

2X Challenge: Criteria

October 2018



2X Criteria

Fulfilling *one* criteria makes an investment 2X eligible:

	Criteria	Threshold	
1	Entrepreneurship	1A. Share of women ownership <i>OR</i> 1B. Business founded by a woman	51% Yes/No
	----- OR -----		
2	Leadership	2A. Share of women in senior management ¹ <i>OR</i> 2B. Share of women on the Board or IC ¹	20-30% ² 30%
	----- OR -----		
3	Employment	3A. Share of women in the workforce ¹ <i>AND</i> 3B. One “quality” indicator beyond compliance	30-50% ² Yes/No
	----- OR -----		
4	Consumption	4. Product or service specifically or disproportionately benefit women	Yes/No
----- OR -----			
5	Investments through Financial Intermediaries ³	<i>On-Lending facilities</i> : Percent of the DFI loan proceeds supporting businesses that meet direct criteria ¹	30%
		<i>Funds</i> : Percent of portfolio companies that meet the direct criteria ¹	30%

Sector-Specific Thresholds

2.A Women in Senior Management*		
Grp.	Sector	%
Low	Infrastructure, Power, Telecoms	20%
Mid	Financial Services, Manufacturing	25%
	Agribusiness & Food, Professional Services, Consumer Services	
High	Healthcare, Education	30%
3.A Women in the Workforce*		
Grp.	Sector	%
Low	Infrastructure, Power, Telecoms	30%
Mid	Financial Services, Manufacturing – Heavy, Agribusiness & Food, Professional Services	40%
High	Healthcare, Education, Consumer Services, Manufacturing – Light ³	50%

**Room for judgement:* Investees in unique sectors or geographies may require case-by-case consideration.

1) Commitments to achieve targets in these categories also make investments eligible, including new commitments by existing investees.

2) These thresholds vary depending on the sector of the investment. See sector-specific thresholds.

3) Investments through financial intermediaries may also be eligible if the financial intermediary meets any of the direct criteria. For funds, this requires either that the fund manager itself meeting one of the categories, or if the fund itself has a clear investment thesis to invest in women.

2X Criteria: Details

Important definitions and qualification:

1

Entrepreneurship

Ownership: Percentage of the organization that is *directly* woman owned (# shares owned by women / total # of shares).

Founded: Investee founded by a woman or a group of women that retain(s) an active role in the organization.

2

Leadership

Senior Management: Includes C-Suite or equivalent (e.g. Managing Directors, Partners).

Boards: Excludes female Board members that do not play an active role on the Board. Share of women on the Board should also exceed legal minimum.

3

Employment

Workforce: Includes direct, indirect and/or supplier employees as makes sense in the investee context.

Quality indicator: A policy or program, beyond those required for compliance, addressing barriers to women's quality employment (e.g. wage inequity, lack of child care, discrimination / harassment), with evidence of implementation or a commitment to implement.

4

Consumption

Products and services qualify if they:

- Are designed for women's unique needs, or
- Address a problem that disproportionately impacts women, or
- Have a majority of women customers, or
- Have a majority of women beneficiaries (e.g., a male household member may purchase product, but the end users are female household members).

2X Criteria: Details

Important definitions and qualification:

5

Indirect Investments (investments through financial Intermediaries)

All on-lending and funds can qualify through the direct criteria if the financial intermediary meets one of the direct 2X criteria. For instance, the financial intermediary would qualify if 51% women-owned, if 30% of the investment committee is women, if banks prioritize women in their portfolio (e.g., a fund focuses on investing in women-owned businesses, or a bank offers financing product tailored for female clients), etc.

New on-lending investments can qualify indirectly by committing to deploy 30% or more of the DFI capital to 2X qualifying businesses. New on-lending facilities may also qualify if 30% or more of the overall SME/Corporate portfolio is composed of 2X qualifying businesses.

New fund investment can qualify indirectly by actually deploying, or committing to deploy, 30% of the fund to 2X qualifying businesses, or by establishing a credible gender strategy and clear thesis to invest in women.

Existing generalist fund can qualify indirectly by making a new commitment to deploy or maintain 30% of its portfolio to 2X qualifying businesses throughout the life of the fund.

Commitment Requirements

All commitments to achieve 2X Challenge criteria must include clear objectives and be monitorable. They must be presented in a formal, written commitment such as a side letter or in a Memorandum of Understanding, gender action plan with senior level oversight, or similar document deemed appropriate by the DFI.

A commitment should include a mix of the following: (1) clear targets; (2) action items with roles and responsibilities (3) interim targets; (4) resources allocation; and (5) monitoring system.

2X Criteria: Timing

1. Investments are reported to the 2X Challenge at following times and in the following amounts:

Product	Timing	Amount
Direct debt	At signing	Full project costs
Direct equity	At close of funding round	Full project costs
Guarantees	At signing	Full project costs
New commitments by existing investees	At time of 2X commitment	Full project costs
On-lending (direct & indirect criteria)	At signing	Full project costs
New funds (direct & indirect criteria)	At close of funding round	Capital raised at close of current fundraising round, and updated to reflect subsequent fundraising rounds.
New commitment by existing funds (indirect criteria)	At time of 2X commitment	Capital raised at time of 2X commitment

- Investment amounts will be reconciled quarterly to make any adjustments necessary to accurately reflect the amount of funds mobilized by the 2X Challenge (e.g. to account for the participation of multiple 2X Challenge participants in a single 2X Challenge-qualifying transaction).
- 2X Challenge-eligible investments and commitments must be signed on or after June 1, 2018, and fund investments are eligible if the relevant funding round closed on or after this date.
- Loans made to sovereign entities will count towards the 2X Challenge when those funds are on-lent or invested in private entities, including in public private partnerships, so long as those investments are otherwise 2X eligible. The monetary value of technical assistance will not count towards the 2X Challenge's \$3 billion target.