Applying a gender lens to climate investing

An action framework

January 2023

Women in Finance Climate Action Group
Oliver Wyman Forum
2X Global
30% Club GROWTH THROUGH DIVERSITY

A note on this framework's limitations:

We recognise the limitations of this framework with its binary assumption of gender that is not inclusive of all identities. Due to the lack of available data, this framework does not address intersectionality, e.g. race or ethnicity, or the differences in impacts and solutions for women in emerging markets and developing countries, compared to women in advanced economies. We recommend these as areas for further development in future. We appreciate your understanding of the limitations, and we hope this framework will drive greater awareness of the importance of gender considerations in climate investments and help push for more inclusive data collection in the future.

Foreword

We have all heard many times that climate change is the greatest existential threat of our time, and that leveraging private capital is critical to solutions and an overall transition. Progress has been made, with investors framing climate as a central priority in their strategies, resulting in a proliferation of toolkits incorporating new metrics and processes. Investors are also driving change for gender equity as a key investment challenge, though in the private sector this is measured largely via corporate leadership measures. Moreover, these measures are completely disparate from climate metrics and processes.

Integrating a gender lens into climate investments is important to value women as key stakeholders in solutions, to ensure not only a **better** path, a more 'Just Transition', but also a **shorter** one, unleashing the potential of women as changemakers, in finance and in who and what is being financed.

The Women in Finance Climate Action Group (WIFCAG) was set up to bring together women leaders and changemakers across business, public sector, and civil society with the goal of creating practical and actionable guidance for investors to measure and deliver the impact and opportunities for women in climate investments.

WIFCAG created this framework in collaboration with 2X Global, Aviva, and the Oliver Wyman Forum. We sought to bring together and build on the pockets of great work that existed. We conducted 20 interviews with leading industry organisations across different geographies, including private equity investors, public market investors, development banks, and non-profits.

In 2023, this framework is planned to be piloted by a group of investors to further refine its applicability across all asset classes.

We feel passionately about climate action and the importance of gender equity within this. We look forward to continuing to work with all of you to drive a just and effective transition.

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Contents


01
02
03
THE SIX STEPS OF GREEN TECH
04
05
06

Executive summary

Women are disproportionately impacted by the negative effects of climate change, yet they have the capacity to act as critical changemakers in addressing the climate emergency. A true Just Transition needs to account for the inequitable impact of climate change and climate investing on women to ensure the benefits of transitioning to a green economy are shared broadly. Women make up 80% of people displaced by climate change,[1] and are 14 times more likely to die or be injured in a natural disaster than men.[2] While they are often the victims of climate change, they are also critical stakeholders in designing and implementing solutions. Studies have found that increased representation of women in parliament correlates with reduced CO_2 emissions through more stringent climate change policies.[3]

Financial institutions (FIs) need to value women as key changemakers in climate investments to drive greater impact in inclusion, climate targets, and business outcomes. Studies have shown that a 1% increase in the share of women managers within a firm leads to a 0.5% decrease in CO2 emissions.[4] There is also a compelling business case for doing so, with research showing that higher representation of women at all levels of the organisation is correlated with higher average returns, with a return on equity which is 2% higher than companies with low gender diversity.[5] Not considering gender can also increase risk on many different levels (e.g. operational, reputational, talent, etc.) for both investors and their investments.

The Women in Finance Climate Action Group (WIFCAG) is a collective of women leaders who have come together to consider what can be done to improve gender equality in climate investments, and in particular, how FIs can better assess, measure and report on the gender-responsiveness of their climate-related investments, products, and services. This issue is relevant to all FIs engaging in climate financing, but different types of FIs will have different risks, opportunities and levers for change. Therefore, as a first step, this framework focuses on asset managers, as key stakeholders in directing capital. However, many aspects of this framework can be applicable to other types of FIs, particularly around the key organisational changes recommended in Section 3 and the suggested metrics in Section 4.

This framework was developed with a thorough review of existing gender specific and climate specific frameworks and data sources, particularly 2X Criteria, to provide a simple and practical tool for investors. It considers women in all capacities as framed by 2X – as business owners, leaders, employees, consumers, and beneficiaries of financial intermediaries – to compile a list of key metrics for investors to integrate into their organisation and investment processes. The framework has been developed with input from a wide range of interviewees across asset managers, venture capital and private equity firms, and development finance institutions as well as gender lens and sustainable finance. It is designed to be additive and work in conjunction with existing climate frameworks, particularly for reporting purposes.[6]

Exhibit 1: The framework is comprised of three areas of guidance

Define target outcomes

Define target outcomes to prioritise when integrating women in climate investments and activities. The four recommended outcomes for organisations to adopt are: ensure climate investments contribute to addressing gender-related issues or promoting gender equity; mitigate the disproportionate impact of climate change on women; mitigate the risks of not considering gender in climate investments; and value women as changemakers in climate investments.

Align organisation and investment processes with target outcomes

Align organisation and investment processes with target outcomes to focus the governance, organisation, and policies to promote gender equity; include gender-lens targets when setting portfolio climate targets and monitor progress against these; assess the impact of each climate investment on women when sourcing, analysing and deciding on investments; engage with each climate investment portfolio company on agreed gender stewardship priorities and monitor progress.

Integrate metrics into organisation and investment processes

Integrate metrics into organisation and investment processes to set targets (e.g. within an investment portfolio) or monitor progress (internally or with investee companies). Proposed metrics span a range of themes aligned to the target outcomes. Data collected for these metrics can be integrated into existing climate reporting and disclosure frameworks to articulate how investors have integrated a gender lens into their climate investing strategies.

Exhibit 2: Summary of metrics

1

Ensure climate investments contribute to addressing gender issues or promoting gender equity

- Percentage of women in the workforce
- Percentage of new hires that are women
- Policies in place to support women in the workforce (e.g. parental leave, succession planning and promotion, etc.)
- Average tenure of women employees compared to men employees
- Percentage of women leaving the company
- Percentage of job promotions that go to women
- Value of gender pay gap
- Percentage of suppliers / distributors that are women
- Policies in place to prevent gender discrimination and support fair treatment of workers in supply chain, including GBVH and modern slavery
- Percentage of beneficiaries / consumers who are women
- Percentage of women on R & D / design teams
- Number of products / services designed for women (as well as men) as beneficiaries / consumers

2

Mitigate the disproportionate impact of climate change on women

- Commitment in place to mitigate the negative physical risks of climate change for women
- Number of women beneficiaries / consumers of climate mitigation / adaptation products and services (compared to men)
- Percentage of capital expenditure committed to gender-smart climate adaptation and / or mitigation financing
- Percentage of extreme weather and climate change recovery funding accessed by women
- Specific climate physical risk considerations (e.g. access to resources, displacement, public transportation, agriculture, etc.) (disaggregated by gender)

3

Mitigate the risks of not considering gender in climate investments

- Commitment in place to mitigate the negative impacts of climate investments not accounting for women
- Number of job losses / income loss for women avoided (compared to men)
- Number of new jobs created for women (compared to men)
- Percentage of women in technical roles (compared to men)
- Number of women trained / upskilled (compared to men)

4

Value women as changemakers in climate investments

- Percentage of women ownership
- Percentage of women founders
- Percentage of women in senior management positions
- Percentage of women on the board
- Percentage of investment committee members who are women
- Percentage of investment team(s) who are women

Section 1

The case for applying a gender lens to climate investments

The climate emergency is worsening, with women set to be disproportionately impacted. The IPCC has warned that emissions must peak by 2025 and halve by 2030 if the world is to keep to the 1.5°C target, yet emissions were at their highest ever in 2021 and the past eight years have been the warmest years on record.[7] There is also fear that the final agreement from COP27 has barely kept 1.5°C alive, given no commitments to phase-out fossil fuels.[8] Loss and damage from climate change could cost developing countries $290-580 billion in 2030 and reach $1-1.7 trillion in 2050.[9] There is a host of evidence displaying the disproportionate impact of climate change on women, with women making up 80% of people displaced by climate change.[10] Agriculture is a key source of employment for women in low- and lower-middle income countries. During extreme weather events, women who work in agriculture have to work harder to secure resources for their families, with girls often having to leave school to support their mothers.[11]

Climate investments are on the rise – both to mitigate emissions and adapt to a changing climate – but the impact these investments have on gender equality is not being systematically considered. An additional $6 – 10 trillion is needed in the next decade to mitigate climate change, with 70% from private sources.[12] Investment in clean energy supply will need to triple by 2030 to reach net zero emissions by 2050.[13] The good news is that 2021 represented the highest year ever for investment in renewable energy. [14] If investors fail to consider the impact that their climate investments have on women, they may undermine the efficacy of their investments to reach climate targets.

Increasingly involving women as key stakeholders in climate investing would help investors to deliver their climate targets. Hitting net zero targets, and ensuring a Just Transition, requires involving half the world's population as key stakeholders in climate investments – as consumers, suppliers, employees, leaders, and investors. Therefore, gender and equity must be a core consideration in transition planning. This framework aligns with the 'Socio-economic Distribution and Equity' element of the Just Transition framework and can be used in addition to the proposed Just Transition criteria for this element. There is growing evidence that integrating a gender lens approach can lead to better climate outcomes. For example, studies have shown that a 1% increase in the share of women managers within a firm leads to a 0.5% decrease in CO_2 emissions.[15] Research also indicates that women are twice as likely to highlight the importance of investee companies integrating ESG factors into their policies and decisions.[16]

80%

of the people displaced by climate change are women[10]

Integrating a gender lens can create value for investors. There is a growing business case for increasing the representation of women in the top management of an organisation. Including women in senior management reduces risk; an analysis of S&P 500 companies found that above median representation resulted in 30% lower earnings risk relative to lower ranked peers.[17] Studies also show that higher representation of women at all levels of the organisation is correlated with higher average returns, with a return on equity which is 2% higher than companies with low gender diversity.[18] Furthermore, investors need to integrate gender targets to increase inclusivity in their organisations and investments in order to mitigate additional risks from an organisational, operational, and reputational level, as well as from a talent and innovation perspective.

This framework aims to help investors apply a gender lens to their climate investments and activities. Investors need to act now to deliver a Just Transition and doing so requires moving on from general commitments and defining clear action plans and targets which integrate a gender lens. As noted in the WIFCAG discussion paper published earlier this year, financial institutions do not currently have the tools, infrastructure or incentives in place to support more gender-equitable climate finance. The discussion paper also notes that there is a limited amount of guidance and frameworks specifically geared towards investors to help them understand how their climate mitigation or adaptation financing impacts women. Similarly, frameworks guiding investors on how to consider gender within their investments rarely accounts for climate impacts at the same time. This framework was developed through a comprehensive review of existing gender and climate frameworks and resources. Gender frameworks included the Bloomberg Gender-Equality Index, the Women Empowerment Principles (WEPs), the Gender Equality Mainstreaming (GEM) Framework, and 'A Fund Manager's Guide to Gender-Smart Investing' by IFC and CDC. Climate frameworks reviewed included GFANZ, TCFD, the CDSB Framework, Climate Action 100+, and the Just Transition criteria from the Impact Investing Institute. 2X Collaborative's 2X Green toolkit was utilised as a key input into this action framework as one of the only existing gender-smart climate finance frameworks. The framework has been developed with input from a wide range of interviewees across asset managers, venture capital and private equity firms, and development finance institutions as well as gender lens and sustainable finance experts. It aims to build on the foundation of existing gender and climate frameworks to specifically provide investors with guidance on how to promote positive outcomes for women through their climate investments. This framework aims to offer guidance to a wide range of investors, who may be at different stages in their integration of gender and climate targets. The application of this framework cannot be standardised across all investors, and instead should be adapted based on each investor's interpretation of the right outcomes, key changes and metrics to apply to their organisation and investments.

30%

lower earnings risk for S&P 500 companies with above average representation of women[17]

Definition of key terms

Gender lens Investing
Investment strategy which integrates gender considerations into the investment analysis and decision-making

Climate Investment
Any type of investment targeted at addressing climate change

Adaptation Investment
Any type of investment used to support adjusting to the current and future impacts of climate change

Mitigation Investment
Any type of investment to support reducing or preventing greenhouse gas emissions

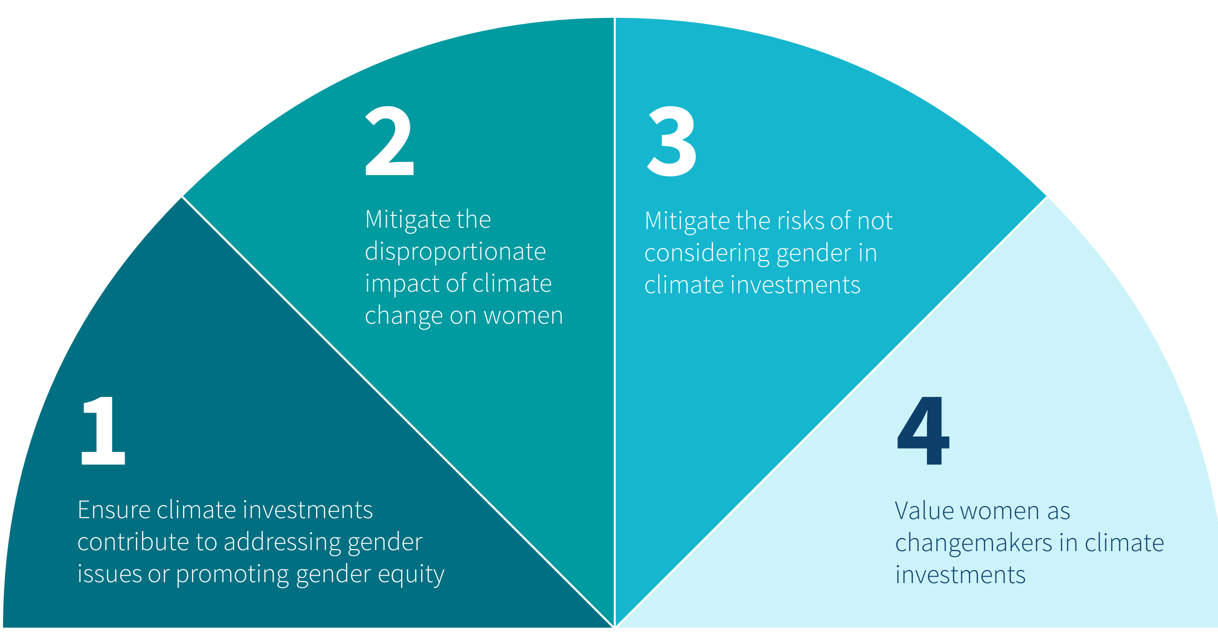
Section 2

Target outcomes when applying a gender lens to climate investments

By targeting four outcomes, summarised in Exhibit 3, investors can ensure that women are being holistically considered within climate investments, both in terms of how women experience the negative impacts of climate change and how they are valued in climate solutions. Investors should determine which outcomes they want to focus on and adopt the guidance in this framework accordingly.

Investors should evaluate the relevance of each outcome to their asset classes and investing priorities to determine which outcomes most closely align with their activities. For example, investors in adaptation financing, may want to adopt outcome 1, which is aimed at increasing the representation of women across organisations. They will also likely want to address outcome 2, as their investments aim to adapt to the impacts of climate change, and could be more impactful if they specifically account for women. The chosen outcomes then inform how the investor implements the key changes to their organisation, portfolios and individual investments, and which metrics are chosen by the investor to measure and track the changes.

Exhibit 3: We have identified four target outcomes for gender and climate that investors could adopt when applying a gender lens to their climate investments



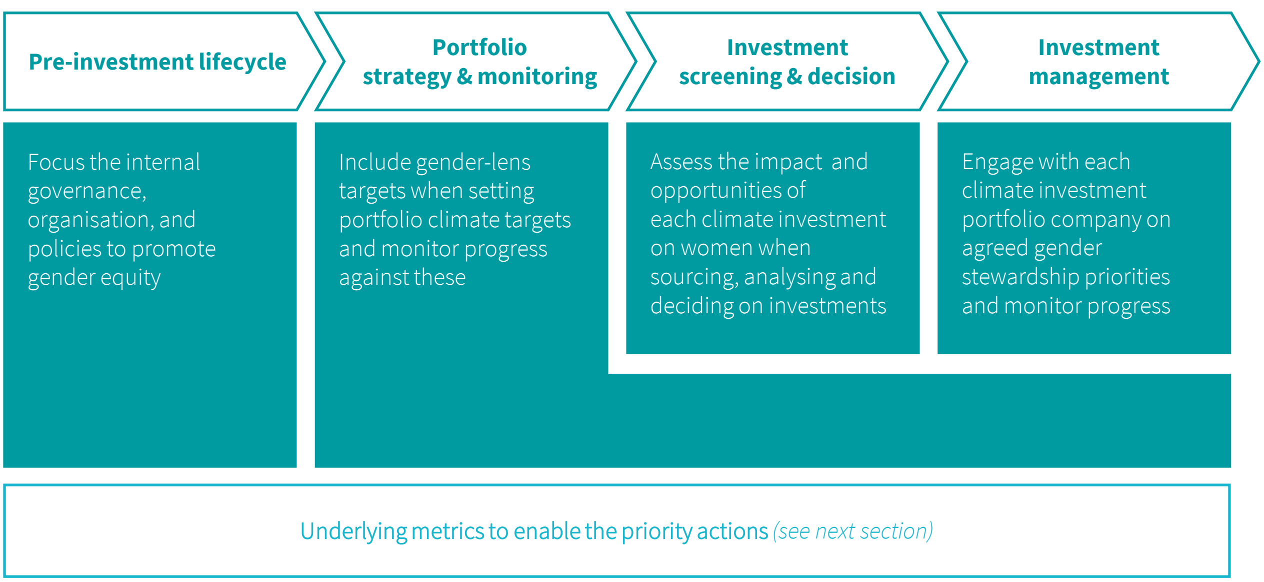
Section 3

Key changes to organisation and investment processes

With each of the chosen outcomes that an investor is aiming to promote, there are four key changes to the organisation and investment processes they can adopt to deliver it. These changes represent practical interventions an organisation can take to apply a gender lens to their climate investments. The key changes are measured and tracked using metrics that directly map to the chosen outcomes.

Focus the internal governance, organisation, and policies to promote gender equity.
Investors should start by ensuring that their own governance (e.g. investment committees) and teams (e.g. investment analysts) are diverse and representative to ensure that, throughout the lifecycle, there is a greater likelihood of all perspectives to be taken into account. Investors should therefore set internal targets to achieve an adequate representation and empowerment of women across all levels of the investment committees and teams and ensure the right policies are in place to support this (e.g. parental leave, succession planning and promotion, anti-discrimination). These targets should be quantified and measured over time to monitor progress and drive internal accountability. While improving the representation of women in the investment committee is important, the members must also have specific gender skills in order to promote gender outcomes in investments decisions.

Exhibit 4: Key changes for investors to implement in organisation and investment processes



Include gender-lens targets when setting portfolio climate targets and monitor progress against these. Investors should include gender-lens targets when setting portfolio-wide climate targets according to the outcomes that have been selected in Section 2 (e.g. representation of women in leadership of climate portfolio companies, number of good new jobs supported by investments that are performed by women). These should be informed by the target outcomes that are decided upon by the organisation and lead to specific metrics that can be quantified and measured over time to monitor progress and drive accountability.

Assess the impact and opportunities of each climate investment on women when sourcing, analysing and deciding on investments. Investors should incorporate a gender lens when sourcing and analysing climate investments and making investment decisions. This can be done by structurally embedding gender considerations into the assessment process, including having a diverse investment team to network, source and screen deals and develop a diverse pipeline of investment opportunities. Selected investment opportunities would then be internally analysed and assessed, as part of the due diligence, to identify the impact and opportunities this investment would have on women against a number of targets and metrics that map directly to the target outcomes selected in Section 2 (e.g. representation in workforce, representation in leadership, equity within the supply chain, gender-equitable policies and practices). Finally, the investment committee would specifically discuss the impacts and opportunities for women and implications for business and climate objectives when making investment decisions.

Engage with each climate investment portfolio company on agreed gender stewardship priorities and monitor progress based on selected outcomes. Investors can play a key role in influencing the actions of their investment companies when it comes to gender and climate. The degree of influence will vary across types of investors (e.g. significant influence for private equity focused on primary investments vs. limited influence for investors focused on public equities via secondary investments). In order to influence the actions of these investments, investors can agree on specific gender-related stewardship priorities with the company which they can influence and track over time to help drive positive outcomes on gender and climate. Investors can also consider applying financial incentives for portfolio companies as they progress towards the gender-related priorities.

These changes represent practical interventions an organisation can take to apply a gender lens to their climate investments

Exhibit 5: Summary of key steps for the changes to organisation and investment processes

Focus the internal organisation, governance and policies to promote gender equity	☐ Review current representation of women across internal investment teams (including analyst teams and investment committees) ☐ Agree on specific, time-bound targets to improve the representation of women across internal investment teams ☐ Review current internal policies and identify opportunities to update policies to improve gender equity
Include gender-lens targets when setting portfolio climate targets and monitor progress against these	☐ Set specific gender-lens targets as part of portfolio climate targets ☐ Agree on specific metrics that can be quantified and measured over time to monitor progress on the targets ☐ Determine reporting process to monitor progress at the portfolio level and drive accountability
Assess the impact and opportunities of each climate investment on women when sourcing, analysing and deciding on investments	☐ Develop diverse pipeline of investment opportunities ☐ Develop a gender-specific pre-investment assessment framework to identify the impact and opportunities that the investment would have on women ☐ Embed the gender-specific assessment into the investment process for each potential investment ☐ Report findings to the investment committee to inform investment decision-making
Engage with each climate investment portfolio company on pre-defined gender stewardship priorities and monitor progress	☐ Agree on specific gender-related priorities with specific timelines for all portfolio companies ☐ Support portfolio companies in the development of action plans that deliver on the agreed gender-related priorities ☐ Agree on metrics to measure and track progress by the portfolio company on the agreed gender-related priorities

Section 4

Assessing progress against key changes: Metrics for consideration

To successfully deliver on the changes described in Section 3, investors need to set targets and monitor progress against key gender metrics. The metrics inform how investors action the key changes, and determine how data is collected, analysed, and used as part of decision-making processes for the organisation, portfolio, and investment. There are a range of metrics that can be adopted for climate investments, and these can be organised across several themes, as shown in Exhibit 6.

Relevance and applicability of metrics will vary depending on the type of investment and its geography, or the intervention the institution is measuring (e.g. internal procedure vs investee engagement). Data availability is also a critical consideration for metrics, as it may not be possible to baseline and measure on-going progress for certain metrics in different markets (see Section 5.3 for more detail). By adopting gender metrics, investors can convey the significance of these data points to inform investment decisions to internal and external stakeholders, even if the data is not yet available.

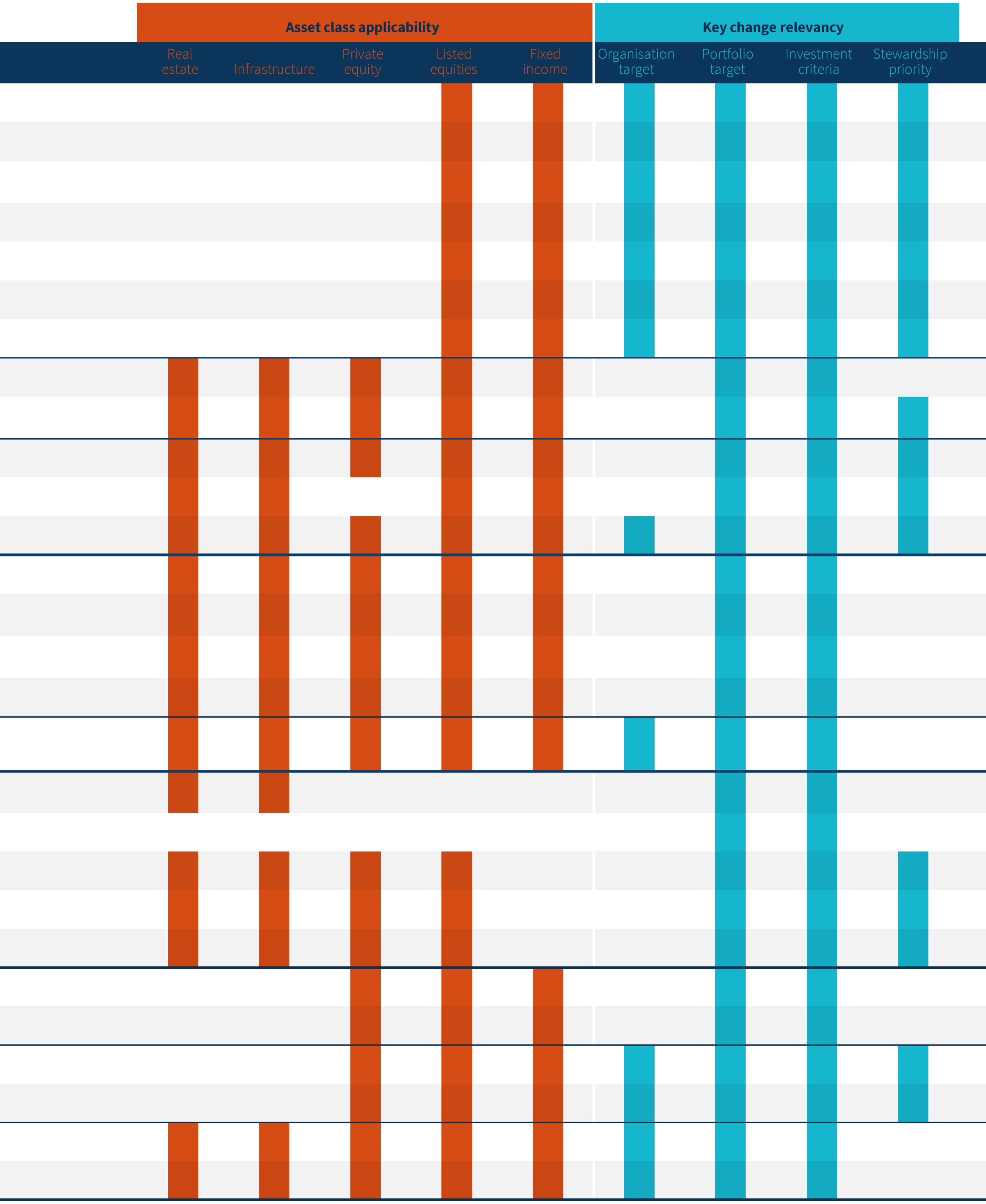
These metrics focus on women overall due to the data limitations on gender and climate. However, investments will not impact all women equally, and there is a need to track in greater detail how climate change and climate investments relate to different groups of women. Where possible, investors should look to apply additional diversity factors to these metrics (e.g. % of women of colour in senior management) to track the impact and opportunities of investments for different groups of women and how addressing gender equity affects climate and business outcomes.

Investors should pick metrics that are most relevant to their organisation and investment strategy, and for which they can collect and analyse data on an on-going basis. This will depend upon asset class, geography (e.g. emerging market vs. advanced economy), chosen target outcomes, and chosen key changes to organisation and investment processes from Section 3. Exhibit 6 presents the long-list of example metrics for investors with suggested relevance for asset classes and key changes to organisation and investment processes. As a starting point, investors should select at least one metric across each of their chosen target outcomes. To go further, investors should select multiple metrics, based on what is most relevant and applicable for their context, as they progress in their gender lens climate investing journey.

For outcome 2 (mitigate the disproportionate impact climate change is having on women), investors should apply a gender lens to the management of physical climate change risks. Exhibit 6 provides illustrative examples of metrics for selected physical climate change risks, however investors should consider which risks are most applicable to their specific investment / portfolio (e.g., access to resources, chronic weather events, and displacement).

Exhibit 6: Example metrics for climate investments mapped to asset classes and key changes

	Key theme	Examples of key metric / measure (non-exhaustive)
1 **Ensure climate investments contribute to addressing gender issues or promoting gender equity**	**Women as employees**	Percentage of women in the workforce
		Percentage of new hires that are women
		Policies in place to support women in the workforce (e.g., parental leave, succession planning and promotion, etc.)
		Average tenure of women employees compared to men employees
		Percentage of women leaving the company
		Percentage of job promotions that go to women
		Value of gender pay gap
	Women within the supply chain	Percentage of suppliers / distributors that are women
		Policies in place to prevent gender discrimination and support fair treatment of workers in supply chain, including those related to GBVH and modern slavery
	Access for women to products & services	Percentage of beneficiaries / consumers who are women
		Percentage of women on R&D / design teams
		Number products / services designed for women (as well as men) as beneficiaries / consumers
2 **Mitigate the disproportionate impact of climate change on women**	**Adaptation & mitigation**	Commitment in place to mitigate the negative physical risks of climate change for women
		Number of women beneficiaries / consumers of climate mitigation / adaptation products and services (compared to men)
		Percentage of capital expenditure committed to gender-smart climate adaptation and / or mitigation financing
		Percentage of extreme weather and climate change recovery funding accessed by women
	Physical climate risk	Specific climate physical risk considerations (e.g. access to resources, displacement, public transportation, agriculture, etc.) (disaggregated by gender where possible)
3 **Mitigate the risks of not considering gender in climate investments**	**Financial inclusion**	Commitment in place to mitigate the negative impacts of climate investments not accounting for women
		Number of job losses / income loss for women avoided (compared to men)
		Number of new jobs created for women (compared to men)
		Percentage of women in technical roles (compared to men)
		Number of women trained / upskilled (compared to men)
4 **Value women as changemakers in climate investments**	**Women as owners and entrepreneurs**	Percentage of women ownership
		Percentage of women founders
	Women as leaders	Percentage of women in senior management positions
		Percentage of women on the board
	Participation of women in climate investing	Percentage of investment committee members who are women
		Percentage of investment team(s) who are women


Asset class applicability
Key change relevancy
Real estate
Infrastructure
Private equity
Listed equities
Fixed income
Organisation target
Portfolio target
Investment criteria
Stewardship priority


SAVE
OUR
PLANET
LOVE
OUR ONLY
HOME
EARTH !!

Section 5
Implementation

This framework is applicable for all investors with climate investments. However, the manner in which an investor adopts the guidance in this framework will vary depending on the specific context of the organisation. Implementation is dependent on asset class, sector, existing gender targets within in the organisation and investment processes, and their progress achieved to date on this agenda. The specific goals of the organisation, and therefore the target outcomes selected, also impact how this framework should be applied. To help minimise the number of climate-related reporting processes for investors, this framework is intended to "dock in" to an investor's existing climate-related reporting. Activities where this framework should be utilised include transition planning, climate-related disclosures, and sustainability reporting. Guidance for linking this framework to these processes is presented in Section 5.2. While there is an opportunity to integrate gender metrics into existing climate frameworks, this is dependent on data access. These data challenges should not prevent firms from taking action and potential mitigation options are discussed in Section 5.3.

5.1 Illustrative case studies for implementation

The implementation of this framework will vary depending on the specific context of the investor. Exhibit 7 includes illustrative case studies to demonstrate the varying ways that investors can apply the guidance in this framework and the enabling metrics across the investment lifecycle. Case studies include a large listed equities investor focused on advanced economies, an infrastructure investor focused on emerging markets, venture capital (VC) firm focused on advanced economies, and a private equity (PE) firm focused on emerging markets. The case studies follow each of the investors as they apply this framework to their organisation and investment processes with suggested metrics. Each investor is approaching gender targets from a different starting point, which is reflected in their chosen metrics.

The metrics included in the case studies are examples of potential considerations for each asset class. Investors should select the metrics from Exhibit 6 that are most relevant to their selected outcomes, asset class, sector, and existing gender targets within their organisation and investment processes. Stewardship engagement will vary considerably by individual investors, however, it can be an impactful lever to support investees to make progress towards gender targets.

Implementation is dependent on asset class, sector, and existing gender targets within the organisation and investment processes

Exhibit 7: Illustrative case studies

Internal organisation
Commit to firm-wide gender targets

Investment screening & decision
Carry out a gender assessment for each climate investment

Portfolio strategy & monitoring
Integrate a gender lens in their climate investment strategy and monitor progress

Investment management
Set and track gender stewardship priorities for key metrics

Case study 1: Large listed equity investor in advanced economies

Element Investors wants to begin applying a gender lens to their climate investments. They are yet to integrate gender targets in their organisation and investment processes. They choose to focus on **outcome 1** and **outcome 4.**

Element Investors sets new targets for:

- % of women in the workforce **(outcome 1)**
- % of women new hires **(outcome 1)**
- % of women in senior management positions **(outcome 4)**
- % of women in the investment committee **(outcome 4)**

Element Investors decides to set gender KPIs where they expect to have access to the data, e.g:

- % of women in the workforce **(outcome 1)**
- % of women on the board **(outcome 4)**
- % of women in senior management positions **(outcome 4)**

Element Investors uses data from large, reputable data providers (e.g. MSCI, Sustainalytics) on publicly listed companies to monitor these KPIs in their portfolio

Element Investors uses data from large, reputable data providers to assess the investee company against the set KPIs before investing

Element Investors sets and tracks targets for the investee company on women in senior management **(outcome 4)** and retention rates **(outcome 1).** They engage with the investee company via stewardship to support them in reaching targets within a 3 year timeframe, or consider divestment

Case study 2: Infrastructure investor in emerging markets and developing countries

Steel Partners is an infrastructure investor looking to improve their gender considerations in climate investments. They have already implemented baseline gender targets in their organisation and investment processes. They choose to focus on **outcome 1** and **outcome 2**

Steel Partners publishes additional targets for:

- Value of the gender pay gap **(outcome 1)**
- Average tenure of women employees **(outcome 1)**
- % of capital expenditure committed to climate adaptation financing **(outcome 2)**

After considering the physical climate change risks of their investment, Steel Partners decides to adopt additional macro level indicators, e.g:

- % of cap ex committed to gender-smart climate adaptation financing **(outcome 2)**
- # of women consumers / beneficiaries of climate adaptation products & services **(outcome 2)**

Steel Partners uses data purchased from a large, reputable data provider to monitor the infrastructure assets in their portfolio

To assess a potential infrastructure asset, Steel Partners sources data on their selected macro-level indicators using environmental impact reports, UN reports, and World Bank data. With the collected data, they conduct an assessment on existing gender inclusion. After the reviewing the assessment, they decide to invest in the infrastructure asset

Steel Partners sets and tracks a target for the number of women able to access key resources **(outcome 2)** as a result of the infrastructure construction and agrees on mitigating actions. They engage with company management and steer the strategy to help them meet their set targets

Case study 3: Venture capitalist in advanced economies

Green Capital is a VC firm interested in improving their gender targets in climate investments. They have only integrated high-level gender targets in their organisation and investment processes. They choose to focus on **outcome 1** and **outcome 4**.

Green Capital sets additional targets for:

- % of women new hires **(outcome 1)**
- % of women promoted **(outcome 1)**
- Average tenure of women employees **(outcome 1)**
- % of women in the investment committee **(outcome 4)**

Green Capital decides to set a targeted origination strategy focusing on more female founders, and sets targets for metrics that can be measured in early stage companies e.g:

- % of ownership by women **(outcome 4)**
- % of women on board **(outcome 4)**
- % of women in the workforce **(outcome 1)**

Green Capital requests and monitors data across their portfolio for each of these metrics. They report on gender in their existing climate reporting framework

As part of the due diligence, Green Capital requests data on the metrics laid out in the portfolio strategy and conducts an assessment on existing gender inclusion. Based on the analysis, Green Capital decides to invest as the company has articulated how they will meet the KPIs within a set timeframe

Green Capital sets and tracks targets for the investee company's products and services to be designed for women (as well as men) consumers **(outcome 1)**. If targets are not being met, Green Capital engages directly with the company management to adjust the strategy to progress towards the set targets

Case study 4: PE firm investing in emerging markets and developing countries

PR Investors is looking to invest in more gender lens climate investments. They have already implemented baseline gender targets in their organisation and investment processes. They choose to focus on **outcome 1, outcome 3** and **outcome 4**.

PR Investors publishes additional targets for:

- Value of the gender pay gap **(outcome 1)**
- # of women trained / upskilled **(outcome 3)**
- % of women in the investment committee **(outcome 4)**
- % of women of colour in the workforce **(outcome 1)**

PR Investors decides to use their influence to set KPIs for nuanced gender metrics, e.g:

- Value of gender pay gap **(outcome 1)**
- % of consumers who are women **(outcome 1)**
- # of new jobs created for women **(outcome 3)**

PR Investors requests and monitors data across their portfolio for each of these KPIs. They report on gender targets in their existing climate reporting framework

As a part of their due diligence, PR Investors requests data on their selected gender metrics and conducts an assessment on existing gender inclusion. PR Investors decides to invest as the company has articulated how they will meet the KPIs within a set timeframe. The investee company have also agreed to include gender targets in their environmental and social action plan, and legal documents

As PR Investors has invested in an emerging market, it sets and tracks a target for the investee company for the number of good new jobs created for women **(outcome 3)** to help improve economic security for women. They also engage with the investee company to set a net zero transition plan, ensuring this includes a gender lens

5.2. How this framework links to other climate reporting frameworks

This framework is intended to "dock in" to an investor's existing climate-related activities and processes. Below is a non-exhaustive list of the activities for investors where this framework should be applied.

Transition Planning

This framework should be applied for organisations drafting transition plans, including actions to support a Just Transition. For example, if following guidance from the Glasgow Financial Alliance for Net Zero (GFANZ) on financial institution net zero transition planning, an organisation should apply this framework in the following instances:

- **Foundations:** When an investor is defining their organisation's net zero objectives and targets, investors should consider the implications for women as part of the transition. In practice, this may involve setting internal organisation gender-lens targets. It will also involve factoring in gender considerations across the investment lifecycle (see key changes 2-4 of this framework).
- **Implementation strategy:** While embedding an institution's net zero objectives in core evaluation and decision-making tools, investors should incorporate a gender assessment as well. This will enable delivery of key change 3 of this framework, which is to conduct an assessment on the impact and opportunities of each climate investment on gender and climate targets to inform investment decisions.
- **Engagement strategy:** While engaging with clients and portfolio companies to encourage net zero-aligned transition strategies, investors should encourage them to consider the impacts their activities have on women. In practice this will involve investors setting gender stewardship priorities and monitoring investee company progress against those specified priorities (key change 4).
- **Metrics and targets:** While setting a suite of metrics and targets, investors should define gender-lens targets for their institution (related to key change 1 of this framework), portfolio (related to key change 2 of this framework), and individual investee companies (related to key change 4 of this framework).
- **Governance:** While setting out the roles, responsibilities, skills and culture required to ensure that a transition is enabled across the institution, investors should ensure that gender-related considerations are explicitly considered. In practice, this will likely be part of delivering key change 1 of this framework (i.e. establish the governance to promote gender equity).

Climate-related disclosures

This framework should be applied when an investor is preparing their climate-related disclosures, such as those in accordance with recommendations from the Taskforce for Climate-related Financial Disclosures (TCFD) or the Glasgow Financial Alliance for Net Zero (GFANZ), as discussed above. In the case of TCFD, the activities and metrics proposed in this framework should help investors to articulate how to apply a gender lens to their assessment of risks and opportunities (part of the TCFD risk management pillar), as well as their strategy to achieve net zero (part of TCFD's strategy pillar).

This framework is intended to "dock in" to an investor's existing climate-related activities and processes

- **Sustainability reporting:** This framework should help investors articulate a clear narrative to stakeholders about how an organisation intends to consider women across its climate-related activities. This could be by, for example, committing to some or all of the key actions proposed in this framework to promote a gender lens across the investment lifecycle. This could help to meet the principles for investment from initiatives such as the Principles for Responsible Investing (PRI) and the UN Global Compact. It could also be committing to measure specific metrics that build on their current reporting activities, such as the Global Reporting Initiative (GRI) and the EU Corporate Sustainability Reporting. Regardless of the approach taken, using this framework should support organisations to articulate their strategies to combat climate change in a way that truly accounts for women.

5.3 Key challenges to implementation and proposed mitigations

Investors should assess data access when identifying target metrics, and consider the opportunity to leverage alternative sources to address existing data gaps. While some of the required data sources will be relatively easy to access, others may be more challenging or not accessible. However, the challenges in data collection should not be a barrier to implementing this guidance. Investors should consider new data sources that they are not currently using when selecting metrics e.g., third party institutional reports. Investors should also assess how easily they can validate this data by checking whether there are multiple sources they can take data from or if they can collect it themselves.

Investors should consider internal capacity to collect and analyse new data sources on an on-going basis, and utilise the information to inform investment decision-making. To mitigate capacity challenges, investors can consider utilising third-party sources or data providers which can aggregate and report on gender targets across different investments. Institutionalising data collection and analysis as a part of investment processes helps to inform investment decision-making.

Four potential data sources are shown in Exhibit 8 along with example metrics that lend themselves to each source. The example metrics are not an exhaustive list, and the chosen metrics will depend on a variety of factors, as explored in Section 5.2. The suitability of each of these data sources is dependent on the investment asset class. For example, acquiring data directly from investee companies will be most relevant for private equity and fixed income investors.

Exhibit 8: Overview of potential data sources with example gender and climate metrics

Publicly disclosed data	Third party institutional reports, e.g., World Bank / UN Reports	Purchasing a data set from a data provider	Directly from investee company
• Percentage of women on the board • Percentage of women ownership	• Specific climate physical risk considerations (e.g. access to resources, displacement, public transportation, agriculture, etc.)	• Value of the gender pay gap • Percentage of job promotions that go to women	• Percentage of suppliers / distributors who are women • Number of products / services designed for women (as well as men) consumers

Appendix

A.1 Guidance for investment analyst teams and investment committees

Investment analyst teams and investment committee members play a key role in tackling gender inequalities by driving climate investments to the right organisations. These teams can be inquisitive about where investment will be made and how it can be used to promote positive outcomes for women.

Exhibit 9 provides an overview of key example questions that investment analyst teams and investment committee members can consider. The questions help them to ask the right questions about gender equity and ensure that climate investment decisions are made by applying the gender lens. While this is not an exhaustive list, it should be used to help identify key topics when considering and making climate investment decisions. See 'The Gender-Smart Climate Finance Guide' by 2X Collaborative and 'A Fund Manager's Guide to Gender-Smart Investing' by CDC and IFC for additional resources on potential screening and questionnaires.

Exhibit 9: Overview of example guidance for investment analyst teams & investment committees

1

Ensure climate investments contribute to addressing gender issues or promoting gender equity

- Can women access new jobs that are created by the investment?
- Does the investment support gender equality among suppliers?
- Does the investment promote products / services that have a focus on women?
- Does the investment have policies in place to actively support women in the workforce?

2

Mitigate the disproportionate impact of climate change on women

- Does the investment have specific commitments in place to mitigate the negative physical risk of climate change for women?
- Does the investment target women as beneficiaries / consumers of climate mitigation / adaptation products and services?

3

Mitigate the risks of not considering gender in climate investments

- Does the investment ensure that jobs typically performed by women are not removed? Are jobs for women created? Are women employees trained / up skilled?
- Does the investment have specific commitments in place to ensure that it accounts for women?

4

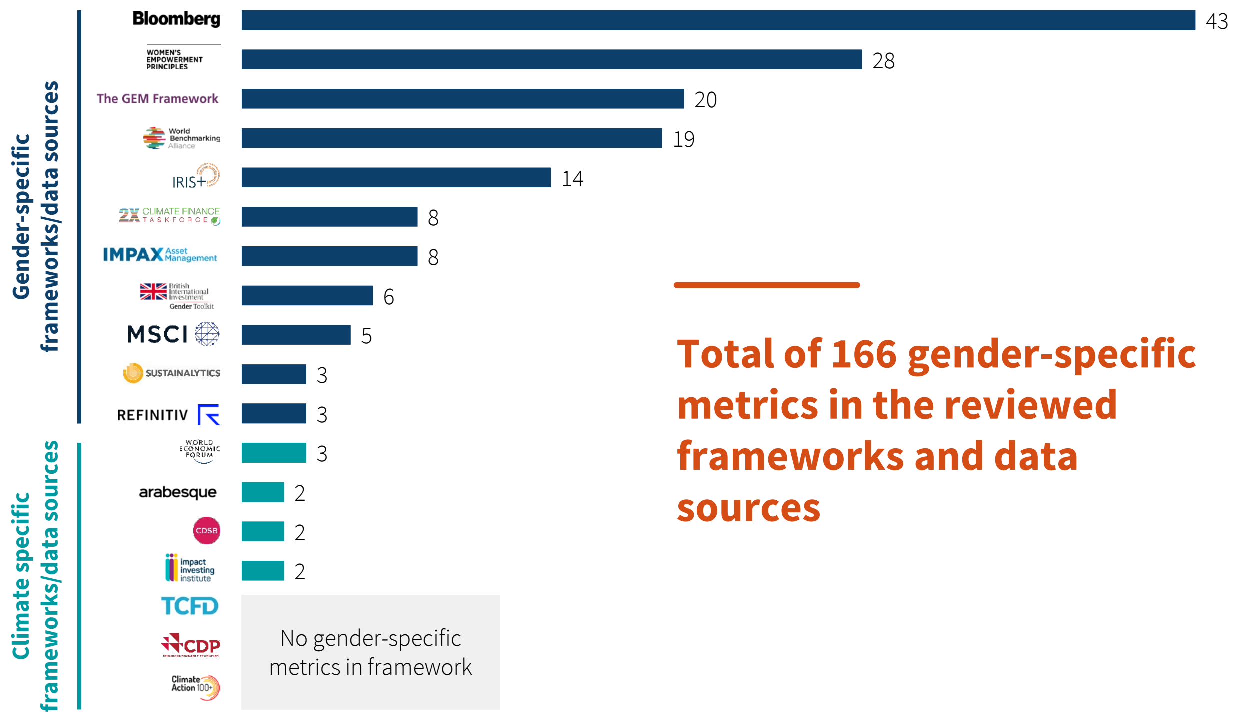
Value women as changemakers in climate investments

- Are women represented in ownership? If not, are there barriers preventing women from ownership?
- Are women represented in senior management positions / on the board?
- Have women played a key role in the internal investment sourcing, assessment and decision-making?
- Do the members of the investment committee have specific gender skills?

A.2 Research on gender-specific metrics

Gender-specific metrics have been analysed across common frameworks and data sources for gender and climate respectively. Exhibit 10 outlines the distribution of metrics across the key frameworks and data sources analysed. A total of 166 gender-specific metrics were identified in the analysed frameworks and data sources. Most of the climate-specific frameworks analysed did not include gender-specific metrics.

Exhibit 10: Distribution of metrics across frameworks and data providers (# metrics)



Total of 166 gender-specific metrics in the reviewed frameworks and data sources

Source: Oliver Wyman analysis

Annex

1. UNDP – Gender and Climate Change (2016)
2. UN Women – Why is Climate Change a Gender Issue? (2014)
3. EconStor – Do female parliamentarians make a difference (2019)
4. WEF – Organizations with women managers are likely to have lower carbon emissions (2022)
5. Morgan Stanley – Why Gender Diversity May Lead to Better Returns for Investors (2022)
6. For example, the 2X Collaborative themes have been used as inspiration for how women could be impacted by climate investing, and Just Transition elements have been used to identify the importance of women engaged in the community as part of a Just Transition.
7. IPCC – Climate Change 2022: Mitigation of Climate Change. Working Group III Contribution to the IPCC Sixth Assessment Report (2022)
8. UNFCCC – COP27 Reaches Breakthrough Agreement on New "Loss and Damages" Fund for Vulnerable Countries (2022)
9. Markandya, A; González-Equino, M - Integrated Assessment for Identifying Climate Finance Needs for Loss and Damage, License: [http://creativecommons.org/licenses/by/4.0/]
10. UNDP – Gender and Climate Change (2016)
11. UN Women – Explainer: How gender inequality and climate change are interconnected (2022)
12. International Monetary Fund – Reaching Net Zero Emissions (2021)
13. IEA 2022; Net Zero by 2050, [https://www.iea.org/reports/net-zero-by-2050], License: [CC BY 4.0]
14. IEA 2021; World Energy Investment 2022, [https://iea.blob.core.windows.net/assets/b0beda65-8a1d-46ae-87a2-f95947ec2714/WorldEnergyInvestment2022.pdf], License: [CC BY 4.0]
15. WEF – Organizations with women managers are likely to have lower carbon emissions (2022)
16. RBC – Wealth Management Survey
17. Bank of America – Global Research (Accessed via Yahoo)
18. Morgan Stanley – Why Gender Diversity May Lead to Better Returns for Investors (2022)

Report qualifications

This report was commissioned by the Women in Finance Climate Action Group (WIFCAG), and prepared by WIFCAG, Oliver Wyman Forum and 2X Global. Input was also provided by BII and SAGANA.

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