in a future context will falter or fail and that affects investments.

Current research trying to ascertain the global LGBTQI population reveals mixed results. There is great variation by country, and by how questions are phrased. Clearly visible, however, is a trend of young people pushing back against binary gender norms and increasingly identifying as non-binary, queer, and non-conforming (Hammack, 2019). As discourse evolves around sexual orientation, gender identity and gender expression, and people identify in new ways, recent research shows significant diversity in gender identification amongst younger generations (The Trevor Project, 2019).<sup>3</sup>

These cultural shifts in identity and expression translate into specific investment risks:

**Operational Risk:** Even if companies adhere to laws and regulations, they may not be creating a workplace culture that is welcoming or safe for all genders and sexual orientations. This can have an impact on operations if a company is therefore not able to attract or retain talent, or a loss of human resources if staff cannot bring their full selves to the workplace. Having to actively disguise one's personal truths is an effort that detracts considerably from one's ability to work well.

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<sup>3</sup> We are not suggesting that people change their gender identification or sexual orientation due to cultural influence—a popular anti-LGBTQI talking point—but that articulating a wider range of normative possibilities facilitates diverse self-identification.

**Market Risk:** When a company or investor fails to accurately analyze a target market in order to tailor product or service offerings, advertising and marketing, or products or services, they risk failing in their approach to selling to the market. Shifting gender norms have fundamentally changed how the fashion sector, for instance, understands the needs of their target consumers.

### Changes in cultural acceptance creating regulatory and reputational risks

Companies which had abuse revealed in the #MeToo movement suffered a decline in stock value, surprising many investors. The surprise was not that the sexual harassment was happening, but rather that it was no longer tolerated. The shift that had an immediate impact on stock price was not a new behavior, but rather an increase in intolerance of the behavior.


As culture changes, perceptions of what is acceptable change, as do laws. Culture change impacts two key components of market risk: reputational and regulatory risk. Certain types of discrimination against LGBTQI that were commonplace ten years ago, would now be considered unacceptable in many corporate settings. Companies who are unable to adapt their practices will see their cost of operations increase and their internal practices will face increased public scrutiny.

The movement for LGBTQI rights and inclusion is one of the most dynamic movements across the world. Investors who are not tracking this culture change and the resulting shifts in tolerance of discrimination, violence, and oppression are missing risks in companies already inclusive or able to adapt.

These shifts in cultural tolerance and acceptance translate into specific investment risks:

**Regulatory Risk:** Considering the dynamism of LGBTQI issues across the world (both in progress and backlash), investors would benefit from a better understanding how culture changes on this issue. Changes in how sectors and countries perceive and treat LGBTQI people have led to changes in regulations, and from the point of view of an investor, any company unprepared to adapt to changing norms holds legal and operational risk. A recent example is the US Supreme Court's June 2020 [ruling that existing laws barring discrimination on the basis of sex include LGBTQI workers](#)—an outcome that illustrates the cultural changes in LGBTQI acceptance, brought about at least in part by activists and advocates.

**Reputational Risk:** Actions that disenfranchise or oppress LGBTQI individuals can become a reputational and/or regulatory risk for a company as discrimination becomes less culturally acceptable. A recent example is the situation of the American fast-food chain Chick-fil-A, which has received press attention and protests by pro-LGBTQI groups because its CEO expressed opposition to same-sex marriage. The chain has survived thus far in the US. In the UK, its attempted expansion failed spectacularly: its first franchise was protested by LGBTQI groups and closed within 8 days (Castrodale, 2019).



## IMPLEMENTING AN LGBTQI LENS IN RISK ASSESSMENT

While some argue that the estimated size of LGBTQI populations is too small to be a material consideration in market analysis, evidence linking LGBTQI inclusion to improved economic performance at the [company](#) and [country](#) level suggests otherwise.

Investors need to incorporate an analysis of the risk to companies in countries that have discriminatory laws, but also the risk of structural discrimination in most places in the world. This applies whether employees identify as LGBTQI or not. Criterion Institute recently released both within the company and within society more broadly a similar analysis is relevant here: [a tool on how investors can assess the risks to companies of gender-based violence](#).

**...though the overall percentage of the population that identifies as LGBTQI may not be more than a strong minority, support for this population is strong...**

Even though the overall percentage of the population that identifies as LGBTQI may not be more than a strong minority, support for this population is strong and, in many places, growing. As the example of the UK boycott of Chick-fil-A illustrates, the percentage of people willing to change behaviors based on this issue does present a risk.

Investment strategies need to determine which countries with high rates of discrimination are too risky for investments, or if they want to engage with activism and risk mitigation strategies rather than avoiding those markets. The latter seems advantageous from a LGBTQI perspective, because disqualifying companies from countries that are hostile to LGBTQI individuals can perpetuate existing vulnerabilities by withholding resources from places that could benefit from them.

This field requires investors with different types of risk tolerance and tools to support investees — as well as grant makers. Philanthropists and activists can play a role here, together, in identifying levers that investors can build into the structures and terms of their investments that mitigate risks for all.

Globally, significant efforts have been made to understand the [depth and breadth of LGBTQI rights violations](#) and [their impact on society](#). Investing in research, initiatives, or forums that take existing quantitative and qualitative data, identify where more work is needed, and finding ways to make it applicable for the investment context, including risk modelling, would dramatically improve the ability of investors to incorporate this into their decision making.



## 6. DATA AND METRICS TO SUPPORT AN LGBTQI LENS

A central challenge in bringing an LGBTQI lens to investing is the nature of the data we want to collect and the context in which the data are collected and used. Data collection can undermine the broader project of safety and inclusion, in situations that force individuals to self-identify or in which companies collect and store data that might put workers at risk (and in some cases may not be legal). It is imperative that this work not rest on forcing visibility on anyone for whom it may not be safe to self-identify as LGBTQI. Moreover, even self-reported data from people who feel safe may not be consistent. There is widespread disagreement about what different sexual and gender identity terms mean and who claims them, and terms and frameworks are continuously evolving.

These tensions, which many have cited as one of the obstacles to building LGBTQI investing products and approaches, present an opportunity to think more broadly about what data we value and the many ways that inclusion can be built into company and investor practices. We have the opportunity to build a field of LGBTQI investing that proactively addresses some of the challenges gender lens investing currently faces, where the ease of collecting data about women's representation has led to an overreliance on such measures rather than deeper analyses of how gender patterns impact different kinds of people.

Currently, measuring gender impact through data is still predominantly within a binary understanding of gender. This has been reinforced by a multi-decade global women's movement focused on the categories of women and girls. The standard metrics in the field of gender lens are binary. These metrics come from globally used sources such as [Sustainable Development Goal 5](#), the Global Impact Investing Network (GIIN)'s [IRIS metrics](#), and the G7's [2x challenge](#). Within these, gender is mostly synonymous with women and a heteronormative understanding of relationships.

### DATA THAT BUILDS THE BUSINESS CASE

One of the driving forces of gender lens investing was a wealth of data showing that companies with women on boards and as employees performed better than those without. One of the primary reasons for those invested in LGBTQI outcomes to collect data is to keep building the business case that LGBTQI businesses are viable and impactful. Organizations such as Open for Business and the Williams Institute have built the case that LGBTQI-inclusive workplaces perform better, and Credit Suisse has shown that investing in companies that are proactive about LGBTQI-inclusive workplaces does not yield a decrease in

returns (Lang, Humphreys, & Electricis, 2016). This research has had an impact on how investors evaluate public companies, which is where most LGBTQI investor activity has happened to date.

Building the business case for LGBTQI-inclusive workplaces is a powerful form of advocacy and change. However, there has been less focus on ownership, leadership, and employment of individuals who identify as LGBTQI. We don't know how to "count" LGBTQI employees or business owners effectively. Advocates and funders can identify opportunities to ensure that this issue is incorporated into workplace equity models and into trainings that may be focused on other issues, such as gender equity and sexual misconduct. Advocates and investors should amplify the work that has already been done and look for ways to elevate those findings in a variety of investment contexts. Funders, advocates, and current LGBTQI investors can also work to build a case for LGBTQI inclusion to be considered an essential part of ESG.

## **DATA ABOUT ENTREPRENEURS**

Investors in communities that have traditionally faced barriers to access capital have succeeded because they understood the patterns that impact different types of entrepreneur's lives. For example, it may be that certain types of entrepreneurs are likely to repay loans in full, but simply need longer terms. Research shows that women-led businesses tend to have lower non-performing loans (NPLs) than average SMEs (International Finance Corporation, 2019), demonstrating that a population that has traditionally not had easy access to capital is not cut off from capital due to inherent weaknesses in the value proposition, but rather due to a mismatch between capital terms and needs.

It is crucial to understand the patterns that impact LGBTQI populations' lives and patterns of business ownership in order to understand how to match capital to their needs. Such data should be at a global market level and not proprietary to individual funds or firms to achieve the scale necessary for LGBTQI-responsive investment. As happened with gender lens investing, organizations can work in cooperation to research patterns at the global, market, and sector levels. A significant body of research by academics, NGOs, governments, non-profits, and businesses can help to paint a picture of how LGBTQI individuals access capital, what barriers they face in starting and growing businesses, their underlying economic status, and other factors that impact business ownership and lending. This evidence can in turn convince investors and create standards that can be easily adopted.

More research is required on the patterns and needs of organizations that strive for LGBTQI-inclusive workplaces. The business case for better performance has been established, but we need data on the patterns of that performance—for example, what kind of investment is needed upfront and how long it takes for practices to impact business performance—to establish these businesses capital needs and ideal terms for that capital.





## SAMPLE GENDER METRICS WITH AN LGBTIQ LENS

Sample Gender Metrics	LGBTIQ Lens Alternative	Comments
<b>Enterprise Owners and Leaders</b>		
% of company shares owned by women	% of company shares owned by women or LGBTIQ individuals	By expanding these categories, investors can get a broader sense of the diversity of company ownership without forcing visibility on anyone who may not want it. Such a change is only recommended if methods of collecting these data are anonymous, where answers are not tied back to individuals.
% of senior management positions filled by women	% of senior management positions filled by women or LGBTIQ individuals	By expanding this category, investors can get a broader sense of the diversity of company management without forcing visibility on anyone who may not want it. Such a change is only recommended if methods of collecting these data are anonymous, not tying answers back to individuals.
% of board or investment committee members who are women	% of board or investment committee members who are women or LGBTIQ individuals	
<b>Employees</b>		
# and % of employees who are minorities or previously excluded	# and % of employees who are gender, sexual, or other minorities or previously excluded	Investors must ensure that businesses have a process for safely and ethically collecting such data.
Existence of employee protection policies, including anti-discrimination, sexual harassment, worker safety, and fair hiring	Existence of employee protection policies, including anti-discrimination, sexual harassment, worker safety, and fair hiring; absence of forced arbitration clauses or NDAs for instances of harassment, discrimination, or other misconduct	While anti-discrimination policies are critical, they are a baseline upon which proactive inclusion policies and practices should be built.
<b>Consumers and Users of Products and Services</b>		
# of products or services specifically or disproportionately benefiting women	# of products or services specifically or disproportionately benefiting women or LGBTIQ individuals	Such metrics must be context-specific; in countries where homosexuality is illegal, for instance, naming this could put investees and consumers at risk.
Description of the mechanisms in place to gather input from stakeholders on product or service design, development, and delivery	Is there a mechanism in place to gather input from target stakeholders on product or service design, development, and delivery? If so, please describe.	This can be converted into a quantitative question, making it easier to incorporate into a diligence process.

## DATA ABOUT IMPACT

Metrics relating to gender identity and sexual identity tend to be collapsed into binary gender identity metrics. Different metrics on gender identity and sexual orientation need to tease out cultural and gender norms of what constitutes a household, for example. Metrics which incorporate an LGBTQI lens cannot simply layer one practice of counting and overly simplistic representations on top of another. Instead, they must examine power dynamics, not just identity, so metrics are fully intersectional and hold the investment manager accountable for the depth of their gender analysis

For investors looking to measure their impact on LGBTQI populations, counting the number of LGBTQI-owned or led businesses in a portfolio is valuable, but it is also important to determine whether debt or equity is structured to shift the power dynamics the entrepreneur faces in the market. Looking at the number of businesses that have explicitly LGBTQI-inclusive workplaces is an important measure, as is looking at the overall impact of a company on customers or supply chain

Do workplace equity models go beyond corporate policies? Does a business implement practices that are inclusive of all gender identities and sexual orientations? Such research can amplify the business case for LGBTQI inclusion, supporting businesses in implementing best practices and obtaining staff data in safe and inclusive ways, and translating research into products and approaches investors can implement. In the end, achieving impact on equity requires addressing the underlying systems that are keeping inequities in place.

## DATA ABOUT INVESTMENT MANAGERS

In applying an LGBTQI lens, both the practices of investment managers and the practices of companies matter. Metrics often name the change at the company level but do not account for the changes necessary in the approach of investing and whether those practices will get to the desired outcome. An asset holder with an LGBTQI lens can hold their managers and advisors to account with a set of metrics about the processes and practice of investing that determine which investment managers are most likely to effectively incorporate an LGBTQI lens.

The following are examples of metrics and indicators on investment managers' ability to deploy an LGBTQI lens:

- The investment strategy incorporates an analysis of sexual orientation, gender expression, and gender identity, including both current patterns and how anticipated future shifts in cultural expression or acceptance will shape investments. Two potential indicators: Who was at the table and who had influence in the design of the investment strategy? What resources were spent on research of LGBTQI trends relevant to the specific market?
- Local experience and knowledge of the cultural context is valued as a key attribute for all investors and partners. The specific indicator could include well-developed partnerships with civil society organizations to bring an ability to do an intersectional analysis of data and trends in a specific geography, sector, or market.

- The structures and terms of the vehicle enable the investor to use their influence to advocate for or protect the rights of LGBTQI individuals. Indicators could include participation in voting proxies on LGBTQI workplace equity or the active use of other structures that are cited in Chapter 3.
- Sourcing, diligence, and investment decision making processes are regularly assessed to check for bias and privilege. Indicators could include a review of the data systems around entrepreneurs for both privacy and accurate representation of gender identities.

Metrics for investment managers provide a way to advocate for better practices among gender lens and sustainable investment managers. Rather than setting a target for diversity, the metrics shift the practices of investing, which will more likely result in diverse portfolio of companies without needing to impose outcome metrics that require reporting from companies that may not be safe or accurate.

## MOVING FORWARD

As people increasingly identify across a spectrum of gender identities and sexual orientations, it has become imperative that investors find ways to capture relevant data. Capturing data on transgender, intersex, and non-binary groups seems especially challenging due to issues around categorization and identification. This is a tangible difficulty, yet one which an investor should find ways to address. Male and female as categories are increasingly blurred and do not capture the reality behind the data points. The world is complex. We look for the tick boxes that will allow us to easily capture patterns but bringing an LGBTQI lens requires embracing that complexity.

Gender lens investors should require an assessment of where their metrics and measurements can move beyond gender binaries. This field has an opportunity to think more broadly about gender patterns as they pertain to gender identity and gender norms, and how those can be translated to get to more accurate outcomes. Investor activism is required to demand capturing better data and conducting better analysis.

If investors think in terms of broad inclusion rather than representational data, there are social and economic patterns that can be used to track or create proxy data points. As data gaps are being debated and methods of data collection are being established in the field of gender lens investing, the industry has a unique opportunity to promote safe and inclusive metrics and methodologies. There is opportunity here for a coordinated effort by funders, researchers, non-profits, NGOs, and government agencies to understand patterns of LGBTQI experiences in different countries, markets, and sectors, thereby also establishing best practices in how to conduct such research.



## 7. A ROADMAP TO INVESTING WITH AN LGBTQI LENS

In the [State of the Field of Gender Lens Investing](#), Criterion defined a field as having three major components:

- a) **A set of ideas** such as common language, frameworks and modes of analysis that guide investment decision-making
- b) **A set of activity** such as the supply of, demand for, and measurement of investment opportunities
- c) **A set of people and organizations** who identify as having shared goals and contribute to learning, training, and providing authority to the field

Mirroring the field of gender lens investing can surface points of alignment and synergies between the development of gender lens investing and bringing an LGBTQI lens to investing. A coherently functioning ecosystem of ideas, activity, and people around LGBTQI investments is an important step in rallying investors toward it and legitimizing this type of economic activity.

### Ideas

#### Framing and Translation

Reframes are a communications device that meet the listener where they are at and invite them to see differently. The field of gender lens investing was driven by a set of reframes that expanded how gender was relevant to the practices of investing. Now we need to reframe our understanding of gender expression, gender identity, and sexual orientation within the field of gender lens investing and in sustainable finance to incorporate an LGBTQI lens.

- Test what ideas resonate. Find the compelling ideas, without reducing the complexity necessary to bring an intersectional lens to investing. It is a simplistic understanding of human experience that has created the limits in the field of gender lens and impact investing to incorporate a full LGBTQI lens.
- Reframe the relevance of an LGBTQI lens. When many investors hear LGBTQI and investing, they think of a niche market. Reframe the relevance of an LGBTQI lens investing beyond the individual population to the impact and implications of cultural norms on gender expression and sexual orientation.

On a related note: Who names a field of LGBTQI investing, and based on what? “LGBTQI investing” is inclusive, but there is no consensus around the use of this acronym—many organizations in the field use variants such as LGBT or LGBTQA+. “Rainbow lens investing” recalls the flag traditionally used as a symbol for the social movement, but as many activists believe the flag has been co-opted by corporations as a branding exercise, the associations may not all be positive. “Queer lens investing” may, for some, bring up painful associations when the word “queer” was used in a derogatory fashion. There is power in naming a field. How to name this field will be an ongoing question, likely for a while.

## Research and Data

Addressing research and data gaps is crucial to both LGBTQI and gender lens investing, particularly the former. One of the most strategic ways funders and socially minded investors can use their resources is by funding the research upon which metrics and financial products are built. Some of the high-level recommendations of this report are:

- Coordinate research by multiple institutions on the social and economic patterns that impact LGBTQI individuals’ experiences in different countries, markets, and sectors
- Measure how countries that have evolved in progressive ways on LGBTQI rights and inclusion have performed economically
- Develop standards for investors and companies to establish reporting processes that protect the rights of individual entrepreneurs, employees and customers
- Research how LGBTQI activism and social progress shapes cultural regulatory changes as an indicator of risks in companies unable to adapt to these changes

## Curating and Amplifying

While work has been done on the relationship between LGBTQI and business and investing outcomes, there is widespread lack of awareness within investing circles. One of the crucial roles individuals and institutions can play is to amplify work to date—and, the business case for LGBTQI inclusion.

- Shaping communications within gender lens investing, for example, including the stories of LGBTQI entrepreneurs in how we convey gender lens investing
- Translate the business case of an LGBTQI lens to actors working across a range of different approaches to sustainable finance

# ACTIVITY

## Design & Demonstration

A named and recognized field is essential for the collaborative design of products and demonstrations that make the case to a broader audience that the issue is salient and can be addressed within the practices of finance. Particularly considering the widespread uncertainty about what an LGBTQI investing practice would look like, the field needs collaborative spaces to experiment together and create

approaches for different types of investors, including early adopters who can play a role in broader demonstrations.

- Funding research from foundations that can lead to product development and advocating to their own investment managers for the creation of aligned products.
- Create intentional spaces to incorporate an LGBTIQ lens in gender lens investing products, for example as part of [competitions for fund design](#) in business schools.
- Deploy incentives from finance from philanthropic or public funding to spur the integration of an LGBTIQ investment into.

## Products & Vehicles

Collaborative design is crucial because products need to span asset classes and meet demand. As the liquidation of UBS's LGBTIQ ETF shows, building products alone will not move capital at scale.

- Build products that reflect a full LGBTIQ lens include ESG screens and impact products that bundle LGBTIQ issues with other impact areas.
- Apply a gender lens to an investor's portfolio: Investors can shape practices (both non-discrimination and inclusion), they can amplify model practices, and support LGBTIQ leadership.
- Advocate as an investor that capital be, at a minimum, directed in non-discriminatory ways can be a powerful tool for change. Investors can be first movers into moving money in new ways, from LGBTIQ-focused ESG screens to proactive products.
- Make grants with philanthropic or public funding that de-risk investments, helping to build a pipeline of investment products.

## Standards & Metrics

Standards and metrics will always be critical to create and scale investing practices. There are a host of actions investors, researchers, business, and other can take to develop meaningful metrics that incorporate an LGBTIQ lens.

- Introduce process metrics to be able to evaluate the integration of an LGBTIQ lens into investment practices of fund managers in gender lens investing.
- Seek out and support the building of LGBTIQ-responsive workplace equity models. What do robust models look like and how can we amplify them and integrate them into existing workplace equity models?
- Develop and amplify tools and terms that are inclusive of a range of sexual orientations and gender identities and embed them into existing practices like ESG.
- Add LGBTIQ metrics to existing gender equality indices to increase investment managers' interest in and ability to easily integrate an LGBTIQ lens.
- Challenge the field of gender lens investing to develop a more intersectional approach to metrics that balance a focus on identity with an analysis of power.

# PEOPLE AND ORGANIZATIONS

## Convening and Networks

Convening investors and gender experts to work together has been one of the driving forces behind building the field of gender lens investing. Conversations and convenings focused on an LGBTQI lens would build networks among people across sectors who may be working on similar issues but not interacting or seeing each other as resources—for example, trans activists and socially responsible investors.

- Create spaces at existing conferences such as SOCAP or Gender Smarts and at events focused on LGBTQI issues, particularly those focused on socially responsible and gender lens investing.
- Convene diverse actors to come together to apply an LGBTQI lens and design new approaches. These smaller sessions can include a broad range of actors: gender lens investors and leaders in social finance, business consultants, gender and LGBTQI activists, data firms, impact measurement firms, government agencies and task forces focused on gender and sexual orientation, entrepreneurs, accelerators, and more.

## Training and Practices

Introducing new ways of thinking and approaches to investing always requires training and the space for people to practice together. Giving people a place to practice something new is crucial to building a new set of standards and practices.

- Develop new or modify existing training on an LGBTQI lens for gender lens investors.
- Build the capacity of activists working on sexual orientation, gender expression and gender identity.

## Expertise and Credentials

As mentioned above, the creation of standards for how we understand the social and economic patterns of LGBTQI and gender-diverse individuals must come from a coordinated, multi-sector effort. Research institutions, government agencies, and universities have a role to play here to establish standards such as the ones we currently have on binary gender.

Trust and expertise are not fixed, and influencing what expertise is trusted is crucial to field-building. One of the limitations of how gender lens investing evolved was that not enough gender experts were at the table in the design of products and strategies.

## AN INVITATION

This report is one step in the broader work of many to reimagine what is possible in engaging systems of finance to better the lives of all people. Conceptualizing gender within finance will create better modes of analysis that lead to better social and financial outcomes. We call for a field to further demonstrate how issues related to gender identity, sexual orientation and gender expression are material to investment analysis, and we aim to invite a broader range of people and institutions to participate. Fields exist not as means unto themselves, but to create space for a diversity of perspectives and conversations that lead to better analysis and higher-quality investment options.

This is an invitation to those who already work in impact and gender lens investing to think about how to capture the complexity of gender patterns in the world. We invite those who currently invest in LGBTQI issues to expand how we think of impact on LGBTQI populations at the company level. How changes in how people around the world think about gender and sexual norms and identity will shape cultures and markets in the medium- and long-term. We invite funders to think strategically about the role grants can play in building an investing field.

Research and innovation are needed so that we have better data and a better understanding of the patterns that impact LGBTQI individuals' lives upon which to build products. Finally, we invite all investors and funders to consider, at every step, how to draw on the expertise of grassroots organizations, activists, non-profits, and other civil society organizations—and to do so in ways that value their expertise.



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