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INVESTOR PLAYBOOK

Designing Incentives to Drive Outcomes

How investors can drive business and gender outcomes through smart incentive structures

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Capital continues to underflow to women-led businesses (WLBs) — not due to lack of opportunity, but due to how investment decisions are structured. Both limited partners (LPs) and general partners (GPs) have unique and underused levers.

LPs shape how GPs deploy capital through fund terms, incentives, and governance. GPs, in turn, decide which companies get funded and how they're supported and incentivised to perform. The most direct way to increase capital to WLBs is to link fund economics and decision-making to gender performance. This playbook shows how to do that in practice with real examples, and a step-by-step guide to getting started.

Embedding gender into fund terms is a capital allocation strategy, not an impact strategy.

2-3% of global Private Equity/ Venture Capital (PE/VC)

There is a severe underallocation of capital to women-led fund managers[1]

10-20% higher internal rate of return (IRR)

Despite the fact that gender-balanced investment teams deliver higher IRR vs peers[1]

2-3x outcomes

Capital allocation drives outcomes: female investors are 2-3x more likely to back women founders and CEOs[2]

USD 139B financing gap

Women-led SMEs (WSMEs) face a USD 139B financing gap in Southeast Asia alone, despite viable business fundamentals[3]

Capital flows follow incentives, and investors set those incentives.

Capital allocation
Ticket size, ring-fencing, and follow-on commitments
SHIFT CAPITAL

Financial rewards
Carry, management fee, and team incentives
DRIVES GP BEHAVIOUR

Pricing
Preferential terms, e.g. derisking, tied to performance
IMPROVES ECONOMICS

Anchor incentives based on % or total:

Capital deployed to WLBs | WLBs in the pipeline | Investment team composition

Gender-linked incentives are increasingly adopted by LPs.

Australian Development Investments (ADI) demonstrates how these incentives can be structured across both fund and portfolio levels to shift capital toward WLBs.

Australian Aid | ADI Australian Development Investments

WHO IS ADI

ADI is Australia's AUD 250M impact investment fund of funds. It makes catalytic investments into impact funds across the Indo-Pacific. These funds finance SMEs that deliver climate and gender equality outcomes, while supporting decent work and inclusive economic opportunities.

WHY DOES ADI USE INCENTIVES?

Capital does not naturally flow to WLBs, despite strong fundamentals.

ADI uses financial incentives to:

- Shift capital toward underfunded but viable opportunities
- Influence GP behaviour at the point of capital deployment
- Address market biases and encourage gender-responsive investment decisions
- Signal that gender outcomes are financially material

HOW DOES ADI STRUCTURE INCENTIVES?

ADI links incentives such as pricing adjustments and carried interest to **measurable gender outcomes** at both fund and portfolio levels.

ADI linked additional carried interest to gender outcomes:

- **Fund level:** Incentives tied to gender diversity in leadership and workforce
- **Portfolio level:** Incentives tied to:
  - Share of WLBs
  - Alignment with 2X Criteria
  - Delivery of gender-focused technical assistance

ADI structured interest rate step-downs linked to gender performance:

- Initial reductions triggered by foundational actions (e.g. workplace gender equity policies adopted, gender training delivered)
- Further reductions linked to stretch targets (e.g. increased lending to 2X-aligned businesses, achievement of gender performance targets at the borrower level)

ADI success factors

Incentives only shift capital when they are aligned end-to-end and actively managed.

Align incentives across the capital chain — Set incentives at both fund (LP–GP) and portfolio (GP–company) levels so they translate into actual capital deployment.

Embed strong governance and accountability — Define clear targets at entry, track performance consistently, and integrate into investment processes and oversight.

Incentives can also be used by managers that invest into fintech companies, that support WSMEs.

Lendable demonstrates how debt investors can use interest rate step-downs, technical assistance, and portfolio data to encourage better gender performance at borrower level.

Lendable

WHO IS LENDABLE

Lendable is a leading provider of asset-backed debt with focus on emerging markets, providing private credit solutions for more inclusive and sustainable future. Through its borrowers, Lendable reaches MSMEs, many of whom are women-led.

WHY DOES LENDABLE USE INCENTIVES?

Lendable found that technical assistance (TA) alone was often not enough to sustain action on gender. When business pressures rise, gender initiatives can slip down the priority list.

To address this, Lendable pairs TA support with financial incentives to:

- Keep gender priorities commercially relevant
- Encourage investment in capabilities to better serve women
- Strengthen accountability beyond TA alone

HOW DOES LENDABLE STRUCTURE INCENTIVES?

Gender-linked interest rate step-downs

- Interest rate reductions of **up to 1%**
- Triggered by achievement of pre-agreed gender targets (primarily aligned with 2X Criteria)
- Targets may include:
  - **Increased outreach to women customers**
  - **Improvements in gender-related product performance**
  - **Strengthening gender practices (e.g. policies, data systems)**

Targets are tailored, data-driven, and grounded in each borrower's reality — making them both credible and achievable.

Through its Maestro platform, Lendable analyses borrower-level data (e.g., customer mix, pricing, and repayment trends) to identify gaps and set targets that reflect the borrower's starting point and opportunities.

Incentives are paired with hands-on support and accountability mechanisms to ensure targets translate into real change.

Lendable combines financial incentives with TA to help borrowers build the capabilities needed to deliver on targets, including product design, data systems, and operational improvements. Incentives are embedded in loan agreements, with potential follow-on funding reinforcing accountability.

Incentives can also be adopted on a GP-company level.

BEACON FUND

Beacon Fund is a private debt fund in Vietnam investing USD 500K – 2M in women- and diverse-led SMEs in the "missing middle".

See Investor Playbook for Private Debt

Beacon's portfolio companies can receive interest rate step-downs (e.g. 1% reduction for the remainder of the loan term) if financial and social impact key performance indicators (KPIs) are met and maintained. Example gender KPIs include hiring and retaining female talent, and strengthening inclusive recruitment practices.

CAS Energy is the first company in Beacon's portfolio to unlock the incentive. Beyond improving gender outcomes, the structure reinforced management focus and operational discipline—demonstrating how well-designed incentives can support both impact delivery and business performance.

ARQ SME BDC
SMART CAPITAL PARTNER FOR SMEs

ARQ is an NBFI providing debt financing to "missing middle" SMEs in the Philippines.

See Investor Playbook for Private Debt

ARQ provides targeted financing of up to ~USD 500K through the SheSecure program, which is a key initiative aimed at supporting women-owned and -led businesses. This program applies a **Gender Equality Scorecard (GES)** to measure and encourage improvements in gender diversity within these businesses.

Companies participating in this program can qualify for **interest rate rebates**, potentially reducing their rates (up to 2% per annum) if they meet certain gender diversity milestones, such as exhibiting improvements in female ownership, management representation, and workplace practices.

Roots of Impact

Roots of Impact is an impact investor that pioneered and designs impact-linked finance (ILF) mechanisms.

Dual impact + commercial benefits*

- **80+ point** increase in **Net Promoter Score (NPS)**
- **Improvement** in **lender default rates** after only one reporting period

Roots of Impact uses incentives to **unlock additional impact**, especially where delivering gender outcomes requires extra effort, new capabilities, or upfront investment. Incentive amounts typically start from USD 150K, and are deployed alongside investments upwards of USD 2M.

Roots of Impact uses 3 core instruments:

- Social Impact Incentive (SIINC), where companies receive outcome payments for achieving agreed impact results.
- Impact-Ready Matching Fund (IRMF), which combines TA and incentives to help earlier-stage companies build the impact management systems needed to later absorb more advanced ILF.
- Simple Agreement for Future Impact (SAFI), a revenue-/profit-based structure in which a company receives upfront capital and repays it over time, with the repayment cap reduced if impact targets are met.

* Observed across two fintech portfolio companies following a more intentional focus on women clients.

Where to start:
Applying incentives in practice

Most investors can start using existing levers, without new capital.

Identify the main gender constraint in one pipeline opportunity

Work in the pipeline, not the existing portfolio. It is easier to embed incentives before deals are signed.

Pinpoint the main constraint:

- Low investment in WLBs → Limited capital deployed
- Weak WLB pipeline → Few WLB opportunities sourced
- Low diversity → Fewer women in decision-making roles

Turn the constraint into a KPI

Translate the **key bottleneck** into a measurable metric:

- % or amount of capital deployed to WLBs
- % or # of WLBs in pipeline
- % or # women in investment team or investment committee (IC)

Ensure the KPI is measurable and tracked.
If it's not measured, it won't influence capital allocation.

Key considerations:

- **Start within your sphere of control**
  Incentives can be applied at both LP→GP and GP→company levels.
- **You don't need new capital to begin**
  Existing fund and deal terms can already shift behavior.
- **Go further with additional incentives**
  External capital can unlock deeper impact beyond business-as-usual.

Attach a financial consequence

Use levers you already control:

Allocation

Condition capital on gender performance

e.g. tranche drawdown or re-up contingent on % invested in WLBs or team composition

Rewards

Link carry or team incentives to gender outcomes

e.g. % carry tied to capital deployed to WLBs or returns from WLB investments

Pricings

Offer better terms for stronger gender performance

e.g. derisking component only applicable to deals meeting specific gender criteria

Embed in governance and decision-making

Make sure incentives are not standalone — they must shape **core processes and be driven by internal champions:**

- Integrate into IC and management team discussions and reporting
- Assign clear ownership and accountability
- Use existing governance structures such as the limited partner advisory committee (LPAC), IC, and reporting. Don't create parallel systems.

If it's not part of decision-making, it won't change outcomes.

Start small and scale

Test what works before rolling out broadly:

- Pilot in one pipeline fund, facility or deal
- Track what actually shifts capital (not just reporting)
- Refine and scale across future commitments or portfolio

Start simple — scale what drives real change.

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ENDNOTES

1. IFC, Report: Moving Toward Gender Balance in Private Equity and Venture Capital (2019)
2. IFC, Report: Expanding Opportunities for Women in Emerging Markets through Private Equity and Venture Capital (June 2025)
3. SME Finance Forum, MSME Finance Gap (2025)

OTHER RESOURCES

Grant Thornton: SAFI Model Contract

Impact Term Sheet

Impact Linked Compensation Project

Roots of Impact: Impact Linked Finance Fund for Gender Inclusive Fintech

2X Impact Rewards

Impact Linked Compensation training by Impact Europe

Impact Linked Finance Collaborative

Moving Money into Women-Led Businesses in Southeast Asia maps the trends, challenges, and opportunities shaping growth-stage investment into women-founded businesses in the region. The brief specifically examines the structural dynamics influencing growth-stage financing — a critical but often under-analyzed segment of the funding landscape — and offers a new perspective on investing by highlighting near-term opportunities to address systemic gaps in growth capital as efforts to strengthen the broader financial ecosystem continue.

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