



A Strategy for Diversity Smart Investing

for Institutions and
Investment Managers

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- **Andrea Kestenbaum** – Partner and executive director of Positive Ventures, a venture capital fund manager with offices in Brazil and the United States which invests globally in startups aimed at solving the greatest social and climate challenges of the decade.
- **Gabriel Araújo** – Co-founder of Ya Ventures, a venture capital fund manager focused on startups led by black people and marginalised women in Latin America.
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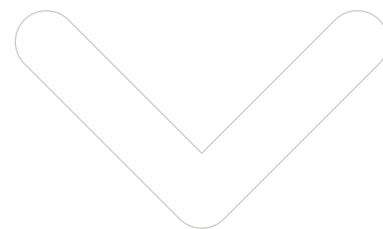
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About the entrepreneurs and supporters

Since 2012, the **Institute of Corporate Citizenship (ICE)** has been an important player in strengthening the impact investing ecosystem in Brazil, especially supporting the journey of entrepreneurs and impact investors. During its time in operation, ICE has found that these players are still in the initial stages when it comes to the development and implementation of consistent strategies on issues relating to Diversity, Equity, Inclusion and Belonging. In 2022, with funding from [ANDE](#), ICE started a partnership with [DIMA](#) to carry out a project addressing race and gender in business, which included 40 hours of online training and two handbooks – one for entrepreneurs and the other for investors – as a final product. [The first handbook](#), focusing on the entrepreneurship link, was published in February 2023. Also in 2022, DIMA established a partnership with the Black Women Investment Network ([BlackWin](#)) to develop the handbook focusing on the investment link. BlackWin is the first platform in Brazil which supports black women in becoming angel investors and connects them to the innovation ecosystem and to investment opportunities in businesses led by black people.

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Part 1

Introduction



RICARDO XAVIER

This handbook is a call to action and a support guide for investing institutions to advance their goals in pragmatic initiatives which foster diversity and equity in their investment strategies.



THE PURPOSE OF THE HANDBOOK

The handbook aims to present a concept and a step-by-step reference guide for integrating diversity and equity in investment management companies. With this in mind, we started with the concept of “gender-focused investing”, defined by Investing in Women as “the deliberate incorporation of gender factors into analysis and investment decisions to improve social and business outcomes”. However, we improved this by adopting an intersectional approach, especially in racial aspects, given the socio-demographic context in Brazil and other racially unequal countries, thus producing the concept of **Diversity Smart Investing**.

This handbook is divided into three parts:

Part 1 sheds light on what may already be observed through research, studies, and benchmarks of diversity lenses in investments and presents data which support the relevance of adopting a strategy for **Diversity Smart Investing**. **Part 2** presents a pragmatic investment process which includes diversity, equity, inclusion and belonging (DEIB) actions, highlighting examples and resources available on open platforms which can be adopted by investors. Finally, **Part 3** encourages commitment to the principles of DEIB and the continuous development of Diversity Smart Investments.

¹ Investing in Women, Australian Aid, Value for Women, *How to Invest with a Gender Lens: A Guide for Investors in Emerging Markets*, July 2020, p. 3, [link](#)

² See [Appendix 1](#) for definitions of the key terms diversity, equity, inclusion and belonging (DEIB).

WHAT IS DIVERSITY SMART INVESTING?

Diversity Smart Investing is an investment strategy which seeks to use financial capital intentionally and measurably to promote diversity and equity and to better direct investment decisions. This strategy aims to ensure that a gender and race perspective is systematically applied in all investments.

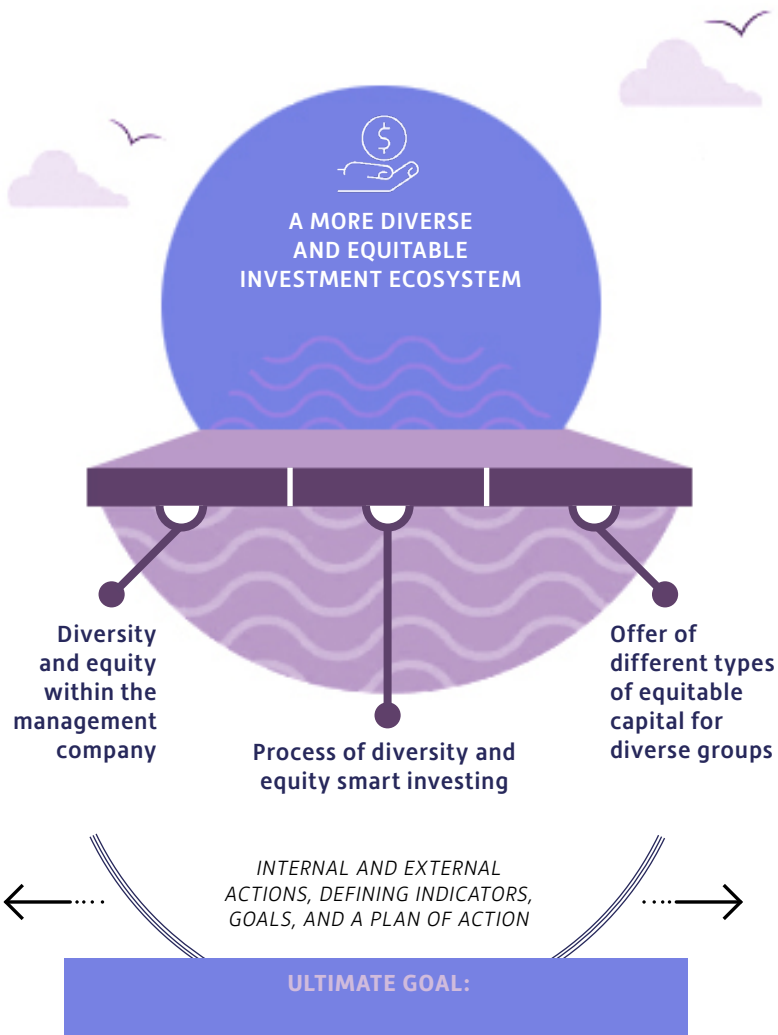
To integrate a diversity smart investment lens into investor processes effectively, diversity and equity goals need to be central, from the design of the investment thesis, through the execution of prospecting processes, negotiation, and portfolio management (including monitoring and measuring), to exits.

There are several advantages to incorporating diversity, equity, inclusion and belonging (DEIB) into investments:

- 1. For investors: it strengthens governance and investment decisions, in addition to improving competitiveness and reducing risks.
- 2. For the portfolio: it improves financial and social results.
- 3. On a macroeconomic level: it increases consumers' purchasing power, tax revenues and addressable market size.

OUR FRAMEWORK

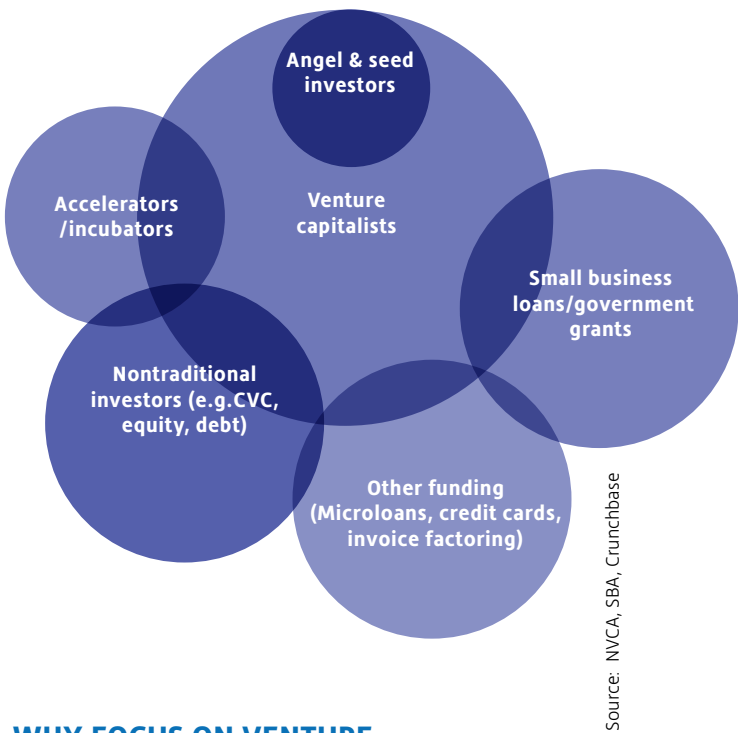
Figure 1: A Framework for Diversity Smart Investing



OUR TARGET AUDIENCE

This handbook is aimed at investment institutions and venture capital investment management companies – Venture Capital (VC) across the strategic spectrum (including Traditional, Responsible, Thematic and Impact Investments) – which are referred to as investors.

Figure 2: Investment ecosystem



WHY FOCUS ON VENTURE CAPITAL IN BRAZIL?

Venture capital investments in Latin America have increased significantly since 2017. Brazilian startups receive the largest venture capital investment in the region (Brazil accounted for 45.5% of investments made in Latin America in 2017, increasing to 75% in 2021). In the Crunchbase [database](#), there are 231 venture capital management companies in Brazil, with a total funding amount of US\$639 million and 4,806 investments. According to [experts](#), Brazil's venture capital market is the most developed in Latin America – of the nearly 50 Latin American unicorns, 22 are Brazilian.

The venture capital investment industry plays a relevant role in stimulating innovation and entrepreneurship. According to a [study](#) by the Lauder Institute at the University of Pennsylvania, investors estimate that venture capital investing will prove more sustainable than many past investment trends in Latin America. Experts believe that venture capital opportunities will continue to grow in Brazil and in the region compared to opportunities in the private equity area.

We also highlight the importance of venture capital as a modality for investing in companies led by diverse and historically underrepresented people. For these companies, accessing venture capital means the prospect of greater and faster growth than debt financing could provide, for two reasons. First, for

incipient companies or those that are not yet profitable, taking out a loan with guarantees in return is unfeasible. Second, debt requires regular payments, which undermines the cash flow of incipient companies and their ability to grow in the long term.

THE CURRENT PERSPECTIVE ON DEIB IN INVESTING

1: The private equity industry is a powerful vehicle for promoting diversity and equity, as it has catalytic effects on many investee companies.

The private equity industry controls more than [US\\$98 trillion in assets under management \(AUM\)](#) globally and has an extraordinary ability to influence disruptive new products and business models.

With regard to impact investing, the Aspen Network of Development Entrepreneurs (ANDE) [points out](#) that, in recent years, Brazil has seen a growth in the volume of assets under management of around 60%, rising from R\$11.5 billion in December 2020 to R\$18.7 billion in 2021. Most of the increase pertains to general impact investments (excluding microcredit operations) in which R\$11 billion were mapped in 2021, more than double the amount of the R\$4.4 billion mapped in 2020.

2: Private equity industry decision-makers are not diverse, and their policies lack intentionality in the pursuit of diversity and equity.

Although it is noted by the International Finance Corporation that investment funds which have management teams made up of diverse people achieve [10-20% higher internal rates of return \(IRR\)](#) compared to funds managed by homogeneous teams, only [1.4% of the US\\$82 trillion of US-based assets](#) are managed by women or black people.

Diversity Gap in Investment Allocation – Gender and Race

The gap of diverse people in leadership positions in the corporate world is already well known:

- Women occupy [less than 10% of global management positions](#), the so-called “C-level”.
- In Brazil, women occupy [less than 12% of seats on the board of directors](#) of publicly traded companies, advancing timidly, and, in 2020, only [0.4% of the members of the board of directors](#) of the 500 largest companies were black women.

Similar Scenario in the Venture Capital World

- In the United States, [data show](#) that women hold only 16% of general-partner positions of VCs and 95.5% of VC companies have a male-majority group of decision-makers.
- According to the International Finance Corporation, [only 8%](#) of venture capital (VC) and private equity (PE) management companies in Latin America have a woman in leadership.

PROFILE OF BRAZILIAN IMPACT INVESTORS

In March 2023, ANDE published the [most recent data](#) on impact investing in Brazil (from 2021). In terms of DEIB,³ research has shown that:

- **47% of investors have gender and racial equity policies in their internal hiring processes, but 58% do not have gender or racial equity policies in the process of choosing investees.**
- **32% of investors have investment policies for gender-impacting solutions and 26% for women-led businesses, while 24% and 13%, respectively, have policies for the same themes on racial issues.**
- **33% of investors that responded about gender, race and colour still do not collect this information about their board of directors or the leadership of their organisations.**

³ In terms of diversity and gender, in the sample of investors included in the study by ANDE, of the 250 board members cited, 167 are men and 83 are women. Of the 240 members in management positions, 169 are men and 71 are women. In terms of racial diversity, in the same sample, there is a concentration of white board members, with only 3 out of 162 being of other races or colours. In the case of management positions, 22 out of 210 are non-whites.

We know that the fate of capital allocation is greatly influenced by the view of those who analyse investment opportunities. The inequality presented in the structures mirrors the portfolios of the companies in which investments are made.
The capital access gap fuels the wealth gap.

3: The result of the lack of diversity and equity in the private equity industry is a vicious circle of similarly homogeneous, inequitable, and inefficient portfolios.

According to Crunchbase, global venture capital funding going to female founders [dropped from 2.9% to 2.3%](#) in 2020. When applying an intersectional race-gender lens, it is observed that black women receive [less than 0.35%](#) of all venture capital funding. Without the gender filter, the allocation gap in black founders is not much higher: businesses started by black people received only 1.2% of venture capital in the US. Corroborating the finding of this gap, the [survey](#) Bridging the Black Founders Venture Capital Gap, carried out by Accenture, revealed that only approximately 1% of the resources raised by VC funds were distributed to black founders, significantly below the representation of the black population in the USA.

In the Brazilian context, Female Founders Report 2021, a [study](#) conducted by **Distrito**, **Endeavor** and **B2Mamy** showed that, for 10 years, technology-based companies founded only by women represented 4.4% of the total market – with a small increase in 2022 (4.7%). From the perspective of sexual orientation, almost 90% of female founders self-declare as heterosexual, 5.8% as bisexual and 4.8% as lesbian. When considering the ethnic-racial profile, although 56.1% of Brazilians self-declare as black (according to [IBGE data](#)), this proportion is not reflected in the composition of the picture of female founders, with only 19.1% of female founders self-declared as black women (5.8% black and 13.3% brown).

In terms of investment, the same study revealed that, in 2020, only 0.04% of the volume invested in startups was allocated to businesses led by women, and, when carried out, the vast majority was allocated to the angel-investment, pre-seed and seed phases, with a significant lack of resources for larger investment rounds, such as series A, B, C and others.

According to a [study](#) carried out by **BlackRocks**, the gap of different allocation modalities is also observed among black people, where the types of investment are concentrated in angel-investor, seed (commonly known as seed investment). and acceleration programs.

ENTREPRENEURSHIP AND DISCRIMINATION IN THE VENTURE CAPITAL INDUSTRY

Although Brazilian women represent [33.6% of business owners](#), and even though [51% of self-employed professionals and employers in Brazil are black people](#) (totalling 14.5 million black entrepreneurs, of which 4.6 million are black women), there is a high level of inequality in the access of different people to the VC industry.

[Research](#) conducted by Columbia Business School, in the US, identified racial and gender gaps in startup funding as a direct result of discrimination. The study shows that women and blacks are underrepresented at all stages of the business process, regardless of the benchmark used, and that it will take at least **ANOTHER THREE DECADES TO ACHIEVE EQUALITY**. Several types of investors, including angels and VCs, make funding decisions based on “gut feelings” or after face-to-face meetings with entrepreneurs. These subjective decisions are highly likely to lead to the emergence of biases or stereotypes.

Gender funding barriers

According to a [study](#) by **ANDE** and the **Institute of Development Studies (IDS)** of the **British Council**, women entrepreneurs in Brazil face challenges in financing their businesses, with emphasis on:

1. Lack of available credit for female entrepreneurs;
2. Lack of mid-level finance; e
3. High interest rates.

Despite operating very innovative businesses, the credit gap for women entrepreneurs is significant in Latin America and the Caribbean: US\$5 billion for micro enterprises led by women and US\$93 billion for small and medium-sized enterprises (SMEs) led by women, according to data from IDB Invest. There is also a particular challenge with regard to financing in the US\$5,000-50,000 range in Brazil, considered either too small by traditional impact investors to justify the transaction costs involved, or too risky, according to the same study by **ANDE** and **IDS**.

These challenges are expressed above all in the “valley of death”, a startup’s critical period between the moment it begins its operation and the moment it becomes financially profitable.

WHY PAY ATTENTION TO DEIB PRACTICES?

The integration of DEIB practices into investment strategies requires persistence and deep organisational and personal commitment from leaders with influence on capital allocation. **Existing inequalities are the result of long-standing systemic decisions with consequences borne over centuries; undoing them will not happen quickly or easily. However, this is extremely necessary for the progress and sustainable development of our society.**

Different imperatives inspire the adoption of practices that encourage DEIB (diversity, equity, inclusion and belonging):

- **Moral** – giving fair and equal access to all people on equal terms is the right thing to do. Equity and inclusion will create a fairer society, with more equitable distribution of resources and outcomes between economically majority populations and people historically marginalised due to race and/or ethnicity (the **Global Impact Investing Network** presents more information under the [topic of racial equity](#)).
- **Legal** – the vast majority of countries have ratified a series of conventions put forward by the International Labour Organisation to eliminate discrimination in the workplace in all respects. National and international laws support non-discriminatory labour practices and equitable access to assets and resources.
- **Economic** – multiple surveys show that diverse teams significantly outperform homogeneous teams on key business performance indicators.
- **Strategic** – diversity among people drives innovation, creativity, resilience, and the ability to overcome crises.

Below we highlight some of the extensive research and studies which support the economic and strategic imperatives.

Benefits to Society:

- **McKinsey** foresees an opportunity for [annual growth of US\\$2.6 trillion in the gross domestic product \(GDP\)](#) for Latin America by 2025 in a world in which women participate in the market economy to an equal extent as men.
- According to the **Organisation for Economic Co-operation and Development** (OECD), full convergence of gender labour force participation [would add an estimated 12% to the GDP](#) of OECD economies. Cutting the gap in half would lead to a 6% increase in GDP by 2030.

Another report concluded that, if women participated in the economy in the same way as men, they could add up to US\$28 trillion, or 26%, to the annual global GDP by 2025.

- According to an **Accenture study**, racially diverse and inclusive companies will help to create a new generation of black wealth, which will help to reduce economic and social inequalities.

Benefits to Companies:

- **Calvert Impact Capital** found that [companies with higher percentages of women](#) in leadership roles had an 18.1% Return on Sales (ROS), a 3.9% Return on Assets (ROA), and an 8.6% Return on Equity (ROE) compared to -1.09%, 0.3%, and 4.4%, respectively, for companies with fewer women in leadership roles.
- In 2016, the **Credit Suisse Research Institute** looked at companies where women held 50% or more of leadership roles and found that sales growth, earnings per share and return on assets were all [higher than for companies on the whole](#), and that debt/equity levels were lower.
- **Boston Consulting Group and MassChallenge** [found](#) that startups founded or co-founded by women generated 10% more revenue than startups founded by men over a five-year period, despite receiving less than half of the investment.
- [Research](#) by the **Peterson Institute for International Economics** (PIIE) found that an organisation with 30% female leaders can add up to 6 percentage points to its net margin.
- [Research](#) by **Accenture** demonstrates that, from a financial perspective, companies led by diverse people outperform their competitors.
- A [study](#) by **BlackRocks** and **Bain & Company** highlights the value of racial diversity to actors in the startup ecosystem in the following areas: relevant business opportunities; access to new markets and audiences; more scalable products; more innovative products and services; generation of more diverse teams.



Part 2

Diversity Smart Investing in Practice



RICARDO XAVIER

In order to bridge the gaps presented in the previous section, commitment and intentional action are fundamental for the effectiveness of practicing diversity smart investing.



THE STRUCTURE AND INTERNAL POLICIES OF INVESTMENT MANAGERS

For any investor interested in applying a DEIB lens in the investment process, it is equally important to implement **internal actions that promote DEIB**. “This perspective requires not only a technical approach (tools and frameworks), but also a broader organisational realignment”.⁴

Internal Perspective – ILPA’s Diversity in Action initiative proposes the following [structure](#) so that limited and general partners may orient their actions in DEIB:

- Have a public DEIB commitment or strategy in place and/or a DEIB policy communicated to employees and investment partners which addresses recruitment and retention of people;
- Track internal hiring and promotion statistics by gender and race/ethnicity;
- Have organisational goals which result in demonstrable practices to make recruiting and retention more inclusive;
- Request (LPs) or provide (GPs) demographic data, such as [ILPA Metrics](#), for any new commitments (LPs) or new fundraising (GPs).

In the Brazilian context, the [study](#) by **BlackRocks** and **Bain & Company** also highlights the importance of working **internally** and **externally** to adopt racial diversity as a central agenda, increasing racial diversity among employees and in their networks of contacts and encouraging greater racial diversity in invested startup teams.

Where to Start Internally?

We encourage investment managers to carry out a diagnosis of their internal maturity in relation to Diversity, Equity, Inclusion and Belonging (DEIB), applying tools such as the [Maturity Thermometer](#) (developed by [DIMA](#)), which establishes five pillars of self- assessment:

- 1. Mission, Values and Behaviour**
- 2. Governance and Operations**
- 3. Policies and Compliance**
- 4. External Partnerships and Relationships**
- 5. Proactive Equity Actions**

>> To assess the current state of DEIB internally, see Appendix 3, which presents a questionnaire based on the five pillars of the assessment, supporting the diagnosis in each of the five pillars.

Additionally, the Assessment can be adopted by investors during the **Investment Analysis** and **Portfolio Management** stages, as a tool for assessing the diversity maturity of the investee company.

⁴ Investing in Women, Australian Aid, Value for Women, How to Invest with a Gender Lens: A Guide for Investors in Emerging Markets, July 2020, p. 3, [link](#).



THE INVESTMENT PROCESS

Large global investors are increasingly recognising that opportunities are emerging to promote equity and to combat systemic racism through investment decisions. Investors play a key role in taking measurable action to promote fairness through their investments, starting with a thorough review of the process by which each analysis is performed. The investment process involves several stages, ranging from formulating investment objectives and building the desired portfolio to selling an asset.

The approach suggested in **Table 1** seeks to promote diversity, equity, and inclusion outcomes, not only to invest in diverse people leaders, but to eliminate disparities. Strategies adopted in the investment process can, for example, seek companies which create products and services to improve the lives of black people and/or reduce racial disparities.

TABLE 1: SUMMARY OF THE DIVERSITY SMART INVESTING PROCESS						
Internal Strategies		<ul style="list-style-type: none">• Objective: To adopt a diversity smart lens within the investment management company itself and to assume a commitment to DEIB• Application of the Maturity Thermometer to assess the current internal context in DEIB elements through five pillars 1. Mission, Values and Behaviour; 2. Governance and Operations; 3. Policies and Compliance; 4. Partnerships and External Relationships; 5. Proactive Equity Actions.				
	STAGE 0:	STAGE 1:	STAGE 2:	STAGE 3:	STAGE 4:	STAGE 5:
INVESTMENT PROCESS	INVESTMENT THESIS	COMPANY PROSPECTING	ANALYSIS AND DUE DILIGENCE	STRUCTURING THE DEAL	PORTFOLIO MANAGEMENT / FOLLOW-UP	EXITS
WHERE TO START	<p>1. Definition of objectives, scope of intersectional diversity, and means of generating impact on DEIB</p> <p>2. Definition of internal investment policies, analysis criteria, framework, benchmarks, and DEIB goals*</p> <p>3. Adoption of the management company's institutional terms and commitments</p> <p>*Including target % of different companies by stage of the analysis funnel</p>	<p>1. Establishment of prospecting partnerships and expansion of pipeline sources</p> <p>2. Implementation of screening elements and a review process that is free of bias, especially racial*</p> <p>*Monitor % diverse companies that entered and % of companies that passed the first stage of the analysis funnel</p>	<p>1. Analysis of the diversity indicators established in the management company's framework (which may include a score)</p> <p>2. Integration of DEIB aspects with other aspects of the investment analysis*</p> <p>*Monitor % of diverse companies that advanced in the second stage of the analysis funnel</p>	<p>1. Inclusion of the preliminary diagnosis of strengths, risks and gaps identified in DEIB in the investment memorandum (including cultural aspects)*</p> <p>*Monitor % of diverse companies approved by the investment committee</p>	<p>1. Establishment and execution of the action plan for improvement in DEIB</p> <p>2. Monitoring of DEIB indicators per investee company</p> <p>At the portfolio level:</p> <p>3. Reporting of diversity metrics and reduction of investment portfolio inequalities**</p> <p>**Introduction of the diversity smart investing cycle for the existing portfolio (stages 4-5)</p>	
TOWARDS MORE ADVANCED ACTIONS	> Definition / expansion / review of the types of financial instruments and investment models adopted	> Weighing the business in the analysis funnel based on the DEIB criteria established in the thesis	> Analysis of the business's adherence to the management company's institutional terms and commitments	> Introduction and integration of formal DEIB target incentives in the investment agreement (which may influence the investment agreement)	At the portfolio level: > Learning session between portfolio companies and ecosystem > Continuous improvement in the structure of technical assistance in DEIB	> Identification and recommendation of key elements for the perpetuation of the DEIB strategy

We present below some reference and benchmark resources which can be used in the main stages of the investment process. It should be noted that the examples referenced are not exhaustive.

STAGE 0: INVESTMENT THESIS

In the investment thesis, declare intentions and priorities with regard to diversity, especially detailing the DEIB lens which the management company aims to address in investments.

PRACTICAL ACTIONS:

1. Definition of objectives, scope of intersectional diversity, and means of generating impact on diversity

In this initial phase, it is important to address the following questions:

- What characteristics and sociodemographic markers are prioritised within the investment thesis? (Not exhaustive)
 - *Gender, gender identity and expression, race and ethnicity, sexual orientation, age, disability, socioeconomic class, geographic origin.*
- What means of generating impact on diversity will be addressed? (Not exhaustive)
 - *Investment in businesses whose products and solutions meet the demands of different people and/or*
 - *Investment in businesses with diverse founders/leaders and/or*
 - *Investment in businesses which prioritise DEIB in their value chain (suppliers, workforce, etc.)*

● EXAMPLES AND RESOURCES

The **Global Impact Investing Network** (GIIN) [defines](#) gender-sensitive investing as having the objective of promoting gender equity through:

- Investing in companies owned or led by women;
- Investing in companies which promote equity in the workplace (in people, management, board representation, and throughout their supply chains);
- Investing in companies which offer products or services that substantially improve the lives of women and girls.

The **GIIN** also offers resources and information on the [topic of racial equity](#) of IRIS+. There are three strategic objectives:

- Changes in **power** structures, addressing racial bias and ensuring equitable representation and decision-making;
- Changing the perception of **risk** through prospecting, due diligence and more equitable terms;
- Increasing inclusive capital to create equitable outcomes for non-white people (**justice**).

In 2020, the Project Sage 3.0 [survey](#) conducted by the **Wharton Social Impact Initiative** showed that there are 138 funds investing with a gender lens, a 138% increase from 58 funds in 2017. Nearly 50% of these funds were launched in 2019, and 15% of investments are directed towards Latin America, including Brazil. Through these funds, gender-sensitive investing is carried out in several ways:

- Advancement of women in financial management positions – more women managing funds, on investment committees, etc.;
- Advancement of women in leadership – positions in C-suite, entrepreneurship, boards, etc.;
- Promoting products and services which improve women's lives;
- Promoting companies which have a positive impact on the women they employ;
- Promoting companies which improve the lives of women in their ecosystem (supply chain members, etc.).

We remind you that, when applying a diversity smart lens, it is essential to look beyond gender to include race and other characteristics of diversity relevant to the Brazilian context (e.g., social class, geographic region, gender identity, and sexual orientation, among others).

2. Definition of internal investment policies, analysis criteria, framework, benchmarks and DEIB goals, including target % of different companies by stage of the analysis funnel

● EXAMPLE OF ANALYSIS CRITERIA

The [2X Challenge](#) was launched at the 2018 G7 Summit with the stated intention of Development Finance Institutions (DFIs) to collectively mobilise **US\$3 billion** of private sector investment, with the aim of providing better access to leadership opportunities, quality jobs, financing, business support, and products and services which increase

women’s economic participation and access to markets in developing countries. The actual investment was more than three times the original goal, with DFIs investing US\$6.9 billion and with co-investments bringing the total to US\$11.4 billion. The 2X Challenge uses the following criteria as benchmarks.

Direct Criteria

1. Entrepreneurship	1a. Percentage of share ownership belonging to women (51% or more) OR 1b. Company founded by a woman
2. Leadership	2a. Participation of women in management positions (30% or more) 2b. Participation of women on the Board of Directors (30% or more)
3. Employment	3a. Participation of women in the workforce (30-50%) An indicator of “quality” beyond “compliance” 3b. An indicator of “quality” beyond “compliance”
4. Consumption	4. Product or service which specifically or mostly benefits women

Indirect Criteria

5. Investments through Financial Intermediaries (FIs)	5a. On-lending facilities: percentage of investment/loan proceeds from investment funds or percentage of loan portfolio investment funds which support companies that meet direct criteria (30%) 5b. Funds: percentage of portfolio companies which meet direct criteria (30%)
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3. Adoption of the management company’s institutional terms and commitments

Management companies must also adopt terms and commitments at the institutional level to guide their actions and take responsibility internally for actions in the area of DEIB.



PERSONAL PHOTOGRAPH

“In addition to the ethical imperative, investing in diversity is one of the greatest opportunities of the decade. We need to overcome the false dichotomy which distances diversity and performance. It is increasingly evident that companies which incorporate ESG practices and the DEIB agenda (diversity, equity, inclusion and belonging) have better rates of productivity, attraction and retention of talent, clarity about their beneficiaries and, therefore, economic return for their shareholders – in addition to generating tangible benefits for all their stakeholders, which includes society and, why not, democracy itself.”

Andrea Kestenbaum,
partner and CEO of **Positive Ventures**

● EXAMPLES OF INTERNATIONAL COMMITMENT TO GENDER EQUALITY – UNITED NATIONS (UN)

“The [UN] [Women’s Empowerment Principles](#) provide a set of considerations to help the private sector focus on key elements integral to promoting gender equality in the workplace, marketplace and community.”
The principles are:

1. Establish high-level corporate leadership for gender equality.
2. Treat all women and men fairly at work – respect and support human rights and non-discrimination.
3. Ensure the health, safety and well-being of all women and men workers.
4. Promote education, training, and professional development for women.
5. Implement enterprise development, supply chain and marketing practices that empower women.
6. Promote equality through community initiatives and advocacy.
7. Mediate and publicly report on progress to achieve gender equality.

● EXAMPLE OF NATIONAL COMMITMENT TO RACIAL EQUITY

Through a joint effort between companies, social movements and representatives of civil society, the Associação [Pacto de Promoção da Equidade Racial](#) (Association of the Pact for Promoting Racial Equality) established the ESG Racial Protocol, an innovative proposal developed from in-depth studies on the reality of the presence of black people in the labour market and the incentive to improve the quality of public education and the training of black professionals in Brazil.

Companies can join the Racial ESG Protocol with the implementation of the [Racial Equity ESG Index \(IEER\)](#), which measures racial context within organisations with the aim of promoting actions that encourage greater racial equity, with geographic, sectoral and intersectional deployment with gender. The process is distributed on [three different levels](#): 1. racial equity of the company; 2. affirmative actions; and 3. private social investments in education.

● EXAMPLE OF RACIAL EQUITY COMMITMENT IN VENTURE CAPITAL

An Accenture [study](#), Bridging the Black Founders Venture Capital Gap, carried out in 2022 in the US context, recommends the following commitments to close the black founders' gap:

1. Support black founders in the pre-series stages.
2. Support black founders at all funding stages (A to D+).
3. Ensure the involvement of corporate venture capital (CVC) decision-makers and broaden their footprint to help ensure inclusiveness in business innovation.

More Advanced Actions:

>> Definition/review of the types of financial instruments and investment models adopted

We encourage the development of capital financial mechanisms that are more patient or have a combination of different return expectations (including below market) which can be used as catalysts due to the tendency of these instruments to foster new markets, such as: Blended Finance, Revenue Sharing Agreement, and a combination of For-Profit instruments with Venture Philanthropy, among others.

As an example, the [guide How to Invest with a Gender Lens: A Guide for Investors in Emerging Markets](#), produced by Investing in Women, Australian Aid and Value for Women, suggests the following actions:

- Define gender-related milestones linked to specific outcomes.
- Develop funding options to meet the needs of women-owned businesses.

STAGE 1: BUSINESS PROSPECTING

Expand and diversify prospecting sources and introduce a bias-free screening process.



PERSONAL PHOTOGRAPH

At Potencia, our view is that talent is everywhere, but opportunities are not. Investing in building lasting relationships with diverse founders in the startup ecosystem is a central part of our thesis of financial return with social impact, because, in addition to the greater potential of return linked to finding opportunities that go unnoticed by traditional investors, we also see the possibility of fostering a fairer distribution of wealth through entrepreneurship led by the bottom of the pyramid."

Itali Collini, Chief Investment Officer
at **Potencia Ventures**

PRACTICAL ACTIONS

1. Establishment of prospecting partnerships and expansion of pipeline sources

In a diversity smart approach, it is essential to expand the scope of prospecting channels to ensure the identification and attraction of diverse companies. There are many companies in Brazil led by women, blacks, and other underrepresented groups, as well as several intermediary actors in the investment ecosystem that can help diversify prospecting processes.

● EXAMPLE OF STUDIES WITH REFERENCE TO STARTUPS AND COMPANIES LED BY DIFFERENT PEOPLE, WITH EMPHASIS ON BLACK PEOPLE AND WOMEN IN BRAZIL (NOT EXHAUSTIVE)

- [BlackOut: Black Startups Maps](#): this study, carried out in 2021, contains a list of black startups in various sectors, including edtech, healthtech, fintech, and software development, among others.
- [Female Founders Report 2021](#): carried out jointly by **Distrito**, **B2Mamy**, and **Endeavor**, this study contains a list of startups founded by women, as well as a list of initiatives, hubs and acceleration programs supporting women entrepreneurs.

● INITIATIVES TO IDENTIFY AND PARTNER WITH PROGRAMS WHICH SUPPORT DIVERSE ENTREPRENEURIAL PEOPLE IN BRAZIL (NOT EXHAUSTIVE)

- **BlackWin** is the first platform in Brazil which supports black women in becoming angel investors and connects them to the innovation ecosystem and investment opportunities in businesses led by black people.
- **PreCapLab**: The Laboratory for Fundraising for Black Entrepreneurs, or #PreCapLab, by **DIMA Ventures Lab**, identifies black entrepreneurs, leaders of the most innovative and disruptive companies around Brazil, and prepares them for the process of attracting venture capital investment from the pitch to the negotiation of contractual terms.
- **PretaHub** is a hub for creativity, inventiveness, and black trends. It began in 2002, with the creation of the **Feira Preta Institute** (Black Fair Institute), carrying out mapping activities, technical and creative training, and acting as an accelerator and incubator of black entrepreneurship in Brazil.
- **BlackRocks Startups** is an innovation hub which provides access to the black population in highly innovative and technological environments. Since 2016, the company has supported innovative, profitable, and technological people and businesses, as a black innovation hub which connects entrepreneurs to capital and opportunities in the startup ecosystem.
- **B2Mamy** is a socialtech which connects mothers and women, making them leaders and economically free through education, employability and belonging.
- **Black Founders Fund** is an initiative by **Google for Startups** to invest financial resources, without any compensation or equity interest, in startups founded and led by black entrepreneurs in Brazil.
- **BNDES Garagem** is a BNDES initiative whose mission is to develop and encourage entrepreneurship in Brazil by supporting entrepreneurs and startups. In the 2023 edition, the bank will include extra points in the classification criteria for solutions aimed at the female public.
- **Potencia UP Fellowship** is a community for diverse founders that are solving the greatest education and employability challenges of our era through a 12-month fellowship for startups with at least one founding person from underrepresented groups in the startup ecosystem, such as: women, black and/or indigenous people, people with disabilities, LGBTQIA+ people, marginalised people, or people over the age of 60.
- **Rede Mulher Empreendedora** (Network for the Entrepreneurial Woman) is a support network for female entrepreneurship in Brazil. RME has existed since 2010. So far, it has impacted more than 9 million people, with around 1 million connected through social networks, an internal communication sending base and participants of closed groups on messaging platforms and applications.

- **We Impact** invests strategic and financial capital in startups led by women, supporting their growth with hands-on support and sowing the culture of diversity as a pillar of transformation and competitive advantage.
- **Sororité** is a community of angel investors that support and invest in women-led businesses in the pre-seed or seed phases.

2. Implementation of screening elements and a review process that is free of bias, especially racial

Both research and practical experience show that just expanding prospecting channels is not enough. It is also necessary to implement screening processes and a bias-free review to ensure that a greater number of diverse companies move forwards in the investment analysis funnel, which implies that decision-makers are impartial regarding observable characteristics of founders in their decisions.



"In terms of expanding the pipeline, we can indicate startups founded by black people. However, if managers are looking for characteristics of white founders in black startups, they will not find them. Managers need to understand that startups have a different life context. If you want to be diverse, you need to understand the

reality of entrepreneurs and different groups, and not apply the same model. That is why it is important to establish prospecting partnerships."

Gabriel Araújo,
cofounder of **YA Ventures**

To check progress in this area, **monitor the percentage of diverse companies that entered and the percentage of companies that passed the first stage of the analysis funnel.**

● RESOURCES FOR THE SCREENING PROCESS

Diversity VC produced a [practical toolkit](#) to guide venture capital funds in DEIB. The kit provides the following guidance on how to implement selection processes that reduce bias:

- Do not focus exclusively on the search for potential companies via indications/referrals. Actively implement prospecting actions in other spaces, including targeted events and open meetings with enterprising people, and actively build relationships with intermediary organisations with a focus on diversity.
- Use technological platforms focused on diversity which support the application process of businesses seeking to attract investment.
- Define understandable evaluation processes and criteria before interacting with prospective entrepreneurs to minimise the potential for biased decision-making.
- Interact with different people to capture more than one point of view, using reframing and role reversal techniques when evaluating companies, with the aim of actively questioning possible biases in decision-making.
- Request feedback from all the companies interacted with about their experience using, for example, the Founder [Net Promoter Score](#) tool.

British International Investment and **International Finance Corporation (IFC)** have created a gender smart investment [guide](#) for fund managers that includes recommendations on how to reduce biases in adapting and expanding prospecting channels:

- Identify how business flow is connected to existing networks – if investor networks are not diversified, it is unlikely that prospecting processes will be adequate in terms of diversity.
- Track investment pipeline metrics by gender* to assess the progress of companies through the analytics funnel.

**We recommend expanding to the other diversity markers for an intersectional approach.*

STAGE 2: ANALYSIS AND DUE DILIGENCE

Conduct an intersectional analysis during the due diligence process.

PRACTICAL ACTIONS

1. Analysis of the diversity indicators established in the management company's framework

For the development of the DEIB strategy, it is fundamental that the investment department define the diversity indicators that translate the criteria adopted in the thesis, which, in turn, will be part of its scope of analysis in business prospecting.

In general, standardised indicators allow comparison between businesses. However, when defining indicators, we recommend that attention be paid to the comparison parameters, which can be segmented by sector, product, or target audience (team, leadership, customers, value chain, etc.), as well as by aspects of diversity (gender, gender identity and expression, race and ethnicity, sexual orientation, age, disability, socio-economic class, and geographic origin, among others) – self-declared and/or observable (when applicable to the marker in question).

● RESOURCE FOR DIVERSITY INDICATORS

IRIS+ features a filter option on its [platform](#) for the catalogue of standardised indicators with qualitative and quantitative metrics of Diversity and Inclusion in investments.

2. Integration of DEIB aspects with other aspects of the investment analysis

As part of the investment analysis, we suggest considering the result of the diversity data collected when making the decision about allocation and measuring the percentage of diverse companies that advanced in the due diligence stage.

● RESOURCE TO GUIDE THE DUE DILIGENCE PHASE

The [guide](#) by **British International Investment** and **the International Finance Corporation (IFC)** indicates that due diligence should be carried out from a gender perspective* in two stages, considering the process of collecting data and information related to gender* by the company potentially receiving investments:

- Gather and analyse sex-disaggregated data to identify gender gaps* – fund managers can work with companies to make it easier for them to analyse their data, examine where the gaps are greatest, and determine how to close them, keeping in mind key aspects of the business. This data includes the representation of men and women in the company's operations, as well as the representation percentage of women in the contingent of its customers, suppliers, distributors, producers and partners.
- Establish questions to assess gender-based opportunities and risks* in the recipient company's operations and determine opportunities for value creation. After collecting initial baseline data from the recipient company, negotiation teams can integrate the questions into existing due diligence processes.

The main questions to ask regarding gender* are summarised in the *Gender Due Diligence Tool*.

**We recommend expanding to the other diversity markers for an intersectional approach.*

More Advanced Actions:

>> Analysis of the business's adherence to the management company's institutional terms and commitments

In this phase, we recommend analysing the indicators and characteristics of the business being prospected vis a vis the terms and commitments adopted in Stage 1, in order to assess whether the investment fully or partially meets the requirements of the DEIB targets.

STAGE 3: STRUCTURING THE DEAL

Integrate DEIB considerations into the structuring of the deal or investment contract.

PRACTICAL ACTIONS

1. Inclusion of the preliminary diagnosis of strengths, risks and gaps identified in DEIB in the investment memorandum (including cultural aspects)

We recommend including a preliminary DEIB diagnosis of the investee company in the investment memorandum to serve as a basis for Stage 4 (Portfolio Management).

In terms of metrics, a simple action starts by monitoring **the percentage of different companies approved to receive investment**.

● RESOURCES FOR A PRELIMINARY DIAGNOSIS

The **GIIN** [recommends](#) that the investment strategy examine the following aspects:

- A vision or mission to address diversity issues;
- Organisational structure, culture, internal policies, and work environment;
- Using data and metrics to manage diverse talent performance;
- How your financial and human resources signify the overall commitment to diversity.

The [guide](#) by British International Investment and the International Finance Corporation (IFC) outlines the following steps:

- Define and agree on actions to achieve a gender* outcome with the investment recipient company. Depending on the specific sector and the company's business model, agree on the activities that will be carried out directly by the company, either before or after the investment, or through the provision of technical assistance to the company in partnership with the fund manager;
- Present the results of this process to the investment committee and discuss how commitments to closing material gender gaps* will be prioritised and integrated into the business.

**We recommend expanding to the other diversity markers for an intersectional approach.*

More Advanced Actions:

>> Introduction and integration of formal DEIB target incentives in the investment agreement (which may influence the investment agreement)

In the structuring of investment contracts in startups, it is usual to establish earn-out clauses as a way of agreeing on a future increase in the value of the unit price of the shares purchased by the investing institution, with conditions that are previously agreed and linked to the achievement of attainable results.

The earn out promotes a financial benefit for the founders, if they reach the determined goal, and is generally used to encourage the achievement of certain financial or operational goals by the business. We suggest experimenting with encouraging DEIB targets via mechanisms such as earn out and/or developing new formal incentive mechanisms in favour of equity.

STAGE 4: PORTFOLIO MANAGEMENT / INVESTEE FOLLOW-UP

Establish a follow-up plan and support portfolio companies on their journeys in DEIB, adapted to the specific gaps and needs of each investee company.

PRACTICAL ACTIONS

1. Establishment and execution of the action plan for improvement in DEIB (including scope of the 100-day plan)

We suggest that investment managers map the current stage of the companies they invest in, in relation to DEIB, and establish continuous and progressive development actions in favour of reaching greater diversity in the teams, especially among their leaders, as well as their value chain and consumer target audience (where applicable).

● EXAMPLE OF A DEIB ACTION PLAN

The **DEIB Integration Strategies in Business** project, carried out by [ICE – Instituto de Cidadania Empresarial](#) (Institute of Corporate Citizenship), makes the [DEIB Maturity Thermometer](#) available for companies which aim to develop their equity practices, covering aspects such as: 1. Mission, Values and Behaviour; 2. Governance and Operations; 3. Policies and Compliance; 4. Partnerships and External Relationships; and 5. Proactive Equity Actions ([see Appendix 3](#)).

For the scope of the DEIB improvement action plan, we also recommend the [guide Venturing into Diversity & Inclusion 2019: Addressing the Diversity Deficit in VC](#), created by Diversity VC, which suggests the following actions as part of a DEIB action plan:

- Appoint a Diversity and Inclusion sponsor;
- Review human resources (HR) policies;
- Promote a culture of inclusion for the diversity of talents;
- Guide portfolio companies in building an inclusive culture.

2. Monitoring of DEIB indicators per investee company; and 3. Reporting of diversity metrics and reduction of investment portfolio inequalities

The management and measurement of indicators are essential in order to make effective investments. Adopting a strategy for Diversity Smart Investing includes identifying and considering the positive and negative effects which investment approaches have on

DEIB and then figuring out ways to mitigate the negative and maximise the positive in alignment with the objectives of each prioritised aspect.

The measuring and management of impact are interactive and continuous in nature. Investors can advocate for DEIB by performing the activities below at different points throughout the investment cycle, particularly in portfolio management.

Measure, track, use data and report:

DEIB management and measurement are more than accumulating metrics. Regular review and analysis are necessary to drive effective management. This means considering information to learn, adjust, and improve decision-making on approaches which effectively contribute to reducing inequalities while promoting the added value of diversity in business performance.

HOW TO CREATE A DEIB MONITORING SYSTEM

1. Establish objectives and expectations:

objectives must consider the effects which an investment aims to achieve in DEIB and dialogue with other aspects and expectations regarding the investment (return, risk, and other aspects of impact). This step is directly related to the DEIB aspects addressed in the investment thesis (Stage 0).

2. Select metrics:

define indicators disaggregated by DEIB aspect which will be observed in companies and in the consolidated portfolio, following investment values and business performance.

- a. Investors can disaggregate analysis by sector to assess where there is the greatest gap and industries traditionally concentrated by businesses led by non-diverse people.;
- b. Investors can use tools such as the [GIIN's Navigating Impact portal](#), which features specific sections of the IRIS+ platform on Racial and Gender Equity. This resource helps managers and investment institutions to select impactful strategies and to adopt core sets of metrics to track the performance of their portfolios towards their goals.;
- c. Investors can encourage their investees to join the Racial ESG Protocol using the [Racial Equit ESG Index \(IEER\)](#) promoted by the [Pact for the Promotion of Racial Equity](#), with independent periodic certification;

- d. Metrics should ultimately inform investment decisions, aid learning, change when needed, and strengthen the performance of the portfolio and investment strategy.

3. Get a baseline:

collect the first batch of data on the metrics determined.

- a. Initial data can be quantitative and qualitative, according to prioritised KPIs. This may include sample surveys, anonymised internal census data or labour system data (respecting the determination of the [General Data Protection Law – LGPD](#)).

4. Create a monitoring and reporting process which allows progress to be tracked over time.

- a. Specify the frequency of data collection. Choose a frequency that feels realistic for the company's size and growth stage;
- b. Report diversity metrics and reduction of inequalities achieved over time in the investment portfolio.;
- c. Evaluate the performance of investments with significance in DEIB practices compared to the rest of the portfolio in terms of business performance. Investors can build their business cases and understand the added value of DEIB.

⁵ Linked, for example, to sector, product, target audience (team, leadership, customers, value chain, etc.), as well as to the aspect of diversity pursued (gender, gender identity and expression, race and ethnicity, sexual orientation, age, disability, socioeconomic class, and geographic origin, among others).

More Advanced Actions:

>> *Learning session between portfolio companies and ecosystem.*

Share successful investment stories of DEIB lens solutions which have improved business performance. Investors have significant leverage to encourage the sharing of lessons learned among their portfolio of investees and, more broadly, across the investment ecosystem.

>> *Continuous improvement in the structure of technical assistance in DEIB*

● RESOURCE FOR LEARNING SESSIONS

The [guide](#) *How to Invest with a Gender Lens** suggests the following actions:

- Forneça mentoria e oportunidades de **networking** às mulheres empreendedoras e a outros grupos sub-representados;
- Desenvolva o serviço de desenvolvimento de negócios com base na compreensão das necessidades de empresas lideradas por mulheres e outros grupos sub-representados;
- Ofereça assistência técnica para apoiar empresas do portfólio a aplicarem uma lente de gênero*.

**We recommend expanding to the other diversity markers for an intersectional approach.*

STAGE 5: EXITS

Although we have already considered studies which capture the financial and non-financial benefits of adopting strategies to promote gender or race in investments, throughout the national and international research that fostered this handbook, we came across the lack of DEIB references or tools which deal with the exit stage in investing. This reinforces our intention to continuously observe the ecosystem and encourage the construction and sharing of practices that contribute to the perpetuation of diversity and inclusion in business, especially when they reach the much-desired sale of shareholdings of venture capital investors.

PRACTICAL ACTIONS

1. Identification and recommendation of key elements for the perpetuation of the DEIB strategy

● RELEVANT RESOURCE

The [framework](#) introduced by **BlackRocks** and **Bain & Company** suggests the following actions:

- Take an active role in correcting information asymmetry about the ecosystem.;
- Be an ally of agents that fight for racial diversity in the ecosystem..





Part 3

Conclusions





The research and studies which paved the way for this handbook demonstrated that taking a smart approach to diversity brings enormous opportunities both for managers and the broader investment ecosystem.

However, we also recognise that this handbook deals with issues which are still incipient and that there is a long way to go for DEIB actions to become a reality in investments. The objective is for this handbook to become a reference catalogue for concrete actions by investors, as a means of support for their journeys in **Diversity Smart Investing**.

As noted, there is no standard template, no single or exhaustive model that serves as a strategy for Diversity Smart Investing. The referenced materials serve as a starting point which invites experimentation. For more than an orientation guide, we encourage investors and managers to create their own roadmaps suited to their realities and maturities, but now knowing that it is entirely feasible to establish actions and commitments for equity in the investment ecosystem. It is worth emphasising that, in order to actually achieve equity in investment portfolios, it is essential for investors to “walk the talk” with the adoption of DEIB in their teams and especially in their leadership and investment decision-makers.

Among the main observations, we highlight that:

1. **Taking a smart approach to diversity is a good investment** –
it has benefits for women managers in many areas, including a higher return on investment.
2. **Being intentional about diversity means looking in-house** –
take action both internally and in the investment process.

Given the deeply rooted and systemic nature of inequalities in Brazil, to advance a Diversity Lens practice, investors can implement various strategies to address social inequalities in their portfolios (race/ethnicity, economic, gender, gender identity, and geographic, among others). These include:

A. INTERNAL CULTURE:

In addition to the diversity of the management and analysis team, they can make every possible effort to work with diverse partner teams. Additionally, they can develop and implement concrete diversity, equality, and inclusion guidelines (race/ethnicity, gender, LGBTQIA+) in their investment teams. It is advisable to use monitoring indicators with racial equity in mind.

B. INVESTMENT THESIS:

by focusing on underrepresented entrepreneurs and/or business models which address inequalities, the criteria adopted in the thesis aim to generate financial returns while contributing to a more equitable and inclusive portfolio, resulting in positive systemic changes.

C. PORTFOLIO ACQUISITION:

they can proactively use investment opportunities through strong relationships with networks and partnerships to prospect and expand pipeline sources, beyond those traditionally used, and leverage data-driven solutions which help reduce bias in selection processes, analysis, negotiation, and due diligence.

D. INVESTMENT MANAGEMENT:

they can monitor diversity metrics and reduction of inequalities in the investment portfolio and DEIB indicators per investee company and accelerate the achievement of goals with an action plan with the company to improve DEIB

E. POST-INVESTMENT SUPPORT:

they can continue to promote equity through ongoing post-investment support.

They can follow up regularly with the investee company's team to provide market insights and partnerships, among other things. They can share the success story with partner networks which can effectively provide operational support to entrepreneurs, increasing the chances of new rounds and greater capital gains in the future.



We hope this content will increasingly expand the dialogue and be a stimulus point with a contribution to the evidence base of the relevance, but also the viability of strategies for Diversity Smart Investing.

From the implementation of processes, there are certain to arise changes, improvements, needs for adjustments, new challenges, and new ideas. The desire remains to keep the conversation open.

Appendix 1

Important DEIB Definitions

DIVERSITY	<p>Diversity refers to the range of similarities and differences between people, often referred to as dimensions of diversity in, for example: gender, sex, gender identity and expression, race and ethnicity, sexual orientation, age, disability, class, education, and geography, among others. It also applies to differences in thinking style and personality type.</p> <p><i>Definition of diversity given by the United Nations Principles for Responsible Investment: Diversity is the presence of variety or difference within an organisational context. This variety can be in physical characteristics, cultural experiences, personal identity, gender, or race.</i></p>
EQUITY	<p>Equity is about taking deliberate action to remove systemic, group, and individual barriers and obstacles which impede opportunities and disrupt well-being. Equity is achieved by identifying and eliminating policies, practices, attitudes, and cultural messages which create and reinforce unfair outcomes.</p> <p><i>The difference between equality and equity must be emphasised. While both promote justice, equality achieves this by treating all people the same, regardless of need and circumstances. Equity achieves this justice by treating people differently, depending on need, circumstance, and consideration of historical and systemic inequalities.</i></p>
INCLUSION	<p>Inclusion is a dynamic state of feeling, belonging, and operating, in which diversity is leveraged and valued to create a just, healthy, and high-performing organisation or society. An inclusive culture and environment ensure equitable access to resources and opportunities for all people. They also allow individuals and groups to feel safe, respected, heard, engaged, motivated, and valued for who they are.</p>
BELONGING	<p>According to Coqual (formerly known as the Centre for Talent Innovation), in their series on belonging, belonging is a fundamental human need. It is the ultimate goal which a company should aim for with its employees, as it is at that moment that the benefits of their creativity and loyalty will be felt.</p>
INTERSECTIONALITY	<p>Intersectionality refers to the complex ways in which individuals maintain many identities at the same time. These identities can combine, overlap, or intersect within the same person or group, resulting in multiple and interdependent systems of discrimination or oppression.</p>

For a complete glossary, we recommend consulting [IRIS+ System Standards](#) and [Racial Equity Tools](#).

Appendix 2

Reference Studies

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Appendix 3

Questionnaire

DEIB Maturity Thermometer

This DEIB (Diversity, Equity, Inclusion, and Belonging) maturity framework was designed to guide small, growing companies in incorporating DEIB measures across all business functions. The pillars are both internally and externally focused – it is important to have your own house in order, while implementing measures and building strong relationships to promote gender and racial equity across your company.

Pillar 1: Mission, Values and Behaviour

1. IS DEIB INTEGRATED WITH YOUR COMPANY'S VISION, MISSION, AND CODE OF ETHICS?

- 1. No, but we would like to know more about this.
- 2. No, but we plan to do something about this soon.
- 3. Yes, it is integrated, but we still need to improve in this area.
- 4. Yes, it is integrated, for both gender and race.

2. DO THE COMPANY'S CEO AND EXECUTIVE LEADERSHIP HAVE A CLEAR COMMITMENT TO DEIB?

- 1. No, but we would like to resolve this.
- 2. No, but they plan to do something about this soon.
- 3. Yes, we make public statements, but without setting specific targets.
- 4. Yes, we advertise, set targets and report.

3. HAS YOUR COMPANY CONCLUDED AN INTERNAL BUSINESS CASE CONCERNING DEIB?

- 1. No, but we would like to know more about this.
- 2. No, but we plan to do something about this soon.
- 3. Yes, we are implementing it, but we still need to set goals or measure progress.
- 4. Yes, we are implementing it, we have set goals and we report on this.

4. DO ALL EMPLOYEES UNDERGO DEIB TRAINING AT REGULAR INTERVALS?

- 1. No, but we would like to see this happen.
- 2. No, but we plan to start this soon.
- 3. Yes, we are implementing this, but we still need to set goals or measure progress.
- 4. Yes, we do this, we have set targets and we report.

5. DO YOU REGULARLY COLLECT ANONYMOUS DATA FROM ALL EMPLOYEES ABOUT DEIB AND THE ORGANISATION'S CULTURE?

- 1. No, but we would like to know more about this.
- 2. No, but we plan to start this soon.
- 3. Yes, but we still need to set goals or measure progress.
- 4. Yes, we are implementing this, we have set targets and we report on this.

6. DO YOU ENCOURAGE AND PROVIDE RESOURCES FOR EMPLOYEE NETWORKS ON DEIB-RELATED ISSUES?

- 1. No, but we would like to know how to do this.
- 2. No, but we plan to start this soon.
- 3. Yes, we do, but we still need to set goals or measure progress.
- 4. Yes, we do, we have set goals and we report on them.

Pillar 2: Company Governance and Operations

7. HAVE YOU DEDICATED SPECIFIC RESOURCES TO MANAGING DEIB ACROSS ALL COMPANY OPERATIONS (I.E., DEDICATED STAFF, BOTH IN HR AND OPERATIONAL STAFF, AND BUDGET)?

- 1. No, but we would like to know more about this.
- 2. No, but we plan to start this soon.
- 3. Yes, but we still need to set goals or measure progress.
- 4. Yes, we have dedicated resources, we have set goals and we report on this.

8. DO YOU HAVE PROCEDURES IN PLACE TO ENSURE THAT RECRUITMENT IS CARRIED OUT IN AN EQUITABLE MANNER, MAKING USE OF ETHICAL TOOLS AND REVIEWS TO ASSIST IN THE RECRUITMENT PROCESSES?

- 1. No, but we would like to know more about this.
- 2. No, but we plan to start this soon.
- 3. Yes, but we still need to set goals or measure progress.
- 4. Yes, we have procedures, we have set targets and we report on this.

9. DO YOU HAVE DETAILED GUIDANCE FOR MANAGERS TO HELP THEM PROVIDE INCLUSIVE AND EQUITABLE PERFORMANCE REVIEWS WHICH INFORM DECISIONS ABOUT PROMOTION AND ADVANCEMENT WITHIN THE COMPANY?

- 1. No, but we would like to know more about this.
- 2. No, but we plan to start this soon.
- 3. Yes, but we still need to set goals or measure progress.
- 4. Yes, we have detailed guidance, we have set targets and we report on this.



10. DO YOU COLLECT DATA AND DISAGGREGATED INFORMATION ABOUT RECRUITMENT, RETENTION, AND PROMOTION BY RACE AND GENDER IN YOUR COMPANY?

- 1. No, but we would like to know more about this.
- 2. No, but we plan to start this soon.
- 3. Yes, but we still need to improve in this area.
- 4. Yes, we collect data, we have targets, and we report on race and gender.

11. DO YOU INCORPORATE DEIB IN YOUR COMPANY'S ESG REPORTS?

- 1. No, but we would like to know more about this.
- 2. No, but we plan to start this soon.
- 3. Yes, but we still need to improve in this area.
- 4. Yes, we incorporate it, and we report on race and gender.

12. DO YOU EVALUATE MANAGERS OR AWARD BONUSES BASED ON DEIB PERFORMANCE?

- 1. No, but we would like to know more about this.
- 2. No, but we plan to start this soon.
- 3. Yes, but we have yet to set targets or start reporting on this.
- 4. Yes, we evaluate them, set targets and report on this.

Pillar 3: Policies, Compliance and Protective Measures

13. DO YOU HAVE DEIB POLICIES IN PLACE RELATED TO AT LEAST FOUR OF THE FIVE PILLARS OF THE MATURITY THERMOMETER?

- 1. No, but we would like to know more about this.
- 2. No, but we plan to start this soon.
- 3. Yes, we do, but for gender only.
- 4. Yes, we do, for both gender and race.

14. ARE YOUR OFFICIAL POLICIES IN LINE WITH BEST ANTI-DISCRIMINATION PRACTICES?

- 1. No, but we would like to know more about this.
- 2. No, but we plan to start this soon.
- 3. Yes, they are, but we still need to improve in this area.
- 4. Yes, they comply with national legislation and international treaties.

15. DO YOU HAVE SECURE AND ANONYMOUS CHANNELS FOR DENOUNCING POSSIBLE VIOLATIONS OF RULES OF CONDUCT OR CRIMINAL PRACTICES FOR INTERNAL AND EXTERNAL AUDIENCES?

- 1. No, but we would like to know more about this.
- 2. No, but we plan to start this soon.
- 3. Yes, we do, but we need to improve in this area.
- 4. Yes, we do, and we monitor their effectiveness.

16. DO YOU HAVE MECHANISMS IN PLACE TO MEASURE AND ADDRESS ANY GENDER OR ETHNIC PAY GAPS AT ALL LEVELS OF THE COMPANY?

- 1. No, but we would like to know more about this.
- 2. No, but we plan to start this soon.
- 3. Yes, but we have yet to set targets or report on this.
- 4. Yes, we have mechanisms in place, we set targets and we report on this.

Pillar 4: Business Partnerships and External Relationships

17. DO YOU HAVE POLICIES IN PLACE TO ASSESS THE MAKEUP OF YOUR BUSINESS PARTNERS, SUPPLY CHAIN AND/OR VALUE CHAIN USING A RACIAL AND GENDER EQUITY LENS?

- 1. No, but we would like to know more about this.
- 2. No, but we plan to start this soon.
- 3. Yes, but we have yet to set targets or report on them.
- 4. Yes, we have policies in place, we have set targets and we report on this.

18. DO YOU PERIODICALLY VERIFY THAT YOUR PROCUREMENT PROCEDURES ARE FAIR, EQUITABLE, AND ACCESSIBLE TO ALL?

- 1. No, but we would like to learn how to do this.
- 2. No, but we plan to start this soon.
- 3. Yes, but we still need to improve in this area.
- 4. Yes, we verify procedures, we have set targets and we report on this.



19. DO YOU HAVE GOALS FOR INCORPORATING WOMEN AND BLACK SUPPLIERS INTO YOUR SUPPLY CHAIN?

- 1. No, but we would like to learn more about this.
- 2. No, but we plan to start this soon.
- 3. Yes, we do, but for women only.
- 4. Yes, we do, for both women and black people.

20. DO YOU HAVE A STRONG RELATIONSHIP WITH BRAZILIAN CIVIL SOCIETY ORGANISATIONS WHICH PROMOTE DEIB INITIATIVES OR CAMPAIGNS?

- 1. No, but we would like to.
- 2. No, but we plan to start soon.
- 3. Yes, but we still need to set targets or create reports about this.
- 4. Yes, we have a relationship, we have established targets and we report on this.

21. DO YOU MAINTAIN ONGOING RELATIONSHIPS WITH GOVERNMENT STAKEHOLDERS TO PROMOTE DEIB INITIATIVES IN THE BUSINESS SECTOR?

- 1. No, but we would like to.
- 2. No, but we plan to start soon.
- 3. Yes, but we still need to set targets or create reports for this.
- 4. Yes, we maintain relationships, we set targets and we report on this.

Pillar 5: Proactive Equity Actions

22. HAS YOUR COMPANY DEVOTED SPECIFIC RESOURCES TO SUPPORTING PEOPLE OR ORGANISATIONS AFFECTED BY GENDER AND RACIAL INEQUALITIES?

- 1. No, but we would like to learn more about this.
- 2. No, but we plan to start this soon.
- 3. Yes, but we still need to establish targets and/or reports for this.
- 4. Yes, we have resources dedicated to this, we have set goals and created reports for this.

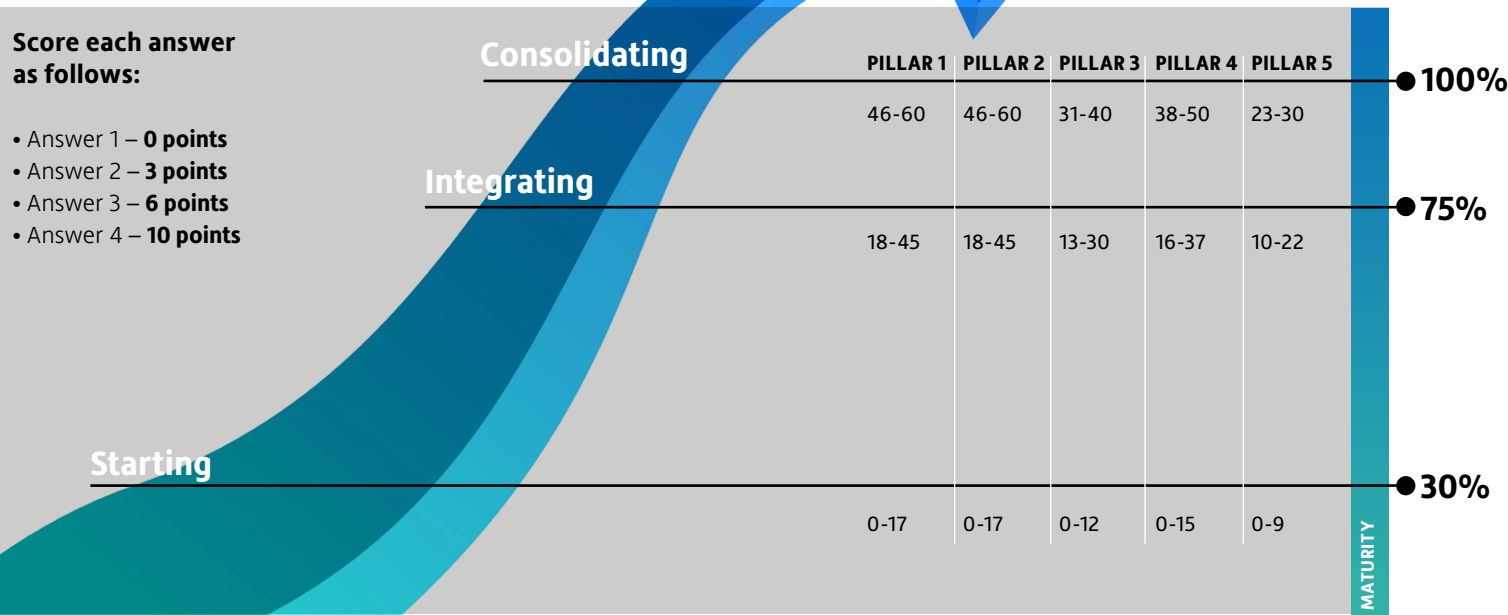
23. HAS YOUR COMPANY PARTICIPATED IN ANY CAMPAIGN OR INITIATIVE TO FORM PUBLIC OPINION ABOUT DEIB FROM A BUSINESS POINT OF VIEW?

- 1. No, but we would like to participate.
- 2. No, but we plan to start soon.
- 3. Yes, we have participated, but we still need to define targets and/or reports for this.
- 4. Yes, we have participated, we have set targets and created reports for this.

24. HAVE YOU BEEN INVOLVED IN ANY PROGRAMS OR EVENTS DESIGNED TO PROMOTE DEIB INVESTMENTS AND PRACTICES IN YOUR SECTOR, IN THE LAST SIX MONTHS?

- 1. No, but we would like to learn more about this.
- 2. No, but we plan to start soon.
- 3. Yes, but we still need to set targets and/or reports for this.
- 4. Yes, and we have set goals and created reports for this.

For Self-assessment
THE MATURITY CURVE



Appendix 4

Example – DEIB Results Matrix



PILLAR 1: MISSION, VALUES AND BEHAVIOURS

- GOALS:**
- DEIB is a fundamental principle of the company and seen as a priority.
 - There is a cultural understanding of DEIB within the company, and employees feel they have a sense of belonging.
 - The company’s CEO and leaders are advocates of DEIB and pave the way for its employees to demonstrate that they care about the matter.
 - Employees are continuously educated on DEIB practices and there are spaces where employers can discuss their issues.
 - Managers are supported (through training, mentoring, or otherwise) to understand the employee experience and display inclusive management skills, ensuring that behaviours across the enterprise promote inclusion.

Expected Result – What would you like to achieve?	Indicator – How will you measure your progress?	Baseline (Date) – What is your current situation?	Target (Set Date) – What specific target will you set?	Assumptions/Notes
Example: All employees receive regular DEIB training to raise their awareness and contribute to a more diverse culture.	Number of employees who undergo training. Percentage of employees who rate the training as effective.	2022: five employees trained. Three out of five team members rated the training as “highly effective”.	By 2024, all employees will be trained, and at least 90% will rate the training as highly effective.	The external training provider is carefully selected and well evaluated.
1.1				
1.2				
1.3				
1.4				
Etc.				



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