

# 2X Challenge: Criteria

Updated June 2021



# 2X Criteria (2018)

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

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

## Sector-Specific Thresholds

<b>2.A Women in Senior Management*</b>		
Grp.	Sector	%
Low	Infrastructure, Power, Telecoms	20%
Mid	Financial Services, Manufacturing	25%
	Agribusiness & Food, Professional Services, Consumer Services	
High	Healthcare, Education	30%
<b>3.A Women in the Workforce*</b>		
Grp.	Sector	%
Low	Infrastructure, Power, Telecoms	30%
Mid	Financial Services, Manufacturing – Heavy, Agribusiness & Food, Professional Services	40%
High	Healthcare, Education, Consumer Services, Manufacturing – Light <sup>3</sup>	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: 2021 Best Practices

Based on learnings during the first phase of the 2X Challenge (2018-2020), 2X Challenge-participating members have agreed and adopted two new best practices for the 2X Criteria for the second phase (2020-2021):

**First**, 2X Challenge-participating members will apply a 30% threshold to the Leadership Criteria, regardless of sector.

Direct	Leadership	2A. Share of women in senior management	<del>20</del> -30%
		<i>OR</i>	
		2B. Share of women on the Board or IC	30%

**Second**, For the 2X Challenge to count the full value of transactions with financial intermediaries, they must meet (or make a commitment to meet) at least one direct criteria related to the intermediary itself and one criteria related to the portfolio. When this condition is not met, only 30% of the 2X member's investment may be counted towards the 2X target. If there is clear evidence or commitment to direct more than 30% of the proceeds to individual women or 2X-eligible businesses, then this % may be counted.

~~OR~~ AND

Indirect	Investments through Financial Intermediaries <sup>3</sup>	<i>On-Lending facilities</i> : Percent of the DFI loan proceeds supporting businesses that meet direct criteria	30%
		<i>OR</i>	
		<i>Funds</i> : Percent of portfolio companies that meet the direct criteria	30%

These changes are not formal changes to the 2X Criteria. Instead 2X Challenge-participating members have adopted these as best practices and encourage the market to also adopt these best practices.

# 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 (including individual women borrowers for financial intermediaries), 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)

**Financial institutions and funds can qualify through the direct criteria if the financial intermediary meets one of the direct 2X criteria.**<sup>4</sup> For instance, the financial intermediary would qualify if 51% women-owned (entrepreneurship), if 30% of the senior investing team are women (leadership), if intermediary prioritize women in their portfolio (consumption), e.g., a fund focuses on investing in 2X 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 2X member's 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.

4) Subject to the updated interpretation used by 2X Challenge members regarding counting and qualifying financial intermediary transactions, discussed on slide 3.

# 2X Criteria: Examples

Examples and counter examples of consumption (for guidance):

- ✓ **Increased safety or security: MiBlackBox**  
South Africa femicide rate is five times more than the global rate. MiBlackBox is designed to act as a "virtual witness". The click app records audio, video, images taking place around you and alerts your contacts. The app can also identify the nearest police station, fire station or hospital and can also call a user's armed response company.
- ✓ **Access to health: Healthcare / Pharma company**  
A chain of chemists which is growing rapidly across one African country. The chain provides affordable drugs and healthcare for poor households by locating in rural or disadvantaged urban areas where women's access to healthcare is particularly limited. It was also the first firm in its country to offer the morning after pill.
- ✓ **Access to education: Community Digital Learning Centres (DLC)**  
The DLCs leverage technology to provide quality education to 15-25 years old women within their own communities, helping them overcome limited mobility, patriarchal and socio economic challenges, and to curb school dropouts and boost the self-confidence of girls in marginalised communities.
- ✓ **Access to finance: Habib Bank**  
Pakistan's largest bank HBL/Habib Bank launched HBL Nisa, a banking platform solely dedicated to women. It aims to understand, educate and develop products and services that suit the financial needs of women to close the financial gap. Habib Bank is also a member of the Global Banking Alliance for Women.
- ✓ **Decrease time poverty: Twiga**  
Twiga is the first company in Kenya to aggregate demand for and supply of produce onto a single technology platform while providing the logistical movement of those goods as a service. The majority of the vendors to which Twiga sells produce are female and 67% reported life improvements thanks to Twiga, due largely to time savings.
- ✗ **Not eligible: Infrastructure**  
Infrastructures projects may serve 50% or more women without having a specific strategy to target or benefit women. Except if gender is included explicitly in the design phase, infrastructures projects should not be accounted as 2X deals.

# 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 <sup>5</sup>
New funds (direct & indirect criteria)	At close of funding round	Capital raised at close of current fundraising round <sup>5</sup>
New commitment by existing funds (direct & indirect criteria)	At time of 2X commitment	Capital raised at time of 2X commitment <sup>4</sup>

2. 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).

3. 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 \$15 billion target.

5) When an FI does not meet both the direct criteria related to the intermediary itself and a criteria related to the portfolio and does not make a commitment to meet both, only 30% of the 2X member's investment may be counted towards the 2X target. If there is clear evidence or commitment to direct more than 30% of the proceeds to individual women or 2X-eligible businesses, then this % may be counted.