

ISO/IWA 34

ISO/IWA 34 N003

Secretariat: SIS

Definition of a woman-owned business and guidance on its use

WD1

Commented [MG(1)]: The title will be reviewed after the first workshop. If we include several definitions, it may need to be adjusted.

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Recipients of this draft are invited to submit, with their comments, notification of any relevant patent rights of which they are aware and to provide supporting documentation.

Reading instructions for the first draft

This document is a first draft based on the initial input received during informal stakeholder consultations as well as a survey for those registered before September 11th.

The text has sections that are partly overlapping, and the use of terminology has not been completely harmonised yet. All the text included in this draft is intended as a basis for discussion at the first workshop. Some parts of the document (such as the introduction) will be drafted after the first workshop, depending on the outcome, and will therefore not be discussed during the first workshop.

Some comments/explanations for the experts are included in comment bubbles on the right-hand side of the document.

Text within square brackets, [], is text where the feedback during the stakeholder consultations has not been very clear.

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Foreword

ISO (the International Organization for Standardization) is a worldwide federation of national standards bodies (ISO member bodies). The work of preparing International Standards is normally carried out through ISO technical committees. Each member body interested in a subject for which a technical committee has been established has the right to be represented on that committee. International organizations, governmental and non-governmental, in liaison with ISO, also take part in the work. ISO collaborates closely with the International Electrotechnical Commission (IEC) on all matters of electrotechnical standardization.

The procedures used to develop this document and those intended for its further maintenance are described in the ISO/IEC Directives, Part 1. In particular, the different approval criteria needed for the different types of ISO documents should be noted. This document was drafted in accordance with the editorial rules of the ISO/IEC Directives, Part 2 (see www.iso.org/directives).

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For an explanation of the voluntary nature of standards, the meaning of ISO specific terms and expressions related to conformity assessment, as well as information about ISO's adherence to the World Trade Organization (WTO) principles in the Technical Barriers to Trade (TBT), see www.iso.org/iso/foreword.html.

This document was prepared by ISO/IWA 34, *Definition of a woman-owned business and guidance on its use*.

Any feedback or questions on this document should be directed to the secretariat. A complete listing of these bodies can be found at www.iso.org/members.html.

Introduction

Commented [MG(2): To be developed after the first workshop.

Identification of patent holders: the following text shall be included if patent rights have been identified.

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Definition of a woman-owned business and guidance on its use

1 Scope

This document establishes a common definition of a “Women-Owned Business” for use in e.g. women’s economic empowerment programmes (such as procurement and trade programmes) and for the collection of internationally comparable data on women’s entrepreneurship (including the impact on local and national economies). This document also provides guidance to business, governments and international initiatives on how the definition can be used.

This document does not provide recommendations on how to operationalise programmes based on this definition, for example on public procurement. This document does not address issues such as how to promote compliance and certification.

2 Normative references

There are no normative references in this document.

3 Terms and definitions

For the purposes of this document, the following terms and definitions apply.

ISO and IEC maintain terminological databases for use in standardization at the following addresses:

- ISO Online browsing platform: available at <https://www.iso.org/obp>
- IEC Electropedia: available at <http://www.electropedia.org/>

3.1

[majority] women-owned business

business that is at least 51% owned by one or more women, whose management and day-to-day operations are controlled by one or more women, and that is operated independently from other non-certified businesses, [and where a woman must also be a signatory of the company’s legal accounts]

NOTE 1 to entry: Pass-through companies, franchises or sales representatives are not included by this term.

[NOTE 2 to entry: additional criteria for family businesses? TBD]

3.2

women-led business

business that is at least 30% owned by one or more women, whose management and day-to-day operations are controlled by one or more women, and [woman CEO has technical expertise; or has at least 30% of the board of directors comprised of women, where a board exists; or XXX] and that is operated independently from other non-certified businesses [and where a woman must also be a signatory of the company’s legal accounts]

NOTE 1 to entry: Pass-through companies, [franchises] or sales representatives are not included by this term.

Commented [MG(3): The text of the scope is from the initial proposal by ITC and SIS. This will need to be updated after the first workshop depending on the outcome of the discussions.

Commented [MG(4): If there is a decision to include several terms and definitions, the scope should be updated accordingly.

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3.3
[women-founded] business
TBD – definition needed

3.4
women-led cooperatives
TBD

NOTE 1 to entry: This definition does not include non-profit organizations.

3.5
informal woman entrepreneur
independent worker who owns the economic unit for which they work and control its activities

NOTE1 to entry: They make the important strategic and operational decisions about the economic unit for which their work is performed and the organization of their work, are not accountable to or supervised by other persons, nor are they dependent on a single other economic unit or person for access to the market, raw materials or capital items.

NOTE2 to entry: They may work on their own account or in partnership with other independent workers and may or may not provide work for others.

NOTE 3 to entry: This definition does not include non-profit organizations.

3.6
management
ability to control basic business functions and day to day activities, including, but not limited to, the ability to sign payroll checks and letters of credit, signature responsibility of insurance and/or bonds, authority to negotiate contracts and financial services

3.7
operational authority
ability to operate the day-to-day activities of the business

3.8
control
power to direct the management of the business as evidenced through the governance documents and actual day-to-day operation, and to direct or cause the direction of management or policies and the ability to make decisions on strategy and the direction of the business without any provisions which restrict the ability of the woman owner(s) from exercising this power

Alternative

3.8
control
primary power to direct the management of a business as evidenced through the governance documents and actual day-to-day operation

3.9

managerial control

demonstrated ability to make independent and unilateral business decisions necessary to guide the future and destiny of the business

3.10

independence

ability to perform in the business' area of specialty/expertise without substantial reliance upon finances and resources (e.g., equipment, automobiles, facilities) of males or nonwoman business

3.11

business

undertaking carried out for profit in the course of which products are acquired or supplied whether at a price or otherwise

ISO 22059:2020(en), 3.1

3.12

organization

person or group of people that has its own functions with responsibilities, authorities and relationships to achieve its objectives

NOTE 1 to entry: The concept of organization includes, but is not limited to, sole-trader, company, corporation, firm, business, authority, partnership, association, charity or institution, or part or combination thereof, whether incorporated or not, public or private.

3.13

sole proprietorship

individually owned business whose assets are wholly owned by a single individual

3.14

subsidiary

entity in which another entity (i.e. the parent) owns at least a majority of the shares, and thus has control

3.15

partnership (general)

ongoing, formalized cooperation between a business and one or more other organizations, including other businesses, usually concerning particular services or activities

Note 1 to entry: A partnership will usually have a contractual basis. Partners can make different contributions, e.g. expertise, funding, training, materials in kind, premises, etc.

Note 2 to entry: Cooperation between two or more businesses within a single administrative unit is excluded.

Note 3 to entry: Time-limited cooperation on a specified project is excluded and counted as a cooperative project (see 2.5.2).

Note 4 to entry: A one-way relationship, whether paid or unpaid, where one partner is only supplying, the other only receiving services, is excluded.

[SOURCE: ISO 2789:2013, 2.5.5]

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ISO 11620:2014(en), 2.37

3.16
partnership (limited)
definition needed

3.17
limited liability company
definition needed

3.18
informal sector business
private unincorporated businesses (excluding quasi-corporations), i.e. businesses owned by individuals or households that are not constituted as separate legal entities independently of their owners, and for which no complete accounts are available that would permit a financial separation of the production activities of the business from the other activities of its owner(s)

NOTE1 to entry: Private unincorporated businesses include unincorporated businesses owned and operated by individual household members or by several members of the same household, as well as unincorporated partnerships and co-operatives formed by members of different households, if they lack complete sets of accounts. NOTE2 to entry: All or at least some of the goods or services produced are meant for sale or barter, with the possible inclusion in the informal sector of households which produce domestic or personal services in employing paid domestic employees.

NOTE3 to entry: Their size in terms of employment is below a certain threshold to be determined according to national circumstances, and/or they are not registered under specific forms of national legislation (such as factories' or commercial acts, tax or social security laws, professional groups' regulatory acts, or similar acts, laws or regulations established by national legislative bodies as distinct from local regulations for issuing trade licenses or business permits), and/or their employees (if any) are not registered.

4 Scope of the definitions

4.1 General

Definitions shall apply without regard to:

- marital status and community property laws;
- regional or country context;
- education level;
- age;
- sector; and/or
- participation in trade.

4.2 Informal businesses

Informal businesses can be divided into four categories:

- Businesses without licences
- Businesses without addresses
- Businesses without a bank account
- Businesses without documents

Some informal businesses can belong to more than one of the categories listed above.

5 Criteria for determination

5.1 General

Commented [MG(5)]: introductory text for this clause will be developed after the first workshop.

5.2 Ownership

5.2.1 Determination of ownership

Ownership shall be determined based on title to, and beneficial ownership of, stock, membership interests, or other equity in a business.

More specifically:

- the ownership of the business by the woman owner(s) shall be real, substantial and beyond pro-forma ownership as reflected in its ownership documents;
- the woman owner(s) shall share in all risk and profits commensurate with her(their) ownership interest;
- the woman owner(s) shall not be minors and the securities/funds that constitute the majority ownership shall not be held in trust that she/they do not control; and
- the woman owner(s) shall demonstrate they have contributed capital and/or expertise.

(Alternatives/additionally)

- The ownership by women shall be real, substantial and continuing beyond the pro-forma ownership of the business as reflected in its ownership documents.

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- The applicant shall share in all risk and profits commensurate with her ownership interest as demonstrated by a detailed examination of the substance of her business arrangements with others.
- All securities that constitute majority ownership of a business shall be held directly by the woman or women, who are not minors, or held in a trust that is one of the types of trusts
- Contribution of Capital or Expertise:

- Contribution of capital and/or expertise by women owners to acquire their ownership interest shall be real and substantial and be in proportion to the interest(s) acquired.
- Insufficient contributions shall include, but shall not be limited to promises to contribute capital or expertise in the future, a note payable to the business or its owners who are not women, or the mere participation as an employee.

5.2.2 Ownership percentage needed to be considered a woman-/women-owned business

Ownership by a woman or women shall be determined as follows based on the business type:

- Sole Proprietor: The woman shall own 100% of the company assets.
- Corporation: The woman owner(s) shall own at least 51% of each class of voting stock and 51% of the aggregate of all outstanding stock.
 - [ii. Any voting agreements among the shareholders must not dilute the beneficial ownership, the rights, or the influence of the women owners of the stock or classes of stock of the corporation.]
 - [iii. Women owners shall possess the right to all customary incidents of ownership (e.g., ability to transfer stock, title possession, enter binding agreements, etc.).]
- Partnership (General): The woman owner(s) shall own at least 51% of the partnership interests.
- Partnership (Limited): The woman owner(s) shall own at least 51% of the general partnership interest and at least 51% control among the general partners.
 - In addition, the women limited partners shall own at least fifty-one percent (51%) of the limited partnership interests and receive at least fifty-one percent (51%) of the profits and benefits, including tax credits, deductions and postponements distributed or allocable to the limited partners.
- Limited Liability Companies: The woman owner(s) shall own at least 51% of membership interests and at least 51% of the management and control among the members. The woman owner(s) shall also participate in all risks and profits of the business at a rate commensurate with their membership interests.

— [need to add Trusts?]

- [i. In order to be counted as owned by women, ownership held in a trust must meet the following requirements, as applicable:
- Irrevocable trusts. If the trust is an irrevocable trust, ownership held for the benefit of a woman who is not a minor and who is a beneficiary with a present interest in the trust may be counted as owned by women.
- Revocable trusts. If the trust is a revocable trust, all the grantors must be women, and ownership held for the benefit of a woman who is not a minor and who is a beneficiary with a present interest in the trust may be counted as owned by women.
- ESOPs. Ownership by women who are participants in an employee stock ownership plan qualified under 12 Section 401 of the Internal Revenue Code, 1986, as amended, may be counted as owned by women.
- Trustees. In all cases, all the trustees must be women, provided that a Financial Institution (as defined in the Section VII. Definitions) may act as trustee. (Male cotrustees are not acceptable.)

- Determination of present interest in the trust. A beneficiary has a present interest in a trust if he or she is currently eligible to receive distributions of income or principal from the trust. If more than one beneficiary has a present interest in the trust, each beneficiary shall be deemed to have an equal interest unless the instrument that creates the trust provides otherwise.
- Other requirements. Businesses whose ownership, in whole or part, is held in a trust are not thereby exempt from the other requirements of this Section VIII.]

5.2.3 Ownership percentage needed to be considered a woman-/women-led business

Ownership by a woman or women shall be determined as follows based on the business type:

- Sole Proprietor: The woman shall own 100% of the company assets.
- Corporation: The woman owner(s) shall own at least [30] % of each class of voting stock and [30] % of the aggregate of all outstanding stock.
 - [ii. Any voting agreements among the shareholders must not dilute the beneficial ownership, the rights, or the influence of the women owners of the stock or classes of stock of the corporation.]
 - [iii. Women owners shall possess the right to all customary incidents of ownership (e.g., ability to transfer stock, title possession, enter binding agreements, etc.).]
- Partnership (General): The woman owner(s) shall own at least [30] % of the partnership interests.
- Partnership (Limited): The woman owner(s) shall own at least [30] % of the general partnership interest and at least [30%] control among the general partners.
 - In addition, the women limited partners shall own at least [thirty percent (30%)] of the limited partnership interests and receive at least [thirty percent (30%)] of the profits and benefits, including tax credits, deductions and postponements distributed or allocable to the limited partners.
- Limited Liability Companies: The woman owner(s) shall own at least [30%] of membership interests and at least [30%] of the management and control among the members. The woman owner(s) shall also participate in all risks and profits of the business at a rate commensurate with their membership interests.

5.3 Management

5.3.1 Criteria

The following criteria shall be applied when proving management by one or more women:

- the woman owner(s) shall have the power to direct or cause the direction of the management and policies of the business and to make the day-to-day, as well as major, decisions on matters related to policy and operations;
- the woman owner(s) shall have the ability to hire and fire managers who are charged with running the business;
- the woman owner(s) shall hold the highest defined officer position in the company; and
- the woman owner(s) shall have operational authority and managerial control and oversight.

5.3.2 Operational authority

Operational authority shall be evidenced by the woman owner(s) having:

- experience in the activities of the business;
- responsibility for decision making;
- technical competence in the activities of the business;

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- sufficient knowledge of the business to manage and evaluate the work of subordinates; and
- managerial control whereby the woman owner(s) make independent and unilateral business decisions necessary to guide the business.

5.4 Control

The following factors shall be used in determining who controls a business:

- Governance
 - The organizational and governing documents shall not contain any provision, which restricts the ability of the woman/women business owner(s) from exercising Managerial Control and Operational Authority of the business.
 - In reviewing governance documents and issues, special attention shall be given to:
 - The composition of the business's governing body (e.g., board of directors or management committee);
 - The functioning of the governing body;
 - The content of shareholder's agreements, bylaws, operating agreements, partnership agreements or state incorporation statutes, and the extent to which such agreements, bylaw(s), or statutes affect the ability of the woman/women owner(s) to direct the management and policy of the business;
 - A woman business owner or another such woman must hold the highest defined officer position in the company (i.e. President, Chief Executive Officer, Managing Member or Managing Partner, in each case by whatever title).
- Operation and management
 - The woman or women owner(s) shall possess the power to direct or cause the direction of the management and policies of the business and to make the day-to-day as well as major decisions on matters of management, policy and operations. The business shall not be subject to any formal or informal restrictions that limit the customary discretion of the woman or women owner(s).
 - A previous and/or continuing employer-employee relationship between or among present owners shall be demonstrated to ensure that the female employee-owner has management responsibilities and capabilities.
 - In the event that the actual management of the business is contracted or carried out by individuals other than the woman or women owner(s), those persons who have the ultimate power and expertise to hire and fire the managers can, for this purpose, be considered as controlling the business.
 - The woman owner or another such woman shall hold the highest defined officer position in the company (i.e. Chief Executive Officer, President, Managing Member or Managing Partner, in each case by whatever title).

The woman or women owner(s) shall have operational authority and managerial control of the business. In evaluating this evidence, the following factors shall be considered:

- Operational Authority. Assessments of operational control shall rest upon the peculiarities of the industry of which the business is a part. In order to ascertain the level of operational control of the woman or women owner(s), the following shall be considered:
 - Experience: The woman or women owner(s) shall have education, demonstrable working knowledge and/or experience in the area of specialty or industry claimed in the certification application.
 - Responsibility for Decision-Making: The woman or women owner(s) shall be able to demonstrate her role in making basic decisions pertaining to the daily operation of the business.

Commented [MG(6): the text from here to the end of this clause is partly overlapping, both with the text on control above and with the text on operational control etc above. This will need to be merged into one version after the discussions at the first workshop.

- Technical Competence: The woman or women owner(s) shall have technical competence in the industry or specialty of the applicant business and/or a working knowledge of the technical requirements of the business sufficient enough to critically evaluate the work of subordinates.
- Managerial Control. Managerial control shall be demonstrated in a number of ways. For a woman or women owner(s) to demonstrate managerial control, the following (not intended to be all inclusive) areas of routine business activity shall be considered:
 - The woman or women owner(s) shall produce documents that clearly indicate her control of basic business functions, e.g., authority to sign payroll checks and letters of credit, signature responsibility for insurance and/or bonds, authority to negotiate contracts and financial services.
 - Agreements for support services that do not impair the woman or women owner(s)'s control of the company shall be permitted as long as the owner's power to manage the company is not restricted or impaired as determined by the RPO in its sole administrative discretion.

5.5 Governance

The organizational and governing documents (or other documents assessed as having equivalency) of the organization shall not contain any provision that restricts the ability of the woman owner(s) from exercising managerial control and operational authority of the business. Special attention shall be given to:

- the composition and functioning of the governing body of the business;
- the content of internal governing documents respecting the woman owner(s) ability to direct the management and policies of the business; and
- the woman owner(s) holding the highest defined officer position in the company.

5.6 Independence

The following factors shall be demonstrated to determine independence:

- the woman owner(s) expertise and skills shall be indispensable to the running of the business;
- the woman owner(s) shall be able to operate the business without substantial reliance on outside resources; and
- the woman owner(s) shall control or cause to be controlled all major business decisions affecting the business.

(Alternatives/additionally)

Performance

The woman or women owner(s)'s expertise shall be indispensable to the business's potential success. The woman or women owner(s) shall have the ability to perform in its area of specialty/expertise without substantial reliance upon finances and resources (e.g., equipment, automobiles, facilities, etc.) of males or non-woman businesses.

Recognition of the women as a separate and distinct entity by governmental taxing authorities shall not be a sole determinant of any organization's assertions of independence. Criteria shall include, but shall not be limited to the following:

- Business's relationship with a non-female business that involves any long-term contract or lease agreements.

Commented [MG(7)]: the text from here to the end of this clause is partly overlapping with the text above, this will need to be merged into one version after the discussions at the first workshop.

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- Business's status as a party to any contract or lease agreement on terms at variance with industry standards or prudent business practices.
- Interlocking ownership of the business and non-woman business in the same industry.
- Common directors, officers, or members between the business and non-woman businesses.
- Business's use of employees, equipment, expertise, facilities, etc., "shared" with or obtained from a non-woman owned business.
- The receipt by the non-women of financial benefits (i.e. profits, wages, etc.) shall be commensurate with the duties performed.
- A business's business that cannot operate without licenses, permits and/or insurance held by another business shall not be considered as independent. The business shall possess all legal requirements necessary to legally conduct business.

5.7 Dilution by investment

Rationale:

High-growth and scalable startups need continuous rounds of external investment to finance their growth. This means that their get diluted with the entrance of business angels, venture capital funds or any other type of equity investors. The more the company grows towards Series B, C and beyond the less equity is held by the founding team. For this, the majority criteria (+50%) does not apply in the high-growth entrepreneurship context. Nobody would doubt that companies such as these in the article (<https://medium.com/@sammyabdullah/tech-founder-ownership-levels-cd01700185eb>) are male-led and the founder has in some cases a just a limited minority stake.

A typical dilution for a Series A (just after initial seed capital, amounts from a 2 to 15 of million, very much depending on the country). In a team with 1-2 women founders of a team of 3 co-founders, women might own just between 20%-40% of the shares. Dilution is higher in further rounds.

Criteria used:

A startup is led by women if:

- Women own the majority of equity of shares, or equal, once non-founding shareholders are excluded (i.e. it applies as the above calculation)

And:

- The CEO is a women founder (regardless of the equity share)
- The CEO is a woman (even without equity)
- The majority of C-level positions are held by women, being the CTO or CFO one of those

Annex A
(informative)

Examples

Bibliography

- [1] ISO #####-#, *General title — Part #: Title of part*
- [2] ISO #####-##:20##, *General title — Part ##: Title of part*

